BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY BUCKINGHAMSHIRE FIRE AND RESCUE SERVICE

Director of Legal & Governance, Graham Britten Buckinghamshire Fire & Rescue Service Brigade HQ, Stocklake, Aylesbury, Bucks HP20 1BD Tel: 01296 744441 Fax: 01296 744600



Chief Fire Officer and Chief Executive Jason Thelwell

To: The Members of the Overview and Audit Committee

17 July 2017

MEMBERS OF THE PRESS AND PUBLIC

Please note the content of Page 2 of this Agenda Pack

Dear Councillor

Your attendance is requested at a meeting of the **OVERVIEW AND AUDIT COMMITTEE of the BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY** to be held in Meeting Room 1, Fire and Rescue Headquarters, Stocklake, Aylesbury on **WEDNESDAY 26 July 2017 at 2.00 pm** when the business set out overleaf will be transacted.

Yours faithfully

Jahm But

Graham Britten Director of Legal and Governance

Councillors: Brunning, Exon, Glover, A Hussain, N Hussain, Irwin, Teesdale, Watson and Wilson





MAKING YOU SAFER

Recording of the Meeting

The Authority supports the principles of openness and transparency. It allows filming, recording and taking photographs at its meetings that are open to the public. Requests to take photographs or undertake audio or visual recordings either by members of the public or by the media should wherever possible be made to <u>enquiries@bucksfire.gov.uk</u> at least two working days before the meeting.

The Authority also allows the use of social networking websites and blogging to communicate with people about what is happening, as it happens.

Adjournment and Rights to Speak – Public

The Authority may, when members of the public are present, adjourn a Meeting to hear the views of the public on a particular agenda item. The proposal to adjourn must be moved by a Member, seconded and agreed by a majority of the Members present and voting.

Prior to inviting the public to speak, the Chairman should advise that they:

- (a) raise their hands to indicate their wish to speak at the invitation of the Chairman,
- (b) speak for no more than four minutes,
- (c) should only speak once unless the Chairman agrees otherwise.

The Chairman should resume the Meeting as soon as possible, with the agreement of the other Members present.

Adjournments do not form part of the Meeting and should be confined to times when the views of the public need to be heard.

Rights to Speak - Members

A Member of the constituent Councils who is not a Member of the Authority may attend Meetings of the Authority or its Committees to make a statement on behalf of the Member's constituents in the case of any item under discussion which directly affects the Member's division, with the prior consent of the Chairman of the Meeting which will not be unreasonably withheld. The Member's statement will not last longer than four minutes.

Where the Chairman of a Committee has agreed to extend an invitation to all Members of the Authority to attend when major matters of policy are being considered, a Member who is not a member of the Committee may attend and speak at such Meetings at the invitation of the Chairman of that Committee.

Questions

Members of the Authority, or its constituent councils, District, or Parish Councils may submit written questions prior to the Meeting to allow their full and proper consideration. Such questions shall be received by the Monitoring Officer to the Authority, *in writing or by fax*, at least two clear working days before the day of the Meeting of the Authority or the Committee.

OVERVIEW AND AUDIT COMMITTEE TERMS OF REFERENCE

Overview

- 1. To review current and emerging organisational issues and make recommendations to the Executive Committee as appropriate.
- 2. To comment upon proposed new policies and make recommendations to the Executive Committee as appropriate.
- 3. To review issues referred by the Authority and its other bodies and make recommendations to those bodies as appropriate.
- 4. To make recommendations to the Executive Committee on:
 - (a) the Electronic Services Delivery Plan;
 - (b) the Brigade Personnel Strategy;
 - (c) Levels of Incident Response;
 - (d) the Corporate Risk Management Policy;
 - (e) the Authority's Information Policy; and

other such policies and procedures as are required from time to time

5. To consider and make recommendations to the Authority on the Annual Treasury Management Strategy.

Audit

- 1. To determine the internal and external audit plans and the Internal Audit Strategy
- 2. To determine the Internal Audit Annual Plan and Annual Report (including a summary of internal audit activity and the level of assurance it can give over the Authority's governance arrangements).
- 3. To consider and make recommendations on action plans arising from internal and external audit reports, including arrangements to ensure that processes which deliver value for money are maintained and developed.
- 4. To consider and make recommendations to the Executive Committee on reports dealing with the management and performance of the providers of internal audit services.
- 5. To consider and make recommendations on the external auditor's Annual Audit Letter and Action Plan, relevant reports and the report to those charged with governance.
- 6. To consider specific reports as agreed with the Treasurer, Internal Audit, Monitoring Officer, Chief Fire Officer, or external audit and to make decisions as appropriate.
- 7. To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 8. To oversee investigations arising out of fraud and corruption allegations.
- 9. To determine Insurance matters not delegated to officers, or another committee.

10. To consider and determine as appropriate such other matters as are required in legislation or guidance to be within the proper remit of this Committee.

Governance

- 1. To:
 - (a) make recommendations to the Authority in respect of:
 - (i) variations to Financial Regulations; and
 - (ii) variations to Contract Standing Orders.
 - (b) receive a report from the Chief Finance Officer/Treasurer when there has been any variation to the Financial Instructions in the preceding twelve month period.
- 2. To determine the following issues:
 - (a) the Authority's Anti-Money Laundering Policy;
 - (b) the Authority's Whistleblowing Policy; and
 - (c) the Authority's Anti Fraud and Corruption Policy.
- 3. To determine the Statement of Accounts and the Authority's Annual Governance Statement. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Authority.
- 4. To consider the Authority's arrangements for corporate governance and make recommendations to ensure compliance with best practice.
- 5. To monitor the Authority's compliance with its own and other published standards and controls.
- 6. To maintain and promote high standards of conduct by the Members and co-opted members of the Authority.
- 7. To assist Members and co-opted members of the Authority to observe the Authority's Code of Conduct.
- 8. To advise the Authority on the adoption or revision of a code of conduct.
- 9. To monitor the operation of the Authority's Code of Conduct
- 10. To deal with cases referred by the Monitoring Officer.
- 11. To advise on training, or arranging to train Members and co-opted members of the Authority on matters relating to the Authority's Code of Conduct.
- 12. To monitor the operation of any registers of interest, of disclosures of interests and disclosures of gifts and hospitality in respect of officers or Members

Risk

- 1. To monitor the effective development and operation of risk management and corporate governance within the Authority.
- 2. To consider reports dealing with the management of risk across the organisation, identifying the key risks facing the Authority and seeking assurance of appropriate management action.

Employees

- 1. To be a sounding board to help the Authority promote and maintain high standards of conduct by employees of the Authority.
- 2. To advise the Executive Committee on the adoption or revision of any policies, codes or guidance:

(a) regulating working relationships between members and co-opted members of the Authority and the employees of the Authority;

- (b) governing the conduct of employees of the Authority; or
- (c) relating to complaints; and

other such policies and procedures as are required from time to time.

- 3. To monitor the operation of any such policies, codes or guidance mentioned at 2 above.
- 4. To comment on the training arrangements in connection with any of the above.

General

- 1. To make such other recommendations to the Executive Committee on the issues within the remit of the Overview and Audit Committee as required.
- 2. To review any issue referred to it by the Chief Fire Officer, Treasurer, or Monitoring Officer, or any Authority body within the remit of these terms of reference.
- 3. To consider such other matters as are required in legislation or guidance to be within the proper remit of this Committee.
- 4. To commission reports from the Chief Fire Officer, the Internal Audit Service, the Monitoring Officer, or such other officer as is appropriate, when the Committee agrees that such reports are necessary.
- 5. To support the Monitoring Officer and the Treasurer in their statutory roles and in the issue of any guidance by them.
- 6. To receiving reports from the Monitoring Officer in his/her statutory role or otherwise relating to ethical standards and deciding action as appropriate.
- 7. To respond to consultation on probity and the ethical standards of public authorities.

AGENDA

Item No:

1. Election of Chairman

To elect a Chairman for 2017/18

2. Appointment of Vice Chairman

To appoint a Vice Chairman for 2017/18

3. Apologies

4. Minutes

To approve, and sign as a correct record, the Minutes of the meeting of the Committee held on 8 March 2017 (Item 4) (Pages 9 - 16)

5. Disclosure of Interests

Members to declare any disclosable pecuniary interests they may have in any matter being considered which are not entered onto the Authority's Register, and officers to disclose any interests they may have in any contract to be considered.

6. Questions

To receive questions in accordance with Standing Order S0A7.

7. **RIPA Policy (Minute OA39 - 090316) -** To note that there has been no covert surveillance conducted by officers since the last meeting of the Committee.

8. Internal Audit Reports

(a) Final Audit Reports

To consider Item 8a (Pages 17 - 34)

(b) Update on Progress of Audit Recommendations

To consider Item 8b (Pages 35 - 38)

(c) Annual Audit Report 16/17

To consider Item 8c (Pages 39 - 46)

9. Annual Governance Statement 2016/17

To consider Item 9 (Pages 47 - 64)

10. Audit Results Report and Annual Audit Letter

To consider Item 10 (Pages 65 - 124)

11. Letter of Management Representation 2016/17

To consider Item 11 (Pages 125 - 134)

12. Adoption of the Audited Statement of Accounts

To consider Item 12 (Pages 135 - 224)

13. Review of Financial Regulations

To consider Item 13 (Pages 225 - 256)

14. Review of Standing Orders Relating to Contracts

To consider Item 14 (Pages 257 - 276)

15. Treasury Management Performance Q4 16/17

To consider Item 15 (Pages 277 - 284)

16. Corporate Risk Management

To consider Item 16 (Pages 285 - 296)

17. Operational Assurance Improvement Plan

To consider Item 17 (Pages 297 - 366)

18. Business and Systems Integration Project: Progress Report

To consider Item 18 (Pages 367 - 376)

19. Exclusion of Press and Public

To consider excluding the public and press representatives from the meeting by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as Appendix B contains information relating to the financial or business affairs of any particular person (including BMKFA); and on these grounds it is considered the need to keep information exempt outweighs the public interest in disclosing the information:

20. ICT Disaster Recovery Plan

To consider Item 20 (Pages 377 - 384)

21. Date of Next Meeting

To note that the next meeting of the Committee will be held on Wednesday 15 November 2017 at 10.00am.

If you have any enquiries about this agenda please contact: Katie Nellist (Democratic Services Officer) – Tel: (01296) 744633 email: <u>knellist@bucksfire.gov.uk</u>

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Minutes of the meeting of the OVERVIEW AND AUDIT COMMITTEE of the BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY held on WEDNESDAY 8 MARCH at 10.00 am

- **Present**: Councillors Brunning, Clarke OBE (part), Exon, Glover, Teesdale, Watson (Chairman) and Wilson
- Officers: D Sutherland (Director of Finance and Assets), G Britten (Director of Legal and Governance), N Boustred (Head of Service Delivery), J Parsons (Head of Service Development), M Hemming (Deputy Director of Finance and Assets), L Swift (Director of People and Organisational Development), M Gibb (Internal Audit Manager), B Davidson (Internal Audit), S Gowanlock (Corporate Planning Manager), A Carter (BASI Project Manager), A Hussain (Principal Accountant), D Guest (Ernst & Young) and K Nellist (Democratic Services Officer)
- **Apologies:** Councillors Huxley and Mallen

0A25 MINUTES

RESOLVED -

That the Minutes of the meeting of the Overview and Audit Committee held on 14 September 2016, be approved and signed by the Chairman as a correct record.

(Councillor Clarke OBE joined the meeting)

OA26 RIPA POLICY (MINUTE OA39 – 090316)

RESOLVED -

To note that there had been no covert surveillance conducted by officers since the last meeting of the Committee.

0A27

TREASURY MANAGEMENT STRATEGY PRESENTATION

Members received a presentation from David Chefneux, and Nazmin Miah from Capita.

OA28 TREASURY MANAGEMENT PERFORMANCE – QUARTER 3

The Director of Finance and Assets advised Members that the accrued interest earned for the first three quarters of 2016/17 was £130k, which was £55k higher than the budget for the period. The Authority proactively managed its finances and had a well-balanced strategy in terms of the amount of risk taken. It was a solid performance in the current economic circumstances.

RESOLVED -

That the Treasury Management Performance 2016/17 – Quarter 3 report be noted.

OA29 INTERNAL AUDIT REPORTS

a) Internal Audit report: Update of Progress of the Annual Audit Plan

The Internal Audit Manager advised that the purpose of this report was to update Members on the progress of the annual Internal Audit Plan. The work was progressing according to the 2016/17 plan, and regular discussions had been held with the Director of Finance and Assets to monitor progress. Since the last meeting the Financial Planning and Project Management audits had been completed. The final report for the Core Financial Controls audit had also been completed and would be presented to Members at the next meeting. The Business Continuity Planning audit was also now in progress.

RESOLVED -

That the progress on the Annual Internal Audit Plan be noted.

b) Internal Audit Report: Final Audit Reports

The Internal Audit Manager advised that the purpose of this report was to update Members on the findings of the finalised Internal Audit reports issued since the last Overview and Audit Committee meeting. The Financial Planning Audit had been finalised and recommendations had been agreed with the Director of Finance and Assets and suitable dates for implementation had been identified. The areas looked at were the financial planning process, roles and responsibilities, reporting and decision making. The assurance levels were based across three different areas of judgement. The first was management techniques, the second was the design of the control framework and the third was the compliance of the existing control framework.

The Chairman asked if the Capita inflation rate was used in the Medium Term Financial Plan and was advised that a variety of methods were used but inflation rates were kept under review.

The Project Management Audit had also been finalised. This audit focussed on the Business and Systems Integration project. Recommendations had been agreed with the Project Manager and Head of Service Development and suitable deadline dates for implementation had been identified. Internal Audit would monitor the implementation of the recommendations as they fell due. There were five actions raised in total, three were medium priority and two were low priority but for a major project it was fairly minor actions that were raised.

RESOLVED -

That the recommendations raised in the finalised Internal Audit Reports be noted.

c) Internal Audit Report: Update on Progress of Audit Recommendations

The Internal Audit Manager advised Members that this report was the update of the progress of the implementation of audit recommendations. Internal Audit follow up on all actions that were raised as they fall due. There were 37 recommendations to report on, 32 had been fully implemented and 5 were on track but not yet due to be implemented.

The Chairman asked for information on the new finance system and was advised that the new system was called Integra and was provided by Capita. The main benefits of changing systems were that it was a much more modern system; it could be set up exactly as required and would streamline processes and deliver a number of savings. Reconciliations would be done in the system rather than by spreadsheet which would provide a better audit trail with more transparent controls. The new system would go live on 1 April 2017.

RESOLVED -

That the progress on implementation of recommendations be noted.

d) Internal Audit Report: Draft Internal Audit Strategy and Annual Internal Audit Plan 2017/18

The Internal Audit Manager advised Members that this report sets out the Internal Audit Strategy and the proposed Internal Audit Plan for 2017/18. It was a very similar approach as taken in previous years and the annual audit report on the system of internal controls would then be fed into the Annual Governance Statement. The Audit Plan was drafted for approval by this Committee, but it had been through consultation with the Strategic Management Board and took into consideration the Corporate Plan, strategic risks and previous audit activity.

The Internal Audit Manager advised Members that a risk based methodology was used for all audit assignments to provide assurance that key controls were in place and were designed to effectively manage the risks the Authority was facing. The first audit to be undertaken in Quarter 1 was the Fleet Management Audit. The Corporate Governance Audit would be carried out later in the year. The total audit days delivered across the year was 115. The largest bulk of days would be focussing on the Core Financial Controls. The budget had been increased slightly this year due to the implementation of the new finance and HR and Payroll systems, as there would be a whole new set of controls to be documented and provide opinion on. The other audits to be carried out were Corporate Governance and Property Management and there were also contingency days for flexibility. There was also a number of days allowed for following up on audit actions.

A Member asked if it was the intention that all audits would have a 'substantial' opinion and was advised that this was the aspiration.

RESOLVED -

That the Internal Audit Strategy and the Annual Internal Audit Plan be approved.

OA30 ERNST & YOUNG AUDIT PLAN 2016/17

The External Auditor advised Members that the audit plan set out how Ernst & Young would meet their responsibilities for the financial year 2016-17, to provide an audit opinion of whether the financial statements of the Authority gave a true and fair view of the financial position as at 31 March 2017.

The External Auditor advised that:

One financial statement risk had been identified, the risk of management override. This was a common risk across audits and was a mandatory requirement to be considered, although there had been no historical issues around this area and there was also nothing that has been brought to the External Auditor's attention. There were no other significant risks to bring to Members attention on the financial statements;

At the next meeting the External Auditor would bring the final report and within it would be reported any uncorrected audit misstatements greater than \pounds 42k for the main financial statements and \pounds 10k for the Pension Fund;

The timescale for close down of the audit would be moving forward in 2017/18. The existing deadline was the end of September and that was now moving to the end of July for 2018/19. The Authority was in a very good place as last year the accounts were able to be signed off at the July meeting of this Committee and the Authority was looking to do that again this year; and

There had been no change in the fees for this year.

A Member asked when the decision would be made by Public Sector Audit Appointments Ltd (PSAA) regarding the appointment of auditors when the current contract expired and was advised that the OJEU notice was issued on 16 February 2017, the opt-in deadline for eligible bodies was 9 March 2017 and the contracts were looking to be awarded at the end of June 2017.

RESOLVED -

That the plan set out in Annex A be noted.

OA31 2015/16 STATEMENT OF ASSURANCE

The Corporate Planning Manager advised that:

This was the fourth annual Statement of Assurance which had been presented to this Committee and was a mandatory document required by the National Framework. The Statement of Assurance covers the 2015/16 financial year and includes assurance related activities undertaken within that period. The format and precise content was left to local discretion, but the Authority followed the Government guidance fairly closely;

Members would see from the report that changes since the last Statement were highlighted. Some of the changes related to changes in the legislative and regulatory framework that pertain to the various assurance processes that the Authority operates. Other changes were to reflect the latest opinions of internal and external auditors in relation to their audits of key internal control and governance processes; and

Members would see there were links to the public consultation work that was carried out to inform the Authority's decision making in relation to the blue light hub project at West Ashland in Milton Keynes and there were details of the aid that was provided to Oxfordshire during the incident at Didcot Power Station last year and of the measures taken to ensure the resilience and availability of assets that can be deployed to deal with major civil contingencies at local, regional and national levels.

A Member asked if next year's report could be brought to an earlier meeting and was advised by the Director of Legal and Governance that a Statement of Assurance was currently a requirement of the National Framework. With the advent of an inspectorate, the Home Office may instead place more reliance on inspectorate reports and no longer require a Statement of Assurance. If it was still mandated for 2016/17, officers would endeavour to ensure it comes earlier in the calendar.

RESOLVED -

That the 2015/16 Statement of Assurance be approved for signature by the Chairman and Chief Fire Officer.

OA32 OPERATIONAL ASSURANCE AUDIT

The Head of Service Development reminded Members that the Service had been the subject of a Peer Review in the 2014/15 financial year. This review focused on a number of areas, but was not an in depth review of the Service's operational response arrangements. As previously mentioned, legislation had now been

Overview and Audit Committee (Item 4), 26 July 2017

put in place to create an Inspectorate of Fire and this function was expected to undertake its first inspections during the current financial year.

The Head of Service Development advised that:

Officers commissioned an independent operational assurance audit which was carried out by Operational Assurance Limited (OAL) in October 2016. The service had received the audit report in December 2016 and had subsequently developed a detailed improvement plan to focus on areas identified for improvement by the audit team; and

OAL did not find any serious failings and in fact were extremely complimentary about the Authority's performance and also the openness of its staff. OAL identified three areas of priority for improvement as noted on the improvement plan. The timing had been useful as it coincided with reconstituting a new team with a focus on operational assurance which had replaced a previous performance and evaluation team.

Members welcomed the proposals that OAL would revisit the service to examine the progress against their recommendations; and that AOL would be available to present to the Authority at a later date.

A Member asked if the recommendations could be completed within the timeframe and was advised that they could.

The Director of People and Organisational Development advised Members that the Operational Assurance team was led by the Head of Training and over the last two years the Service had changed the way it approached operational training. Previously most training was undertaken in the classroom, but now as much as possible was station based with validation taking place at the Fire Services College.

The Director of People and Organisational Development also advised Members that the team would be fully staffed from 1 April 2017 and the Chief Fire Officer would like to undertake one more external review before an inspection could take place. In parallel there would be a professional standards body and in time the inspectorate would inspect against whatever the professional standards body defined as standard. A lot of standards would be operational performance including workforce standards as well.

Members welcomed the suggestion of a workshop on these continuous improvement themes.

(The two Internal Auditors left the meeting)

RESOLVED -

1. That the OAIP be noted.

Overview and Audit Committee (Item 4), 26 July 2017

- 2. That it be noted that the ongoing management of the OAIP will be overseen by the OAG which will report on performance against the OAIP to the Performance Management Board (PMB), SMB and the Overview and Audit Committee as set out in the OAG terms of reference.
- 3. That the terms of reference for the OAG and its resources be noted.

OA33 CORPORATE RISK MANAGEMENT

The Corporate Planning Manager advised Members that this was the regular update on corporate risk that was provided at every meeting of the Committee. As there was not a meeting in December, the risk register was last presented to Members at the meeting on 14 September 2016 for review. Since then, it had been kept under regular review at quarterly Performance Management Board meetings and monthly Strategic Management Board meetings and Members would see that there had been some changes. In particular, the risk relating to the Thames Valley Fire Control Service had been de-escalated as it had demonstrated the required level of resilience since cut over from the Authority's own local arrangements. However, Service Delivery would keep a watching brief and report on its status to the Performance Management Board on a quarterly basis.

The Corporate Planning Manager advised Members that the funding and savings risk had also been reviewed, and whilst the Authority does have a very robust Medium Term Financial Plan (MTFP), this risk had been maintained at red status as there were still considerable financial uncertainties around issues such as the future outlook for USAR, Government Grant Funding and the potential for some inflationary pressures arising during the Brexit process that could impact on the Authority. The assessments of the other two risks were largely unchanged at this time, although would be revisited in April once the effects of measures such as the apprentice scheme and flexible firefighter pilot became clearer.

The Director of Finance and Assets advised Members that because of the uncertain future funding of USAR he had begun negotiations with the owner of the building (Unit 7) which housed USAR to secure more flexibility for the termination options in the lease.

RESOLVED -

That the status report on identified corporate risk at Annex C be reviewed.

OA34 BUSINESS AND SYSTEMS INTEGRATION PROJECT: PROGRESS REPORT

The Business and Systems Integration Project Manager advised Members that the system build for both the Finance and HR and Payroll systems was on track. Finance was nearly complete and signed off to go live on 1 April 2017 and HR and Payroll had undertaken a first parallel run and would undertake a second one shortly. Training of staff on the new system had begun.

From the internal audit for Project Management as mentioned previously, three medium and two low actions were identified. Of the three medium, two had been completed and one was due for completion in July. The two low actions were ongoing information that should be considered and so no date had been set for completion.

The Project Manager advised Members that spend remained on track and there were no plans to use the contingency budget. The next two systems to be implemented were the Resource Management and the Premises Risk Management Systems. The contract for Active Informatics to provide the Premises Risk Management System had now been signed and work had begun to ensure it was built to specification.

A Member asked if back up was kept on site and was advised that the systems were cloud hosted.

Officers were congratulated for the delivery of the project on time; and on budget.

RESOLVED -

That the report be noted.

THE CHAIRMAN CLOSED THE MEETING AT 12.00PM

ITEM 8(a)

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Overview and Audit Committee			
DATE OF MEETING	26 July 2017			
OFFICER	David Sutherland, Director of Finance and Assets Maggie Gibb, Internal Audit Manager			
LEAD MEMBER	Councillor David Watson			
SUBJECT OF THE REPORT	Internal Audit Report: Final Audit Report			
EXECUTIVE SUMMARY	The purpose of this paper is to update Members on the findings of the finalised Internal Audit report issue since the last Overview and Audit Committee meeting			
	The 2016/17 Core Financial Controls audit has been finalised.			
	Recommendations have been agreed with the Deputy Director of Finance and Assets, and suitable deadline dates for implementation have been identified.			
	The outcome of the report is a 'Substantial' level of assurance that relevant risks are effectively identified, managed and controlled.			
	Internal Audit will monitor implementation of the recommendations as they fall due.			
ACTION	Information.			
RECOMMENDATIONS	That recommendations raised in the finalised Internal Audit report be noted.			
RISK MANAGEMENT	There are no risk implications arising from this report.			
FINANCIAL IMPLICATIONS	The audit work is contained within the 2016-17 budget.			
LEGAL IMPLICATIONS	There are no legal implications arising from this report.			
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	Not applicable.			

HEALTH AND SAFETY	There are no health and safety implications arising from this report.
EQUALITY AND DIVERSITY	There are no equality and diversity implications arising from this report.
USE OF RESOURCES	Communication and progress monitoring All audits, follow up reports and further updates will be submitted to SMB and Overview and Audit Committee.
PROVENANCE SECTION & BACKGROUND PAPERS	Internal Audit Plan 2016/17 Internal Audit reports taken to Overview and Audit Committee
APPENDICES	Appendix A: Core Financial Controls 2016/17
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	Maggie Gibb – Internal Audit Manager mgibb@buckscc.gov.uk 01296 387327

AUDIT AND RISK MANAGEMENT

INTERNAL AUDIT REPORT

BUCKINGHAMSHIRE & MILTON KEYNES FIRE AUTHORITY

Core Financial Controls 2016/17

March 2017





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Audit Control:

Closing meeting: Draft report: Management response Final report:	es:	27 January 2017 9 February 2017 24 February 2017 26 June 2017
Auditors:	Maggie Gibb Betty Davidson Grace Woolnough	Chief Internal Auditor Senior Auditor CIPFA Trainee
Report Distribution:	-	
Draft Report	Mark Hemming David Sutherland Asif Hussain Sharon Elmes Kerry McCafferty	Deputy Director of Finance and Assets Director of Finance and Assets Principal Accountant Employee Services and Payroll Manager Head of Human Resources
Final Report as above		
plus:	Jason Thelwell Adrian Busby Ernst and Young	Chief Fire Officer Chair, Bucks and Milton Keynes Fire Authority External Audit



1. Executive Summary

1.1 Overall Audit Opinion

In our opinion **Substantial** assurance can be provided that relevant risks are effectively identified, managed and controlled.

- 1.2 The overall audit assurance is made up of three supporting judgements:
 - a) Our assurance on the adequacy of the risk management techniques employed within the auditable area is substantial. This relates to the extent to which relevant risks have been identified, monitored and managed.
 - b) Our assurance on the adequacy of the existing control framework to reduce identified risks to an acceptable level is substantial.
 - c) Our assurance on the adequacy of compliance with the existing control framework is reasonable.

1.3 The Director of Finance and Assets has overall responsibility for the finance function at BMKFA. The Deputy Director of Finance and Assets oversees the day-to-day operation of the Finance Team.

The main responsibilities of the Finance Team include advising on the strategic direction of finance for the organisation; budget monitoring and medium term financial planning; capital accounting; journals and virements; Treasury Management (including cash flow); banking; reconciliations; payroll bacs payments; accounts payable and receivable; VAT and procurement.

The Director of People and Organisational Development (POD) has overall responsibility for the recruitment and payroll process. The Head of Human Resources oversees the day-to-day operation of the POD Team.

The POD team provide all Human Resource (HR) advisory, transactional and payroll services to the Authority.

BMKFA have recently completed a tender exercise to replace the SAP

Financial System including Payroll with two systems more suited to the needs of the Authority. The new systems, provided by Capita (with provision of the HR/Payroll system sub-contracted to Midland HR), will be implemented 1 April 2017. Once the new systems are in place Financial Instructions, Financial Regulations and procedure notes will be revised to reflect any changes to processes required by the systems.



- 1.4 In addition to the findings summarised below, we also found the following examples of good practice
 - There is a robust system in place for the setting up of new vendors that includes a standard form giving vendor details and the checks that have taken place.
 - It was found during the audit that evidence for processing all types of transactions is maintained and is easily accessible.
- 1.5 Some areas for improvement were identified. One high priority action has been identified as below:

One MMF deposit for £1m made on Monday 23 May 2016 was not approved by the cut off time of 11a.m. however the CHAPS payment went through and the cash not returned to BMKFA's bank account until Friday 27 May 2016. Additionally one investment of £1m was made with Skipton Building Society for a period of six months; the maximum duration approved in the Treasury Management Strategy and advised by Capita for this Building Society is 100 days.



1.6 Recommendations summary:

In order to provide an assurance on the extent to which the risks identified are managed, our review focussed on the main business objectives within Core Financial Controls processes.

Progress in implementing the management actions will be tracked and reported to the Overview & Audit Committee.

Business Area	Risk		Findings	
		High	Medium	Low
Financial Control Framework	 Financial Regulations/Instructions are not comprehensive, up to date or approved. Financial risks are not identified or managed in accordance with the corporate Risk Management Policy. Staff are unaware of roles and responsibilities. Access controls and segregation of duties are inadequate. Inadequate budgetary control process results in budget over/under spends. 	0	1	1
Creditors	Creditor payments are not authorised, accurate, timely, or are not in respect of goods and services received by BMKFA.	0	0	0
Debtors	 All income due to the organisation is not properly identified, allocated or accounted for. Income due has not been invoiced, received or action taken to recover the debt. 	0	1	0
Payroll	Payments are made which are not bona fide or not at the correct and authorised rate.	0	1	0
General Ledger	 Financial transactions are not accurately or completely recorded. Transactions are not authorised or supported by documentary evidence. 	0	0	1
Grant Income	Grant income is not properly planned, identified, allocated or accounted for.	0	0	0



Capital	There is no approved capital	0	0	0
	programme and capital			
	assets are not recorded or			
	accounted for correctly.			
Banking and Reconciliations	 Banking transactions are not 	0	0	0
	bona fide, accurate or			
	authorised.			
	 Reconciliations are not 			
	carried out and signed off on			
	a regular basis.			
VAT	VAT is not correctly	0	0	1
	accounted for by the Authority	-	-	
	and VAT returns are not			
	submitted in a timely manner.			
Treasury Management	Treasury Management	1	0	1
	Strategy is not approved, or	•	Ŭ	
	not in accordance with			
	recommended practices and			
	legislation.			
	Transactions are not			
	appropriately authorised.			
	The integrity and reliability			
	of the treasury management			
	system is compromised due			
	to inadequate access			
	controls.			
	 Information received by 			
	Treasury Management to			
	enable effective cash flow			
	forecasting to take place is insufficient, inaccurate or out			
	of date.			
	Lack of reporting and manitoring of Tracoury			
	monitoring of Treasury			
	Management activity.	4		4
TOTAL		1	3	4

The detailed findings are summarised in Section 3 of this report. All findings have been discussed with the Deputy Director of Finance and Assets and the Principal Accountant who have agreed all the findings and produced an action plan to implement them.

1.7 There were no aspects of this audit which were considered to have value for money implications for the Authority or which indicated instances of over control. Any relevant findings will have been included in the findings and recommendations section of this report.



2. Background

- 2.1 The audit review of Core Financial Controls formed part of the agreed audit programme for 2016/17. The review was carried out during January 2017.
- 2.2 The Core Financial Controls area was categorised as high risk as part of the audit needs assessment exercise based on its relative importance to the achievement of the Authority's corporate objectives. The Authority's objective for the area is to ensure that there are robust governance arrangements in place and all financial transactions are accurate and appropriately authorised. The objective of our audit was to evaluate the area with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice. A detailed summary of the scope of this review can be seen in Appendix A.

Date of last audit:	May 2016		
Overall last audit opinion:	Substantial		
Number of recommendations agreed	High	1	
with Management last audit:	Medium	5	
	Low	4	
Follow Up: Number of	High	0	
recommendations implemented by	Medium	4	
Management since last audit:	Low	3	

2.3 The outcome of the previous audit in this area can be summarised as:

There are three actions outstanding from the previous audit. One is relating to the reconciliations between the Tranman system and SAP, although there are no longer any cash payments being taken there is still no reconciliation taking place between the invoices issued from Tranman and the payments made on SAP. This action has been rewritten and restated in this audit report.

The other two actions are relating to updating Contract Standing Orders and Financial Instructions. As there will be a new finance system in place from April 2017 the action date for these has been changed to June 2017. Contract Standing orders will be revised to align with Royal Berkshire Fire and Rescue Service to enable joint procurement exercises to be undertaken more effectively.

There are also two actions outstanding from the 2014/15 audit, these relate to updating process notes and guidance for financial systems. The action date for this has been changed to June 2017 to coincide with the implementation of the new finance system.



Recommendations and Action Plan

The control description column details the actual controls that should be established to mitigate identified risk. The Findings & Consequences column details the results of analysis and tests carried out.

The priority of the findings and recommendations are as follows:

- **High** immediate action is required to ensure that the objectives for the area under review are met.
- **Medium** action is required within six months to avoid exposure to significant risks in achieving the objectives for the area under review.
- Low action advised within 9 months to enhance control or improve operational efficiency.

	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
Key	Area	Treasury Management			
1	All Treasury Management transactions are approved. Investments are made in accordance with the approved Treasury Management Strategy.	 A sample of five Money Market Fund (MMF) deposits, five MMF redemptions, five other investments and two loans were tested. It was found that: One MMF deposit for £1m made on Monday 23 May 2016 was not approved by the cut off time of 11a.m. however the CHAPS payment went through and the cash returned to BMKFA's bank account on Friday 27 May 2016. One investment for £1m was made with Skipton Building Society for a period of 6 months, the maximum duration approved in the Treasury Management Strategy for Skipton BS is 100 days and the CAPITA credit rating is green – maximum 	Η	 The process for making CHAPS payments will be reviewed to ensure that MMF deposits cannot be made before they are approved via the trading portal. The maximum deposit time will be checked by the approver before an investment is made to ensure that the investment period does not exceed the approved period. 	Who to be actioned by: Deputy Director of Finance and Assets When to be actioned by: February 2017



	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
Кеу	Area	duration 100 days. There is a risk that inappropriate transactions are processed, additionally cash flow is affected and interest loss. Financial Control			
2	Access to SAP critical transactions is restricted to appropriate staff.	 Access to SAP critical transactions was tested, this included transactions relating to the Debtors, Creditors and General Ledger systems. From other SAP access testing it was found that one officer has access to a range of transactions tested relating to the Debtors, Creditors and General Ledger systems. The access to process transactions relating to the creditors and debtors process was reviewed and it found that a number of users that have access to these transactions are not part of the finance team. In two cases the user is also an approver in SAP. The access to PA40 which allows a user to change HR master data was reviewed. It was found that for one member of the HR team who left the Fire Authority in August 2016 the access was not locked on SAP. This does not allow for an adequate separation of duties and inappropriate access leading to an increased risk of error or fraud. 	Μ	 A full review of access to transactions on the new financial systems will be undertaken before go-live to ensure that users only have access where it is necessary for their role. It will also be ensured within this review that there is an adequate separation of duties within all financial processes. Access to SAP will be locked for staff who no longer work at the Fire Authority. 	Who to be actioned by: Principal Accountant When to be actioned by: April 2017



	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
Key	Area	Debtors			
3	Aged Debt reports are produced and reviewed by Finance on a regular basis and debts chased promptly.	The process for raising invoices for private work done in the Workshops for external customers was reviewed. A job card and invoice are first raised in Tranman to the customer and a payment is raised in SAP to the 'Workshops Ad Hoc Work' customer after the work is complete. It was found that not all customers pay when the work is completed, invoices are only marked as paid on the paper copy of the Tranman invoice and not within Tranman so no reports are run on outstanding debts. No reconciliation is being carried out between Tranman and SAP to ensure that all customers have paid and that all payments have been recorded. There is a risk that all income due to the Workshops is not collected	Μ	The process for invoicing customers for ad hoc work completed in the Workshops will be reviewed and revised to ensure that all invoices are paid on completion of the work. Additionally reconciliations will be undertaken between the finance system and Tranman to identify any payments either not made or not recorded on the finance system.	Who to be actioned by: Principal Accountant When to be actioned by: July 2017



	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
Key	Area	Payroll			
4	Request to recruit form is approved by Finance and HR.	 A sample of five starters from April 2016 to date was checked. The following issues were found: For one of the sample the request to recruit form could not be found. The form had been signed by Finance and HR and then left on the recruiting manager's desk. There is an email trail confirming what happened to the form. There is a risk that confidential information is accessible. 	Μ	 The process for the approval of forms should be reviewed and amended to reduce the risk of forms being lost. POD received approximately 35 request to recruit forms in the last year. POD have tighter controls on post coming into the department and many forms are now submitted via email. The introduction of the new HR system will enable a workflow to be built as part of the phase 2 E-Recruitment work which will eradicate paper forms and remove the risk identified. (Note the request to recruit form contains no confidential data) 	Who to be actioned by: HR Services and Development Manager When to be actioned by: 30 September 2017



	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
Key	Area	Financial Control	1		
5 5	Area Changes to budgets are approved in accordance with Financial Instructions.	Financial ControlA sample of 10 virements processed from 1 April 2016 to 31 December 2016 was tested.The following issues were found:One virement in the sample had an incorrect figure vired of £14,790; the correct amount was £17,490. This was reported to the Principal Accountant at the time of the audit.From a review of the virements in the sample it was evident that amounts are not always rounded consistently, ranging from £10 to £100. In one case the virement totalled £12,300 however with roundings was processed as £12,000.There is a risk that the amount vired is not as agreed leading to incorrect budgets.	L	 The incorrect figure will be investigated and amended to reflect the correct figure. The use of roundings will be reviewed and a standard approach will be agreed. 	Who to be actioned by: Principal Accountant When to be actioned by: April 2017

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	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
Key	Area	General Ledger			
6	Journals are authorised by cost centre manager/budget holder and input by Finance.	A sample of 10 journals raised since April 2016 was tested. Nine of the journals had been appropriately authorised however one had been input twice (by 2 different people) in error and had later been reversed, the second journal form had not been approved, it is likely that this led to it being input twice. There is a risk that a journal transaction is processed that is not agreed by the budget holder.	L	All journals will be input and authorised via electronic workflow by a Principal Accountant (or higher) in the new finance system.	Who to be actioned by: Principal Accountant When to be actioned by: April 2017

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	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation		
Key	Area	VAT	1				
7		All VAT returns were reviewed form April to November 2016 to ensure that they were input on time and the VAT reclaimed had been received.	L	This issue will be investigated and the VAT reclaimed.	Who to be actioned by: Principal		
		The VAT returns for May and November were selected			Accountant		
		for further testing to ensure that the input and output VAT agreed to backing paperwork, it was found that:			When to be actioned by:		
		The VAT received did not match the VAT spreadsheet for the October income and this error had carried forward to the November spreadsheet. The Principal Accountant explained that this had been caused by a vendor mixing standard rated and exempt supplies on the same invoice leading to 16.5% VAT being charged totalling £110. This amount is being carried forward until the query is resolved			July 2017		
		There is a risk that the £110 VAT will not be recovered by the Fire Authority.					
Key Area		Treasury Management					
8	Up to date guidance is available to Finance staff.	dance isreviewed. It was found that reference is made to staffilable towho are no longer employed by BMKFA i.e. Richard	L	Treasury Management process notes will be updated to reflect current responsibilities.	Who to be actioned by:		
					Principal Accountant		
		There is a risk of delay to the process.			When to be actioned by: March 2017		



Appendix A

AUDIT SCOPE AND FRAMEWORK

4. Specific Audit Scope

- 4.1 We have evaluated the area against the following identified key risk areas which we agreed with management:
 - Financial Control
 - Creditors
 - Debtors
 - Payroll
 - General Ledger
 - Grant Income
 - Capital
 - Banking and Reconciliations
 - VAT
 - Treasury Management
- 4.2 Following preliminary risk assessments Pensions were not included within the scope of this review as this was audited separately in 2015/16. Additionally a review was completed in June 2016 of the transfer to the new pension administrator.

5. Staff Interviewed

- Mark Hemming, Deputy Director of Finance and Assets
- Asif Hussain, Principal Accountant
- Mark Stevens, Principal Accountant
- Marcus Hussey, Trainee Accountant
- Linda Blunt, Finance Officer
- Jessica Bunce, Finance Assistant
- Sharon Elmes, Employee Services and Payroll Manager
- Fran Hale, Senior Administrator, POD
- Lynda Donohoe, Receptionist/Administrator



6. Audit Methodology and Opinions

- a. The audit was undertaken using a risk-based methodology in a manner compliant with the CIPFA Code of Practice. The audit approach was developed with reference to the Internal Audit Manual and by an assessment of risks and management controls operating within each area of the scope. Where we consider that a risk is not being adequately managed, we have made recommendations that, when implemented, should help to ensure that the system objective is achieved in future and risks are reduced to an acceptable level.
- b. The matters raised in this report are only those, which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the risks that exist or all improvements that might be made.
- c. Each audit will result in an overall 'audit assurance'. A detailed summary will be provided to the Overview and Audit Committee for all 'limited' assurance opinion reports. The range of audit opinions is outlined below:

ASSURANCE	SUBSTANTIAL	REASONABLE	LIMITED
Adequacy of risk management techniques employed within the area.	Thorough processes have been used to identify risks. Action being taken will result in risks being mitigated to acceptable levels. No more monitoring is necessary than is currently undertaken.	The action being taken will result key risks being mitigated to acceptable levels. Some additional monitoring is required.	No action is being taken, OR insufficient action is being taken to mitigate risks. Major improvements are required to the monitoring of risks and controls.
Adequacy of the existing control framework to reduce identified risks to an acceptable level.	Controls are in place to give assurance that the system's risks will be mitigated.	Most controls are in place to give assurance that the system's key risks will be managed but there are some weaknesses.	The control framework does not mitigate risk effectively. Key risks are not identified or addressed.
Adequacy of compliance with the existing control framework.	The control framework is generally complied with. Emerging risks are identified and addressed in a timely manner.	Compliance with the control framework mitigates risk to acceptable levels, except for the risks noted.	Compliance is poor so risks are not being mitigated to acceptable levels and it is probable that some objectives will not be, OR are not being achieved.

d. The responsibility for a sound system of internal control rests with management. Internal audit procedures are designed to focus on areas identified by management as being of greatest risk and significance. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.



Buckinghamshire & Milton Keynes Fire Authority

MEETING	Overview and Audit Committee		
DATE OF MEETING	26 July 2017		
OFFICER	David Sutherland – Director of Finance and Assets		
	Maggie Gibb – Internal Audit Manager		
LEAD MEMBER	Councillor David Watson		
SUBJECT OF THE REPORT	Internal Audit Report: Update on progress of audit recommendations		
EXECUTIVE SUMMARY	The purpose of this paper is to update Members on the progress of the implementation of audit recommendations made as at 23 June 2017.		
	Any further progress against outstanding recommendations will be verbally presented to the Overview and Audit Committee on 26 July 2017.		
	In total there are 26 recommendations to report on the status of which are classified as follows:		
	Green (Implemented) 24/26 (92%)		
	Amber (on track not yet due) 1/26 (4%)		
	Red (not implemented, due date revised) 1/26 (4%)		
	There are no outstanding recommendations to bring to the attention of the Members at this time.		
	Internal Audit continues to actively monitor implementation of all outstanding recommendations throughout the year.		
ACTION	Information.		
RECOMMENDATIONS	That the progress on implementation of recommendations be noted.		
RISK MANAGEMENT	There are no risk implications arising from this report.		
FINANCIAL IMPLICATIONS	The audit work is contained within the 2017-18 budget.		
LEGAL IMPLICATIONS	There are no legal implications arising from this report.		
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	Not applicable.		

HEALTH AND SAFETY	There are no health and safety implications arising from this report.
EQUALITY AND DIVERSITY	There are no equality and diversity implications arising from this report.
USE OF RESOURCES	Communication and progress monitoring All audits, follow up reports and further updates will be submitted to SMB and Overview and Audit Committee.
PROVENANCE SECTION & BACKGROUND PAPERS	Internal Audit Plans 2015/16 and 2016/17 Internal Audit reports taken to Overview and Audit Committee
APPENDICES	Annex A: Status of Internal Audit Recommendations – 23 June 2017
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	Maggie Gibb – Internal Audit Manager mgibb@buckscc.gov.uk 01296 387327

ANNEX A:

Status of Internal Audit recommendations – June 2017

Audit Assignments	Date of final audit report	Overall Assurance	No of recommendations made	No of recommendations Implemented	Implemented since last meeting	Direction of Travel (see notes)	Red Recommendations at 23 June 2017 Red Recommendation has not yet been implemented and will not meet the original deadline Amber Recommendation is progressing, not due to be actioned yet. Green Recommendation has been actioned		ot yet been t meet the gressing, not
2014/15									
Core Financial Controls	March 2015	Substantial	8	8	2	1	0	0	8
2015/16									
Core Financial Controls	May 2016	Substantial	10	8	1		1*	0	9
2016/17									
Financial Planning	November 2016	Substantial	3	3	2	1	0	0	3
Project Management	January 2017	Reasonable	5	4	4	1	0	1	4
Totals			26	24	8		1	1	24

Notes for Overview and Audit Committee:

* **Core Financial Controls 2015/16** – One recommendation relates to updating Financial Instructions. Financial Regulations are to be presented to Overview and Audit Committee in July 2017. Once these have been approved, the Financial Instructions will be updated and presented to O&A Committee later this year.

Direction of travel indicates how well recommendations have been progressed since previous Overview and Audit Committee meeting.



Further recommendations have been implemented in period



No recommendations due for implementation in period

Recommendations due for implementation have not been actioned

ITEM 8(c)

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Overview and Audit Committee
DATE OF MEETING	26 July 2017
OFFICER	David Sutherland, Director of Finance and Assets Maggie Gibb, Internal Audit Manager
LEAD MEMBER	Councillor David Watson
SUBJECT OF THE REPORT	Annual Audit Report 2016/17
EXECUTIVE SUMMARY	To present the draft Annual Audit Report to the Overview and Audit Committee.
	In line with best practice, an annual report on the internal control environment is presented to those charged with governance.
	The Chief Internal Auditor's opinion is that the Fire Authority's system of internal control and risk management facilitates the effective exercise of the Authority's functions. This provides reasonable assurance regarding the effective efficient and economic exercise of the Authority's functions.
	This opinion is reflected in the Annual Governance Statement.
ACTION	Information.
RECOMMENDATIONS	That the contents of the Annual Report be noted.
RISK MANAGEMENT	There are no risk implications arising from this report.
FINANCIAL IMPLICATIONS	The audit work was contained within the 2016-17 budget.
LEGAL IMPLICATIONS	There are no legal implications arising from this report.
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	Not applicable.
HEALTH AND SAFETY	There are no health and safety implications arising from this report.
EQUALITY AND DIVERSITY	There are no equality and diversity implications arising from this report.

USE OF RESOURCES	Communication and progress monitoring All audits, follow up reports and further updates will be submitted to SMB and Overview and Audit Committee.			
PROVENANCE SECTION & BACKGROUND PAPERS	Internal Audit Plan 2016/17 Internal Audit reports taken to Overview and Audit Committee			
APPENDICES	Appendix A – Annual Audit Report 2016/17			
TIME REQUIRED	10 minutes.			
REPORT ORIGINATOR AND CONTACT	Maggie Gibb – Internal Audit Manager mgibb@buckscc.gov.uk 01296 387327			

Buckinghamshire & Milton Keynes Fire Authority



Internal Audit Service Annual Report of the Chief Internal Auditor 2016/17

page 6

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Summary of Audit Opinions 2016/17 and Audit Methodology

1 Background

1.1 The Account and Audit Regulations require the Fire Authority to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices. The CIPFA Public Sector Internal Audit Standards (PSIAs), which sets out proper practice for Internal Audit, requires the Chief Internal Auditor to provide an annual report to those charged with governance, which should include an opinion on the overall adequacies of the internal control environment.

2 Responsibilities

- 2.1 It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control. This opinion should be used as a key strand of the assurance framework which management use to develop their Annual Governance Statement.
- 2.2 The role of the internal audit service is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of the Authority's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:
 - The Fire Authority can establish the extent to which they can rely on the whole system; and
 - Individual managers can establish how reliable the systems and controls for which they are responsible are.

3. Opinion on the Fire Authority's Internal Control Environment Summary

In my opinion the system of internal control provides **reasonable** assurance regarding the effective, efficient and economic exercise of the Authority's functions. During 2016/17 there has been continued improvement to Bucks & Milton Keynes Fire Authority's system of internal control through the on-going development of policies and procedures covering the key control processes. This demonstrates a positive direction of travel towards robust and effective internal control and risk management that will facilitate the effective exercise of the Authority's functions.

- 3.1 The audit activity in 2016/17 has demonstrated that the Authority continues to improve and develop its key governance processes, and remains focussed on creating a strong system of internal control. The opinion is consistent with the outcomes of the individual audits, in which of the four audits/high level reviews completed, two were assessed as "substantial" assurance, one as "reasonable" assurance and one as "limited" assurance. 92% of previous audit actions had been fully implemented.
- 3.3 A summary of our assignment outcomes and work completed during the year is shown in Appendix I.

4 Anti-Fraud

4.1 We continue to work closely with the Director of Finance and Assets on fraud awareness, and our work on the core financial systems includes a review of the key anti-fraud controls. There have been no suspected frauds or financial irregularity brought to the attention of the Chief Internal Auditor during 2016/17.

5 Basis of Audit Opinion

- 5.1 The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAs). The Audit Strategy complies with the PSIAs and is summarised within the Service Level Agreement. This requires Internal Audit to objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 5.2 The Internal Audit Plan was developed in consultation with the Director of Finance and Assets to focus specifically on financial management, corporate processes and key risk areas. There were no constraints placed on the scope of audit work in the year and there were sufficient resources to provide an adequate and effective audit coverage. The Internal Audit Plan was approved by the Overview and Audit Committee.
- 5.3 The strategy for delivery of the Internal Audit Service is reviewed annually and subject to the approval of the Overview and Audit Committee. Internal Audit is required to objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 5.4 A summary of the work undertaken during the year forming the basis of the audit opinion on the internal control environment is shown in the table on page 6. Agreed management actions arising from audit recommendations are monitored and status of implementation reported regularly to the Overview and Audit Committee.

- 5.5 In addition, in arriving at our opinion, we have taken into account:
 - The results of all audits undertaken as part of the 2016/17 Audit Plan.
 - The results of follow-up action taken in respect of audits from previous years.
 - Whether or not any 'high' recommendations have not been accepted by management and the consequent risks.
 - The effects of any material changes in the Authority's objectives or activities.
 - Whether or not any limitations have been placed on the scope of internal audit.
 - Findings of work performed by other assurance providers (e.g. the External Auditors who we have liaised with throughout the year in order to share information and reduce any duplication of audit activity).
 - The scope of the internal control environment which comprises the whole framework of systems and controls established to manage BMKFRS to ensure that its objectives are met.
- 5.5 In giving our audit opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit Service can provide to the Accountable Officers is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

6. The Audit Team

6.1 The Internal Audit Service is provided by the Business Assurance Team at Buckinghamshire County Council. All staff are qualified or partqualified with either ACCA, IIA, QICA or AAT qualifications, and all audit work is subject to a rigorous quality assurance process.

Maggie Gibb Chief Internal Auditor June 2017

SUMMARY OF AUDIT OPINIONS FOR 2016/17 AND AUDIT METHODOLOGY

	Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled.						
Audit assignments	Days			Adequacy of compliance	Overall opinion		
Core Financial Controls	40	Substantial	Substantial	Reasonable	Substantial		
Project Management	15	Reasonable	Reasonable	Reasonable	Reasonable		
Financial Planning	10	Substantial	Substantial	Reasonable	Substantial		
Business Continuity Planning	15				Final outcomes to be agreed with client		
Follow Ups	10	Ongoing throug	Ongoing throughout year				
Audit Management	10	Ongoing throughout year					
Total	100						

Audit Management covers supervision and quality assurance on audit assignments, reporting and adhoc advice. The time spent by management has included attendance at meetings, responding to queries and requests for advice and the drafting of annual plans and reports for the Senior Management Board and Overview and Audit Committee.

For each audit an opinion was determined firstly on the framework of controls that exist for that operational area and secondly on compliance with the controls. From this an overall audit opinion is given for each audit. An opinion on the quality of risk management in place is also provided. Work has been planned and performed so as to obtain all the information and explanations which were considered necessary to provide sufficient evidence in forming an audit opinion. The range of audit opinions is:-

- *Substantial* All controls are in place to give assurance that the system's objectives will be met.
- *Reasonable* Most controls are in place to give assurance that the system's objectives will be met but there are some minor weaknesses.
- *Limited* There are not the necessary controls in place to give assurance that the system's objectives will be met.

An audit plan for 2016/17 was approved by the Overview and Audit Committee in March 2016. No changes were made to the agreed plan during the year.

ITEM 9

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Overview and Audit Committee					
DATE OF MEETING	26 July 2017					
OFFICER	Graham Britten, Director of Legal and Governance					
	Mark Hemming, Deputy Director of Finance and Assets					
LEAD MEMBER	Chairman of the Overview and Audit Committee					
SUBJECT OF THE REPORT	Annual Governance Statement 2016/17					
EXECUTIVE SUMMARY	The purpose of this report is to present the 2016/17 Annual Governance Statement (appended as an Annex to the report). This contains the progress on the implementation of the recommendations of the 2015/16 Annual Governance Statement and to highlight recommendations for 2017/18.					
	The Annual Governance Statement has been based upon the six core principles of good governance set out in the CIPFA/SOLACE guidance (2007, revised and updated 2012):					
	 Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area. 					
	 Members and officers working together to achieve a common purpose with clearly defined functions and roles. 					
	3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.					
	 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk. 					
	Developing the capacity and capability of Members and officers to be effective.					
	 Engaging with local people and other stakeholders to ensure robust public accountability. 					
ACTION	Decision.					
RECOMMENDATIONS	1. That the Annual Governance Statement be approved.					
	2. That the progress on the implementation of					

	recommendations of the previous Annual Governance Statement (Appendix A to the Annual Governance Statement) be acknowledged. 3. That the priorities for 2017/18 (Appendix B to the Annual Governance Statement) be agreed.			
RISK MANAGEMENT	Any risk implications of completion or non-completion of the recommendations are included in the relevant report.			
FINANCIAL IMPLICATIONS	There are no direct financial implications arising from the report.			
LEGAL IMPLICATIONS	Regulation 6(1) of the Accounts and Audit Regulations 2015 requires the Committee to approve an annual governance statement which must accompany the statement of accounts.			
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	No direct impact.			
HEALTH AND SAFETY	There are no direct health and safety implications arising from the report.			
EQUALITY AND DIVERSITY	There are no direct equality and diversity implications arising from this report.			
USE OF RESOURCES	Communication and consultation The officers with responsibility for the areas audited have been responsible for supplying the information and responses necessary for this report.			
	Progress monitoring Further updates will be provided at future committee meetings.			
PROVENANCE SECTION &	Report to Overview and Audit Committee of the Buckinghamshire and Milton Keynes Fire Authority held on 27 July 2016, Item 9:			
BACKGROUND PAPERS	http://bucksfire.gov.uk/files/3414/6883/6170/ITEM 9 Annual Governance Statement 15- 16 Cover Paper gb 050716 Appendix.pdf CIPFA / SOLACE `Delivering Good Governance in Local			
	<u>16 Cover Paper gb 050716 Appendix.pdf</u> CIPFA / SOLACE 'Delivering Good Governance in Local			
	16 Cover Paper gb 050716 Appendix.pdf			

	Appendix B to Annex – Recommendations for Priorities for 2017/18.
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	Graham Britten, Director of Legal and Governance <u>gbritten@bucksfire.gov.uk</u> Mark Hemming, Deputy Director of Finance and Assets <u>mhemming@bucksfire.gov.uk</u>

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Scope of Responsibility

Buckinghamshire & Milton Keynes Fire Authority is responsible for maintaining a sound system of internal control that supports the achievement of its policies, aims and objectives whilst safeguarding the public funds and organisational assets. There is also a responsibility for ensuring that the Authority is administered prudently and economically and that resources are applied efficiently and effectively, which includes arrangements for the management of risk.

Buckinghamshire & Milton Keynes Fire 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 Buckinghamshire & Milton Keynes Fire Authority has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 in relation to the review of its systems of internal control and the publication of an annual statement on its governance.

The Purpose of the Governance Framework

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievements of the strategic objectives of Buckinghamshire & Milton Keynes Fire Authority, to evaluate the likelihood of those risks being realised and the impact should they occur, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

The Governance Framework

The governance framework derives from six core principles of good governance set out in the CIPFA/SOLACE guidance which was updated in 2007. The six core principles which underpin good governance are:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area

The Public Safety Plan 2015-20 sets out the detailed future improvements of the services provided by the Authority to the community within the constraints that it faces whilst managing risk. The community was consulted and actively encouraged to engage in debating the issues and priorities set out in the plan, allowing the public to hold the Authority accountable for its decisions and actions in an open and transparent manner. The Public Safety Plan is available on our website at:

http://bucksfire.gov.uk/files/8114/2116/4524/2015 -20 PSP Updated after 17 Dec CFA.pdf

A fundamental element of the Public Safety Plan is ensuring service delivery is linked closely to local requirements. A service delivery directorate plan covers the Milton Keynes and Buckinghamshire Area, supported by individual Station Plans. Operational staff work within the same teams as their protection and prevention colleagues leading to a more joined up approach. This has led to notable achievements in helping the most vulnerable people in our communities through the "safeguarding" procedures; working collaboratively internally as well as with local authorities to improve the lives of those most in need of support, and those who most often fall through society's "safety nets".

The 2015–20 Public Safety Plan was presented to the Fire Authority for approval in December 2014 following a public consultation. This plan supersedes the previous 2012-17 plan and took effect from April 2015.

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

The respective roles and responsibilities for members and officers are set out in the Combination Order (the statutory instrument that formed the Fire Authority in 1997). There are two ordinary committees of the Fire Authority: The Executive Committee, and the Overview & Audit Committee. There are terms of reference for each committee and the role of the lead members has been developed over recent years.

Members of the Fire Authority are also members of either Buckinghamshire County Council or Milton Keynes Council. Some members may also be members of district councils with which we may be working, or voluntary agencies. Members are reminded of their responsibility to declare interests at each meeting. There is a scheme of delegation from the Authority to the Chief Fire Officer and statutory officers. The Chief Fire Officer is also the Chief Executive of the Authority.

The Authority's Member:Officer Protocol sets out the respective obligations and expectations and contains a reminder of the Authority's core values. These were revised and approved by the Overview and Audit Committee at its meeting on 11 March 2015 for recommendation to the Fire Authority on 10 June 2015. These can be found at the following link:

http://bucksfire.gov.uk/files/8414/1053/3511/Protocol on Member and Officer Rela tions v2 Sept 14.pdf

The Authority approved and adopted its current Pay Policy Statement in February 2017 setting out its policies on the remuneration of its chief officers, the remuneration of its lowest paid employees and the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers. This is reviewed at least annually.

The Authority has identified and recorded all partnership arrangements. All partnerships are the subject of formal agreements ensuring that these articulate legal status; respective liabilities and obligations; governance and audit; dispute resolutions and exit provisions. A review of partnership arrangements has been undertaken.

In Buckinghamshire & Milton Keynes Fire Authority the Chief Finance Officer and Monitoring Officer are both members of the Strategic Management Board, helping to develop and implement strategy and to resource and deliver the organisation's strategic objectives. All material business decisions are taken by the Strategic Management Board (SMB) or by Members. Papers submitted for decision-making purposes must be referred to the Chief Finance Officer and the Monitoring Officer for financial and legal scrutiny prior to any decision being taken. The Chief Finance Officer, supported by the Chief Fire Officer leads the promotion and delivery of good financial management so that public money is safeguarded and used appropriately, economically, efficiently and effectively. This is achieved by a finance team that is suitably resourced, professionally qualified and suitably experienced.

There are nominated lead Members for various work streams and departments. This collaborative approach ensures levels of trust, confidence and awareness constantly improve for the benefit of the public and the service.

3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

2016/17 has continued to see a significant investment in our staff training/development at all levels and across both operational and support functions. This continued investment has contributed to the successful delivery of the on-going transformation programmes set for the organisation.

There is evidence of improved levels of engagement, morale and communication with staff members and this can be attributed to various development programmes including a number of Manager's Workshops where the CFO's vision for the Authority was communicated as well as guest speakers providing insight into effective leadership.

The Authority Training Needs Analysis (TNA) process continues to assess the need for this type of training at least annually. For 2017/18 a pilot programme for aspiring leaders and management apprenticeships has been approved for all levels within the organisation and for both operational and support staff.

Officers presented the findings of the <u>'Independent review of conditions of service for</u> <u>fire and rescue staff in England, February 2015', published 3 November 2016</u> with the Authority's Executive Committee at its meeting on 23 November 2016.Many of the report's recommendations are related to equality, diversity and culture. These will be carefully considered, particularly in comparison to the <u>Authority's Equality</u> <u>Objectives</u> agreed by the Authority in June 2016.

The report's author, Adrian Thomas delivered a masterclass on unconscious bias to over 50 employees in September 2016.

Performance appraisal year end reviews assess management and leadership behaviours.

The Authority Values have also been displayed across all sites on new policy posters rolled out in early 2016. The maintenance and promotion of high standards of its Members is within the purview of the Overview and Audit Committee.

To ensure legal compliance and to avoid a conflict of interest arising, <u>at its meeting on</u> <u>19 October 2016</u> the Authority approved the appointment of a panel of five "Independent Persons" shared amongst five other authorities for the purposes of assisting both an individual member and the Authority itself in the event of an allegation being made that a member has breached the Authority's Code of Conduct.

http://bucksfire.gov.uk/files/3314/0732/6551/10CODEOFCONDUCT.pdf

<u>At its meeting on 15 February 2017</u> the Authority approved a revised Code of Conduct complaints procedure in order that, in the event of an allegation being made of misconduct by Members, any allegation could be dealt with more speedily.

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

To support the service there are structured meetings at all levels within the service, with appropriate delegated authority. Timelines are in place so that SMB and Member meetings will be followed by Directorate and then team meetings to ensure the flow of information throughout the whole organisation. Although this is an evolving process, the culture is steadily changing so that minutes from meetings are available both internally and externally through the website.

Further developments to improve the effectiveness and transparency of decision making within the Service were made following the launch of new internal, officer 'boards' aligned to the Authority committee structure. These comprise:

- A Strategic Management Board, which replaced the previous senior officer meetings and focuses on strategic direction, strategic risk and acts as a gateway to the Fire Authority;
- A Performance Management Board which focuses on in year performance against agreed targets and budgets;
- A Business Transformation Board which focuses on strategic change and project portfolio management.

At its meeting of 15 February 2017 the Authority undertook careful consideration as to its number of Members, including whether to increase or decrease its size. On balance taking into account the balance between being large enough to allow scrutiny whilst not becoming burdensome in diverting resources away from operational delivery, it resolved to retain the same number of Members (17).

All Directorates have their own risk registers which are regularly reviewed at Directorate meetings. Corporate risks are reviewed quarterly by the Performance Management Board, monthly by the Strategic Management Board and by Members at each Overview and Audit Committee meeting.

In addition to the development of performance software to improve service delivery, the HR and Finance (SAP) system has been replaced by more modern and fit for purpose systems. As well as improving the efficiency of the service the in-built electronic workflow and cloud-based reporting have further improved the level of system based control and resilience.

This improved control has supported managers to monitor and manage attendance levels. It also ensures that the management and administration of employee benefits and payments are linked to establishment control through an integrated system with the approved budgets and the financial ledger.

Although the shared service arrangement with Royal Berkshire Fire Authority for procurement has come to an end, the team are continuing to work collaboratively across the Thames Valley fire authorities. New software under a national initiative is being piloted and this, alongside the existing electronic ordering technology will ensure a continued and more effective proactive, open and transparent approach to procuring supplies and services.

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

A number of policies are in place to support and underpin the "fit for purpose" structure. These policies have empowered managers to take responsibility and be accountable for their staff issues with HR advice as required.

A key part of the performance monitoring continues to be an individual performance management (appraisal) system which ensures that strategic aims are translated into individual objectives creating a "Golden Thread" throughout the service. This is an evolving process with particular challenges in applying this process to the retained duty system staff who have very limited time available.

The performance management system also identifies training and development needs and these are aggregated into a service wide Training Needs Analysis. The service increasingly benefits from more efficient and effective menu driven training delivery more aligned to budget planning timetables and delivered in a variety of formats (including face to face and e-learning).

Continuation of the Strategic Training Partnership with the Fire Service College was again a prominent feature in the way operational training was delivered during 2016\17. This progressive approach toward training delivery, once more enabled the operational competencies of 226 front-line firefighters and 83 supervisory commanders to be independently assessed and scrutinised, under realistic conditions in breathing apparatus and Level 1 incident command respectively.

Last year, also saw the publication of a report from Operational Assurance Limited (OAL), who had been commissioned to undertake an independent review of the most fundamental element of the Service, namely our operational performance and assurance arrangements.

This review was conducted over a four day period during October 2016 and involved an audit team interviewing a number of staff and managers, as well as attending operational incidents, in order to monitor actual performance on the incident ground.

The resulting report made a number of recommendations, three of which were suggested as being of a particular priority. These were centred on improving internal processes and providing easily accessible service wide tools for improving active monitoring and organisational learning.

All captured learning derived from the training partnership and assurance arrangements, will ensure continuous improvement remains a key organisational driver in the operational arena for BFRS.SMB has engendered a collegiate approach with Members through holding "Member Workshops" where future options are aired and discussed with Members before a narrower range of formal proposals are taken forward.

6. Engaging with local people and other stakeholders to ensure robust public accountability

In terms of the organisational structure, committee meetings are accessible to the public and the dates are published on the website as are the agendas and committee papers, minutes and decisions.

The service complies with the Data Transparency Code (latest version published February 2015) and ensures all the relevant information is published on our external website.

At a more local, direct level there are many examples of how we engage with the public and ensure public accountability:

- The service regularly reviews its partnerships to ensure they are appropriate and effective for both the organisation and the public.
- Memoranda of Understanding with other fire and rescue authorities and the police when carrying out fire investigation to improve collaborative working and ensure a more consistent approach to the way we investigate fires / arson.
- BMKFRS is a key stakeholder at a strategic level on both the Safer Stronger Bucks Partnership Board and the Safer MK Partnership. Officers are also engaged and involved in practitioner groups and fora where appropriate, ensuring public engagement and safety initiatives are focussed, effective and measured, whilst working with partner organisations with similar goals and objectives.

Review of effectiveness

Buckinghamshire & Milton Keynes Fire Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment.

In addition, the Chief Internal Auditor's annual report, comments made by the external auditors (Ernst & Young), the Operational Assessment, other review agencies and inspectorates (referred to earlier) and the Overview & Audit Committee are all sources providing scrutiny and recommendations upon which the management have drawn to compile the action plan set out in Appendix B.

Audits undertaken and assurance opinion:

Audit assignments	Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled.			
	Days	Overall Assurance (all audits undertaken during 2016/17 unless stated)		
Core Financial Controls	40	Substantial		
Project Management	15	Reasonable		
Financial Planning	10	Substantial		
Business Continuity Planning	15	Work in progress		
Follow Ups	10			
Corporate work/Audit Management	10			
Total	100			

It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.

This opinion should be used as a key strand of the assurance framework which management use to develop their Annual Governance Statement.

The role of the internal audit service is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of the Authority's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:

- The Fire Authority can establish the extent to which they can rely on the whole system; and
- Individual managers can establish the reliability of the systems and controls for which they are responsible.

This is presented as the Chief Internal Auditor's opinion:

Opinion on the Fire Authority's Internal Control Environment Summary

In my opinion the system of internal control provides **reasonable** assurance regarding the effective, efficient and economic exercise of the Authority's functions. During 2016/17 there has been continued improvement to Bucks & Milton Keynes Fire Authority's system of internal control through the on-going development of policies and procedures covering the key control processes. This demonstrates a positive direction of travel towards robust and effective internal control and risk management that will facilitate the effective exercise of the Authority's functions.

The audit activity in 2016/17 has demonstrated that the Authority continues to improve and develop corporate governance, and remains focused on creating a strong system of internal control. This can be evidenced by the continued strengthening of key control processes through the on-going development of policies and procedures and has resulted in core financial controls continuing to be rated as substantial.

A summary of our assignment outcomes and work completed during the year is shown in the table above. It can be seen that all areas have as a minimum 'reasonable' assurance.

Annual Governance Statement 2016/17

Conclusion

As a result of the extensive work undertaken by the management team in reviewing internal structures and reviewing roles and responsibilities as well as the introduction of new systems and processes, working together with the Chief Internal Auditor, the External Auditors and our own Audit Committee, a plan (see Appendix B) is in place to address the weaknesses identified and ensure continuous improvement of the governance system is in place. Appendix A sets out progress against the delivery of the 16/17 Annual Governance Statement action plan.

Further to the Chief Internal Auditor's comments, we propose over the coming year to take steps set out in Appendix B to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed Date 2017

Councillor Roger Reed – Chairman of the Buckinghamshire & Milton Keynes Fire Authority

Jason Thelwell – Chief Executive and Chief Fire Officer of the Buckinghamshire & Milton Keynes Fire Authority

Appendix A

Significant Governance Issues addressed in 2016/17

	Issue	Action Plan (as per 2015/16 Statement – Appendix B)	Lead Officer	RAG Status	Progress	Target/ Completion Date
1.	Operational Assurance	The main area of focus will be to examine the assurance model in the context of operational assurance and resilience, specifically to ensure that all potential input areas have been taken into consideration and that information flows through the organisation reaching all appropriate stakeholders and that the information is understood and where appropriate, informs policy decisions within internal governance arrangements. Commission and deliver an external audit of our operational services and develop an action plan to address any subsequent findings. Develop a monitoring mechanism that compliments the existing governance models of BTB and PMB and test this through examining ICS, training and NOG	Service Development	Green	The Authority commissioned and external provider to undertake an independent review of the most fundamental element of our Service, namely our operational performance and assurance arrangements. In general the report was excellent and in particular the team was impressed with the openness and professionalism of all the staff they spoke to. The report made a number of recommendations, three of which they suggested should be of particular priority. These were centred on improving some of our processes and providing easily accessible service wide tools for improving active monitoring and organisational learning. As a result of the report an action plan has been drawn up	February 2017

Annual Governance Statement 2016/17

		implementation.			and agreed by SMB.	
2.	ICT Security and Resilience Review	Undertake a review of ICT security and business resilience and act on the findings while taking into consideration the needs of ESMCP.	Head of Service Development	Green	The Home Office funded Independent IT Health Check (linked to ESMCP) has been completed. A remediation programme is underway and was 80% complete by April 2017. Further works have been funded by the Home Office but are currently on hold awaiting further policy decisions from the central ESMCP programme team. The ICT disaster recovery server is currently being replaced by a secure cloud solution. For more information on the national ESMCP project visit this <u>website</u> (https://www.gov.uk/governme nt/publications/the-emergency- services-mobile- communications-programme).	Disaster Recovery Programme due completion September 2017 ESMCP linked security and resilience upgrades will be on going until 2020.

Appendix B

Significant Governance Issues to be addressed in 2017/18

	Issue	Action Plan	Lead Officer	Target Date
1.	Compliance with the General Data Protection Regulation (GDPR)	The Information Commissioner's Office (ICO) has put together a 12 step plan that outlines the basic pre-implementation requirements of the GDPR.	Director of Legal & Governance	April 2018
		1. Awareness Ensure that decision makers and key people in the Authority are aware that the law is changing to the GDPR and the impact this is likely to have.		
		2. Information held Document what personal data is held by the Authority, where it came from and who it is shared with. – This is being extended to include all types of information held and where and is being undertaken as an information audit.		
		3. Individuals' rights Review procedures to ensure they cover all the rights individuals have, including how personal data will be stored and deleted.		
		4. Communicating privacy information Privacy notices will be reviewed and where necessary amended.		
		5. Subject access requests (SARs) Review of procedures for handling requests SARs.		

 6. Lawful basis for processing personal data Confirm and document the lawful basis for processing activities in the GDPR, document it. (See also 4 privacy notices). 	
7. Consent Review how the Authority seeks, records and manages consent and whether any changes are needed to meet the GDPR standard.	
8. Data breaches Put appropriate procedures in place to detect, report and investigate data breaches.	
9. Children Consideration of the mechanisms for confirming the age of children and the need to obtain parental or guardian consent for any data processing activity.	
10. Data Protection by Design and Data Protection Impact Assessments Consider whether the ICO's code of practice on Privacy Impact Assessments is adequately reflected in the Authority's Integrated Impact Assessment (IIA) and develop Implementation plans.	
 11. Data Protection Officer (DPO) Designate a Data Protection Officer 12. International – Not applicable. 	

2.	Currency of financial and contractual governance documents	Contracts Standing Orders – review and update. Financial Regulations – review and update Financial Instructions- review and update	Chief Finance Officer	October 2017
3.	Operational Assurance	The main focus is implementation of the recommendations of the independent operational assurance report which was received in December 2016. As part of the recommendations an operational assurance group was formed under the chairmanship of the Head of Service Development. The Operational Assurance team was constituted as part of a department restructure and delivering the action plan, embedding the assurance model throughout the organisation and developing the assurance process in preparation for forthcoming external inspection.	Head of Service Development	March 2018
4.	Professional Standards	Ensure that the Fire Professional Framework is embedded throughout the organisation. Review and refresh the guidance, audit and recording of the maintenance of competence systems. Setup a fit for purpose, simple document management system to evidence and embed the main change programme processes and documentation, in order to provide evidence to external inspectors.	Director of People and Organisational Development	March 2018

Buckinghamshire & Milton Keynes Fire Authority



MEETING		
MEETING	Overview and Audit Committee	
DATE OF MEETING	26 July 2017	
OFFICER	David Sutherland, Director of Finance & Assets	
LEAD MEMBER	Councillor David Watson	
SUBJECT OF THE REPORT	Audit Results Report and Annual Audit Letter	
EXECUTIVE SUMMARY	This report summarises the findings from the 2016/17 audit. It includes messages arising from the audit of the Authority's financial statements and the results of the work on how the Authority secures value for money in its use of resources. Also included is the Annual Audit Letter the purpose of	
	which is to communicate to Members and external stakeholders, including members of the public, the key issues arising from the Audit Results Report and which they consider should be brought to the attention of the Authority.	
ACTION	Information and Decision.	
RECOMMENDATIONS	 That the content of the Audit Results Report be noted. That the Annual Audit Letter for the year ended 31 March 2017 be considered and approved for publication. 	
RISK MANAGEMENT	The results of the audit give reassurance regarding entries in the accounts and value for money arrangements.	
FINANCIAL IMPLICATIONS	No direct impact.	
LEGAL IMPLICATIONS	The audit of the financial statements is a statutory requirement.	
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	No direct impact.	
HEALTH AND SAFETY	No direct impact.	
EQUALITY AND	No direct impact.	

DIVERSITY		
USE OF RESOURCES	The Audit Results Report concludes that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.	
PROVENANCE SECTION	None.	
&		
BACKGROUND PAPERS		
APPENDICES	Annex A: Audit Results Report	
	Annex B: Annual Audit Letter	
TIME REQUIRED	10 minutes.	
REPORT ORIGINATOR	Mark Hemming	
AND CONTACT	mhemming@bucksfire.gov.uk	
	01296 744687	

Buckinghamshire and Milton Keynes Fire Authority Audit results report

Year ended 31 March 2017



26 July 2017

Dear Committee Members

We have substantially completed our audit of Buckinghamshire and Milton Keynes Fire Authority (the Authority) for the year ended 31st March 2017.

We confirm that, subject to concluding the outstanding matters listed in our report, we expect to issue an unqualified audit opinion on the financial statements in the form that appears in section 3 before the statutory deadline of 30 September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources and expect to issue an unqualified value for money conclusion.

This report is intended solely for the use of the Overview and Overview and Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

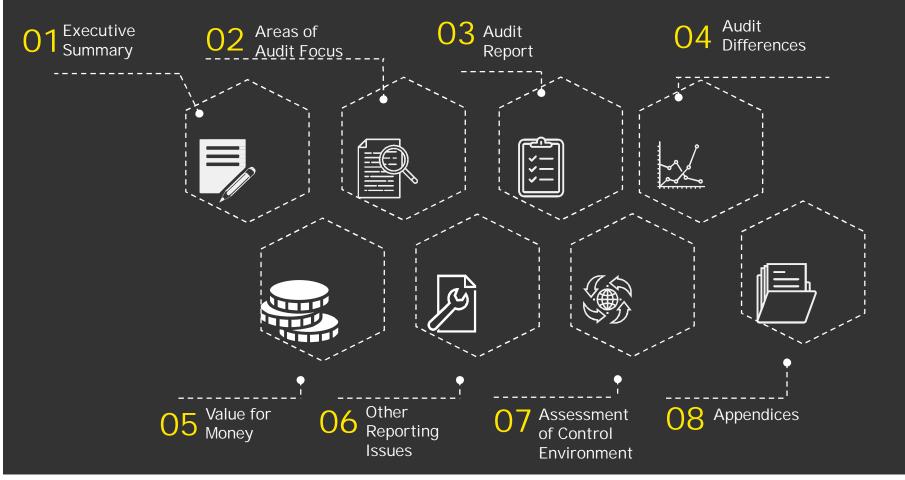
Maria Grindley Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

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Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated September 2015)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Overview and Overview and Audit Committee, other members of the Authority and management of Buckinghamshire and Milton Keynes Fire Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Overview and Overview and Audit Committee, other members of the Authority and management of Buckinghamshire and Milton Keynes Fire Authority those matters we are

required to state to the overview and overvi



Overview of the audit

Scope and materiality

In our Audit Plan presented to the 8 March 2017 Overview and Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £839,380 for the Authority and £192,100 for the Pension Fund. We reassessed this using the actual year-end figures, which has decreased these amounts to £754,340 for the Authority and £155,780 for the Pension Fund. The threshold for reporting audit differences has decreased from £41,969 to £37,717 for the Authority and decreased from £9,605 to £7,789 for the Pension Fund. The basis of our assessment of materiality has remained consistent with prior years, for the Authority it is based on 2% of Gross Revenue Expenditure and for the Pension Fund it is based on 2% of Benefits Payable.

We identified areas where misstatement at a lower level than our overall materiality might influence the reader and developed an audit strategy specific to these areas, namely, remuneration disclosures including any severance payments, exit packages and termination benefits, related party transactions and members' allowances.

Status of the audit

We have substantially completed our audit of Buckinghamshire and Milton Keynes Fire Authority's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements and value for money conclusion in the form which appears at section 3. However until work is complete, further amendments may arise:

- final write up of some testing on our files and our review;
- final Executive Director review;
- · review of the final version of the financial statements;
- completion of subsequent events review;
- receipt of IAS19 pension fund assurance letter from Berkshire pension fund auditors;
- · receipt of the signed management representation letter; and
- completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We expect to issue the audit certificate at the same time as the audit opinion.



Executive Summary

Executive summary (continued)

Audit differences

There are no unadjusted or adjusted audit differences arising from our audit.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Buckinghamshire & Milton Keynes Fire Authority's financial statements. This report sets out our observations and conclusions, including our views on areas where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- · You agree with the resolution of the issue; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Overview and Audit Committee.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have substantially performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We have no issues to report to date.

We have no other matters to report.

Control observations

We have adopted a fully substantive approach; we have not tested the operation of controls.

Independence

Please refer to Appendix B for our update on Independence.

O2 Areas of Audit Focus

Aay



Audit issues and approach

Management override

What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions.
- We reviewed capital expenditure on property, plant and equipment to ensure it met the relevant accounting requirements to be capitalised.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any transactions during our audit which appeared unusual or outside the Authority's normal course of business

O3 Audit Report



Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY

Opinion on the Authority financial statements

We have audited the financial statements of Buckinghamshire and Milton Keynes Fire Authority for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement and the related notes 1 to 31; and
- include the firefighters' pension fund financial statements comprising the: Fund Account; Net Assets Statement and the related notes 1 to 6.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Buckinghamshire and Milton Keynes Fire Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Assets & Chief Finance Officer and auditor

As explained more fully in the Statement of the Responsibilities set out on page 18, the Director of Finance and Assets & Chief Finance Officer is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Assets & Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial



Draft audit report (continued)

Our opinion on the financial statements

information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Buckinghamshire and Milton Keynes Fire Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Draft audit report (continued)

Our opinion on the financial statements

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Buckinghamshire and Milton Keynes Fire Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Buckinghamshire and Milton Keynes Fire Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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



Draft audit report (continued)

Our opinion on the financial statements

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Buckinghamshire and Milton Keynes Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Buckinghamshire and Milton Keynes Fire Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Maria Grindley For and on behalf of Ernst & Young LLP, Appointed Auditor 26 July 2017

04 Audit Differences



Audit differences

In any audit, we may identify misstatements between amounts we believe <u>should</u> be recorded in the financial statements and disclosures and amounts <u>actually</u> recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

At the stage of preparing this report for papers there were no differences identified. We have therefore left the following tables in but they remain empty. We will update the Committee at the meeting if anything has changed in this regard.

Summary of adjusted differences

There were no uncorrected misstatements.



Audit differences (continued)

Summary of unadjusted differences

We highlight the following misstatements in the financial statements and/or disclosures which were not corrected by management. We ask you to correct these uncorrected misstatements or give a rationale as to why they have not been corrected. This should be considered and approved by the Overview and Audit Committee and included in the Letter of Representation:

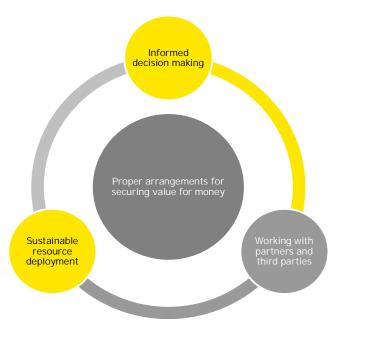
Account 31 March 2017 (£'000)	Comprehensive income and expenditure statement (Increase)/Decrease	B			Balance sheet (Decrease)/Increase
		Assets current Debit/(Credi t)	Assets non- current Debit/(Credit)	Liabilities current Debit/(Credit)	
Errors:					
None					

05 Value for Money

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Value for Money



Overall conclusion

Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

We did not identify any significant risks around these criteria.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.





Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Overview and Audit Committee.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. There are no issues to report.

07 Assessment of Control Environment



Assessment of control environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

08 Appendices

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Required communications with the Overview and Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

		Our Reporting to you
Required communications	What is reported?	🛗 💡 When and where
Terms of engagement	Confirmation by the Overview and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	March 2017 Audit Plan
Significant findings from the audit	 Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Any significant difficulties encountered during the audit Any significant matters arising from the audit that were discussed with management Written representations we have requested Expected modifications to the audit report Any other matters significant to overseeing the financial reporting process Findings and issues around the opening balance on initial audits (delete if not an initial audit) 	July 2017 Audit Results Report
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Buckinghamshire and Milton Keynes Fire Authority's ability to continue for the 12 months from the date of our report.
Misstatements	 Uncorrected misstatements and their effect on our audit opinion The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Significant corrected misstatements, in writing 	July 2017 Audit Results Report



		Our Reporting to you
Required communications	What is reported?	🛗 💡 When and where
Fraud	 Asking the Overview and Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. A discussion of any other matters related to fraud, relevant to Overview and Audit Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit
Related parties	 Significant matters arising during the audit in connection with the Authority's related parties including, where applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and/or regulations Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report
Subsequent events	 Where appropriate, asking the Overview and Audit Committee whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have no matters to report
Other information	 Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	We have no matters to report
External confirmations	 Management's refusal for us to request confirmations We were unable to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and/or regulations	 Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" Asking the Overview and Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Overview and Audit Committee. 	We have asked management and those charged with governance. We have not identified any material instances or non- compliance with laws and regulations



		Our Reporting to you
Required communications	What is reported?	🛗 文 When and where
Significant deficiencies in internal controls identified during the audit	 Significant deficiencies in internal controls identified during the audit. 	July 2017 Audit Results Report
Independence	 Communication of all significant facts and matters that have a bearing on EY's objectivity and independence. Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information on the firm's general policies and processes for maintaining objectivity and independence Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards, 	March 2017 Audit Plan
Fee Reporting	Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work	March 2017 Audit Plan

Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated February 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Overview and Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Overview and Audit Committee on 26 July 2017. As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017. We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

Description	Planned Fee
	2016/17
	£
Total audit fee – Code work	31,379

Appendix C

Accounting and regulatory update

Accounting update

Since the date of our last report to the Overview and Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on the Authority
IFRS 9 Financial Instruments	 Applicable for local authority accounts from the 2018/19 financial year and will change: How financial assets are classified and measured How the impairment of financial assets are calculated Financial hedge accounting The disclosure requirements for financial assets. Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact. 	 Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Authority will have to: Reclassify existing financial instrument assets Remeasure and recalculate potential impairments of those assets; and Prepare additional disclosure notes for material items
IFRS 15 Revenue from Contracts with Customers	 Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except: Leases; Financial instruments; Insurance contracts; and for local authorities; Council Tax and NDR income. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be. 	 As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Authority will have to: Disaggregate revenue into appropriate categories Identify relevant performance obligations and allocate income to each Summarise significant judgements



IFRS 16 Leases	IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.	Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains
	Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a	some uncertainty in this area.
	significant impact, with nearly all current leases being included on the balance sheet.	However, what is clear is that the Authority will need to undertake a detailed exercise to classify all
	There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.	of its leases and therefore must ensure that all lease arrangements are fully documented.

Regulatory update

Since the date of our last report to the Overview and Audit Committee, there have been regulatory developments. The following table provides a high level summary of those that have the most significant impact on you:

Name	Summary of key measures	Impact on the Authority
Policing and Crime Act 2017 (Also applicable to Fire and counties with Fire functions)	 The key measures summarised here are those that are likely to have implications for the audit of the financial statements and the VFM conclusion: Increase in emergency services collaboration between police bodies, ambulance and fire and rescue services Provision for Police and Crime Commissioner (PCC) to act as the Fire and Rescue Authority Abolition of The London Fire and Emergency Planning Authority and the transfer of functions, property, rights and liabilities to London Fire Commissioner 	 Powers introduced to allow increased collaboration between emergency services Powers that allow the PCC to act as Fire and Rescue Authority with a variety of governance and accounting structures resulting.

Appendix C

Accounting and regulatory update (continued)

Progress report on implementation of new standards and regulations

In previous reports to the Overview and Audit Committee, we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures	Impact on the Authority
Earlier deadline for production and audit of the financial statements from 2017/18	 The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July. 	 These changes provide challenges for both the preparers and the auditors of the financial statements. As auditors, nationally we have: Issued a thought piece on early closedown As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017 Locally we have: Had regular discussions through the year on the Authority's proposals to bring forward the closedown timetable Together with the Authority agreed areas for early work which have included testing of major income and expenditure streams at month 9.



Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

Apex Plaza Forbury Road Reading RG1 1YE

Dear Maria,

Buckinghamshire & Milton Keynes Fire and Rescue Authority - Audit for the year ended 31 March 2017

This letter of representations is provided in connection with your audit of the financial statements of Buckinghamshire and Milton Keynes Fire Authority ("the Authority") for the year ended 31/03/2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of Buckinghamshire and Milton Keynes Fire Authority as of 31/03/2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Appendix D

Management representation letter (continued)

Management Representation Letter

- A. Financial Statements and Financial Records
- 1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
- 2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
- 3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
- 4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
- 5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

- 1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.
- C. Compliance with Laws and Regulations
- 1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

Appendix D

Management representation letter (continued)

Management Rep Letter

- D. Information Provided and Completeness of Information and Transactions
- 1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - · Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 3. We have made available to you all minutes of the meetings of the main Authority, the Executive Committee and the Overview and Audit Committee held through the financial year to the most recent meeting on the following date: 07/06/2017.
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
- 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- E. Liabilities and Contingencies
- 1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

Management representation letter (continued)

Management Rep Letter

Appendix D

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Ownership of Assets

- 1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.
- 2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
- 3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
- 4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

H. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the fair value of property, plant and equipment and the IAS19 actuarial valuations of pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Management representation letter (continued)

Management Rep Letter

Appendix D

- J. Pensions Liability and PPE Valuations Estimates
- 1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
- 2. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
- 3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
- 4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.
- K. Retirement benefits
- 1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Director of Finance and Assets and Chief Finance Officer

Chairman of the Overview and Audit Committee

EY | Assurance | Tax | Transactions | Advisory

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EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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Buckinghamshire & Milton Keynes Fire Authority

Annual Audit Letter for the year ended 31 March 2017

July 2017

Ernst & Young LLP



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Public Sector Audit Appointments Ltd (PSAA) have issued a "Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated 23 February 2017)" issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Buckinghamshire and Milton Keynes Fire Authority (the Authority) following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority's and Pension Fund's:Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority and Pension Fund as at 31 March 2017 and of its expenditure and income for the year then ended.
 Consistency of other information published with the financial statements 	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
 Consistency of Governance Statement 	The Governance Statement was consistent with our understanding of the Authority.
 Public interest report 	We had no matters to report in the public interest.
 Written recommendations to the Authority, which should be copied to the Secretary of State 	We had no matters to report.
 Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014 	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO)	We had no matters to report.
on our review of the Authority's Whole of	The Authority is below the specified audit threshold of £350 million. Therefore, we did not
Government Accounts return (WGA).	perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 26 July 2017.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	This will be completed following the Committee on 27 July 2017.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Maria Grindley

Executive Director For and on behalf of Ernst & Young LLP



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2016/17 Audit Results Report to the 26 July 2017 Overview and Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 6 February 2017 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- Expressing an opinion:
 - On the 2016/17 financial statements, including the pension fund; and
 - On the consistency of other information published with the financial statements.
- Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Authority;
 - Any significant matters that are in the public interest;
 - > Any written recommendations to the Authority, which should be copied to the Secretary of State; and
 - If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Authority is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial Statement Audit

IN COLUMN

12

Financial Statement Audit

Key Issues

The Authority's Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority and Pension Fund's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 26 July 2017.

Our detailed findings were reported to the July 2017 Overview and Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Management override of controls	
A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements
Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions. The potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.	We reviewed accounting estimates for evidence of management bias. We have not identified any instances of inappropriate judgements being applied.
	We have not identified any material weaknesses in controls or evidence of material management override.
	We evaluated the business rationale for any significant unusual transactions. We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business
	We reviewed capital expenditure on property, plant and equipment to ensure it met the relevant accounting requirements to be capitalised. Our testing did not identify any expenditure which had been inappropriately capitalised.

The Authority's Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	For the main audit, we determined planning materiality to be £754k (2016: £633k), which is 2% of gross revenue expenditure reported in the accounts of £37,717k
	For the pension audit, we determined planning materiality to be £156k (2016: £96k), which is 2% of benefits payable reported in the accounts of £7,789k.
	We consider gross revenue expenditure and benefits payable to be principal considerations for stakeholders in assessing the financial performance of the Authority.
Reporting threshold	We agreed with the Overview and Audit Committee that we would report to the Committee all audit differences in excess of £37,717 (2016: £31,639) for the main audit and £7,789 (2016: £4,803) for the pensions audit.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- · Remuneration disclosures including any severance payments, exit packages and termination benefits; and
- Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

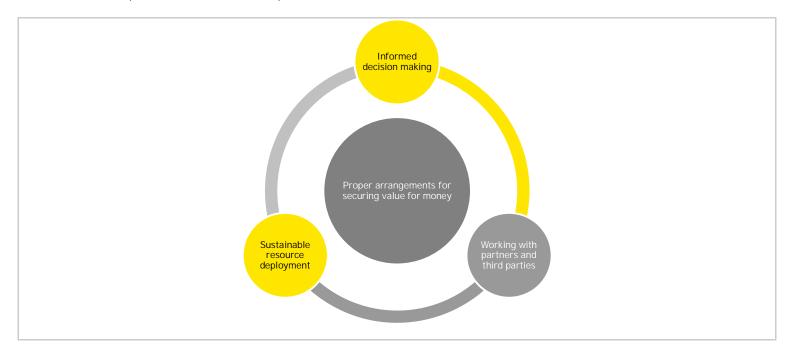
Value for Money

Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We did not identify any significant risks in relation to these criteria. We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Authority's arrangements. We therefore issued an unqualified value for money conclusion on 26 July 2017.

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes. We had no issues to report.

The Authority is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2016/17 financial statements from member of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Overview and Audit Committee on 26 July 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Overview and Audit Committee.

EY | Assurance | Tax | Transactions | Advisory

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ED None

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ITEM **11**

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Overview and Audit Committee
DATE OF MEETING	26 July 2017
OFFICER	David Sutherland, Director of Finance & Assets
LEAD MEMBER	Councillor David Watson
SUBJECT OF THE REPORT	Letter of Management Representation 2016/17
EXECUTIVE SUMMARY	The Authority is required to consider and approve for signature the letter of representation to Ernst & Young in order for the audit opinion and conclusion to be issued.
ACTION	Decision.
RECOMMENDATIONS	That the Letter of Representation be approved for signature by the Chief Finance Officer and the Chairman of the Committee.
RISK MANAGEMENT	The results of the audit give reassurance regarding entries in the accounts and value for money arrangements.
FINANCIAL IMPLICATIONS	No direct impact.
LEGAL IMPLICATIONS	The audit of the financial statements is a statutory requirement.
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	No direct impact.
HEALTH AND SAFETY	No direct impact.
EQUALITY AND DIVERSITY	No direct impact.
USE OF RESOURCES	No direct impact.
PROVENANCE SECTION & BACKGROUND PAPERS	As part of the audit, the Chairman was required to provide a response to Ernst & Young detailing how the Committee gains assurance from management. A copy of this letter is attached in Annex B.

APPENDICES	Annex A: Letter of Management Representation 2016/17.
	Annex B: Understanding how the Overview and Audit Committee gains assurance from management.
TIME REQUIRED	10 minutes
REPORT ORIGINATOR AND CONTACT	Asif Hussain <u>ahussain@bucksfire.gov.uk</u> 01296 744421

Buckinghamshire & Milton Keynes Fire Authority

Ernst & Young Apex Plaza Forbury Road Reading RG1 1YE Your ref: Our ref: Letter of Representation 2016/17 Enquiries to: Mark Hemming Ext no: 140 Direct line: 01296 744687 Fax no: Date: July 2017 E-mail: mhemming@bucksfire.gov.uk

Dear Maria,

Buckinghamshire & Milton Keynes Fire and Rescue Authority - Audit for the year ended 31 March 2017

This letter of representations is provided in connection with your audit of the financial statements of Buckinghamshire and Milton Keynes Fire Authority ("the Authority") for the year ended 31/03/2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of Buckinghamshire and Milton Keynes Fire Authority as of 31/03/2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

- 1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
- 2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom 2016/17. We have approved the financial statements.

- 3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
- 4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 that are free from material misstatement, whether due to fraud or error.
- 5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

- 1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

- 1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 3. We have made available to you all minutes of the meetings of the main Authority, the Executive Committee and the Overview and Audit Committee held through the financial year to the most recent meeting on the following date: 07/06/2017.

- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
- 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

- 1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Ownership of Assets

- 1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.
- 2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
- 3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
- 4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

H. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

I. Use of the Work of a Specialist

 We agree with the findings of the specialists that we engaged to evaluate the fair value of property plant and equipment and the IAS19 actuarial valuations of pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Pensions Liability and PPE Valuations Estimates

- 1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
- 2. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
- 3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
- 4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

K. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully.

David Sutherland Director of Finance and Assets and Chief Finance Officer

I confirm that this letter has been discussed and agreed at the Overview and Audit Committee on 26 July 2017

Councillor David Watson Chairman of the Overview and Audit Committee



Maria Grindley Director Ernst & Young LLP Apex Plaza Forbury Road Reading RG1 1YE

Your ref: 16 BMKFA/TCWG Our ref: Enquiries to: Asif Hussain 177 Ext no: 01296 744421 Direct line: Fax no: 27 June 2017 Date: ahussain@bucksfire.gov.uk E-mail:

Dear Maria

Understanding how the Overview and Audit Committee gains assurance from management

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I am replying to your letter in my capacity as Chairman of the Overview and Audit Committee in order that you may formally update your understanding of our management processes and arrangements. My responses to your questions are set-out below.

- 1) How does the Overview and Audit Committee, as 'those charged with governance' at Buckinghamshire and Milton Keynes Fire Authority, exercise oversight of management's processes in relation to:
 - Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)

Response: As part of the presentation of the Statement of Accounts the Chief Finance Officer (CFO) is required to certify that they present a true and fair view. The CFO will carry out sufficient scrutiny of the accounts and working papers to enable him to reach that view. The Committee is able to question the CFO on any aspect of the accounts to gain additional assurance on this matter.

Identifying and responding to risks of fraud in Buckinghamshire and Milton Keynes Fire . Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, accounts balances, or disclosure for which a risk of fraud is likely to exist

Response: There is a proactive fraud response plan and part of the Internal Audit Plan is allocated to the examination of controls designed to reduce or identify fraudulent behaviour and activity. Internal Audit reports their findings to the Committee on a quarterly basis. Members have the opportunity to raise issues and concerns with both responsible officers and Internal Audit

Communicating to employees its views on business practice and ethical behaviour (for • example by updating, communicating and monitoring against the Authority's code of conduct)

Response: The Authority wide Counter-Fraud and Corruption Policy was reviewed and updated in 2015/16 and released to all employees via the internet (see also Whistleblowing policy below). This policy is approved by the Committee. The Authority has also created an e-Learning module which all employees have access to.

• Encouraging employees to report their concerns about fraud

Response: The Authority wide Whistleblowing Policy was reviewed and updated in 2015/16 and released to all employees via the internet. This policy is approved by the Committee.

• Communicating to you the processes for identifying and responding to fraud or error

Response: The Counter-Fraud and Corruption Policy is approved by the Committee. As Chairman of the Committee I am the counter-fraud champion for the Authority.

2) How does the Overview and Audit Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

Response: The Committee receives quarterly updates from Internal Audit and challenges officers on the achievement of recommendations against the agreed timescales.

3) Is the Committee aware of any breaches of, or deficiencies in, internal control; and actual, suspected or alleged frauds during 2016-17?

Response: No

4) Is the Committee aware of any organisational or management pressure to meet financial or operating targets?

Response: No

5) How does the Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2016/17?

Response: The Director of Legal and Governance is designated as the Monitoring Officer. He is required to report any non-compliance to management and the Committee. No instances of non-compliance were identified during 2016/17.

6) Is the Committee aware of any actual or potential litigation claims that would affect the financial statements?

Response: Yes. A review of potential litigation and claims is carried out by officers as part of the year end closedown process. An assessment is made as to whether these require a provision or contingent liability to be disclosed in order for the financial statements to present a true and fair view. The 2016/17 financial statements contain a number of provisions and contingent liabilities covering a range of events that may impact upon the Authority in subsequent years.

7) How does the Committee satisfy itself that is appropriate to adopt the going concern basis in preparing the financial statements?

Response: The circumstances are reviewed by officers against the 'Code of Practice on Local Authority Accounting in the United Kingdom - Guidance Notes for Practitioners'. There is currently no reason to assume that the authority and its functions and services will not continue for the foreseeable future

I believe that the answers that I have given will satisfy all your queries but if you need any more information then please do not hesitate to contact me

Yours sincerely

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Councillor David Watson

Chairman - Overview and Audit Committee

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ITEM 12



Buckinghamshire & Milton Keynes Fire Authority

MEETING	Overview and Audit Committee
DATE OF MEETING	26 July 2017
OFFICER	David Sutherland, Director of Finance & Assets
LEAD MEMBER	Councillor David Watson
SUBJECT OF THE REPORT	Adoption of the Audited Statement of Accounts
EXECUTIVE SUMMARY	The Authority must prepare, in accordance with proper practices in relation to accounts, a statement of accounts for each year. The statement of accounts must be adopted by the Committee no later than 30 September in the year immediately following the end of the year to which the statement relates.
ACTION	Decision.
RECOMMENDATIONS	That the Statement of Accounts for the financial year ended 31 March 2017 be approved for signing by the Chairman of the Committee.
RISK MANAGEMENT	No direct impact.
FINANCIAL IMPLICATIONS	No direct impact.
LEGAL IMPLICATIONS	The Statement of Accounts must, following consideration, be approved by the Committee.
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	No direct impact.
HEALTH AND SAFETY	No direct impact.
EQUALITY AND DIVERSITY	No direct impact.
USE OF RESOURCES	No direct impact.
PROVENANCE SECTION & BACKGROUND PAPERS	None.

APPENDICES	Annex A: Annual Financial Statements 2016/17
TIME REQUIRED	15 minutes.
REPORT ORIGINATOR AND CONTACT	Asif Hussain ahussain@bucksfire.gov.uk 01296 744421

Audited Annal Financial Statements for the year ending 31 March 2017



FIRE - RESCUE

april 10

Buckinghamshire & Milton Keynes Fire Authority **MAKING YOU SAFER PREVENTING PROTECTING RESPONDING** WWW.BUCKSFIRE.GOV.UK BUCKSFIRE, COULD

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The Annual Financial Statements contains the Statement of Accounts and additional accompanying statements.

The Statement of Accounts comprises the Statement of Accounting Policies, the Financial Statements (Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement) and the Notes to the Core Financial Statements. In addition the Statement of Accounts also includes the Firefighters' Pension Fund Account and Notes to the Firefighters' Pension Fund Accounts.

The Auditor's Report and the Narrative Statement are outside the scope of the Statement of Accounts. These parts of the Annual Financial Statements are also outside the scope of the responsible financial officer's true and fair certification.

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Introduction

Welcome to our Annual Financial Statements

This document sets out the financial activities of Buckinghamshire & Milton Keynes Fire Authority (the Authority) for the year ended 31 March 2017. It shows the financial detail of the services we have provided together with explanatory notes, the resources consumed and the financial position at the end of the year compared with the previous year.

These statements are prepared for the Authority as a single entity. The Authority does not form part of a wider reporting group.

Buckinghamshire & Milton Keynes Fire and Rescue Service is a relatively small fire authority with limited resources both financially and in terms of numbers of personnel, but is constantly seeking to improve its services to the public, its performance and the value for money it delivers to its tax payers.

The economic pressures facing the country and the difficult financial decisions taken are reflected in the pressures and decisions that are being made by the Authority. These are explained in further detail in the Narrative Statement. The Authority fully recognises that there is every likelihood that financial constraints will become tighter in the future and we are already planning for that eventuality. We are proactively working with our partners and the community to reduce the risks facing our communities.

Further details about the Authority's vision and values can be found on our website:

http://bucksfire.gov.uk/about-us/our-visions-values/

Cllr David Watson

Chairman of the Overview and Audit Committee

David Sutherland CPFA

Director of Finance and Assets & Chief Finance Officer, Buckinghamshire & Milton Keynes Fire Authority

Narrative Statement

In compiling these accounts we have followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom 2016/17: Based on International Financial Reporting Standards (the Code).

The accounts are drawn up in accordance with the accounting policies set out in detail in the Statement of Accounting Policies.

The responsibility for the proper administration of the Authority's financial affairs is vested in the statutory officer (referred to as the Section 112 Officer). This is the Director of Finance and Assets & Chief Finance Officer who is required by law to confirm that the Authority's system of internal controls can be relied upon to produce an accurate Statement of Accounts.

The Statement of Accounts contains four main statements. Each of the four main statements is accompanied by supplementary notes providing additional detail to figures presented. The four main statements are:

- Movement in Reserves Statement this statement shows the changes in the financial resources over the year. The total usable reserves held as at 31 March 2017 was £11.639m (as at 31 March 2016 was £11.159m);
- Comprehensive Income and Expenditure Statement this statement shows the gains and losses that contributed towards the changes in resources shown in the Movement in Reserves Statement. The deficit on the provision of services for 2016/17 was £8.209m (2015/16 was a deficit of £12.036m);
- Balance Sheet this statement shows how the resources available are held in the form of assets and liabilities. The net assets figure is balanced by the Total Reserves figure (see also Movement in Reserves Statement); and
- Cash Flow Statement this statement shows how the movement in resources has been reflected in cash flows. The starting point for this statement is the net surplus/deficit on the provision of services (see also Comprehensive Income and Expenditure Statement). The net decrease in cash and cash equivalents during the year was £0.331m (net increase of £1.162m in 2015/16). Please refer to Note 17 for details of the movement.

These four statements are supported by notes to the accounts, which provide supplementary information to aid the understanding of these statements.

The Statement of Accounts also contains information regarding the Firefighters' Pension Fund Account.

This Narrative Statement provides information about the Authority, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2017 and is structured as below:

- An Introduction to Buckinghamshire and Milton Keynes Fire Authority
- Key Facts about the Authority
- Financial Performance in 2016/17
- Corporate Risks

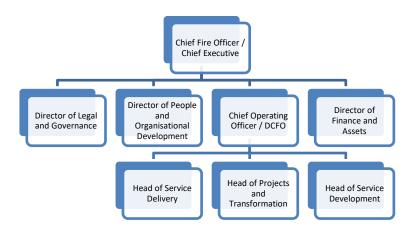
An Introduction to Buckinghamshire and Milton Keynes Fire Authority

Buckinghamshire and Milton Keynes Fire Authority is a local government body with responsibility for providing fire and rescue services for the County of Buckinghamshire and Borough of Milton Keynes. It oversees, on behalf of the public, the work of Buckinghamshire Fire and Rescue Service which undertakes the physical delivery of fire and rescue related safety and emergency response services. The Fire Authority consists of 17 elected Councillors – twelve nominated by Buckinghamshire County Council and five nominated by Milton Keynes Council in proportion to the size of their respective populations. The members of the Fire Authority make important decisions affecting the provision of fire and rescue services including:-

- Approving Buckinghamshire Fire & Rescue Service's plans, policies and strategies.
- Agreeing the staff, equipment and other resources needed to deliver an efficient and effective service.
- Setting the annual budget and Council Tax charge.

Our vision is to make Buckinghamshire and Milton Keynes the safest areas in England in which to live, work and travel.

Senior Management Structure



The Senior Management Team is responsible for the delivery of the services, directing improvements and future plans for the Authority. It provides managerial leadership and supports Councillors in:

- developing strategies;
- identifying and planning resources;
- delivering plans; and
- reviewing the Authority's effectiveness with the overall objective of providing excellent services to the public.

2015-2020 Public Safety Plan

This Public Safety Plan (PSP) sets out Buckinghamshire and Milton Keynes Fire Authority's strategy for the provision of fire and rescue services for the five year period April 2015 to March 2020. The Plan has been developed using integrated risk management planning methods and is designed to conform to the Government's guidance in relation to the preparation of integrated risk management plans. The Public Safety Plan 2015-2020 can be viewed here:

http://bucksfire.gov.uk/files/8114/2116/4524/2015_-_20_PSP_Updated_after_17_Dec_CFA.pdf

The Efficiency Plan

The Efficiency Plan sets out how the Authority plans to improve the services it provides whilst managing with reduced real-terms funding levels. The Authority's strategy for the provision of fire and rescue services for the next four years is driven by the approved Public Safety Plan 2015-2020. The key benefits that the plan brings to the local community are:

- A flexible approach to how we prevent emergencies, protect life, properties and the environment and also respond when called upon.
- Improve the services and value that we deliver to the public.

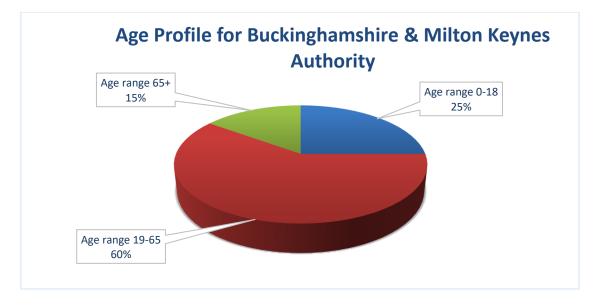
The Efficiency Plan can be viewed here:

http://bucksfire.gov.uk/files/2714/7496/8994/BMKFA Efficiency Plan.pdf

Key Facts about the Authority

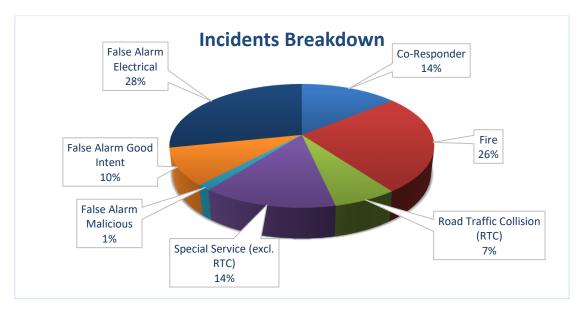
The profile of the local population dictates the direction and substance of the services provided by the Council. The Authority's aim is to align our highest station cover to those areas with the greatest demand.

The population for Buckinghamshire and Milton Keynes estimated by the Office for National Statistics (mid 2014) was 781,167. The age profile is presented below:



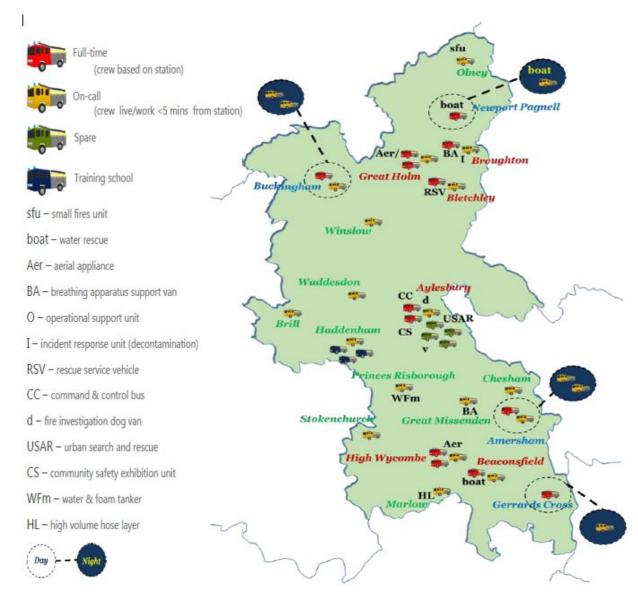
Incidents by type

False alarm electrical (28% of total incidents) accounts for a large proportion of incidents recorded followed by fire (26%), co-responder (14%), special service (14%), false alarm good intent (10%), road traffic collisions (7%) and false alarms malicious (1%)



In addition to attending incidents, fire-fighters carried out 3,794 Home Fire Risk Checks in our quest to target those who are most vulnerable and at risk from fire based upon our research and work with partners.

Current Operational Resourcing



The map above shows our station locations and their duty systems, number of appliances (fire engines) by type of cover and specialist appliances by location.

Our **Whole-time** stations provide full-time emergency response cover 24/7, every day of the year. These stations also have additional capacity offered by 'on-call' firefighters available on a 5 minute turn-out time.

Our **Day-Crewed** stations provide full-time cover during the day (08:00-18:00 hours) and On-Call cover at night (18:00-08:00 hours).

Our **On-Call** stations use firefighters who live/work in the area and come in as and when required. Usually they must be within 5 minutes of the station.

Since 2011, we have been operating a **Co-Responding** service in partnership with South Central Ambulance Service from Great Missenden. Since then it has extended in several other stations including Headquarters at Stocklake.

South Central Ambulance Service (SCAS) cover Buckinghamshire and Milton Keynes.

- They are required to meet Category A (immediately lifethreatening) calls within 8 minutes on 80% of occasions.
- There are some areas where the incident demand places great pressure on their capacity to respond within their target timescales
- A proportion of the SCAS workforce is voluntary, which also makes it challenging to manage the capacity of their workforce.

Co-responders are specially-trained firefighters who are dispatched by the SCAS Emergency Operations Centre to a range of medical emergencies to provide life-saving treatment and care to patients

before an ambulance arrives on scene.



Buckinghamshire Fire and Rescue Service (BFRS)

BFRS have 600 crew members who are professionally trained to deal with emergency situations and are reliably available when needed.

 Our crew possess 80% of the core-skills necessary to respond to a Category A calls as part of their regular training. It is possible to integrate the additional 20% of skills into the annual training program.

 BFRS have stations and crew in the locations where SCAS face significant challenges in meeting the demand for emergency response.

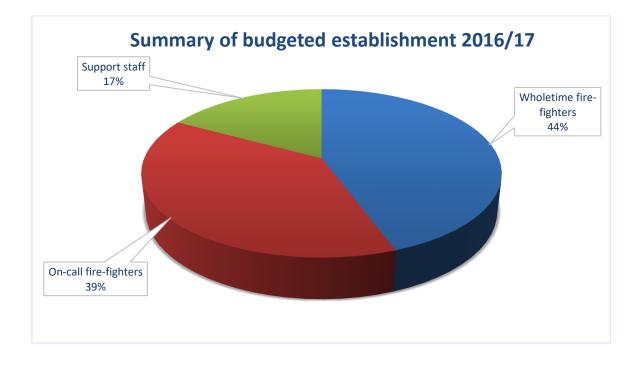
Apprenticeships

In 2016-17 we welcomed 22 apprentice firefighters and 3 support service apprentices, following our plan to recruit and develop young people into careers across the Fire Authority and in line with the Government's nationwide commitment to create three million apprenticeships by 2020.

The firefighter apprentices will train for the same qualification that trainee firefighters have to attain and are employed through the Apprentice Training Agency (ATA). They offer us an opportunity to refresh the workforce, while we continue to plan and develop our operational resources for the future.

Establishment

The breakdown of the Authority's budgeted establishment can be seen in the chart below;



Financial Performance in 2016/17

Economic Climate

Buckinghamshire and Milton Keynes Authority has faced significant financial challenges due to reductions in funding from central government over the past seven years. Despite having our Government grant support reduced by 26 per cent between 2010/11 and 2014/15, the Authority has not raised council tax since 2010/11 and decided to reduce council tax by 1 per cent in 2015/16. However, the funding settlement update announced by the Government during 2015 means that the Fire Authority now faces a reduction in its revenue support grant of 57 per cent between 2015-16 and 2019-20. With this in mind, the Fire Authority approved a 1.98 per cent increase in council tax in 2016-17. The Authority's council tax for a band D property is still the lowest of all non-metropolitan combined fire authorities in the country.

We continue to strive to make Buckinghamshire and Milton Keynes one of the safest areas in England in which to live, work and travel, but also to achieve this at best value to those we serve.

Budget Setting 2016/17

The budget for 2016/17 was set at a full Authority meeting in February 2016, figures were based on the final financial settlement announced by Central Government earlier that month. It was agreed that there would be a 1.98 percent increase in council tax. Therefore the levy for a council tax band D property to cover the services provided increased to £60.88 per annum.

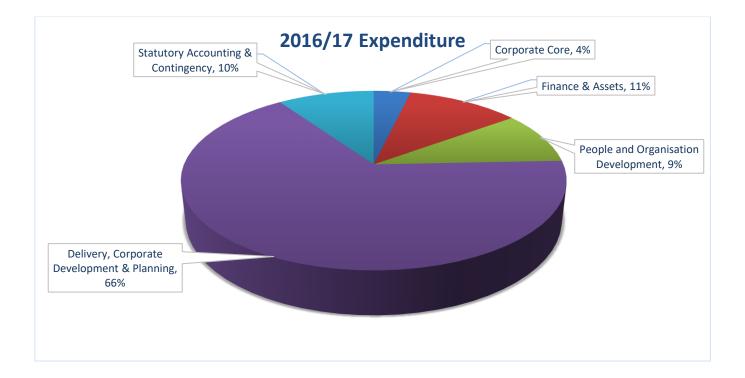
The remainder of total expenditure was funded through Central Government Grants, National Non-Domestic Rates (NNDR) redistribution and income for the recovery of costs from other agencies including grants for specific responsibilities such as Urban Search and Rescue Operations (USAR/New Dimensions).

The budget proposed for 2016/17 was a financial estimation based upon the priorities set out within our Public Safety Plan. The employee costs took account of the continued work plan to make efficiencies year on year whilst still ensuring resources were sufficient and in the right place with no reduction in our response capability.

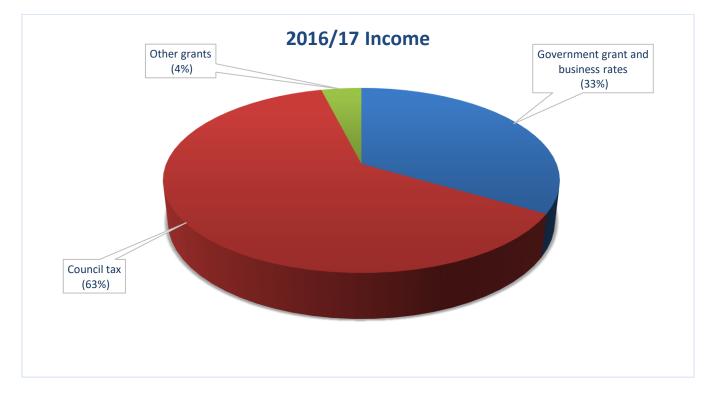
Specific items taken into account in setting the budget for 2016/17 included inflation and the increasing revenue cost for the capital programme. Amounts were also set aside as contingency to cover protected pay and other unknowns such as a national fire-fighters pay award. During the budget setting process, savings and growth bid packages were submitted to challenge and authorisation by Members.

We fund our capital programme through a mixture of government grant and revenue funding. The programme was targeted to fund the essential refurbishment of our fire stations, the replacement of fire specialist equipment and our investment in new technology.

Breakdown of Expenditure 2016/17



Breakdown of Income 2016/17



Revenue Outturn

The revenue budget for 2016/17 was £28.323m set at a full Authority meeting held in February 2016. The table below shows the revenue outturn position for the year. The Authority reported an underspend of $\pounds 0.871m$

			Provisional	
		Total Budget	Outturn	Variance
Directorate	Area Manager	£	£	£
Corporate Core	Corporate Core	914,350	943,718	29,368
	Legal & Governance	84,350	63,277	-21,073
Corporate Core Total		998,700	1,006,995	8,295
Finance & Assets	Finance & Procurement	975,760	957,574	-18,186
	Resource Management	2,166,385	2,113,114	-53,271
Finance & Assets Total		3,142,145	3,070,688	-71,457
People & Organisation Development	Training & Development	1,749,616	1,832,110	82,494
	Operations & Services	794,115	739,675	-54,440
People & Organisation Development Total		2,543,731	2,571,785	28,054
	Service Delivery	15,356,314	14,476,156	-880,158
Delivery, Corporate Development & Planning	Service Development	476,335	452,246	-24,089
Delivery, corporate Development & Flamming	Service Transformation	1,271,110	1,778,502	507,392
	IT and Communication	1,425,265	1,360,143	-65,122
Delivery, Corporate Development & Planning Total		18,529,024	18,067,047	-461,977
	Capital Charges	211,000	177,401	-33,599
Statutory Accounting & Contingency	Direct Revenue Financing	2,153,000	2,153,000	0
Statutory Accounting & Contingency	Contingency	529,930	34,355	-495,575
	Non Distributed Costs	215,170	262,426	47,256
Statutory Accounting & Contingency Total		3,109,100	2,627,182	-481,918
Total Expenditure		28,322,700	27,343,697	-979,003
Total Funding		-28,322,700	-28,214,540	108,160
Net Position		0	-870,843	-870,843

The net surplus for the year 2016/17 was due to a number of factors:

- On-call establishment has remained below budgeted levels in addition to several vacant posts throughout the organisation.
- More efficient and effective ways of working.
- The over-achievement of interest earned on cash balances.

Capital Outturn

Capital expenditure is not shown in the Comprehensive Income and Expenditure Statement but is budgeted for and reported separately. The capital programme for 2016/17 was £3.236m which together with a number of carry-forward schemes and in year funding totalled £16.878m. The table below shows the final capital position at year-end for each service area.

Portfolio	Budget 16/17 £	Actuals £	Slippage £	Year End Variance £
Finance and Assets	12,619,115	1,252,479	11,282,813	-83,823
Delivery, Corporate Development & Planning	3,518,263	1,297,577	2,216,666	-4,020
Knowledge and Information Systems	740,177	661,576	42,000	-36,601
Total	16,877,555	3,211,632	13,541,479	-124,444

The largest proportion of capital expenditure during the year relates to the purchase of several appliances and equipment. Orders for eight appliances was placed in the year with delivery expected in the first quarter of 2017-18. The \pm 1.252m spent in the Finance and Assets portfolio predominantly relates to building enhancements and major refurbishments at a number of fire stations.

The Authority's loans are borrowed from the Public Works Loan Board (PWLB) and during 2016/17 no new loans were taken out and one loan of £0.368m was repaid in May 2016. The Authority's total borrowing for capital purposes stands at £7.382m with loan repayments spread over the years 2018-2056.

Capital Programme 2017-2021

The table below summarises the provisional capital programme from 2017/18 to 2020/21. Central government funding for capital has reduced over the last few years and is expected to be ring-fenced in the future for transformation projects. Therefore the capital programme for the Authority will be funded mainly from in year revenue contributions to capital.

Financial Year	2017/18	2018/19	2019/20	2020/21
Capital Programme	£000	£000	£000	£000
Finance and Assets	500	500	500	500
Delivery, Corporate Development & Planning	747	641	646	641
Knowledge and Information Systems Total	87	87	87	87
Projected Slippage**	13,541	-	-	-
Total Spend	14,875	1,228	1,233	1,228
Funding brought forward	- 9,004	- 431	- 1,140	- 1,844
In year funding	- 6,302	- 1,937	- 1,937	- 1,937
Funding (Available) / Deficit	- 431	- 1,140	- 1,844	- 2,553

Reserves Balances

The level of reserves held by the Authority as at 31 March 2017 are shown in the table below:

31 March 2016		31 March 2017
£000		£000
(2,165)	General Fund Balance	(3,035)
(2,165)	- Sub Total Non Earmarked General Fund Balance	(3,035)
-	Fire Control Reserve	-
(250)	Invest to Save Reserve	(250)
-	Apprentice Reserve	(500)
-	New Dimensions Reserve	-
-	Vehicle Reserve	-
(250)	Redundancy and Early Retirement Reserve	(250)
-	Sprinklers Reserve	(200)
-	Funding Pressure Reserve	-
(319)	Control Room Reserve (Revenue)	(216)
-	RDS Pension Contributions Reserve	-
(1,164)	Continuing Projects Reserve	(737)
(50)	Insurance Reserve	(50)
(2,033)	Sub Total Earmarked Reserves - Revenue	(2,203)
-	Usable Capital Receipts Reserve	(245)
-	Control Room Capital Grant Unapplied	-
-	Other Capital Grants Unapplied	-
(6,961)	Revenue Contribution to Capital	(6,156)
(6,961)	Sub Total Earmarked Reserves - Capital	(6,401)
(11,159)	Total Usable Reserves	(11,639)
Further inform	- mation on these reconversioned out in Note 22	

Further information on these reserves is set out in Note 23.

Pension Fund Liability

The accounting treatment for pensions follows International Accounting Standard 19 (IAS19), the purpose of which is to ensure that organisations' accounts reflect the net position of their pension funds and account for the liability to pay accumulated employee benefits in the future. In 2016/17, the Authority's share of the five Pension Fund's net liabilities increased by £53.715m to £305.510m (for 2015/16 the net liability was £251.795m).

Effectively, the Pension Funds are in deficit by £305.510m compared with what is needed to pay the pensions of current scheme members, and the effect is to reduce the overall net worth of the Authority by that amount. However, statutory arrangements for the funding of the deficit, whereby the deficit will be made good by employer contributions over the remaining working life of employees as assessed by the scheme's actuaries, mean that the financial position of the Authority remains healthy.

Corporate Risks

The development, implementation and operation of effective corporate risk management structures, processes and procedures are considered critical to assure continuity of service to the public, compliance with relevant statutory and regulatory requirements and the successful delivery of the Authority's strategic aims, priorities and plans.

Risk Description	Consequence if untreated	Treatment of risk
Staff emerging risks of; 1/ industrial action due to pension change or pay dispute;	Potential detrimental effects on service delivery to the community and our reputation.	Full business continuity plan in place & uploaded to Resilience Direct.
2/ Staff inability to get to work due to external factors e.g. Pandemic Flu, disruption to fuel supplies etc.	Failure to discharge statutory duties. Loss of critical knowledge / skills /	Peer review of the business continuity arrangements. Bank System
3/ Retirements proceeding more quickly than anticipated.	capacity.	Flexi-Duty System Pilot Staff Transfer Procedure
Funding and Savings Requirement	The funding settlement now assumes that a council tax increase is required each year in line with the prevailing capping limit, currently 2% for the Fire Authority, and that local growth meets expectations. If either or both did not come to fruition there is a risk the Authority will not meet its commitment to the PSP 2015-20 and that a fundamental re-think of service provision would be required.	Proactive management of the MTFP is in force which has previously included a re-alignment balances to free up MRP burden and a revised risk assessed level of general fund reserve. In addition the MTFP is very closely aligned to workforce planning. For the present, USAR (S31) grant funding is assumed to continue, though notification now seems to be year on year and often after budget setting. If removed, the Authority will need to cope with a circa £800k cut in funding.
Thames Valley Control Service discontinuity (Control Room continuity of service following delay to Thames Valley Control implementation)	Potential for delay in receiving and handling of calls locally, therefore affecting response times of appliances	Legal agreement now in place for North Yorkshire FRS to call handle and mobilise for TVFCS in the event of service discontinuity. Secondary Control at Kidlington now tested and mirrors primary.
Potential impact on of operational staff resources due to aging workforce profile. As of April 2015 the average age of our FF's is 39.	An aging workforce and significant retirement and leaver profile would impact on the Service providing an operational response to the community, and may also impact on the capacity and	Workforce planning profile aligned with MTFP and subject to regular review. Improved take up of Bank and Ops resourcing pool will assist operational resilience.

capability of our staff to provide a diverse range of services. Greater potential for increased long term Sickness absence, which would not demonstrate an effective use of salary spend, and would increase management time spent managing attendance. A potential increase in ill health retirements would negatively impact on the Service budget Pension arrangements historically have retained staff to predictable retirement dates. The NFFS 2015 may be unlikely to guarantee full service and a consequence is a more unpredictable leaver profile with staff leaving at short notice.	Review wellbeing support options for different workforce profiles. Functional hearing assessments being conducted in-house. Apprenticeship scheme and 'flexible' firefighter pilots to improve levels of operational resourcing. Measures to mitigate effects of age related fitness issues being rolled out (e.g. new gym equipment on station).

Statement of Responsibilities for the Statement of Accounts

The 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, that officer is the Director of Finance and Assets & Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Responsibilities of the Director of Finance and Assets

The Director of Finance and Assets & Chief Finance Officer 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 Director of Finance and Assets & Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Director of Finance and Assets & Chief Finance Officer has also:

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

Certificate of the Director of Finance and Assets

I hereby certify that this Statement of Accounts presents a true and fair view of the financial position of the Authority as at 31 March 2017 and its income and expenditure for the financial year 2016/17.

David Sutherland CPFA Director of Finance and Assets & Chief Finance Officer, Buckinghamshire & Milton Keynes Fire Authority

Date: 9th June 2017

Independent Auditor's Report to Members of Buckinghamshire

To be added after the conclusion of the audit.

Statement of Accounting Policies

i. 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 (England) Regulations 2011, which is required 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 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued.

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.

ii. Accruals of Income and Expenditure

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 revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Acquisitions and Discontinued Operations

There were no acquired or discontinued operations during the year.

iv. 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 are readily convertible to known amounts of cash with insignificant risk of change in value. Cash equivalents include cash on deposit that is held for short-term cash flow management rather than investment purposes.

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.

v. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance. There were no exceptional items during 2016/17.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vii. Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed 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 fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement.

This contribution is referred to as the Minimum Revenue Provision (MRP):

- debt relating to capital expenditure incurred prior to 1 April 2008 will be calculated broadly on the basis of 4% of the Authority's Capital Financing Requirement
- debt relating to capital expenditure incurred from 1 April 2008 will be calculated broadly on the asset life (equal instalments) method. The amount is dependent upon the estimated life of the asset for which the debt has been raised.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

A discretionary charge is also made to the revenue account to contribute towards the Revenue Contribution to Capital reserve. This will be used to help fund the capital programme in future years due to the reducing levels of capital grant funding that are expected to be available.

viii. Employee Benefits

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 in the following accounting year, being the period in which the employee takes the benefit. 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.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of five separate pension schemes:

- Uniformed Firefighters 1992 Pension Scheme, 2006 New Firefighters' Pension Scheme, 2015 Pension Scheme and 2015 Modified Pension Scheme;
- The Local Government Pensions Scheme, administered by Buckinghamshire County Council.

Uniformed Firefighters

The funding arrangements for the Firefighters' Pension Scheme in England changed by statute with effect from 1 April 2006 and are contained within the Firefighter's Pension Scheme (Amendment) (England) Order 2006 (SI 2006/1810). Before 1 April 2006 the 1992 Scheme did not have a percentage of pensionable pay type of employer's contribution: rather each fire authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new funding arrangements the schemes remain unfunded but will no longer be on a pay-as-you-go basis as far as the individual fire authority is concerned.

Authorities no longer meet the pension outgoing directly: instead they pay an employer's pension contribution based on a percentage of pay into the Pension Fund and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation.

Transactions in the Firefighters Pension Fund include:

Credits to the Pension Fund

- Employees' contributions from firefighters
- Transfer values received from other authorities
- The employer's contributions due from the Authority
- Additional contributions required from the Authority for ill health retirements.

Debits to the Pension Fund

- Awards payable under any provision of the pension scheme
- Transfer values payable to other authorities
- Any repayment to the Authority of contributions towards ill health retirements.

Subject to scrutiny and approval by the Secretary of State and Parliament, under the new arrangements the Pension Fund will be balanced to nil at the end of the year by either paying over to the DCLG the amount by which the amounts receivable by the Fund for the year exceed the amounts payable, or by receiving cash in the form of a pension top-up grant from the DCLG equal to the amount by which the amount payable from the pension fund for the year exceeded the amount receivable.

Injury Awards

Under the Firefighters Compensation Scheme (England) Order 2006, a firefighter receives an injury award where they have retired and are permanently disabled because of an injury received in the execution of their duty. Under IAS 19 the Authority is required to account for contingent future injury benefits. The liability is based on an estimate of future benefits earned by members, and movements in the liability are treated in the same way as for the Firefighters pension schemes.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on the iBoxx 15 year corporate bond index).

The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities current bid price;
- unquoted securities professional estimate;
- unitised securities current bid price;
- property market value.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost the increase in liabilities as a result of years of service earned this year
 – allocated in the Comprehensive Income and Expenditure Statement to the services for
 which the employees worked
- past service cost the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

 net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense. In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

ix. 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.

x. Financial Instruments

Financial Liabilities

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.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus the accrued interest shown under short-term borrowing); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. There were no repurchase or early settlements during 2016/17.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. There were no premiums paid or discounts received during 2016/17.

Financial Assets - Loans and Receivables

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. For most of the loans that the Authority has made, 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 relevant service (for receivables specific to that service) or 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 derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi Foreign Currency Translation

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.

xii. Heritage Assets

The Authority does not hold any heritage assets.

xiii. 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 there is reasonable assurance that the conditions attached to the grant or contribution will be 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 there is not reasonable assurance that the conditions will be 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.

xiv. 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.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

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. 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 or abandonment 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 and (for any sale proceeds) the Capital Receipts Reserve.

xv. Interests in Companies and Other Entities

The Authority has no material interests in companies or other entities which would require it to prepare group accounts.

xvi. Inventories and Long Term Contracts

Inventories are generally included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First In First Out (FIFO) costing formula.

Where inventories are held for distribution at no charge or for a nominal charge they are measured at the lower of cost and current replacement cost. Replacement cost is defined as the cost the authority would incur to acquire the asset at the Balance Sheet date.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xvii. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements 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 and (for any sale proceeds) the Capital Receipts Reserve.

xviii. Jointly Controlled Operations and Jointly Controlled Assets

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets

and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

xix. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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 a 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.

The Authority as Lessee

Finance Leases

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 the 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 and 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

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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. A gain, representing the Authority's net investment in the lease, is 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 against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

In 2003/04 the Authority entered into a sale and leaseback agreement. The initial cost of the lease was matched by an increase in the value of land and buildings within fixed assets.

xx. Overheads and Support Services

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

xxi. 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

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. The Authority's de-minimis level for capital expenditure is £6k.

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 whilst 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 depreciated historical cost
- all other assets fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair 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 fair value.

Assets included in the Balance Sheet at fair value are revalued annually to ensure that their carrying amount is not materially different from their fair value at the year-end. Where amounts are materially different, the gross book value and accumulated depreciation are restated proportionately 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 Comprehensive Income and Expenditure Statement 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

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses 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.

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.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. 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:

- dwellings and other buildings straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment straight-line allocation over the useful life of the asset

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. In applying the principals of componentisation the de-minimis value of a property has been set at \pounds 500,000 and individual components at \pounds 50,000, i.e. 10% of the overall asset below which any component will not be calculated separately. The components that have been identified as relevant to the authority are weatherproofing (to include windows, roofs, bay doors and doors), mechanical and electrical and finally yards and drill towers (i.e. external elements). Where the life expectancy of any component would exceed the life expectancy of the main structure then the life expectancy of the component will be limited to that of the main structure.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

Amounts received for the disposal of any assets previously qualifying as Capital Expenditure are categorised as capital receipts. Capital receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Authority's underlying need to borrow. 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 fixed 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.

xxii. Private Finance Initiative (PFI) and Similar Contracts

The Authority has not entered into any PFI or similar contracts

xxiii. 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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

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.

xxiv. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that 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 policies.

xxv. Revenue Expenditure Funded from Capital under Statute

This does not apply as the Authority does not incur expenditure which may be capitalised under statutory provision and which does not result in the creation of a non-current asset.

xxvi. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxvii. Revenue Expenditure Funded from Capital under Statute (REFCUS)

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.

Critical Judgements in Applying the Accounting Policies

The accounts are prepared with the underlying assumptions of the accruals basis and the going concern basis i.e. the Authority will continue its operations for the foreseeable future. This means in particular that, despite the high degree of uncertainty resulting from reducing levels of funding in future years, the Comprehensive Income and Expenditure Account and Balance Sheet assume no intention to curtail significantly the scale of the operation. At this stage there is no indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce the level of service provision.

Use of Estimates and Judgements

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Comprehensive Income and Expenditure Statement for 2016/17 and the Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Depreciation (and amortisation of intangible assets) 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 noncurrent assets in the Balance Sheet. The carrying amounts of non-current assets as at 31 March 2017 was £36.499m. Total depreciation and amortisation for the year was £2.557m;
- 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. Revaluations charged to the Revaluation Reserve during the year were £1.800m upwards and £0.034m downwards;
- Pensions Liability the valuation of the liability is based on a number of actuarial assumptions (see Note 28). This figure is provided by an external actuary and is based upon actual contributions for the first 10 months and estimates calculated for the remaining two months. This is applicable to the LGPS and Fire Fighter pension fund. If the estimate was to differ from the actual it would result in a higher or lower pension liability and reserve figure on the Balance Sheet. The total pension liability as at 31 March 2017 was £305.510m;
- Financial Assets and Liabilities further details about the assumptions made and the potential impact can be found in Note 29; and
- The Joint Control (revenue expenditure) split was based on the population, tax base and number of incidents attended for each Authority. Therefore the contribution agreed by each authority was as follow:
 - Buckinghamshire and Milton Keynes Authority 34%
 - Royal Berkshire Fire Authority 38%
 - Oxfordshire Fire Authority 28%

The capital assets for the Joint Control are recognised as an equal third on the balance sheet.

• Buckinghamshire and Milton Keynes Fire Authority (BMKFA) is the Treasurer for the funding allocated to the Emergency Services Mobile Communications Programme (ESMCP) which includes BMKFA and the following brigades; Berkshire, Oxfordshire, Hampshire, Isle of Wight. The funding allocated by central government is based on control rooms and brigade sizes. The actual costs incurred are shared equally between all the partners involved.

Changes in Accounting Estimates

There have been two changes in existing accounting estimates during 2016/17 which relate to overheads and support services recharges and pension liability estimates. An additional accounting estimate has been included for the Emergency Services Communications Programme (ESMCP).

Standards Issued But Not Yet Adopted

The standards introduced in the 2016/17 Code are:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee
- Contributions)
- Annual Improvements to IFRSs 2010 2012 Cycle (see Note 1 below)
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of
- Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Amendment to IAS 16 and IAS 41 Agriculture (Bearer Plants)
- Amendment to IAS 27 Separate Financial Statements (Equity Method in Separate Financial Statements)
- Annual Improvements to IFRSs 2012–2014 Cycle (see Note 2 below)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)

Note 1

The issues included in the Annual Improvements to IFRSs 2010 – 2012 cycle are:

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment
- IAS 24 Related Party Disclosures

<u>Note 2</u>

The issues included in the Annual Improvements to IFRSs 2012 – 2014 cycle are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

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

Movement in Reserves Statement

These statements show 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 (CIES). These are different from the statutory amounts 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/from earmarked reserves undertaken by the Authority. Further detail on each reserve is shown in the notes to the accounts as referenced.

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015 carried forward	(3,700)	(11,207)	(93)	(886)	(15,886)	240,917	225,031
<u>Movement in reserves</u> <u>during 2015/16</u> (Surplus) or deficit on the	12,036	-	-	_	12,036	-	12,036
provision of services Other Comprehensive Income and Expenditure	-	-	-	-		(29,078)	(29,078)
Total Comprehensive Income and Expenditure Adjustments between	12,036	-	-	-	12,036	(29,078)	(17,042)
accounting basis & funding basis under Regulation (Note 23)	(8,288)	-	93	886	(7,309)	7,309	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	3,748	-	93	886	4,727	(21,769)	(17,042)
Transfers to/from Earmarked Reserves (Note 23)	(2,213)	2,213	-	-	-	-	-
(Increase) / Decrease in 2015/16	1,535	2,213	93	886	4,727	(21,769)	(17,042)
Balance at 31 March 2016 carried forward	(2,165)	(8,994)	-	-	(11,159)	219,148	207,989
Amounts held for revenue purposes	(2,165)	(2,033)			(4,198)	252,243	248,045
Amounts held for capital purposes	-	(6,961)			(6,961)	(33,097)	(40,058)

Movement in Reserves Statement continued:

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016 carried forward	(2,165)	(8,994)	-	-	(11,159)	219,148	207,989
<u>Movement in reserves</u> during 2016/17							
(Surplus) or deficit on the provision of services	8,209	-	-	-	8,209	-	8,209
Other Comprehensive Income and Expenditure	-	-	-	-	-	42,496	42,496
Total Comprehensive Income and Expenditure	8,209	-	-	-	8,209	42,496	50,705
Adjustments between accounting basis & funding basis under regulations (Note 23)	(8,444)	-	(245)	-	(8,689)	8,689	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(235)	-	(245)	-	(480)	51,185	50,705
Transfers to/from Earmarked Reserves (Note 23)	(635)	635	-	-	-	-	-
(Increase) / Decrease in 2016/17	(870)	635	(245)	-	(480)	51,185	50,705
Balance at 31 March 2017 carried forward	(3,035)	(8,359)	(245)	-	(11,639)	270,333	258,694
Amounts held for revenue purposes	(3,035)	(2,203)			(5,238)	305,664	300,426
Amounts held for capital purposes	-	(6,156)	(245)		(6,401)	(35,331)	(41,732)

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the economic cost in the year of providing services in accordance with 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				2016/17	
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000 109		£000	£000	£000
1,285	(40)	1,245	Corporate Core	1,296	(11)	1,285
3,293	(465)	2,828	Finance & Assets	4,143	(399)	3,744
2,264	(165)	2,099	People & Organisation Development	3,025	(193)	2,832
22,101	(237)	21,864	Delivery,Corporate Development & Planning	22,024	(185)	21,839
3,654	-	3,654	Statutory Accounting and Contingency	279	(7)	272
32,597	(907)	31,690	(Surplus) or Deficit on Continuing Operations (Note 1)	30,767	(795)	29,972
			Other Operating Expenditure			
74	-	74	(Gain)/losses on disposals of non current assets		(53)	(53)
74	-	74	Total Other Operating Expenditure	-	(53)	(53)
			Financing and Investment Income and Expenditure			
380	-	380	Interest payable and similar charges (Note 29)	347	-	347
-	(190)	(190)	Interest and Investment income (Note 29)		(155)	(155)
8,918	-	8,918	Pension interest cost (Note 28)	6,603	-	6,603
9,298	(190)	9,108	Total Financing and Investment Income and Expenditure	6,950	(155)	6,795
			Taxation and Non-Specific Grant			
			Income			
-	(17,080)	(17,080)	Precepts		(17,687)	(17,687)
-	(6,858)	(6,858)	General Government Grants		(5,692)	(5,692)
-	(4,898)	(4,898)	Non Domestic Rates redistribution		(5,126)	(5,126)
-	(28,836)	(28,836)	Total Taxation and Non-Specific Grant Income (Note 10)	-	(28,505)	(28,505)
41,969	(29,933)	12,036	(Surplus) or Deficit on Provision of Services	37,717	(29,508)	8,209
		(1,592)	(Surplus) or Deficit on revaluation of fixed assets (Note 24e)			(1,766)
		(27,486)	Remeasurement of net defined liability (Note 24d)			44,262
		(29,078)	Other Comprehensive Income and Expenditure			42,496
		(17,042)	Total Comprehensive Income and Expenditure			50,705

Balance Sheet

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 the reserves held by the Authority.

31 March 2016		31 March 2017
£000		£000
	Property, Plant and Equipment	
29,761	Land & Buildings	30,664
4,619	Vehicles, Plant & Equipment (including Donated Assets)	4,349
227	Assets under construction	1,486
34,607	Total Property, Plant & Equipment (Note 11a)	36,499
105	Investment Property (Note 12)	105
164	Intangible Assets (Note 13)	459
34,876	Non-Current Assets	37,063
19,082	Short Term Investments (Note 14)	21,073
309	Inventories (Note 15)	346
4,849	Short Term Debtors (Note 16)	3,732
2,368	Cash and Cash Equivalents (Note 17)	2,037
26,608	Current Assets	27,188
(469)	Short Term Borrowing (Note 18)	(101)
(2,285)	Short Term Creditors (Note 18)	(2,400)
(503)	Provision for Accumulated Absences (Note 19)	(504)
(140)	Provision - Part Time Workers (Note 19)	(140)
(550)	Provision - VR/Special Payments (Note 19)	(530)
(540)	NNDR Appeals Provision (Note 19)	(518)
(1,188)	_ Injury Pensions Provision (Note 19)	(1,188)
(5,675)	Current Liabilities	(5,381)
(7,382)	Long Term Borrowing (Note 20)	(7,382)
	Other Long Term liabilities	
(2,841)	Capital Grants Received in Advance (Note 21)	(2,939)
(1,780)	Finance Lease (Note 22)	(1,733)
-	Donated Asset Account (Note 25)	-
(251,795)	Liability related to the Defined Benefit Pension Scheme (Note 28)	(305,510)
(256,416)	Total Other Long Term Liabilities	(310,182)
(263,798)	Long Term Liabilities	(317,564)
(207,989)	Net Assets	(258,694)
	Reserves	
(11,159)	Usable Reserves (Note 23)	(11,639)
219,148	Unusable Reserves (Note 24)	270,333
207,989	Total Reserves	258,694
(11,159)	<u>Reserves</u> Usable Reserves (Note 23)	(11,639) 270,33

Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Cash Flow 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 the recipients of the 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 to the Authority.

2015/16		2016/17
£000	Cash Flow Statement	£000
(12,036)	Net surplus or deficit on the provision of services	(8,209)
12,820	Adjust for non-cash movements	13,414
(34)	Adjust for items that are investing or financing activities	(288)
750	Net Cash Flow from Operating Activities	4,917
1,287	Investing Activities	(4,783)
(875)	Financing Activities	(465)
1,162	Net Increase or decrease in cash and cash equivalents	(331)
1,206	Cash and Cash equivalents at the beginning of the reporting period	2,368
2,368	Cash and Cash equivalents at the end of the reporting period	2,037

Notes to the Cash Flow Statement can be found in Note 31.

Notes to the Core Financial Statements

1 - Service Information – 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 council'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	N	Expenditure and Funding Analysis		2016/17	N
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Services	Net Expenditure Chargeable to the General Fund	between the	
£000	£000	£000		£000	£000	£000
935	311	1,246	Corporate Core	1,171	114	1,285
2,756	72	2,828	Finance and Assets	3,639	105	3,744
1,841	258	2,099	People and Organisational Development Delivery, Corporate	2,585	247	2,832
17,749	4,114	21,863		19,455	2,384	21,839
3,725	-71	3,654		272	0	272
27,006	4,684	31,690	Net Cost of Services	27,122	2,850	29,972
-22,279	2,625	-19,654	Other Income and Expenditure	-27,602	5,839	-21,763
4,727	7,309	12,036	Surplus or Deficit	-480	8,689	8,209
-15,886			Opening General Fund Balance	-11,159		
4,727			Less/Plus Surplus or (Deficit) on General Fund Closing General Fund	-480		
-11,159			Balance at 31 March	-11,639		

2 - Officers Remuneration

The number of employees whose remuneration excluding employer's pension contributions was \pounds 50,000 or more in bands of \pounds 5,000 is shown below.

2015/16 Totals	Demonstration Devid	2016/17 Totals
£000	Remuneration Band	£000
19	£50,000 - £54,999	19
5	£55,000 - £59,999	6
5	£60,000 - £64,999	3
3	£65,000 - £69,999	4
2	£70,000 - £74,999	3
1	£80,000 - £84,999	1
1	£85,000 - £89,999	1
1	£95,000 - £99,999	1
-	£100,000 - £104,999	1
2	£110,000 - £114,999	2
1	£125,000 - £129,999	-
	£130,000 - £134,999	1
1	£160,000 - £164,999	1
41	Total	43

The following table sets out the remuneration disclosures for senior officers during 2016/17. All posts holders are included within the remuneration bands shown on the previous page.

Post Holder	Salary including Fees and Allowances	Benefits in Kind e.g. Car Allowance	Other Payments	Compensation for Loss of Office	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration Including Pension Contributions	Notes
Chief Fire Officer and Chief Executive	142,156	-	20,000	-	162,156	20,204	182,360	
Chief Operating Officer	116,762	1,266	13,000	-	131,028	24,800	155,829	
Head of Service Delivery	77,081	-	10,000	-	87,081	16,634	103,714	
Head of Service Development	93,947	-	4,000	-	97,947	20,257	118,204	
Director of People and Organisational Development	90,244	9,327	13,000	-	112,572	12,220	124,791	
Director of Finance and Assets & Chief Finance Officer	86,494	7,149	10,000	-	103,643	11,408	115,051	
Director of Legal and Governance	89,739	11,364	10,000	-	111,103	12,220	123,322	
Totals	696,424	29,107	80,000	-	805,530	117,741	923,272	

For comparison, the following table sets out the remuneration disclosures for senior officers during 2015/16:

Post Holder	Salary including Fees and Allowances	Benefits in Kind e.g. Car Allowance	Other Payments		Compensation for Loss of Office	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration Including Pension Contributions	Notes
Chief Fire Officer and Chief Executive	140,530	936		20,000	-	161,466	20,137	181,603	
Chief Operating Officer	116,678	936		12,000	-	129,614	25,407	155,021	
Head of Service Delivery	89,199	-		4,000	-	93,199	19,238	112,437	1
Head of Service Development	92,894	936		5,000	-	98,830	20,259	119,089	
Director of People and Organisational Development	90,103	8,351		12,000	-	110,454	12,056	122,510	
Director of Finance and Assets & Chief Finance Officer	82,744	924		7,000	35,250	125,918	10,710	136,628	2
Director of Legal and Governance	89,953	10,257		10,000	-	110,210	12,056	122,266	
Totals	702,101	22,340		70,000	35,250	829,691	119,863	949,554	

<u>Notes</u>

1 & 2 Two different post holders during the year

Exit Packages

2015/16		2016/17
Number of Redundancies	Exit Package Cost Banding	Number of Redundancies
11	£0 - £20,000 £20,001 - £40,000	-
20	Total	-

There were no exit packages in 2016/17.

3 - Provision for Doubtful Debt

The provision for doubtful debts is £0 as at 31 March 2017 (£35,851 as at 31 March 2016).

4 - Leases and Lease Type Arrangements

The operating leases held by the Authority apply to lease vehicles and radio communications equipment. The lease rentals paid during the year amounted to $\pounds 244k$ ($\pounds 248k$ in 2015/16). The estimated un-discharged obligations under the operational lease agreements are shown in the table below:

31 March	2016		31 March	2017
Vehicles Plant and Equipment	Land and Buildings	Years Operational Lease Remaining	Vehicles Plant and Equipment	Land and Buildings
£000	£000		£000	£000
137	78	0 - 1 years	109	78
166	313	2 - 5 years	124	313
-	527	6 years and onwards	-	449
303	918	Total	233	840

The finance lease held by the Authority is for the sale and leaseback of the Gerrards Cross houses with London Quadrant (previously Opus Housing). The Authority has included the finance lease as a long term liability. The finance lease is detailed in Note 22.

5 - Capital Financing Requirement

The table below shows the effect of capital expenditure on the Authority's capital financing requirement.

2015/16 £000		2016/17 £000
8,345	Opening Capital Financing Requirement	1,778
	<u>Capital Investment</u>	
1,870	Property Plant and Equipment	2,785
-	Intangible Assets	427
	Sources of Finances	
(103)	Capital Receipts	(43)
(307)	Donated Assets	-
(1,460)	Government Grants and Contributions	(3,169)
(311)	Revenue Funding including MRP	(47)
(6,256)	Voluntary Minimum Revenue Provision	-
-	Other Adjustments	-
1,778	Closing Capital Financing Requirement	1,731
	Explanation of movements in year	
(6,567)	Increase in the underlying need to borrow (supported by Government financial assistance)	(47)
(6,567)	Increase/(Decrease) in Capital Financing Requirement	(47)

6 - Members Allowances

Total allowances paid in 2016/17 to 21 Members amounted to $\pm 58k$ (2015/16 amounted to $\pm 63k$ and 20 Members).

7 - Audit Fees

Fees paid during the year to Ernst & Young LLP, the Authority's external auditor, for work on external audit and on inspection are set out in the table below.

2015/16		2016/17
£000	Audit Fees	£000
31	Scale fee for audit work	31
-	National Fraud Initiaitive (NFI)	1
31	Total	32

8 - Revenue Grants

Section 31 grants received from the Department for Communities and Local Government (DCLG) by the Authority are detailed below. The grants are not ring-fenced but are given for specific streams of work. As the grants are not ring-fenced, they are shown within Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

2015/16		2016/17
£000	Revenue Grants Applied	£000
(938)	New Dimension (Urban Search and Rescue)	(818)
(236)	Firelink	(256)
(1,174)	Total	(1,074)

The New Dimension grant funds the national resilience capability provided by the Urban Search and Rescue team. Firelink funding contributes to the cost of communications within the control room.

9 - Related Parties

The Authority is required to disclose material transactions with related parties: bodies or individuals that have the potential to control or influence the Authority, or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Authority.

As at April 2015, the Joint Control Room became operational and operates from Royal Berkshire Fire Authority premises. All control functions are controlled jointly by Buckinghamshire and Milton Keynes Fire Authority (BMKFA), Oxfordshire Fire and Rescue and Royal Berkshire Fire Authority with the control room based in Theale, Reading.

The capital assets for the Joint Control are recognised as an equal third on the balance sheet. As at 1^{st} of April 2015, the Joint Control room combined assets gross book value was £765k of which BMKFA share equates to £307k. The depreciation charge for the combined assets was £157k of which BMKFA share is £52k. Therefore the net book value as at 31^{st} March 2017 was £608k from which BMKFA share is £202k.

The revenue expenditure split is based on the Joint control policy stated in the accounting estimates section. The total expenditure for 2016/17 was £2.006m from which BMKFA contributed £682k.

As of April 2016, Buckinghamshire and Milton Keynes Fire Authority was appointed as the treasurer for the ESMCP project and the funding was held on behalf of Berkshire, Oxfordshire, Hampshire, Isle of Wight. The funding is mainly for the programme management of the project and was allocated $\pounds 0.342$ m which was split between the five partners. Therefore the income for BMKFA proportion was $\pounds 66k$. The expenditure incurred in 2016/17 was $\pounds 28k$ of which BMKFA share was $\pounds 6k$.

Central Government

Central Government is responsible for providing the statutory framework within which the Authority operates and prescribes the terms of many of the transactions that the Authority has with other parties. It also provided direct financial support in 2016/17 to the Authority.

Other Public Bodies

Buckinghamshire County Council provides Internal Audit Services, Pensions Services and SAP Systems Support. The Authority provides accommodation to the South Central Ambulance Service and Thames Valley Police.

The Authority has entered into local public service agreements with all six councils within its geographic boundaries. The Authority is using these agreements to build capacity within its Community Fire Safety department so that it can contribute along with its partners to the shared vision of creating a safer Buckinghamshire and Milton Keynes.

A Memorandum of Understanding (MOU) was agreed with Royal Berkshire and Oxfordshire Fire & Rescue Service which set out a formal arrangement for collaborating with the neighbouring Thames Valley Fire and Rescue Services.

A MOU has been established for a number of years with Hampshire Fire & Rescue Service and provides a cost effective way for the Authority to deliver a notable element of an USAR mobilisation that complies with the national requirements.

Members of the Authority

Members have direct control over the Authority's financial and operational policies. However, any contracts entered into are in full compliance with the Authority's standing orders and any decisions are made with proper consideration of declarations of interest. Details of any material interests are recorded in the Register of Members' Interests, which is open to public inspection. All Members have been asked to declare any related party transactions. From the replies provided there are no such transactions to be declared.

Senior Officers of the Authority

Senior Officers have control over the day-to-day management of the Authority. All Senior Officers have been asked to declare any related party transactions. From the replies provided there are no such transactions to be declared.

Assisted Organisations

The Authority provides funding to the Safety Centre Milton Keynes of £25k per annum. The Authority is one of a number of funders. An officer of the Authority is one of seven trustees of the centre, which is a registered charity. The Authority does not have a significant influence over the running of the centre.

Training Partnership – Fire Service College

The training partnership with the Fire Service College (FSC) was approved by the Members of the Executive Committee at its meeting of 15 March 2015. The partnership underpins the Service's Training Strategy and Framework for Training, Learning and Development. It will provide the Authority with external assurance that training and exercising in BMKFRS is being delivered and assessed to a CFOA endorsed nationally recognised standard.

Companies and Joint Ventures

The Authority does not have any interests in companies outside of its normal contractual arrangements.

10 - Funding

The Authority's net revenue expenditure is funded by local authority precepts, general government grants and non-domestic rates redistribution from the national pool.

2015/16		2016/17
£000	Funding	£000
(4,030)	Aylesbury Vale District Council	(4,184)
(2,561)	Chiltern District Council	(2,633)
(4,722)	Milton Keynes Council	(4,910)
(1,866)	South Buckinghamshire District Council	(1,916)
(3,901)	Wycombe District Council	(4,044)
(17,080)	Total Precepts	(17,687)
(5,170)	Revenue Support Grant	(4,514)
(183)	Council Tax Freeze Grant/NNDR Pooling	(104)
(1,174)	General Revenue Grants (Note 8)	(1,074)
(307)	Donated Asset	-
(24)	Capital Grants	-
(6,858)	Total General Government Grants	(5,692)
(4,898)	Non Domestic Rates redistribution	(5,126)
(4,898)	Total Non Domestic Rates redistribution	(5,126)
(28,836)	Total	(28,505)

In 2016/17 there were 291,691 Band D properties and in 2015/16 there were 287,017 Band D properties.

11 - Non Current Assets

a) Movement of Property, Plant and Equipment

	Land and Buildings	Leased Land and Buildings	Total Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
Gross Book Value as at 1 April 2016	28,900	2,357	31,257	11,281	227	42,765
Additions Disposals and write offs Reclassifications	461 (237) -		461 (237) -	1,065 (427) -	1,259 - -	2,785 (664) -
Revaluation increase/decrease (-) recognised in Revaluation Reserve	848	-	848	-	-	848
Revaluation increase/decrease (-) recognised in surplus/deficit on provision of service	(4)	-	(4)	-	-	(4)
Other movements in cost or valuation		-	-	-	-	-
Gross Book Value as at 31 March 2017	29,968	2,357	32,325	11,919	1,486	45,730
Accumulated depreciation and impairment as at 1 April 2016	(925)	(571)	(1,496)	(6,662)	-	(8,158)
Depreciation for the year	(1,047)	(47)	(1,094)	(1,331)	-	(2,425)
Depreciation on disposal	7		7	423	-	430
Depreciation written out to Revaluation Reserve	919	-	919	-	-	919
Depreciation written out to surplus/deficit (-) on provision of service	-	-	-	-	-	-
Impairment losses/reversals(-) recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses/reversals(-) recognised in the surplus/deficit on provision	3	-	3	-	-	3
Impairment on disposal	-	-	-	-	-	-
Reclassification of depreciation or impairment	-	-	-	-	-	-
Other movements in depreciation or impairment		-	-	-	-	-
Depreciation c/f	(1,043)	(618)	(1,661)	(7,570)	-	(9,231)
Net Book Value as at 31 March 2017	28,925	1,739	30,664	4,349	1,486	36,499

Leased Land and Buildings refer to the Finance Lease item as detailed in Note 22

Comparative figures for 2015/16:

	Land and	Leased	Total	Vehicles,	Assets Under	
	Buildings	Land and Buildings	Land and Buildings	Plant and Equipment	Construction	Total
	£000	£000	£000	£000	£000	£000
Gross Book Value as at 1 April 2015	27,799	2,357	30,156	10,175	61	40,392
Additions	417	-	417	1,226	227	1,870
Disposals and write offs Reclassifications	(24)	-	(24) -	(120)	(61)	(205) -
Revaluation increase/decrease (-) recognised in Revaluation Reserve	755	-	755	-	-	755
Revaluation increase/decrease (-) recognised in surplus/deficit on provision of service	(47)	-	(47)	-	-	(47)
Other movements in cost or valuation	-	-	-	-	-	-
Gross Book Value as at 31 March 2016	28,900	2,357	31,257	11,281	227	42,765
Accumulated depreciation and impairment as at 1 April 2015	(848)	(524)	(1,372)	(5,506)	-	(6,878)
Depreciation for the year	(927)	(47)	(974)	(1,273)	-	(2,247)
Depreciation on disposal	4		4	117	-	121
Depreciation written out to Revaluation Reserve	837	-	837	-	-	837
Depreciation written out to surplus/deficit (-) on provision of service	-	-	-	-	-	-
Impairment losses/reversals(-) recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses/reversals(-) recognised in the surplus/deficit on provision	9	-	9	-	-	9
Impairment on disposal	-	-	-	-	-	-
Reclassification of depreciation or impairment	-	-	-	-	-	-
Other movements in depreciation or impairment	-	-	-	-	-	-
Depreciation c/f	(925)	(571)	(1,496)	(6,662)	-	(8,158)
Net Book Value as at 31 March 2016	27,975	1,786	29,761	4,619	227	34,607

b) Basis of Valuation

All land and buildings were initially revalued during the year with an effective revaluation date of 1 April 2016. The valuations were updated as at 31 March 2017 to ensure the balance sheet accurately reflected the end of year values. Valuations were provided by an external valuer, Ian S Pitt BSc (Hons) MRICS of Bruton Knowles. All valuations were prepared in accordance with the RICS Appraisal Valuation Manual and International Financial Reporting Standards. The basis of valuation adopted is Existing Use Value (EUV). For specialised properties the Depreciated Replacement Cost method was used to arrive at the EUV whilst non-specialised properties have been valued using the Comparable Method of valuation to arrive at the EUV. The one investment property was valued at Market Value.

The following significant assumptions were applied in arriving at the fair values:

- Values reported are based on a desktop exercise;
- The Authority owns the freehold, which is not subject to any unusual or onerous restrictions;
- Properties are unaffected by any matters that would be revealed by a local search;
- All parts are assumed to be in good repair and condition and all properties are free from hazardous materials; and
- Where the remaining useful life of a property is at least 20 years it is on the assumption that it will be maintained reasonably.

c) Valuation Information

The following statement shows the progress of the Authority's programme for the revaluation of assets.

Year of Valuation	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Total
	£000	£000	£000	£000
2016/17	28,925	-	-	28,925
Valued at Historic Cost	-	4,349	1,486	5,835
Total	28,925	4,349	1,486	34,760

d) Depreciation Lives

The Authority policy of depreciating assets is on a straight line basis over their remaining useful lives as below:

- Red Fleet Vehicles 1 to 15 years
- White Fleet Vehicles 1 to 6 years
- Plant and Equipment 1 to 24 years
- Buildings 6 to 51 years
- Intangibles 2 to 7 years

e) Commitments under Capital Contracts

At 31 March 2017, the Authority has entered into a number of contracts for the acquisition or enhancement of Property, Plant and Equipment or Intangible Assets.

Capital Contract	Contractor	Amount Outstanding as at 31 March 2017
Red Fleet Appliances	Rosenbauer UK plc	152
Red Fleet Appliances	Emergency One	1518
Red Fleet Appliances	Bence	79
Total		1,749

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All commitments will be honoured during 2017/18.

Prior year comparators can be seen in the table below:

Capital Contract	Contractor	Amount Outstanding as at 31 March 2016
Red Fleet Appliances	Rosenbauer Uk plc	616
Red Fleet Appliances	Emergency One	148
Modular Buildling	Elite Systems Ltd	84
Telephony	Updata	129
Water Bowser	Crossland Tankers	80
Total		1,057

12 - Investment Property

-

An office building at Bletchley Fire Station is classified as an investment property, as it is currently held solely for the purpose of generating rental income.

2015/16		2016/17
£000	Investment Property	£000
105	Opening Balance	105
-	Transfer from Land and Buildings	-
-	Revaluation	-
-	Impairment	
105	Closing Balance	105

13 - Movement of Intangible Fixed Assets

Intangible Assets are recognised as non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. These represent the purchase of computer software and licences and other software systems and are amortised to the Comprehensive Income and Expenditure Statement on the basis of the cost and estimated useful life.

Movement of Intangible Assets	£000
Gross Book Value as at 31 March 2016	438
Accumulated Amortisation	(274)
Net Book Value as at 1 April 2016	164
Additions in year	427
Reclassifications	-
Amortisation for the year	(132)
Net Book Value as at 31 March 2017	459
Comparative figures for 2015/16:	
Movement of Intangible Assets	0
Gross Book Value as at 31 March 2015	438
Accumulated Amortisation	(224)
Net Book Value as at 1 April 2015	214
Additions in year	
Reclassifications	-
Amortisation for the year	(50)
Net Book Value as at 31 March 2016	164

No assets were internally generated. All assets have finite useful lives and are amortised on a straight-line basis between 2 to 7 years.

14 - Short Term Investments

The Authority holds a number of short term investments in order to manage liquidity.

2015/16 £000	Short Term Investments	2016/17 £000
19,082	Short Term Investments	21,073
19,082	Total	21,073

15 – Inventories

All inventories are purchased at cost. No inventory items are purchased on deferred settlement terms or acquired by an exchange of goods and services. Inventories are distributed at cost or cost plus and do not use LIFO as a cost formula. All inventory items of a similar nature and similar use to the Authority use the same cost formula.

2015/16		2016/17
£000	Inventories	£000
36	Workshops	39
243	Stores	261
30	Fuel	46
309	Total	346

16 - Short Term Debtors

The note below shows the value of debtors as at 31 March 2017.

2015/16 £000	Short Term Debtors	2016/17 £000
3,137	Central Government Bodies	1,654
127	Other Local Authorities	651
-	NHS Bodies	-
1,042	Other Entities and Individuals	795
579	Payments in Advance	632
(36)	Provision for Doubtful Debts	
4,849	Total	3,732

17 - Cash and Cash Equivalents

Cash and cash equivalents are short term highly liquid investments with a maturity of less than 90 days.

2015/16		2016/17
£000	Cash and cash equivalents	£000
118	Cash at bank	36
2,250	Cash on deposit	2,001
2,368	Total	2,037

18 - Short Term Borrowing and Creditors

The interest owing and shown as short term borrowing represents the Public Works Loan Board (PWLB) interest accrued to the 31 March 2017 in accordance with the Code.

2015/16 £000	Short Term Borrowing and Creditors	2016/17 £000
(469)	Short Term Borrowing	(101)
(424)	Central Government Bodies	(54)
(475)	Other Local Authorities	(578)
(1,201)	Other Entities and Individuals	(1,432)
(185)	Receipts in Advance	(336)
(2,285)	Total	(2,400)
	-	

19 - Provisions

The following table shows the movements on the Authority's provisions.

	Accumulated Absences	Part Time Workers	Voluntary Redundancy and Special Payments	NNDR Appeals Provisions	Injury Pension Payments	Total
	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2016	(503)	(140)	(550)	(540)	(1,188)	(2,921)
Additional provisions made in 2016/17	(504)	-	(30)	-	-	(534)
Amounts used in 2016/17	503	-	50	22	-	575
Balance as at 31 March 2017	(504)	(140)	(530)	(518)	(1,188)	(2,880)

Accumulated Absences Account

This provision shows the value of the outstanding leave entitlement held by employees of the Authority as at the balance sheet date. Any increase or decrease in the provision is offset by the Accumulated Absences Account (see Note 24a) so that this accounting adjustment does not impact on the level of usable reserves.

Part Time Workers

This provision was established in 2009/10 (\pounds 250k) to provide for the back pay for Retained Duty System (RDS) staff following an equal pay court case. As at 31st March 2017, no payment was made but there are still further claims expected. Therefore the Authority considers the remaining provision to be sufficient to meet the total liability outstanding.

Voluntary Redundancy and Special Payments

This provision was established in 2010/11 to provide for the additional costs of redundancy and related payments as a result of restructuring within the Authority. A number of additional provisions have been made during the year to cover potential one-off payments.

NNDR Appeals Provision

This provision shows the Authority's share of the provision for appeals relating to income from business rates. Due to statutory accounting adjustments, this amount does not impact on the level of the General Fund balance.

Injury Pension Payments

This provision has arisen as a result of the potential requirement to reimburse the Home Office for pension top-up grant claimed in prior years relating to injury awards.

20 - Long Term Borrowing

The Authority undertakes long term borrowing, principally as a means of financing expenditure on fixed assets. No additional principal was borrowed but repayment of £0.368m was repaid in May 2016. The interest owing and shown as short term borrowing in Note 18 represents the Public Works Loan Board (PWLB) interest accrued to the 31 March 2017 and loans due to be repaid within one year in accordance with the Code.

2015/16		2016/17
£000	Source of Loan	£000£
(7,382)	PWLB	(7,382)
(7,382)	Total	(7,382)

The interest rates applicable as at 31 March 2017 were between 3.90% and 5.32%.

Long term external borrowing by repayment dates is shown in the table below:

2015/16 £000	Repayments Dates	2016/17 £000
(585)	Maturing in less than 5 years	(585)
(1,620)	Maturing in 5 to 10 years	(1,620)
(1,000)	Maturing in 10 to 15 years	(1,626)
(1,376)	Maturing in 15 to 20 years	(750)
-	Maturing in 20 to 25 years	-
(2,801)	Maturing in over 25 years	(2,801)
(7,382)	Total	(7,382)

21 - Capital Grants Received in Advance

The balance on this account represents capital grants received by the Authority where the grant conditions had not been met as at the Balance Sheet date. In 2015/16 the Authority received a grant from the DCLG, as at 31st March 2017 the conditions on this grant were not fulfilled and therefore the grant will be treated as a capital grant received in advance. In addition to this, the Authority has received funding in relation to the ESMCP project.

2015/16		2016/17
£000	Capital Grants Received in Advance	£000
-	ESMCP Funding	(98)
(2,841)	Transformation Fund	(2,841)
(2,841)	Total	(2,939)

22 - Finance Lease

In 2003/04 the Authority entered into a sale and leaseback agreement with Opus Housing Association (now London Quadrant) in respect of the Gerrards Cross Houses for a period of 50 years. The initial cost of the lease is matched by an increase in the value of land and buildings within fixed assets. The rentals payable under this arrangement in 2016/17 were £119,880 charged as £72,880 to the Income and Expenditure account finance costs and £47,000 write down of obligation to the lessor.

	Land and Buildings
Outstanding obligations under Finance Lease	£000
Payable in 2017/18	47
Payable between 2018/19 and 2020/21	141
Payable after 2020/21	1,545
Total liabilities as at 31st March 2017	1,733

Comparative information for 2015/16

Rentals payable under this arrangement were £114,816, charged as £67,816 to the Income and Expenditure account finance costs and £47,000 write down of obligation to the lessor.

	Land and Buildings
Outstanding obligations under Finance Lease	£000
Payable in 2016/17	47
Payable between 2017/18 and 2019/20	188
Payable after 2019/20	1,545
Total liabilities as at 31st March 2016	1,780

23 - Usable Reserves

Adjustments under Regulations

	20:	15/16			2016/17			
General Fund Balance	Usable Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves		General Fund Balance	Usable Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustments primarily involving the Capital Adjustment Account Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
(2,297) (38)	-	-	2,297 38	Depreciation Charges Impairment	(2,557)	-	-	2,557
1,374	-	86	(1,460)	Capital grants and contributions applied	3,169	-	-	(3,169)
(800)		800	-	Revenue Expenditure Funded from Capital Under Statute	-		-	-
307	-	-	(307)	Donated assets received in year	-	-	-	-
(84)	-	-	84	Amounts of non-current assets written off on disposal as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement Insertion of items not debited or credited to the Comprehensive Income and	(234) <u>-</u>	-	-	234
311	-	-	(311)	Expenditure Statement: Minimum Revenue Provision	47	_	-	(47)
6,256		-	(6,256)	Additional Voluntary Provision	-		-	-
10	(10)	-	-	Adjustments primarily involving the Capital Receipts Reserve Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	- 288	(288)	-	-
-	103	-	(103)	Use of the Capital Receipts Reserve to finance new capital expenditure Adjustments primarily involving the Financial Instruments Adjustment	-	43 -	-	(43) -
-	-	-	-	Account Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements Adjustments primarily involving the Pension Reserve	-	-	-	-

(15,806)	-	-	15,806	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement Employer's pensions contributions and direct	(11,635)	-	-	11,635
2,734	-	-	(2,734)	payments to pensioners payable in the year Adjustments primarily involving the Collection Fund Adjustment Account	2,182	-	-	(2,182)
(314)	-	-	314	Precept and NNDR Income Adjustments primarily involving the Accumulated Absences Account	297 -	-	-	(297)
59	-	-	(59)	Employee Absence Account	(1)	-	-	1
(8,288)	93	886	7,309	Total Adjustments	(8,444)	(245)	-	8,689

Transfers To/From Reserves

	Note	Balance at 1 April 2015	Transfers (In)/Out 2015/16	Balance at 31 March 2016	Transfers (In)/Out 2016/17	Balance at 31 March 2017
General Fund Balance	А	(3,700)	1,535	(2,165)	(870)	(3,035)
Sub Total Non Earmarked General Fund Balance		(3,700)	1,535	(2,165)	(870)	(3,035)
Fire Control Reserve	В	(150)	150	-	-	-
Invest to Save Reserve	С	(500)	250	(250)	-	(250)
Apprentice Reserve	D			-	(500)	(500)
New Dimensions Reserve	Е	(1,000)	1,000	-	-	-
Vehicle Reserve	F	(191)	191	-	-	-
Redundancy and Early Retirement Reserve	G	(477)	227	(250)	-	(250)
Sprinklers Reserve	Н			-	(200)	(200)
Funding Pressures Reserve	Ι	(1,277)	1,277	-	-	-
Control Room Reserve	J	(1,360)	1,041	(319)	(52)	(371)
RDS Pension Contributions Reserve	K	(650)	650	-	-	-
Continuing Projects Reserve	L	(1,500)	336	(1,164)	582	(582)
Insurance Reserve	М	(50)	-	(50)	-	(50)
Sub Total Earmarked Reserves - Revenue		(7,155)	5,122	(2,033)	(170)	(2,203)
Usable Capital Receipts Reserve	Ν	(93)	93	-	(245)	(245)
Other Capital Grants Unapplied	0	(86)	86	-	-	-
Control Room Capital Grant Unapplied	Р	(800)	800	-	-	-
Revenue Contribution to Capital	Q	(4,052)	(2,909)	(6,961)	805	(6,156)
Sub Total Earmarked Reserves - Capital		(5,031)	(1,930)	(6,961)	560	(6,401)
Total Usable Reserves		(15,886)	4,727	(11,159)	(480)	(11,639)

A – General Fund Balance

This is a non-earmarked reserve and is kept at a prudent level in order to cover unforeseen eventualities and liabilities.

B – Fire Control Reserve

This was originally established in 2004/05 to assist with issues relating to regional control rooms. This reserve was realigned in 2015/16 and fully utilised as part of the reserves review carried out in 2015/16.

C – Invest to Save Reserve

This reserve provides one-off funding for initiatives that will help to generate long-term efficiencies within the Authority. The savings generated are used to top-up the reserve in order to fund further projects.

D – Apprentice Reserve

This reserve is held to fund the apprenticeship initiative over the coming years.

E – New Dimensions Reserve

This reserve has been setup to mitigate the risk of reduction or cessation of grant funding associated with Section 31 grants for Urban Search and Rescue and Incident Response Units. This reserve was realigned in 2015/16 and fully utilised as part of the reserves review carried out in 2015/16.

F – Vehicle Reserve

This reserve is used to contribute towards the cost of replacing pool cars as they reach the end of their useful lives. This reserve was realigned in 2015/16 and fully utilised as part of the reserves review carried out in 2015/16.

G – Redundancy and Early Retirement Reserve

This reserve is used to fund the cost of redundancy and early retirements incurred as part of the Moving Forward Agenda.

H – Sprinklers Reserve

This reserve is held for suitable sprinkler initiative schemes which will be match funded by the Authority.

I – Funding Pressures Reserve

This reserve was created to assist with future pressures resulting from changes in Government grant funding. This reserve was realigned in 2015/16 and fully utilised as part of the reserves review carried out in 2015/16.

J – Control Room Reserve (Revenue)

This reserve contains the renewals fund used to replenish the Joint control room assets.

K – RDS Pension Contribution Reserve

This reserve has been setup to cover any potential costs that may be incurred in relation to backdated Retained Duty System (RDS) pensions. This reserve was realigned in 2015/16 and fully utilised as part of the reserves review carried out in 2015/16.

L – Continuing Projects Reserve

This reserve has been created to cover any future costs on a number of large scale projects currently being undertaken by the Authority.

M – Insurance Reserve

This reserve was created to smooth out any short-term fluctuations in cost as a result of increasing the voluntary excess on the Authority's insurance policies.

N – Usable Capital Receipts Reserve

This reserve receives monies from the sale of capital assets and uses these monies towards the purchase of new assets.

O – Other Capital Grants Unapplied This reserve was fully utilised in 2015/16.

P - Control Room Capital Grant Unapplied This reserve contains the funding received in 2011/12 to contribute towards the capital costs of combining control room services in future years. This reserve was fully utilised in 2015/16.

Q – Revenue Contribution to Capital

This reserve represents funding set aside to contribute towards future capital expenditure in order to mitigate the need to fund the expenditure through additional borrowing.

24 - Unusable Reserves

a) Accumulated Absences Account

The Accumulated Absences Account mitigates any effect on the General Fund of having to include a provision for any outstanding leave owed to employees at the end of each financial year. There is a requirement that authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to this account until the benefits are used. The carrying balance is relatively high as the authority operates a January to December leave year.

2015/16	Accumulated Absences Account	2016/17
£000		£000
562	Opening Balance	503
(562)	Reversal of provision for accumulated absences for previous year	(503)
503	Accumulated absences for the year	504
503	Closing Balance	504

b) Capital Adjustment Account

It is a statutory requirement to have a Capital Adjustment Account. The balance on this account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

2015/16 £000	Capital Adjustment Account	2016/17 £000
(18,316)	Opening Balance	(24,024)
2,297	Depreciation	2,557
320	Depreciation variance Historic to Current	426
(311)	Minimum Revenue Provision	(47)
38	Impairments	-
84	Other adjustments	234
(6,256)	Additional Voluntary Contributions	-
-	Revenue contributions	-
(10)	Usable capital receipts received in year	(92)
(1,460)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,169)
(103)	Capital receipts credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(43)
(307)	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
(24,024)	Closing Balance	(24,158)

c) Collection Fund Adjustment Account

It is a statutory requirement to have a Collection Fund Adjustment Account. The balance on this account represents the timing differences between statutory accounting requirements and full accruals accounting for council tax.

2015/16 £000 (370)	Collection Fund Adjustment Account Opening Balance	2016/17 £000 (56)
(370)		(30)
51	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(434)
263	Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements.	139
(56)	Closing Balance	(351)

d) Pensions Reserve

It is a statutory requirement to have a Pensions Reserve. This reserve represents a balancing figure, reported by the actuary, to allow for the liabilities of both the Local Government Pension Scheme and the Firefighter's Pension Fund, as required under IAS19.

2015/16 £000	Pensions Reserve	2016/17 £000
266,210	Opening Balance	251,796
13,072	Appropriations to and from (-) revenue	9,453
(27,486)	Actuarial gains (-) / losses relating to pensions	44,262
251,796	Closing Balance	305,511

e) Revaluation Reserve

It is a statutory requirement to have a Revaluation Reserve. This reserve records unrealised revaluation gains arising since the 1st April 2007 from the holding of fixed assets. As and when assets are revalued or revaluations are reversed then adjustments are made to this account. The revaluation reserve is also written down to the capital adjustment account over the remaining useful lives of the assets with revaluation reserve balances.

2015/16 £000	Revaluation Reserve	2016/17 £000
(7,171)	Opening Balance	(9,073)
(1,719)	Upward Asset revaluations	(1,800)
127	Downward Asset revaluations	34
10	Asset Disposal	92
(320)	Depreciation difference - historic cost to current value	(426)
-	Other adjustments	-
(9,073)	Closing Balance	(11,173)
	-	

25 - Donated Assets Account

In 2016/17 the Authority recognised on the Balance Sheet the value of the Thames Valley Control Room made available to it by Royal Berkshire Fire Authority. The fair value of the assets was recognised within Vehicles, Plant and Equipment and a credit was recognised in the Comprehensive Income Expenditure Statement (see Note 10).

26 - Contingent Assets

As at 31 March 2017, the Authority does not have any contingent assets.

27 - Contingent Liabilities

At 31 March 2017, the Authority had one contingent liability:

• The Authority is awaiting formal notification as to whether or not it will be charged interest in relation to the pension top-up grant covering injury awards between April 2007 and March 2014. No amount has been recognised in the accounts due to the uncertainty as to whether interest will be applied, and if so, the rate applicable.

28 - Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Authority participates in four pension schemes:

- The Local Government Pension Scheme for non-firefighter staff administered locally by Buckinghamshire County Council is a funded defined benefit final salary scheme, administered in accordance with the Local Government Pension Scheme (1997) as amended. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. It is contracted out of the State Second Pension;
- The Fire-Fighter Pension Scheme for uniformed fire fighters is an unfunded defined benefit statutory scheme, administered by West Yorkshire Pension Fund in accordance with the Fire Pension Scheme Orders (1992) as amended. It is contracted out of the State Second Pension. There are no investment assets held to back the liabilities of the scheme and cash has to be generated to meet actual pensions payments as they eventually fall due; and
- The Fire-Fighter Pension Scheme for uniformed fire-fighters (retained and new entrants from 1st April 2006) is an unfunded defined benefit statutory scheme, administered by West Yorkshire Pension Fund in accordance with the Fire Pension Scheme Orders (2006) as amended. It is contracted out of the State Second Pension. There are no investment assets held to back the liabilities of the scheme and cash has to be generated to meet actual pension payments as they eventually fall due.
- The Fire Fighter Pension Scheme for uniformed fire-fighters (retained and new entrants from 1st April 2015) is an unfunded defined benefit statutory scheme, administered by West Yorkshire Pension Fund in accordance with the Firefighters' Pension Scheme regulations (2014). It is contracted out of the State Second Pension. There are no investment assets held to back the liabilities of the scheme and cash has to be generated to meet actual pension payments as they eventually fall due.
- The report provided by the actuaries has aggregated all the fire-fighter pension data. This approach was taken to condense the number of reports produced as previously there was an individual report for each pension scheme but with now having five schemes (including modified 2006 scheme), it has been condensed into two reports, LGPS and fire-fighter pensions.

Under the Firefighters' Pension Fund Regulations 2006 if the amounts receivable by the pension fund are less than amounts payable, the fire authority must annually transfer an amount required to meet the deficit to the Pension Fund. Subject to scrutiny and approval by Parliament and the Secretary of State up to 100% of this cost is met by central government top-grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Fire Authority which must then repay the amount to central government.

a) Transactions relating to retirement benefits

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid 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 in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement.

Current Year 2016/17

Comprehensive Income and Expenditure Statement	LGPS	Firefighters	Total
	£000	£000	£000
Cost of Services			
Service Cost	854	4,178	5,032
Administration Expenses		-	-
Cost of Services Total	854	4,178	5,032
Financing and Investment Income and Expenditure			
Net Interest on the defined liability (asset)	(2,208)	8,811	6,603
Financing and Investment Total	(2,208)	8,811	6,603
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(1,354)	12,989	11,635
Actuarial Gains and Losses	5,416	38,846	44,262
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	4,062	51,835	55,897
Movement in Reserves Statement			
Reversal of net charges made to the surplus or deficit for post- employment benefits in accordance with the code:	1,354	12,989	14,343
Amount actually charged against the General Fund Balance for pensions in the year for:			
Employers contribution	472	1,476	1,948
Retirement benefit payable to pensioners	15	219	234

Comparative data for 2015/16

Comprehensive Income and Expenditure Statement	LGPS £000	Firefighters £000	Total £000
Cost of Services			
Service Cost	1,143	5,745	6,888
Administration Expenses		-	-
Cost of Services Total	1,143	5,745	6,888
Financing and Investment Income and Expenditure			
Net Interest on the defined liability (asset)	670	8,248	8,918
Financing and Investment Total	670	8,248	8,918
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,813	13,993	15,806
Actuarial Gains and Losses	(2,311)	(25,175)	(27,486)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(498)	(11,182)	(11,680)
Movement in Reserves Statement			
Reversal of net charges made to the surplus or deficit for post- employment benefits in accordance with the code:	(1,813)	(13,993)	(15,806)
Amount actually charged against the General Fund Balance for pensions in the year for:			
Employers contribution	489	2,011	2,500
Retirement benefit payable to pensioners	15	219	234

b) Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities 2016/17

Reconciliation of present value of the scheme liabilities	LGPS	Firefighters	Total
	£000	£000	£000
Present Value of scheme liabilities as at 1 April	(30,105)	(241,242)	(271,347)
Current Service Cost	(854)	(4,167)	(5,021)
Interest Cost	(1,132)	(8,811)	(9,943)
Change in financial assumptions	(7,928)	(56,193)	(64,121)
Change in demographic assumptions	124	12,769	12,893
Experience loss/(gain) on defined benefit obligation	1,454	-	1,454
Estimated benefits paid net of transfers in	840	7,319	8,159
Past service costs, including curtailments	-	(11)	(11)
Contribution by Scheme participants	(221)	(1,265)	(1,486)
Unfunded pension payments	15	219	234
Present Value of scheme liabilities as at 31 March	(37,807)	(291,382)	(329,189)

Prior year 2015/16

Reconciliation of present value of the scheme liabilities	LGPS	Firefighters	Total
	£000	£000	£000
Present Value of scheme liabilities as at 1 April	(30,880)	(254,654)	(285,534)
Current Service Cost	(989)	(5,520)	(6,509)
Interest Cost	(1,043)	(8,248)	(9,291)
Change in financial assumptions	2,326	17,636	19,962
Change in demographic assumptions	-	-	-
Experience loss/(gain) on defined benefit obligation		(726)	(726)
Estimated benefits paid net of transfers in	831	12,076	12,907
Past service costs, including curtailments	(154)	(225)	(379)
Contribution by Scheme participants	(211)	(1,581)	(1,792)
Unfunded pension payments	15	-	15
Present Value of scheme liabilities as at 31 March	(30,105)	(241,242)	(271,347)

Reconciliation of fair value of the scheme assets 2016/17

Reconciliation of fair value of the scheme assets	LGPS	Firefighters	Total
	£000	£000	£000
Fair Value of scheme assets as at 1 April	19,552	-	19,552
Interest on Assets	740	-	740
Return on assets less interest	2,600	-	2,600
Other actuarial gains/(losses)	949	4,578	5,527
Administration expenses	(15)	-	(15)
Contributions by employer including unfunded	487	1,695	2,182
Contributions by Scheme participants	221	1,265	1,486
Estimated benefits paid plus unfunded net of transfers in	(855)	(7,538)	(8,393)
Fair Value of scheme assets as at 31 March	23,679	-	23,679

Prior year 2015/16

Reconciliation of fair value of the scheme assets	LGPS	Firefighters	Total
	£000	£000	£000
Fair Value of scheme assets as at 1 April	19,325	-	19,325
Interest on Assets	655	-	655
Return on assets less interest	(282)	-	(282)
Other actuarial gains/(losses)	-	8,265	8,265
Administration expenses	(15)	-	(15)
Contributions by employer including unfunded	504	2,230	2,734
Contributions by Scheme participants	211	1,581	1,792
Estimated benefits paid plus unfunded net of transfers in	(846)	(12,076)	(12,922)
Fair Value of scheme assets as at 31 March	19,552	-	19,552

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect the long-term real rates of return experienced in the respective markets.

c) Scheme history

Reconciliation of present value of the scheme liabilities	2012/13	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000	£000
Present Value of Liabilities					
LGPS	(22,910)	(25,002)	(30,880)	(30,105)	(37,807)
1992 Firefighters Scheme	(183,585)	(205,349)	(247,893)	(241,242)	(291,382)
2006 Firefighters Scheme	(5,057)	(4,417)	(6,761)	-	-
Present Value of scheme liabilities as at 31 March	(211,552)	(234,768)	(285,534)	(271,347)	(329,189)
Fair Value of Assets					
LGPS	14,126	17,136	19,324	19,552	23,679
Total Assets - BMKFA estimated allocation of LGPS assets	14,126	17,136	19,324	19,552	23,679
LGPS Experience adjustments on scheme assets	1,578	-	-	-	-
Surplus/Deficit (-) in the scheme		(7.000)		(10 550)	(1,1,1,2,2)
LGPS	(8,784)	(7,866)	(11,556)	(10,553)	(14,128)
1992 Firefighters Scheme	(183,585)	(205,349)	(247,893)	(241,242)	(291,382)
2006 Firefighters Scheme	(5,057)	(4,417)	(6,761)	-	-
Total	(197,426)	(217,632)	(266,210)	(251,795)	(305,510)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £305.510m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £258.694m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the Scheme Actuary every three years;
- Finance is only required to be raised to cover firefighter's pensions when the pensions are actually paid.

d) Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the Projected Unit Method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Firefighters' and Local Government schemes have been assessed by Barnett Waddingham, an independent firm of actuaries, based on the latest valuations (31 March 2013 for the Local Government scheme and the 31 March 2005 for the Firefighters' scheme).

The main assumptions used in their calculations have been:

	LGPS		Firefigh	ters
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	23.80	23.90	23.60	21.70
Women	26.20	26.00	25.90	24.20
Longevity at 65 for future pensioners				
Men	26.10	26.10	25.90	23.80
Women	28.50	28.30	28.20	26.50
Financial Assumptions				
Rate of Inflation (RPI)	3.40%	3.60%	3.30%	3.60%
Rate of Inflation (CPI)	2.50%	2.70%	2.40%	2.70%
Rate of salary inflation	4.30%	4.20%	4.20%	4.20%
Rate of pensions inflation	2.50%	2.70%	2.40%	2.70%
Rate for discounting scheme liabilities	3.80%	2.80%	3.70%	2.70%
Take up of option to convert annual pension into retirement lump sum	50.00%	50.00%	50.00%	50.00%

The Local Government Pension Scheme's assets consist of the following categories by proportion of Buckinghamshire and Milton Keynes Fire Authority's estimated allocation. The prior year figures have been restated to enable comparison with the more detailed breakdown required under the revised IAS 19 standard:

31 March 20	016		31 March 20)17
£000	%	LGPS	£000	%
2,394	12%	Gilts	2,799	12%
10,465	55%	Equities	13,383	57%
2,383	12%	Other Bonds	2,905	12%
1,855	9%	Property	1,812	8%
501	3%	Cash	744	3%
266	1%	Alternative Assets	286	1%
818	4%	Hedge Funds	865	4%
870	4%	Absolute Return Portfolio	885	4%
19,552	100%	Total	23,679	100%

The Firefighters Pension Schemes have no assets to cover their liabilities.

e) Sensitivity Analysis

The following tables show a sensitivity analysis on the major assumptions used in the valuations:

LGPS Sensitivity Analysis	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	37,030	37,807	38,601
Projected service cost	1,345	1,379	1,413
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	37,888	37,807	37,727
Projected service cost	1,379	1,379	1,379
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	38,521	37,807	37,109
Projected service cost	1,413	1,379	1,345
Adjustment to mortality age rating assumption	+1 year	None	- 1 Year
Present value of total obligation	39,185	37,807	36,480
Projected service cost	1,423	1,379	1,336
Firefighters	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	285,889	291,382	296,991
Projected service cost	5,772	5,911	6,054
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	291,870	291,382	290,898
Projected service cost	5,927	5,911	5,895
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	296,499	291,382	286,369
Projected service cost	6,038	5,911	5,788
Adjustment to mortality age rating assumption	+1 year	None	- 1 Year
Present value of total obligation	303,213	291,382	280,026
Projected service cost	6,100	5,911	5,728

29 - Financial Instruments

a) Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Financial liabilities at amortised cost	(9,060)	(9,115)	(2,458)	(2,065)
Total Borrowings	(9,060)	(9,115)	(2,458)	(2,065)
Loans and receivables	-	-	24,444	24,502
Total Investments	-	-	24,444	24,502

b) Financial Instruments gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement in relation to financial instruments are made up as follows.

		Financial Liabilities 2016/17	Financial			
2015/16 Financial Instrume Losses	ents Gains and	Liabilities measured at amortised cost	Loans and receivables	Available for sale assets	Fair value through the CIES account	Total
£000		£000	£000	£000	£000	£000
380 Interest expense		347	-	-	-	347
 Losses on derecognit 	ion	-	-	-	-	-
Impairment losses		-	-	-	-	-
380 Interest payable a charges	nd similar	347	-	-	-	347
(190) Interest income		-	(155)	-	-	(155)
- Gains on derecognition	on		-	-	-	
(190) Interest and invest	tment income	-	(155)	-	-	(155)
 Gains on revaluation 		-	-	-	-	-
 Losses on revaluation 	า	-	-	-	-	-
Amounts recycled to impairment	the CIES after	-	-	-	-	-
_ Surplus arising on rev financial assets	valuation of	-	-	-	-	-
190 Net gain/loss (-) f	or the year	347	(155)	-	-	192

A reconciliation of the net gain on Loans and Receivables to Investment Income as shown in the Comprehensive Income and Expenditure Statement is given below.

2015/16 £000	2016/17 £000
- Financial Instruments gain	-
(16) Rental income from investment properties	(16)
 Movement in fair value of investment properties 	-
(174) Interest on investments	(139)
(190) Total Investment income received in the CIES	(155)

c) Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans, finance leases and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. It should be noted that the redemption rules applying to PWLB debt changed on 1 November 2007, and are less favourable than the previous procedures.
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be invoiced or billed amounts.

The fair values calculated are as follows:

	31 March 2016		h 2016 31 March 201	
	Carrying Amount Fair Value		Carrying Amount	Fair Value
	£000	£000	£000	£000
PWLB Debt at amortised cost	(7,750)	(10,812)	(7,382)	(11,056)
Finance Lease	(1,780)	(1,780)	(1,733)	(1,733)
Creditors	(1,988)	(1,988)	(2,065)	(2,065)
Total Financial Liabilities	(11,518)	(14,580)	(11,180)	(14,854)
Cash and cash equivalents	2,250	2,250	2,001	2,001
Short Term Investments	19,082	19,082	21,073	21,073
Debtors	1,121	1,121	1,428	1,428
Total Loans and Receivables	22,453	22,453	24,502	24,502

The differences between the carrying amount and the fair value of PWLB debt are due to the fixed rate of interest on the loans being different from the prevailing rate at 31 March 2017. All creditors and other payables are due to be paid in less than one year.

d) Nature and extent of risk arising from financial instruments

The Authority's activities expose it to a variety of financial risks, the key risks are:

- Credit risk the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms; and

• Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

e) Overall procedures for managing risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting;
 - i.) the Authority's overall borrowing
 - ii.) the maximum and minimum exposures to fixed and variable rates
- by approving an investment strategy for the forthcoming year setting out its criteria for investing and compliance with the Government Guidance.

These are required to be reported and approved at or before the Authority's annual council tax setting budget. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk. Actual performance is also reported annually to Members. The Authority maintains written principles for overall risk management as well as the investment of surplus cash through the Treasury Management Policy approved by the Authority.

f) Credit risk and Liquidity Risk

Investment Policy

In accordance with guidance from the DCLG and CIPFA, and in order to minimise the risk to investments, the Authority has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Capita ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Furthermore, the Authority's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Authority will engage with its advisors to maintain a monitor on market pricing such as credit default swaps (CDS) and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Capita in producing its colour codings which show the varying degrees of suggested creditworthiness.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk. The intention of the strategy is to provide security of investment and minimisation of risk.

Creditworthiness Policy

This Authority applies the creditworthiness service provided by Capita. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Purple 2 years
 - 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year

• Blue

- Red 6 months
- Green 3 months
- No colour not to be used

The Capita creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Authority use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1 There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

• if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.

• in addition to the use of credit ratings the Authority will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis.

Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list. Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that supporting government. The Authority will also invest in AAA rated money market funds and UK building societies with group assets of at least £10 billion.

Country Limits

In 2014/15, the Authority determined that it would use approved counterparties based within the United Kingdom and a limited number of counterparties based in Germany and Sweden (although no deposits were actually placed outside of the UK during the year).

Counterparty Limits

The Authority has determined that the maximum balance that can be invested with a single counterparty at any point in time will be no more than 30% of the portfolio, up to a limit of ± 5

million. The one exception to this is Lloyds, as these are the Authority's primary banking provider. Up to ± 7.5 million can be invested with Lloyds, of which at least ± 2.5 million must be instant access.

Investment Security

Investments are defined as being in one of two categories:

Specified investments – these are investments with high security and high liquidity. All specified investments are in sterling and have a maturity of no more than one year. They will be with the UK government, a local authority, a parish council or with an investment scheme or body of "high credit quality" (as judged against the Creditworthiness Policy detailed earlier in this paper)
Non-specified investments – any type of investment that is not a specified investment. The Authority does plan to make any non-specified investments during the year. Investment Training

Relevant training and updates will be provided to relevant staff by the external treasury management advisors. This will be supplemented by additional training from CIPFA where necessary.

Investment of Money Borrowed in Advance of Need

The Authority does not currently have any money that has been borrowed in advance of need. No further borrowing is planned over the medium term.

Investment Liquidity

In consultation with external treasury advisors, the Authority will review its balance sheet position, level of reserves and cash requirements in order to determine the length of time for which investments can be prudently committed. Investments will be placed at a range of maturities, including having money on-call in order to maintain adequate liquidity.

g) Refinancing and maturity risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing PWLB Loans as they mature. It is possible that provisions will be made available to meet all PWLB Loans without the direct need to replace loans as they mature, therefore no risk / impairment or other adjustment is required.

A fair value debt calculation of £10.812m has been provided by the PWLB on the Authority's behalf

The maturity analysis of financial liabilities is as follows:

31 March 2017 £000
-
(585)
-
(1,620)
(5,177)
(7,382)

h) Market risk

Interest rate risk

The Authority is exposed to interest rate movements on its investments as borrowings are taken at fixed rate and are carried at amortised cost. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at fixed rates the fair value of the borrowing liability will fall;
- investments at variable rates the interest income credited to the Income and Expenditure Account will rise.

Borrowings are not carried at fair value on the balance sheet but are carried at amortised cost, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Account (CIES). However, changes in interest payable on fixed rate borrowings and variable rate investments will be posted to the CIES and affect the General Fund Balance. Movements in the fair value of any variable rate investments will be reflected in Other Comprehensive Income and Expenditure, unless the investments have already been designated as fair value through the CIES.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority's prudential indicators and its expected treasury operations. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

If interest rates had been 1% higher with all other variables held constant the financial effect would be:

	2016/17 £000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	231
Increase in government grant receivable for financing costs	-
Impact on Comprehensive Income and Expenditure Statement	231
Decrease in fair value of fixed rate borrowing liabilities which has no impact on the Comprehensive Income and Expenditure Statement	-
Total Financial Effect	231

If rates had been 1% lower the amounts would be reversed.

Price risk

The Authority, excluding its share of assets in the Local Government Pension Scheme does not invest in equity shares.

Foreign Exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

30 - Events after the Balance Sheet Date

There are no events after the balance sheet date which will materially impact the figures disclosed in the Statement of Accounts.

31 - Notes to the Cash Flow Statement

a) Net Cash flows from Operating Activities

2015/16 £000		2016/17 £000
(12,036)	Net Surplus or (Deficit) on the Provision of Services	(8,209)
2,335	Depreciation, amortisation, impairment and downward valuations	2,557
(188)	Net Movement in Creditors	122
(2,193)	Net Movement in Debtors	1,126
(85)	Net Movement in Stocks	(37)
13,072	Adjustment regarding Pension Liability	9,453
(205)	Contributions to/from Provisions	(41)
84	Carrying amount of non-current assets sold	234
12,820		13,414
(24)	Capital Grants Credited to surplus or deficit on the provision of services	-
(10)	Proceeds from the sale of assets	(288)
(34)		(288)
750	Net Cash Flows from Operating Activities	4,917

b) Net Cash flows from Operating Activities (Interest)

2015/16		2016/17
£000		£000
174	Ordinary interest received	164
-	Interest received on cash backed funds/reserves	-
174		164
(380)	Interest charge for year	(347)
-	Adj differences between Effective Interest Rates and actual payable	-
-	Other Interest	-
(380)		(347)
(206)	Net Cash Flows from Operating Activities (Interest)	(183)

c) Cash Flows from Investment Activities

2015/16		2016/17
£000		£000
(1,564)	Property Plant and Equipment Purchased	(3,169)
-	Purchase of short or long term investments	(2,000)
-	Movement on Capital Creditors	-
(1,564)		(5,169)
10	Proceeds from the sale of Assets	288
-	Proceeds from the sale of short or long term investments	-
2,841	Capital Grants Received	98
2,851		386
1,287	Net Cash Flows from Investing Activities	(4,783)

d) Cash Flows from Financing Activities

2015/16 £000		2016/17 £000
-	Cash receipts of short and long term borrowing	-
(515)	Repayment of short and long term borrowing	(368)
(314)	Other receipts from financing activities	(50)
(46)	Cash payments for the reduction of outstanding liabilities relating to finance leases	(47)
(875)	Net Cash Flows from Financing Activities	(465)

e) Make up of Cash and Cash Equivalents

2015/16 £000		2016/17 £000
118	Cash and bank balances	36
2,250	Cash investments	2,001
2,368	Total	2,037

Firefighters' Pension Fund Account

Firefighters' Pension Fund

2015/16	Fund Account	2016/17
£000	Income to the fund	£000
	Contributions receivable (funds due to us during the year)	
(1,755)	From employer normal contributions	(1,601)
(1,733)	early retirements	(1,001)
(240)	other contributions	_
(1,496)	From members	(1,276)
(1,490)	Ill health charges	(1,270)
(726)	Milne vs GAD - additional grant received from DCLG	(33)
(720)	Pension contribution holiday	(138)
	Transfers in	(190)
-	Individual transfers in from other schemes	(25)
-	Other transfers in	(<i>)</i>
(4,325)	Total Income to the Fund	(3,079)
	Spending by the fund	
	Benefits payable	
5,861	Pension payments	6,353
3,422	Commutation of pensions and lump sum retirement benefits	1,303
-	Lump sum death benefits	-
111	Other benefits payable	-
	Payments to and on behalf of leavers	
-	Refunds of contributions to people who leave the scheme	-
211	Individual transfers out of the scheme	-
726	Milne vs GAD - payments out	-
-	Pension contribution holiday	133
10,331	Total Spending by the Fund	7,789
6,006	Net amount payable/receivable for the year before top up grant receivable/amount payable to sponsoring department	4,710
(6,006)	Top up grant receivable/amount payable to sponsoring department	(4,710)
-	Net amount payable (-)/receivable for the year	-

Firefighters' Pension Fund Net Assets Statement

2015/16 £000	Net Assets Statement	2016/17 £000
	Net Current Assets and Liabilities	
-	Contributions due from employer	-
2,826	Pensions top up grant receivable from sponsoring department	1,321
-	Unpaid pensions benefits	-
-	Amount due to sponsoring department	-
(2,826)	Other current assets and liabilities (other than liabilities and other benefits in the future)	(1,321)
-	Net Assets at the End of the Year	-

Notes to the Firefighters' Pension Fund Account

1 - Pension Fund Arrangements

Before 1st April 2006 the Firefighters' Pension Scheme did not have a percentage of pensionable pay contribution from employers: rather the Authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new funding arrangements the scheme remains unfunded but will no longer be on a pay-as-you-go basis as far as the Authority is concerned. The Authority will no longer meet the pension outgoings directly: instead they will pay an employer's pension contribution based on a percentage of pay into the Pension Fund. The Authority is required by legislation to operate a Pension Fund and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation. Benefits payable are funded by contributions from employees.

Employers' contribution levels are based on percentages of pensionable pay set nationally by the DCLG and subject to triennial revaluation by the Government Actuary's Department.

Subject to scrutiny and approval by the Secretary of State and Parliament, under the new arrangements the Pension Fund will be balanced to nil at the end of the year by either paying over to the sponsoring department (DCLG) the amount by which the amounts receivable by the Fund for the year exceeded the amounts payable, or by receiving cash in the form of pension top-up grant from the sponsoring department equal to the amount by which the amount payable from the pension fund for the year exceeded the amount receivable.

2 - Pension Fund Accounting Policies

The accounting policies followed are the same as for the main accounts of the Authority.

3 - Balancing the Pension Fund Account

If the Pension Fund Account is not balanced to nil by pension top-up grant receivable or by the amount payable to the sponsoring department the Pension Fund should be balanced to nil by a supplementary contribution from the authority to the Pension Fund or by the Pension Fund returning contribution to the Authority.

This is shown under Short Term Debtors in Note 16 in the notes to the core financial statements.

The Net Assets Statement does not include liabilities to pay pensions and other benefits after the Balance Sheet Date.

4 - Pension Fund Investment Assets

As the Scheme is unfunded there are no investment assets.

5 – Liabilities Shown in the Authority's Main Statements

The liabilities relating to the Firefighters' Pension scheme can be seen in Note 28 of the main statements.

6 – Holiday Contributions 18-20

Firefighters who joined the 1992 FPS aged 18-20 have previously had to contribute for up to 32 years to receive a 30 year pension at the earliest age of 50. Following a legal challenge from the FBU, they

received correspondence from the Department for Communities and Local Government conceding the case.

DCLG accepted that rules of the 1992 FPS would be amended to allow all affected members who joined before the age of 20 or affects members who have already retired and who found themselves in this position after 1 December 2006 when the age discrimination legislation for pensions came into force. Upon reaching 50, the affected member will be able to choose to:

- Retire with a pension.
- Continue employment and recommence payment of contributions (the accrual cap remains in place with a maximum thirty years pension).
- Or continue employment without paying contributions, thereby electing to defer their pension.

Payment of any additional amounts identified as due were made with simple interest calculations as well. These amounts have been disclosed separately within the Fire-Fighters Pension Fund.

Glossary of Terms

Amortisation / Amortise

The equivalent of depreciation when applied to intangible assets.

Accruals

Used to describe allocating expenditure or income to the relevant financial year. Includes Debtors, Creditors and Prepayments

BMKFA

Acronym for Buckinghamshire & Milton Keynes Fire Authority.

Budget

A statement of the Authority's expected level of service delivery plans expressed in monetary terms and spending over a set period, usually one year.

BCC

Buckinghamshire County Council. BCC provide some services to the Authority under a service level agreement.

Capitalisation

Capitalisation is the addition to the balance sheet as an asset of an amount that will benefit the Authority for more than one year.

Capital Adjustment Account

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

Capital Financing Requirement

Measures the Authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced, whether at the point of spend or over the longer term

Capital Receipts

Proceeds from the sale of capital assets that must be used to finance new capital expenditure or reduce the existing Capital Financing Requirement. Receipts available to finance capital expenditure in future years are held in the Usable Capital Receipts Reserve.

Carrying Amount

The carrying amount refers to the amounts that the Authority has on its books for an asset or a liability. For example, the carrying amount of the authority's rescue pump is the cost of the rescue pump minus the accumulated depreciation on the rescue pump.

CIES

Comprehensive Income and Expenditure Statement. 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.

CIPFA

Chartered Institute of Public Finance and Accountancy.

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom. Sets out the proper practices for producing the Statement of Accounts.

CPFA

Chartered Public Finance Accountant.

CPI (see also RPI)

Consumer Price Index, a key measure of inflation in the UK.

Collection Fund Adjustment Account

Provides a balancing mechanism for the timing differences between statutory accounting requirements and full accruals accounting for council tax.

Council Tax Support Scheme

Regulations introduced in April 2013 that allow councils to design their own schemes to provide incentives for people to find and stay in work.

Creditors

Amounts owed by the Authority at the Balance Sheet date for goods received or work done.

Curtailment

The early payment of accrued pensions upon retirement.

DCLG

Department for Communities and Local Government.

Debtors

Amounts due to the Authority but remaining unpaid at the Balance Sheet date.

Depreciation

The loss of value of assets due to wear and tear, age or obsolescence.

Derecognition

The removal of a previously recognised financial asset or liability from the balance sheet following the transfer of asset to a third party or expiry of contractual rights to an asset.

EUV

Existing Use Value. The price at which a property can be sold on the open market assuming that it can only be used for the existing use for the foreseeable future.

Fair Value

<u>Asset</u> – the amount at which that asset could be bought or sold in a current transaction between willing parties, other than in a liquidation.

<u>Liability</u>- the amount at which that liability could be incurred or settled in a current transaction between willing parties, other than in liquidation.

Financial Instrument

A legal agreement involving some sort of monetary value. Financial instruments can be classified generally as equity based, representing ownership of the asset, or debt based, representing a loan made by an investor to the owner of the asset

General Fund

The balance held by the Authority against which the council tax is raised. The balance sheet shows the accumulated surplus from previous years.

HMRC

Her Majesty's Revenue & Customs.

IAS

International Accounting Standards which have come into effect with the introduction of International Financial Reporting Standards (IFRS).

IAS 19 (formerly FRS17)

The accounting standard that sets out (amongst other things) the requirements and accounting treatment for retirement benefits.

IFRS

The International Financial Reporting Standards which became applicable from the 1^{st} April 2010. All future accounts will be presented using these standards.

Impairments

A downward movement in the value of assets; the opposite to revaluation (upwards) of asset values.

IRMP

The Integrated Risk Management Plan covers the 3 years 2010 – 13 and explains what BMKFA is going to do to develop its services for the future.

LIFO

Last in First Out is one of a number of methods for calculating the carrying value of inventories.

Loans Outstanding

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

Local Government Pension Scheme (LGPS)

Is the Pension Scheme provided by the Authority for employees not eligible to join the Firefighters' Pension Scheme.

Lower of Cost and Net Realisable Value

A method for determining an asset's value such that either the original cost or the current replacement cost, whichever is lowest, is used for financial reporting purposes

Materiality

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

Minimum Revenue Provision (MRP)

The minimum amount of the Authority's outstanding debt which must be repaid by the revenue accounts in the year.

National Non-Domestic Rates (NNDR)

Also known as Business Rates, these are collected by local authorities and are the way that those who occupy non-domestic property contribute towards the cost of local services.

NJC

National Joint Council for Local Authority Fire and Rescue Services.

Outturn

The actual level of spending and income in a particular year.

Precept

An amount of money levied by one authority (the precepting authority) which is collected by another authority (the billing authority) as part of the council tax. BMKFA is a precepting authority and the four Buckinghamshire District Councils and Milton Keynes Council are the billing authorities.

Prepayments

Where the authority pays for goods or services before they have been received, any amounts paid but not received by the end of an accounting period are shown in the balance sheet as prepayments.

Provisions

These are sums set aside for a specific purpose, the nature of which is known but the exact amount and due date is not.

Public Works Loan Board (PWLB)

A government body from which a local authority may raise long term loans.

Realised/Unrealised Gains

A realised gain is the capital gain that you make on an asset that you receive in the form of cash. An unrealised gain an increase in the carrying value of an asset that has yet to be sold.

Revaluation

Revaluation of fixed assets is the process of increasing or decreasing their carrying value to reflect changes in fair value.

Revaluation Reserve

Records unrealised revaluation gains arising (since 1^{st} April 2007) from holding fixed assets.

Revenue Expenditure

This is spending on the day to day running expenses of the Authority. It includes expenses such as salary and wages, heating, lighting, rent, rates and stationery.

Reserves

Amounts set aside in one year to fund expenditure in subsequent years

Revenue Support Grant (RSG)

An amount of money given by central government to local authorities each year

RICS

Royal Institute of Chartered Surveyors

RPI

Retail Price Index, a measure of inflation in the UK. CPI excludes most owner occupier housing costs while the RPI includes mortgage interest payments and house depreciation. RPI generally produces a higher inflation figure than CPI.

SAP

The accounting system software used at Buckinghamshire and Milton Keynes Fire Authority.

SeRCOP

Service reporting Code of Practice 2011/12 replaces the Best Value Accounting Code of Practice (BVACOP) produced by CIPFA to establish a reporting protocol to demonstrate transparency and best value in the provision of services to the community.

UITF

Urgent Issue Task Force abstracts are issued by the Accounting Standards Board.

Write Down

A reduction in the book value of an asset due to depreciation or a decline in market value.

Buckinghamshire & Milton Keynes Fire Authority



Γ	
MEETING	Overview and Audit Committee
DATE OF MEETING	26 July 2017
OFFICER	David Sutherland, Director of Finance and Assets
LEAD MEMBER	Councillor Peter McDonald
SUBJECT OF THE REPORT	Review of Financial Regulations
EXECUTIVE SUMMARY	To present the revised Financial Regulations to the Overview and Audit Committee for recommendation on to the Authority.
	The Financial Regulations were last approved by the Authority in June 2014.
	All changes have been marked within Appendix A. Changes to the latest version include:
	 Removed the requirement for the Executive Committee to approve a virement if it involves a transfer of resources from revenue to capital in excess of £10,000. (The same limits that apply to intra-revenue transfers as set out in Financial Instructions will then apply, so that transfers of £50,000-£150,000 will require approval by the Senior Management Board and transfers over £150,000 will require approval by the Executive Committee)
	 Removed references to obsolete policies, namely the Finance and Value for Money Strategy and the Invest to Save Policy. Updated references to reflect current legislation
	 Replaced references to SAP with 'financial system' Removed the glossary and contacts list
	 Minor formatting and typographical adjustments
ACTION	Decision.
RECOMMENDATIONS	That the Financial Regulations as amended (Appendix A) be recommended to the Authority for approval.
RISK MANAGEMENT	Financial Regulations establish the principles of financial control. They are part of the control framework and reflect the finance control hierarchy. They also attempt to underline the role of finance

FINANCIAL	within the Authority, i.e. to provide the financial support and wherewithal to allow the Authority to function effectively, meet it statutory requirements and minimise the level of risk that is associated with financial transactions and exchequer activities. No direct impact.
IMPLICATIONS	
LEGAL IMPLICATIONS	The terms of reference reserve to the Authority the power to vary the Financial Regulations, having considered any recommendations from the Overview and Audit Committee.
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	No direct impact.
HEALTH AND SAFETY	No direct impact.
EQUALITY AND DIVERSITY	No direct impact.
USE OF RESOURCES	In reviewing the financial regulations and instructions the Authority can demonstrate accountability of its use of resources by updating in line with latest legislation and best practice guidance appropriate to the good governance of the Authority and the Service.
PROVENANCE SECTION	Background
	Review of Financial Regulations, Fire Authority, June 2014:
BACKGROUND PAPERS	http://bucksfire.gov.uk/files/7614/5572/2847/Review ofFinancialRegulationsJune14.compressed.pdf
	Financial Instructions: http://bucksfire.gov.uk/files/4214/4472/8818/Financia
	I Instructions Approved May 2015.pdf
APPENDICES	Appendix A.
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	Mark Hemming mhemming@bucksfire.gov.uk 01296 744687

Financial Regulations



Table of Contents

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1

Preamble

Financial Regulations are the regulatory framework within which the financial affairs of the Authority operate; they apply to all the Authority's activities. The regulations identify responsibilities in full, but from a common sense point of view can be summarised as follows:

- Major financial decisions, including setting the annual revenue and capital budgets, must be taken by the Members of the Authority, as advised by the Chief Finance Officer.
- The Authority encourages the Chief Fire Officer and his staff to take dayto-day responsibility for financial management of the service within the agreed budget.
- The Chief Finance Officer (for financial matters) and the Director of Legal & Governance have statutory responsibilities and should be consulted on significant issues or where members or officers have any doubt about the correctness of a possible action.
- Spending must be regularly monitored to ensure that it stays within approved budgets.
- Members, as advised by the Chief Finance Officer, Director of Legal & Governance and Chief Fire Officer, are responsible for identifying significant risks to the Authority and for putting in place a strategy to deal with them.
- Payments, including to staff, can only be made through arrangements approved by the Chief Finance Officer and within the detailed procedures laid down.
- All partnership arrangements must take account of appropriate financial and legal matters.

Introduction and overview

1.1 What are the financial regulations?

These regulations identify the financial responsibilities of the Buckinghamshire and Milton Keynes Fire and Rescue Authority, Members, the Chief Fire Officer, the Monitoring Officer, the Chief Finance Officer and other officers.

Members and officers should maintain a written record of any decision-making that has been delegated to members of their staff, including seconded staff. When decisions have been delegated or have been devolved to other bodies or responsible officers, references to members or officers in the regulations should be read as referring to them.

1.2 Who should read this document?

The regulations and procedures apply to all staff (including temporary staff) and members of the Authority. The prime audience for financial regulations consists of:

- Members
- Chief Fire Officer
- Finance Officers
- Staff with financial responsibilities.

More detailed guidance on how the regulations should be implemented in practice is contained in The Financial Instructions, which apply to all Members and all staff and anyone acting on the Fire Authority's behalf.

1.3 Why have financial regulations?

Financial Regulations form part of the means by which the Fire Authority manages its business. They clarify responsibilities and provide a framework for decisionmaking. Where there are specific statutory powers and duties, the financial regulations seek to ensure that these are duly complied with, as well as setting out best professional practices and processes for all activities and decisions of the Fire Authority, its committees and staff.

In summary, financial regulations are the regulatory framework within which the financial affairs of the Authority operate.

Rather than a barrier to action they should be viewed as providing the framework within which action can be taken, setting out best practice throughout the Authority and ensuring a high quality of financial information, enabling better decision making and improved service delivery.

1.4 Corporate governance and financial regulations

All staff and Members must comply with the seven "principles of public life" as set out in the Committee on Standards in Public Life (the Nolan Committee):

Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

These regulations also reinforce the corporate governance "standards", as recommended by the Nolan Committee, governing:

- organisational structures and processes
- financial reporting and internal controls
- standards of behaviour.

1.5 What do financial regulations cover?

The regulations apply to all the Authority's activities. In practice, this means all budgets, money and funds administered by Members and Officers in carrying out their duties across all the Authority's services and activities. This also includes:

- funds managed on behalf of third parties such as trust funds, community accounts and unofficial funds
- partnership arrangements where the Authority is the accountable body

 external providers such as outsourced services, contractors and consultants are managed through the contract process. The contract document will set out the financial requirements. These include, for example, compliance with key control procedures; performance standards and statistics; attendance at service client meetings' and access to accounts.

1.6 Awareness and access

The Chief Fire Officer is responsible for ensuring that all staff with financial responsibilities are made aware of and have access to these regulations, and to the accompanying financial instructions that set out in more detail how they should implement and comply with the regulations.

Managers are responsible for ensuring that all staff in their departments are <u>aware</u> of the existence and content of the Authority's financial regulations and other internal regulatory documents and that <u>they comply with them</u>.

All members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.

The Chief Finance Officer is responsible for issuing advice and guidance to underpin the financial regulations that Members, Officers and others acting on behalf of the Authority are required to follow.

1.7 Non-compliance with financial regulations

Failure to comply with these regulations and the accompanying financial instructions may have the following consequences:

- For staff, these regulations supplement the code of conduct for employees, so a breach will normally be considered a disciplinary offence that will invoke disciplinary procedures (and can lead to dismissal).
- For Members, these regulations supplement the code of conduct for Members, so a breach may be reported to the Monitoring Officer, which may lead to sanctions being imposed upon the Member.
- For the Authority, there is an overriding duty to secure value for money by conducting its business in an economical, efficient and effective manner. Failing to comply with the regulations will have wider implications which could result in the misuse or waste of funds received from tax payers and the Government.

These regulations provide clarity about the financial accountabilities of everyone acting on behalf of the Authority, individually or as a whole. To conduct its business efficiently, the Authority needs to ensure that it has sound financial management policies in place and that they are strictly adhered to.

1.8 Review of the financial regulations

The Chief Finance Officer is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the Authority for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the financial regulations to the Authority.

1.9 Other rules

Apart from these regulations, all members and officers must comply with certain other rules. These include:

- standing orders
- scheme of delegation to officers
- contract standing orders
- human resources policies and procedures, e.g. employee code of conduct
- financial instructions, procedures and guidance notes
- counter-fraud and corruption policy
- <u>anti-</u>money laundering policy.

1.10 Further Assistance

Finance staff are ready and willing to provide assistance in all areas relating to financial management and financial control. In particular you must seek advice and authorisation if you wish to create a new financial procedure or amend an existing one.

The Chief Finance Officer welcomes feedback on the operation of the Financial Regulations and Financial Instructions to ensure they remain relevant and effective.

1.11 List of Financial Regulations

- A. Financial accountabilities and management
- **B.** Financial Planning
- **C.** Risk management and control of resources
- **D.** Systems and procedures
- **E.** External arrangements

2 FINANCIAL REGULATIONS

Financial Regulation A – Financial accountabilities and management

A.1 Introduction

Financial management covers all financial accountabilities in relation to the running of the Service, including the policy framework and budget.

A.2 The Fire Authority

The Members of the Authority are responsible for:

- approving and adopting the Authority's pay policy and members' code of conduct
- approving the Corporate Strategy and budget (revenue and capital) within which all officers operate
- approving the Treasury Strategy and Prudential Borrowing Limits
- approving and monitoring compliance with the Authority's overall framework of accountability and control, monitoring compliance with the agreed policy and related executive decisions.

The Members are responsible for approving procedures for the delegation of powers to committees and procedures for recording and reporting decisions taken. These include decisions taken by the Authority or delegated by them. These delegations include any subsequently made to committee. The powers and duties of Committees are contained in the Authority's Standing Orders and Committees' Terms of Reference.

The Authority aims to delegate financial management to the Chief Fire Officer so that, as far as possible, the financial affairs are managed by Authority staff.

The Members of the Authority, advised by the Chief Finance Officer, must be satisfied that the Chief Fire Officer exercises delegated financial responsibilities in a proper and effective manner.

The Authority will:

- agree a budget requirement and set a precept after receiving the advice of the Chief Finance Officer
- approve the Chief Fire Officer's proposed allocation of resources as set out in a format agreed by the Chief Fire Officer and Chief Finance Officer
- monitor financial outcomes
- identify and agree indicative longer term spending commitments.

A.3 Executive Committee

The Terms of Reference of the Executive Committee

- to make recommendations to the Authority as to its revenue budget and capital programme
- to consider and determine the annual programme for the replacement of vehicles and other major capital schemes
- to consider and advise the Authority on the financial effects of significant development strategies, plans, major acquisitions, contracts etc.
- to oversee the use of land and property and other significant resources (e.g. information technology, vehicles and communications equipment)
- to deal with any other urgent business that cannot reasonably be held over to the next full meeting of the Authority
- to deal with such other matters of financial significance that the Authority or other committees may refer to it.

A.4 Overview and Audit Committee

The Terms of Reference of the Audit Committee

- to receive, consider and approve the Fire Authority's statutory final accounts
- to consider the Authority's arrangements for corporate governance and make recommendations to ensure compliance with best practice
- to monitor the Authority's compliance with its own and other published standards and controls
- to monitor the effective development and operation of risk management and corporate governance within the Authority
- to consider and make recommendations for action plans arising from internal and external audit reports, including arrangements to ensure that processes which deliver value for money are maintained and developed
- to oversee investigations arising out of fraud and corruption allegations
- to determine insurance matters not delegated to officers, or another committee
- to consider and determine as appropriate such other matters as are required in legislation or guidance and make recommendations to Executive Committee as appropriate.

A.5 Officers

A.5.1 The Chief Fire Officer:

The Chief Fire Officer of the Authority acting as the Chief Executive to the Authority together with the Monitoring Officer, is responsible for the system of record keeping in relation to all Authority decisions (see below); and

•— is responsible for the corporate and overall strategic management of the Authority as a whole. He or she must report to and provide information for the Authority and its committees. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

A.5.2 The Monitoring Officer (Director of Legal & Governance):

The Monitoring Officer, together with the Chief Executive, is responsible for the system of record keeping in relation to all Authority decisions, and

- is responsible for promoting and maintaining high standards of conduct and therefore provides support to the Overview and Audit Committee
- has statutory duties to report to the Authority if it appears to him or her that any proposal decision or omission did or could cause the Authority to act unlawfully or in such a manner as to constitute maladministration and for ensuring that procedures for recording and reporting are operating effectively
- must ensure that all Authority decisions and the reasons for them are as transparent as possible. He or she must also ensure that Members are aware of decisions made by the Authority and those made by officers who have delegated executive responsibilities
- is responsible for advising all members and officers about who has authority to take a particular decision
- is responsible for advising all Authority Committees about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework
- is responsible (together with the Chief Finance Officer) for advising the Authority about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be "contrary to the budget" include:
 - initiating a new policy
 - > committing expenditure in future years to above the budget level
 - > incurring interdepartmental transfers above virement limits
 - causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount

- the monitoring officer is responsible for maintaining an up-to-date constitution
- the Authority is required to provide the Monitoring Officer with sufficient staff, accommodation and other resources to carry out his or her duties
- all reports to the Authority and committees must set out the full financial and legal implications arising from the proposals contained within the report. The full legal appraisal must be agreed with the Monitoring Officer. He or she must be consulted on all legal matters and given sufficient opportunity to provide written comments on any report with legal implications
- The Monitoring Officer deals with all matters relating to the preparation and despatch of Authority and Committee agendas, reports and minutes and also the preparation and issue of Decision and Action summaries. The Monitoring Officer has the authority to affix the Common Seal to deeds and documents.

A.5.3 The Chief Finance Officer:

The Director of Finance and Assets acts as Chief Finance Officer of the Authority.

The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Authority. This statutory responsibility cannot be overridden. The duties arise from:

- The Local Government Act 1972
- Sections 112 -114 Local Government Finance Act 1988
- Local Government and Housing Act 1989
- The Accounts and Audit Regulations

20112015. The Chief Finance Officer is

responsible for:

- The proper administration of the Authority's financial affairs
- Setting and monitoring compliance with financial management standards

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- Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- Ensuring the provision of financial information
- Preparation of the revenue budget and capital programme
- Treasury management.
- The Authority's insurance arrangements

Financial Regulations

Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Authority and the external auditor:

- if the Authority or one of its committees or officers has made a decision or taken an action, or is about to do so, which involves incurring unlawful expenditure
- if it appears that the Authority's expenditure is likely to exceed available resources
- it also requires the Chief Finance Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform these duties. The Authority is required to provide the Chief Finance Officer with sufficient staff, accommodation and other resources to carry out the duties under section 114.

The Chief Finance Officer has a responsibility for ensuring that adequate systems and procedures exist to account for all income due and expenditure disbursements made on behalf of the Authority and that controls operate to protect the Authority's assets from loss, waste, fraud or other impropriety. The Chief Finance Officer shall discharge that responsibility in part by the issue and maintenance of Financial Instructions with which all staff of the Authority shall comply.

The Chief Finance Officer is responsible for advising the Authority on all financial matters. All reports to the Authority and committees must contain a financial appraisal setting out the full financial implications arising from the proposals contained within the report. The financial appraisal must be agreed with the Chief Finance Officer. He or she must be consulted on all financial matters and given sufficient opportunity to provide written comments on any report with financial implications.

A.5.4 Strategic Management Board (SMB):

Officers of the SMB are responsible for ensuring that Authority members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer.

It is the responsibility of SMB officers to consult with the Chief Finance Officer and seek approval on any matter liable to affect the Authority's finances materially, before any commitments are incurred.

A.5.5 All Managers and Officers with financial responsibilities:

All Managers are responsible for the observance of Financial Regulations within their service area and for the training of staff to enable them to comply with these Regulations.

Each Manager is individually responsible for the proper financial management of resources allocated to his/her service area through the budget making process and for the identification of income arising from activities within his/her operational areas. This includes the control of staff and the security, custody and management of assets including plant, equipment, buildings, materials, cash and stores relating to his/her service area.

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Managers, in consultation with the Chief Finance Officer, may delegate responsibilities to their staff. These shall be clearly documented and reviewed. The Manager will be responsible for ensuring that all staff are adequately trained prior to delegation, to carry out these roles. The competence of staff in these matters should be assessed as part of the Authority's performance management framework.

A.6 Other financial accountabilities

A.6.1 <u>Virement</u>

The Fire Authority is responsible for agreeing procedures for virements of expenditure between budget headings.

Executive Committee and/or Directors are responsible for agreeing in-year virements within delegated limits in consultation with the Chief Finance Officer. The Chief Finance Officer must sign off all virements.

A.6.2 <u>Treatment of year end balances</u>

The Executive Committee is responsible for agreeing procedures for carrying forward under and over-spending on budget headings.

A.6.3 Accounting policies, records and returns

The Chief Finance Officer is responsible for selecting accounting policies and ensuring that they are applied consistently. He or she shall determine the accounting procedures and records for the Authority.

Accounting and other related records must be retained for periods which comply with relevant legislation.

A.6.4 Annual Statement of Accounts

The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared and certified in accordance with the Chartered Institute of Public Finance and Accountancy's 'Code of Practice on Local Authority Accounting in the United Kingdom: Based on International Financial Reporting Standards (the Code)'.

A.6.5 Grants and Other External Contributions

The Fire Authority is responsible for agreeing additional budgets over and above the approved budget for the year, including match-funding requirements.

The Executive Committee and/or Directors have delegated responsibility for ensuring that any funding conditions are compatible with the aims and objectives of the Authority prior to acceptance of the grant.

The Executive Committee and/or Directors delegated responsibility for agreeing additional expenditure budgets with 100% grant funding within delegated limits

in consultation with the Chief Finance Officer. The Chief Finance Officer must sign off all grant applications.

The Chief Finance Officer must examine and certify where required any submission, estimate or claim for payment of grant by a Government Department or funding from any other body. Officers responsible for the administration of such grants, funds and spending associated with them must ensure compliance with the conditions of the grant/funding and where appropriate adhere to the Authority's Minimum Standards for External Funding. (See regulation E, External Arrangements).

The Chief Finance Officer must examine and certify all financial returns to government departments or other bodies.

A.6.6 <u>Pensions</u>

It is the responsibility of officers preparing to outsource activities of the Fire Authority that involve the transfer of pension rights and liabilities to notify the Chief Finance Officer of any proposal prior to substantive negotiations taking place with third parties.

In consultation with the Chief Finance Officer the full cost and implication of the transfer of pension rights and liabilities must be disclosed in the financial appraisal that is prepared in relation to the outsourcing proposal.

The Chief Finance Officer must be consulted about and approve revised pension arrangements before formal agreements are made.

A.6.7 Use of capital receipts

All receipts from the sale of assets which were originally purchased from capital financing will be treated as capital receipts and must be notified to the Chief Finance Officer.

Financial Regulation B – Financial Planning

B.1 Introduction

The Authority is responsible for approving its policy framework and budget. In terms of financial planning the key elements are:

- The Medium Term Financial Plan
- The annual revenue budget
- The capital programme.

B.2 Policy Framework

The policy framework comprises the following plans and strategies of the Authority:

- Integrated Risk Management Plan (IRMP)/Public Safety Plan (PSP)
- Public Safety Plan (PSP)
- Corporate Plan
- Finance and Value for Money Strategy
- Medium Term Financial Plan, including the
- Capital Programme
- Treasury Management Strategy
- Prudential Indicators and Minimum Revenue Provision (MRP) Policy.

These strategy documents are underpinned by supplementary strategies:

- Asset Management Strategy
- The Property Strategy
- Red Fleet Strategy
- ICT Strategy
- Information Governance Strategy
- Equipment Strategy
- People Strategy Workforce Plan.

Financial Regulations

They are also supplemented by other financial policies and guidance:

- Counter fraud and Corruption policy
- Anti Money Laundering policy
- Whistle blowing procedure
- Standing Orders as to Contracts
- Good Practice Guidance Creditors
- Good Practice Guidance Budget Management and Monitoring
- Financial Instructions and other guidance.

In addition, there are procedure notes supporting the correct usage of the Financial System $(SAP)_{\tau}$ and financial training available from the Finance Department.

The Authority is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework.

B.3 Integrated Risk Management Plan (IRMP) / Public Safety Plan (PSP) and Corporate Plan

The Chief Fire Officer is responsible for proposing these plans to the Executive Committee for consideration before submission to the Authority for approval.

B.4 Medium Term Financial Plan

The Chief Finance Officer is responsible for coordinating the four-year Medium Term Financial Plan each year for consideration by the Executive Committee before submission to the Authority. The Medium Term Financial Plan should be clearly linked to the Integrated Risk Management /Public Safety and Corporate Plans.

B.5 Budgeting

<u>Budget Format</u>

The Chief Finance Officer will determine the general format of the Medium Term Financial Plan and the budget. The draft budget should include allocation to different services and projects, proposed taxation levels (precept) and the nature and level of contingency funds and reserves.

<u>Guidelines</u>

The Chief Finance Officer will issue guidelines for the preparation of the annual revenue budget and capital programme. These will take account of

- Legal requirements
- Integrated Risk Management Plan (IRMP)
- ----<u>)/</u>Public Safety Plan (PSP)
- Medium term financial planning prospects
- Available resources
- Spending pressures
- Best value, efficiency savings and relevant government guidelines
- Other internal policy documents.

Revenue Budget Preparation

The Chief Finance Officer is responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Executive Committee and submission to the Authority. The Authority may amend the budget before approving it.

It is the responsibility of The Strategic Management Board (SMB), Directors, second tier managers and other budget holders to provide relevant information to the Finance Team, to ensure that budget estimates reflecting agreed service plans are submitted to the Executive Committee and that these estimates are prepared in line with the guidance issued by the Chief Finance Officer.

The precept has to be notified to the collecting authorities by February in respect of the ensuing financial year. It must be supported by a balanced budget approved by the Authority in consultation with the Chief Fire Officer and Chief Finance Officer.

Capital Programme Preparation

The Chief Finance Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Executive Committee and submission to the Authority. This will include advice to the Authority in setting an affordable borrowing limit and an assessment of the impact on the Prudential Indicators as required by the Prudential Code (the CIPFA professional code of practice for local authorities in taking investment and borrowing decisions).

The draft capital programme for the ensuing year should be submitted to the Authority for approval and include:

- details of all schemes, showing the total cost and the phased cost to completion
- the proposed method of funding
- an estimate of the revenue implications and confirmation as to whether this can be contained within the agreed revenue budget.

Budget Monitoring and Control

It is the responsibility of cost centre managers to control and monitor income and expenditure within their area. They should also take any action necessary to avoid exceeding their budget allocation. The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively.

Each month, in accordance with the budget monitoring timescales set out by the Chief Finance Officer, cost centre managers must provide the Chief Finance Officer with budget monitoring information. This will include any variances and problems within their areas and must include any proposals for actions to address these, together with a forecast of projected outturn.

The Chief Finance Officer is responsible for submitting regular reports to the Executive Committee on the budget monitoring position for both revenue and capital expenditure.

<u>Virement</u>

A virement does not create additional overall budget liability. It is a transfer of budget provision either within or between budget headings and can be used as an effective tool to assist in managing budgets effectively within a cash limit.

The Authority is responsible for agreeing procedures for virement. Cost centre managers and SMB are responsible for agreeing in-year virements within delegated limits and budget line restrictions. These are set out in Financial Instructions. The Chief Finance Officer must sign-off all virements.

The Executive Committee is required to approve a virement if:

- it involves resources not being used for the purposes approved by the Authority (a change in policy); or
- it results in an addition to commitments in future years; or
- it involves a transfer of resources from revenue to capital in excess of £10,000 (transfers from capital to revenue are not permitted); or
- the Chief Finance Officer requires it.

B.6 Maintenance of General Fund Balance and Reserves

It is the responsibility of the Chief Finance Officer to advise the Authority on prudent levels of reserves.

It is incumbent on the Authority to review the level of reserves each year before deciding the level of Council Tax. Reserves are maintained as a matter of prudence. They enable the Authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained.

All requests for movements, transfers and changes to reserves must be formally approved by the Executive Committee on the advice of the Chief Finance Officer.

Financial Regulation C – Risk Management and Control of Resources

C.1 Introduction

It is essential that robust, integrated systems are in place and maintained for identifying and evaluating all significant operational and corporate risks to the Authority. This should include the proactive participation of all those associated with planning and delivering services.

C.2 Risk Management

The Executive Committee is responsible for approving a Corporate Risk Management Policy statement and strategy and for reviewing the effectiveness of risk management, after considering recommendations from the Overview and Audit Committee.

The Chief Operating Officer is responsible for preparing the Authority's Corporate Risk Management Policy and for promoting it throughout the Authority. He/she is responsible for maintaining the corporate risk register, which will be reviewed annually by the Executive Committee.

The Strategic Management Board (SMB) is responsible for identifying and reporting corporate risks of the Authority to the Executive Committee and for monitoring and reviewing corporate risks on a regular basis. The Overview and Audit Committee is responsible for review of the Corporate Risk Management Policy. The Overview and Audit Committee is also responsible for the assurance on the robustness of the governance processes for the Corporate Risk Management Policy.

All managers are responsible for identifying and reporting to The Chief Operating Officer, risks in their area which need to be included in the corporate risk register and for risk management within their areas of responsibility.

The Chief Finance Officer is responsible for advising the Authority on insurance matters and for ensuring that proper insurance cover exists.

C.3 Internal Control

Internal Control refers to the systems of control implemented by management to help ensure achievement of the Authority's objectives in a way that promotes economical, efficient and effective use of resources. In addition, the systems of control ensure that the Authority's assets are kept secure and interests are protected.

The Accounts and Audit Regulations 20112015 require the Authority to conduct a review at least once a year of the effectiveness of its system of internal control and to include an approved Annual Governance Statement (previously the Statement on Internal Control), prepared in accordance with proper practices, with its statement of accounts.

The Chief Finance Officer is responsible for advising on effective systems of internal control.

These arrangements must ensure compliance with all relevant statutes and regulations and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently and in accordance with the statutory and other authorities that govern their use.

It is the responsibility of Directors and second tier managers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

C.4 Audit Requirements

The Accounts and Audit Regulations 20112015 require the Authority to undertake an adequate and effective internal audit. A review of the effectiveness of the system of internal audit should be conducted at least once a year and the findings considered as part of the consideration of the system of internal control, referred to in C.3 above.

The Internal Audit function is provided through a Service Level Agreement with Buckinghamshire County Council. The Internal Auditors at Buckinghamshire County Council comply with codes and standards outlined in the CIPFA Code of Practice for Internal Audit in Local Government (2006) and International Standards on Auditing (ISA) set by the International Auditing and Assurance Standards Board (IAASB) of the Financial Reporting Council (FRC).

The Internal Auditors have the authority to enter land or any premises used by the Authority at any time and have access to all Authority correspondence, systems, documents, books, property or other records related to the Authority's business. The Chief Finance Officer shall be entitled to receive explanation as s/he considers necessary to establish the correctness of any matter under examination.

The basic duties of the external auditor are governed by sectionpart 5 of the Local Audit and Accountability Act 2014. Commission Act 1998.

The Authority may be subject to audit, inspection or investigation by external bodies such as HM Revenues and Customs, who have statutory rights of access.

The Chief Finance Officer and the Monitoring Officer should be notified immediately of any financial irregularities or suspected irregularities, or any circumstances which may suggest the possibility of irregularities in any of the Authority's functions. Any investigation should be undertaken in accordance with the Authority's Counter-Fraud and Corruption Policy and Whistleblowing Policy.

C.5 Prevention of Fraud and Corruption

The Chief Finance Officer is responsible for the development and maintenance of the Authority's Counter Fraud and Corruption Policy. The Director of People and Organisational Development is responsible for the Authority's Whistleblowing policy. Directors and second tier managers are responsible for establishing and implementing effective controls to help prevent and/or detect incidents of fraud or corruption, for addressing key business risks, for ensuring that staff are aware of their responsibilities and comply with the Authority's counter-fraud and corruption policy, and for creating an environment where all staff feel able to raise any concerns they may have.

C.6 Anti-Money Laundering Policy

The Chief Finance Officer is responsible for the development and maintenance of the Authority's Anti-Money Laundering Policy. All members of staff are required to comply with this policy in terms of reporting concerns regarding money laundering.

C.7 Separation of Duties

Financial procedures must be established whenever possible to ensure separation of duties. This means different members of staff should undertake different parts of a sequence of operations in order to ensure that no one individual authorises an entire series of transactions.

C.8 Assets

Directors and second tier managers should ensure that records and assets are properly maintained and securely held in a method approved by the Chief Finance Officer. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

C.9 Investments and Treasury Management

The Chief Finance Officer is responsible for the arrangements for managing the Authority's cash flow, its borrowing activities and its lending activities, in accordance with policies agreed by the Authority.

The Chief Finance Officer shall undertake Treasury Management activities in accordance with the CIPFA Code of Practice on Treasury Management in the Public Services.

At or before the start of each financial year the Chief Finance Officer will prepare a report on the Treasury Management Strategy for the coming year for consideration by the Executive Committee before submission to the Authority for approval. The Chief Finance Officer will also report to the Executive Committee and the Authority on the annual performance of the Treasury Management function following the end of the financial year.

The Chief Finance Officer will maintain the Treasury Management Policy Statement setting out the framework for Treasury Management within the Authority.

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C.10 Staffing

The Chief Fire Officer is responsible for providing overall management to staff. S/he is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

The Strategic Management Board (SMB) is responsible for controlling staffing by:

- advising the Authority on the budget necessary in any given year to cover estimated staffing levels
- adjusting the staffing to a level which can be funded within approved budget provision, varying the level as necessary within that budget constraint in order to meet changing operational needs
- the proper use of agreed appointment procedures
- maintaining staffing levels within the Workforce Plan.

Financial Regulation D – Systems and Procedures

D.1 Introduction

Sound systems and procedures are essential to an effective framework of accountability and control.

D.2 General

The Chief Finance Officer is responsible for the operation of the Authority's accounting systems, the form of accounts and the supporting financial records.

Any changes made by Directors to the existing financial systems or the implementation of new systems must be approved by the Chief Finance Officer prior to any new developments or changes.

Directors are responsible for the proper operation of financial processes in their own departments. Any changes to agreed financial procedures by Directors to meet their own specific service needs must be agreed in advance with the Chief Finance Officer.

Directors should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.

Directors must ensure that, where appropriate, computer and other systems are registered in compliance with data protection legislation. Directors must also ensure that staff are aware of their responsibilities under any access to information legislation.

The Chief Fire Officer must ensure there is a corporate approach to systems development in line with the ICT and e-government initiatives.

D.3 Devolved Budget arrangements

The Chief Finance Officer will agree standards, systems and procedures for all budget-holding officers within the Service, and the Chief Fire Officer will ensure that all budget-holding officers are accountable to the Chief Finance Officer on all financial matters.

D.4 Procurement

Directors, second tier managers and cost centre managers must ensure that the Authority obtains value for money from procurement and that it is in compliance with the Authority's Standing Orders as to Contracts. The most effective method of procurement must be used including use of the Authority's corporate contracts and processes.

D.5 Income and Expenditure

The Executive Committee is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

As part of the overall control framework of accountability and control, the Chief Finance Officer is responsible for specifying procedures for ordering, making payments and for collecting income.

Directors, second tier managers and cost centre managers must ensure that all income due to the Authority is identified and charged correctly in accordance with the Authority's current charging policy. They must also ensure that all income due to the Authority is collected in a timely manner. It must also be receipted properly and banked (see Financial Instructions for further details).

Directors and second tier managers are responsible for ensuring compliance with procedures set out by the Chief Finance Officer on ordering, making payments and for collecting income.

The Chief Finance Officer is responsible for the payment of all accounts.

D.6 Payments to Staff and Members

The Director of People and Organisational Development is responsible for the preparation and input to <u>SAPthe financial system</u> of all payments for salaries and wages to all staff, including payments for overtime, for payment of allowances to members and for ensuring the accuracy and reasonableness of all output payroll files.

D.7 Taxation

The Chief Finance Officer is responsible for advising SMB and officers with financial responsibilities on all taxation issues that affect the Authority in the light of guidance issued by appropriate bodies and relevant legislation.

The Chief Finance Officer is responsible for maintaining the Authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

In accordance with advice received from HMRC and The Anti-Money Laundering Policy, the Authority will not accept settlement in cash in excess of prevailing limits set under the legislation for Anti-Money Laundering and Combating Terrorist Financing.

D.8 Stocks, stores and inventories

Inventories shall be kept at each location by the relevant department of:

- all items of operational equipment
- all vehicles and plant with a purchase value of over £100
- all items of non-operational equipment and moveable furniture with a purchase value over £100. However, local managers should also include items (e.g. mobile phones) if required.

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The Chief Fire Officer is responsible for maintaining proper security of all assets and should aim to achieve the maximum utilisation of such assets in the provision of services.

The advice of the Chief Finance Officer must be sought for the disposal of assets and be in compliance with the Standing Orders relating to Contracts (OC 53).

D.9 Leases

Any cost centre manager seeking to put in place lease arrangements <u>must</u> seek the advice of the Chief Finance Officer. All leases must be approved and signed by the Chief Finance Officer on behalf of the Authority.

D.10 Information technology systems

The Chief Fire Officer must ensure there is a corporate approach to systems development in line with the IT and e-government strategy.

Financial Regulation E – External Arrangements

E.1 Introduction

There are and will continue to be requirements to work collaboratively to further the efficiencies of the Authority's activities. The Authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders.

E.2 Partnerships

The Authority/Executive Committee is responsible for approving partnership arrangements/joint working initiatives with other local public, private, voluntary and community sector organisations to address local needs.

The Monitoring Officer and Chief Finance Officer are responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Authority. They must also consider the overall corporate governance arrangements and legal issues when contracts are being arranged with external bodies.

The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory and that the risks have been fully appraised before agreements are entered into with external bodies.

Strategic Management Board (SMB) members are responsible for:

- ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies
- maintaining a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Finance Officer
- ensuring all partnerships entered into are evaluated and contribute to the achievement of the Authority's objectives
- ensuring that appropriate insurance arrangements are made
- ensuring that such agreements and arrangements do not impact adversely upon the services provided by the Authority
- ensuring that all arrangements comply with any prevailing Partnership Policy and are registered on the Partnership Register
- ensuring that such agreements and arrangements have been properly risk-assessed and linked to the Risk Register.

E.3 External Funding

The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

The Chief Finance Officer must be consulted on the financial and probity implications of all projects involving funding from external sources (e.g. Specific Government Grants, Lottery Grants, and European Social Funds etc).

In promoting or committing the Authority to any externally funded projects Directors must consult with the Chief Finance Officer, where;

- the additional income is likely to exceed the costs of delivering the outcomes required to qualify for that grant; or
- the acceptance of that new grant or contribution would result in costs being incurred prior to receipt; and/or
- the additional cost commitment exceeds the approved budget for the current or future years.

Once agreed, the Chief Finance Officer must approve a virement to correct the current budget, before the grant offer can be accepted.

All funding received from external bodies or associated parties must be properly recorded in the Authority's accounts.

Key conditions of funding and any statutory requirements must be understood and followed.

Any match-funding requirements must be given due consideration prior to entering into long term agreements and future revenue budgets must reflect those requirements.

E.4 Work for Third Parties

The Strategic Management Board (SMB) is responsible for approving the contractual arrangements for any work for third parties or external bodies, subject to any advice provided by the Chief Finance Officer and/or the Director of Legal & Governance.

E.5 Local Authority Companies

Prior to the Authority, or any officer on behalf of the Authority, taking an interest (e.g. membership, share-holding or directorship) in a company, advice should be sought from the Director of Legal & Governance and the Chief Finance Officer.

Any clauses required by the Chief Finance Officer and/or the Director of Legal & Governance to safeguard the Authority's position must be included in the company's constitutional documents.

E.6 Sponsorship and advertising

Prior to entering into any sponsorship arrangements, formal approval should be sought from the Strategic Management Board (SMB) who in turn has sought advice from the Chief Finance Officer and/or the Director of Legal & Governance.

This advice should also be sought for services in-kind arrangements where no or little money changes hands.

For advertising, there are rules set by HMRC for the recovery of VAT. If the advertising is in the form of promoting statutory duties for Fire and Rescue Services then there are no VAT implications. However, if the arrangement can be construed as commercial and in competition with other businesses in the private sector then we will be unable to recover the VAT on those transactions. This would effectively be an additional cost to the Authority and holds penalty risks if not dealt with correctly through the VAT return process. Advice from the Chief Finance Officer should be sought before entering into arrangements which advertise or promote services of the Authority.

RESPONSIBLE OFFICERS GLOSSARY AND CONTACTS LIST

Directors

Chief Fire Officer Chief Operating Officer Director of Legal & Governance Director of People and Organisational Development Director of Finance and Assets

Contacts

Head of Service Delivery Tel: 07979 747172

Head of Service Development Tel: 07736 336686

Head of Finance & Deputy Director Extn 175

Resources Manager Extn 182

Organisation Development Manager Extn 220

Chief Finance Officer - Extn 174 (Director of Finance and Assets)

Technical Accountant - Extn 140

Management Accountant – Extn 178

Head of Procurement - Extn 136

ICT Manager – Extn 150

Corporate Planning Manager – Extn 135

Business Continuity - Extn 165

Second Tier Managers – for contextual purposes only. Any manager who reports to a Director and/or has line management responsibilities for cost centre managers and staff handling cash and assets.

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Buckinghamshire & Milton Keynes Fire Authority



MEETING	Overview and Audit Committee	
MEETING	Overview and Audit Committee	
DATE OF MEETING	26 July 2017	
OFFICER	David Sutherland, Director of Finance and Assets	
LEAD MEMBER	Councillor David Watson	
SUBJECT OF THE REPORT	Review of Standing Orders Relating to Contracts	
EXECUTIVE SUMMARY	To present the revised Standing Orders Relating to Contracts to the Overview and Audit Committee for recommendation on to the Authority.	
	The Standing Orders Relating to Contracts were last approved by the Authority in June 2013.	
	All changes have been marked within Appendix A. Changes to the latest version include:	
	 Increasing the threshold for requiring three written quotations from £5,000 to £10,000 	
	Updating of the European Union thresholds	
	 Updating procedures where relevant to facilitate the use of e-tendering 	
	 Revising the limit for asset disposals (other than land or property) to be £10,000 and for this to relate to net book value rather than 'estimated' value 	
	 Requirements for keeping contracts updated in line with the latest data transparency legislation 	
	 All references to 'Treasurer' have been replaced with 'Chief Finance Officer 	
ACTION	Decision.	
RECOMMENDATIONS	That the Standing Orders Relating to Contracts as amended (Appendix A) be recommended to the Authority for approval.	
RISK MANAGEMENT	Standing Orders Relating to Contracts ensure that contracts are appropriate for their purpose, provide the right balance between price and quality, and are procured in an open way that demonstrates probity and compliance with the Authority's policies and relevant legislation.	
FINANCIAL	No direct impact.	

IMPLICATIONS	
LEGAL IMPLICATIONS	The terms of reference reserve to the Authority the power to vary the Standing Orders Relating to Contracts, having considered any recommendations from the Overview and Audit Committee.
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	It is proposed to increase the threshold for requiring three written quotations from £5,000 to £10,000 to help facilitate further collaborative procurement with Royal Berkshire Fire and Rescue Service.
HEALTH AND SAFETY	No direct impact.
EQUALITY AND DIVERSITY	No direct impact.
USE OF RESOURCES	In reviewing the Standing Orders Relating to Contracts the Authority can demonstrate accountability of its use of resources by updating in line with latest legislation and best practice guidance appropriate to the good governance of the Authority and the Service.
PROVENANCE SECTION	Background
& BACKGROUND PAPERS	Approval of revisions to the Authority's constitutional documents (Item 16): <u>http://bucksfire.gov.uk/files/2414/5555/2793/BMKFA1</u> 2062013.compressed.pdf
APPENDICES	
	Appendix A – Review of Contract Standing Orders
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	Mark Hemming mhemming@bucksfire.gov.uk 01296 744687



BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY

STANDING ORDERS RELATING TO CONTRACTS

BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY STANDING ORDERS RELATING TO CONTRACTS

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1. Basic Principles

- 1.1 These Orders apply to all Authority contracts with the exception of employment contracts or any contract relating to the engagement of counsel.
- 1.2 Failure by an Officer to comply may result in disciplinary action being taken against that Officer.
- 1.3 These Orders set down the minimum requirements. A more detailed procedure may be appropriate for a particular contract.
- 1.4 In interpreting and applying these Orders, where there is a difference:
 - (a) EU Procurement Directives and EU case law take precedence over both English law and these Orders; and
 - (b) English law takes precedence over these Orders
- 1.5 A contract includes the following:-
 - (a) any contract for goods, works or services, including disposals
 - (b) any order for goods, works or services
 - (c) a grant given or received by the Authority
 - (d) a contract managed by consultants
 - (e) a contract appointing consultants
 - (f) any partnership arrangement
 - (g) contracts relating to the disposal or purchase of land and buildings.
- 1.6 Purchasing and disposal procedures must:
 - (a) Achieve best value for public money spent;
 - (b) Be consistent with the highest standards of integrity;
 - (c) Ensure fairness in allocating public contracts;
 - (d) Comply with legal requirements;
 - (e) Ensure that non-commercial considerations do not influence any contracting decision;
 - (f) Support the Authority's corporate and service aims and policies;
 - (g) Comply with Financial Regulations and Health and Safety requirements;
 - (h) Be able to demonstrate that the Authority's interests have not been prejudiced or exposed to undue or unmanaged risks; and
 - (i) comply with any monitoring arrangements required by the Authority from time to time.

2. Responsibilities of Officers

2.1. Officers

- (a) Every Officer dealing with contracts must have written authority to do so. This can be in their job description or in written delegated authority.
- (b) Officers responsible for purchasing and disposal must comply with these Standing Orders relating to Contracts, the Financial Regulations and the Employee Code of Conduct together with all UK and EU/EC legal requirements.
- (c) Officers must comply with any prevailing guidance issued by the TreasurerChief Finance Officer or his or her nominee.
- (d) Officers must use any relevant corporate contract which is already in place.
- (e) Officers must keep the records to show a clearly documented audit trail. The Officer has a duty to produce such records when requested to do so by the Monitoring Officer, <u>TreasurerChief Finance Officer</u>, or Chief Fire Officer and Chief Executive or their nominees.
- (f) Officers must ensure that agents and consultants acting on their behalf comply with the requirements referred to in Standing Order 2.1(b) above. Such consultants must not make any decision as to whether to award a contract or to whom a contract should be awarded.
- (g) Officers must take all necessary legal, financial and professional advice.

2.2 Chief Fire Officer and Chief Executive

The Chief Fire Officer and Chief Executive must:

- (a) Have delegated powers for the contract or ensure that the project has the formal approval of the appropriate Committee of the Authority;
- (b) Ensure that there is full budgetary provision for the contract and that the sources of funding are fully detailed before starting the contract process;
- (c) Ensure that no tender is accepted where it exceeds the approved budget/cash limit by more than 10% unless prior written approval is obtained from the relevant Committee of the Authority;
- (d) Ensure that expenditure is fully contained within the approved budget/cash limit unless prior approval has been obtained from the Committee of the Authority;
- (e) Ensure that he or she has given written delegation of the role that the appropriate Officer may take in the contracting process on behalf of the Authority;
- (f) Ensure that his or her staff complies with these Standing Orders relating to Contracts; and

- (g) Keep a register of contracts over with a value of £10,0005,000 or more showing:
 - (i) (i) the estimated value<u>contract reference number;</u>
 - (ii) (ii) the contract title;

(iii) the name of the contractor;

(iv)(iii)the subject matter of total contract value;(v)the contract; (iv)contract start and end date(iii)(vi)duration; and of any option to extend(vii)(v)the contract review date(viii)the name of the Officer responsible for the contract(ix)the contract category/type

3. Partnerships

Officers considering a partnership arrangement must before starting the contract process obtain advice from the <u>TreasurerChief Finance Officer</u> or his or her nominee who will advise on the partnership options available to ensure a workable partnership including appropriate governance arrangements.

4. Exemptions

- 4.1 Exemptions are subject to the requirements set out in this Standing Order. An exemption allows a contract to be placed by direct negotiation with one or more suppliers rather than in accordance with **Standing Order 8**. Exemptions under this Standing Order cannot be granted if EU Regulations apply.
- 4.2 If an Officer requires an exemption from one or more Orders in an emergency, the <u>TreasurerChief Finance Officer</u> can provide this. A report must be made to a Committee of the Authority subsequent to the award of the contract. An emergency means a situation involving risk of injury or loss of life or risk to the security or structural viability of a property.
- 4.3 If an Officer requires an exemption from one or more Orders where there is no emergency and the estimated value is below the European threshold, this requires the prior approval of the <u>TreasurerChief Finance Officer</u> if the value is up to £50,000; or prior approval of a Committee of the Authority if the value is over £50,000 or more. Approval will be given in exceptional circumstances only, such as:
 - (a) special expertise or manufacturing capacity is required for which only one source has been identified. In this case a written quotation shall be obtained from that source; or
 - (b) special expertise or manufacturing capacity is required which is only available from such a limited number of sources that competitive tendering is not practicable. In this case all sources shall be invited to provide quotations.

5. Requirements for all contracts

5.1 Every contract must be in writing and must state:-

- (a) the goods, works or services to be provided;
- (b) the agreed programme of delivery;
- (c) the price and terms of payment
- (d) all other terms that are agreed;
- (e) exit procedures, for when the contract comes to its natural end, and

(f) termination procedures for early termination of the contract including when the contractor has not fulfilled his contractual obligations.

- 5.2 Every contract must comply with Financial Regulations and corporate procurement guidance, including EU Procurement regulations, where necessary.
- 5.3 Every contract shall include standard clauses approved by the Treasurer<u>Chief Finance Officer</u> or his or her nominee on:-
 - (a) Anti Fraud and Corruption
 - (b) Equal Opportunities
 - (c) Health and Safety
 - (d) Freedom of Information and Data Protection
 - (e) Time of the Essence (for contracts for goods)
 - (f) Liquidated Damages
 - (g) Safeguarding
- 5.4 The <u>TreasurerChief Finance Officer</u> or his or her nominee shall be responsible for the safekeeping of all executed contracts.

6. Steps Prior to Letting a Contract

6.1 Before letting a contract, an officer must:

(a(a) identify whether there is an existing corporate contract already in place;

- (b) estimate the total value of the contract. For example, if the subject matter of the procurement is worth £15,000 over 5 years, the total value of the contract will be £75,000;
- (b(c) ensure that the contracting process is not used to create separate contracts in order to avoid the requirements of Contract Standing Orders or the requirements of the EU procurement regulations;
- (e(d) ensure that there is sufficient budgetary provision for the goods or services required;
- (d(e), if leasing arrangements are proposed, obtain prior approval from the <u>Chief Finance Officer</u>; <u>Treasurer</u>;

(e) identify whether there is an existing corporate contract already inplace;

(f) take into account the outcome from any strategic service review, if appropriate;

- (g) define the objectives of the contract;
- (h) provide evidence in writing that the risks that are associated with the contract have been assessed and suitable arrangements have been or can be put in place to manage them;
- evaluate what procurement method is most likely to achieve the Authority's objectives, including internal/external sourcing, sourcing through a public sector consortium, packaging strategy or collaboration with another organisation;
- (j) consult users as appropriate about the proposed procurement method and standards for the contract;
- (k) take into account the whole-life costs of the contract;
- (I) retain evidence that the above steps have been carried out for examination by internal or external auditors;
- (m) ensure confidentiality when dealing with contractual matters. Officers must not disclose any information regarding tenders to anyone who is not involved in the selection process; and
- (n) , in circumstances that it is likely that employees will transfer to a new employer as a result of a contract, seek legal advice from an appropriately qualified source with regard to the application of TUPE (Transfer of Undertakings (Protection of Employment) Regulations 2006.
- (o) , if the procurement is for the provision of services, consider how what is being procured might improve the economic, social and environmental well-being of Buckinghamshire and Milton Keynes, and in conducting the process of procurement, how that improvement might be secured in the procurement process taking into account any consultation that may have been undertaken by the Authority.

7. Requirements to Ensure Competition

- 7.1 Where the total value of the contract is less than £50,000, Officers may identify potential candidates using the most cost-effective and reasonable methods. This may include reference to advertising, catalogues, business directories etc.
- 7.2 Where the estimated value of a contract is:

(a) Up to and including $\pounds 510,000$

One written quotation is required. This can be a written confirmation by an Officer of an oral quotation. The aim of the Officer responsible for the contract shall be to obtain the best value for money for the Authority.

(b) Over $\pounds 510,000$ and up to and including $\pounds 50,000$

Three written quotations must be requested. The aim of the Officer responsible for the contract shall be to obtain the best value for money October 2017 ⁷

for the Authority.

(c) Over £50,000 and up to the European Union thresholds

The Officer responsible for the contract must comply with one of the following options:-follow a publicly advertised competitive tender process (See Standing Order 8)

(i) follow a publicly advertised competitive tender process (See Standing Order 8)

Oſ

(ii) select a contractor from an approved list of contractors by inviting bids from at least three. (See Standing Order 9)

In both (i) and (ii) The Officer must use the Authority's conditions of contract or appropriate professional institute conditions of contract or a contract which has been approved by the <u>TreasurerChief Finance</u> <u>Officer</u> or his or her nominee.

(d) Over the European Union thresholds which as at 1 January 20122016 net of VAT are:

	EUKUS
Works	€5,000,000
Supplies	€200,000
Services	€200,000

	£	<u>Euros</u>
Works	£4,104.394	<u>5,225,000</u>
Goods & Services	<u>£164,176</u>	209,000
Light Touch Regime for Social &	£589,146	670,620
Health Related Services		

Contracts must be advertised according to EU procurement law. The Officer responsible for the contract must before starting the contract process obtain advice from the <u>TreasurerChief Finance Officer</u> or his or her nominee

(e) Any Value

The Officer responsible for the contract may use a Framework or Consortium Agreement but before starting the contract process must seek advice from the TreasurerChief Finance Officer or his or her nominee.

EU procurement law requires compliance with the principles of the free movement of goods, the right of establishment the freedom to provide services, non-discrimination and equal treatment, transparency, proportionality and mutual recognition.

Contracts which fall outside of the Procurement Directives either by reference to value or type must still be let in accordance with the

guidance contained in the European Commission Interpretive Communication (1/8/06)

http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/c_179/c_17920060801en00020007.pdfhttp://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=OJ:JOL 2014 094 R 0065 01

8. Competitive Tendering Process

- 8.1 Where the total value of the contract is more than £50,000, Officers must ensure that potential candidates are asked to provide sufficient detail to:
 - (a) ensure that they are financially stable;
 - (b) ensure that they have appropriate technical ability to undertake the sort of contract for which they wish to be considered; and
 - (c) check their health and safety record.
- 8.2 Officers must be able to demonstrate documentary evidence that (a) to (c) above have been checked.
- 8.3 Where the total value of the contract is more than £50,000 and there is no Approved List or Corporate Contract for the contract, Officers must invite tenders by public advertisement. <u>The minimum requirement for advertisement is placing an advert on the public website.All tenders will be released to the market electronically, via the Authority's E tendering system and advertised on the Government's procurement portal, Contracts Finder.</u>
- 8.4 Unless a shorter period has been approved by the <u>TreasurerChief Finance</u> <u>Officer</u> a period of four weeks must be provided for potential tenderers to receive and submit their expressions of interest for the contract. Where EU Regulations apply, the relevant OJEU time limits apply.

9. Creation and Maintenance of an Approved List

- 9.1 As an alternative to advertising contracts, Officers may use approved lists to select tenderers. However, approved lists cannot be used where the total value of the contract exceeds the EU procurement threshold.
- 9.2 Where the <u>TreasurerChief Finance Officer</u> or his or her nominee decides that a select list of approved Contractors shall be maintained, at least four weeks before the list is compiled or reviewed Public Notice (as a minimum in a trade newspaper or journal and via the Authority's website and E tendering system) inviting applications for inclusion on the list must be given. In addition, each Contractor already included on any relevant list shall be asked whether they wish to remain on it.
- 9.3 The criteria for admission to and suspension from a select list shall be based upon the Authority's corporate policy and contract regulations and procurement procedural guidance, be specified in writing by the Officer and be approved by the TreasurerChief Finance Officer or his or her nominee.
- 9.4 Potential candidates for the list must be asked to provide details, which will enable the Authority to:
 - (a) ensure that they are financially stable based upon the submission of statements of accounts for the last two years as a minimum
 - (b) ensure that they have appropriate technical ability to undertake the sort of contract for which they wish to be considered
 - (c) compliance with environmental, health and safety, equality and diversity standards as determined by legislation and as may be approved by the Authority

- 9.5 The standing list shall include the names and addresses of all the Contractors who meet the selection criteria and shall indicate the nature and value of Contracts for which each Contractor listed may be used.
- 9.6 Any Contractor may withdraw at any time from a standing list by giving written notice to the Authority.
- 9.7 Each list must be re-advertised at least every three years-, and subject to competition in accordance with the Requirements to Ensure Competition contained within these Standing Orders relating to Contracts. Any necessary amendments including additions and deletions shall be made by the Officer responsible for the list.
- 9.8 An accredited government scheme subject to approval by the <u>TreasurerChief</u> <u>Finance Officer</u> or his or her nominee is also considered to be an approved list for the purpose of these Standing Orders relating to Contracts.

10. Standards and Award Criteria

- 10.1 Officers must ensure that the award criteria are selected which are appropriate to the contract.
- 10.2 Officers must design award criteria to ensure best value for money for the Authority.
- 10.3 The pre-agreed criteria for assessing the bid must not be changed after tender proposals have been opened.

11. Invitations to Tender/Quotations

- 11.1 The Officer must ensure that Invitations to Tender and Invitations to Quote include a specification. The specification must describe clearly the Authority's requirements in sufficient detail to ensure the submission of competitive bids which may easily be compared.
- 11.2 The Invitation to Tender or Invitation to Quote must state that the Authority is not bound to accept any Quotation or Tender.
- 11.3 All candidates invited to tender or quote must be issued with the same information at the same time and subject to the same terms. Any additional information or amendments to the specification must be provided to the candidates on the same basis.
- 11.4 In cases where it can be demonstrated that there are insufficient suitably qualified candidates to meet the competition requirements set out in **Standing Order 7**, all suitably qualified candidates must be invited.
- 11.5 The Invitation to Tender or Invitation to Quote must specify the award procedure
- 11.6 Unless the tendering process is by using an approved list, all Invitations to Tender must be advertised on the Authority's <u>websiteE tendering system</u>.

12. Shortlisting

12.1 Where approved lists are used, the responsible Officer in consultation with the TreasurerChief Finance Officer or his or her nominee may undertake the shortlisting in accordance with the relevant criteria.

- 12.2 Shortlisting must be undertaken with regard to financial and technical standards and other criteria relevant to the contract including the award criteria.
- 12.3 In the case of contracts let under the EU Procedure, the advice of the TreasurerChief Finance Officer or his or her nominee must be obtained.
- 12.4 Where appropriate, Officers may decide not to shortlist and to send Invitations to Tender and evaluate all submissions.

13. Submission, Receipt and Opening of Tenders/Quotations

- 13.1 Candidates invited to bid must be given adequate time in which to submit a quotation or tender. At least four weeks must be allowed for submission of tenders and the EU Procedure sets out specific time periods.
- 13.2 All tenders submitted to the Authority shall be in a sealed, plain envelope marked 'TENDER'. There must be no indication on the outside of the envelope of who the sender is. The envelope should be clearly addressed to the Treasurer and must indicate the subject of the contract.
- 13.3 The Treasurer shall be responsible for the safekeeping of tenders until opening. Receipt of each tender must be initialled and dated by the receiving Officer.
- 13.4 A record must be made at the time of opening the tenders showing the name and address of the tenderers, the date and time of opening and the amount tendered. All those present at the tender opening (who shall be two nominees of the Treasurer and one officer authorised by the Chief Fire Officer and Chief Executive) shall sign the record as evidence that it is correct.
- 13.5 At the discretion of the Treasurer, Requests for quotations and invitations to tender maywill be either issued and/or received by electronic means. In circumstances where the Treasurer elects to either issue and/or receive tenders by electronic means the following conditions shall apply: electronically via the Authority's E tendering system. Tenders will be released to the market electronically.
 - (a) <u>13.3</u> The <u>TreasurerChief Finance Officer</u> shall <u>ensure that evidence</u> that<u>be responsible for</u> the transmission was successfully completed is obtained and recorded; and
- (b) Electronic safekeeping of tenders received are kept in a separate secure folder under. All tender documentation will be held electronically within the control of the Treasurer or his or her nominee. E Tendering system.

14. Clarification Procedures

14.1 After the tender opening, it may become apparent that one or more of the potential contractors that have submitted bids have misinterpreted the specification. If it is clear that this is a result of an error or ambiguity in the specification, the responsible Officer must consult the TreasurerChief Finance Officer or his or her nominee as to whether all the contractors should be provided with revised specifications and given the opportunity to revise their tender.

15. Tender Evaluation

- 15.1 Confidentiality of tenders/quotations and the identity of tenderers must be maintained at all times. Information about one tenderer's response must not be given to another tenderer.
- 15.2 Officers must evaluate and award the contract in accordance with the award criteria in the Invitation to Tender. The Officer responsible for evaluating the tenders should complete a tender evaluation sheet recording the details of the tenders and the process for selecting the winner. This Officer must be someone other than the person who is going to sign the contract. Financial evaluation must be completed by the TreasurerChief Finance Officer or his or her nominee. Financing arrangements must be included in the evaluation.
- 15.3 The reasons for the selection of the successful candidate should be recorded on the evaluation report. The Officer carrying out the evaluation must sign the report. Authorisation to award the contract must be given in writing by an Officer who has written delegated authority to do so.

16. Award of Contract

- 16.1 All candidates must be notified in writing, simultaneously and as soon as possible, as to the outcome of the tender exercise.
- 16.2 In the case of those contracts which have been let using the EU procurement procedure, a statutory standstill of 10 days must apply between the notification of the tenderers and the successful candidate signing the contract, to allow for the decision to be challenged by the unsuccessful candidates.
- 16.3 The contract can only be signed by an Officer who has written delegation to do so.

17. Executing a Contract

- 17.1 Where a contract has a bond or guarantee or is over £150,000 it shall be sent to the Monitoring Officer and shall be sealed on behalf of the Authority.
- 17.2 Any contract under £150,000 shall be signed by the Chief Fire Officer and Chief Executive or an Officer with written delegated authority to sign by the Chief Fire Officer and Chief Executive, in accordance with approved levels, or may be executed by affixing the seal of the Authority in accordance with SOA 15 (SOA 15 - Standing Orders for the Authority and its Committees)

18. Post Contract Monitoring

- 18.1 During the duration of a contract, the designated project manager, or, where no project manager has been appointed, the Officer signing the contract must monitor the contract/contractor in respect of:
 - (a) performance
 - (b) compliance with the specification and the contract
 - (c) cost
 - (d) user satisfaction
 - (e) risk management; and
 - (f) in accordance with any guidance issued by the <u>TreasurerChief</u> <u>Finance Officer</u> or his or her nominee.

18.2 Officers must seek advice from the <u>TreasurerChief Finance Officer</u> or his or her nominee if payments to a contractor are to be withheld or there is any other problem with the contract which may result in early termination.

19. Termination of Contract

19.1 An Officer shall not terminate a contract over £50,000 prior to its expiry date without first obtaining advice from the <u>TreasurerChief Finance Officer</u> or his or her nominee.

20. Land and Property

- 20.1 This Standing Order relates to the acquisition and disposal of land and property including leases which are for a fixed term of more than seven years.
- 20.2 All valuations and negotiations shall be the responsibility of the TreasurerChief Finance Officer or his or her nominee who must ensure that anyone undertaking valuations or negotiations on his/her behalf must have appropriate written delegation and must be a qualified Member of the Royal Institution of Chartered Surveyors or equivalent.
- 20.3 All valuations prepared for the purpose of a transaction must be accompanied by evidence of the values or comparable properties in the locality, where possible, or evidence of recent, similar transactions carried out the Authority.

Acquisitions

- 20.4 No purchase of land or property (freehold or leasehold) may be made without the prior approval of an Officer delegated to do so by the Authority's Scheme of Delegation. In order to do this the information detailed below must be provided for this Officer which must be retained for six financial years after the acquisition has been completed:
 - (a) a complete description of the land or property that is being considered for purchase;
 - (b) the reason for the purchase;
 - (c) any information that may affect the value of the property or land, including structural and environmental reports;
 - (d) the proposed purchase price or rental value together with evidence of the prices for similar properties in the location, and evidence that there is sufficient budget to cover all costs; and
 - (e) any other terms and conditions.

Disposals

- 20.5 Land and buildings owned by the Authority shall not be disposed by lease or freehold without the prior approval of a Committee of the Authority.
- 20.6 Prior to approval being sought the following information must be provided:
 - (a) a complete description of all the land and/or property to be included in the disposal;
 - (b) confirmation that the title of the land and/or property is owned by the Authority;

- (c) the reason for the sale and any restrictions which this may impose;
- (d) a report on any information which is held by the Authority in the previous use of the land which may affect its value (eg if the site were contaminated);
- (e) the estimated value of the land and/or property together with evidence of comparable properties in the location or by reference to other recent, similar Authority transactions;
- (f) in cases where land and/or property is being sold as potential housing development, evidence that planning applications will be obtained prior to the completion of the disposal in order to obtain the best possible price for the land;
- (g) recommendations on the following:
 - (i) issues that need to be resolved before marketing the land and/or property can commence;
 - (ii) the preferred method of disposal (private treaty/public auction/formal tender);
 - (iii) the title to be transferred; and
 - (iv) the minimum price that the Authority is prepared to receive together with an asking price.
- 20.7 Where it has been decided that the disposal of the land and/or property will be by formal tender, **Standing Order 8** above relating to tenders shall be applied.

21. Asset Disposals (other than Land or Property)

- 21.1 A check must be made to determine whether there is a corporate policy or contract for the disposal of the stock. If a policy or contract is in place, this should be used.
- 21.2 Where the <u>estimated net book</u> value of the goods is no more than £2,50010,000 the disposal will be authorised by the <u>Treasurer.Chief</u> <u>Finance Officer.</u> If the <u>estimated net book</u> value is more than

 $\frac{2,500 \pm 10,000}{2}$ a Committee of the Authority must approve the disposal.

- 21.3 Disposal must be either by public auction or by obtaining three quotes from suitable contractors.
- 21.4 The Officer responsible for the disposal must ensure that the Authority is receiving value for money; that the contractor used is reputable; and that the necessary anti-money laundering checks are in place by reference to the Treasurer. Chief Finance Officer.

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Buckinghamshire & Milton Keynes Fire Authority

Fire Authority	
MEETING	Overview and Audit Committee
DATE OF MEETING	26 July 2017
OFFICER	David Sutherland, Director of Finance & Assets
LEAD MEMBER	Councillor David Watson
SUBJECT OF THE REPORT	Treasury Management Performance 2016/17 - Quarter 4
EXECUTIVE SUMMARY	This report is being presented as Members resolved at the meeting of Buckinghamshire and Milton Keynes Fire Authority on 14 October 2015 that future Treasury Management reports would be submitted to the Overview and Audit Committee. It is best practice to review on a regular basis how Treasury Management activity is performing.
	The accrued interest earned for the year $2016/17$ is £155k, which is £55k higher than the budget for the period.
ACTION	Information.
RECOMMENDATIONS	That the Treasury Management Performance 2016/17 – Quarter 4 report be noted.
RISK MANAGEMENT	Making investments in the Authority's own name means that the Authority bears the risk of any counterparty failure. This risk is managed in accordance with the strategy and with advice from external treasury management advisors.
	The Director of Finance and Assets, will act in accordance with the Authority's policy statement; Treasury Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.
	The risk of counterparty failure is monitored on the directorate level risk register within Finance and Assets.
	There are no direct staffing implications.
FINANCIAL IMPLICATIONS	The budget for 2016/17 relating to interest earned on balances invested is £100k. Performance against the budget is included within Appendix A.
LEGAL IMPLICATIONS	The Authority is required by section 15(1) of the Local Government Act 2003 to have regard to the Department for Communities and Local Government

	Guidance on Local Government Investments; and by regulation 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] to have regard to any prevailing CIPFA Treasury Management Code of Practice
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	No direct impact.
HEALTH AND SAFETY	No direct impact.
EQUALITY AND DIVERSITY	No direct impact.
USE OF RESOURCES	See Financial Implications.
PROVENANCE SECTION &	Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual
BACKGROUND PAPERS	Investment Strategy
	http://bucksfire.gov.uk/files/1614/4827/6491/ITEM_8 Treasury Management Strategy 2016-17 FINAL.pdf
	Treasury Management Practices
	http://bucksfire.gov.uk/files/4314/5527/8969/OA2509 13.compressed.pdf
APPENDICES	Appendix A – Treasury Management Performance 2016/17 – Quarter 4
TIME REQUIRED	5 minutes.
REPORT ORIGINATOR AND CONTACT	Linda Blunt <u>Iblunt@bucksfire.gov.uk</u> 01296 744404

Appendix A – Treasury Management Performance 2016/17 – Quarter 4

Background

Up until 31 March 2013, the Authority's cash balances were managed by Buckinghamshire County Council (BCC) under a Service Level Agreement (SLA). From 2013/14 the Authority began investing in its own name. This report highlights the performance of the in-house treasury management function for its third year 2016/17.

Security of Investments

The primary investment priority as set out in the Treasury Management Policy Statement is the security of capital. The Authority applies the creditworthiness service provided by Capita. This determines whether or not a counterparty is suitable to invest with and if so, the maximum duration an investment could be placed with them. In the Annual Investment Strategy (AIS), the Authority resolved that the balances invested with any single counterparty at any point in time would be 30% of the total investment portfolio to a maximum of \pounds 5m (with the exception of Lloyds Bank, who as our banking provider have a limit of \pounds 7.5m, of which at least \pounds 2.5m must be instant access). The amount invested with each counterparty on the approved lending list as at 31 March 2017 is detailed below:

Counterparty	Amount (£000)
Lloyds Bank plc	5,000
Santander	2,500
Nationwide Building Society	1,000
Leeds Building Society	2,500
Goldman Sachs International	4,000
Barclays	1,000
Skipton Building Society	1,000
Sumitomo Mitsui Banking Corporation	4,000
Lloyds Bank plc (current accounts)	36
Ignis Sterling MMF*	1500
CCLA MMF*	501
Total	23,037

*MMF denotes a Money Market Fund

The above investments include an amount of £2m invested in two money market funds (MMF). A MMF employs credit analysts who first assess who is a suitable counterparty and then continue to monitor those counterparties over time.

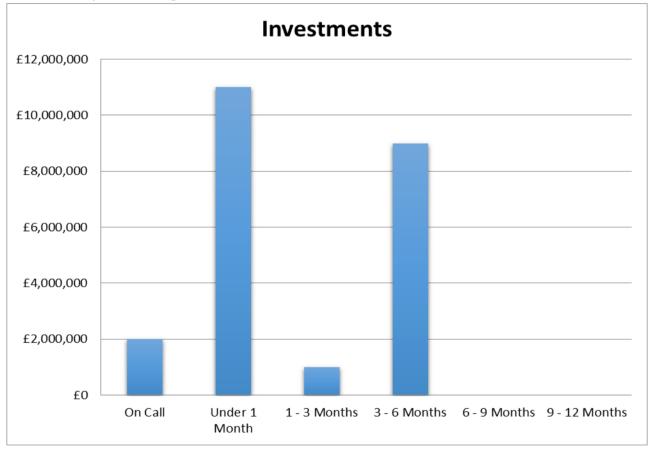
By investing with a range of counterparties, risk is able to be diversified to a greater extent than investing directly in single counterparties. In its AIS the Authority also Overview and Audit Committee (Item 15), 26 July 2017 27

resolved that all credit ratings will be monitored weekly, by means of the Capita creditworthiness service. During quarter 4 Capita made no changes to the counterparty listing.

Liquidity

Investments

The second objective set out within the Treasury Management Policy Statement is the liquidity of investments (i.e. keeping the money readily available for expenditure when needed). Investments have been placed at a range of maturities, including having money on-call in order to maintain adequate liquidity. The current investment allocation by remaining duration can be seen on the chart below:



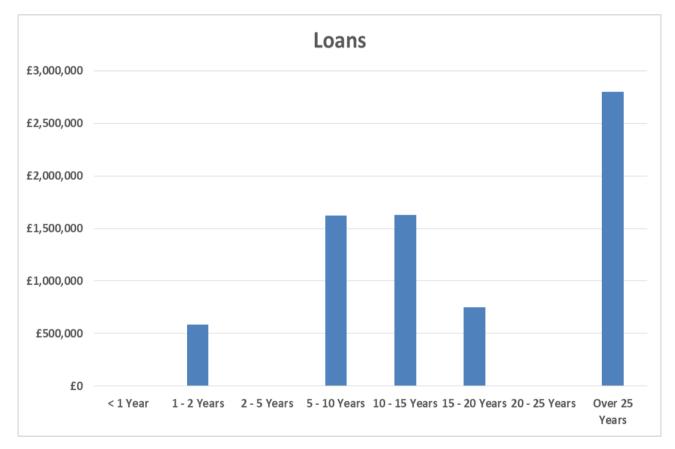
By reviewing the Balance Sheet position, level of reserves and cash requirements, the Authority determined that it was able to re-invest \pounds 5m for one year (which matures on 4 April 2017, at which point it will be reinvested for a further 6 months in line with current counterparty limits). In order to cover expenditure such as salaries, pensions, creditor payments, and potential liabilities for which we have made provisions within the Statement of Accounts, a greater proportion of the balances are invested as short fixed-term deposits. Any unforeseen circumstances and potential major incidents that could occur are covered by holding a smaller proportion of the investment balances on call (i.e. it is available for use on the day it is required).

The investments under one month duration, totalling £11m consist of the £5m investment to Lloyds bank previously mentioned and four investments; £4m in two investments to Sumitomo Mitsui Banking Corporation, £1m to Barclays Bank , and £1m to Leeds Building Society. These deposits were originally made for six months. When they are reinvested they will be spread over varied lending periods in order to

maintain liquidity. The investment for 1-3 months totalling £1m to Skipton Building Society and the investments in the 3-6 month period totalling £9m consists of investments to six counterparties, four that were originally invested over a six month period. Upon reinvestment they will also be spread over varied lending periods to maintain liquidity. Balances on call consist of £2m investments in the two Money Market Funds. A MMF helps improve the liquidity of the Authority's balances. By investing collectively, the Authority benefits from liquidity contributed by others and from the knowledge they are all unlikely to need to call on that money at the same time.

Borrowing

As part of managing the liquidity of investments, it is important to have regard to the maturity structure of outstanding borrowing. This can be seen in the following chart:



The total borrowing outstanding as at 31 March 2017 is \pounds 7.382m. During May 2016, one loan for \pounds 0.368m was repaid. No further debt repayment is due until May 2018. These repayments do not directly affect the revenue budget, as they simply reflect the use of cash accumulated by setting aside the appropriate minimum revenue provision (MRP) to settle the outstanding liability.

Investment Yield

Having determined proper levels of security and liquidity, it is reasonable to consider the level of yield that could be obtained that is consistent with those priorities.

Performance Against Budget – Quarter 4

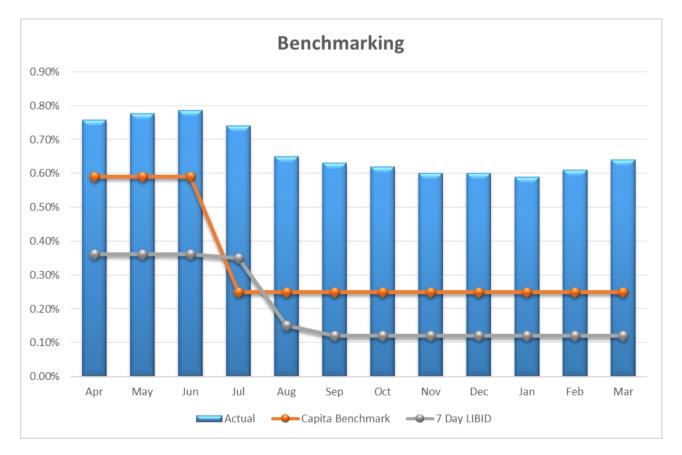
The budget for future years was reviewed as part of the Medium Term Financial Plan process and the income target for 2016/17 is £100k. This was increased in 2015/16 to £100k from £70k in 2014/15. This increase was due to the continuing over-achievement against the previous year's budget.

The accrued interest earned as at 31 March 2017 is £155k against the planned budget of £100k for the year, which is an over achievement of £55k.

Performance Against the Benchmark - Quarter 4

The relative performance of the investments is measured against two benchmark figures:

- 7 day LIBID this is the rate the Authority would have earned on all balances had the SLA with BCC continued into future years, this has fallen from 0.36% to 0.12% since the EU Referendum.
- Capita benchmark this is the indicative rate that Capita advised we should be looking to achieve for 2016/17 at the start of the year which this was later revised down from 0.59% to 0.25% in July 2016.
- The weighted average rate (%) is compared to the two benchmark figures in the following chart for each month:



2016-17 has been an interesting year in terms of treasury management. Firstly the referendum took place on 23 June 2016 whereby the UK decided to leave the EU, and this brought a lot of volatility in the market. This then led to the Bank of England reducing the base rate in August 2016 from 0.50% to 0.25% which again impacted the level of interest we received from investments. However even with the uncertainty, the Authority out-performed both benchmark figures for the 2016/17. This was mainly due to the Authority actively seeking the best rates available in the market in line with our Treasury Management Strategy and as a result of investments made earlier in the year at a higher rate of return.

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ITEM 16

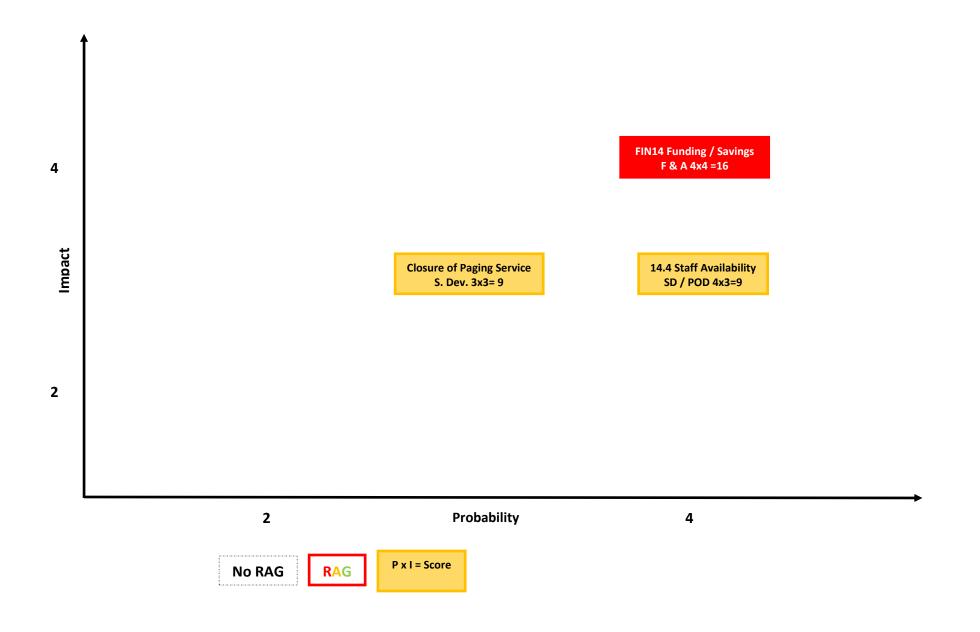
Buckinghamshire & Milton Keynes Fire Authority

MEETING	Overview and Audit Committee
DATE OF MEETING	26 July 2017
OFFICER	Julian Parsons, Head of Service Development
LEAD MEMBER	Councillor Netta Glover
SUBJECT OF THE REPORT	Corporate Risk Management
EXECUTIVE SUMMARY	This report provides an update on the current status of identified corporate risks. Risk registers are maintained at project, departmental and directorate levels. Corporate risks are those that have been escalated from these levels for scrutiny by the Strategic Management Board (SMB), because of their magnitude, proximity or because the treatments and controls require significant development.
	The Corporate Risk Register was last reviewed by the Overview and Audit Committee at its 8 March 2017 meeting. Since then it has been regularly reviewed by the Performance Management Board (PMB), most recently at its 22 June 2017 meeting, at which all directorate risk registers were scrutinised, and by the Strategic Management Board (SMB), most recently at its 4 July 2017 meeting. As a result of these reviews the following changes to the Corporate Risk Register have been made:
	 The ageing workforce risk has been de-escalated to the People and Organisational Development directorate risk register as result of the success of the firefighter apprenticeship scheme and plans for a further intake of apprentices during summer 2017;
	2. The scope of the staff availability risk has been increased to include the risks arising from the potential impact of transformation at pace coupled with staff recruitment activity by neighbouring fire and rescue services on staff retention and overall workforce stability. As a result of these pressures the risk score has also been increased to 12 (probability = 4, impact = 3);
	3. An emerging risk to the continuity of the Authority's paging service used to mobilise on-call appliances, officers, workshops, the Resource Management Team (RMT) and ICT has been added following Vodafone's decision to close its

	'Vodapage' service on 31 March 2018.
	The current distribution of corporate risks relative to probability and potential impact is shown at Annex A.
	Changes to the corporate risk ratings over the last year are shown at Annex B.
	Detailed assessments of identified corporate risks are shown in the Corporate Risk Register Report at Annex C.
ACTION	Decision.
RECOMMENDATIONS	It is recommended that:
	 the status of identified corporate risks at Annex C be reviewed; and,
	comments to officers for consideration and attention in future updates/reports be provided.
RISK MANAGEMENT	The development, implementation and operation of effective corporate risk management structures, processes and procedures are considered critical to assure continuity of service to the public, compliance with relevant statutory and regulatory requirements and the successful delivery of the Authority's strategic aims, priorities and plans.
FINANCIAL IMPLICATIONS	No direct financial implications arising from the presentation of this report. It is envisaged that the further development of the Authority's corporate risk management framework will be undertaken from within agreed budgets.
LEGAL IMPLICATIONS	None directly arising from this report. Any legal consequences associated with the crystallisation of individual risks are detailed in the Risk Register report at Annex C.
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	The potential to share corporate risk intelligence with neighbouring fire and rescue services and other relevant agencies will be considered. BMKFA already participates in the multi-agency Thames Valley Local Resilience Forum which produces a Community Risk Register which is among the sources used to identify potential risks to the Authority.
HEALTH AND SAFETY	Development of the framework does not impact directly on the legal compliance to health and safety, however if risks are not appropriately identified then this may present Health and Safety risks.
EQUALITY AND DIVERSITY	No direct implications from the presentation of this report. However risks to achieving the Authority's equality, diversity and inclusion objectives or

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	compliance with relevant statutes or regulations are identified assessed and managed via this process and are currently monitored within the People and Organisational Development Risk Register.
USE OF RESOURCES	The development of the risk management framework complements the governance framework and business processes as a critical cog in the system of internal control and makes better use of our people resources by giving them clearly defined areas of responsibility.
	Senior managers and principal officers are key stakeholders in the development of the framework and have an active role in its development at every stage. The lead Member will also be involved in the development of the framework with particular responsibility for determining the reporting arrangements for the Authority.
	As with all policy frameworks, all employees will be informed of the changes in the process and will receive any training necessary to support their role in the process.
PROVENANCE SECTION & BACKGROUND PAPERS	A formal policy for the management of Corporate Risk was approved by the Authority in August 2006 and implemented with effect from 31 January 2007 (OC57: Corporate Risk Management Policy).
	Further development of this policy and framework was reported to members at the 15 September 2010 CFA meeting (see Annex A and item 8 of 15 September CFA Papers:
	http://bucksfire.gov.uk/files/8114/0681/3588/150910 .PDF
	An updated Corporate Risk Management Policy was approved at the 18 March 2015 Executive Committee: <u>http://bucksfire.gov.uk/files/3314/2564/2098/Executive Committee 180315.pdf</u>
	CFA Members were last updated on the status of the Authority's Corporate Risks at the 8 March 2017 Overview & Audit Committee: http://bucksfire.gov.uk/files/2714/8792/9864/OVERVI EW AND AUDIT COMMITTEE 080317 AGENDA AND REPORTS COMPRESSED.pdf
APPENDICES	 Annex A: Distribution of Corporate Risks at 4 July 2017 SMB meeting.
	 Annex B: 12 Month View of Changes to Corporate Risks
	3. Annex C: Corporate Risk Register Report

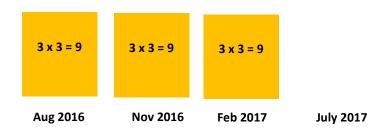
TIME REQUIRED	15 Minutes.
REPORT ORIGINATOR AND CONTACT	Stuart Gowanlock, Corporate Planning Manager sgowanlock@bucksfire.gov.uk 01296 744435



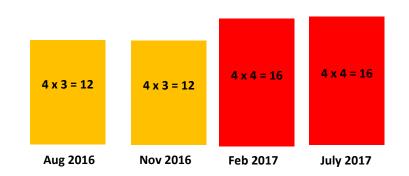
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Ageing Workforce Impact



Risk to Funding



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Corporate Risks

Risk	Resp.	Consequences if Untreated		Risk So	core	Risk		Current Treatment	R	Comments / Further Treatment Proposed
Description		Risk Occurs	(Fo	rmer)	/ New	Level		ΑΑ		
	•	·	Р	Ι	Σ	HML			G	
-	Resp.	-	(Fo			Level	•	Full business continuity plans in place & uploaded to Resilience Direct. Peer review of the business continuity arrangements Bank System Flexi-Duty System Pilot Staff Transfer Procedure Employee assistance and welfare support Training Needs Assessment process Monitoring of staff 'stability ratio' relative to best practice and sector norms Review of Resourcing and Retention strategies Wider range of contracts offering more flexible ways of working A variety of approaches are being adopted to replenish the workforce. These include more operational apprentices, transferees, and re- engagement options	Α	Comments / Further Treatment Proposed 22 November 2016 SMB: It was agreed that the score remains at 9. There is the potential of further staff losses due to the recruitment campaigns of surrounding services and in particular LFB (London weighting). The recently published Thomas Review recommendations may impact on staff availability in the medium term, however initial reactions indicates that it will not lead to industrial unrest in the short term. Current treatments for this remain current with the addition of Flexi-Firefighter Pilot Scheme. Review and refresh of Business Continuity Plans currently underway. 27 April 2017 PMB: Recommended that potential impact of ongoing firefighter recruitment activities by neighbouring FRS on operational capacity and capability be considered for potential inclusion on Corporate Risk Register. 13 June 2017 SMB: Following de-escalation of ageing workforce risk to POD risk register it was agreed that the scope of the staff availability risk should be expanded to include consideration of the impact of
overall workforce stability.							•	Workforce planning data is regularly reviewed with Service delivery, HR and Finance. Project on Strategic Review of Operational Resourcing is underway with a number of workstreams, including On-Call and Geographic station reviews Growth bids to be considered to support future resourcing demands.		include consideration of the impact of transformation at pace coupled with ongoing recruitment activities by neighbouring FRS on overall workforce stability. <u>4 July 2017 SMB</u> Agreed that the probability score for this risk should be increased to 4 (4 x 3 = 12) in view of risks to our ability to retain operational staff arising from impact of workforce change coupled with ongoing recruitment by neighbouring FRS.

Risk Description	Resp.	Consequences if Untreated Risk Occurs		sk Scor ner) /	-	Risk Level	Current Treatment	R A G	Comments / Further Treatment Proposed
			Р	I	Σ	HML		-	
Fin 14 –	Director	The funding settlement	(4)	(4)	(16)	н	Proactive management of the MTFP	R	25th October 2016 SMB
Funding and	Finance	now assumes that a					is in force which has previously		In the 4 months since the outcome o
Savings	& Assets	council tax increase is	(3)	(4)	(12)	М	included a re-alignment of		the Referendum on the UK's
Requirement		required each year in	(2)	(4)	(12)	м	balances to free up the MRP burden		Membership of the EU, a number of
		line with the prevailing	(3)	(4)	(12)	IVI	and a revised risk assessed level of		external factors have combined to
		capping limit, currently	4	4	16	н	general fund reserve.		create an unstable environment tha
		2% for the Fire	•	1.					could adversely affect the Authority
		Authority, and that					In addition the MTFP is very closely		funding position the future. On top
		local growth meets					aligned to workforce planning.		'Brexit' there is increasing inflation,
		expectations.					For the present, USAR (S31) grant		the downturn in value of the £,
							funding is assumed to continue,		proposed changes to business rates
		If either or both did not					though notification now seems to be		funding and an uncertain outlook fo
		come to fruition there					year on year and often after budget		USAR funding post 17/18. These
		is a risk the Authority					setting. If removed, the Authority will		create a volatile combination and
		will not meet its					need to cope with a circa £800k cut		therefore no change is proposed to
		commitment to the PSP					in funding.		the risk assessment on funding or
		2015-20 and that a					in runuing.		savings requirement at this stage.
		fundamental re-think of							<u>17 January 2017 SMB</u>
		service provision would							Given the weak position regarding
		be required.							any long term stability (or
									notification) for S31 USAR funding, i
									was determined to leave the risk
									unchanged. Additionally there is
									expected to be some pressure on th
									capital programme resources as the
									effects of external factors such as
									BREXIT and the fall in value of the
									pound put pressure on contract
									prices.

				<u>18 April 2017 SMB</u>
				Finance to review risk score in light of
				more secure outlook for USAR
				funding.
				<u>13 June 2017 SMB</u>
				Finance to review score following
				outcome of UK General Election.
				<u>4 July 2017 SMB</u>
				There remains no long term S31
				funding for USAR and whilst the
				Government continues to provide
				only an annual settlement the risk of
				removal of that funding must remain
				high.
				In addition there is now considerable
				pressure on public sector pay with a
				NJC offer of 2% to firefighters for
				2017 already higher than the 1% cap
				for which the Authority is funded.
				Therefore until the long term
				revenue funding for both USAR and
				for Firefighter Pay Settlements is
				assured, the risk score will remain
				unchanged.
1				 unchangeu.

New / Emerging Risks

Risk Description	Resp.	Consequences if Untreated Risk Occurs	Risk Score (Former) / New			Risk Level	Current Treatment	R A G	Comments / Further Treatment Propos	
		Ι	Р	I	Σ	HML				
Paging:- closure of Vodafone's Vodapage service & transfer of service to Page One (Capita Service)	ICT Manager	The only alternative paging system (Page One) does not have the coverage in Buckinghamshire that Vodaphone has. Inability to contact / call out key staff for incidents / support.	3	3	9	M	Testing Page One devices. Investigating alternatives to paging. Reviewing pagers with additional capabilities (Wireless etc.) Collaborating on replacement solution with Thames Valley partners.	A	Pagers used for On Call, Appliances, Officers, Workshops, RMT and ICT. Previous usage of Page One was considered ineffectual due to coverage issues. Initial indications were that Vodapage will be turned off on November 30 th 2017. However, Vodafone are now evaluating an App service and have also informed us that they have decided to move the hard closure date to 31 st March 2018 providing additional time to pursue alternatives. The financial implications of this risk are unknown at this point.	Created 30/05/2017

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Overview and Audit Committee
DATE OF MEETING	26 July 2017
OFFICER	Julian Parsons, Head of Service Development
LEAD MEMBER	Councillor Netta Glover
SUBJECT OF THE REPORT	Operational Assurance Improvement Plan
EXECUTIVE SUMMARY	The purpose of this report is to provide an update on current progress towards the delivery of the Service's approved Operational Assurance Improvement Plan (OAIP).
	Content of the OAIP was derived from the recommendations arising from the 'Review of Operational Assurance Arrangements' undertaken by Operational Assurance Limited (OAL) in October 2016.
	In their report OAL identified 30 improvement recommendations, three of which were considered as 'particular priorities'. Having gone through the report it was determined that 4 of the resulting recommendations highlighted areas where improvement was thought to be unnecessary as appropriate provision and operational reassurance already existed, these being detailed within the OAIP (ref. 5.7.1 , 9.2.1 , 9.3.1 and 11.13).
	A further recommendation (ref. 11.1.1) created some indecision in terms of the instructive action needed, as the overwhelming belief was all operational staff already had an extensive understanding of the functional roles, explained within National Operational Guidance for Incident Command.
	Apart from the above exceptions, early progress has been achieved within all other identified areas of improvement, perhaps most notably in respect of one of the suggested priorities, namely:
	• Re-establishment of an effective Operational Assurance Forum, with necessary direction and authority to assist in the formal management and progression of issues arising, through to meaningful resolution (P3).
	The inaugural meeting of the Operational Assurance Group (OAG), which acts as the forum, took place on the 21 February 2017 and there is now an established schedule of meetings planned throughout the coming

	year.
	Minutes of these meetings detail the decisions and actions taken in relation to particular emerging issues.
ACTION	Noting.
RECOMMENDATIONS	That the content of the OAIP within Annex A be noted.
RISK MANAGEMENT	Delivery of the OAIP will contribute toward ensuring the Service's operational safe systems of work are continuously improved to conform to the latest safety standards and are efficient, effective and responsive to significant changes in the external or internal environments.
	Failure to deliver the OAIP could expose:
	 the Service, its personnel and the public to operational, health and safety risks;
	 Buckinghamshire & Milton Keynes Fire Authority (BMKFA) to reputational and / or financial risks.
	The OAIP will inform the ongoing development of our workforce plan particularly in relation to areas such as maintenance of operational skills and acquisition training and assessment.
	Equally the OAIP does not appear to raise any immediate privacy issues.
FINANCIAL IMPLICATIONS	There are no negative financial implications associated with this report.
LEGAL IMPLICATIONS	There are no negative legal implications associated with this report.
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	Although the Authority has committed to a default position of collaboration with Thames Valley Fire and Rescue Authorities (FRAs), the OAIP relates specifically to BFRS, however any opportunity to collaborate will be explored.
HEALTH AND SAFETY	There are no negative implications on health and safety associated with this report. The delivery of the OAIP will unquestionably supplement and enhance the existing health and safety culture.
EQUALITY AND DIVERSITY	No immediate issues identified in relation to the OAIP, however, IIAs will be completed for any changes that result from subsequent activities, where there is potential for equality and / or diversity issues to arise.
USE OF RESOURCES	Communication with stakeholders The OAL recommendations and associated OAIP have been both published and communicated to all staff, in order to ensure there is a clear understanding and

	appreciation of the collective responsibility there is toward continuous improvement.
	In addition, the Operational Assurance Report, designed to share areas of operational improvement, highlight good working practices and communicate training needs identified and collected by the Operational Assurance Team, is published every month.
	The system of internal control
	From a monitoring and reporting perspective the Head of Service Development will be leading on the improvement plan and chair the OAG.
	Head of Operational Training and Assurance will be responsible for delivering the Operational Improvement Plan in conjunction with the reformed Operational Assurance Team (OAT).
	The medium term financial strategy It is intended that the achievement of the OAIP can be met within the existing budget.
	The balance between spending and resources No immediate funding requirements have been identified. The recommended monitoring system is the e-safety application that has already been procured and purchased for other purposes.
	The management of the asset base There are currently no identified impacts on the asset base.
	The arrangements to promote and ensure probity and propriety Delivery of the OAIP is expected to have a positive impact against these criteria by creating a more robust and transparent operational assurance environment within the Service.
	Environmental Delivery of the OAIP will enhance the Service's ability to identify and manage potential environmental hazards in both the internal and external environments.
PROVENANCE SECTION	Background
&	Review of Operational Assurance Arrangements, OAL,
BACKGROUND PAPERS	October 2016 (shown at Annex B).
	Overview and Audit Committee: 8 March 2017.
APPENDICES	Appendix A: Operational Assurance Improvement Plan
	Appendix B: OAL Report
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR	Steve Wells, Head of Operational Training and

AND CONTACT	Assurance
	swells@bucksfire.gov.uk
	01296 744426

Ref.	Recommendation	Action	Priority	Officer	Delivery	RAG	Progress & Issues Report	
P.1	BMKFRS should continue to develop and	Agree:	H/M/L	Resp.	Date	Status	Issue:	
	resource effective internal processes through which matters arising from significant external and internal events are captured, communicated and effectively managed through to a conclusion that is acceptable to the service. This should include (for example) processes for undertaking	Operational Assurance Group (OAG), once established, will provide the governance for ensuring these processes are in place and implemented. Create a standardised approach toward the	н	JP SW	Feb 2017 Oct 2017		Currently information relating to significant external and internal events comes in through a variety of means and to various people with the potential for information to be missed. Consideration should be given as to how best to streamline this perhaps making the OAT the recipient for all such information and the OAG to oversee the resultant process.	
	gap analysis, communicating findings to operational staff and informing resultant training delivery.	undertaking of any gap analysis resulting from both external and internal events.		300	0002017		WC and 1 x CC appointed commencing the 1 st Feb 2017. Following the offer of the final vacant CC post being declined by the identified individuals there are options to fill this vacancy - either to go external or consideration	Complete
		Identified shortcomings from a training, learning and development perspective to be presented at Training Strategy Group (TSG) meetings, in order to inform decision making.	М	SW	April 2017		could be given to appointing a second WC and utilising the post to support the Area Trainer role.	
		Recruit individuals for vacant positions within the	н	SW	April 2017		Progress: 21/2/2017- Date of the inaugural Operational Assurance Group (OAG) meeting (JP)	
		re-structured Operational Assurance Team (WC and 2 x CC)		300	April 2017		28/3/2017- Operational Assurance Team will be fully established by 1 May 2017(SW)	
		The reintroduction of the Operational Assurance monthly reports, to highlight to staff areas of notable best practice or requiring improvement.	М	КС	April 2017		28/3/2017- The first publication to be issued late April 2017(SW)	
P.2	In support of recommendation 1, BMKFRS should develop the use of an active monitoring system to act as a smart, service-wide tool. This system should incorporate a user-friendly database that is capable of providing auditable records and is easily accessible to all staff.	Agree: The H&S e-Safety system will provide the active monitoring system which can follow the suggested Ops Assurance model and provide a robust audit trail from inception to completion. The system will be accessible to all staff through a web based portal. Building of appropriate	н	AC\KC	Jan 2018		BFRS has developed a new Internal Assurance Model. This model began its introduction into the Service prior to the visit by OAL. OAL found that the model was starting to being used and has the potential to deliver excellent assurance benefits. The development of e-Safety will compliment this new model and the delivery of its aspirations. Progress: 27.3.17. Adam Burch has been identified as the appropriate person to have	
		question sets to commence in January 2017. The development process to be supported by Ops Assurance representative viewing the Greater Manchester FRS system, this may well be made available to us at no cost if required.	м	КC	June 2017		administration rights to eSafety and has been in discussions with Amanda to arrange access through Warwick International. A basic questionnaire has been built which will be refined once information is added. (AC) 28/3/2017- A visit to GMFRS to be arranged following period of leave during April, likely to be May/ June due to station visit commitments (KC)	In Progress
							9/6/17- Visit to GMC delayed due to recent events in Manchester, opportunity to team up with the BASI team to visit explored but not viable- potential dates of week commencing 26/6/17 being followed up. (KC)	
							28/6/17- Update, contact with GMFRS has been established and a visit agreed, (dates to be confirmed to suit both parties). (KC)	
P.3	BMKFRS should consider re-establishing an effective Operational Assurance forum, with the necessary direction and authority to assist in the formal management and progression of issues arising, through to meaningful resolution.	Agree: Operational Assurance Group to be established, meeting regularly at agreed intervals and attended by appropriate representatives. This group will report directly to the Performance	н	JP	Feb 2017		Progress: Appropriate representatives identified for inclusion by Stuart Gowanlock. It has also been identified where the OAG will sit within the governance structure. 21/2/2017- Date of the inaugural Operational Assurance Group (OAG)	Complete

Ref.	Recommendation	Action	Priority H/M/L	Officer Resp.	Delivery Date	RAG Status	P
		Management Board (PMB).					meeting. (JP)
5.4	Key Findings: Policy and Guidance	I	I				
5.4.1.	It is recommended that the Operational Assurance model is clearly published and communicated, that roles and responsibilities are clearly identified and finally, that understanding is confirmed.	Agree: The intention is to write a new Operational Assurance procedure, which, once published a range of established methods will be considered to determine how best to ensure the content of the document has been understood by staff. Options available include creating a 'HEAT' package or face to face input conducted locally and captured within training records.	М	SW	Dec 2017		Progress: 28/3/17- An initial piece of drafting a new procedure r (SW) 12/6/2017 – Content of ne prior to it being circulated
5.7	Key Findings: Operational Briefing and Handover						
5.7.1	OAL recommend that BMKFRS gives consideration to revising or replacing the 'OTHERS' methodology, to ensure the procedure includes the following points. Any revised handover methodology should be adopted for training BMKFRS staff at the FSC: • Situation • Hazards identified • Objectives • Plan to meet the objectives • Resources present and requested • Incident command structure • Tactical mode(s) in use	 Disagree: It is generally accepted that 'OTHERS' is well embedded and recognised at all command levels. The change indicated to SHOPRIT offers limited benefit and will have a training and embedding implication for BFRS. Outcomes from Ops Alignment may require this approach to be reviewed. However, the strengthening of the understanding and use of the 'OTHERS' methodology, will to be delivered to FDO officers at training days and cascaded to operational staff. 	L	OAT	Dec 2017		Progress: 28/3/2017- Arrangements during June FDO training de Officer Role. This will also be Wholetime operational sta during April, May and early 28/6/17- Update, The refree order to allow for a collabor investigated in relation to of feedback. The initial meetin alignment is unlikely in the probable. (KC)
6.2	Assurance Model: External Inputs						-
6.2.1	BMKFRS should review the processes currently employed to capture, scrutinise, manage and communicate matters arising from external inputs. This should include consideration of the service's current process for undertaking gap analysis of these external reports in order to manage identified risks to conclusion or acceptance on the service risk register.	Agree: This particular recommendation is aligned to ref P1 and therefore will be subject to the same proposed actions.	Н	JP	Feb 2017		Progress: See P1
6.4	External Assurance Model: Issue Resolution	1			1		l
6.4.2	BMKFRS should consider re-establishing an effective Assurance Forum with the necessary direction and authority to manage and progress OA issues arising through to meaningful resolution and involving: a) The application of a recognised and	Agree: Operational Assurance Group (OAG), once established will provide the governance for ensuring these processes are in place and implemented. One of the invited members onto the OAG will be the H&S Manager.	Н	JP	Feb 2017		Progress: 21/2/2017- Date of the ina meeting (JP) 28/3/2017- Being as the He the TSG, it stands to reasor

Progress & Issues Report	
of work has been commenced in relation to note that defines the agreed assurance model.	In Progress
new procedure note continues to be formulated, d for wider consultation. (SW)	
is have been made to deliver this to Officers days as part of the refresh of the Monitoring be addressed during station visits to On- Call and taff up to and including Watch Commanders ly June. (KC)	Complete
resh to FDO's has been moved to September in porative approach with our TV partners to be o documentation and increased sharing of ting has taken place which indicated total he short term however closer alignment is	
	Complete
naugural Operational Assurance Group (OAG)	Complete
Head of Operational Training and Assurance chairs on that any identified shortcomings will be	

Ref.	Recommendation	Action	Priority H/M/L	Officer Resp.	Delivery Date	RAG Status	Progress & Issues Report	
	accountable health and safety process linked directly to OA, which includes suitable arrangements to manage these elements. b) The progression of issues to inform the service Risk Register, Training Needs Analysis (TNA), Integrated Risk Management Plan (IRMP), etc.	Identified shortcomings from a training, learning and development perspective to be presented at Training Strategy Group (TSG) meetings, in order to inform decision making.	М	SW	April 2017		appropriately presented at those meetings, so to ensure the training to be procured/ delivered addresses the specific needs. (SW) 24/4/2017- Presented to TSG 24/4, now accepted as business as usual. (SW)	
6.4.3	BMKFRS should ensure the process of OA is adequately supported by an effective, user- friendly Information Technology (IT) system that incorporates an intelligent and auditable database.	Agree: eSafety will, in the first instance, be piloted in order to determine its appropriateness. It has the ability to be managed locally (H&S staff can administer the system in order to improve the functionality following feedback once the system is trialled). As a system, it has resilience as it is 'hosted' by the manufacturing company with a full support system available to users.	Н	AC\KC	Jan 2018		Progress: 28/3/2017- Adam Burch has been identified as the appropriate person to have administration rights to eSafety and has been in discussions with Amanda to arrange access through Warwick International. A basic questionnaire has been built which will be refined once information is added. (AC)	In progress
6.5	External Assurance Model: Debriefing Activities						-	
6.5.1	 BMKFRS should review and re-energise its debriefing process. This should be promoted to the operational staff as a key element of continuous service improvement. Any review undertaken should consider: (i) Addressing current poor practises to ensure the onus for initiating a timely debrief sits firmly with incident commander. (ii) Continuing efforts to simplify the existing processes. (iii) Producing regular outcome reports to inform staff, promote inclusion and demonstrate the value of the process. (iv) Ensuring non-compliance is identified and valued contribution recognised and rewarded. 	Agree: A positive feature of the eSafety is that completed debrief forms can be attached to the specific subject, created within the system, thereby allowing all pertinent information to be captured in a single place. Debrief training to be provided to Operational Assurance team members - this will be captured in the department training needs analysis	M	KC\OAT KC	Oct 2017 April 2017		 Issue: BFRS have only has one person trained in the operational debrief process, so this would need to be rectified in due course. Progress: 28/3/2017- Further research to be undertaken by OAT to inform the best format for the e-safety system (likely visit to GMFRS May/June) (KC) Debrief training captured in department TNA, research underway to identify provider. (KC) 9/6/17- Debrief training provider no longer operating, JP indicated that he would contact former colleagues at Dorset & Wilts FRS to see who their supplier is and whether they might provide a suitable alternative. (KC) 28/6/17- Update, JP provided contact details and initial communication has been established. Contact is currently out of the country and KC is awaiting response. (KC) 	In progress
6.7	External Assurance Model: Maintenance of Opera	itional Skills						
6.7.1	BMKFRS should seek to place greater emphasis on the individuals' responsibility for completion and maintenance of their own skill-set.	Agree: There is a collective responsibility amongst all operational staff to ensure their professional competencies are effectively maintained. Therefore this subject is to be a matter of discussion during an individual's appraisal, which is then documented and subsequently monitored by their respective line manager.	М	SW	Oct 2017		Issue: It has generally been customary for a supervisory manager to be responsible for recording the maintenance of skills for a number of staff on their watch. However, due to the increasingly flexible approach to working within BFRS, individuals undertaking competency training are not always aligned to their own watch. Therefore, whilst having one person responsible for data input can be time effective, it nonetheless distances an individual from their own training records and recognising their own development needs. Timely access to computers, in order to complete these records has previously been cited as a barrier. Progress:	In progress

Ref.	Recommendation	Action	Priority H/M/L	Officer Resp.	Delivery Date	RAG Status	Progress & Issues Report	
							 28/3/2017- An evaluation into how maintenance of competence is being captured within the Core Training Records (CTR) has been commenced. Draft CTR structures are in the process of being reviewed by Area Trainers and other SME's to ensure they reflect current training. One option being considered is the introduction of 'competency statements 'to support each performance criteria, in order to re-inforce to staff how they achieve competence. (SW) 12/6/2017 – This piece of work continues to be progressed, with regular discussions\meetings taking place between both Operational Training and the Training Design team. The maintenance of competence requirements are being aligned to the nine core operational skills detailed within the Fire 	
6.7.2	BMKFRS should consider incentivising the process through making the completion of Maintenance of Skills (i.e. competence), a prerequisite for being able to access the bank working system.	Agree: To be reviewed by both Service Delivery and Service Transformation. Outcome to be captured within a revised procedure note for the Bank system.	M	Jb/bH	Oct 2017		Professional Framework (FPF). (SW) 9/6/17- (Bank System procedure) PS to provide an update on progress to KC for inclusion in the OAIP (with copy to SG). (JP)	
7.1	Acquisition Training and Assessment	<u> </u>						
7.1.1	BMKFRS should give consideration to making the qualification acquisition process more attractive to its prospective candidates.	Agree: Service Delivery and Service Transformation to review application of the 'Bank' system, so to ensure this doesn't become a determining factor toward discouraging staff to obtain professional qualifications in the future.	L	Jb/bH	Jan 2018		22/5/2017 - This issue is currently being monitored. The outcome of future appointment boards will provide a strong indication as to how much of an issue this is and what might be required by way of remedy. (JP)	
7.3	Staff Opinion	<u> </u>			1			
7.3.1	 BMKFRS should explore a joint enterprise with neighbouring FRS in order to share facilities and provisions at FSC. Such a joint enterprise should seek to explore: a) Economic savings by combining appraisal assessment with other FRS. b) Potential renegotiation of the service level agreement between FSC and BMKFRS. c) Greater flexibility in the provision of larger scale scenarios with the consequent strengthening of the functional role competences. d) Opportunities to include risk critical functions such as Operational Support Units and Incident Command Units. e) Shared operational awareness between FRS. f) Shared operational awareness between all emergency services and other first responders. (this will have the added benefit of meeting JESIP exercising requirements). g) A strengthening of inter-service working and 	Agree: Much of what has been highlighted in respect of this particular recommendation has already been incorporated within the operational training specifications that will be subject to a full tendering process. The training specifications have been shared with the other Thames Valley FRS and it is expected that further collaboration opportunities will increasingly become apparent as we progress through the Ops Alignment process.	Н	SW	April 2017		Progress: 28/3/2017- Tender evaluation and supplier presentations were conducted on the 15/3/2017, the intention being to have in place by April 2017 a three year contract to support the delivery of operational training. (SW) 12/6/2017 – Contract awarded to Fire Service College (Capita), this three year arrangement will commence from the 1 June 2017. (SW)	Complete

Ref.	Recommendation	Action	Priority H/M/L	Officer Resp.	Delivery Date	RAG Status	Progress & Issues Report	
	coordinated operational procedures.							
7.4	Management of FSC Outcome Reports							
7.4.1	BMKFRS should review its processes for monitoring staff during their development phase. In particular the service should consider strengthening its feedback process to include organisational awareness of an individual's performance through to completion of any related development needs and/or associated development plans.	Agree: Further investigation required, however initial indications are this is most likely relevant to On Call staff, who perhaps experience the greatest difficulty in both creating and completing development plans. To re-issue development plan forms to managers, as well as set up monitoring system to record when plans are issued and completed.	M	ΑР	Oct 2017		 Progress: 28/3/2017- E-mail sent to SC's detailing all the individuals in Service with outstanding development plans for either ICS or BA (30/1/17) e-mail included detailed guidance on action required, timescales and relevant templates. Initial discussions undertaken on how to best re-introduce formal debriefs following validation. Should we continue to bring staff down per station or watch then this could be facilitated through joint working between Training and Ops Assurance teams, should we move towards more random groups attending the view is this would not be feasible. Validation Training Procedure Note to be drafted once new contract is signed which will contain detailed guidance on development plans etc. Issue: 28/3/2017- Lack of responses in terms of closed development plans prior to 31/3/2017 deadline. AP to produce a summary and pass to SW for further action within Service Delivery. 12/6/2017 – Whilst some progress has been with regard to the completion of development plans, a number still remain outstanding. AP will be requested to provide a current update, this information will then be presented at the TSG meeting being held on the 14 July 2017. (SW) 	In progress
7.8	QA of Station Based Training							
7.8.1	BMKFRS should review (and potentially reduce) the quota of 288 QA assessments (summative sampling) per year to a more achievable figure.	Agree: The intention is to establish a closer working relationship with H&S in order to ensure the QA processes/procedures take into account both safety events/near misses. A review of the current number of Quality Assurance audits to be undertaken, to make certain the figure for the training year 2017\18 is more realistic, in terms of what can be reasonably attained, without undermining performance standards.	M	SG	June 2017 April 2017		 Progress: 28/3/2017- To have a target of 80 QA audits per training year. This is based on the training and assurance visits that each On-Call and Wholetime watch will receive during the training year in collaboration with the OAT. This target will be a 53% increase on the total QA observed in the 2016/17 training year but should be achievable with the Area Trainers spending more time in service and the potential to use Associate Trainers to QA targeted areas. 12/06/17- Quarterly meetings booked with H&S Department to review training and incident safety events, look for trends and decide if follow up QA/training is appropriate. (SG) 12/06/17 - QA process currently on track to hit the set target of 80 QA visits in the 2017/18 training year. Currently Area Trainers are quality assuring the delivery of training by both Whole time and On-Call staff. (SG) 	In progress
7.8.2	It is recommended that BMKFRS consider extending the QA role in line with the service's	Agree: Further investigation/ consideration required.	L	SG	Jan 2018		Progress: 28/3/2017- E-mail sent 28/2/2017 to selected Associate Instructors to	

Ref.	Recommendation	Action	Priority H/M/L	Officer Resp.	Delivery Date	RAG Status	Progress & Issues Report	
	'blended approach'. This may include offering the Vocational Assessor qualification to Wholetime and On-Call personnel and allowing them to undertake lower tier QA processes (interim sampling).	The intention is to explore the option of selecting appropriately skilled, qualified and quality assured Associate Instructors who in turn would QA principally On Call station instructors in support of the Area Trainers.					 scope interest in their taking part in the Quality Assurance of Station Trainers. E-mail explained the training and the role they could fill where a trend has been identified and a number of QA audits need to be completed in a targeted and timely fashion. 9/6/17- SG to provide update on Progress and Issues Report. SW to raise connections to TNA / appraisal process at next TSG meeting. (KC) 12/6/2017 - When the Validation training and exercise programme and FFDP start, a review will be conducted to determine the effect of this additional workload on the Operational Training departments, to establish whether progress toward achieving the QA target remains achievable or if Associate Trainers need to be selected for QA visits. (SG) 	In progress
8.1	Operational Exercising: Obtaining Evidence							
8.1.1	BMKFRS should review the provision of operational exercising in order to provide increased opportunity for commanders to: a) Practice command decision making b) Practice logistical controls c) Practice operational procedures etc. at larger, developing and more complex scenarios.	Agree: The provision for operational exercising has been incorporated into the training specification documentation, with a new agreement needing to be in place by April 2017. The re-establishment of the operational exercising programme.	H	SW KC\OAT	April 2017 Sept 2017		 Progress: 28/3/2017- Tender evaluation and supplier presentations were conducted on the 15/3/2017, the intention being to have in place by April 2017 a three year contract to support the delivery of operational training that includes the ability to facilitate larger scale exercise (SW) 28/3/2017 - This project has been given to WC John Robinson to complete, he is seconded into the department for a period of up to 6 months. He has just commenced the work as of 20th March. (KC) 9/6/17- (x2) exercises planned at the FSC for the evenings of 10th and 11th July, liaison has taken place with RMT to ensure minimum attendance of five appliances on both evenings. JP possibly attending as observer. (KC) 	In progress
9.2	Risk Management: Analytical Risk Assessment							
9.2.1	It is recommended that risk management packs be placed in line of sight of the risk entry points, so as to allow other first responders the opportunity to view their content and respond accordingly.	Disagree: From an operational perspective the consensus of option is that the DRA and ARA risk information is both appropriately placed clearly identified on the incident ground.	n\a	n\a	n\a			
9.3	Risk Management: Site Specific Risk Assessment							
9.3.1	BMKFRS should consider reviewing its internal communication processes to ensure the effective communication of SSRA information between Wholetime and On-Call crews.	Disagree: Operational risk information can be easily accessed through the MDTs, located within all front-line appliances.	n\a	n\a	n\a			
10.1	Active Monitoring: Locating Key Documents							

Ref.	Recommendation	Action	Priority H/M/L	Officer Resp.	Delivery Date	RAG Status	Progress & Issues Report
10.1.1	BMKFRS should develop the use of an active monitoring system to act as a smart, service-wide tool. This system should incorporate a user- friendly database that is capable of providing auditable records and is easily accessible to all staff. It should allow the rapid location and filtering of key information for any user. This issue is further covered in Section 12: 'Internal Communications'.	Agree: eSafety will provide the auditable records which can be accessed by all staff. Users will be able to extract such information and includes a 'search' filter and 'report' facility. Part of the support package provides 25 hours of report writing per year by the manufacturer which can be utilised for more complex requirements.	н	AC\KC	Jan 2018		Progress: 28/3/2017- Adam Burch has been identified as the appropriate person to have administration rights to eSafety and has been in discussions with Amanda to arrange access through Warwick International. A basic questionnaire has been built which will be refined once information is added. (AC)In progression progression9/6/17 – Warwick International have been emailed a request to provide administration rights to Adam and access has been given. (KC)In progression
10.2	Active Monitoring: Allocation of Action Plans			I			
10.2.1	That any system used for this purpose should operate independently of any individual in the service and each issue should remain 'live' on the system until resolved or accepted on the risk register.	Agree: It is anticipated that e-Safety will meet these requirements. An identified issue will remain 'live' in the system until such time all actions have been completed. It is at this point when it can be closed off, although will remain accessible within the system for information and evidential purposes.	М	SW\KC	Jan 2018		Progress: 28/3/2017 - Work in respect of determining the suitability of the e-Safety system remains ongoing (SW)In progres12/6/2017 - Discussions remain on-going to determine the suitability of the eSafety system as an appropriate information sharing and storage platform. (SW)In progres
10.3	Active Monitoring: Reporting by Exception						
10.3.1	It is recommended that BMKFRS extend this form of monitoring to include training events; with the consequent benefits to organisational learning and that these reports are included for staff review (commensurate to suitable anonymity measures).	Agree: Independent assessors routinely observe and record the performance of operational staff during validation exercises. The introduction of an active monitoring system to include training events will be explored further.	М	КС\АР	Jun 2017		Progress: 28/3/2017 - Inclusion of L2 & L3 assessments has been catered for within the proposed training contract and will allow SC's to take part in validation training in a monitoring / handover capacity. Will enable standardisation of monitoring process and standards.In progress In progressDiscussion as to whether SC's should be mandated to attend validation training once every year / 2 years for CPD purposes. Plan to raise at FDO to get a view on relevance and impact on other work activities.In progress
10.4	Active Monitoring: Staff Access	I					
10.4.1	Include a provision within the AMS to provide feedback on concluded issues and in particular to the source of the initially identified issue.	Agree: eSafety has the facility to allow all staff to access the system via a web based portal. It enables feedback to be 'attached' to the original issue, even after the issue is concluded.	М	AC\KC	Jan 2018		 Progress: 27/3/2017 - All staff have been given access to the portal as part of the safety event reporting and investigation project. When the Ops Assurance part of the system is up and running access to those staff that need it can be 'switched on'. (AC) 9/6/17 - There are still some staff who are to set up their account in the portal though many have done this through the need to report and/or investigate a safety event. As with any new system there are teething issues and people are not confident in the use of it yet. Once Adam has visited Manchester FRS and is happy that e-Safety can deliver what is required he will undertake the training by Warwick. He will then build the questionnaire and enter the required information for crews to access using their portal sign in. (KC)

Ref.	Recommendation	Action	Priority H/M/L	Officer Resp.	Delivery Date	RAG Status	Progress & Issues Report	
10.5	Active Monitoring: Role of the Monitoring Officer							
10.5.1	Provide formal training and/or guidance for Monitoring Officers to ensure a uniform approach to monitoring and to clarify the operational standards required from all staff.	Agree: To be delivered to existing FDS Officers during the monthly training events, by members of the OAT.	Μ	КС	June 2017		 Issue: An established process needs to be development in order to ensure those staff new to the FDS rota are given sufficient opportunity to both acquire and consolidate the skills of a monitoring officer. Progress: 28/3/2017- Arrangements made to refresh the role of Monitoring Officer at FDO training days during June 2017. Discussion has taken place to consider the method of delivering the acquisition of skills in house, potential for focused workshops on an 'as required' basis (KC) 9/6/17- Delivery of presentation rescheduled to September 2017, in order to allow for exploration of a collaborative approach with Thames Valley partners. (KC) 28/6/17- Update, see 5.7.1 comments. (KC) 	In progress
10.5.2	Moving forward, the new active monitoring form should directly correspond with the WM7 NOS.	Agree: This has been provisionally created, although will need to be reviewed, so it can be incorporated into the e-Safety system and aligned to our Thames Valley partners.	М	КС	June 2017		 Progress: 28/32017- The form is in a provisional format, this will be discussed and proposed as a pilot form during the Monitoring Officer refresh. A supporting checklist form has also been identified for consideration. (KC) 28/6/17- Update, This form is being trialled at the FSC by the FSC assessors from the 28/6/17 in order to identify ease of use and suitability. It will also be trialled during the planned exercises for the 10th and 11th July by BFRS FDO's in order to gain feedback to refine prior to roll out in September. (KC) 	Complete
10.5.3	Active monitoring should be expanded to the training events taking place at FSC to ensure the service is effectively capturing and progressing all available learning opportunities.	Agree: Further investigation to be undertaken, in order to develop an agreed approach. Potential for L2 and L3 officers to perform monitoring at FSC during validation exercises. Any involvement from both OFRS and RBFRS may assist with regard to achieving a consistent approach toward incident monitoring, across the whole of the Thames Valley area.	L	SG\AP\KC SG\AP\KC	Oct 2017 Oct 2017		 Progress: 28/3/2017- See comments ref. 10.3.1 Inclusion of (x4) larger exercises (4-9 pumps) at FSC has been catered for within new training contract, see this as an opportunity to exercise with OFRS and RBFRS. 12/6/2017 – (x2) exercises planned at the FSC for the evenings of 10th and 11th July, the intention is to use this opportunity to allow both L2 and L3 officers to undertake active monitoring of BFRS operational staff whilst engaged in firefighting activities. (SW) 	In progress
11	National Operational Guidance for Incident Command							
11.1.1	BMKFRS should ensure all staff have awareness and understanding of the functional roles within NOGIC, and that this is tested.	Neither Agree or Disagree: The strong belief is that BFRS is already complying with NOGIC. However, this will be subject to further internal investigation with resultant findings being acted upon appropriately.	L	OAT	Jan 2018		Progress: 28/3/2017- Some preliminary research has been commenced that will ultimately determine what measures, if any, need to be taken. (KC)	In progress

Ref.	Recommendation	Action	Priority	Officer	Delivery	RAG	Progress & Issues Report	
			H/M/L	Resp.	Date	Status		
		There is opportunity to provide further information to staff through FDO training days and HEAT packages.	L	OAT	Jan 2018			
	Station and watch commanders should be provided clear guidance on the standards of NOGIC specific knowledge expected from its commanders and crews.	Agree: Whilst it is recognised the understanding of NOGIC is relatively comprehensive amongst staff. The option of providing a more detailed narrative of the responsibilities associated with particular command roles will be explored.	L	KC\OAT	Jan 2018			
11.1.3	Station and Watch Commanders and their crews should be provided opportunity under assessable and/or developmental conditions to exercise the acquired skills and underpinning knowledge set out in NOGIC.	Disagree: The incident command competencies of all supervisory commanders are independently assessed and scrutinised during validation exercises.	n\a	n\a	n\a		Progress: 28/3/2017- See comments for 10.3.1 and 10.5.3	In progress
		The feasibility around this being extended to involve Station Commanders is to be explored further.	L	КС\АР	Jan 2018			
12	Internal Communications							
	Review the functionality 'I Drive' as it appears the system does not meet with service expectations with regard to ease of use.	Agree: The longer term solution in respect of the overall document management strategy will be reviewed independently and therefore will no longer form part of this particular improvement plan.	Н	JP	April 2018		 Progress: 24/4/2017- Two workshop meetings have taken place to develop the approach to this issue. A bespoke action plan has been developed for delivery over the next year. This will include- Complete review of existing documentation accessibility Relaunch of document management process Introduction of a review and assurance process Redesign of the way documents are accessed on the I drive End user testing to provide assurance ongoing (JP) 9/6/17- RAG status changed to amber, so to reflect the multiplicity and complexity of addressing issues that have accumulated over a period of years. Simon Tuffley, will attend future meetings, as he will be leading the project to address the operational dimensions of this together with linkages to POD. (JP) 	In progress
12.1.2	Review the content of the service's Intranet to ensure key information is easily accessible by staff, which should include a more logical hyperlink process.	Agree: See above comments.	Н	JP	April 2018		See 12.1.1	As above
12.1.3	Review the methods employed for communicating and validating the passage of important messages to operational staff at fire stations. Any review should also consider the communication of key information between Wholetime and On-Call staff.	Agree: See above comments	Н	JP	April 2018		See 12.1.1	As above

Officer(s) Responsible

Initials: Name:

JP	AC Parsons
PH	AC Holland
SW	GC Wells
КС	SC Carmichael
AC	Ali Chart
AP	SC Pennick
SC	SC Grosse
OAT	Ops Assurance Team

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OAIP v.1.1 January 2017

Review of Operational Assurance Arrangements

Buckinghamshire & Milton Keynes Fire and Rescue Service October 2016



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Glossary

ADSU	Automatic Distress Signalling Unit
ARA	Analytical Risk Assessment
BMKFRS	Buckinghamshire & Milton Keynes Fire & Rescue Service
CC	Crew Commander
FDO	Flexible Duty Officer
ICLx	Incident Command Level (1,2,3,4)
ICTT	Incident Command Training Team
ICU	Incident Command Unit
IRMP	Integrated Risk Management Plan
JESIP	Joint Emergency Service's Interoperability Programme
KLOE	Key Line of Enquiry
NOGIC	National Operational Guidance Incident Command
OA	Operational Assurance
OAL	Operational Assurance Ltd
OISG	Organisational Improvement Steering Group
PDR	Personal Development Review
QA	Quality Assurance
SDS	Shift Duty System
SSRA	Site Specific Risk Assessment
SFJ	Skills for Justice (an accrediting body)
SOP	Standard Operating Policy
WC	Watch Commander

1. Executive Summary

In July 2016 BMKFRS contracted Operational Assurance Ltd. (OAL) to provide an objective appraisal of service Operational Assurance (OA). The review was to consider the application of a newly developed Assurance Model, following a significant internal restructuring which included its staffing model, departmental make up and its financial arrangements.

It was made clear by BMKFRS management during scoping that they fully expected OAL to identify gaps in the Assurance Model as a consequence of the resource reductions, some years of change, and recent departmental restructuring. BMKFRS management intend to use this review as one of the means to consolidate procedures, processes and operational matters in order to confirm the assurance model required.

A four-person team from OAL carried out the review during October 2016. All team members are former senior FRS officers with currency, accreditation and experience in the fields of incident command, internal operational assurance and verification, auditing, quality assurance and the management of health and safety. Prior preparation, working closely with the BMKFRS leadership, had identified a number of Key Lines of Enquiry (KLoEs).

By prior agreement with BMKFRS the review examined two areas:

- Incident Command: This element tested the function of the Assurance Model and internal OA team through focusing on the adoption and application of the 'National Operational Guidance for Incident Command' (NOGIC).
- **Operational Training and Command Competence**: This element tested the function of the model and team through focusing upon the BMKFRS Training Framework and its impact upon OA and competency.

During the course of the review the OAL team conducted a range of structured interviews involving a cross-section of BMKFRS staff and employing a multi-layered approach to include strategic managers, department heads, systems managers, operational officers and firefighters. The review team attended operational incidents where practicable and training events at several locations, including a medium-scale (five pump) exercise held at a disused military establishment. BMKFRS staff were candid and helpful, providing the OAL team, without exception, to all information requested including access to all recording systems.

Review Results

BMKRS has undergone significant change in recent years, in particular to meet stretching financial challenges. Many changes have been innovative and creative in both conception and application, with evidence of much vision, planning and forward thinking.

OAL found clear evidence that BMKFRS has a comprehensive organisational understanding of the importance of effective incident command to the safety of operational staff and the public, and to the limitation of economic and community impact arising from incidents. Further, there is a clear understanding of the 'Safe Person Concept': The newly introduced NOGIC is

being largely applied and where resources allow, improvement opportunities are being fully exploited.

The BMKFRS Operational Assurance model has been well promulgated and adopted at senior level but more unevenly at Station Commander and less senior ranks.

The model relies on inputs of information from external sources (eg. public enquiries or coroners reports) and internal ones (eg. feedback from operational incidents or training exercises) to focus improvement action planning.

- Use of external analysis has until recently been good with evidence of learning throughout the service. Currently however it is suffering from resource shortfalls, with potential weaknesses emerging. OAL understands that plans are in place to address these resourcing issues.
- Internal information streams have the potential to be very strong. There is a widespread use of monitoring officers at operational incidents, and evidence from leadership and staff is that intense training at the Fire Service College is both welcome and beneficial. There is however potential for improvement: there are weaknesses in the I.T. system which allows staff to store, recall, use and manage learning, to the extent that it may be hampering effective improvement across the service. More, larger, exercises (more than two pumps) may also be beneficial.

Once inputs which will lead to improvement has been gathered, there is considerable evidence that the OA process throughout BMKFRS is driving significant change in the key areas of Learning & Development, Policy & Resilience and Organisational Development. Such change is progressing due to organisational culture and individual commitment. Whilst clearly positive, there is a current potential weakness in the lack of formal tracking of improvement actions both in management structures and once again in underpinning I.T. There is therefore the potential that individual actions will get 'lost' if key individuals move to new roles or short term priorities.

Recommendations

OAL has identified 30 recommendations for improvement, which BMKFRS may wish to consider. Each is discussed in the relevant section of this report, and highlighted in bold. For ease of review and action planning, all recommendation are then tabulated at Appendix E . Many were, naturally, already being addressed by BMKFRS at the time of OAL's review and it must therefore be stressed that this report simply provides a snapshot of the situation during the week of the report not a forecast of completion of those actions.

Of the 30 recommendations identified, there are three themes which OAL suggest should be of particular priority – these are summarised below and at Appendix D.

Priority R	Priority Recommendations						
P.1	BMKFRS should continue to develop and resource effective internal processes through which matters arising from significant external and internal events are captured, communicated and effectively managed through to a conclusion that is acceptable to the service. This should include (for example) processes for undertaking gap analysis, communicating findings to operational staff and informing resultant training delivery.						
P.2	In support of recommendation 1, BMKFRS should develop the use of an active monitoring system to act as a smart, service-wide tool. This system should incorporate a user-friendly database that is capable of providing auditable records and is easily accessible to all staff.						
P.3	BMKFRS should consider re-establishing an effective Operational Assurance forum, with the necessary direction and authority to assist in the formal management and progression of issues arising, through to meaningful resolution.						

Conclusion

BMKFRS has a culture of positive response to internal and externally driven change. OAL found many examples of excellent practice in its approach to Operational Assurance. Where however, weaknesses and areas for improvement were identified, the service should be able to identify clear routes to improvement, and in some cases is already doing so.

2. Scope and Focus of the Review

OA and Resilience in BMKFRS is largely dependent upon two key factors; the implementation of the BMKFRS Assurance Model and the role of the BMKFRS OA Team, (formerly known as the Performance and Evaluation (P&E) Team).

The BMKFRS Assurance Model (Appendix B) sets out the methodology by which the service will obtain OA and incorporates a wide array of inputs and outputs to achieve this. In order to test the function of the model it was agreed that the review would focus on two risk critical functions, namely:

Incident Command

This element of the review tested the function of the Assurance Model and OA team through focusing upon the adoption and application of the 'National Operational Guidance for Incident Command' (NOGIC) in BMKFRS.

Operational Training and Command Competence

This element of the review tested the function of the Assurance Model and OA Team through focusing upon the BMKFRS Training Framework and its impact upon OA and competency.

3. Methodology

OAL is a company that comprises former senior FRS professionals, specialising and trained in providing the commissioning client with a professional, focused and fully independent review of agreed risk critical functions. Each team member has wide reaching FRS experience across a number of disciplines, which is used to inform the recommendations within this report.

3.1 Key Lines of Enquiry (KLOEs)

In preparation for the BMKFRS Review (the review), OAL worked closely with colleagues from within BMKFRS to identify and agree a number of primary KLOEs around which the body of this report has been constructed. These included:

To consider the Assurance Model:

- Test the effective implementation of the NOGIC in BMKFRS
- Ensure all inputs are effectively reported, captured, and reacted to thereby promoting organisational learning
- Confirm all resultant actions are proportionate and appropriate
- Confirm that information flows through the organisation effectively
- Confirm that information reaches the stakeholders and is clearly understood
- Confirm continuous operational improvement is universally acknowledged as a key driver within BMKFRS
- Test the effectiveness of the key inter-relationships considered central in providing OA and continuous operational improvement
- Test the 'end to end' process
- Test the provision of reassurance to the Fire Authority
- Test for compliance with the BMKFRS training framework and its impact on operational assurance and competency
- Confirm compliance with the National Framework and the FRS Act 2004 in respect of operations

To consider the role of the BMKFRS OA Team in respect of:

- Facilitating delivery of the Assurance Model
- Considering all potential external and internal inputs
- Conducting and reacting to active monitoring
- Conducting and reacting to audit and review
- Facilitating the debrief and review of front line crew activities
- Reacting to safety critical issues
- Progressing outputs to influence
 - o Policy
 - o Guidance
 - o Learning and development
 - o Internal governance arrangements

Operational Assurance

4. Delivering the Review

The on-site element of the review was undertaken by a four-person OAL team and was carried out between October 10 and 13, 2016. All team members are former senior FRS officers with currency, accreditation and proven experience in the fields of:

- Incident command training, assessment and competence
- Strategic fire service management
- The provision and review of operational assurance
- Internal assurance and verification
- Business auditing
- Quality assurance systems
- Health and safety management
- Active monitoring systems

Short biographies of the attending OAL team are included at Appendix C. The OAL team Leader, Garry Jones, provided coordination and performed the role of OAL single point of contact. Providing the principal points of contact for BMKFRS were Steve Wells, (Group Commander Training, Learning and Development) and Station Commanders Keith Carmichael and Nick Honor (OA Team).

During the course of the review the OAL team conducted a range of structured interviews involving a cross-section of BMKFRS staff and employing a multi-layered approach to include strategic managers, department heads, systems managers, operational officers and firefighters. The review team attended operational incidents where practicable and training events at several locations, including a medium-scale (five pump) exercise held at a disused military establishment.

The above approach ensured the OAL team were provided with sufficient opportunity to triangulate evidence and thereby to inform and strengthen the findings and recommendations offered within this report.

During the review period, evidence was gathered using the following approaches:

- i. Scheduled interviews with operational commanders
- These interviews were conducted in the interviewee's own workplace
- Each interview was recorded using a digital voice recorder with the interviewee being offered the choice to decline its use if so wished. It should be noted that none of those being interviewed declined the use of the recorder, providing in over 50 hours of recorded information.
- The findings from each interview were uploaded to a secure web-based application and subsequently analysed, with the resultant outcomes providing the evidence to inform and support this report.
- ii. Scheduled interviews with department heads or their representatives in accordance with the stated aims and objectives of operational assurance or training.

- iii. Scheduled interviews with operational Station Commanders responsible for the operational competence of station based personnel.
- iv. Scheduled interviews with operational Watch and Crew Commanders responsible for the operational competence of station based personnel.
- v. Unplanned opportunistic questioning of operational firefighters at various locations, training events and operational incidents.
- vi. Attendance at planned station training events.
- vii. Attendance at operational incidents.
 - The attendance at operational incidents was, by its very nature, opportunistic. However, this provided a rich source of information and evidence that was directly observed by the review team.
- viii. Scheduled interviews with the BMKFRS OA Team.
- ix. Thorough analysis of BMKFRS operational policies and procedures to include operational eLearning, recording systems and personal training records.
- x. Attendance by the review team at a medium-scale (five pump) exercise at a former military language school, with specific areas of interest designated for each OAL team member.
- xi. Daily briefings to BMKFRS managers to advise on any significant findings and to confirm the direction of the review at each stage.

The above approach provided a challenging schedule for the review team to deliver, however, the highly supportive approach from BMKFRS removed any potential barriers and facilitated unbridled access by the team to valid and credible evidence. This included unconditional access to staff, full disclosure of any evidence requested and the approval to attend incidents.

Consequential Findings

Although not strictly falling within the scope of the review and the associated KLOEs, any matters arising as 'Consequential Findings' have also been included within the body of this report, so as to maximise the potential value of the review to BMKFRS and its key stakeholders.

5. Key Findings

It was made clear by BMKFRS management during the review scoping stages that they welcomed the independence of the review and looked forward to receiving recommendations as an important way to build on the changes they had implemented, including environmental factors such as resource reductions, and recent departmental restructuring. BMKFRS management intend to use this review as one of the means to consolidate procedures, processes and operational matters in order to confirm the assurance model required.

OAL found this open and honest position statement most encouraging, and wholly reflective of an organisation that welcomes challenge and change. OAL found BMKFRS staff to be industrious and candid and provided the team with access to all areas with no exceptions, including full access to the recording systems currently employed within the service.

OAL found clear evidence that BMKFRS has a comprehensive organisational understanding of the importance of effective incident command, to the safety of operational staff and the public, and to the limitation of economic and community impact arising from incidents.

The recent organisational restructure has resulted in challenges to the effective delivery of the training model and the provision of operational and organisational assurance. Many of the identified issues from this review and their associated recommendations may well already be in the process of being resolved. However, this report, is based upon what the team observed and was able to evidence during the week of review. It will be for BMKFRS to determine the final levels of priority applied to each recommendation.

Specifically, with regard to the review objectives: there is a clear understanding of the 'Safe Person Concept': The newly introduced NOGIC is being largely applied and where resources allow, improvement opportunities are being fully exploited. In each area, however, recommendations for improvement are provided.

The review identified 30 recommendations, of which 3 are, in OAL's view, items which BMKFRS may wish to consider a priority, particularly those around the progression and communication of external inputs. Recommendations are contained within this report (highlighted in bold) within the discussion of each area studied. They are then summarised in a single table at Appendix E, with the three priority themes also extracted at Appendix D.

A number of cross-cutting issues also emerged of which the most important are:

5.1 Active Monitoring

As the service moves towards employing a single 'one stop shop' electronic system for the identification, collation, allocation and conclusion of risk based activities (e.g. VIPER), the service will need to ensure this system is compatible with the reduced OA Team establishment and so enables more effective management of risks and issues to a satisfactory conclusion. Additionally, such a system should be accessible by those staff who would be most at risk. In most cases this will be the operational crews and their managers. The OAL team observed that this in not always the case at the moment. As examples, the review team found evidence of:

- i. Difficulty using the multi layered filing systems used online on the service networked drives. Such difficulty has resulted in staff being unaware of key risk information, even though it was later proven to exist on the drives.
- ii. A system heavily reliant on individual diligence and unbroken attendance at work when managing identified issues to conclusion. Broadly these issues are recorded within individual's emails with a potential for them to go unaddressed should staff move on through promotion, retirement, etc.
- iii. Underpinning awareness and knowledge of risk management by those undertaking the role of Monitoring Officer requires attention to strengthen the effectiveness of this vital role.

5.2 The Role of the OA Team

It was evidenced that the establishment of the OA Team has been reduced, however it was also evidenced that the responsibilities and systems of the Team remain broadly unchanged from the previously fully resourced Performance and Evaluation Team. As such, it was apparent to OAL that the current team are experiencing significant difficulty fulfilling their individual and team commitments and will continue to do so unless effective tools are provided to assist them in delivering the role.

5.3 Management of External Inputs

During the review, considerable time was spent to determine the service response to significant national and local events, examples used by OAL were recent firefighter deaths and injuries resulting in a 'Preventing Future Deaths Report' (as set out in paragraphs 28 and 29 of the Coroners (Investigations) Regulations 2013).

It was evidenced that while certain service managers had a good awareness of these events and their resultant reports and recommendations, operational staff had almost no awareness or knowledge of the recommendations they provide, with the consequent risk of a reoccurrence in BMKFRS. [This informs OAL's suggested priority theme P.1 in Annex D and Recommendation 6.2.1 explained in Section 6 of this report and also extracted as part of the summary list of recommendation in Appendix E)

5.4 Policy and Guidance

During interviews, BMKFRS principal managers confirmed that the Assurance Model is designed to be the primary method of progressing external and internal inputs with specific regard to:

- Horizon scanning of external and internal inputs
- Gap analysis with regard to risk
- Internal review of standing operational procedures
- Internal review of existing policy and any consequent changes required
- Audit and continual review (active monitoring)
- Embedding training and development strategy
- The provision of assurance, audit and scrutiny to the Fire Authority

During the review several examples were observed where service managers were clearly aware of the newly designed Assurance Model (an example being that several of these managers had the model printed and displayed in their office) yet operational watch officers and firefighters had little awareness of the models' existence or its potential impact on their safety and competence.

5.4.1 It is recommended that the Operational Assurance model is clearly published and communicated, that roles and responsibilities are clearly identified and finally, that understanding is confirmed.

5.5 Debriefing Activities

BMKFRS provide an electronic recording system that allows operational staff to conduct debriefing of operational incidents and training events. Although staff are aware of the process involved, it was evidenced that the potential organisational learning was not being fully exploited. OAL established that submitted debriefs are often not responded to by the relevant teams (*See Section 7.1: 'The Role of the OA team*), potentially reducing 'buy in' from crews and their commanders. Staff reported that they had difficulties obtaining reports submitted by other crews and as such were often unaware of identified improvement opportunities submitted by other watches and stations. It was also observed that the requirement to complete an operational debrief is primarily driven from management, rather than from those crews in attendance. Such methodology may not promote organisational learning as set out in NOGIC as it is reliant upon managers identifying such incidents that merit these debriefs, followed by an instruction to complete.

NOGIC states:

'If this information is not recorded, post-incident debriefs will not have a decision-making audit trail to review. This may limit the lessons learned from an incident and may not support effective feedback to aid service improvements'¹

5.6 Quality Assurance of Operational Training

It was evidenced that the current QA process is broadly unachievable due to staffing issues in the QA Team and the demands placed upon the Area Trainers' in delivering the FSC aspect of the role, alone. OAL recommend the QA targets should be reduced in quantity and increased in quality, so as to incorporate other aspects of operational preparedness. [Recommendations 7.8.1 and 7.8.2 relate] Examples would be Station Reviews, planning of training, management of attendance, etc. This matter is discussed in greater detail within Section 7

5.7 Operational Briefing and Handover

OAL interviewed a selection of operational commanders to confirm the current BMKFRS arrangements for briefing and handing over information at incidents and training events. In particular, this line of enquiry focussed on the interviewees' understanding of shared situational awareness, and what they considered to constitute 'key information'.

¹ Extract from National Operational Guidance for Incident Command (NOGIC): Page 65

BMKFRS staff demonstrated a good level of underpinning knowledge with regard to shared situational awareness and examples of key information were provided without prompting. However, it was noted that a number of recurring omissions were evident within the formulated 'briefing and handover' information and it is the opinion of OAL that these omissions are attributable to use of the "OTHERS" acronym;

OTHERS:

- Objectives
- Tactical Mode
- Hazards
- Existing resources
- Resources required
- Safety systems

As can be observed, the above acronym makes no reference to the 'tactical plan'.

- 5.7.1 OAL recommend that BMKFRS gives consideration to revising or replacing the 'OTHERS' methodology, to ensure the procedure includes the following points. Any revised handover methodology should be adopted for training BMKFRS staff at the FSC:
 - Situation
 - Hazards identified
 - Objectives
 - Plan to meet the objectives
 - Resources present and requested
 - Incident command structure
 - Tactical mode(s) in use

5.8 Appraisal and Acquisition training at Fire Service College

It has been evidenced that the joint undertaking with FSC has produced satisfactory results in line with service expectations and this report provides recommendations that will hopefully build on these successes. This joint undertaking has proven to be very popular with crews and commanders and is reported to provide high quality training in the management of one to three pump incidents. The value of exercising larger incidents is discussed below.

5.9 Operational Exercising

Training Section managers confirmed that organisational changes have resulted in a slowdown in the medium and large-scale exercise schedule. OAL recommend a strengthening of this activity in order to provide command opportunities to officers and crews and to develop skills in the use of the functional roles at larger incidents, in line with guidance contained within the NOGIC. **[See Recommendations 7.3.1 and 8.1.1]**

6. The Assurance Model

Through reviewing the BMKFRS Assurance Model at Appendix A, it can be quickly established that the service seeks to provide operational assurance through the comprehensive capture of external and internal issues (INPUTS) and the effective analysis, prioritisation and progression of these within the organisation (OUTPUTS), so as to influence policy, training, organisational development and continuous improvement (OUTCOMES).

An initial observation of the review team is that BMKFRS's desire to implement a structured Assurance Model, with an aim to embed this into all aspects of the service is seen as best practice. The Assurance Model is considered to be a sound starting point on which to build a credible and comprehensive system.

6.1 The Role of the OA team

The Performance and Evaluation (P&E) function was first introduced into BMKFRS in 2011 and consisted of a team of five experienced Station Commanders (SCs), supported by a dedicated administrator, undertaking a range of related duties in satisfaction of the service's OA policy. The general perception of the team amongst operational staff was that they conducted a monitoring and 'policing' role.

As a result of the financial challenges facing the organisation and in line with a related restructuring programme, the P&E Team was reduced through natural wastage and as team members retired the decision was made not to have them replaced. The final substantive member of the former P&E Team retired in December 2015, leaving one temporary SC as the only remaining incumbent. As a direct result of the loss of resources most of the previous activities undertaken by P&E (including the collation of external inputs and Station Reviews) were discontinued and a remodelling programme saw responsibility for the quality assurance (QA) of station based activity pass to the Learning and Development function.

In September 2016 responsibility for P&E moved under a new directorate and the team (now consisting of two SCs), was rebranded 'Operational Assurance'. An advertisement has recently circulated to attract three new members into the OA Team, notably one Watch Commander (WC) and two Crew Commanders (CCs), with the intention of providing a new OA Team structure that will consists of one SC, one WC and two CCs, with a shared administrator role (with Learning and Development).

6.2 External Inputs

In order to test this element, OAL developed a number of KLOEs that sought to establish if BMKFRS has captured and effectively progressed key recommendations and outcomes arising from a number of recent high-profile incidents that involved the loss of firefighter lives in other UK FRSs.

OAL set out to determine the extent to which the key lessons identified within a number of public reports had been captured and scrutinised by BMKFRS and where appropriate, progressed to influence operational and organisational change.

A range of external sources have been identified as raising the same (or very similar) concerns and recommendations regarding factors that have contributed to the loss of life at these incidents, these reports include:

- i. Coroner Regulation 28 Report: Report to Prevent Future Deaths (Stephen Hunt): Published: 8 June 2016
- ii. Chief Fire & Rescue Adviser (CFRA) Report: Health and Safety in the Fire and Rescue Service: Embedding Lessons Learned: Published: 3 Feb 2016
- The Fire Brigades Union Report: Fatal Accident Investigation Report into the death of firefighter Ewan Williamson at The Balmoral Bar, Dalry Road, Edinburgh: Published: 20 March 2015

The KLOEs developed by OAL related to common areas of concern and the recommendations raised within the above reports, which included:

- i. Recognising the effects of heat and humidity
- ii. Handing over and taking over at incidents
- iii. Briefing and debriefing Breathing Apparatus teams
- iv. The assessment and management of risk (7(2)d, ARA, DRA, etc.)
- v. Emergency evacuation at incidents and the use of ADSU equipment

Each of the above lines of enquiry were designed to determine the level at which BMKFRS had effectively progressed and embedded the lessons learnt within its policy, procedures, training and development protocols and most importantly as a result, if safe practices were actively promoted on the incident ground itself.

Observations

Prior to recent departmental restructuring the P&E Team comprised five officers performing a variety of tasks, one of which was an outward facing role that included collating information from external sources, (see '6.2: 'External Inputs').

The review team evidenced that external reports (such as Shirley Towers² and Marlie Farm³) were previously progressed by the P&E Team who conducted a gap analysis and produced a related internal report to establish the potential for similar circumstances in BMKFRS. Staff from the Command Training Centre (CTC) worked alongside P&E colleagues to capture such information and to incorporate any related findings within the training delivery.

Interviews with staff confirmed that the restructure of the service saw the size of the P&E Team (now OA) reduced to a level where (due to capacity) such tasks have proven difficult to effectively undertake. Additionally, it was reported that restructuring of the BMKFRS training delivery model and the subsequent closure of the CTC, has impacted on the ability to contribute towards the capture of external issues and also a reduced ability to directly incorporate remedial actions within the training and development processes.

Notwithstanding that some managers demonstrated a good knowledge of recent external events (most notably the Head of Health and Safety), targeted questioning of staff

² Shirley Towers report published by Hampshire Fire and Rescue Service: Final investigation report: 15 March 2013.

³ Marlie Farm Significant Findings Report: Published by East Sussex Fire and Rescue Service: Last Update 13 February 2015.

confirmed a general lack of awareness and understanding of how external inputs are identified, managed and concluded within BMKFRS.

Few staff interviewed during the course of the review had awareness of, for example, the incident at Paul's Hair World, Oldham Street, Manchester, nor were they able to recall having sight or knowledge of the other reports listed above, their circumstance, or their resultant recommendations.

Significantly, almost all operational staff interviewed <u>were</u> able to recall the circumstance, recommendation and (where applicable), resultant service improvements arising from earlier incidents such as Shirley Towers (incident: April 2010, report published March 2013) and Marlie Farm (incident: December 2006, report published July 2011).

It would appear to OAL that any 'areas for development' that exist within the current processes for capturing and communicating (and indeed learning from) external incidents, coincide with the BMKFRS departmental restructuring programme and the consequential reduction in resources.

Despite this apparent slow-down in process, it was also established by OAL, (through attendance at operational incidents, training exercises, visits to fire stations and through the structured interview process), that BMKFRS does have in place the procedures and systems which satisfy the majority of the recommendations raised within each of the above reports. Indeed, through the effective and completed implementation of NOGIC alone, the service may well have addressed most (if not all) of the Incident Command (IC) related recommendations such as, for example, the provision of training for all staff to recognise the effects of heat and humidity on themselves and on their colleagues.

However, a common recommendation (or stipulation) within the external reports is for FRSs to formally review their existing processes for adequacy, and it is this requirement, if not effectively acted upon, that has potential to leave an FRS exposed in the event of any similar occurrence within its organisation.

Recommendation

6.2.1 BMKFRS should consider reviewing the processes currently employed to capture, scrutinise, manage and communicate matters arising from external inputs. This should include consideration of the service's current process for undertaking gap analysis of these external reports in order to manage identified risks to conclusion or acceptance on the service risk register.

6.3 Internal Inputs

The Assurance Model identifies a number of internal inputs as informing the process, namely:

- 1. Operational Incidents and Training Events
- 2. Debriefs
- 3. Station Reviews
- 4. Validation Training
- 5. Safety Events

For the purpose of undertaking the review, OAL elected to consider the elements relating to the active monitoring of operational Incidents and training events, debriefing activities and the performance of Station Reviews. Furthermore, the validation of training is covered within *Section 7.2: 'Validation (Appraisal) Training and Assessment'*.

Operational Incidents and Training Events

BMKFRS employs a rigorous approach to reviewing the performance of operational staff through the active monitoring of operational incidents and training events.

The existing active monitoring process has been in place for a number of years and involves mobilising a SC as 'Monitoring Officer' to a range of predetermined incident types. The subjects of active monitoring and the role of the Monitoring Officer are discussed in greater detail within *Section 10: 'Active Monitoring'*.

The '17.3 Incident Monitoring Report' forms produced from the above process are received by the OA Team, reviewed for any significant findings requiring immediate action and stored within a range of folders. It is notable that OAL were unable to identify any form of universally employed intelligent database to support this process.

The review team established through structured interview that BMKFRS management has already recognised the need to develop a smarter process that reports the outcomes from monitoring activities more by exception and one which is better able to inform the identification of trends.

6.4 Issue Resolution in BMKFRS

Procedure Note: 'Operational Assurance; Incident Monitoring and Improvement' outlines the delivery of OA in BMKFRS, covering Incident Monitoring, Debriefs and the Learning Review of Command.

This procedure demonstrates how matters identified during monitoring and debriefing activities are collated in a database that is subject to analysis and review, so as to inform:

- 1) The identification and progression of 'themes'
- 2) The progression of information relevant to specific departments for consideration and resultant actions
- 3) The progression of information relating to individual observation to be forwarded to line managers for resultant actions
- 4) The production of a quarterly report offering a collation of information gathered, presented to the Organisational Improvement Steering Group (OISG).

The procedure states that information will be made available on the Service I Drive 'P&E Page' and that personnel will have access to a database of all events attended, observed and reported on by the team. Furthermore, published information is said to include:

- 1) Monthly incident monitoring reports
- 2) Monthly incident debrief reports
- 3) Station Review reports
- 4) Quarterly Steering Group Action Plans
- 5) Annual Steering Group reports

- 6) Published lessons from other Service's and agencies
- 7) Copies of relevant forms

It would appear BMKFRS currently finds itself in a transitional state between its previous arrangements for providing OA prior to organisational restructuring (i.e. its former P&E structure, out-dated procedure notes, etc.) and the implementation of its revised Assurance Model, with restructured internal departments, a new OA Team and revised practices, etc.

To help test the effectiveness of the current arrangements, BMKFRS were asked to provide a number of examples of where the issues identified by Monitoring Officers had been progressed through to a satisfactory resolution. Although the service was able to provide some reasonable examples of where this process had taken effect, it was noted that the majority of outcomes offered were achieved <u>prior</u> to the loss of the former P&E structure and at which point the process appears to have faltered in conjunction with the reduction in staff.

As a result of this transition, OAL noted that much of the above stated process was no longer in existence. Significant findings were considered to include:

- i. The OISG meeting forum is reported to have been discontinued some time ago. It was unclear to OAL if any clear process had been established in place of the group and to fulfil its responsibilities going forward. As a consequence on-going progression of issues arising is addressed in a manner that is heavily reliant on emails between individuals and with a consequent number of 'single points of failure'.
- ii. The current system involves the receipt of '17.3 Incident Monitoring Report' forms via the former 'P&E email inbox'. An 'unofficial' administrator⁴ records their receipt on a spreadsheet and files the forms in a variety of system folders. The OA Team review the incoming emails and try to act on them as necessary. Other than this, there is no recognised 'database' as described within the procedure note.
- iii. The publishing of the monthly updates on the service I Drive (as detailed above), to inform staff on OA related matters is no longer taking place.
- iv. Within the current (17.3) process the Monitoring Officer is also expected to highlight areas of notable practice, areas of compliance, areas of non-compliance and safety critical issues. This can be considered important learning for the organisation and useful for driving continuous improvement. However, currently this process is not being fully realised.

Observations

Existing arrangements for providing Operational Assurance in BMKFRS appear to no longer function as designed, following the significant organisational restructuring and the related procedure note 'Operational Assurance' is out-dated and may not stand up to scrutiny in the event of any adverse occurrence.

⁴ Following the loss of the allocated Admin Support, P&E/OA have been obtaining assistance with the administration for the team on an ad hoc and unofficial basis.

These are facts that management is both aware of and in the process of actively addressing, through the development and application of the service's new Assurance Model, and indeed through commissioning this OAL review to help further inform the process.

Whilst there is clear intent by BMKFRS to address this area of development, the current gap that exists may serve to be critical in the prevention of a future health, safety and welfare related event.

The new Assurance Model can be acknowledged as 'best practice' in its design and represents a comprehensive means to address most of the identified issues. This though, is heavily reliant on BMKFRS continuing to provide the tools, training and resources necessary to support its implementation.

Recommendations

- 6.4.1 BMKFRS should review its Procedure Note: 'Operational Assurance; Incident Monitoring and Improvement' at the earliest opportunity to ensure it aligns more closely with the service's new ways of working. Any revised guidance issued should clearly set out the Monitoring Officer role and reestablish the 'Thematic Reviews' process.
- 6.4.2 Re-establish an effective Assurance Forum, with the necessary direction and authority to manage and progress issues arising through to meaningful resolution and involving:
 - a) The application of a recognised and accountable health and safety process linked directly to OA, which includes suitable arrangements to manage these elements.
 - b) The progression of issues to inform the service Risk Register, Training Needs Analysis (TNA), Integrated Risk Management Plan (IRMP), etc.
 - c) Clearly setting out the expectations of the Monitoring Officer role.
- 6.4.3 Ensure the process of OA is adequately supported by an effective, userfriendly Information Technology (IT) system that incorporates an intelligent and auditable database.

6.5 Debriefing Activities

The BMKFRS Procedure Note: 'Operational Assurance, Incident Monitoring and Improvement' provides detailed guidance on the service's approach to undertaking incident and exercise debriefing. Within the document the three levels of debrief are set out, along with the supporting processes and mechanisms to promote continuous organisational learning.

Within the procedure note (and its supporting schematic diagram), the BMKFRS approach to debriefing is defined with such detail and rigidity that the process (if fully applied) can be difficult to achieve.

Through examining the implementation of debriefing procedures in BMKFRS, OAL established that the process is in fact 'top driven' rather than promoted from the

operational crews, with the OA Team taking responsibility for ensuring watches complete the form 17.2: 'Incident Feedback' after they have attended any incidents of any significance.

On an individual basis the OA Team take it upon themselves to continuously review the 'Daily Information Bulletin' for any incidents they consider worthy of note and from which there may be learning outcomes. The team then forward form 17.2 for the Watch Officer to complete. It is considered that were it not for the intervention of the OA Team, the 17.2 form would not often be completed, with a resultant loss of organisational development opportunities. Not only are the above practices contrary to the BMKFRS Procedure Note: 'Operational Assurance, Incident Monitoring and Improvement', it would appear that such non-compliance could (in many cases) go unchallenged.

Further examination of the process reveals that staff receive little feedback on any contribution they do make to the debriefing system (*see Section 7.3.1: 'Issue Resolution in BMKFRS'*). Consequently staff reported that they perceive little 'buy-in' towards the process.

This apparent lack of ownership of the debriefing process by watch based personnel establishes a 'point of failure' insomuch that should the OA Team member(s) fail to review any incidents occurring, or misinterpret the significance of any matters arising, the learning opportunity would most likely be lost to the organisation. In addition, the current methodology places an unnecessary burden on an OA Team that already has a high workload.

BMKFRS is looking to develop and improve its existing debriefing process through simplifying the current feedback process to an 'audit by exception' methodology which will cover:

- i. What was worthy of note that was 'good practice'?
- ii. What was worthy of note that was a 'developmental issue'? and,
- iii. Is there anything else that needs progressing under a different heading?

Recommendations

6.5.1 BMKFRS should review and re-energising its debriefing process. This should be promoted to the operational staff as a key element of continuous service improvement. Any review undertaken should consider:

(i) Addressing current poor practices to ensure the onus for initiating a timely debrief sits firmly with incident commander.

(ii) Continuing efforts to simplify the existing processes.

(iii) Producing regular outcome reports to inform staff, promote inclusion and demonstrate the value of the process.

(iv) Ensuring non-compliance is identified and valued contribution recognised and rewarded.

6.6 Station Reviews

Formerly, Station Commanders from the P&E Team performed a key role in the quality assurance of 'operational preparedness' through undertaking a programme of stationbased assessments, known as 'Station Reviews'. Each Station Review included elements that tested the knowledge of station based staff on technical matters, current hot topics, assessing the practical skills of watch members, etc.

Through undertaking this programme the P&E Team recognised a reduction in basic operational standards at BMKFRS fire stations, in response to which the service is reported to have introduced a 'back to basics' regime in 2012/13. This programme resulted in the issue of a number of development plans and was reported to have been generally unpopular with station based staff.

The station review process was later refined to adopt a more relaxed, developmental approach, which included observing pre-arranged lectures and practical drills delivered by watch personnel. This approach is reported to have been better received by the operational workforce. The last formal Station Review undertaken by P&E was at Beaconsfield fire station in late 2015 and at a point following this, the responsibility for Quality Assurance (QA) of station based activity passed to the Learning and Development function, albeit that this role would be more focused upon the QA and verification of training delivery.

Interviews with service delivery managers reveal that BMKFRS is consciously moving away from the practice of having dedicated teams and departments to undertake specific, focused tasks in isolation. In its place, the service is said to be striving towards a "blended approach" where more outcomes are delivered through inter-departmental collaboration.

Moving forward the service intends to have Area Trainers and members of the OA Team working together with the SCs to review operational preparedness at fire stations.

This reality is still some distance away, as the OA Team currently consists of only two members whilst at the same time the demands of delivering the validation training at the Fire Service College (FSC) alone, are such that the Area Trainers currently have insufficient capacity to undertake regularised visits to stations.

As discussed within Section 7: 'Operational Training and Command Competence', currently the Area Trainers require the continuous support of associate instructors (former BMKFRS training school staff) to also attend FSC, in order to deliver the validation training alone. This situation leaves station based Commanders to observe the standard of training sessions unsupported, which they observe in very general terms and for which there is currently no formal process or obvious outcomes produced. (See also Sections 7.5: and 7.8 regarding quality assurance of training. The recommendation captured at 7.8.2 may offer a way to address this resourcing issue).

6.7 Maintenance of Operational skills

The service's innovative approach to resourcing its crewing has many benefits for the individuals concerned. Such benefits include an increased earning potential, increased opportunity to gain operational experience, etc. However, the continuous movement of staff around the organisation on a daily basis also brings with it a number of challenges for

the service. In particular, the watch officers now experience significant difficulties in overseeing the day-to-day training of their substantive watch members and thereby ensuring that individuals are able to adequately maintain their operational skills.

The continued development of the 'Heat' system will undoubtedly help with the situation. This system now hosts the service training records and generates a quarterly report to SCs, to inform them on the progress their staff are making with respect to the required learning and development.

It was apparent during the review that the flexible approach to maintaining operational crewing levels is now well established in BMKFRS and the development of a transient workforce is likely to be continued still further. Due to the flexible approach to operational crewing it is recommended by OAL that the service places an emphasis on increased personal responsibility, particularly with respect to the completion and maintenance of operational skills.

The ethos of personal responsibility for maintenance of operational skills will undoubtedly take time to achieve, as several of the watch members interviewed during the course of the review admitted to never having viewed their own training records within the last three (or more) years and confirmed they had little idea if they were up-to-date or not. Most presumed their records were current, as otherwise "the Watch Officer would say something", a clear demonstration of the cultural and attitude issues that would need to be addressed, to successfully achieve personal responsibility in the area.

The quality assurance of 'operational preparedness' was a key role of the former P&E Team. However, responsibility for delivering this was passed over to the training function in-line with the service's restructuring and remodelling. The reality is that Area Trainers have insufficient resources to deliver the validation training alone, and consequently the formal QA of station based activities is currently difficult to achieve in its present format and with current resources.

Recommendations

- 6.7.1 BMKFRS should place greater emphasis on the individuals' responsibility for completion and maintenance of their own skill-set.
- 6.7.2 BMKFRS should consider incentivising the process through making the completion of Maintenance of Skills (i.e. competence), a prerequisite for being able to access the bank working system.

6.8 Thematic Review

An established method in BMKFRS for ensuring significant issues are being adequately addressed, is for members of the P&E/OA Team to make the issue the subject of a 'thematic review', whereby members of the team would respond to any incidents occurring of that particular nature (for example high rise buildings), to monitor and provide additional support if necessary.

Thematic reviews can arise from internal or external events such as the adoption of a new National Operational Guidance into the service, feedback from reactive monitoring activities, recommendations following significant incidents, etc. As an example the BMKFRS OA Team are currently considering a range of issues related to the delayed medical response experienced at incidents, which they are building into a thematic review.

However, the OA Team in its current guise (of two SCs) does not have capacity to undertake such reviews unaided and instead relies primarily upon the FDO cadre to pursue such trends on their behalf.

Observations

The use of thematic reviews to target and manage specific areas of concern can be considered best practice and a clear demonstration of due diligence. This is providing, of course, the process is effectively conducted, adequately resource, accurately recorded and managed to conclusion.

Enquiries made by OAL were unable to identify any formal BMKFRS records related to the thematic reviews undertaken to date, the drivers behind these, or the resultant outcomes. Furthermore, it was difficult to establish any specific guidance or criteria ever being made available to the SCs in their pursuance of this task and in order that they may undertake such observations in a unified and consistent manner.

Despite the comprehensive arrangements in place to capture information through the active monitoring and debriefing processes, BMKFRS OA Team does not currently have sufficient resources or the complementary systems, to enable them to effectively manage and progress the outcomes from this process.

Formerly members of the P&E Team would analyse the information gathered from this and other internal inputs (debriefing, Station Reviews, training exercises, etc.) and complete an outcome report to inform the next available meeting of the ORISG. The team would also publish a version of the outcome report (and other related information) on the service 'I Drive', to provide feedback to operational staff. These tasks were initially performed on a monthly basis, and then quarterly, and finally, in line with the continued loss of resources the process was halted in 2015.

During the course of the review, OAL evidenced examples of where the current incomplete processes could potentially present some risk to the organisation. Within one example a significant shortcoming was identified in terms of a Commander's underperformance at an operational incident involving a road traffic collision. The actions of the attending Monitoring Officer to 'mentor and support' at the scene, and to subsequently consider this occurrence in terms of its wider implications for continuous service improvement, are both to be applauded. However, the lack of rigorous process, as previously identified within this report, has led to the most significant element remaining unaddressed i.e. the service has identified underperformance of an individual that has not been fully addressed through either:

- The production of a development/improvement plan.
- The notification of the individual's line manager to allow for awareness, support, guidance and supervision.

- The notification of Learning and Development, for their consideration and awareness i.e. the identification of trends in training deficiencies, maintenance of skills, etc.
- A review process to ensure the situation has been effectively addressed.

As a result of the above factors, the consequence of such individuals as underperforminh at any subsequent, similar incident, would potentially leave BMKFRS exposed to criticism.

7. Operational Training and Command Competence

This section of the report provides feedback on the BMKFRS approach to achieving and maintaining operational and command competence.

In order to fulfil its commitment to ensuring the competence of its operational commanders, BMKFRS embarked on a partnership with the FSC. This partnership enabled the closing of the Marlow Command Training Centre (CTC) and the transfer of the associated activities to the FSC in Moreton-in-Marsh in order to realise some of the financial savings discussed previously within this report.

Attendance at the FSC satisfies two key functions for BMKFRS, these are:

- Acquisition⁵ training and assessment linked directly to promotion and designed to ensure commanders are 'safe to ride' in charge of BMKFRS fire engines and special appliances.
- 2. Validation development and assessment linked to confirmation and assurance of continued operational competence, of existing commanders and their crews.

7.1 Acquisition Training and Assessment

In order to provide competent CCs it is necessary to ensure not only operational competence, but also to ensure the underpinning knowledge required for enhancing crew safety and effective incident management is both attained and tested. In BMKFRS this is known as 'Acquisition Training and Assessment'.

Following the discontinuation of the Fire Service Examination Board (FSEB), many of the UK FRSs have placed a requirement for aspiring commanders to attain qualifications provided by the Institution of Fire Engineers (IFE), as a demonstration of acquired underpinning knowledge. This approach is considered best practice and has been adopted by BMKFRS for all its aspiring commanders, whether wholetime service or 'On Call'.

Prospective CCs are required to obtain an IFE Level Two qualification through passing papers in the two 'compulsory papers' of Fire Service Operations and Fire Service Science, and then two further 'optional papers' involving any of the other available subjects. The attainment of this qualification is achieved entirely in the candidates' own time.

Once the required qualification has been achieved the aspiring CC is afforded access to the development gateway and the opportunity to attend a five-day residential course at the FSC. During this course the candidate receives training and development in theoretical and practical skills in accordance with the National Occupational Standard 'WM7' (1 to 4). The FSC course culminates in a formative (practice) assessment with development, followed by a summative (final) assessment with an outcome of pass or fail.

As confirmation of command competence, successful candidates are provided with an accredited Skills for Justice (SFJ) certificate which permits them to take charge of a fire engine and its crew in BMKFRS.

 $^{^{5}}$ Not to be confused with the acquisition training designed to develop new recruits firefighters or apprentices.

An additional benefit of attending the FSC is that courses usually comprise candidates from a number of UK FRSs, affording the opportunity for attendees to broaden their knowledge through shared experience and ideas.

Those CC who are desirous of temporary promotion with a view to substantive appointment must complete a comprehensive workbook that seeks to confirm operational and management skills.

Observations

The Acquisition Training and Assessment is delivered by a qualified team employed by FSC, in an established and tested venue. SFJ rules require the course content, candidates and outcomes to be both internally and externally quality assured. It would appear that these arrangements are achieving the expectations of BMKFRS and the partnership agreement on which it is based.

It was confirmed, through discussion with operational firefighters and officers, that recent changes in the Shift Duty System (SDS) have provided opportunities for staff (on a voluntary basis) to achieve additional pay through the 'BANK' shift duty system. It was also confirmed that this SDS has addressed immediate shortfalls in operational staffing but has provided individuals with the concern that temporary promotions may affect their access to the BANK system with a consequent loss in potential earnings.

Recommendation

7.1.1 As discussed within the recently published Adrian Thomas report⁶ concerning 'Conditions of Service for Fire and Rescue Staff', there are increasing challenges in attracting candidates to the promotion process. In view of the challenges being faced, BMKFRS should give consideration to making the qualification acquisition process more attractive to its prospective candidates.

7.2 Validation (Appraisal) Training and Assessment

As well as the need to provide operational commanders with the opportunity to attain command skills through the acquisition process, the FRS is also required to ensure the continued command competence of its existing commanders through scenario based learning and assessment. In BMKFRS this is known as Validation (Appraisal) Training and Assessment.

This is achieved by attendance at FSC and using the high quality training venues available on site. The facilities provided by FSC seek to be 'as realistic as possible' and usually include controlled burning to simulate real fire conditions, as well as realistic Road Traffic Collision (RTC) facilities, etc.

⁶ Section 5.2: Recruitment: Independent review of conditions of service for fire and rescue staff in England February 2015: Undertaken by Adrian Thomas.

Pump commanders attend FSC with their crews and are presented with a challenging schedule of operational scenarios of varying types and complexity. The commanders and their crews are observed and assessed by qualified assessors and provided with an outcome report of competent, or not competent. Each of these outcomes ordinarily includes developmental feedback on the performance of the commander and where necessary, the performance of the respective crew members.

7.3 Staff Opinion

OAL conducted a series of interviews with SCs, Pump Commanders and operational firefighters to ascertain the perceived value they placed on the training and assessment being delivered at the FSC. In addition to these scheduled interviews, OAL also discussed this topic with numerous staff on an ad-hoc basis and it can be confirmed that there is a universal appreciation of the training and assessment being delivered at FSC. Indeed the only common criticism levelled by those questioned was that operational crews would like more opportunity to undergo this form of training, development and assessment.

Observations

This form of training and assessment is highly praised by the operational staff and OAL would agree that it has high value. It is widely accepted that providing these challenging scenarios in a realistic environment assists in building confidence in team tactics, operational equipment and command decision making, particularly when the opportunity to attend similar operational incidents is in continual decline. However, despite the scale of the training venues available, the current learning opportunity is restricted by the maximum number of pumping appliances involved (two) and consequently there is limited opportunity to develop the skills necessary for dealing with incidents of greater complexity. This deficiency can of course be addressed by creating the opportunity to exercise (either internally or with neighbouring brigades) at multi-pump training events. This subject is discussed in greater depth within *Section 8: Operational Exercising*.

Recommendation

- 7.3.1 BMKFRS to explore a joint enterprise with neighbouring FRS in order to share facilities and provisions at FSC. Such a joint enterprise should seek to explore:
 - a) Economic savings by combining appraisal assessment with other FRS.
 - b) Potential renegotiation of the service level agreement between FSC and BMKFRS.
 - c) Greater flexibility in the provision of larger scale scenarios with the consequent strengthening of the functional role competences.
 - d) Opportunities to include risk critical functions such as Operational Support Units and Incident Command Units.
 - e) Shared operational awareness between FRSs.

- f) Shared operational awareness between all emergency services and other first responders. (this will have the added benefit of meeting JESIP exercising requirements).
- g) A strengthening of inter-service working and coordinated operational procedures.

7.4 Management of FSC outcome reports

All Acquisition Training and Assessment undertaken results in the production of a summative report on the commander's performance, which includes:

- Command decision making
- Command presence
- Risk identification and management
- Resource management
- Information gathering
- Briefing
- Incident handover
- Other development feedback

These reports are communicated to Training Section managers and are scrutinised to establish if the candidate has demonstrated any significant training needs. The reports are then forwarded to appropriate line managers, who are required to design a suitable development plan and to work with the candidate to ensure this is effectively completed.

Observations

The training section managers confirmed there is currently no requirement (or capacity) for them to review completed development plans with and this provides the potential for under-performance to go unaddressed, as well as a missed opportunity for organisational development.

It was apparent to OAL that improvement in this area would demonstrate the service's commitment to the wider development process and serve to ensure it is being effectively managed to conclusion, in line with service expectations. Additionally, this would provide a rich source of evidence to inform the service Training Needs Analysis (TNA) and advise on potential trends in performance or underperformance. It would also provide as the opportunity to realize economic savings by through targeting of required training subjects.

Recommendation

7.4.1 BMKFRS should review its processes for monitoring staff during their development phase. In particular the service should consider strengthening its feedback process to include organisational awareness of an individual's performance through to completion of any related development needs and/or associated development plans.

7.5 Quality Assurance of Training

The Quality Assurance (QA) of operational training in BMKFRS is managed by the Head of Operational Training and Development (HOTD). As stated in the BMKFRS Fire Authority Training, Learning and Development Strategy and Framework 2015/18, BMKFRS will provide Area Trainers to assist in delivering QA and has developed a model that employs suitably qualified staff to undertake the dual tasks of:

- i. Supporting the validation (appraisal) assessment process at FSC and;
- ii. Monitoring and feedback of operational training on fire stations and training events

7.6 Supporting the validation (appraisal) assessment process at FSC

Supporting this function is considered a priority in BMKFRS, not least in accordance with the contractual arrangement between FSC and BMKFRS but also to continually support individual development and the operational support that offers. Training section managers confirmed that the Area Trainers have been able to fulfil their commitments at FSC and there appears to be no significant backlog of candidates waiting to attend these courses.

7.7 Operational training on fire stations and training events

As discussed in Section 6.6: 'Maintenance of Operational skills', historically QA was a key role of the former P&E Team. However, responsibility for delivering this was passed over to the training function in-line with the service's restructuring and remodelling. The methodology applied requires Area Trainers to visit the fire stations or training venue to observe pre-arranged training delivery and to provide feedback. Any issues identified are reported to the responsible manager within the training section.

Observations

The commitment to FSC and other high priority training plans has resulted in a slowdown of the QA process within BMKFRS.

Recruitment of the Area Trainers

Within its annual TNA, BMKFRS sets out its intention to provide a pool of six Area Trainers. However, the recruitment process has proven problematic and the Area Trainer pool (which currently stands at five) is below establishment. This shortfall is evidenced as having additionally impacted the service's ability to deliver the QA model.

Factors that have impacted on the QA process include:

- i. Appraisal assessments at FSC
- ii. Introduction of National Operational Guidance for Incident Command (NOGIC)
- iii. Introduction of National Operational Guidance for Breathing Apparatus (NOGBA)
- iv. Introduction of Dräger PS7000 BA Set telemetry
- v. The recruitment process

Fulfilling the QA quota

It was reported to OAL that an agreed aspirational commitment for QA on fire station training is for the delivery of four 'QA Assessments' per trainer, per month. This totals approximately 48 assessments per trainer, per year or 288 QA per annum for the team.

Training section managers and the QA Manager confirmed that this target was unachievable following the restructuring of BMKFRS. OAL would agree that the target would appear to be unachievable though recognising its aspirational nature.

Established Quality Assurance models (SFJ) state that:

'Assessors who are experienced with the qualification or unit they have been assigned to and continually meet the standard required would seek to achieve a 25% sampling rate with an assessor observation every 12 months'.

An adjustment in the QA quota to (for example) one QA for each watch in BMKFRS would meet the sampling rate above and as such the added resilience could support other quality assurance processes such as reviews of operational preparedness, station standards, operational equipment reviews and the provision of community projects etc. (A recommendation regarding such an adjustment is captured at para 7.8.1)

7.8 Quality Assurance of station based training

As has been previously stated in this report, BMKFRS seek to assure the standard of operational training through the use of trained assessors in the form of the QA Team. OAL reviewed the completion rates of the QA processes and in particular the ratios of wholetime and On Call assessment.

During the review it was evidenced that:

- In the year 2015/16 51 assessments were carried out
- In the year to date (2016/17) 23 assessments were carried out

Of these conducted assessments, the records confirm that the balance of assessments has become heavily weighted towards the wholetime staff and on average:

- 81% of assessments were of wholetime watches
- 19% were for On Call assessments.

Discussions with managers confirmed that the primary reason for this imbalance is the heavy commitment of the QA team at FSC, etc. combined with the predominantly out of hours training sessions for On Call crews. In order to provide a QA process during these hours QA staff would need to be released from other activity, which is proving increasingly difficult.

Recommendations

7.8.1 BMKFRS should review (and consider reducing) the quota of 288 QA assessments (summative sampling) per year to a more achievable figure.

7.8.2 It is recommended that BMKFRS consider extending the QA role in line with the service's 'blended approach'. This may include offering the Vocational Assessor qualification to wholetime and On Call personnel and allowing them to undertake lower tier QA processes (interim sampling).

8. Operational Exercising

In April 2012, BMKFRS set out and published its six-year plan to deliver up to 24 operational training exercises per year, designed to meet four operational levels or 'tiers'. Each tier increased in complexity as well as being designed to meet specific training objectives within BMKFRS as determined by the training section.

The NOGIC – Command Skills states that:

'Command skills are complex in nature and can be developed with understanding and practise. It is essential that fire and rescue service's prepare and develop incident commanders to use these skills effectively when commanding an incident. This includes providing appropriate <u>opportunity</u> for practise under realistic pressure'.

These opportunities are met by planning, conducting and reviewing operational exercises that are closely linked to the service's Integrated Risk Management Plan (IRMP). The exercises would usually be conducted 'in house' with the intent that all staff should take part over a pre-determined training cycle, usually one to two years.

Recent reductions in staff and resources has presented significant challenges to the delivery of these larger scale operational exercises and managers have been required to design alternatives to meet requirements.

As discussed above, the primary alternative has been the close liaison with FSC in the form of the appraisal training and assessment process involving the attendance at FSC of two fire engines per training session. The crews are presented with realistic and challenging scenarios in a real time environment.

OAL acknowledge the high value of these training sessions and no improvement requirements are suggested for this element of exercising. However it has been evidenced that the planned medium and large scale exercise schedule within BMKFRS of up to 24 exercises per year has not been fully achieved.

8.1 Obtaining Evidence

In order to provide the review team with guaranteed opportunity to observe the practical implementation of NOGIC in BMKFRS, OAL requested that a multi pump exercise be carried out during the review period. In response to this request, BMKFRS conducted a medium-scale exercise at a disused military training venue, involving five pumps and the service Incident Command Unit (ICU). It is not within the scope of this review to feedback on any individual or group performance at this event, as this is the role of respective watch commanders and members of the training section that attended. However, the value of this training delivery cannot be overstated, as not only did this test the practical application of NOGIC as intended, but also the service's capacity to deliver such larger scale operational training exercises.

The exercise organising officer confirmed that the availability of resources within BMKFRS made the provision of multi pump exercise opportunities increasingly difficult to achieve.

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As a consequence, the service places a reliance on the appraisal assessments undertaken at FSC and satisfaction of the Site Specific Risk Assessment (SSRA) trigger points that require some form of training (every three years for Level 3, annually for Level 4, on-site and/or via desktop), to broadly constitute the service's operational exercising at this time.

It was however evident during the observed exercise that appetite among the attending crews for this form of operational training was healthy. Staff showed themselves to be enthusiastic, professional and receptive to developmental feedback. Several areas of individual and procedural improvements were identified, rewarding the effort put into the planning and execution phases and enhancing the value of the exercise itself.

The difficulties facing management are acknowledged and fully understood by OAL and evidenced during the planning, organising and execution of the exercise conducted for the OAL review.

Consequential Finding

NOGIC provides guidance in Incident Command, which includes the conducting of operational exercising as well as incident command management and the use of functional officers.

In order to effectively train in the functional officer role of Operational Commander, Safety Sector Commander, BA Sector Commander etc., and to create realism, a certain number of appliances would be required for each role.

The two fire engine attendance at FSC would not meet the required numbers and so, as a consequence there is a potential for skills fade in the management of these roles due to lack of exposure. It was evidenced during the review that two recently promoted interviewees had performed the role of Sector Commander at a real incident, yet had not exercised in the role previously.

Recommendations

8.1.1 BMKFRS should review the provision of operational exercising in order to provide increased opportunity for commanders to: (a) Practise command decision making, (b) Practise logistical controls and (c) Practise operational procedures etc. at larger, developing and more complex scenarios

9. Risk Management

This section of the report provides feedback on the risk management processes employed in BMKFRS during operational and training events.

During the period of the review OAL attended operational incidents and training events and used these opportunities to assess and confirm the underpinning knowledge and understanding of staff in the use of Dynamic Risk Assessment (DRA) and Analytical Risk Assessment (ARA).

9.1 Dynamic Risk Assessment

Lines of enquiry for this element concerned staff awareness of the firefighter safety maxim as contained in the NOGIC document. Staff were asked if they could describe the maxim and its intent.

The maxim states:

"At every incident the greater the potential benefit of fire and rescue actions, the greater the risk that is accepted by commanders and firefighters. Activities that present a high risk to safety are limited to those that have the potential to save life or to prevent rapid and significant escalation of the incident."

Many of those questioned, while not able to recite the maxim verbatim, fully understood the intent of the maxim and how it affects them and their firefighting operations.

Importantly, those questioned also understood the value of the BMKFRS discretionary statement and how it is applied when standard operational procedures (SOPs) do not wholly fit the desired outcome at an operational incident.

Staff were also able to explain how crews move from a position of applying the discretionary statement to one where they can return to the application of SOPs.

9.2 Analytical Risk Assessment

The application of Analytical Risk Assessments (ARAs) in BMKFRS was proven to be comprehensive and effectively managed on the incident ground. In recent years the ARAs were processed by the P&E Team, which included the receipt, analysis and feedback on completed ARAs from operational incidents.

However, it was evidenced during the review that the reduced staffing in the OA Team has impacted on the processing of ARAs and it was further confirmed that operational crews were unclear as to what actually happens to the ARA following its submission.

During operational incidents and training events in BMKFRS, risk is identified and recorded on gatefold command packs using waterproof markers, (these command packs are carried on all fire engines in BMKFRS). Control measures are captured and time stamped for review. These simple yet effective systems have become best practice and

when managed effectively, are proven to be of high value during debriefs and even during HSE investigations and Coroner's inquests.

During operational incidents the packs are completed by a suitably qualified and trained officer (usually qualified to Institute of Occupation Safety and Health (IOSH) as a minimum standard) thereby adding continued value to the process.

It was identified during the review that it is common practice to secure the packs to the rear of the fire engine on provided hooks. JESIP doctrine places a fundamental importance on the value of shared situational awareness between first responders. It was identified that there is a likelihood of other first responders entering a risk area without seeing the key safety information

Recommendation

9.2.1 It is recommended that risk management packs be placed in line of sight of the risk entry points, so as to allow other first responders the opportunity to view their content and respond accordingly.

9.3 Site Specific Risk Assessment

Section 7(2)d of the Fire and Rescue Service's Act 2004 conveys a responsibility for obtaining information required for the purposes of extinguishing fires (amongst other things). As an element of this process, BMKFRS gathers such information in the form of Site Specific Risk Assessments (SSRAs) which are used to inform incident predetermined attack plans. This information is added to an online resource and subsequently uploaded and stored on the mobile data terminals (MDTs) on fire engines. This is a proven system and utilised by many UK FRS.

During the review, interviewees confirmed their competence in adding SSRA information effectively and a review of the associated records also confirmed that on most occasions the risk information was well managed with future review of the site(s) included in station work routine planners.

Observation

At the fire stations visited by the review team, it was unclear if any formalised methods of appraising On Call staff of the existence of any new SSRA information added to the MDT. Those questioned confirmed that the potential existed for such risk information to be retained on the MDT for long periods, without the knowledge of On Call staff.

It would appear that this situation could deny On Call colleagues the opportunity to review current risk information, prior to a potential incident occurring at that site.

Recommendations

9.3.1 BMKFRS should consider reviewing its internal communication processes to ensure the effective communication of SSRA information between wholetime and On Call crews.

10. Active Monitoring

This section of the report seeks to provide feedback on the methods used in BMKFRS to meet the requirements of active monitoring. The Health and Safety Executive (HSE) provides guidance on the need for active monitoring and provides a description of monitoring methods which are:

Active methods which monitor the design, development, installation and operation of management arrangements. These tend to be preventive in nature, for example:

- routine inspections of premises, plant and equipment by staff
 - health surveillance to prevent harm to health
- planned function check regimes for key pieces of plant

Reactive methods which monitor evidence of poor health and safety practice but can also identify better practices that may be transferred to other parts of a business, for example:

- investigating accidents and incidents
- monitoring cases of ill health and sickness absence records

The benefits and elements of a smart, service-wide system geared towards the identification, prioritisation and management of risks would serve BMKFRS in meeting the required elements of Health and Safety Executive Guidance: Successful Health and Safety Management (HSG65) to include the elements of:

- Policy
- Organising
- Planning and Implementing
- Measuring Performance
- Audit
- Review

Where best practice has been observed in FRSs across the country, such systems have been used as the key tool for the assurance of operational activities, and for effective monitoring of risks, performance and equipment improvements. These systems can include:

- Operational and Training Debriefing Procedure
- Operational Preparedness Audits/Reviews on fire stations
- Tactical Commander Maintenance of Competence Records (TCMCR)
- Supervisory Commander Maintenance of Competence Records (SCMCR)
- A means of capturing emerging themes within the service
- The outcomes of thematic reviews
- Issue identification and logging
- Action logs
- Audit and review tools
- The ability to create Action Plans following an operational event
- A means of capturing individual and organisational learning points
- Other reporting tools as required
- Easy access by all key stakeholders so as to promote organisational development

During the review and through pre-reading, OAL were advised of the development of a tool in BMKFRS called VIPER. This software is described as a 'performance plus' and also 'a business intelligence' tool that will be developed to meet the needs of BMKFRS and is designed to grow and change as the service grows and changes. Recent reports to the fire authority have confirmed that the system is achieving approximately 20% of its capacity and this was further evidenced through planned interviews with staff during the OAL review.

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Future planning will be based upon the intelligence and performance information which is now input to "VIPER" (the Authority's business intelligence system) and improves the availability of information to all stakeholders. This will continue to develop and incorporate further aspects of performance management (projects, corporate risks, elected members area and a citizens portal) to further enhance the information that is available for decision making and the 'open data' agenda.

Observations

The development of the VIPER system is incomplete and so for the purposes of this review OAL will only be able to report on the current methodology applied. It will be for BMKFRS management to determine if any identified gaps or refinements in active monitoring can or will be addressed in the final version of the VIPER tool.

10.1 Locating Key Documents

During the planned interviews, interviewees were asked to locate documents they had created which reported back to management, training section or the OA Team. It became quickly evident that these documents were stored on several networked drives and in innumerable layers of folders within these drives. The primary method of finding such documents was to utilise the provided search engine which consequently offered several pages of options which would individually require opening to determine if it was the required file.

Additionally, these interviewees were also asked to locate documents submitted by other officers and specifically debrief reports. These proved increasingly difficult to obtain and in some cases unsuccessful. The primary reason for this is that these documents were in either MS Word, Excel or Adobe PDF format which is difficult to batch filter. Finally, the ability to store these documents in a naming structure of the creators choosing adds more difficulty with the potential for key information to be missed by key stakeholders.

OAL are of the opinion that this is an opportunity missed as these documents are fundamental to organisational and operational development (NOGIC 2014) and any future system for the active and reactive monitoring of operational risk should allow the rapid location and filtering of key information for any user.

Recommendation

10.1.1 BMKFRS should develop the use of an active monitoring system to act as a smart, service-wide tool. This system should incorporate a user-friendly database that is capable of providing auditable records and is easily

accessible to all staff. It should allow the rapid location and filtering of key information for any user. This issue is further covered in Section 12: 'Internal Communications'.

10.2 Allocation of Action Plans

For all identified issues there should be an outcome. It was evident early in the review that BMKFRS is highly proactive in its approach to active monitoring and staff were highly industrious in its application. However it became clear that the heavy reliance on individual staff attendance and diligence could be a potential weakness in the process. Due to the recording systems identified above, there is potential for key issues to be overlooked if the person managing them leaves the service, takes extended sick leave or merely moves on from role. This was evidenced during management interviews and through gap analysis.

Recommendation

10.2.1 That any system used for this purpose should operate independently of any individual in the service and each issue should remain 'live' on the system until resolved or accepted on the risk register.

10.3 Reporting by Exception

Reporting by exception is the principle of only documenting or recording events or occurrences that are not standard or normal, and therefore demand or deserve attention. The primary aim of an active monitoring system is to identify, record, action and communicate any event that has the potential to contribute towards the improvement of the FRS. This should also include examples of good practice and not just areas for development.

Potential ratings and their descriptions, as recommended by OAL are captured below:

- **Safety Critical**, an event or individual displays potentially safety critical actions that put people in immediate danger. *An individual needs significant support and guidance, with major development requirements.*
- Area of Concern, an event or individual displays actions that are an area for concern, but people are not put in immediate danger. An individual needs some support and guidance, with development requirements.
- **Good Practice,** an event or individual displays actions that have the potential to contribute towards service improvement if recorded and shared for the benefit of all. *The identified good practice is not already standard or embedded practice in the operational arena.*

It was evidenced that BMKFRS are intent on promoting 'reporting by exception' which will ensure that the evidence gathered and managed will be that which truly matters to the service. This was confirmed by the newly developed monitoring reports to be used by monitoring officers at operational incidents. No such report currently exists for use at training events. OAL believe to include training in the 'reporting by exception' system would be of benefit the organisation.

Recommendation

10.3.1 It is recommended that BMKFRS extend 'reporting by exception' to include training events; with the consequent benefits to organisational learning and that these reports are included for staff review (commensurate to suitable anonymity measures).

10.4 Staff Access

It was evidenced during interviews that staff would require access to many elements of the provided Active Monitoring System (AMS) so as to allow personal and team development. It was also evidenced that such access would provide a level of ownership of their identified issues and in particular how they were managed to conclusion. Current procedures used in BMKFRS have resulted in staff submitting issues and never hearing of the conclusion reached even though OAL were able to confirm later that the issue was resolved. It was clear that staff felt comfortable raising issues in BMKFRS and receiving an end result would add further value.

Recommendation

10.4.1 Include a provision within the AMS to provide feedback on concluded issues and in particular to the source of the initially identified issue.

10.5 Role of the Monitoring Officer

It has become accepted practice within UK FRS to mobilise a monitoring officer to operational incidents. This officer would typically provide a mentoring role for developing commanders, fulfil the active monitoring function by completion of monitoring reports and ensure required actions are designed and submitted to relevant stakeholders.

The existing Active Monitoring process within BMKFRS has been in place for a number of years and involves the mobilisation of SCs to a range of predetermined risks (incidents with three pumps, life risks, etc.), for the purpose of undertaking the Monitoring Officer role. It is incumbent upon this officer to assume command of the incident at any point considered appropriate by them and BMKFRS mobilising procedures require that they must take over at four pumps, regardless and then to request a replacement monitoring officer.

Monitoring at Operational Incidents

Monitoring Officers are required to complete an electronic 'Active Monitoring Report' to record their observations. This report breaks down observed activities under 11 broad headings. However, it is common practice to feedback on all elements of the incident

rather than those areas specifically requiring improvement or promoting good practice. In this way it was evidenced that it can be difficult for the service to 'sort the wheat from the chaff' when seeking to promote organisational and individual development.

Following the incident, the monitoring form is received by the OA Team, reviewed for any significant findings requiring immediate action and is stored within a range of folders, (during the interviews OAL were unable to identify any form of universally employed database to support this process).

Monitoring at Training Events

The Active Monitoring of training events is undertaken on an invitational basis at the instigation of the organising officer. It was unclear what criteria is applied to this attendance with particular regard to the numbers of attending fire engines, this results in the monitoring requirement at operational training events being different to the requirement at operational incidents. Furthermore, BMKFRS does not currently assign a monitoring officer to the training being delivered at FSC. (See Section 8: 'Operational Exercising').

Those role holders interviewed stated that the Monitoring Officer role in its present guise is too prescriptive and is viewed negatively by some of the operational workforce. As a consequence BMKFRS is reviewing its existing approach to undertaking active monitoring, with the intention of developing the Monitoring Officer role to become more advisory in approach, and one that mentors and provides informed input and support to the incident commanders and crews.

Managers also recognised the need to develop smarter processes that report the outcomes from monitoring activities more by exception and so better assists with the identification of trends. Moving forward, managers stated that the revised active monitoring forms would directly correspond with the WM7 National occupational standards.

The role of the BMKFRS Monitoring Officer was evidenced at operational incidents during the review period. These opportunities were used to determine the methodology applied and also to question the officer on any remedial actions that they could implement.

Observations

During the review, interviewees reported that the perceived quality of incident monitoring varied from officer to officer and very much depended on 'who you got on the day' but in general the crews were praiseworthy of these officers and understood the need for their attendance at incidents.

OAL observed that BMKFRS do not currently utilise monitoring officers at the FSC, for the appraisal process. OAL are of the opinion that these opportunities should be maximised by allowing monitoring officers to observe the training, so as to practice the application of monitoring at incidents, to test reporting procedures and feedback methodology and to allow a full interaction between officers and crews with the consequent breakdown of any perceived interpersonal barriers.

During a range of interviews with Monitoring Officers it was identified:

• Role holders had received no formal training and instead relied heavily on peer support and guidance.

• Staff found the related filing systems confusing and time consuming.

Recommendations

- 10.5.1 Provide formal training and/or guidance for Monitoring Officers to ensure a uniform approach to monitoring and to clarify the operational standards required from all staff.
- 10.5.2 Moving forward, the new active monitoring form should directly correspond with the WM7 NOS.
- 10.5.3 Active monitoring should be expanded to the training events taking place at FSC to ensure the service is effectively capturing and progressing all available learning opportunities.



11. National Occupational Guidance for Incident Command

In 2014 The National Operational Guidance program produced the guidance on incident command (NOGIC). Following the publication of the NOGIC, BMKFRS decided, (with the exception to some minor terminology), to implement the guidance in its entirety. This included a full review of the guidance, planning and resourcing the training of its staff and finally its inclusion in all aspects of its training packages (HEAT).

The outcome of this is the implementation of NOGIC is now complete and included on the HEAT training package.

The BMKFRS training model provides the opportunity to arrange and conduct two and three pump training exercises. These exercises are provided either through the validation assessments at FSC or through local arrangement between fire stations and seek to allow the NOGIC underpinning knowledge to be tested among officers and crews. Any difficulties encountered in the provision of these exercises are discussed in *Section 8: Operational Exercising* of this report as well as the consequential difficulty in providing opportunities to test individual competence in functional roles.

Observations

During the review it was evidenced that staff awareness and underpinning knowledge of some elements of NOGIC require strengthening. These elements of NOGIC include:

- Operations Commander
- Safety Sector Commander
- Safety Officer
- Operational Support Officer
- Sector Commander

It was noted that these elements of NOGIC would ordinarily be those implemented at incidents above two and three pumps. When asked to describe the roles and responsibilities of these key functional officers the answers were generic in nature. For example, when asked to describe the specific role and responsibilities of a Safety Sector Commander, answers included 'making sure operations are safe and complete the ARA' rather than the documented responsibility of:

- Surveying operational sectors, identifying hazards, and advising the sector commander
- Working with sector safety officers to support and exchange information
- Confirming the validity of the initial risk assessment and recording as appropriate
- Collating and recording an analytical risk assessment
- Acting as an extra set of eyes and ears to the sector commanders in monitoring the safety of personnel
- Working with the incident commander or operations commander
- Reporting health and safety issues, including accident investigation management of safety officers, identifying evacuation zones, development of the safety plan

It has already been identified in this report that these roles are held on the MDT for use on operational incidents however these are an aide memoir and not considered as 'first required reading' during the emergency phases of an operational incident.

Recommendations

- 11.1.1 BMKFRS should ensure all staff have awareness and understanding of the functional roles within NOGIC, and that this is tested.
- 11.1.2 Station and Watch Commanders should be provided clear guidance on the standards of NOGIC specific knowledge expected from its commanders and crews.
- 11.1.3 Station and Watch Commander and crews should be provided the opportunity under assessable and/or developmental conditions to exercise the acquired skills and underpinning knowledge set out in NOGIC.



12. Internal Communications

Ensuring the effective flow of information is a concern for all large organisations. Within BMKFRS there has been a continuous progression from paper based to electronic media over recent years and the service utilises a series of 'networked drives' to manage the storage and communication of information.

The BMKFRS 'I Drive' provides one of the primary means of communicating with operational staff at fire stations, with important messages such 'Safety Event Awareness Sheets' being promulgated as a 'mandatory read' on the drive.

Observation

IT systems provide excellent opportunities for an organisation to communicate with its staff, quickly update documents and in many cases, to obtain quick and effective feedback. However, a lack of robust strategic controls can also result in an intranet that is so information rich that staff have great difficulty in obtaining relevant key information or documents.

Through discussions with operational staff and by reviewing the operation of the system at station level, it was apparent that 'I Drive' (and others) would benefit from some improvements. Notably, staff expressed their frustrations at the speed and functionality of the system and, in particular, stating it is extremely difficult to search and locate older information. As an example, Staff were asked to locate several key documents such as completed debrief forms from other stations, their own submitted debrief forms and also any outcomes as a result of submission. Most staff (including Station Commanders) could not locate this information readily and in some cases not at all.

It was also noted that the search engine within the 'I Drive' returns so many 'hits' when searching for specific documents, that staff stated they often gave up looking as there was no way to tell if the hit was the one they were seeking, other than to open each one to look. Feedback showed that this was considered time consuming and often unproductive.

As a consequence of the above issues, it was identified that staff may retain documents and guidance on their own desktop login for convenience, presenting a risk of staff referencing out of date material.

OAL were unable to ascertain how the service currently satisfies itself that the published 'mandatory reads' have been received and understood by those it intends to reach. Furthermore, it appears common practice to post articles on the drive as a 'mandatory read', when clearly many of these could be considered to be 'for information purposes only'. Staff identified this as something that devalued the required importance and impact of the mandatory read articles.

Recommendations

- 12.1.1 Review the functionality 'I Drive' as the systems appears not to meet with service expectations with specific regards to ease of use.
- 12.1.2 Review the content of the service's Intranet to ensure key information is easily accessible by staff, which should include a more logical hyperlink

process. Any review should also consider the communication of key information between wholetime and On Call staff.

12.1.3 Review the methods employed for communicating and validating the passage of important messages to operational staff at fire stations.

13. Appendix A: Operational Assurance Defined

The process of achieving 'Operational Assurance' (OA) is complex and multi-faceted. This foreword is intended to provide those unfamiliar with fire service operations and its related support service's, with a basic understanding of the general principle of OA, before considering how this is currently being achieved in Buckinghamshire & Milton Keynes Fire and Rescue Service (BMKFRS), as discussed within the body of this report.

OA is the means by which a Fire and Rescue Service (FRS) ensures it is providing a safe and competent work force that is capable of meeting the demands being placed upon it and that such matters are being achieved in an efficient and effective manner. In its simplest terms OA involves the process of identifying and managing risks to operational service delivery and in particular, providing legitimate and accountable assurance to the Fire Authority and Senior Managers that fire service operations are carried out:

- i. In a safe, efficient and effective manner.
- ii. In compliance with national legislation, national and local policy and guidance, etc.

A common misconception is that OA is the sole responsibility of a nominated team (usually referred to as the 'Operational Assurance Team'), or a dedicated function. In fact, the assurance of operational activity should run as a constant throughout all parts of an organisation, including those functions not immediately involved in the emergency response function of the service.

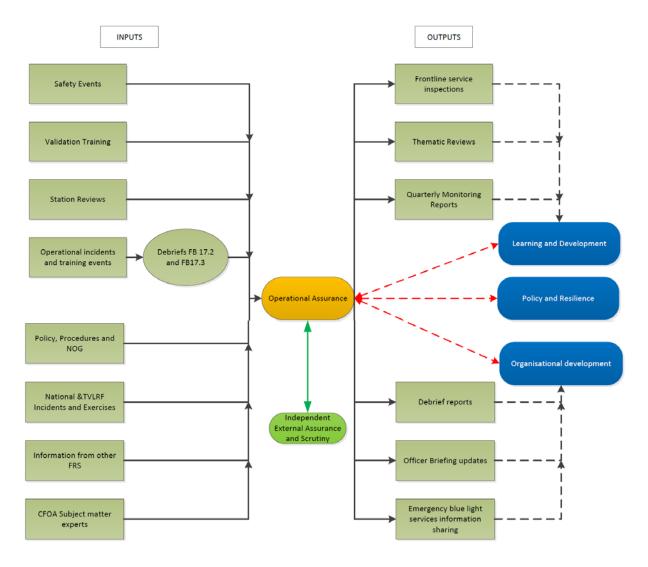
Although it is understandable why such misconception may occur, in order for the concept of OA to become embraced and embedded within an organisation, it is necessary to view OA in a broader sense, with the provision being universally acknowledged as the responsibility of all those it affects and supports.

As an example, those responsible for the procurement of equipment used on fire service appliances (fire engines) would not ordinarily consider themselves members of the OA function. However, it is obvious that the provision of such equipment is fundamental to the safety and effectiveness of the operational crews and therefore, the procurement team make a significant contribution towards the service's OA.

A further example of the collective contribution to OA would be when a commander of a fire engine (a Pump Commander), identifies risk critical information that could help prevent injury to staff, or damage to equipment. This information, when effectively communicated and acted upon, will inform service delivery improvements and thereby support the principles that underpin OA.

The above examples demonstrate how key stakeholders can (and should) contribute to the OA process and support the delivery of safe, effective and efficient fire service operations, whilst not necessarily being direct members of a dedicated OA Team.

14. Appendix B: The BMKFRS Assurance Model



15. Appendix C: Review Team Profile

Garry Jones – Team Leader

Garry retired from Greater Manchester Fire and Rescue Service in October 2014, having served 27 years at some of Greater Manchester's most operationally challenging inner city fire stations. For the last ten years of his career Garry served as a Group Manager, with responsibility for Performance Review and Operational Assurance.

Paul Clark

Paul joined the London Fire Brigade in 1982 and retired in March 2012. During his fire service career Paul served at some of London's most operationally challenging East End locations. In 2000 Paul was promoted to Group Manager and served 2 years in the Operations, Training and Performance inspectorate (OTPI), followed by 4 years as the Borough Commander of Redbridge. Paul then spent 6 years working within London Fire and Rescue Service Headquarters in Service Delivery before his final promotion to Deputy Assistant Commissioner. For the last 2 years of his career Paul was Head of LFB Internal Operations Review and Audit Team (ORT), Incident Management Policy and incident Management Systems (IMS).

Garry Geoghegan

Gary joined the London Fire Brigade in 1981. Gary served at some of the busiest stations as an operational firefighter and Watch Officer. Gary served at London Fire Service HQ and London Eastern Command and held responsibilities which included managing London's Arson Reduction Teams and Community Engagement Manager for London. Gary also worked directly for the Commissioner for London, performing the role of London's link Officer to the Office of the Deputy Prime Minister (ODPM) and Department for Communities and Local Government (DCLG). Gary has extensive experience in writing operational policy and standard operating procedures for Fire Service's.

Kevin O'Connor

Kevin has wide ranging operational experience having served at some of Greater Manchester's most operationally challenging locations as a firefighter and Watch Officer. Kevin also spent 5 years at Fire Service Headquarters within the Operational Assurance Department. In his role as Head of the Greater Manchester Incident Command Academy, Kevin was instrumental in the development of command competence development and assessment. Kevin was the subject matter lead officer in enabling GMFRS to become an approved 'Skills For Justice' Centre for incident command, providing accreditation to the level of Strategic Commander. Additionally he was GMFRS lead coordinator for the JESIP rollout in 2013.

Kevin was singularly responsible for assuring and maintaining the command competence of all GMFRS Officers up to the role of Assistant Principal Officer. Kevin retired from the service in July 2016.

16. Appendix D: Priority Recommendations

The table at Appendix E collates the recommendations from throughout this report. The three areas below , are those which, in OALs opinion, BMKFRS may wish to consider priorities.

Priority Recommendations	
P.1	BMKFRS should continue to develop and resource effective internal processes through which matters arising from significant external and internal events are captured, communicated and effectively managed through to a conclusion that is acceptable to the service. This should include (for example) processes for undertaking gap analysis, communicating findings to operational staff and informing resultant training delivery.
P.2	In support of recommendation 1, BMKFRS should develop the use of an active monitoring system to act as a smart, service-wide tool. This system should incorporate a user-friendly database that is capable of providing auditable records and is easily accessible to all staff.
Р.3	BMKFRS should consider re-establishing an effective Operational Assurance forum, with the necessary direction and authority to assist in the formal management and progression of issues arising, through to meaningful resolution.



17. Appendix E: Table of Recommendations

The table below collates recommendations from throughout this report. Section numbers relate to the areas where the recommendation originally appears, together with supporting observations and background information.

Section 5.4	Key Findings: Policy and Guidance			
5.4.1	It is recommended that the Operational Assurance model is clearly published and communicated, that roles and responsibilities are clearly identified and finally, that understanding is confirmed.			
Section 5.7	Key Findings: Operational Briefing and Handover			
	OAL recommend that BMKFRS gives consideration to revising or replacing the 'OTHERS' methodology, to ensure the procedure includes the following points. Any revised handover methodology should be adopted for training BMKFRS staff at the FSC:			
	Situation			
5.7.1	Hazards identified			
•	Objectives			
	Plan to meet the objectives			
	Resources present and requested			
	Incident command structure			
	Tactical mode(s) in use			
Section 6	The Assurance Model			
	External Inputs			
6.2	External Inputs			
6.2 6.2.1	External Inputs BMKFRS should review the processes currently employed to capture, scrutinise, manage and communicate matters arising from external inputs. This should include consideration of the service's current process for undertaking gap analysis of these external reports in order to manage identified risks to conclusion or acceptance on the service risk register.			
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6.2.1 6.4	BMKFRS should review the processes currently employed to capture, scrutinise, manage and communicate matters arising from external inputs. This should include consideration of the service's current process for undertaking gap analysis of these external reports in order to manage identified risks to conclusion or acceptance on the service risk register. Issue Resolution BMKFRS should review its Procedure Note: 'Operational Assurance;' Incident Monitoring and Improvement' at the earliest opportunity to ensure it aligns more closely with the service's new ways of working. Any revised guidance issued should clearly set out the Monitoring Officer role			

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	safety process linked directly to OA, which includes suitable				
	arrangements to manage these elements.				
	b) The progression of issues to inform the service Risk Register, Training Needs Analysis (TNA), Integrated Risk Management Plan (IRMP), etc.				
6.4.3	BMKFRS should ensure the process of OA is adequately supported by an effective, user-friendly Information Technology (IT) system that incorporates an intelligent and auditable database.				
6.5	Debriefing Activities				
	BMKFRS should review and re-energising its debriefing process. This should be promoted to the operational staff as a key element of continuous service improvement. Any review undertaken should consider:				
6.5.1	(i) Addressing current poor practices to ensure the onus for initiating a timely debrief sits firmly with incident commander.				
	(ii) Continuing efforts to simplify the existing processes.				
	(iii) Producing regular outcome reports to inform staff, promote inclusion and demonstrate the value of the process.				
	(iv) Ensuring non-compliance is identified and valued contribution recognised and rewarded.				
ł	Maintenance of Operational Skills				
6.7	Maintenance of Operational Skills				
6.7 6.7.1	Maintenance of Operational Skills BMKFRS should seek to place greater emphasis on the individuals' responsibility for completion and maintenance of their own skill-set.				
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	the consequent strengthening of the functional role competences.		
	d) Opportunities to include risk critical functions such as Operational Support Units and Incident Command Units.		
	e) Shared operational awareness between FRS.		
	f) Shared operational awareness between all emergency service's and other first responders. (this will have the added benefit of meeting JESIP exercising requirements).		
	g) A strengthening of inter-service working and coordinated operational procedures.		
7.4 Management of FSC Outcome Reports			
7.4.1	BMKFRS should review its processes for monitoring staff during their development phase. In particular the service should consider strengthening its feedback process to include organisational awareness of an individual's performance through to completion of any related development needs and/or associated development plans.		
7.8	QA of Station Based Training		
7.8.1	BMKFRS should review (and potentially reduce) the quota of 288 QA assessments (summative sampling) per year to a more achievable figure.		
7.8.2	It is recommended that BMKFRS consider extending the QA role in line with the service's 'blended approach'. This may include offering the Vocational Assessor qualification to wholetime and On Call personnel and allowing them to undertake lower tier QA processes (interim sampling).		
Section 8	Operational Exercising		
8.1	Obtaining Evidence		
	BMKFRS should review the provision of operational exercising in order to provide increased opportunity for commanders to:		
8.1.1	a) Practice command decision making		
0.1.1	b) Practice logistical controls		
	c) Practice operational procedures etc. at larger, developing and more complex scenarios		
Section 9	Risk Management		
9.2	Analytical Risk Assessment		
9.2.1	It is recommended that risk management packs be placed in line of sight of the risk entry points, so as to allow other first responders the opportunity to view their content and respond accordingly.		
9.3	Site Specific Risk Assessment		
9.3.1	BMKFRS should consider reviewing its internal communication processes to ensure the effective communication of SSRA information		

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	between wholetime and On Call crews.			
Section 10	Active Monitoring			
10.1	Locating Key Documents			
10.1.1	BMKFRS should develop the use of an active monitoring system to act as a smart, service-wide tool. This system should incorporate a user- friendly database that is capable of providing auditable records and is easily accessible to all staff. It should allow the rapid location and filtering of key information for any user. This issue is further covered in Section 12: 'Internal Communications'.			
10.2	Allocation of Action Plans			
10.2.1	That any system used for this purpose should operate independently of any individual in the service and each issue should remain 'live' on the system until resolved or accepted on the risk register.			
10.3	Reporting by Exception			
10.3.1	It is recommended that BMKFRS extend this form of monitoring to include training events; with the consequent benefits to organisational learning and that these reports are included for staff review (commensurate to suitable anonymity measures).			
10.4	Staff Access			
10.4.1	Include a provision within the AMS to provide feedback on concluded issues and in particular to the source of the initially identified issue.			
10.5	Role of the Monitoring Officer			
10.5.1	Provide formal training and/or guidance for Monitoring Officers to ensure a uniform approach to monitoring and to clarify the operational standards required from all staff.			
10.5.2	Moving forward, the new active monitoring form should directly correspond with the WM7 NOS.			
10.5.3	Active monitoring should be expanded to the training events taking place at FSC to ensure the service is effectively capturing and progressing all available learning opportunities.			
Section 11	National Operational Guidance for Incident Command			
11.1.1	BMKFRS should ensure all staff have awareness and understanding of the functional roles within NOGIC, and that this is tested.			
11.1.2	Station and watch commanders should be provided clear guidance on the standards of NOGIC specific knowledge expected from its commanders and crews.			
11.1.3	Station and Watch Commanders and their crews should be provided opportunity under assessable and/or developmental conditions to exercise the acquired skills and underpinning knowledge set out in NOGIC.			

Section 12	Internal Communications		
12.1.1	Review the functionality 'I Drive' as it appears the system does note meet with service expectations with regard to ease of use.		
12.1.2	Review the content of the service's Intranet to ensure key information is easily accessible by staff, which should include a more logical hyperlink process.		
12.1.3	Review the methods employed for communicating and validating the passage of important messages to operational staff at fire stations. Any review should also consider the communication of key information between wholetime and On Call staff.		

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ITEM 18



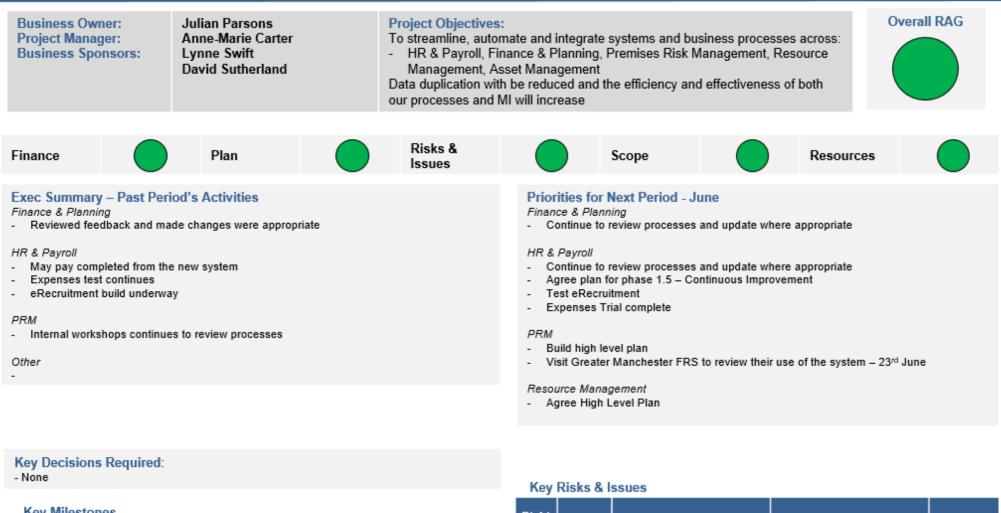
Buckinghamshire & Milton Keynes Fire Authority

MEETING	Overview and Audit Committee		
DATE OF MEETING	26 July 2017		
OFFICER	Julian Parsons, Head of Service Development		
LEAD MEMBER	Councillor Peter McDonald		
SUBJECT OF THE REPORT	Business and Systems Integration Project: Progress Report		
EXECUTIVE SUMMARY	Since the last Overview and Audit Committee meeting there has been the following activity:		
	 The Finance/ HR & Payroll systems all went live as planned. 		
	 All Finance tasks are now completed on the new system 		
	 HR employee self-service is live and available for all staff to use. 		
	 April pay run successfully completed out of the new system 		
	The 5 project management audit actions continue to be progressed:		
	2 have been completed		
	• 2 are ongoing		
	• 1 is due by the end of July		
	An Audit update has been provided in Appendix D: Audit Progress		
	Spend across the BASI project remains on track and within budget. Regular reviews are completed with the finance team (See Appendix E for Spend breakdown).		
	At the time of completing this report the current activities are underway:		
	 Review of feedback to ensure new ways of working are embedded 		
	 Continue to review Finance/HR & Payroll processes to ensure project meets its objectives to streamline & automate processes 		
	 Building and testing of the new eRecruitment processes and system 		
	 Workshops with end users for the Premises Risk Management system are taking place in order to further refine scope and potential system 		

	requirements prior to implementation.	
ACTION	Information.	
RECOMMENDATIONS	That the report be noted.	
RISK MANAGEMENT	The project risks are contained within a project risk register. Current project risks can be seen in Appendix A – Highlight report – May 2017. The governance of this register, including escalations is in line with existing service policy.	
FINANCIAL IMPLICATIONS	There are no further financial implications related to the project identified in this paper.	
LEGAL IMPLICATIONS	There are no further legal implications related to the project identified in this paper.	
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	Opportunities for collaboration have been actively sought and considered during the procurement phase of the project. Collaboration has been explored with Royal Berkshire Fire and Rescue Service and Oxfordshire Fire and rescue Service. Further collaboration was explored with Oxford County Council and Reading Council. None of these potential collaborations have led to formal agreements due to various issues around differing needs and timings. Oxford County Council have been named on the Premises Risk Management Tender. We continue to look beyond our Thames Valley partners, working with organisations that use the same systems as us to share knowledge and collaborate on developing the systems. I.e. Bedfordshire	
HEALTH AND SAFETY	No Health and Safety implications perceived at this time.	
EQUALITY AND DIVERSITY	HR system allows us to collect 'real time' Equality & Diversity data securely allowing it to be used for trend analysis. eRecruitment will provide E&D data at all stages of recruitment.	
USE OF RESOURCES	The project is managed by the Project Manager. The Project Manager is proactively using existing skills and experience within the workforce to move the project forward. A HR manager directly supports HR & Payroll implementation. A Finance, HR & Payroll implementation and training	

	plan is being delivered based on the resources available.				
	An agreement has been made with Service Delivery managers to assign an operational resource to support the implementation of the PRM system from Mid 2017				
	Staff are being kept abreast of progress through the i:drive and blogs. The communication strategy will be followed as part of the roll out of the new systems and in line with the project plan which has to be agreed with the suppliers.				
PROVENANCE SECTION	Background				
& BACKGROUND PAPERS	As part of the ICT Strategy 2014-2019 an independent review of systems integration was commissioned. An external consultant undertook this task and delivered a business case which was formally agreed to be progressed by the Executive Committee Meeting 29 July 2015.				
	The project is scheduled to be delivered in phases over a two year period.				
	Background Papers				
	• <u>ICT Strategy 2014-2019</u>				
	Business and Systems Terms of Reference				
	Business and Systems Integration Business <u>case</u>				
	Business and Systems Integration Project: Governance Reporting Arrangements (18 November 2015)				
APPENDICES	Appendix A: Highlight Report – May 2017				
	Appendix B: Highlight Report – April 2017				
	Appendix C: Highlight Report – Feb-Mar 2017				
	Appendix D: Audit Progress				
	Appendix E: Spend Breakdown				
	Appendix F: Go Live Dates				
TIME REQUIRED	5 Minutes.				
REPORT ORIGINATOR	Anne-Marie Carter				
AND CONTACT	acarter@bucksfire.gov.uk				
	07966 886689				

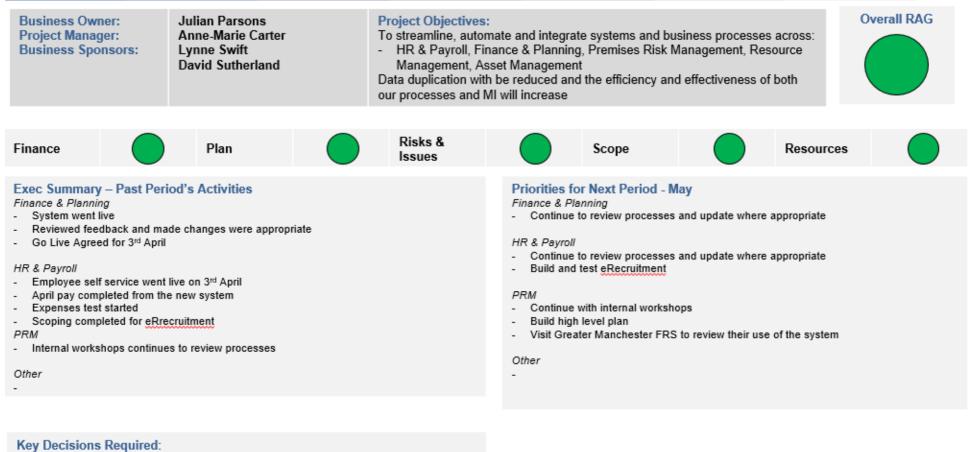
Business & Systems Integration project – May 2017



Ney milestones		
Milestone	Forecast/ Actual	RAG
Next BTB	25 th May	
Next O&A	26 th July	
Kick off workshop for PRM	July	

Risk/ Issue	RAG	Description	Mitigating Action	Next Action
R		working impacting BASI	Continue to engage with Stakeholders. Agree change control process	Ongoing
R		Budget Management	Review monthly	Ongoing

Business & Systems Integration project – April 2017



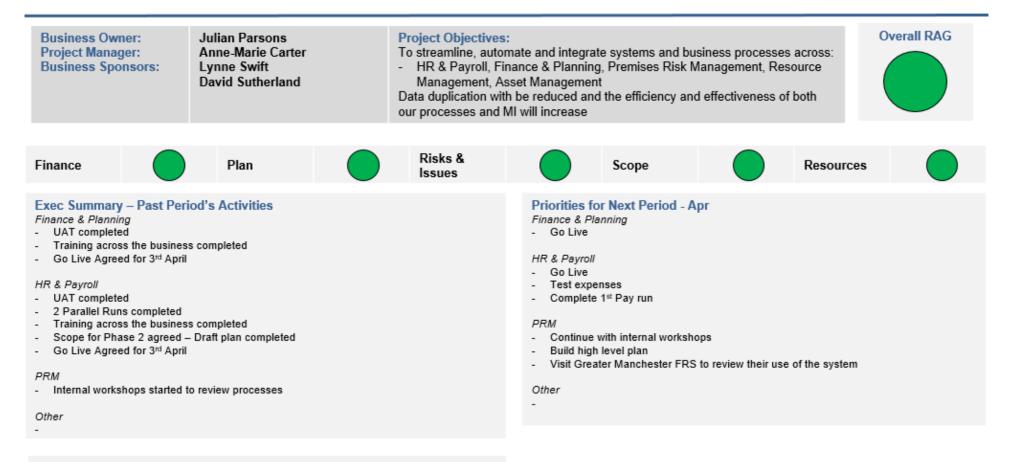
- None

Key Milestones

Milestone	Forecast/ Actual	RAG
Next BTB	25 th May	
Next O&A	26 th July	
Kick off workshop for PRM	June	

Key Risks & Issues

Risk/ Issue	RAG	Description	Mitigating Action	Next Action
R		New systems and ways of working impacting BASI	Continue to engage with Stakeholders. Agree change control process	Ongoing
R		Budget Management	Review monthly	Ongoing
R		End user capacity with new systems going live in April	Work with relevant teams to join up training	Closed



Key Decisions Required:

- None

Key Milestones

Milestone	Forecast/ Actual	RAG
Next BTB	25 th May	
Next O&A	26 th July	
HR/Payroll Live	3 rd April	
Finance Live	3 rd April	

Key Risks & Issues

Risk/ Issue	RAG	AG Description Mitigating Action						
R		working impacting BASI	Continue to engage with Stakeholders. Agree change control process	Ongoing				
R		Budget Management	Review monthly	Ongoing				
R		End user capacity with new systems going live in April	Work with relevant teams to join up training	Ongoing				

Business and Systems Integration Project: Progress Report Appendix D: Audit Progress

	Control description	Priority H/M/L	Management Action Plan	Task owner and target date for implementation	Latest Update
Key	Area: Project Approval and Link	to Strategic O	bjectives		
1	There is a project plan in place for the entire duration of the project, which clearly states how benefits will be realised.	Medium	The individual project plans will be completed by the suppliers in conjunction with BMKFA as this makes best use of resource. A high level project plan will be put in place capturing key milestones for the outstanding elements	Who to be actioned by: Anne-Marie Carter, Project Manager When to be actioned by: 31 Jan 2017	Completed: There is now a high level plan showing all stages of the project, this can be seen in Appendix F: Go Live Dates
2	Risks have been identified and there is a process in place for managing those risks, including escalation where appropriate.	Medium	High level risks will continue to be captured on the highlight report and discussed at the sponsors meetings Detailed risks relating to the project will be updated on a regular basis; actions to manage the risks will be recorded and monitored.	Who to be actioned by: Anne-Marie Carter, Project Manager When to be actioned by: 31 Jan 2017	Completed: The risk/issue log is updated monthly or when needed, high level risks continue to be entered on the highlight report
Кеу	Area: Resources, Skills and Gove	rnance			
3	Project management methodology has been agreed.	Medium	The BMKFA Project Management methodology will bereviewed taking into consideration other guidance including- National Operational Guidance programme Thames Valley Collaboration programmeThis will ensure any methodology and templates put in placewill support collaboration.The new methodology will be communicated to business	Who to be actioned by: Anne-Marie Carter, Project Manager When to be actioned by: 31 July 2017	Ongoing – On track: A review of all Project Management processes and documentation is underway.
Key	Area: Project Approval and Link	to Strategic O	bjectives		
4	The project plan is revised and checked for viability if changes to the specifications are made.	Low	Any revisions to the specification of the project will be formally agreed at the appropriate Board and minuted.	Who to be actioned by: Julian Parsons, Head of Service Development When to be actioned by: Ongoing	Ongoing: There have been no project changes since the audit. All progress reports are taken to BTB and SMB.
Key	Area: Resources, Skills and Gove	rnance			
5	Project interdependencies have been considered and documented.	Low	Dependencies will continue to be worked on throughout the project. All project documentation will be kept up to date to ensure that the current dependencies of the project are known.	Who to be actioned by: Anne-Marie Carter, Project Manager When to be actioned by: Ongoing	Ongoing: Dependencies are being tracked within the risk and issue log

Appendix E: Spend Breakdown

Summary:

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	Total £000
Budget		590	410	0	1,000
					0
Spent	34	373	21	0	428
Committed		0	269	45	314
Earmarked		0	134	124	258
Total	34	373	424	169	1,000

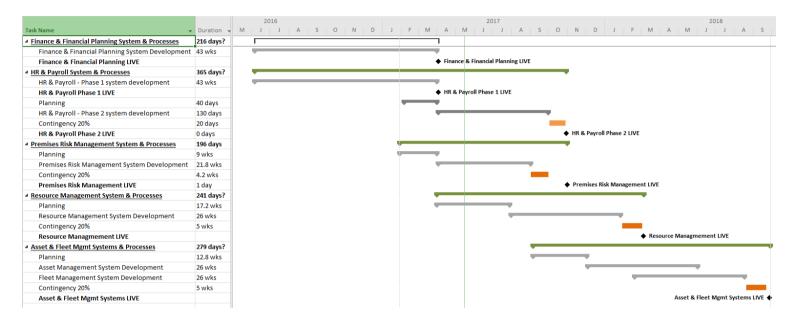
Contingency of £200k was not needed in 16/17

Please note:

- All figures as at end of April 2017
- Spent = Purchase Order paid
- Committed = Purchase Order raised
- Earmarked = For Asset & Resource Management systems replacement and training

Appendix F: Go Live Dates

Area	Area Target Go Live							
Finance	April 2017	Achieved						
HR – Phase 1	April 2017	Achieved						
HR – Phase 2	September 2017	On track						
Payroll	April 2017	Achieved						
	1 st Pay run at end of April `17							
Premises Risk Management	TBC – Late 2017	N/A						
Resource Management	TBC – Mid 2018	N/A						
Asset Management	TBC – Late 2018	N/A						



System Descriptions:

Finance: Replacement of SAP covering all areas of Finance and Planning

- *HR Phase 1*: Replacement of SAP covering Core HR, Absence, Pensions, Costing and Employee and Manager Self Service
- HR Phase 2: Replacement of SAP covering Learning Events, People Development, Discipline and grievance, Dashboards, Org Charting, Recruitment/web recruitment

Payroll: Replacement of SAP covering all Payroll elements

Premises Risk Management: Replacement of Microsoft access database and manual processes covering:

- Home Fire and Risk Checks and prevention activities;
- Site Specific Risk Information. This is the data used by our firefighters when attending operational incidents;
- Fire Protection Audits. This is the data collected as part of our activities in enforcing fire safety regulations in commercial premises.

Buckinghamshire & Milton Keynes Fire Authority



	T								
MEETING	Overview and Audit Committee								
DATE OF MEETING	26 July 2017								
OFFICER	Julian Parsons, Head of Service Development								
LEAD MEMBER	Councillor Peter McDonald								
SUBJECT OF THE REPORT	ICT Disaster Recovery Plan								
EXECUTIVE SUMMARY	This paper is to provide an initial update into the delivery of the ICT Disaster Recovery Plan which was approved at SMB on the 18 October 2016.								
	Since approval for funding we have:-								
	• Sought out partners to deliver the project:								
	 Updata (Capita) to provide the connectivity; 								
	 Microsoft Azure for secure cloud space; 								
	 Systems Up to assist internal staff with the preparation, move and testing of the new solution. 								
	Created a design brief document and timeline.								
	 Tested the solution which was proposed using low capacity servers and a connection across the internet to the Microsoft Azure Cloud. 								
	We are currently six months behind schedule, due to issues with Updata delivering the route to Azure. This is because Buckinghamshire County Council (BCC) decided not to allow us to share their route to the cloud (Express Route). We have redesigned the network topology to allow our own Express Route. Updata are currently configuring our firewalls routers and network to provide the necessary routing.								
ACTION	Information.								
RECOMMENDATIONS	That the report be noted.								
RISK MANAGEMENT	That the report be noted. As identified in the original report, there remains a significant risk whilst our production servers and disaster recovery servers remain co-located. This was again recognised in an audit of our resilience carried out by BCC Q1 2017.								
	The issue with delivery of a suitable connection to Azure has not only created a significant delay, but also								

	could have financial consequences.
	It should be noted that our systems were not affected by the global cyber-attack experienced in May 2017. This was in part due to the significant work already undertaken to improve our resilience to attacks of this nature.
FINANCIAL IMPLICATIONS	Whilst the original request in the Medium Term Financial Plan remains sufficient, the redesigned route to Azure will attract an additional cost, we have attempted to minimise this and expect to deliver close to the allocated budget.
LEGAL IMPLICATIONS	Under the Civil Contingencies Act 2004, Fire and Rescue Services are categorised as category 1 responders and therefore are expected to be highly robust and able to maintain operations at all times. Therefore the business continuity and disaster recovery plan for Buckinghamshire Fire and Rescue Service (BFRS) must be robust enough to deal with and maintain its statutory obligations through all reasonably foreseeable events.
	Many aspects of our ICT systems manages information that would be subject to the Data Protection Act 1998. Therefore the security of our systems is paramount and our management of data is intrinsically linked to our ICT business continuity arrangements.
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	In 2015 BFRS and Royal Berkshire Fire and Rescue Service (RBFRS) explored opportunities to potentially collaborate in providing mutual resilience in relation to disaster recovery servers. This would effectively mean that each service would host the others' back-up server arrays. Though technically very feasible and the geographical remoteness of the two services HQs was attractive, the costs of replicating the server arrays in each server room was cost prohibitive.
HEALTH AND SAFETY	There are no health and safety implications perceived at this time. There is constant review of this and any issues that may arise in the future will be referred.
EQUALITY AND DIVERSITY	There are no equality or diversity matters arising from this report.
USE OF RESOURCES	Contribution to the achievement of strategic objectives;
	The ICT Strategy 2014-19 is designed to modernise our ICT infrastructure to take in the latest technology and thinking. It is key to supporting the ICT strategic objective to move applications to the cloud.
	Communication with stakeholders;
	Part of the plan for increasing the resilience of our ICT systems and recovery from any future cyber-attacks is

	through education of our staff to minimise the data stored on our systems, and also use email and the internet more safely by understanding and recognising cyber threats.
	The system of internal control;
	Agreed projects and initiatives will be captured in the ICT 2014-2019 project portfolio. Progress will be monitored at a departmental level and reported corporately through the development of the programme performance management system within Viper.
	The medium term financial strategy;
	The projects required to improve our ICT business continuity and disaster planning will be financially supported through either existing budgets or where necessary through in-year virements from underspends or contingency. This will be done in consultation with Finance.
	There may be the need for some modest revenue growth for the ICT department budgets.
PROVENANCE SECTION	Background
& BACKGROUND PAPERS	As part of the ICT Strategy 2014-2019 it was identified that current government policy is to encourage public sector organisations to explore the benefits of cloud hosting and reduce the public spend on internal ICT infrastructure.
APPENDICES	Appendix A: DR Plan V3
	Appendix B: Disaster Recovery Review (Exempt from Publication)
	Appendix C: DR Gantt V3
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	Dave Thexton, ICT Manager <u>dthexton@bucksfire.gov.uk</u> 07876 448 744

Annex A Move to cloud disaster recovery



Key Milestones

Milestone	Forecast/ Actual	RAG
SystemsUp have completed proof of concept	Jan 2017	
Updata have provided a design document	April 2017	
Updata to start work on the new data route setup	May/June 2017	

Risk/ Issue	RAG	Description	Mitigating Action	Next Action
05/05/17		Delays to project	Meetings with BCC & Updata	03/07/17
05/05/17		Resources both internal and external	As above	03/07/17

Annex C Disaster Recovery Gant Chart

						Jul	n <mark>09/07</mark>		ed 12/07	Sat 15/07	Tue	18/07	Fri 21/07	IVIO	n 24/07	Thu 27/0	/ 30	un 30/07	Wed 02/08	Sat 05/08	Tue 08/08	Fri 11/08	Mon 14/0	08 Thu 17
Ia	isk Name 👻	Work 🗸	Durati 🗸	Start 👻	Finish 👻	17	18	19 20	21 22	23 0	1 2	3 4	5 6	7 8	39	10 11 :	12 13	14 15	16 17 18	19 20 21	22 23 0) 1 2	3 4 5	6 7
1 4	BFRS Azure BCDR	39 days	28 days	Mon 10/07/17	Wed 16/08/17								_				_							1
2	▲ Implementation	28 days	15 days	Mon 10/07/17	Fri 28/07/17																			
3	Configure Networks	1 day	1 day	Mon 10/07/17	Mon 10/07/17			1																
4	Configure VPN	2 days	2 days	Tue 11/07/17	Wed 12/07/17		ì		-h															
5	Configure NSG	1 day	1 day	Thu 13/07/17	Thu 13/07/17																			
6	Configure Storage Accounts	1 day	1 day	Mon 10/07/17	Mon 10/07/17		-	1																
7	Configure AD & DCs	3 days	3 days	Tue 11/07/17	Thu 13/07/17		ì	ľ.																
8	Configure Application Server Replication	9 days	8 days	Tue 11/07/17	Thu 20/07/17		ì	*																
9	Configure SQL Server AAG	1 day	1 day	Fri 21/07/17	Fri 21/07/17							ì												
10	Configure Exchange DAG	3 days	1 day	Fri 21/07/17	Fri 21/07/17							ĩ		_										
11	Configure Azure Backup	1 day	1 day	Mon 10/07/17	Mon 10/07/17																			
12	Failover checks	6 days	5 days	Mon 24/07/17	Fri 28/07/17									1										
13	▲ Testing	8 days	7 days	Mon 31/07/17	Tue 08/08/17																	-		
14	Create test scripts	2 days	2 days	Mon 31/07/17	Tue 01/08/17														-h					
15	Review and sign off test scripts	1 day	1 day	Wed 02/08/17	Wed 02/08/17														L					
16	Run test scripts	2 days	1 day	Thu 03/08/17	Thu 03/08/17														i i i i i i i i i i i i i i i i i i i					
17	Remediate issues	2 days	1 day	Fri 04/08/17	Fri 04/08/17														Ĭ					
18	Re-run test scripts	1 day	1 day	Mon 07/08/17	Mon 07/08/17																-h			
19	Sign-off Implementation	0 days	0 days	Mon 07/08/17	Mon 07/08/17																a 07/08		1	
20	▲ Project Closure	3 days	3 days	Mon 14/08/17	Wed 16/08/17																		ĭ	
21	Documentation, Handover and post-project support and sign-off	3 days	3 days	Mon 14/08/17	Wed 16/08/17																			

Updated 22/06/2017