

**BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY**  
**BUCKINGHAMSHIRE FIRE AND RESCUE SERVICE**

Director of Legal & Governance, Graham Britten  
Buckinghamshire Fire & Rescue Service  
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**Chief Fire Officer and Chief Executive**  
Jason Thelwell

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To: The Members of the Overview and Audit Committee

9 July 2018

**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 18 JULY 2018 at 10.00 AM** when the business set out overleaf will be transacted.

Yours faithfully

A handwritten signature in black ink that reads 'Graham Britten'.

Graham Britten  
Director of Legal and Governance

Councillors: Cranmer, Exon, Farrow, Glover, Geary, Irwin, Teesdale, Watson and Wilson



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## **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 [enquiries@bucksfire.gov.uk](mailto:enquiries@bucksfire.gov.uk) 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; andother 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; andother 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 2018/19

#### 2. Appointment of Vice Chairman

To appoint a Vice Chairman for 2018/19

#### 3. Apologies

#### 4. Minutes

To approve, and sign as a correct record, the Minutes of the meeting of the Committee held on 7 March 2018 (Item 4) **(Pages 9 - 18)**

#### 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 19 - 54)**

##### (b) Update on Progress of Audit Recommendations

To consider Item 8b **(Pages 55 - 58)**

##### (c) Annual Audit Report 2017/18

To consider Item 8c **(Pages 59 - 66)**

#### 9. Annual Governance Statement 2017/18

To consider Item 9 **(Pages 67 - 92)**

**10. Audit Results Report**

To consider Item 10 (**Pages 93 - 140**)

**11. Letter of Management Representation 2017/18**

To consider Item 11 (**Pages 141 - 152**)

**12. Adoption of the Audited Statement of Accounts**

To consider Item 12 (**Pages 153 - 248**)

**13. Anti-Money Laundering Policy**

To consider Item 13 (**Pages 249 - 270**)

**14. Treasury Management Performance 2017/18 - Quarter 4**

To consider Item 14 (**Pages 271 - 278**)

**15. Corporate Risk Management**

To consider Item 15 (**Pages 279 - 292**)

**16. Emergency Response Performance Reporting**

To consider Item 16 (**Pages 293 - 326**)

**17. Business and Systems Integration Project: Progress Report**

To consider Item 17 (**Pages 327 - 336**)

**18. Date of next meeting**

To note that the next meeting of the Committee will be held on Wednesday 14 November 2018 at 10.00am.

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

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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 7 MARCH 2018 at 10.00AM

**Present:** Councillors Cranmer, Exon, Glover, Irwin, Sullivan, Teesdale (Part), Watson (Chairman) and Wilson

**Officers:** G Britten (Director of Legal and Governance), L Swift (Director of People and Organisational Development), M Hemming (Deputy Director of Finance and Assets), N Boustred (Head of Service Delivery), J Parsons (Head of Service Development), M Gibb (Internal Audit Manager), M Grindley (Ernst & Young), A Kennett (Ernst & Young), A Carter (BASI Project Manager), G Barry (Information Governance and Compliance Manager) S Gowanlock (Corporate Planning Manager) A Hussain (Principal Accountant), K Nellist (Democratic Services Officer), D Cartwright (Operational Assurance Ltd) Garry Jones (Operational Assurance Ltd) and Councillor Reed

**Apologies:** None.

**OA30 MINUTES**

RESOLVED –

That the Minutes of the meeting of the Overview and Audit Committee held on 15 November 2017, be approved and signed by the Chairman as a correct record.

**OA31 APPOINTMENT OF VICE CHAIRMAN**

It was moved and seconded that Councillor Cranmer be appointed as Vice Chairman of the Committee for 2017/18. There being no other nominations it was:

RESOLVED –

That Councillor Cranmer be appointed as Vice Chairman of the Committee for 2017/18.

**OA32 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.

**OA33 OPERATIONAL ASSURANCE IMPROVEMENT PLAN**

The Head of Service Development advised Members that the Service had commissioned Operational Assurance Limited (OAL) to undertake an independent and in depth examination of the Authority's operational delivery and internal operational assurance processes. This was undertaken in October 2016. After receiving OAL's positive and constructive report, an action plan was put in place to address the thirty recommendations made. OAL were invited to return to carry out a 'Check Point Review' to

assess the progress the Authority had made against their recommendations.

This report was provided by the Assurance Team from the Joint Emergency Services Interoperability Programme (JESIP). The team visited the service in June 2017 and undertook a review of how we had implemented and developed joint interoperability with the other two blue light services.

(Councillor Teesdale joined the meeting)

David Cartwright, Chairman of Operational Assurance Limited (OAL) introduced himself and the company and Garry Jones Lead Auditor, gave Members a brief overview of the report.

Garry Jones advised Members that in October 2016 the initial team had come in, and an in depth review was undertaken of the arrangements for providing operational assurance. The review considered the application of a newly developed operational assurance model and examined two core areas: incident command and operational training. As an outcome of that review, 30 recommendations were identified of which 26 were agreed with officers. In November 2017 OAL returned to review the progress that had been made in the implementation of those recommendations. OAL's conclusion from the Checkpoint Review was extremely positive. It had been identified that an impressive array of work had been undertaken by the service and virtually all the recommendations had been subject to significant progression. In particular, the three key areas that had been identified as being priority recommendations had received substantial attention.

A Member asked if OAL had examined collaborative cross border working and was advised that this was not a specific part of the review, but while OAL were here they attended a cross border incident which was attended by supporting services and the interaction between the officers was observed.

The Head of Service Delivery advised Members that the review focussed on the governance of operational assurance and an Operational Assurance Group was set up within the service and following on from the work done by OAL, monitoring officers attend incidents and monitor performance, especially if there were crews from other services attending.

A Member asked if the Authority's inspection was not until Spring/Summer 2019, how the service would maintain momentum and was advised that the Operational Assurance Group had been set up along with an operational assurance plan. This was a dynamic live document where completed activities would be removed and archived and new activities introduced. The Authority was also in the process of procuring a service that would deliver a three year plan of external independent scrutiny

of operations to ensure operational excellence, not just for inspection, but for the long term.

A Member asked if OAL's reports on other fire and rescue services were in the public domain so that he might read them and was advised that the reports produced were the property of the individual service and it was for them to decide if they wanted to publish the report or not.

RESOLVED –

1. That the content of both the OAL 'Checkpoint' review and JESIP Assurance visit report be noted.
2. That the progress made against each improvement recommendation detailed within the update OAIP, be noted.

**OA34**

## **INTERNAL AUDIT REPORTS**

### **a) Internal Audit Report: Draft Audit Strategy and Annual Internal Audit Plan 2018/19**

The Internal Audit Manager advised Members that this report set out the proposed Internal Audit Strategy and the proposed Internal Audit Plan for 2018/19 for approval. There were no material changes from the strategy of previous years, however, there remained some flexibility through a provision of contingency days. A new Audit Manager, Selina Harlock, would be introduced for 2018/19, who would be overseeing the day to day delivery of the plan and would be attending future meetings of the Committee. In order to underpin the Annual Audit Opinion a risk based methodology would be applied to all audit assignments, providing assurance that key controls were well designed and operating effectively to mitigate principal risk exposures. As in previous years, the majority of the days would be used on Core Financial Controls. The first audit to be carried out in Quarter 1 was the Information Security audit.

RESOLVED –

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

### **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 meeting. The 2017/18 Property Management Audit had now been finalised. The single recommendation had been agreed with the Property Manager and Director of Finance and Assets, and a suitable deadline date for implementation had been identified. The audit had been given a substantial level of assurance.

RESOLVED –

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

**c) Internal Audit Report: Update on Progress of the Annual Audit Plan 2017/18**

The Internal Audit Manager advised that the purpose of this report was to update Members on the progress of the annual Internal Audit Plan since the last meeting. Work had progressed according to the 2017/18 plan, and regular discussions had been held with the Director of Finance and Assets to monitor progress. The draft report for the audit of Corporate Governance had been issued for management comments and the fieldwork for the Core Financials audit had been completed with the draft report due for issue before the end of the financial year.

**RESOLVED –**

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

**d) Internal Audit Report: Update on Progress of Audit Recommendations**

The Internal Audit Manager advised that the purpose of this report was to update Members on the implementation of audit recommendations made as at 5 February 2018. 23 out of 25 (92%) actions had been implemented, 2 out of 25 (8%) had not been implemented and the due date revised. There were no outstanding recommendations to bring to the attention of Members at this time.

A Member asked if the new e-recruitment system would be in place for 1 April 2018 and was advised that yes it was currently being trialled for firefighter apprenticeships.

A Member asked what was the Tranman System and was advised that it was used by Workshops to track jobs i.e. vehicles for servicing and stock control.

**RESOLVED –**

That the progress on implementation of recommendations be noted.

**OA35**

**ERNST & YOUNG AUDIT PLAN 2017/18**

The External Auditor advised Members that the report sets out the plan of activity for the Authority's external auditors, Ernst & Young, for their work in relation to the financial year 2017/18. The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines for the 2017/18 financial year. The timetable for the preparation and approval of accounts had been brought forward with draft accounts needing to be prepared by



31 May and the publication of accounts by 31 July. This provided a risk for both the Authority and Ernst & Young as although early close down had been piloted successfully with the Authority, the workload for Ernst & Young would increase as it was now a statutory requirement for all public bodies. There was a very good relationship built up over the last few years which should mitigate this risk.

The External Auditor advised that there were two fraud risks they would like to bring to the attention of Members, the risk of fraud in revenue and expenditure recognition and the risk of management override. These were not just risks in this Authority but all Authorities. There were two inherent risks, valuation of land and buildings and pension liability valuation.

RESOLVED –

That the plan set out in Annex A be noted.

### **OA36 TREASURY MANAGEMENT PERFORMANCE 2017/18 – Q3**

The Deputy Director of Finance and Assets presented the report and informed the Committee that investments made had been performing well. The accrued interest earned from April to December 2017/18 was £126k which was £51k higher than budgeted for the first three quarters of the year. A new strategy was approved at the Fire Authority meeting in February and the income target would be increased to £150k for 2018/19.

RESOLVED –

That the Treasury Management Performance 2017/18 – Quarter 3 report be noted.

### **OA37 CORPORATE RISK MANAGEMENT**

The Corporate Planning Manager advised Members that the report provided an update on the current status of identified corporate risks. Risk registers were maintained at project, departmental and directorate levels. Corporate risks were those that had been escalated from these levels for scrutiny by the Strategic Management Board because of their magnitude, proximity or because of the treatments and controls require significant development.

Since Members last reviewed the Corporate Risk Register at the Overview and Audit Committee meeting on 15 November 2017, it had been regularly reviewed by the Performance Management Board (PMB), most recently at its 1 February 2018 meeting. Although PMB identified no items for escalation to the Corporate Risk Register it recommended that the following risks be maintained at their existing levels:

- Staff Availability – ongoing recruitment activity targeted at operational staff by neighbouring fire and rescue services, in particular London Fire Brigade, posed a significant staff retention challenge;
- Funding and savings – although a balanced budget for 2018/19 had been set the outcomes of national firefighter pay negotiations were still unknown and present a significant risk to the budgetary position;
- Paging Service – to be maintained at amber RAG status until the new application had gone live following successful user acceptance testing and the Code of Connectivity issue detailed in the Risk Register at Annex C resolved;
- Information Security failure – the threat from malware was high and likely to remain so.

RESOLVED –

1. That the status report on identified corporate risk at Annex C be reviewed and approved.
2. That comments to officers for consideration and attention in future updates/reports be provided.

**OA38**

**GENERAL DATA PROTECTION REGULATION (GDPR) PROGRESS**

The Lead Member for Health and Safety and Corporate Risk advised Members that this was something that was affecting all organisations across Europe and also other countries that trade with them. Changes in data protection legislation reflected the technological changes since the Data Protection Act 1998 was introduced and were intended to complement people's rights to privacy. In the UK the GDPR comes into effect on 25 May 2018 and as you would see from the report the Authority was well on the way to developing a watertight system.

The information Governance and Compliance Manager advised Members that the purpose of the report was to advise them on the progress being made to ensure that the requirements of the GDPR were being met. The Information Commissioner's Office (ICO) provided guidance for Data Protection Officers (DPOs) and others with day-to-day responsibility for data protection, to support the development processes and procedures in readiness for the 25 May 2018. Core to this guidance was the ICO's 'Preparing for the GDPR: 12 steps to take now' which Members could see at Appendix A.

A Member asked how this would be monitored in the future and was advised that it wasn't clear at present but that the Information Commissioner had asked for extra staff and so may conduct audits in the future.

A Member asked if there would be a role for Internal Audit to look at GDPR and whether they had any scope to look at it in the year ahead and was advised that a discussion had taken place around it as they were undertaking an Information Security Audit, so they could monitor the implementation and provide some independent assurance of how the Authority was progressing and there were some contingency days that could be used.

A Member asked who the formal Data Protection Officer was and was advised that it was the Information Governance and Compliance Manager.

RESOLVED –

That the report be noted.

**OA39**

### **2016/17 COMPLIMENTS AND COMPLAINTS**

The Information Governance and Compliance Manager advised Members that the purpose of the report was to advise of complaints made and, following investigation, any that were upheld. It included details of the corrective action taken to reduce or remove the problem and improve public perception of the services the Authority provided. It also served to note public satisfaction and, where new good practice was identified, to improve standard operating procedures.

The Information Governance and Compliance Manager advised that as the numbers of compliments and complaints were relatively low, data from the annual satisfaction survey 'After the Incident' was included to capture the perceptions of those experiencing an incident in the home or non-domestic premises with 316 non-domestic and 377 domestic premises surveys being completed. Of the 14 complaints received, only 4 were upheld. There were no significant issues and everything was investigated thoroughly.

A Member asked if there was a recording system for incidents that had impeded the fire service, accessing a property for example, and was advised that if there were issues with a property, it was recorded and followed up by the Protection teams as part of its work around the Fire Safety Order. Local issues were recorded at Station level. Reported frustrations or incidents that fire crews had come across were captured on the incident reporting system; the other issue was reports by local residents concerned about parking and appliances not getting access. The Head of Service Delivery agreed to look at what data was held on both elements for a potential item at a future Committee.

RESOLVED –

That the report be noted.

**OA40 IT DISASTER RECOVERY**

The Head of Service Development advised Members that the IT Disaster Recovery project remained on track and on budget. At the time of completing this report the current activities were underway, preparation of Azure for the servers; testing of the bandwidth available across the link; changes to the firewalls to allow access to Azure from all stations and upgrading the operating system on some servers to support the solution.

RESOLVED –

That the report be noted.

**OA41 BUSINESS AND SYSTEMS INTEGRATION PROJECT: PROGRESS REPORT**

The BASI Project Manager presented the report and informed the Committee that since the last meeting the Resource Management System had been awarded to FireServiceRota. The first part of the Premises Risk Management Prevention Module was now in the build phase. Building and testing of the new Learning & Development and Performance Management Processes continued to be worked on and a trial would be starting in April in line with the appraisal process, for it to be rolled out the following year.

The BASI Project Manager advised Members that the Authority won the 'new customer project of the year' award at the Midlands HR Conference. This was good evidence of team work that went on throughout the organisation to get the system up and running and live.

The BASI Project Manager advised Members that a review of the overall plan had been completed and this had led to a slight extension to the overall timescales. The good news was that it had not changed the costs and it would not impact on quality. The project management audit actions were now complete.

A Member asked whether in future more up-to-date highlight reports could be included in the appendices.

Members expressed their congratulations for the award received.

RESOLVED –

That the report be noted.

**OA42 FINANCIAL INSTRUCTIONS**

The Deputy Director of Finance and Assets advised Members that these instructions were part of the financial control framework, which exists to ensure that proper application and control of public money and to safeguard the officers involved in financial processes. Changes had been made by the Chief Finance Officer to reflect the revised processes introduced as a result of moving to the new Finance, HR and Payroll Systems as well as changes to the Financial Regulations approved by the Fire Authority in October 2017.

RESOLVED –

That the updated Financial Instructions be noted.

THE CHAIRMAN CLOSED THE MEETING AT 11.45AM

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# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	18 July 2018
<b>OFFICER</b>	David Sutherland, Director of Finance and Assets Maggie Gibb, Internal Audit Manager
<b>LEAD MEMBER</b>	Councillor David Watson
<b>SUBJECT OF THE REPORT</b>	<b>Internal Audit Report: Final Audit Reports</b>
<b>EXECUTIVE SUMMARY</b>	<p>The purpose of this paper is to update Members on the findings of the finalised Internal Audit reports issued since the last Overview and Audit Committee meeting.</p> <p>The following 2017/18 audits have been finalised:</p> <ol style="list-style-type: none"> <li>1. Core Financial Controls (Substantial)</li> <li>2. Corporate Governance (Substantial)</li> </ol> <p>The recommendations have been agreed with the responsible officers and suitable deadline dates for implementation have been identified.</p> <p>Internal Audit will monitor implementation of the recommendations as they fall due.</p>
<b>ACTION</b>	Information.
<b>RECOMMENDATIONS</b>	That the recommendations raised in the finalised Internal Audit reports be noted.
<b>RISK MANAGEMENT</b>	There are no risk implications arising from this report.
<b>FINANCIAL IMPLICATIONS</b>	The audit work is contained within the 2017/18 budget.
<b>LEGAL IMPLICATIONS</b>	There are no legal implications arising from this report.
<b>CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE</b>	Not applicable.

<b>HEALTH AND SAFETY</b>	There are no health and safety implications arising from this report.
<b>EQUALITY AND DIVERSITY</b>	There are no equality and diversity implications arising from this report.
<b>USE OF RESOURCES</b>	Communication and progress monitoring All audits, follow up reports and further updates will be submitted to SMB and Overview and Audit Committee.
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	Internal Audit Plan 2017/18 Internal Audit reports taken to Overview and Audit Committee
<b>APPENDICES</b>	Appendix A: 17/18 Core Financial Controls Appendix B: 17/18 Corporate Governance
<b>TIME REQUIRED</b>	10 minutes
<b>REPORT ORIGINATOR AND CONTACT</b>	Maggie Gibb – Internal Audit Manager <a href="mailto:mgibb@buckscc.gov.uk">mgibb@buckscc.gov.uk</a> 01296 387327



**BUCKINGHAMSHIRE COUNTY COUNCIL  
INTERNAL AUDIT AND RISK MANAGEMENT**

**FINAL INTERNAL AUDIT REPORT**

**Core Financial Controls 2017/18**



**Date Issued: June 2018**

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### Audit Control:

<b>Closing meeting:</b>	7 February 2018
<b>Draft report:</b>	19 February / 18 June 2018 (revised)
<b>Management responses:</b>	20 April / 18 June 2018
<b>Final report:</b>	19 June 2018
<b>Audit Ref:</b>	18-31

<b>Auditors:</b>	Maggie Gibb Selina Harlock Betty Davidson	Head of Business Assurance (and Chief Internal Auditor) Audit Manager Senior Auditor
<b>Report Distribution:</b>		
Draft Report	Mark Hemming Asif Hussain David Sutherland Sharon Elmes Kerry McCafferty	Deputy Director of Finance and Assets Principal Accountant Director of Finance and Assets Employee Services and Payroll Manager Head of Human Resources and Organisational Development
Final Report as above plus:	Jason Thelwell  Ernst and Young	Chief Fire Officer Chair Bucks and Milton Keynes Fire Authority External Audit

## **Management Summary**

### **Introduction**

This audit of Core Financial Controls was undertaken as part of the 2017/18 Internal Audit plan, agreed by the Overview and Audit Committee. The audit was undertaken during the fourth quarter of 2017/18.

### **Audit Objective**

Internal Audit's objectives for this audit are to provide an evaluation of, and an opinion on, the adequacy and effectiveness of the system of internal controls that are in place to manage and mitigate financial and non-financial risks of the system. This will serve as a contribution towards the overall opinion on the system of internal control that the Chief Internal Auditor is required to provide annually to the Council. It also provides assurance to the Section 112 Officer that financial affairs are being properly administered.

### **Scope of work**

The audit activity focussed on the following key risk areas identified in the processes relating to Core Financial Controls System:

- Financial Control Framework
- Creditors
- Debtors
- Payroll
- General Ledger
- Grant income
- Capital
- Banking and Reconciliations
- VAT
- Treasury Management

The audit considered the controls in place at the time of the audit only. Where appropriate testing was undertaken, samples of transactions that occurred within the last 12 months were used.

**Table 1 Overall Conclusion**

<b>Overall conclusion on the system of internal control being maintained</b>	<b>Substantial</b>
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<b>RISK AREAS</b>	<b>AREA CONCLUSION</b>	<b>No of High Priority Management Actions</b>	<b>No of Medium Priority Management Actions</b>
<b>Financial Control Framework</b>	<b>Reasonable</b>	<b>0</b>	<b>1</b>
<b>Creditors</b>	<b>Reasonable</b>	<b>0</b>	<b>1</b>
<b>Debtors</b>	<b>Reasonable</b>	<b>0</b>	<b>1</b>
<b>Payroll</b>	<b>Reasonable</b>	<b>0</b>	<b>1</b>
<b>General Ledger</b>	<b>Substantial</b>	<b>0</b>	<b>0</b>
<b>Grant Income</b>	<b>Substantial</b>	<b>0</b>	<b>0</b>
<b>Capital</b>	<b>Substantial</b>	<b>0</b>	<b>0</b>
<b>Banking and Reconciliations</b>	<b>Substantial</b>	<b>0</b>	<b>0</b>
<b>VAT</b>	<b>Substantial</b>	<b>0</b>	<b>0</b>
<b>Treasury Management</b>	<b>Substantial</b>	<b>0</b>	<b>0</b>
		<b>0</b>	<b>4</b>

Appendix 1 provides a definition of the grading for each of the conclusions given.

The Core Financial Control Audit has an overall opinion of Substantial. The audit found that there were no significant weaknesses in the control framework for the areas reviewed. However there are some areas for improvement which are detailed in the risk areas below and in the action plan in Table 2.

As part of the Business and Systems Integration (BaSI) Project the Fire Authority replaced the SAP financial system, which was hosted by Buckinghamshire County Council, in April 2017. This has provided the Authority with more control over the system in terms of access rights, reports produced from the system and approval workflows. The new finance system 'Integra' is provided by Capita. Payroll and HR information is now held and processed through the iTrent HR system; this was also purchased as part of the BaSI project and was introduced in April 2017.

### **Financial Control Framework**

The Fire Authority has up to date and approved Financial Regulations, Financial Instructions and Contract Standing Orders in place which provide the control framework for all financial processes. Budget monitoring is carried out on a monthly basis with reports being provided by the Integra financial system. There is a workflow system in place which ensures that forecasts are updated by Budget Holders and are subject to check and challenge from the Management Accountants.

There is a corporate risk register in place that identifies risks that are ranked as red (high priority); these are reviewed on a quarterly basis by Senior Management. However Audit found that although Financial Risks which are considered as high risk are escalated to the Corporate Risk Register the lower level risks are not subject to a regular formal review, additionally risk owners and target dates for actions are not identified in the risk register.

Virements are used to move budgets from one cost centre to another where errors are identified or if there is a business need. Prior approval is sought, based on the value of the virement, in accordance with Financial Instructions and Regulations. Testing undertaken identified one virement where each side of the virement had been posted to a different budget type which led to the virement appearing not to balance however, this was due to the way that the budgets had been uploaded by the contractor. This had been identified by Finance staff and corrected. Furthermore, Audit identified one virement that had two minor input errors (less than £100), however due to the values this did not have a significant impact on the underlying budget, therefore no further action was deemed necessary.

Process notes are in place that outline the steps to be followed for all financial processes. However Audit noted the lack of detail on who is responsible for actions in the process notes for some key areas.

## **Creditors**

The Financial Regulations and Instructions provide comprehensive guidance on the ordering, authorising and receipt of goods and services. Access rights have been set up on Integra and checks are in place to ensure there is an adequate separation of duties in the Creditors process including the setting up of vendors, changing vendor records, raising of orders, approving orders and paying invoices.

All purchase card transactions are reviewed by both the Budget Holder and Finance to ensure that they are appropriate and in accordance with purchasing card guidelines. However Audit testing found that there are no rules in place for purchases that would be classified as hospitality.

## **Debtors**

The Financial Regulations and Instructions provide up to date guidance relating to accounts receivable. Documented procedures regarding raising and authorisation of invoices on Integra are available to all responsible staff; these include annotated screenshots of the relevant Integra steps that should be followed. Audit found that access on Integra is restricted to relevant staff and adequate separation of duties exists including the setting up of customers, raising of invoices, approving invoices and posting receipts.

The debt management process is included in the Financial Instructions; this explains the processes for issuing payment reminders, recovering debt and for authorising write-offs. However for a sample of debts tested Audit noted that the debt recovery process as set out in the Financial Instructions had not been followed.

## **Payroll**

The Fire Authority payroll information is held and processed through the iTrent HR system. The Gartan system used for recording on-call staff attendance interfaces with the iTrent system to ensure that the correct hours are paid. The new iTrent system allows expenses and overtime for non-Watch based staff to be claimed electronically and there is a workflow system in place for the line manager to approve these claims. The audit found that roles are allocated on iTrent which ensure that there is an appropriate separation of duties within the payroll process. Additionally checks are carried out at all stages of the payroll process to ensure that amounts paid and deducted are accurate.

From a review of overtime claims, Audit noted for one on-call staff there was an error in the figures claimed and the hours paid. This was investigated and corrected during the audit.

## **General Ledger**

Financial Instructions include all financial processes that the Fire Authority undertakes and have been updated to reflect the new financial system (Integra) and new HR system (iTrent). The Balance Sheet balances on the SAP financial system were input to the new system 'Integra' as part of the set up process by Capita. A reconciliation of the balances from SAP to Integra has been carried out by Finance, as requested by External Audit.

Staff are allocated to a 'role' on iTrent to ensure that there is an adequate separation of duties within the financial processes and that staff cannot access transactions which are not appropriate for their role, for example, setting up new cost centres or cost codes. Audit review confirmed that journals are appropriately approved and backing documentation is held to support each transaction. Suspense accounts are reviewed and cleared as part of the monthly control account reconciliation process, and any unreconciled balances identified are supported by an explanatory note.

### **Grant Income**

The process for receiving and recording grant income was reviewed as part of the audit. For the sample reviewed it was confirmed that all expected grants the correct amounts had been received and on the expected date. The income had been allocated to the appropriate cost centre on Integra and the receipt of this income is reviewed as part of the monthly budget monitoring process. None of the grants have conditions attached or a requirement to complete a return on expenditure made.

### **Capital**

The Financial Regulations and Financial Instructions details the processes to be followed for capital expenditure, responsibilities for the approval of the capital programme and monitoring of capital spend is included. Capital spend and forecasts are monitored as part of monthly budget monitoring. Audit reviewed the approval process for new capital bids for 2017/18; it was found that these had been approved in accordance with Financial Regulations and Instructions.

Assets of land and building are revalued on an annual basis by an external valuer, Bruton Knowles, in accordance with the valuation method detailed in the annual accounts. The Asset Register was reviewed and was found to be up to date with the most recent valuations.

The process for disposals including approval and method is detailed in Contract Standing Orders. Audit reviewed the disposals made in 2017/18 and it was confirmed that the agreed process had been followed.

### **Banking and Reconciliations**

Bank reconciliations are carried out by Finance on a weekly basis; higher value transactions linked to treasury management are reconciled monthly. Access to the bank account via Lloyds Link is restricted to appropriate members of Finance staff. Bank statements are produced from Lloyds Link on a weekly basis and uploaded to Integra, payment and income entries on the bank statement are then matched to creditor and debtor transactions on Integra. Control Accounts including the Bank Control Account are reconciled and this is reviewed and signed off on a monthly basis.

### **VAT**

The process for completing and submitting the VAT return was reviewed as part of the audit. Purchase Ledger and Sales Ledger VAT analysis reports are run from Integra. The total from these reports is compared against that on the relevant ledger spreadsheet and reconciled. This reconciliation is reviewed and signed off by the Principal Accountant who

completes the VAT return and submits to HMRC. A low priority issue was identified in this area regarding the non-completion of a date box which is used to confirm the date the return was submitted to HMRC.

### **Treasury Management**

There is an approved Treasury Management Strategy in place which details the investment and borrowing strategies and the approved list of counterparties. This is backed up by the approved Prudential Code which ensures that that treasury management decisions are taken in accordance with good professional practice. These comply with the CIPFA Code of Practice for Treasury Management in the Public Sector. The Fire Authority has a consultancy service in place with Link Asset Services who provide regular updates on credit worthiness of counterparties. A sample of investments was reviewed; it was found that daily cash flow statements were produced for each day in the sample; these confirm that the amounts invested were available. All investments in the sample had been appropriately authorised, were on the approved counterparty list and within the time limit for investments.



## Table 2 Detailed Audit Findings and Action Plan

Management actions have been agreed to address control weakness identified during the closing meeting and agreement of the draft Internal Audit report. All management actions will be entered on the Council's Performance Management Software and progress in implementing these actions will be tracked and reported to the Regulatory & Audit Committee.

We categorise our management actions according to their level of priority:

Priority High (H)	Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management.
Priority Medium (M)	Significant issue that requires prompt action and improvement by the local manager.
Priority Low (L)	Minor issues requiring action to improve performance or overall system of control.

	Audit Finding, risk exposure and potential impact	Priority	Management Action
<b>Financial Control Framework – Risk Management</b>			
1.	<p>The Corporate Risk Management Policy sets out the methodology for identifying and managing risks.</p> <p>The process for managing financial risks was reviewed by Audit, the Deputy Director of Finance and Assets confirmed that there is no formal process in place for updating amber and green risks on the Finance and Assets Risk Register. Additionally risk owners are not identified and actions do not have target dates.</p> <p>If risks are not monitored on a regular basis and risk owners and target dates not identified there is a risk that the issues may not be managed effectively leading to the risk materialising.</p>	M	<p><b>Action</b></p> <p>Process for reviewing financial risks will be formalised. Risk owners to be identified and target/review dates to be added to the register.</p> <p><b>Officer responsible:</b></p> <p>Deputy Director of Finance and Assets</p> <p><b>Date to be implemented by:</b></p> <p>30 June 2018</p>

	Audit Finding, risk exposure and potential impact	Priority	Management Action
<b>Creditors</b>			
2.	<p>The Purchasing Card Guidelines outline the responsibilities of the cardholders, and acceptable use of the cards.</p> <p>A sample of 20 purchasing card transactions over the period April to December 2017 was reviewed by Audit and testing identified the following purchases that were not explicitly covered with the guidelines</p> <ul style="list-style-type: none"> <li>• Evening meals which included alcohol</li> <li>• Small, regular purchases from coffee shops.</li> </ul> <p>Expenditure made on purchasing cards is checked by Finance staff and monies recouped, such as alcohol purchases, where necessary. However, the Purchasing Card Guidelines and the Expenses Policy do not include any rules surrounding spend on hospitality.</p> <p>If staff are unaware of what the guidelines are for expenditure on hospitality and what expenses are allowable there is a risk that inappropriate purchases will be made leading to Finance staff time being spent on recouping the monies.</p>	M	<p><b>Action</b></p> <p>Purchasing Card Guidelines and Expenses Procedure to be updated to clarify rules surrounding spend on hospitality.</p> <p>The review of the Expenses Procedure and related guidance has commenced and alignment with and relevant section of the Purchasing card guidelines will be ensured.</p> <p><b>Officer responsible:</b></p> <p>Principal Accountant (Purchasing Card Guidelines)</p> <p>HR Services and Development Manager (Expenses Procedure)</p> <p><b>Date to be implemented by:</b></p> <p>31 December 2018</p>

	Audit Finding, risk exposure and potential impact	Priority	Management Action
<b>Debtors</b>			
3.	<p>The Financial Instructions outline the debt recovery process that is to be followed to collect all outstanding monies due to the Fire Authority.</p> <p>A sample of 25 invoices raised between April and December 2017 and a sample of five current debts was reviewed to confirm that supporting documentation was held for each invoice raised, invoices were paid on time and that any outstanding debts are chased seven days after the due date in accordance with Financial Instructions. However the following exceptions were noted from the testing undertaken:</p> <ul style="list-style-type: none"> <li>• Four current debts were subject to the standard debt recovery process, for two of these debts the chasing letter was sent out to debtors more than seven days after the due date (14 days and 11 days respectively). For one of these debts no first reminder was held on Integra.</li> <li>• Two of the five debts tested were older than 30 days. These were both being chased by way of email reminders from Finance and had not been referred to Legal Services as required by the Financial Instructions.</li> </ul> <p>If debts to the Fire Authority are not managed and actively pursued in line with the Financial Instructions, there is a risk that money owed to the Fire Authority may not be recovered.</p>	M	<p><b>Action</b></p> <p>Financial Instructions and Debt Management Policy to be updated to clarify that the Chief Finance Officer may choose to refer debts to legal, rather than implying that they are automatically referred after 30 days.</p> <p><b>Officer responsible:</b></p> <p>Deputy Director of Finance and Assets</p> <p><b>Date to be implemented by:</b></p> <p>30 November 2018</p>

	Audit Finding, risk exposure and potential impact	Priority	Management Action
<b>Payroll</b>			
4.	<p>FB22s are completed by each watch on a weekly basis and are used to record monthly attendance and overtime for on-call firefighters.</p> <p>A sample of 25 employees paid in the November 2017 Payroll was tested by Audit to confirm that all payments and deductions agreed to supporting paperwork.</p> <p>It was found six of the 25 had claimed for watch overtime. Of these six, although the FB22 had been checked twice by HR, comparison of the examination of the FB22 to the iTrent payslip found that; for one of the six, the number of hours on the payslip did not match those on the FB22. A total of 4.5 hours were listed on the payslip whilst the FB22 recorded 5.5 hours.</p> <p>If the details on iTrent are incorrect there is a risk that the error will not be identified leading to a delay in correcting variations.</p>	M	<p><b>Action</b></p> <p>The FB22s are being phased out through automation from April 2018, commencing with support services staff. For operational staff the phase out date links with the go live date for the new Resource Management System.</p> <p><b>Officer responsible:</b></p> <p>Employee Services and Payroll Manager</p> <p><b>Date to be implemented by:</b></p> <p>30 April 2018 (Support Staff)</p> <p>31 March 2019 (Operational Staff)</p>

### Table 3 Low Priority Issues

Minor issues to be noted or requiring action to improve performance or overall system of control, which do not present a material risk to the system of control.

	<b>Audit Finding, risk exposure and potential impact</b>	<b>Management Action</b>
1	<p>The process notes for carrying out financial processes were reviewed by Audit. It was found that in some cases, for example creating and changing suppliers on Integra, the notes do not include who is responsible for completing the tasks or using phrases such as “someone else” rather than naming the role. It is acknowledged by Audit that current Finance staff would be aware of who the person responsible was.</p> <p>If responsibilities for tasks are not identified in process notes there is a risk that staff who are new or unfamiliar with the process will not follow the correct procedure leading to possible delays in processing the transaction.</p>	<p><b>Action</b></p> <p>Process notes to be updated to clarify persons responsible</p> <p><b>Officer responsible:</b></p> <p>Principal Accountant</p> <p><b>Date to be implemented by:</b></p> <p>30 September 2018</p>
2	<p>Virements are used to move budgets between cost centres where there is an error or a business need and require approval prior to being processed on the financial system.</p> <p>A sample of five virements out of a total of 21 processed this financial year was reviewed to ensure that the correct process had been followed and the virement had been approved at the agreed level. Testing confirmed that all five virements had been approved at the agreed level. However the following was noted:</p> <ul style="list-style-type: none"> <li>• One virement did not balance by £560, Audit brought this to the attention of the Assistant Management Accountant who investigated further, the £560 was credited to an incorrect ‘Budget Type’ D, the rest of the virement was coded correctly to ‘Budget Type A’ This had been identified and corrected by a further virement.</li> <li>• For one of the virements two of the figures input were incorrect one by £30, one by £100, this was brought to the attention of the Management Accountant by Audit, on further discussion with the Principal Accountant it was decided not to correct this virement as it was of small value.</li> </ul>	<p><b>Action</b></p> <p>Electronic workflow for virements to be implemented within Integra.</p> <p>The budget type functionality within Integra is just for reporting purposes, to provide additional information if required reports are now setup to report all budget types so there is no issue with the system. The virement went against budget type D because it replicated where the original budget upload for that cost centre went against. This was uploaded by the contractor and presumably he used a different method to the one now used. We have uploaded budgets ourselves for 2018/19</p>

	<p>If virement amounts are posted to an incorrect budget type or an incorrect amount is posted there is a risk that budgets on Integra do not balance leading to the virement not correcting the issue originally identified.</p>	<p>so it won't be an issue going forwards. <b>Officer responsible:</b> Principal Accountant <b>Date to be implemented by:</b> 31 March 2019</p>
3	<p>The process for completing, approving and submitting VAT returns was reviewed by Audit. Information is entered into the VAT Returns spreadsheet before being authorised and copied into the HMRC form by the Principal Accountant.</p> <p>It was found that the date the VAT returns are submitted to HMRC had not been recorded in the relevant cell in the VAT Returns spreadsheet for any of the VAT returns between April and November 2017.</p> <p>If the submission date is not recorded, there is a risk that staff will be unaware of whether the return has been submitted or not.</p>	<p><b>Action</b> Submission date to be recorded for all future returns <b>Officer responsible:</b> Principal Accountant <b>Date to be implemented by:</b> 30 April 2018</p>

## Appendix 1 Definition of Conclusions

Grading:	Substantial	Reasonable	Limited
<b>Overall conclusion on the system of internal control being maintained</b>	There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls.	There is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls.	The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.

## Appendix 2 Officers Interviewed

The following staff contributed to the outcome of the audit:

- Mark Hemming, Deputy Director of Finance and Assets
- Asif Hussain, Principal Accountant
- Sharon Elmes, Employee Services and Payroll Manager
- Marcus Hussey, Assistant Management Accountant
- Linda Blunt, Finance Officer
- Jessica Bunce, Finance Assistant
- Jackie Vere-White, Senior Administrator, POD
- Victoria Peck, POD Apprentice

The Closing Meeting was attended by:

- Mark Hemming, Deputy Director of Finance and Assets
- Asif Hussain, Principal Accountant

The auditors are grateful for the co-operation and assistance provided from all the management and staff who were involved in the audit. We would like to take this opportunity to thank them for their participation.



## Disclaimer

Any matters arising as a result of the audit are only those, which have been identified during the course of the work undertaken and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that could be made.

It is emphasised that the responsibility for the maintenance of a sound system of management control rests with management and that the work performed by Internal Audit Services on the internal control system should not be relied upon to identify all system weaknesses that may exist. However, audit procedures are designed so that any material weaknesses in management control have a reasonable chance of discovery. Effective implementation of management actions is important for the maintenance of a reliable management control system.

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**BUCKINGHAMSHIRE COUNTY COUNCIL  
INTERNAL AUDIT AND RISK MANAGEMENT**

**FINAL INTERNAL AUDIT REPORT**

**BMKFA Corporate Governance 2017/18**

**Date Issued: June 2018**



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### Audit Control:

<b>Closing meeting:</b>	7 February 2018
<b>Draft report:</b>	20 February / 04 June 2018 (revised)
<b>Management responses:</b>	20 April 2018 / 14 June 2018 (revised)
<b>Final report:</b>	19 June 2018
<b>Audit Ref:</b>	File ref no. 18-24

<b>Auditors:</b>	Maggie Gibb Selina Harlock Betty Davidson	Head of Business Assurance (and Chief Internal Auditor) Audit Manager Senior Auditor
<b>Report Distribution:</b>		
Draft Report	Graham Britten Mark Hemming David Sutherland	Director of Legal and Governance Deputy Director of Finance and Assets Director of Finance and Assets
Final Report as above plus:	Jason Thelwell	Chief Fire Officer
	Ernst and Young	External Audit

## Management Summary

### Introduction

This audit of Corporate Governance was undertaken as part of the 2017/18 Internal Audit plan, approved by the Overview and Audit Committee. The audit was undertaken during the third and fourth quarters of 2017/18.

### Audit Objective

Internal Audit's objectives for this audit are to provide an evaluation of, and an opinion on, the adequacy and effectiveness of the system of internal controls that are in place to manage and mitigate financial and non-financial risks of the system of Corporate Governance. This will serve as a contribution towards the overall opinion on the system of internal control that the Chief Internal Auditor is required to provide annually to the Overview and Audit Committee. It also provides assurance to the Section 112 Officer that financial affairs are being properly administered.

### Scope of work

As a Public Sector organisation the Fire Authority is expected to demonstrate good governance. The scope of this audit will include compliance with the seven key principles of Corporate Governance, as identified by the CIPFA SOLACE framework (2016) for delivering good governance in the Public Sector as listed below:

**Principle A:** Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

The Fire Authority is accountable for how much it spends and how resources are used. It also has a responsibility to serve the public interest by adhering to legislation and government policies and to demonstrate and encourage ethical values.

**Principle B:** Ensuring openness and comprehensive stakeholder engagement.

The Fire Authority should ensure openness in its activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, including individuals, service users and institutional stakeholders.

**Principle C:** Defining outcomes in terms of sustainable economic, social and environmental benefits.

Outcomes should be planned defined to ensure that they are sustainable. Decisions made should contribute to intended benefits and outcomes and should be prioritised to ensure that they remain within the limits of authority and finite resources available.

**Principle D:** Determining the interventions necessary to optimise the achievement of the intended outcomes.

The Public Sector achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions, the right mix of these courses of action is critical to ensure intended outcomes are achieved. Robust decision-making mechanisms need to be in place to ensure that defined outcomes can be achieved while providing the best use of resources.

**Principle E:** Developing the entity’s capacity, including the capability of its leadership and the individuals within it.

Appropriate structures and leadership should be in place, as well as people with the right skills, appropriate qualifications and mind set, to operate efficiently and effectively are needed to achieve intended outcomes. There is a continuous need to develop its capacity as well as the skills and experience of individual staff members.

**Principle F:** Managing risks and performance through robust internal control and strong public financial management.

An effective performance management system should be in place that facilitates an effective and efficient delivery of planned services. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review.

**Principle G:** Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Authority should ensure that those charged with making decisions and delivering services are accountable for them. Effective accountability includes reporting on actions completed in a transparent manner to ensure that stakeholders are able to understand and respond. Both external and internal audit contribute to effective accountability.

The audit considered the controls in place at the time of the audit only. Where appropriate, testing was undertaken using samples of transactions that occurred within the last 12 months.

**Table 1 Overall Conclusion**

<b>Overall conclusion on the system of internal control being maintained</b>	<b>Substantial</b>
--	--------------------

RISK AREAS	AREA CONCLUSION	No of High Priority Management Actions	No of Medium Priority Management Actions
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	<b>Reasonable</b>	<b>0</b>	<b>2</b>
B. Ensuring openness and comprehensive stakeholder engagement.	<b>Substantial</b>	<b>0</b>	<b>0</b>
C. Defining outcomes in terms of sustainable economic, social and environmental benefits.	<b>Substantial</b>	<b>0</b>	<b>0</b>
D. Determining the interventions necessary to optimise the achievement of the intended outcomes.	<b>Substantial</b>	<b>0</b>	<b>0</b>
E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it.	<b>Substantial</b>	<b>0</b>	<b>0</b>
F. Managing risks and performance through robust internal control and strong public financial management.	<b>Reasonable</b>	<b>0</b>	<b>1</b>
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.	<b>Substantial</b>	<b>0</b>	<b>0</b>
		<b>0</b>	<b>3</b>

Appendix 1 provides a definition of the grading for each of the conclusions given.

**Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.**

The Fire Authority has an induction process in place that ensures that both Members and Officers are aware of codes of conduct and expected behaviours of those representing the Fire Authority. Standing Orders detail the requirements for Fire Authority Committee meetings to ensure that these are conducted in an open manner, within the law, interests are declared and decisions made are transparent.

However some weaknesses were identified by Audit. Guidance notes for the Officer's induction process and the Equality and Diversity Policy have not been reviewed by the agreed date, however it was noted that a decision had been taken to defer the reviews.

**Principle B: Ensuring openness and comprehensive stakeholder engagement.**

To ensure openness and stakeholder engagement the Fire Authority has a Corporate Plan in place which is published on the website. The plan sets out the Authority's aims and objectives for the period 2015 to 2020 and was produced following a public consultation undertaken in November and December 2013. The plan was reviewed and updated in 2017 to include a review of performance against the plan.

The Authority has good communication processes in place to keep the public up to date with ongoing incidents including the use of social media such as Twitter and Facebook. Advice is published on the website where there are known issues, such as cooking with hot oil, to reduce the risk to the public.

**Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits.**

The Fire Authority defines outcomes by producing the Corporate Plan which link to the Public Safety Plan, this is a requirement for Fire and Rescue Services and is the overarching document detailing visions and objectives and how these will be achieved. The Corporate Plan was updated in 2017 and this includes the use of the Fire and Rescue Equality Framework to address the Authority's requirements in relation to equality, diversity and inclusion for the workforce and the communities that the Authority serves and further pursue its equality objectives

It can be evidenced by information prepared for Members that risks and longer term implications are taken into account when making decisions. These are included in the template for reports to go to Committees; these have to be completed for all reports. An example of a decision with a longer term impact can be seen in the decision made regarding the USAR (Urban Search and Rescue) canine options, financial impact, risks and benefits are shown in the report to Members.



**Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.**

Decision making protocols are in place, including agreed Standing Orders which set out how meetings should be run to ensure that the decision making process is robust. There are agreed terms of reference in place for all Fire Authority Boards which include the decisions that the board is responsible for such as approving the MTFP.

There is a report template in place that is used for all decisions that are put to committees for agreement; this ensures that information is provided to Members, including legal requirements, to enable them to make decisions that provide the required outcome. Options appraisals are undertaken where necessary to further inform decision making. Performance of all areas including service delivery and finance is monitored and reported to Fire Authority Boards on a regular basis to ensure that any necessary actions are undertaken to improve performance.

**Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it.**

To ensure ongoing capacity of both leadership and other staff members there is an agreed workforce reform programme in place. The Fire Authority carried out an age profile analysis of operational staff in 2016/17, this was to show retirement dates and where there will be gaps in experience in future years. A decision was taken to approve an ongoing apprenticeship scheme to train firefighters to fill these gaps in operational staff and to introduce more flexible roles for firefighters. Apprentice firefighters have now been taken on and full training is being given. There is a career development procedure in place for operational staff; various assessments are carried out where staff have to demonstrate skills such as incident command skills and leadership. Non-operational staff are also given the chance to develop their capabilities by attending the Aspiring Leaders Pathway. Additionally in line with the agreed Prevention Strategy the Fire Authority work in partnership with other local organisations to increase their capacity to contribute to community well-being and promote better levels of safety.

**Principle F: Managing risks and performance through robust internal control and strong public financial management.**

Both risks and performance are monitored on a regular basis by various Boards of the Fire Authority. There is a good system of internal control in place including agreed and up to date financial regulations and robust financial reporting procedures. An Annual Governance Statement is prepared and actions identified to improve control. There is a process in place to escalate risks to the Corporate Risk Register, this ensures that they are monitored and discussed by Members and Senior Management. The template used for decision making includes the requirement to identify associated risks.

However some weaknesses were identified by Audit: From a review of risk registers it can be seen that although risks are discussed at management level some risks are not scored and the consequence if untreated or the current treatment is not included. Additionally risk owners are not identified. Issues identified with the Finance and Assets Risk register have been addressed in the Core Financial Controls Audit Report.

It was found that the Anti-Money Laundering policy is dated September 2015 and due to be reviewed September 2018. However Money Laundering Regulations were updated and came into force 26 June 2017 and the policy has not been updated to reflect the changes in legislation. However, the impact of the changes in legislation has been considered and assessed, the Deputy Director of Finance and Monitoring Officer decided that due to the low level of risk exposure, and the timing of the release of the new legislation, that it would be prudent to delay the update. It is acknowledged by Audit that the Fire Authority receive little income apart from grants.

**Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability.**

To ensure transparency and accountability, various reports and information are published on the Fire Authority's website, these include an annual report and detailed audited accounts. Additionally spend over £500 and purchasing card transactions are published on the website in accordance with Government transparency requirements.

Internal Audit recommendations are monitored and actions taken are reported on.

An Annual Governance Statement is produced and published on the Authority's website to provide assurance to the public on financial, governance and operational matters and demonstrate that National Framework requirements, including those relating to integrated risk management planning, are being met.

However Audit identified that assurances regarding services delivered by third parties, including partnerships were not included in the Annual Governance Statement.

## Table 2 Detailed Audit Findings and Action Plan

Management actions have been agreed to address control weakness identified during the closing meeting and agreement of the draft Internal Audit report. All management actions will be followed up and progress in implementing these actions will be tracked and reported to the Overview & Audit Committee.

We categorise our management actions according to their level of priority:

Priority High (H)	Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management.
Priority Medium (M)	Significant issue that requires prompt action and improvement by the local manager.
Priority Low (L)	Minor issues requiring action to improve performance or overall system of control.

	Audit Finding, risk exposure and potential impact	Priority	Management Action
<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</b>			
1.	<p>Member’s declarations of interests were reviewed by Audit to ensure that they had been completed for all Members and were published on the Fire Authority website.</p> <p>It was found that two out of the 14 Member declarations on the Fire Authority website had no information in them and appeared not to be completed.</p> <p>If Member declarations are not fully completed there is a risk that the declaration is unclear to members of the public leading to a perception that decision making is not transparent and this could have a reputational impact.</p>	M	<p><b>Action</b></p> <p>Where members have nothing to declare it will be ensured that the form notes a nil return</p> <p><b>Officer responsible:</b></p> <p>Director of legal and Governance</p> <p><b>Date to be implemented by:</b></p> <p>30 June 2018</p>

	<b>Audit Finding, risk exposure and potential impact</b>	<b>Priority</b>	<b>Management Action</b>
2.	<p>The staff appointments policy and processes were reviewed by Audit to confirm that they ensure fairness and equality in the recruitment process.</p> <p>It was found that there is an Equality and Diversity Policy in place which includes the requirement for equality in the recruitment process. However, the policy is dated April 2014 with a review date of April 2017. There is no evidence that it was reviewed at this date.</p> <p>If policies are not reviewed at the agreed date there is a risk that they do not reflect current practices or legal requirements leading to a possible breach.</p>	M	<p><b>Action</b></p> <p>The Equality and Diversity Policy review date was deferred until April 2018 to await the revised FRS Equalities Framework, to accommodate strategies from the national Inclusive Group and include any strategic outcomes from the Gender Pay reporting programme.</p> <p>Action is underway to adapt the process to ensure management decisions to change review dates are logged and revised review dates recorded.</p> <p><b>Officer responsible:</b></p> <p>Employee Relations and Engagement Manager</p> <p><b>Date to be implemented by:</b></p> <p>30 September 2018</p> <p><b>Action</b></p> <p>Policy and Procedural process review to include automatic review reminders, decision logging and facility to update review dates with formal approval</p> <p><b>Officer responsible:</b></p> <p>Head of Human Resources</p> <p><b>Date to be implemented by:</b></p> <p>31 July 2018</p>

Audit Finding, risk exposure and potential impact	Priority	Management Action
<b>Principle F: Managing risks and performance through robust internal control and strong public financial management.</b>		
<p>3. A sample of three Directorate risk registers was reviewed by Audit to confirm that risks are monitored and updated as necessary and reported on to senior management on a regular basis in accordance with the Risk Management Strategy.</p> <p>It was found that:</p> <ul style="list-style-type: none"> <li>• Although People and Organisational Development risks are discussed at SMT meetings some risks are not scored and/or the consequence if untreated or current treatment is not included. Additionally risk owners are not identified.</li> <li>• Service Delivery risks are scored; consequences and current treatment are included however risk owners are not identified.</li> </ul> <p>If action owners, risk scores and current treatment are not identified risks may not be effectively managed and mitigated leading to the possibility that the risk may materialise.</p>	<p>M</p>	<p><b>Action</b></p> <p>When a new potentially emerging People and OD related risk is highlighted, it is logged and not scored at that point. Analysis and research is undertaken and scored at this future point.</p> <p>Risk owners are identified within People and OD and names have been added to the register</p> <p>The Service Delivery Risk Register has been amended to include risk owners.</p> <p>The risk registers are 'live' documents that are subject to regular updating. Therefore, at any point in time some risks will have been identified but not yet subjected to full evaluation. The process encourages risks to be recorded as soon as they emerge i.e. in most cases the risks in question are likely to be new ones. A separate tab for new and emerging risks will be added for these to be recorded unscored in the first instance but transferred to the main body of the registers once they have been evaluated and scored.</p> <p><b>Officer responsible:</b></p> <p>Corporate Planning Manager</p> <p><b>Date to be implemented by:</b></p> <p>30 June 2018</p>

### Table 3 Low Priority Issues

Minor issues to be noted or requiring action to improve performance or overall system of control, which do not present a material risk to the system of control.

	Audit Finding, risk exposure and potential impact	Management Action
<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</b>		
4.	<p>The induction process for Officers and Members was reviewed to confirm that it includes codes of conduct and expected behaviours.</p> <p>It was found that the Officer’s induction guidance notes are dated March 2015 with a review date of March 2017; there is no evidence that it was reviewed at this date.</p> <p>If guidance is not reviewed on a regular basis there is a risk that they do not reflect the current expected behaviours or processes leading to staff being unaware of any new or updated requirements.</p>	<p><b>Action</b></p> <p>It was agreed to defer the review of the induction procedure until the self service requirements of the new HR and Payroll systems were in place and the e Recruitment module pilot completed. Both impact on induction material. The self service requirements are defined and being implemented and the e Recruitment pilot at the review and refinement stage.</p> <p>The Induction procedure review commences in Q1 2018 19</p> <p>NB please refer to action relating to the Equality and Diversity Policy regarding logging decisions when review dates change.</p> <p><b>Officer responsible:</b>                      HR Services and Development Manager</p> <p><b>Date to be implemented by:</b>                      31 August 2018</p>

**Principle F: Managing risks and performance through robust internal control and strong public financial management.**

5.	<p>The Anti- Money Laundering Policy was reviewed by Audit to confirm that it is reviewed on a regular basis and amended as necessary.</p> <p>It was found that the Anti-Money Laundering policy is dated September 2015 to be reviewed September 2018. However Money Laundering Regulations were updated and came into force 26 June 2017. The Deputy Director of Finance and Assets and the Monitoring Officer had determined that due to the timing of the regulations, lack of available guidance at the time, and the low level of risk exposure experienced by the Authority it would be prudent to delay the update. It is acknowledged by Audit that the Fire Authority receive little income apart from grants.</p> <p>If the Anti-Money Laundering Policy is not updated to reflect current regulations there is a risk that Fire Authority staff will be unaware of the changes leading to non-compliance with any new requirements.</p>	<p><b>Action</b></p> <p>The Anti-Money Laundering policy will be updated</p> <p><b>Officer responsible:</b></p> <p>Deputy Director of Finance and Assets</p> <p><b>Date to be implemented by:</b></p> <p>31 July 2018</p>
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**Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

6.	<p>The Annual Governance Statement for 2016/17 was reviewed by Audit to confirm that risks associated with delivering services through third parties, including partnerships, and assurances gained were included.</p> <p>It was found that assurances regarding services delivered by third parties were not included in the Annual Governance Statement.</p> <p>If assurances relating to the delivery of services through third parties are not obtained and evidenced in the Annual Governance Statement there is a risk that stakeholders cannot gain assurance that third party working is effective leading to a lack of confidence in the delivery of those services.</p>	<p><b>Action</b></p> <p>Assurances regarding services delivered by third parties will be included in the Annual Governance Statement</p> <p><b>Officer responsible:</b></p> <p>Deputy Director of Finance and Assets</p> <p><b>Date to be implemented by:</b></p> <p>31 July 2018</p>
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## Appendix 1 Definition of Conclusions

Grading:	Substantial	Reasonable	Limited
<b>Overall conclusion on the system of internal control being maintained</b>	There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls.	There is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls.	The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.



## Appendix 2 Officers Interviewed

The following staff contributed to the outcome of the audit:

- Mark Hemming, Deputy Director of Finance and Assets
- Graham Britten, Director of Legal and Governance
- Lynne Swift, Director of People and Organisational Development
- Kerry McCafferty, Head of Human Resources and Organisational Development
- Anna Collett, Organisational Development Manager
- Richard Priest, Group Commander Community and Business Safety Policy
- Stuart Gowanlock, Corporate Planning Manager
- Fraser Pearson, Communication Manager
- Gerry Barry, Information Governance and Compliance Manager
- Katie Nellist, Democratic Services Officer

The Closing Meeting was attended by:

- Mark Hemming, Deputy Director of Finance and Assets
- Graham Britten, Director of Legal and Governance

The auditors are grateful for the cooperation and assistance provided from all the management and staff who were involved in the audit. We would like to take this opportunity to thank them for their participation.

## Disclaimer

Any matters arising as a result of the audit are only those, which have been identified during the course of the work undertaken and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that could be made.

It is emphasised that the responsibility for the maintenance of a sound system of management control rests with management and that the work performed by Internal Audit Services on the internal control system should not be relied upon to identify all system weaknesses that may exist. However, audit procedures are designed so that any material weaknesses in management control have a reasonable chance of discovery. Effective implementation of management actions is important for the maintenance of a reliable management control system.

### Contact Persons

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# Buckinghamshire & Milton Keynes Fire Authority



<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	18 July 2018
<b>OFFICER</b>	David Sutherland, Director of Finance and Assets Maggie Gibb, Internal Audit Manager
<b>LEAD MEMBER</b>	Councillor David Watson
<b>SUBJECT OF THE REPORT</b>	<b>Internal Audit Report: Update on Progress of Audit Recommendations</b>
<b>EXECUTIVE SUMMARY</b>	<p>The purpose of this paper is to update Members on the progress of the implementation of audit recommendations made as at 26 June 2018.</p> <p>Any further progress against outstanding recommendations will be verbally presented to the Overview and Audit Committee on 18 July 2018.</p> <p>In total there are 11 recommendations to report on the status of which are classified as follows:</p> <p>Green (Implemented) 8/11 (73%) Amber (on track not yet due) 1/11 (9%) Red (not implemented, due date revised) 2/11 (18%)</p> <p>There are no outstanding recommendations to bring to the attention of the Members at this time.</p> <p>Internal Audit continues to actively monitor implementation of all outstanding recommendations throughout the year.</p>
<b>ACTION</b>	Information.
<b>RECOMMENDATIONS</b>	That the progress on implementation of recommendations be noted.
<b>RISK MANAGEMENT</b>	There are no risk implications arising from this report.
<b>FINANCIAL IMPLICATIONS</b>	The audit work is contained within the 2018-19 budget.
<b>LEGAL IMPLICATIONS</b>	There are no legal implications arising from this report.

<b>CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE</b>	Not applicable.
<b>HEALTH AND SAFETY</b>	There are no health and safety implications arising from this report.
<b>EQUALITY AND DIVERSITY</b>	There are no equality and diversity implications arising from this report.
<b>USE OF RESOURCES</b>	Communication and progress monitoring All audits, follow up reports and further updates will be submitted to SMB and Overview and Audit Committee.
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	Internal Audit Plans 2016/17 and 2017/18 Internal Audit reports taken to Overview and Audit Committee
<b>APPENDICES</b>	Annex A: Status of Internal Audit Recommendations – June 2018
<b>TIME REQUIRED</b>	10 minutes
<b>REPORT ORIGINATOR AND CONTACT</b>	Maggie Gibb – Internal Audit Manager <a href="mailto:mgibb@buckscc.gov.uk">mgibb@buckscc.gov.uk</a> 01296 387327

**ANNEX A: Status of Internal Audit recommendations – June 2018**

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)	Status of recommendations at 26 June 2018		
							Red	Amber	Green
<b>2016/17</b>									
Core Financial Controls	June 2017	Substantial	8	7	0		1*	0	7
<b>2017/18</b>									
Fleet Management	July 2017	Substantial	2	1	0		1**	0	1
Property Management	February 2018	Substantial	1***	0	0		0	1	0
<b>Totals</b>			<b>11</b>	<b>8</b>	<b>0</b>		<b>2</b>	<b>1</b>	<b>8</b>

**Notes for Overview and Audit Committee:**

\* **Core Financial Controls 2016/17** – Partially complete, the outstanding recommendation relates to the process for approving new starter forms; controls have been tightened for processing paper forms, the first phases of eRecruitment were completed in April 2018 however the workflow/request to recruit is not yet fully functional as there are still some development issues. It is anticipated that the system will be in place by October 2018.

\*\* **Fleet Management 2017/18** – The outstanding recommendation relates to the use of the Tranman System, this will be looked at in more detail as part of the BaSI project (Business and Systems Integration) to ensure a full understanding of the current functionality, whether training is needed on the system and the way in which it can be further developed (or replaced) to meet the business requirements.

\*\*\* **Property Management 2017/18** – There is one low priority action due to be completed in financial year 2019/20

**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**



# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	18 July 2018
<b>OFFICER</b>	David Sutherland, Director of Finance and Assets Maggie Gibb, Internal Audit Manager
<b>LEAD MEMBER</b>	Councillor David Watson
<b>SUBJECT OF THE REPORT</b>	<b>Annual Audit Report 2017/18</b>
<b>EXECUTIVE SUMMARY</b>	<p>To present the draft Annual Audit Report to the Overview and Audit Committee.</p> <p>In line with best practice, an annual report on the internal control environment is presented to those charged with governance.</p> <p>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.</p> <p>This opinion is reflected in the Annual Governance Statement.</p>
<b>ACTION</b>	Information.
<b>RECOMMENDATIONS</b>	It is recommended that Members review and note the contents of the Annual Report.
<b>RISK MANAGEMENT</b>	There are no risk implications arising from this report.
<b>FINANCIAL IMPLICATIONS</b>	The audit work was contained within the 2017-18 budget.
<b>LEGAL IMPLICATIONS</b>	There are no legal implications arising from this report.
<b>CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE</b>	Not applicable.

<b>HEALTH AND SAFETY</b>	There are no health and safety implications arising from this report.
<b>EQUALITY AND DIVERSITY</b>	There are no equality and diversity implications arising from this report.
<b>USE OF RESOURCES</b>	Communication and progress monitoring All audits, follow up reports and further updates will be submitted to SMB and Overview and Audit Committee.
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	Internal Audit Plan 2017/18 Internal Audit reports taken to Overview and Audit Committee
<b>APPENDICES</b>	Appendix A – Annual Audit Report 2017/18
<b>TIME REQUIRED</b>	10 minutes.
<b>REPORT ORIGINATOR AND CONTACT</b>	Maggie Gibb – Internal Audit Manager <a href="mailto:mgibb@buckscc.gov.uk">mgibb@buckscc.gov.uk</a> 01296 387327



**Buckinghamshire & Milton Keynes Fire  
Authority**



**Internal Audit Service  
Annual Report of the Chief Internal Auditor  
2017/18**

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## **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 2017/18 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 continued robust and effective internal control and risk management environment that will facilitate the effective exercise of the Authority's functions.

- 3.1 The audit activity in 2017/18 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 completed, all were assessed as “substantial” assurance. 82% of previous audit actions had been fully implemented. The internal audit activity is limited to the scope of the audits within the plan, which represent a sample of the key controls across the Authority, hence we are unable to provide more than a reasonable level of assurance.
- 3.3 A summary of our assignment outcomes and work completed during the year is shown at page 6.

#### **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 2017/18.

#### **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 2017/18 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 part-qualified 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 2018**

### SUMMARY OF AUDIT OPINIONS FOR 2017/18 AND AUDIT METHODOLOGY

Audit assignments	Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled.				
	Days	Adequacy of risk management	Adequacy of control framework	Adequacy of compliance	Overall opinion
Core Financial Controls	50	Substantial	Substantial	Reasonable	<b>Substantial</b>
Corporate Governance	15	Substantial	Substantial	Reasonable	<b>Substantial</b>
Fleet Management	10	Substantial	Substantial	Reasonable	<b>Substantial</b>
Property Management	10	Substantial	Substantial	Substantial	<b>Substantial</b>
Follow Ups	10	Ongoing throughout year			
Audit Management	10	Ongoing throughout year			
<b>Total</b>	<b>105</b>				

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 2017/18 was approved by the Overview and Audit Committee in March 2017. No changes were made to the agreed plan during the year.

# Buckinghamshire & Milton Keynes Fire Authority



<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	18 July 2018
<b>OFFICER</b>	Graham Britten, Director of Legal and Governance Mark Hemming, Deputy Director of Finance and Assets
<b>LEAD MEMBER</b>	Chairman of the Overview and Audit Committee
<b>SUBJECT OF THE REPORT</b>	<b>Annual Governance Statement 2017/18</b>
<b>EXECUTIVE SUMMARY</b>	<p>The purpose of this report is to present the 2017/18 Annual Governance Statement (appended as an Annex to the report). This contains the progress on the implementation of the recommendations of the 2016/17 Annual Governance Statement and to highlight recommendations for 2018/19.</p> <p>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):</p> <ol style="list-style-type: none"> <li>1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.</li> <li>2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.</li> <li>3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</li> <li>4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.</li> <li>5. Developing the capacity and capability of Members and officers to be effective.</li> <li>6. Engaging with local people and other stakeholders to ensure robust public accountability.</li> </ol>
<b>ACTION</b>	Decision.
<b>RECOMMENDATIONS</b>	<ol style="list-style-type: none"> <li>1. That the Annual Governance Statement be approved.</li> <li>2. That the progress on the implementation of</li> </ol>

	<p>recommendations of the previous Annual Governance Statement (Appendix A to the Annual Governance Statement) be acknowledged.</p> <p>3. That the priorities for 2018/19 (Appendix B to the Annual Governance Statement) be agreed.</p>
<b>RISK MANAGEMENT</b>	Any risk implications of completion or non-completion of the recommendations are included in the relevant report.
<b>FINANCIAL IMPLICATIONS</b>	There are no direct financial implications arising from the report.
<b>LEGAL IMPLICATIONS</b>	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.
<b>CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE</b>	No direct impact.
<b>HEALTH AND SAFETY</b>	There are no direct health and safety implications arising from the report.
<b>EQUALITY AND DIVERSITY</b>	There are no direct equality and diversity implications arising from this report.
<b>USE OF RESOURCES</b>	<p><b>Communication and consultation</b> The officers with responsibility for the areas audited have been responsible for supplying the information and responses necessary for this report.</p> <p><b>Progress monitoring</b> Further updates will be provided at future committee meetings.</p>
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	<p>Report to Overview and Audit Committee of the Buckinghamshire and Milton Keynes Fire Authority held on 26 July 2017, Item 9: <a href="http://bucksfire.gov.uk/files/1015/0028/6272/ITEM_9_Annual_Governance_Statement_2016-17_with_Annex.pdf">http://bucksfire.gov.uk/files/1015/0028/6272/ITEM_9_Annual_Governance_Statement_2016-17_with_Annex.pdf</a></p> <p>CIPFA / SOLACE 'Delivering Good Governance in Local Government - Guidance Note for English Authorities' <a href="http://www.solace.org.uk/knowledge/reports_guides/goodgovernance-England-2007-02.pdf">http://www.solace.org.uk/knowledge/reports_guides/goodgovernance-England-2007-02.pdf</a></p>
<b>APPENDICES</b>	<p>Annex – Annual Governance Statement 2017/18.</p> <p>Appendix A to Annex – Progress of Annual Governance Statement 2016/17.</p>



	Appendix B to Annex – Recommendations for Priorities for 2018/19.
<b>TIME REQUIRED</b>	10 minutes.
<b>REPORT ORIGINATOR AND CONTACT</b>	Graham Britten, Director of Legal and Governance <a href="mailto:gbritten@bucksfire.gov.uk">gbritten@bucksfire.gov.uk</a> Mark Hemming, Deputy Director of Finance and Assets <a href="mailto:mhemming@bucksfire.gov.uk">mhemming@bucksfire.gov.uk</a>

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## Annual Governance Statement 2017/18

### 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 2018 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](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"

## Annual Governance Statement 2017/18

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\\_Relations\\_v2\\_Sept\\_14.pdf](http://bucksfire.gov.uk/files/8414/1053/3511/Protocol_on_Member_and_Officer_Relations_v2_Sept_14.pdf)

The Authority approved and adopted its current Pay Policy Statement in February 2018 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 is undertaken annually and reported to the Executive Committee in order to provide assurance on risks associated with delivering services through third parties. Other key services provided through third parties are overseen by specific governance arrangements, namely:

- The Thames Valley Fire Control Service (hosted by Royal Berkshire Fire and Rescue Service) is overseen by a joint governance board with representatives from each service at both Officer and Member level.

## Annual Governance Statement 2017/18

- Firefighters Pension Administration is overseen by the Local Pension Board. The administrators (West Yorkshire Pension Fund) attend the Board twice a year to discuss performance against key performance indicators.

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.*

2017/18 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.

A Culture Survey was carried out in October 2017, which identified what the service does well and areas for continuous improvement. These areas have been included in the 2018- 19 employee engagement, career development, learning and communication plans.

The Authority Training Needs Analysis (TNA) process continues to assess the need for this type of training at least annually. This TNA is translated into prioritised learning programmes, approved by the Training Strategy Group and scrutinised to ensure alignment with business priorities and the business continuity succession plans.

Leadership development was a focus for 2017- 18, with 25 employees approved to commence management apprenticeships in 2018; to upskill future leaders and aid talent retention.

A report was presented to the Executive Committee, September 2017, demonstrating significant progress against the 'Independent Review of Conditions of Service for Fire and Rescue Staff (published 3 November 2016); particularly relating to equality, diversity, culture change, and leadership development.

## Annual Governance Statement 2017/18

Performance appraisal year end reviews assess management and leadership behaviours. In 2017- 18 equalities objectives were introduced for all employees and the outcomes are being reviewed against the Authority's Public Sector Duty objectives.

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, [at its meeting on 19 October 2016](#) 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>

[At its meeting on 15 February 2017](#) 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.

## Annual Governance Statement 2017/18

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 2017/18. This progressive approach toward training delivery, once more enabled the operational competencies of front-line firefighters and supervisory commanders to be independently assessed and scrutinised, under realistic conditions in breathing apparatus and Level 1 incident command respectively.

Operational Assurance has continued to be progressed. Operational Assurance Limited (OAL) revisited the Service in November 2017 to undertake a checkpoint review of our progress against the recommendations in their report from 2016. They issued a very positive report. This was again made available in the public domain on our website. The benefits of having external scrutiny of our operations have been extensive. The Fire Authority sanctioned the funding of a further three years of external scrutiny. After a competitive procurement process a contract was awarded to OAL.

## Annual Governance Statement 2017/18

In June 2017 an assurance team from the Home Office visited the Service to examine our progress in delivering the Joint Emergency Services Interoperability Principles (JESIP). We received a very positive report with only one firm recommendation which was to improve the way we embed JESIP in aspects of Incident Command refresher training.

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 for those meetings and those of the Thames Valley Control Service Joint Committee to which the Authority appoints 2 Members.

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



## Annual Governance Statement 2017/18

sources providing scrutiny and recommendations upon which the management have drawn to compile the action plan set out in Appendix B.

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## Annual Governance Statement 2017/18

Audits undertaken and assurance opinion:

<b>Audit assignments</b>	<b>Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled.</b>	
	<b>Days</b>	<b>Overall Assurance</b> (all audits undertaken during 2017/18 unless stated)
Core Financial Controls	50	Substantial
Corporate Governance	15	Substantial
Fleet Management	10	Substantial
Property Management	10	Substantial
Follow Ups	10	
Corporate work/Audit Management	10	
<b>Total</b>	<b>105</b>	

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.

## Annual Governance Statement 2017/18

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 2017/18 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 continued robust and effective internal control and risk management environment that will facilitate the effective exercise of the Authority's functions.

The audit activity in 2017/18 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 completed, all were assessed as "substantial" assurance. 82% of previous audit actions had been fully implemented. The internal audit activity is limited to the scope of the audits within the plan, which represent a sample of the key controls across the Authority, hence we are unable to provide more than a reasonable level of assurance.

A summary of our assignment outcomes and work completed during the year is shown in the table on the previous page.

## Annual Governance Statement 2017/18

### 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 ..... 2018..

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

Signed ..... Date ..... 2018..

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

## Annual Governance Statement 2017/18

### Appendix A

#### Significant Governance Issues addressed in 2017/18

	Issue	Action Plan (as per 2016/17 Statement – Appendix B)	Lead Officer	RAG Status	Progress	Target/ Completion Date
1.	Compliance with the General Data Protection Regulation (GDPR)	<p>The Information Commissioner’s Office (ICO) has put together a 12 step plan that outlines the basic pre-implementation requirements of the GDPR.</p> <p><b>1. Awareness</b> 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.</p> <p><b>2. Information held</b> 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.</p> <p><b>3. Individuals’ rights</b> Review procedures to ensure they cover all the rights individuals have, including how personal data will be stored and deleted.</p>	Director of Legal & Governance	Green	<p>1. A number of Authority employees have received classroom based GDPR training as well as continuing to complete the mandatory “Responsible for Information” training every two years. Employees with specific roles in handling personal information will have additional training and procedures are being revised and refreshed to reflect the changes in legislation.</p> <p>2. The <a href="#">records retention and disposal schedule /information asset register is reviewed and revised regularly to ensure that all personal information types are</a></p>	March 2018

## Annual Governance Statement 2017/18

	<p><b>4. Communicating privacy information</b> Privacy notices will be reviewed and where necessary amended.</p> <p><b>5. Subject access requests (SARs)</b> Review of procedures for handling requests SARs.</p> <p><b>6. Lawful basis for processing personal data</b> Confirm and document the lawful basis for processing activities in the GDPR, document it. (See also 4 privacy notices).</p> <p><b>7. Consent</b> Review how the Authority seeks, records and manages consent and whether any changes are needed to meet the GDPR standard.</p> <p><b>8. Data breaches</b> Put appropriate procedures in place to detect, report and investigate data breaches.</p> <p><b>9. Children</b> Consideration of the mechanisms for confirming the age of children and the need to obtain parental or guardian consent for any data processing activity.</p> <p><b>10. Data Protection by Design</b></p>			<p><a href="#">identified and only kept for as long as is necessary</a>. Where personal information is processed, Departments are responsible for maintaining Records Of Processing Activities (ROPA) including the basis for the processing.</p> <p>3. As above.</p> <p>4. The overarching privacy statement has been amended and is supported by short statements on specific processing activities.</p> <p>5. The procedure for managing has been updated to reflect that SARs no longer need to be made in writing; that the time limit for response by the Authority has been reduced; and that the prescribe charge has been abolished.</p> <p>6. There are six available lawful bases for processing. No single</p>	
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**Annual Governance Statement 2017/18**

		<p><b>and Data Protection Impact Assessments</b></p> <p>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.</p> <p><b>11. Data Protection Officer (DPO)</b> Designate a Data Protection Officer</p> <p><b>12. International</b> – Not applicable.</p>			<p>basis is ‘better’ or more important than the others – which basis is most appropriate to use depend on the purpose and relationship with the individual. All processing activities are being considered to ensure that the most appropriate basis is selected.</p> <p>7. The Authority is a public authority. Recital 43 of the GDPR notes that there is likely to be a clear imbalance between a public authority and the data subject, and it is therefore unlikely to be the case that consent can be freely given for the purposes of the GDPR. As there are 5 other lawful bases (see 6. above) the intention is to rely on a basis for processing other than consent, where possible, when processing personal or special category (sensitive) personal data. These</p>	
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**Annual Governance Statement 2017/18**

					<p>changes are reflected in the Authority's privacy statement (see 4. above).</p> <p>8. A procedure is being put in place to detect, report and investigate data breaches. This will also cover "out-of-hours" breaches.</p> <p>9. Children's ages will be confirmed by the parent or guardian or by the school or referring agency.</p> <p>10. Officers are using an Integrated Impact Assessment (IIA) process and this is under review to ensure it continues to meet the needs of the Authority. Where a process / software is designed specifically around the needs of the Authority greater scrutiny is exercised to ensure that adequate measures are in place to protect personal information.</p> <p>11. The Authority's</p>	
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					<p>Information Governance and Compliance Manager has been designated at the DPO.</p> <p>12.All contracts are subject to verification to ensure that they are processed within the EEA or transferred outside of the EU in compliance with the conditions for transfer set out in the GDPR.</p>	
2.	Currency of financial and contractual governance documents	<p><b>Contracts Standing Orders</b> – review and update.</p> <p><b>Financial Regulations</b> – review and update</p> <p><b>Financial Instructions</b>- review and update</p>	Chief Finance Officer	Green	<p>Standing Orders and Financial Regulations were reviewed and updated and approved by the Fire Authority at its meeting on 18 October 2017.</p> <p>The Financial Instructions were reviewed and updated and approved by the Chief Fire Officer and Director of Finance and Assets in January 2018</p>	October 2017 and January 2018
3.	Operational Assurance	<p>The main focus is implementation of the recommendations of the independent operational assurance report which was received in December 2016.</p> <p>As part of the recommendations an operational assurance group was formed under the</p>	Head of Service Development	Green	<p>In November 2017, Operational Assurance Limited were invited back into the Service, in order to undertake a further independent review of the progress made against the previously identified improvement recommendations,</p>	March 2018

## Annual Governance Statement 2017/18

		<p>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.</p>			<p>during the preceding 12 months. The subsequent 'checkpoint' report was extremely positive, highlighting the considerable progress made against all the previously accepted recommendations. Particular emphasis was placed upon the work undertaken to address Priority Recommendation 1, notably the training package based on the 'Balmoral Bar' incident and development of the operationally focused Operational Assurance monthly report, both of which were considered exemplars.</p> <p>Progress was presented to the Overview and Audit Committee at its meeting on 7 March 2018.</p> <p>The value of having such in depth independent scrutiny is so great, that Authority agreed to sanction the funding of a further three years of external assurance for our operations. After a procurement process a contract was awarded to OAL.</p>	
4.	Professional Standards	Ensure that the Fire Professional Framework is embedded throughout the organisation.	Director of People and	Green	The past 12 months have seen some notable refinements being	

## Annual Governance Statement 2017/18

		<p>Review and refresh the guidance, audit and recording of the maintenance of competence systems.</p> <p>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.</p>	<p>Organisational Development</p>		<p>made within the Hub of Education and Training (HEAT) system, in terms of content information and functionality, to support staff in maintaining operational competence.</p> <p>Operational front-line staff, within Buckinghamshire Fire &amp; Rescue Service (BFRS) work in ever-changing critical environments and can be called upon at any time to respond to a wide range of emergency situations.</p> <p>The operational information, performance criteria and training materials contained within HEAT has been mapped to correspond with accepted guidance and standards that relate to operational competence across the UKFRS, namely;</p> <ul style="list-style-type: none"> <li>• National Operational Guidance (NOG) and associated Training Specifications.</li> <li>• Fire Professional Framework and associated National</li> </ul>	
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					<p>Occupational Standards (NOS).</p> <p>This will ensure all operational firefighters and commanders within BFRS, have the right skills to effectively apply recognised operational procedures and comply with appropriate health and safety legislation.</p>	
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## Annual Governance Statement 2017/18

### Appendix B

#### Significant Governance Issues to be addressed in 2018/19

	Issue	Action Plan	Lead Officer	Target Date
1.	Compliance with the General Data Protection Regulation (GDPR)	<ul style="list-style-type: none"> <li>• Hold “decluttering events” to removed information that is no longer required and amend the retention and destruction schedule to reflect any additional information “types” and retention periods.</li> <li>• Amend process for requests to give or revoke access to common drives to limit permissions to Information Asset Owners and their authorised Information Stewards.</li> <li>• Verify that personally identifiable information (PII) records are held securely with no risk of degradation, obsolescence (of media type), damage or destruction or unauthorised access.</li> <li>• Ensure all departments that process PII maintain Records Of Processing Activity (ROPA).</li> <li>• Create an online Subject Access Request form.</li> <li>• Review and, where necessary, revise all procedures covering the handling and security of PII.</li> <li>• Consider additional training needs for departments / individuals handling PII.</li> <li>• Review and, where necessary, revise all extant contracts, information</li> </ul>	Director of Legal & Governance	March 2019

## Annual Governance Statement 2017/18

		<p>sharing agreements and Memorandums of Understanding, and identify new requirements.</p> <ul style="list-style-type: none"> <li>• Review and revise existing privacy statements, identify and create any additional specific activity statements needed.</li> <li>• Review and revise existing Data Protection Impact Assessment (DPIA) screening questions to ensure that full DPIA's are created as necessary.</li> <li>• Ensure screening questions, for DPIA's, are completed whenever PII is likely to be involved in a project or process.</li> </ul>		
2.	Currency of financial and contractual governance documents	<p><b>Anti-Money Laundering Policy</b> – review and update</p> <p><b>Purchasing Card Guidelines</b> – review and update</p>	Chief Finance Officer	December 2018
3.	Currency of people governance documents	<p><b>Officers' Induction Guidance Notes</b> – review and update</p> <p><b>Equality and Diversity Policy</b> – review and update</p>	Director of People and Organisational Development	September 2018
4.	Pensions administration and reporting	The Authority's Pensions administrators continue to transfer increasing amounts of more complex information requirements on a monthly basis to Employee Services and Payroll. In addition there are a complex range of discretions across 4 main schemes. It is proposed to review the skills, capacity and level of internal pensions	Director of People and Organisational Development	March 2019

## Annual Governance Statement 2017/18

		<p>officer support required within the service and also carry out a full review of all pension discretions, to ensure they are fit for purpose to support the Authority's People Strategy.</p> <p>It is also planned to review Pensions Communications within the service ; this reinforced by suggestions from the October 2017 Culture Survey.</p>		
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# Buckinghamshire & Milton Keynes Fire Authority



<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	18 July 2018
<b>OFFICER</b>	David Sutherland, Director of Finance & Assets
<b>LEAD MEMBER</b>	Councillor David Watson
<b>SUBJECT OF THE REPORT</b>	<b>Audit Results Report</b>
<b>EXECUTIVE SUMMARY</b>	This report summarises the findings from the 2017/18 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.
<b>ACTION</b>	Information
<b>RECOMMENDATIONS</b>	That the content of the report be noted.
<b>RISK MANAGEMENT</b>	The results of the audit give reassurance regarding entries in the accounts and value for money arrangements.
<b>FINANCIAL IMPLICATIONS</b>	No direct impact.
<b>LEGAL IMPLICATIONS</b>	The audit of the financial statements is a statutory requirement.
<b>CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE</b>	No direct impact.
<b>HEALTH AND SAFETY</b>	No direct impact.
<b>EQUALITY AND DIVERSITY</b>	No direct impact.
<b>USE OF RESOURCES</b>	The Audit Results Report concludes that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	None

<b>APPENDICES</b>	Annex A: Audit Results Report
<b>TIME REQUIRED</b>	10 minutes
<b>REPORT ORIGINATOR AND CONTACT</b>	Mark Hemming <a href="mailto:mhemming@bucksfire.gov.uk">mhemming@bucksfire.gov.uk</a> 01296 744687

Buckinghamshire &  
Milton Keynes Fire  
Authority  
Audit results report

Year ended 31 March 2018

25 June 2018



Building a better  
working world



Private and Confidential

25 June 2018



Dear Committee Members

We have substantially completed our audit of Buckinghamshire and Milton Keynes Fire Authority (the Authority) for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form that appears in section 4, before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the 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 welcome the opportunity to discuss the contents of this report with you at the Overview and Audit Committee meeting on 18 July 2018.

Yours faithfully

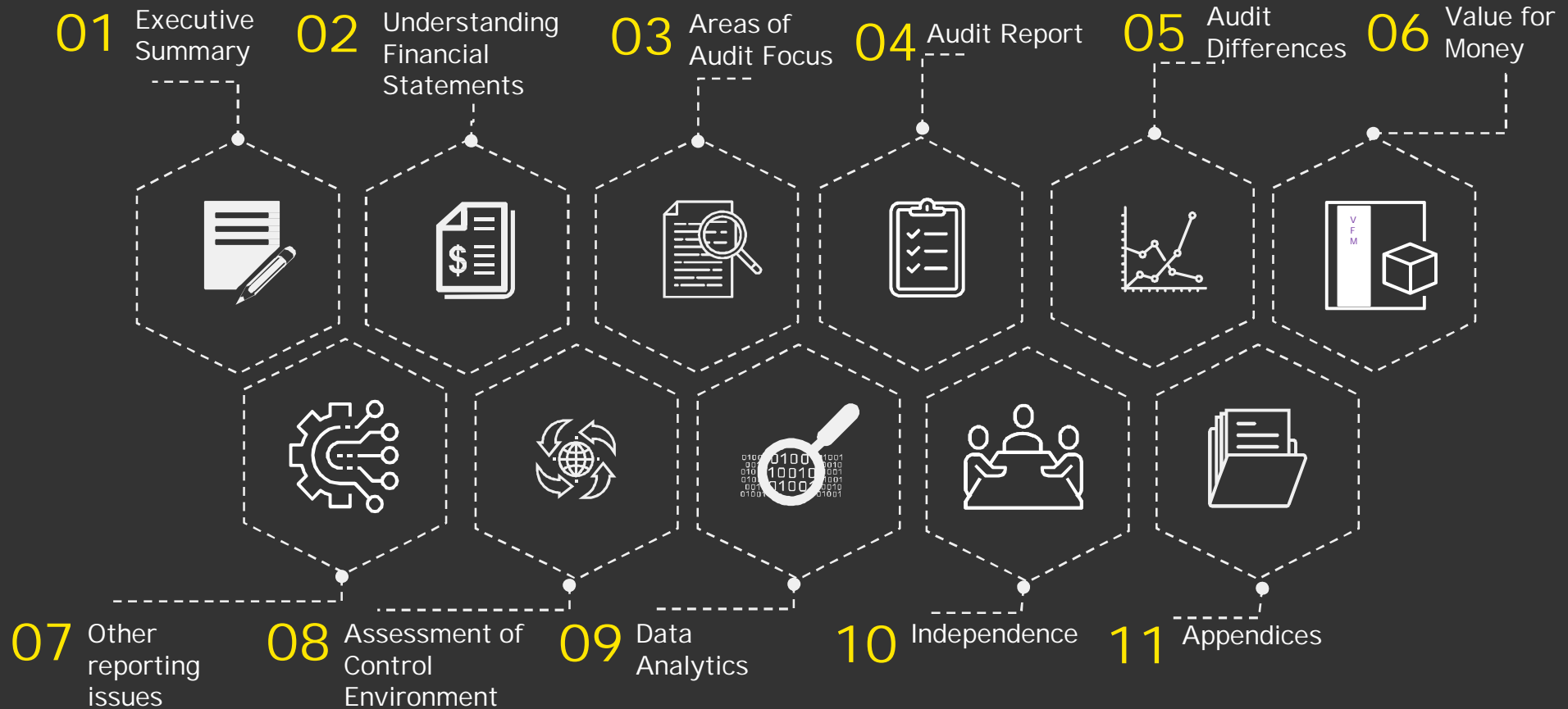
Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

# 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](http://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 February 2017)" 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 Audit Committee 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 Audit Committee and management of Buckinghamshire and Milton Keynes Fire Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Overview and Audit Committee and management of Buckinghamshire and Milton Keynes Fire Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





# 01 Executive Summary

## Executive Summary

### Scope update

In our Audit Planning Report presented at the 7 March 2018 Overview and Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £662k for the main accounts and £153k for the pension fund. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £667k for the main accounts and £155k for the pension fund. This results in updated performance materiality, at 75% of overall materiality, of £501k for the main accounts and £116k for the pension fund. The updated threshold for reporting misstatements is £33k for the main accounts and £7.7k for the pension fund.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

### Status of the audit

We have completed our audit of Buckinghamshire and Milton Keynes Fire Authority's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Planning Report.

We will issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4 after the Overview and Audit Committee and once we have received the final signed set of financial statements and the management representation letter.

### Audit differences

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



# Executive Summary

## Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Buckinghamshire and Milton Keynes Fire Authority's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and areas where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" 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
- 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.

## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

## 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.

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

We have no other matters to report.

## Independence

Please refer to Section 10 for our update on Independence.



The background of the slide features a close-up, shallow depth-of-field photograph of Euro currency. In the foreground, a 1 Euro coin is in sharp focus, showing the number '1' and the word 'EURO'. Behind it, another coin is slightly out of focus. The background is filled with the intricate patterns and colors of Euro banknotes, including a prominent blue note on the left and a green note at the bottom. A dark grey horizontal bar is overlaid on the lower portion of the image, containing the title and a yellow hexagonal icon with the number '02'.

02

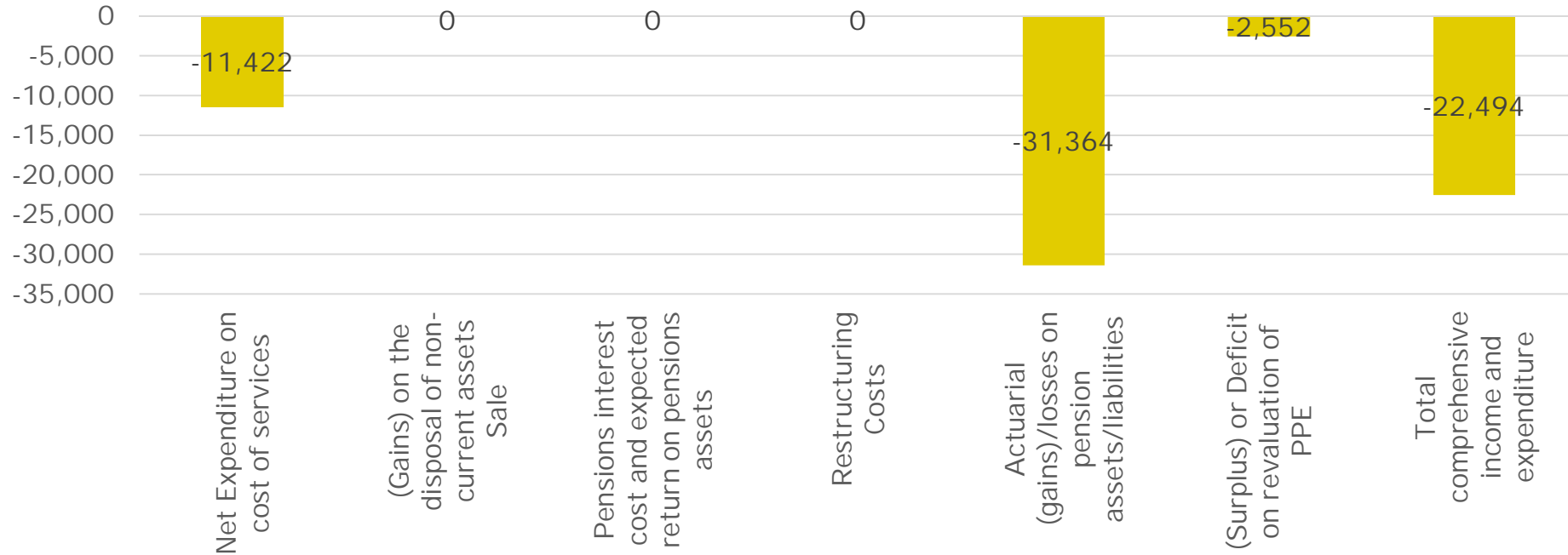
## Understanding Financial Statements



# Understanding Financial Statements

## Key components of net expenditure

Net expenditure for the year ended 31 March 2018 was £11,422k deficit, a decrease of £3,213k from the prior year. During the year there were no significant events have occurred with an impact on the underlying financial position of the Authority. The following provides an overview of the material items:



The main movement from the net cost of services to the total comprehensive income and expenditure was due to the remeasurement of the actuarial gains on the pensions. This is a figure the Authority obtains from the Actuary's report.



# 03 Areas of Audit Focus





## Areas of Audit Focus

# Significant risk

### Risk of fraud in revenue and expenditure recognition

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The risk in local government resides in areas in which management judgements are made and transactions not subject to routine based system controls. As such we attach the risk of revenue recognition to the judgements made in recognising capital expenditure and the subsequent capital financing transactions.

#### What judgements are we focused on?

The risk is focused on items of non-routine income and expenditure, involving management estimation and judgement, rather than transactions created through routine invoicing processes.

#### What did we do?

- Reviewed and tested revenue and expenditure recognition policies;
- Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- Developed a testing strategy and tested material revenue and expenditure streams; and
- Reviewed and tested revenue and expenditure cut-off at the period end date.

#### What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.



## Areas of Audit Focus

# Risk of fraud in revenue and expenditure recognition



### Further details on procedures/work performed

#### Procedures focused on revenue account

Ø Review and test revenue and expenditure recognition policies;

We identified the significant income and expenditure streams of the Authority and considered the accounting policies related to these. When completing our substantive testing, we ensured that any recognition of income and expenditure was compliant with the Authority's accounting policy i.e. income is recognised when and to the extent that performance occurs, and expenditure recognised when, and to the extent that goods and services have been received.

Ø Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias;

This has been reviewed as part of our work on the testing of accruals.

Ø Develop a testing strategy and test material revenue and expenditure streams;

Our testing strategy focused on the following material streams:

Income accruals: specifically non-system manual accruals as these involve management estimation and judgement, rather than transactions created through routine invoicing processes.

Expenditure accruals: specifically non-system manual accruals as these involve management estimation and judgement, rather than transactions created through routine invoicing processes.

Ø Review and test revenue and expenditure cut-off at the period end date;

We extended our cut-off procedures with testing on cash and accounts payable transactions around year-end.

#### Procedures focused on balance sheet

Ø Extended substantive testing of creditors and accruals

We obtained corroborative documentation to support sampled transactions. Where appropriate, we have evaluated the estimation approach for reasonableness and where traced to subsequent payment.

Ø Extended unrecorded liabilities testing

We obtained system reports/cash book entries for some payments made in 2018/19. We confirmed the transaction was allocated to the correct period

We tested cutoff by inspecting the accounts receivable ledger, invoices and other supporting documents 4 weeks before and after period-end, as we consider that this is an appropriate period for management to make any adjustments

Ø Extended substantive testing of debtor balances

We undertook increased testing of accrued income balances to supporting documentation and subsequent receipt where possible.



# Areas of Audit Focus

## Significant risk

Misstatements due to fraud or error/ Risk of management override of control

### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, 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 identify and respond to this fraud risk on every audit engagement.

### What judgements are we focused on?

We have considered the risk of management override and the areas of the financial statements that may be most susceptible to this risk. We have concluded that the judgements we are focused on are items of non-routine income and expenditure, involving management estimation and judgement, rather than transactions created through routine invoicing processes.

As this relates to how the Authority recognises revenue and expenditure, we have addressed the risk through our procedures to address the risk of fraud in revenue and expenditure recognition.

Our work on the risk of management override therefore focussed on reviewing manual journal entries, through the use of our data analytics tools, as this is the way in management would most easily be able to manipulate accounting records.

### What did we do?

We addressed the residual risk of management override through the following procedures:

- 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 (as noted above relating to revenue and expenditure recognition); and
- We evaluated the business rationale for any significant unusual transactions.

### 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 other transactions during our audit which appeared unusual or outside the Authority's normal course of business.



# Areas of Audit Focus

## Other areas of audit focus

In our Audit Planning Report, we identified other areas of the audit, that were not classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What did we do?
<p><u>Valuation of Land and Buildings</u> Land and buildings is one of the most significant balances in the Authority's Balance Sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Reviewed the data sent to, and the report produced by, the Authority's valuer;</li> <li>• Challenged the assumptions used by the Authority's valuer by reference to external evidence and our EY valuation specialists (where necessary); and</li> <li>• Tested the journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.</li> </ul> <p>Conclusion: We concluded that the valuation has been accurately processed and reflected in the financial statements.</p>
<p><u>Pension Liability Valuation</u> The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) administered by Buckinghamshire County Council. The Authority must also do similar in respect of the Firefighters Pension Fund. The Firefighters pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the respective balance sheet. At 31 March 2018 this totalled £285.1m million. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council and also the Firefighters Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Liaised with the auditors of Buckinghamshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Buckinghamshire &amp; Milton Keynes Fire Authority LGPS members - <b>we are still waiting for a confirmation from the Pension Fund Auditors;</b></li> <li>• Assessed the work of the LGPS Pension Fund actuary (Barnett Waddingham) and the Firefighters pension actuary (also Barnett Waddingham) including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and</li> <li>• Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.</li> </ul> <p>Conclusion: <b>Assuming the Pension Fund Auditor has no issues, we hope to conclude</b> that the pension liability valuation has been treated correctly in the financial statements.</p>



# 04 Audit Report





# Audit Report

## Draft audit report

### Our opinion on the financial statements (draft)

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

##### Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Buckinghamshire and Milton Keynes Fire Authority for the year ended 31 March 2018 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;
- the related notes 1 to 31; and
- the firefighters' pension fund financial statements comprising the Fund Account, the 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 2017/18.

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 2018 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 2017/18.

##### Basis for opinion

- We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
- We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

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

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



# Audit Report

## Our opinion on the financial statements

### Other information

The other information comprises the information included in the annual report Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, 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 2018.

### Matters on which we report by exception

We report to you 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.

### Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 19, the Director of Finance and Assets & Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority's financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.



# Audit Report

## Our opinion on the financial statements

In preparing the financial statements, the Director of Finance and Assets & Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements

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

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

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 2017, as to whether 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 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 2018.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to 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 are operating effectively.



# Audit Report

## Our opinion on the financial statements

### 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.

### Use of our report

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.

Maria Grindley  
Ernst & Young LLP  
Reading  
18 July 2018

The following foot note should be added to the audit report when it is published or distributed electronically:

The maintenance and integrity of the Buckinghamshire and Milton Keynes Fire Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.





# 05 Audit Differences



# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually 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.

## Summary of adjusted differences

We highlight the following misstatements greater than £33,372 for the main accounts and £7,745 for the pension fund which have been corrected by management that were identified during the course of our audit:

- Pension payments had been overstated by £237,525 and lump sum payments had been understated by £237,525. A misclassification error, not affecting the end result.
- Financial Instruments, note 29c, debtors had been stated incorrectly as £2,367k instead of £2,319k.
- Usable Reserves, note 23, Adjustments Under Regulations, a compensating error of £1.394m was identified.

There were no uncorrected misstatements.

## Summary of unadjusted differences

We have included all judgemental amounts greater than £33,272 for the main accounts and £7,745 for the pension fund relating to Buckinghamshire and Milton Keynes Fire Authority in our summary of misstatements table below.

There are no unadjusted differences.

## Comments on disclosure notes

The draft accounts submitted for audit included a number of casting, consistency and cross-referencing errors which have been amended by management. Other disclosure amendments, included:

Note 2 Officers Remuneration – An officer had been misclassified in the incorrect banding.

Note 11 PPE – Vehicles, plant and equipment in the note did not agree to the figure in the balance sheet.



Note 13 Intangible fixed assets – the opening balance had not been brought forward correctly.

We will complete final checks to ensure that all of the above errors have been amended in the final version of the accounts.

# Audit Differences

## Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Overview and Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2018 (£000)	 Effect on the current period:	 Balance Sheet (Decrease)/Increase			
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2018.





06

## Value for Money Risks







# Value for Money

## Background

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.

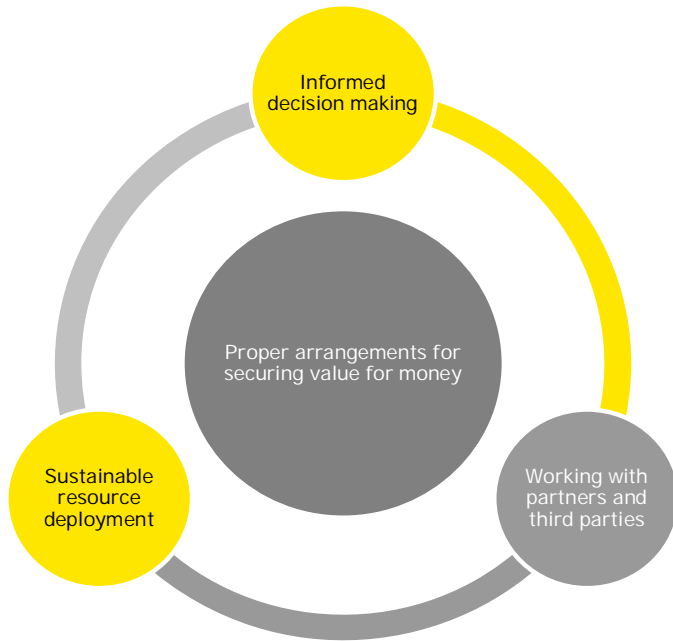
For 2017/18 this is based on the overall evaluation criterion:

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

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 will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



## Overall conclusion

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.



# 07 Other reporting issues



## 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 2017/18 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 have no issues to raise.

### 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.





08

# Assessment of Control Environment



# Assessment of Control Environment

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## 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 therefore 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.

## Reliance on internal audit

We have reviewed Internal Audit reports issued to management during the period to April 2018 to ensure that any financial statement risks identified are considered in determining the extent of our audit procedures.





# 09 Data Analytics





# Use of Data Analytics in the Audit

## ▶ Data analytics

### Analytics Driven Audit

#### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the Authority's audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### Journal Entry Analysis

We obtain downloads of all the Authority's financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



# Data Analytics

## Journal Entry Data Insights

The graphic outlined below summarises the Authority's journal population for 2017/18. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

### EY Helix - GLASS: Journal Entry Data Insights - Buckinghamshire Fire Authority - 31/03/2018

#### Facts and Figures

Number of Journals Posted:  
**19,362**

Average Number of Journals Posted per Day:  
**70**

Average Number of Lines per Journal:  
**10**

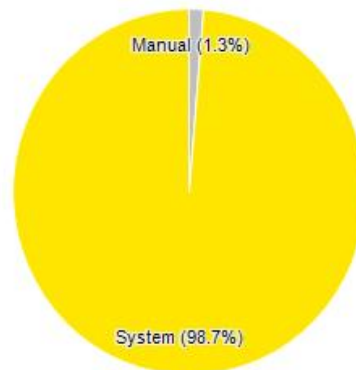
#### Operational Efficiencies

Manual Journals Posted at weekend:  
**0**

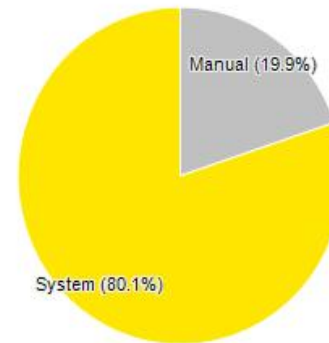
Manual journals where gross amount is < £5:  
**0**

Journal lines with zero value:  
**0**

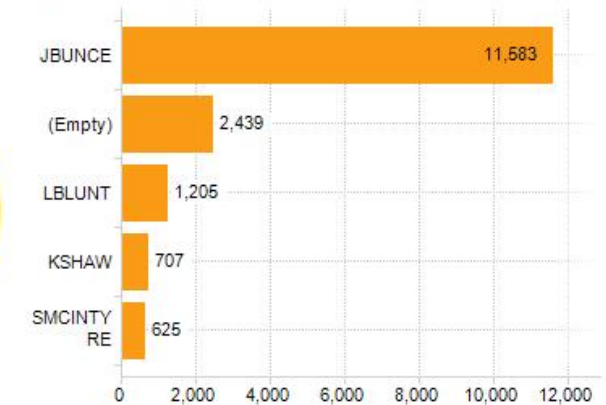
#### Manual v System by Volume



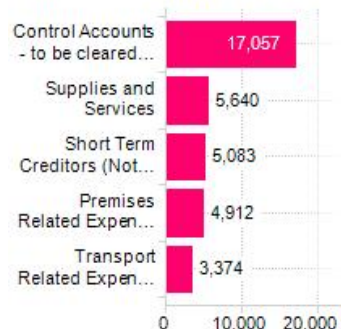
#### Manual v System by Value



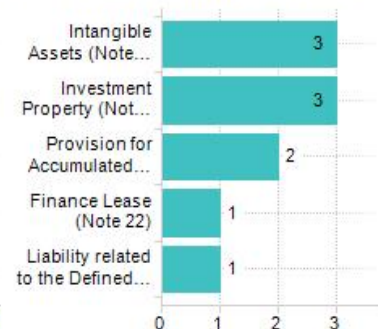
#### Top Five Preparers



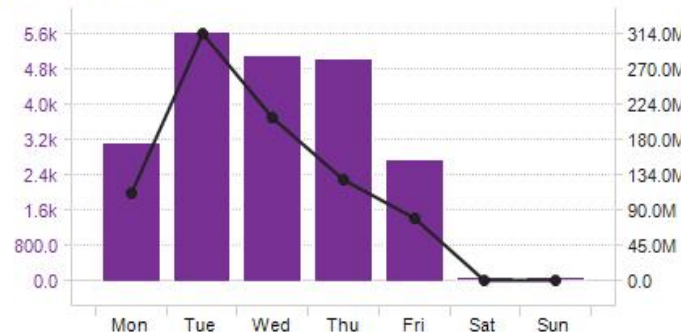
#### Top Five Activity Accounts



#### Bottom Five Activity Accounts



#### Days of the Week



#### Bottom Five Preparers







## Journal Entry Testing

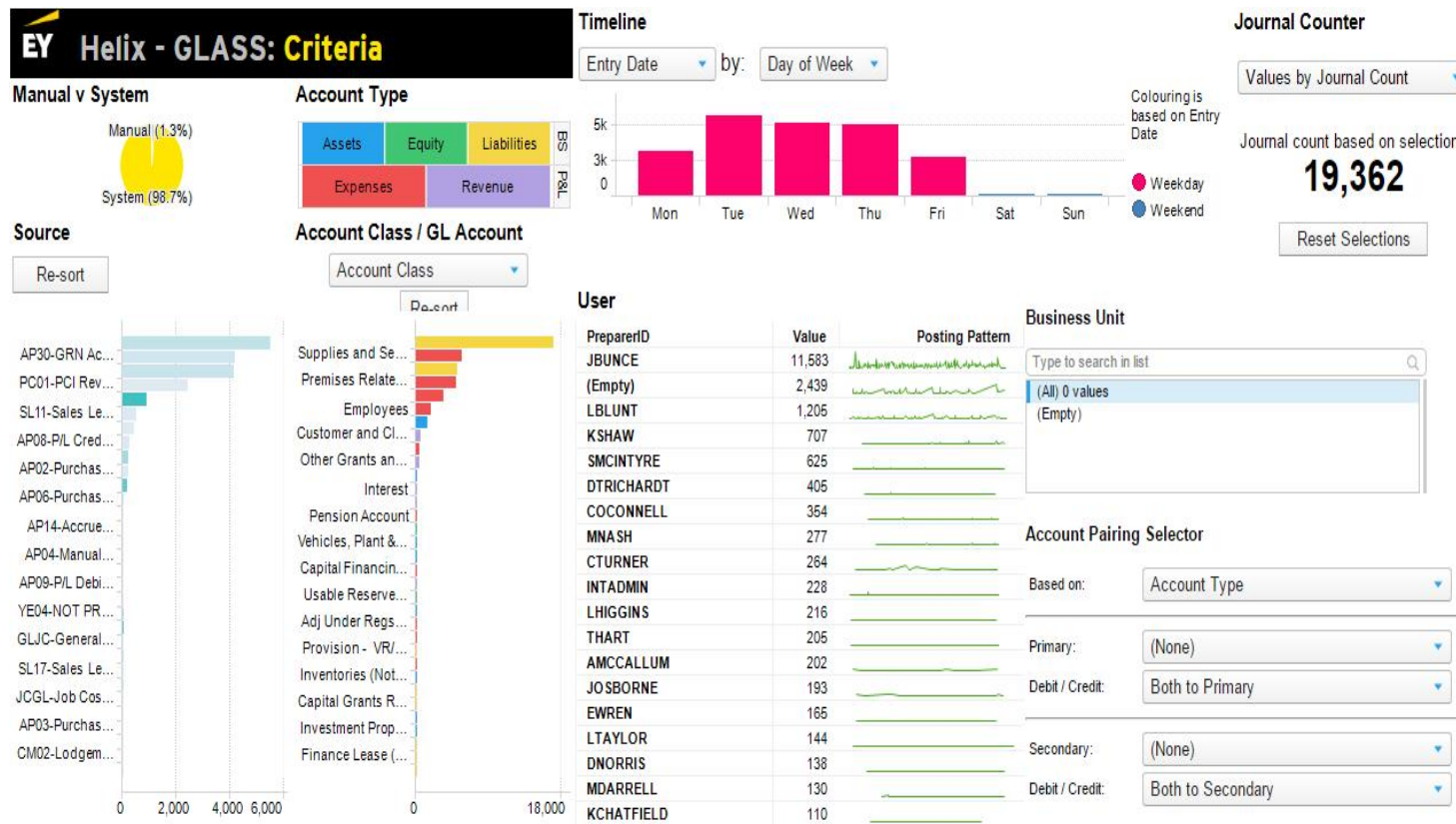
### What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

### What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – Buckinghamshire and Milton Keynes Fire Authority – 31 March 2018



### What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

### What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



# 10 Independence

## Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Planning Report dated 1 February 2018

We complied with the FRC 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 18 July 2018.

 Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee – Code work	TBC*	31,379	31,379	31,379

\* There have been delays caused this year due to the new accounting system in place which resulted in more cleansing of data for the analytics work. The financial statements weren't ready for the start of the audit and working papers were provided later than planned. Remuneration work was delayed to the end of the audit. These issues resulted in additional work and once the audit is complete we will quantify the impact on the fee. Key staff worked hard to respond in a timely way to the audit and this helped us minimise the disruption caused by these delays.

# Independence



## Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The slide above includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services provided have been on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.





# 11 Appendices

# Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.




Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Trade payables	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Tangible fixed assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Cash	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change

## Appendix B

# Summary of communications




Date 	Nature 	Summary 
15 November 2017	Meeting	The partner in charge of the engagement and other senior members of the audit team, met with the Overview and Audit Committee to discuss focus areas of the Overview and Audit Committee this year.
1 February 2018	Report	The Audit Planning Report, including confirmation of independence, was issued to the Overview and Audit Committee.
6 February 2018	Meeting	The manager and senior for the engagement met with management to discuss the timings of the audit and the key matters impacting the Authority
7 March 2018	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Overview and Audit Committee and senior members of the management team to discuss the Audit Planning Report.
June 2018	Meeting	Audit close meeting with the management team to discuss the preliminary findings of the audit.
June 2018	Report	The Audit Results Report, including confirmation of independence, was issued to the Overview and Audit Committee.
18 July 2018	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit committee and senior members of the management team to discuss the Audit Results Report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

## Appendix C

# Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 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.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report presented at the Overview and Audit Committee 7 March 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report presented at the Overview and Audit Committee 7 March 2018
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process.</li> </ul>	Audit Results Report presented at the Overview and Audit Committee 18 July 2018



# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about Buckingham and Milton Keynes Fire Authority's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	Audit Results Report presented at the Overview and Audit Committee 18 July 2018
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the overview and audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Request for Overview and Audit Committee to approve the letter of representation from management at the Overview and Audit Committee meeting on 18 July 2018
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Overview and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to Overview and Audit Committee responsibility.</li> </ul>	Enquiries by letter to the Chair of the Overview and Audit Committee dated 16 April 2018

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit Results Report presented at the Overview and Audit Committee 18 July 2018
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Initial reporting in the Audit Planning Report presented at the Overview and Audit Committee 7 March 2018</p> <p>Confirmation in the Audit Results Report presented at the Overview and Audit Committee 18 July 2018</p>
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit Results Report presented at the Overview and Audit Committee 18 July 2018
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the Overview and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit Results Report presented at the Overview and Audit Committee 18 July 2018




# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report presented at the Overview and Audit Committee 18 July 2018
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Request for Overview and Audit Committee to approve the letter of representation from management at the Overview and Audit Committee meeting on 18 July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report presented at the Overview and Audit Committee 18 July 2018
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report presented at the Overview and Audit Committee 18 July 2018
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	<p>Initial reporting in the Audit Planning Report presented at the Overview and Audit Committee 7 March 2018</p> <p>Confirmation in the Audit Results Report presented at the Overview and Audit Committee 18 July 2018</p>

## Appendix D

# Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Confirmation from pension Auditor	Receipt of confirmation letter from Pension Auditor	EY and management
Confirmation of balance from Skipton Building Society	Receipt of confirmation letter from Skipton Building Society	EY and management
Head of Internal Audit Opinion	Receipt of Head of Internal Audit Opinion	EY and management
Management representation letter	Receipt of signed management representation letter	Management and Overview and Audit Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

# 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 2018

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 31/03/2018. 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 31/03/2018 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 2017/18.

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 2017/18.

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 2017/18. 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 2017/18, 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.

# Management representation letter

## Management Rep Letter

3. Non-compliance with law and regulations, including fraud
1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
  2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
  3. 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.
  4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
    - involving financial statements;
    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
    - involving management, or employees who have significant roles in internal controls, or others; or
    - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

- C. 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 Authority, the Executive Committee and the Overview and Audit Committee held through the year to the most recent meeting on the following date: [list date].
  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.

# Management representation letter

## Management Rep Letter

5. 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.

### D. 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.

### E. 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.

### F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### 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. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

### H. Reserves

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.

### J. Pension Liability and PPE Valuations Estimate

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 2017/18.
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 2017/18.
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

About EY

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

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# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	18 July 2018
<b>OFFICER</b>	David Sutherland, Director of Finance & Assets
<b>LEAD MEMBER</b>	Councillor David Watson
<b>SUBJECT OF THE REPORT</b>	<b>Letter of Management Representation 2017/18</b>
<b>EXECUTIVE SUMMARY</b>	The Authority is required to consider and sign the letter of representation to Ernst & Young in order for the audit opinion and conclusion to be issued.
<b>ACTION</b>	Decision.
<b>RECOMMENDATIONS</b>	That the Letter of Representation be approved for signature by the Chief Finance Officer and the Chairman of the Committee.
<b>RISK MANAGEMENT</b>	The results of the audit give reassurance regarding entries in the accounts and value for money arrangements.
<b>FINANCIAL IMPLICATIONS</b>	No direct impact.
<b>LEGAL IMPLICATIONS</b>	The audit of the financial statements is a statutory requirement.
<b>CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE</b>	No direct impact.
<b>HEALTH AND SAFETY</b>	No direct impact.
<b>EQUALITY AND DIVERSITY</b>	No direct impact.
<b>USE OF RESOURCES</b>	No direct impact.
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	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.
<b>APPENDICES</b>	Annex A: Letter of Management Representation

	2017/18. Annex B: Understanding how the Overview and Audit Committee gains assurance from management.
<b>TIME REQUIRED</b>	10 minutes
<b>REPORT ORIGINATOR AND CONTACT</b>	Asif Hussain <a href="mailto:ahussain@bucksfire.gov.uk">ahussain@bucksfire.gov.uk</a> 01296 744421



Ernst & Young  
Apex Plaza  
Forbury Road  
Reading  
RG1 1YE

Our ref: Letter of Representation 2017/18  
Enquiries to: Mark Hemming  
Ext no: 140  
Direct line: 01296 744687  
Date: 18 July 2018  
Email: mhemming@bucksfire.gov.uk

Dear Maria,

**Buckinghamshire & Milton Keynes Fire and Rescue Authority - Audit for the year ended 31 March 2018**

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 31/03/2018. 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 31/03/2018 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 2017/18.

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 2017/18.
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

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**Director of Finance & Assets: David Sutherland CPFA**  
Buckinghamshire Fire & Rescue Service  
Brigade Headquarters, Stocklake, Aylesbury, Bucks HP20 1BD  
Tel: 01296 744400 Fax: 01296 744419



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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 2017/18. 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 2017/18, 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. Non-compliance with law and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. 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.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance



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with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### **C. 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.<sup>1</sup>
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 Authority, the Executive Committee and the Overview and Audit Committee held through the year to the most recent meeting on the following date: 13 June 2018.
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.

### **D. 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.



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#### **E. 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.

#### **F. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **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. 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.

#### **J. Pension Liability and PPE Valuations Estimate**

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 2017/18.
2. We confirm that the significant assumptions used in making the estimates appropriately



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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 2017/18.
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,*

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Director of Finance and Assets and Chief Financial Officer

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Chairman of the Overview and Audit Committee

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

Our ref: 18 BMKFA/TCWG  
Enquiries to: Asif Hussain  
Ext no: 177  
Direct line: 01296 744421  
Date: 01 June 2018  
E-mail: [ahussain@bucksfire.gov.uk](mailto:ahussain@bucksfire.gov.uk)

Dear Maria

### **Understanding how the Overview and Audit Committee gains assurance from management**

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)

**Director of Finance & Assets: David Sutherland CPFA**  
Buckinghamshire Fire and Rescue Service  
Brigade Headquarters, Stocklake, Aylesbury, Bucks HP20 1BD

**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 2017-18?

**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 2017/18?

**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 2017/18.

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

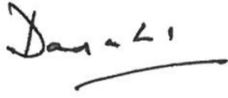
**Response:** Yes. A review of potential litigation and claims is carried out by officers as part of the year end closedown process. An assessment is made as to whether these require a provision or contingent liability to be disclosed in order for the financial statements to present a true and fair view. The 2017/18 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

A handwritten signature in black ink, appearing to read 'David Watson', with a horizontal line underneath.

Councillor David Watson

Chairman – Overview and Audit Committee

**Director of Finance & Assets: David Sutherland CPFA**  
Buckinghamshire Fire and Rescue Service  
Brigade Headquarters, Stocklake, Aylesbury, Bucks HP20 1BD

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# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	18 July 2018
<b>OFFICER</b>	David Sutherland, Director of Finance and Assets
<b>LEAD MEMBER</b>	Councillor David Watson
<b>SUBJECT OF THE REPORT</b>	<b>Adoption of the Audited Statement of Accounts</b>
<b>EXECUTIVE SUMMARY</b>	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 31 July in the year immediately following the end of the year to which the statement relates.
<b>ACTION</b>	Decision.
<b>RECOMMENDATIONS</b>	<ol style="list-style-type: none"> <li>1. that Members consider the matters raised by the Audit Commission;</li> <li>2. that the Statement of Accounts for the financial year ended 31 March 2018 be approved for signing by the Chairman of the Committee.</li> </ol>
<b>RISK MANAGEMENT</b>	No direct impact.
<b>FINANCIAL IMPLICATIONS</b>	No direct impact.
<b>LEGAL IMPLICATIONS</b>	The Statement of Accounts must, following consideration, be approved by the Committee.
<b>CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE</b>	No direct impact.
<b>HEALTH AND SAFETY</b>	No direct impact.
<b>EQUALITY AND DIVERSITY</b>	No direct impact.
<b>USE OF RESOURCES</b>	No direct impact.
<b>PROVENANCE SECTION &amp;</b>	None.

Adoption of the Audited Statement of Accounts

<b>BACKGROUND PAPERS</b>	
<b>APPENDICES</b>	Annex A: Annual Financial Statements 2017/18
<b>TIME REQUIRED</b>	15 minutes.
<b>REPORT ORIGINATOR AND CONTACT</b>	Asif Hussain <a href="mailto:ahussain@bucksfire.gov.uk">ahussain@bucksfire.gov.uk</a> 01296 744421



# Audited Annual Financial Statements

for the year ending 31 March 2018



**Buckinghamshire**  
**FIRE & RESCUE SERVICE**  
*we save lives*

## Table of Contents

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 2018. 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 are reflected in the difficult financial decisions 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 2017/18: 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 2018 was £9.727m (as at 31 March 2017 was £11.639m);
- 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 2017/18 was £11.422m (2016/17 was a deficit of £8.209m);
- 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 increase in cash and cash equivalents during the year was £2.011m (net decrease of £0.331m in 2016/17). 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 2018 and is structured as below:

- An Introduction to Buckinghamshire and Milton Keynes Fire Authority
- Key Facts about the Authority
- Financial Performance in 2017/18
- Corporate Risks

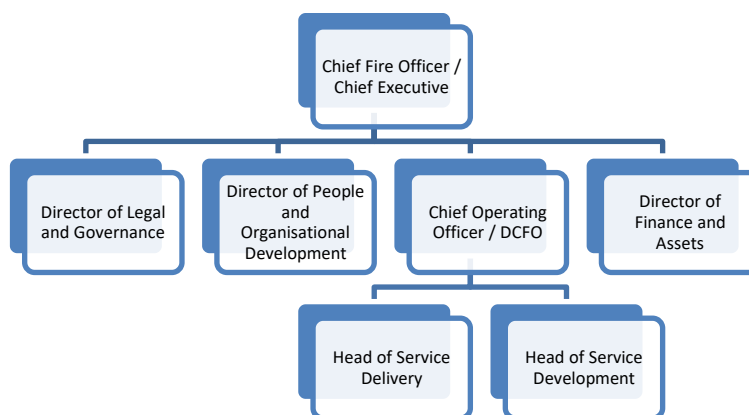
## **An Introduction to Buckinghamshire and Milton Keynes Fire Authority**

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 – eleven nominated by Buckinghamshire County Council and six 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:

[https://bucksfire.gov.uk/files/9514/5552/8679/2015 - 20 PSP Updated after 17 Dec CFA.compressed.pdf](https://bucksfire.gov.uk/files/9514/5552/8679/2015_-_20_PSP_Updated_after_17_Dec_CFA.compressed.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.

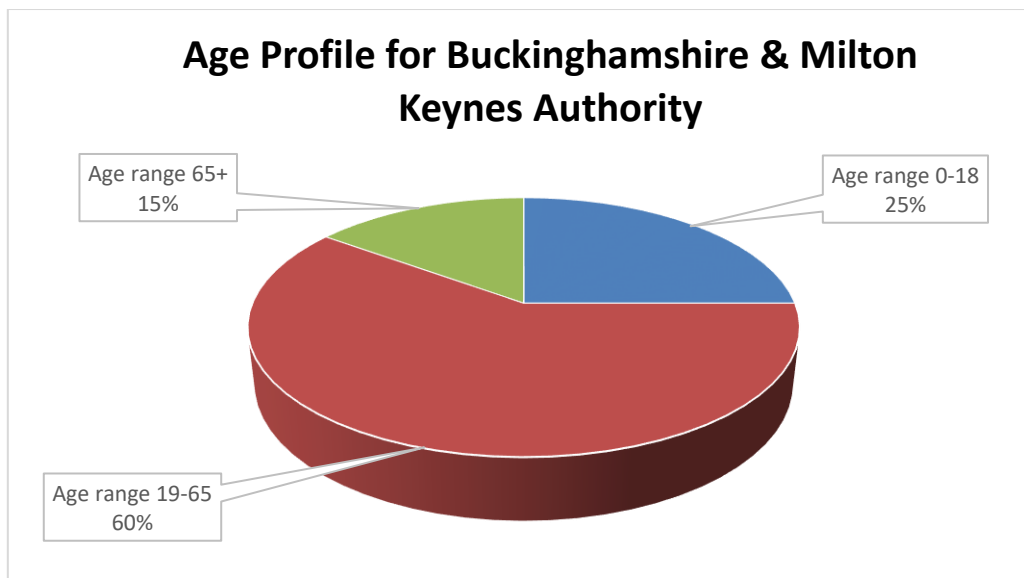
The Efficiency Plan can be viewed here:

[http://bucksfire.gov.uk/files/2714/7496/8994/BMKFA\\_Efficiency\\_Plan.pdf](http://bucksfire.gov.uk/files/2714/7496/8994/BMKFA_Efficiency_Plan.pdf)

**Key Facts about the Authority**

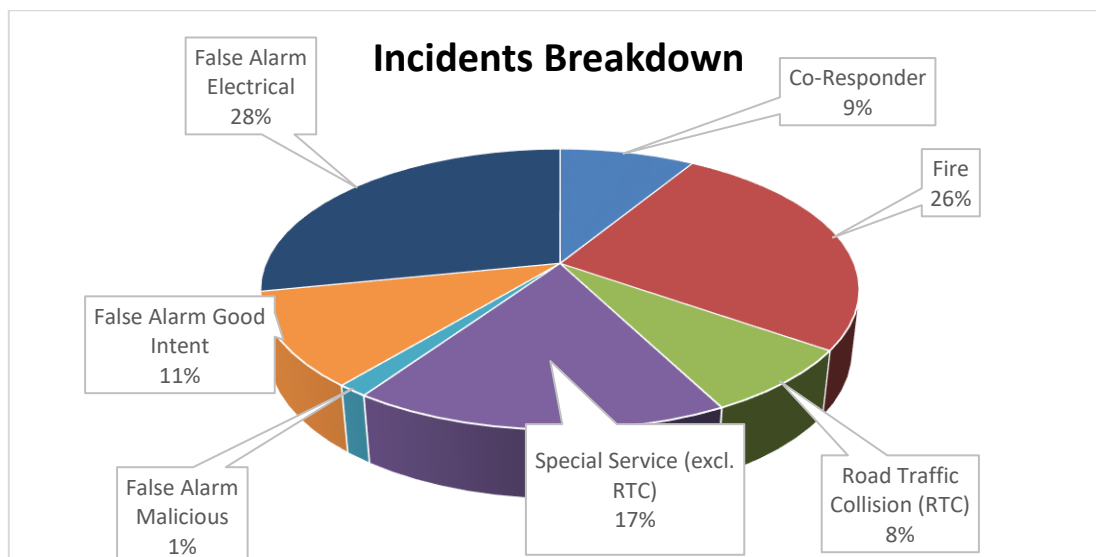
The profile of the local population dictates the direction and substance of the services provided by the Fire Authority. The Authority’s aim is to align our highest level of station cover to those areas with the greatest demand.

The population for Buckinghamshire and Milton Keynes estimated by the Office for National Statistics (June 2016) was 799,200. The age profile is presented below:



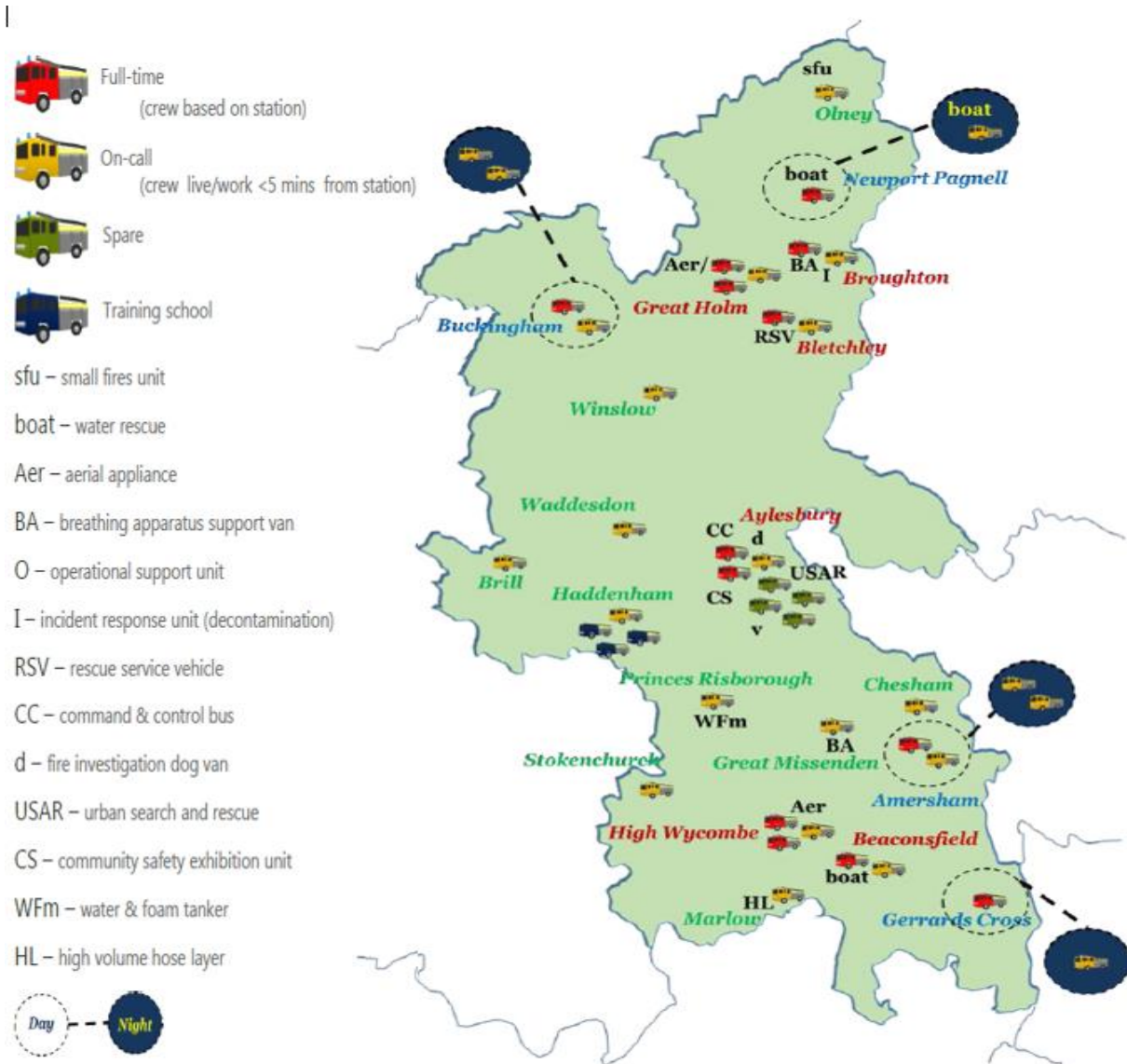
**Incidents by type**

False alarm electrical (28% of total incidents) accounts for a large proportion of incidents recorded followed by fire (26%), special service (17%), false alarm good intent (11%), co-responder (9%), road traffic collisions (8%), and false alarms malicious (1%)



In addition to attending incidents, fire-fighters carried out 3,290 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 to several other stations including the Headquarters in Aylesbury.

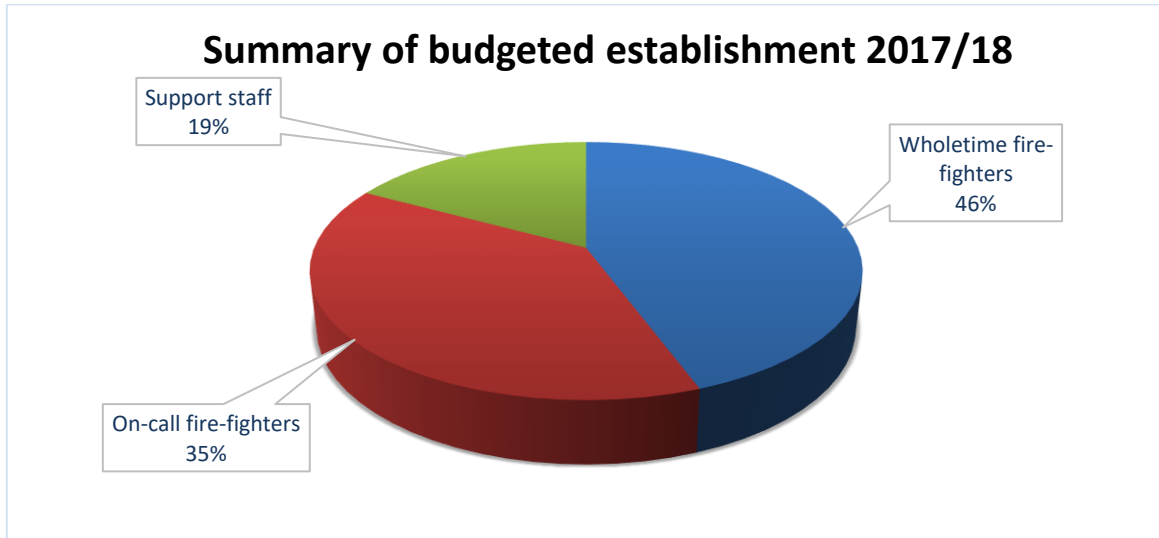
<p><b>South Central Ambulance Service (SCAS) cover Buckinghamshire and Milton Keynes.</b></p> <ul style="list-style-type: none"> <li>• They are required to meet Category A (immediately life-threatening) calls within 8 minutes on 80% of occasions.</li> <li>• There are some areas where the incident demand places great pressure on their capacity to respond within their target timescales</li> <li>• A proportion of the SCAS workforce is voluntary, which also makes it challenging to manage the capacity of their workforce.</li> </ul>	<p>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.</p> 	<p><b>Buckinghamshire Fire and Rescue Service (BFRS)</b></p> <ul style="list-style-type: none"> <li>• BFRS have 600 crew members who are professionally trained to deal with emergency situations and are reliably available when needed.</li> <li>• 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.</li> <li>• BFRS have stations and crew in the locations where SCAS face significant challenges in meeting the demand for emergency response.</li> </ul>
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**Apprenticeships**

At the end of 2017/18, apprentices made up 6.6% of the Authority’s total workforce, working to a number of different apprenticeship standards. This exceeds the Government’s target of 2.3%, which equates to the equivalent of 12 FTEs per year. 2017/18 was the first full year of the Government’s apprenticeship reform agenda, and for which all providers have to submit reports to the National Apprenticeship Service by the 30 September 2018. Whilst targets and the apprenticeship levy were introduced for 2017/18, the aim of the Authority’s programme continues to be the strategically targeted and sustainable refreshment of the workforce, rather than designed to meet Government targets.

## Establishment

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



(Figures in the table above are based on full-time equivalents and exclude apprentices)

## Financial Performance in 2017/18

### Economic Climate

Between 2011-12 and 2014-15, Buckinghamshire & Milton Keynes Fire Authority froze the level of council tax and in 2015-16 the level of council tax was decreased by one per cent. However, the funding settlement announced by the Government during 2015 means that the Fire Authority faces a reduction in its revenue support grant of 57 per cent between 2015-16 and 2019-20.

In this challenging financial environment, work continues to achieve a balanced budget, progressing in line with our Public Safety Plan for 2015-20 so that we can carry on as usual without detriment to public safety or emergency responses.

The Fire Authority has taken a number of measures already and plans to do more to ensure that it continues to meet the priorities set out in the Public Safety Plan. During 2017-18 we made further savings through a number of initiatives, which involved better ways of working and consolidating workforce plans to meet our vision for the longer term. We also invested in more up-to-date technology and new ways of working and are pursuing avenues which aim to share costs with our community partners and other fire authorities.

### Budget Setting 2017/18

The budget for 2017/18 was set at a full Authority meeting in February 2017, 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 (NDR) 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).

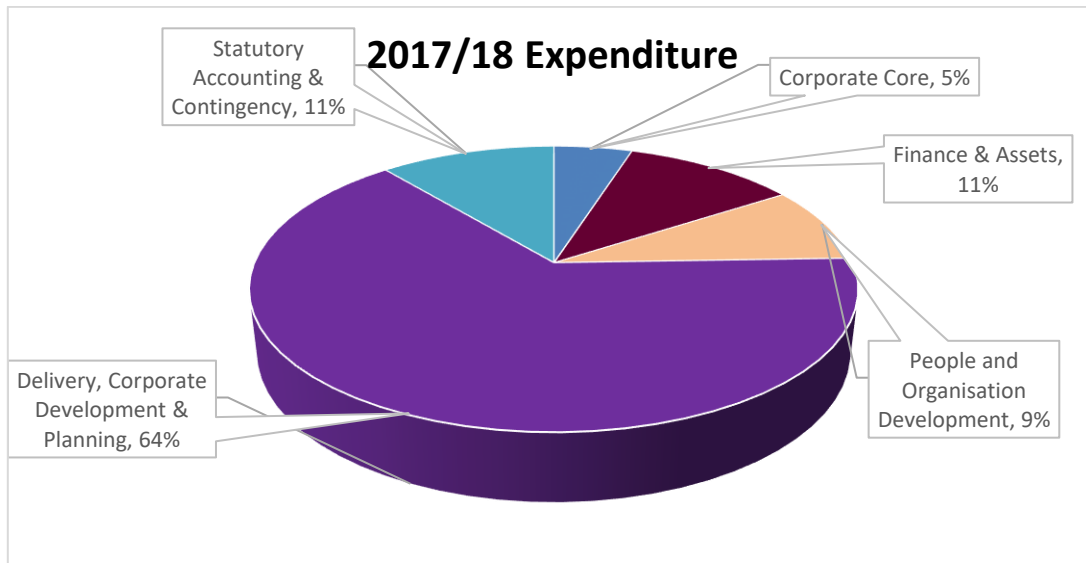


The budget proposed for 2017/18 was a financial estimation based upon the priorities set out within our Public Safety Plan. The employee costs took account of the continued work plan to make efficiencies year on year whilst still ensuring resources were sufficient and in the right place with no reduction in our response capability.

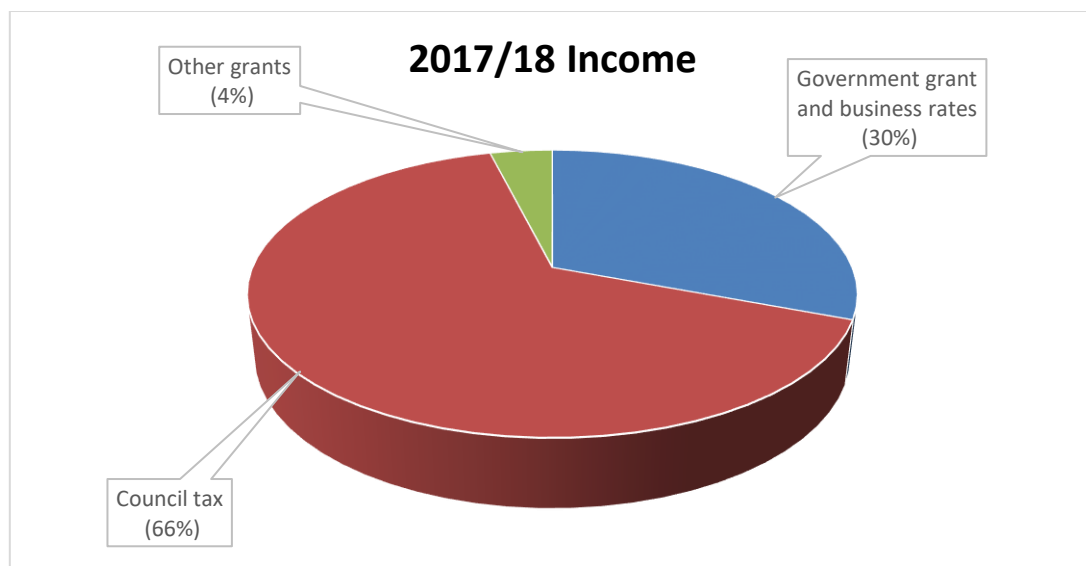
Specific items taken into account in setting the budget for 2017/18 included inflation and the increasing revenue cost for the capital programme. Amounts were also set aside as contingency to cover protected pay and other unknowns such as a national fire-fighters pay award. During the budget setting 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 2017/18



## Breakdown of Income 2017/18



**Revenue Outturn**

The revenue budget for 2017/18 was £28.210m set at the full Authority meeting held in February 2017. The table below shows the revenue outturn position for the year. The Authority reported an underspend of £0.095m

Directorate	Area Manager	Total Budget £000	Provisional Out-turn £000	Variance £000
Corporate Core	Corporate Management	1,149	1,070	-79
	Legal & Governance	297	318	21
<b>Corporate Core Total</b>		<b>1,446</b>	<b>1,388</b>	<b>-58</b>
Finance & Assets	Finance & Procurement	897	917	20
	Resource Management	1,992	2,141	149
<b>Finance &amp; Assets Total</b>		<b>2,889</b>	<b>3,058</b>	<b>169</b>
People & Organisation Development	Training & Development	1,936	1,700	-236
	Operations & Services	710	700	-10
<b>People &amp; Organisation Development Total</b>		<b>2,646</b>	<b>2,400</b>	<b>-246</b>
Delivery, Corporate Development & Planning	Service Delivery	16,412	15,834	-578
	Service Development	539	529	-10
	IT & Communications	1,599	1,656	57
<b>Delivery, Corporate Development &amp; Planning Total</b>		<b>18,550</b>	<b>18,019</b>	<b>-531</b>
Statutory Accounting & Contingency	Capital Charges	1,976	1,972	-4
	Contingency	504	757	253
	Non Distributed Costs	219	378	159
	Savings	-20	0	20
<b>Statutory Accounting &amp; Contingency Total</b>		<b>2,679</b>	<b>3,107</b>	<b>428</b>
<b>Total Expenditure</b>		<b>28,210</b>	<b>27,972</b>	<b>-238</b>
<b>Total Funding</b>		<b>-28,210</b>	<b>-28,067</b>	<b>143</b>
<b>Net Position</b>		<b>0</b>	<b>-95</b>	<b>-95</b>

## 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 2017/18 was £1.334m which together with a number of carry-forward schemes and in year funding totalled £16.217m. The table below shows the final capital position at year-end for each service area.

Portfolio	Budget 17/18 £000	Actuals £000	Slippage £000	Year End Variance £000
Finance and Assets	13,113	2,079	11,034	0
Delivery, Corporate Development & Planning	2,975	2,333	558	-84
Knowledge and Information Systems	129	62	67	0
<b>Total</b>	<b>16,217</b>	<b>4,474</b>	<b>11,659</b>	<b>-84</b>

The majority of the expenditure within Finance and Assets directorate relates to the refurbishment of several stations as well as the purchase of land in relation to the Blue Light Hub. The level of spend seen within Delivery, Corporate Development and Planning predominantly relates to the purchase of several red fleet appliances. The outturn is reporting a slippage of £11,659m which mainly relates to the Blue Light Hub which is due to be completed in 2019/20.

The Authority's loans are borrowed from the Public Works Loan Board (PWLB) and during 2017/18 no new loans were taken out or repaid. The Authority's total borrowing for capital purposes stands at £7.382m with loan repayments spread over the years 2018-2056. The next loan repayment is due in May 2018 to the value of £585k which will reduce our total borrowing to £6,797m.

## Capital Programme 2018-2021

The table below summarises the provisional capital programme from 2018/19 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.

Directorate	2018/19 £000	2019/20 £000	2020/21 £000
Finance and Assets *	500	500	500
Delivery, Corporate Development & Planning	641	641	641
Knowledge and Information Systems	87	87	87
Projected Slippage*	11,659		
<b>Total Budget</b>	<b>12,887</b>	<b>1,228</b>	<b>1,228</b>
Funding brought forward	- 6,348	149	- 548
In year funding	- 6,390	- 1,925	- 1,925
<b>Funding Available / Deficit</b>	<b>149</b>	<b>- 548</b>	<b>- 1,245</b>

\* From 2019/20 onwards, the figures are indicative as they will be based on the property condition review due to be carried out later this financial year

**Reserves Balances**

The level of reserves held by the Authority as at 31 March 2018 are shown in the table below:

<b>31 March 2017 £000</b>		<b>31 March 2018 £000</b>
(3,035)	General Fund Balance	(1,500)
<b>(3,035)</b>	<b>Sub Total Non-Earmarked General Fund Balance</b>	<b>(1,500)</b>
-	Fire Control Reserve	-
(250)	Invest to Save Reserve	-
(500)	Apprentice Reserve	(500)
(250)	Redundancy and Early Retirement Reserve	-
(200)	Sprinklers Reserve	(490)
(216)	Control Room Reserve (Revenue)	(424)
(737)	Continuing Projects Reserve	(465)
(50)	Insurance Reserve	-
<b>(2,203)</b>	<b>Sub Total Earmarked Reserves - Revenue</b>	<b>(1,879)</b>
(245)	Usable Capital Receipts Reserve	(521)
-	Control Room Capital Grant Unapplied	-
-	Other Capital Grants Unapplied	-
(6,156)	Revenue Contribution to Capital	(5,827)
<b>(6,401)</b>	<b>Sub Total Earmarked Reserves - Capital</b>	<b>(6,348)</b>
<b>(11,639)</b>	<b>Total Usable Reserves</b>	<b>(9,727)</b>

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 2017/18, the Authority's share of the five Pension Fund's net liabilities reduced by £20.375m to £285.135m (for 2016/17 the net liability was £305.510m).

Effectively, the Pension Funds are in deficit by £285.135m 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
<p>Staff availability, emerging risks of;</p> <p>1/ industrial action due to pension change or pay dispute;</p> <p>2/ Staff inability to get to work due to external factors e.g. Pandemic Flu, disruption to fuel supplies etc.</p> <p>3/Impact of transformation at pace on attraction of new staff, retention and overall workforce stability.</p>	<p>Potential detrimental effects on service delivery to the community and our reputation.</p> <p>Failure to discharge statutory duties.</p> <p>Loss of critical knowledge / skills / capacity /competency levels.</p>	<p>Full business continuity plan in place &amp; uploaded to Resilience Direct.</p> <p>Peer review of the business continuity arrangements.</p> <p>Bank System</p> <p>Flexi-Duty System Pilot</p> <p>Staff Transfer Procedure</p> <p>Review of Resourcing and Retention strategies</p> <p>Wider range of contracts offering more flexible ways of working</p> <p>A variety of approaches are being adopted to replenish the workforce. These include more operational apprentices, transferees, and re-engagement options</p> <p>Workforce planning data is regularly reviewed with Service delivery, HR and Finance.</p> <p>Project on Strategic Review of Operational Resourcing is underway with a number of work-streams, including On-Call and Geographic station reviews</p> <p>Growth bids to be considered to support future resourcing demands.</p> <p>Head of Service delivery is working with SC's to review reward options</p> <p>HR are reviewing the future promotion and career development options</p> <p>Competent temporary SC's substantiated without full IFE (December 2017) and a review of</p>

		<p>impact on Watch and Crew will be taking place December 2107.</p> <p>Full suite of appointments planned for 2018</p>
Funding and Savings Requirement	<p>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.</p> <p>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.</p>	<p>Proactive management of the MTFP is in force and is very closely aligned to workforce planning.</p> <p>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.</p> <p>The Authority has responded to consultations and lobbied MPs to increase the referendum threshold for fire authorities to £10.</p>
Paging:- closure of Vodafone's Vodapage service & transfer of service to Page One (Capita Service)	<p>The only alternative paging system (Page One) does not have the coverage in Buckinghamshire that Vodafone has.</p> <p>Inability to contact / call out key staff for incidents / support.</p>	<p>Testing Page One devices. Investigating alternatives to paging.</p> <p>Reviewing pagers with additional capabilities (Wireless etc.) Collaborating on replacement solution with Thames Valley partners.</p>
<p>Information security failure to -</p> <p>a) comply with statutory or regulatory requirements</p> <p>b) manage technology</p> <p>c) manage organisational resources</p> <p>Deliberate: unauthorised access and theft or encryption of data. Accidental: loss, damage or destruction of data</p>	<p>Inability to access/use our e-information systems.</p> <p>Severe financial penalties from the Information Commissioner Lawsuits from the public whose sensitive personal information is accessed causing damage and distress.</p>	<p><b>Appropriate roles:</b> SIRO has overall responsibility for the management of risk</p> <p>Information and information systems assigned to relevant Information Asset Owners (IAO's)</p> <p>Department Security Officer (DSO) the Information Governance &amp; Compliance Manager has day-to-day responsibility for the identification of information risks and their treatments</p> <p>'Stewards' assigned by IAO's with day-to-day responsibility for relevant information.</p> <p><b>Virus detection/avoidance:</b> Anti-Malware report – no significant adverse trends identified which indicates that improved security measures such</p>

		<p>as new email and web filters are being successful in intercepting infected emails and links;</p> <p><b>Policies / procedure:</b>  Comprehensive review and amendment of the retention and disposal schedules / Information Asset Registers,</p> <p>Current and tested business continuity plans / disaster recovery plans</p> <p>Employee training/education</p> <p>Tested data/systems protection clauses in contracts and data-sharing agreements</p> <p>Integrated Impact Assessments (IIA)</p> <p>Disincentives to unauthorised access e.g. disciplinary action</p> <p><b>Premises security:</b>  Preventative maintenance schedule</p> <p>Frequent audits at Stations and inventory aligned to asset management system.</p> <p>Reduction in the number of CCTV requests following improved education and guidance in relation to the use of the same;</p> <p>Premises Security Group re-established to meet on a three monthly basis aligned to the PMB meeting schedule.</p>
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## **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 2018 and its income and expenditure for the financial year 2017/18.



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

Date: 31<sup>st</sup> May 2018

## **Independent Auditor's Report to Members of Buckinghamshire and Milton Keynes Fire Authority**

### **Opinion**

We have audited the financial statements and the firefighters' pension fund financial statements of Buckinghamshire and Milton Keynes Fire Authority for the year ended 31 March 2018 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, the 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 2017/18.

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 2018 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 2017/18.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the [authority/group] in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

## **Other information**

The other information comprises the information included in the annual report Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, 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 2018.

## **Matters on which we report by exception**

We report to you 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

## **Responsibility of the Chief Finance Officer**

As explained more fully in the Statement of Responsibilities set out on page 19, the Director of Finance and Assets & *Chief Finance Officer* is responsible for the preparation of the Statement of Accounts, which includes the Authority's financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance and Assets & Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements**

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

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

### **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 2017, as to whether 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 [name of body] put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to 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 are operating effectively.

**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.

**Use of our report**

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.

Maria Grindley  
*For and on behalf of Ernst & Young LLP, Appointed Auditor*  
18<sup>th</sup> July 2018

The maintenance and integrity of the Buckinghamshire and Milton Keynes Fire Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Statement of Accounting Policies**

### **i. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18, 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.
- The de-minimis level is set at £500 and anything below this will be accounted for in the year the transaction takes place regardless of which year the income or expense relates to.

### **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 2017/18.

**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), i.e. 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 2017/18.

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 2017/18.

### 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.

The Joint Control (revenue expenditure) split is 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.

### **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

£500,000 and individual components at £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. 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.

### **xxvi. 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**

In this challenging financial environment, work continues to achieve a balanced budget, progressing in line with our Public Safety Plan for 2015-20 so that we can carry on as usual without detriment to public safety or emergency responses.

The Fire Authority has taken a number of measures already and plans to do more to ensure that it continues to meet the priorities set out in the Public Safety Plan. For 2018-19 we will continue to make further savings through a number of initiatives, which involve better ways of working and consolidating workforce plans to meet our vision for the longer term. We are investing in more up-to-date technology, new ways of working and are pursuing avenues which aim to share costs with our community partners and other fire authorities.

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 2017/18 and the Balance Sheet at 31 March 2018 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 non-current assets in the Balance Sheet. The carrying amounts of non-current assets as at 31 March 2018 was £40.965m. Total depreciation and amortisation for the year was £2.752m;
- 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 £3.270m upwards and £0.718m 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 for the Fire Fighter Pension Fund. Similarly the LGPS figure is also provided by an external actuary and based on actuals for the first 8 months and estimates calculated for the remaining 4 months. 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 2018 was £285.135m;
- 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 is 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. Budgets and costs have been allocated based on the lead areas each brigade will be providing.

### **Changes in Accounting Estimates**

There has been one change in existing accounting estimates during 2017/18 which relate to the pension liability estimates for the LGPS pension fund. Previously the LGPS calculations were based on 10 months actuals and two months estimates. With the tighter deadlines, we have had to provide 8 months actuals and 4 months estimates in order to receive the data in a timely manner to complete the statement of accounts. Materially this has had no impact on the data presented in the accounts.

### **Standards Issued But Have Not Yet Been Adopted**

The standards introduced in the 2018/19 Code are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- IFRS 16 - Leases

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

## Buckinghamshire & Milton Keynes Fire Authority – Statement of Accounts 2017/18

Movement in Reserves Statement continued:

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017 carried forward</b>	<b>(3,035)</b>	<b>(8,359)</b>	<b>(245)</b>	-	<b>(11,639)</b>	<b>270,333</b>	<b>258,694</b>
<u>Movement in reserves during 2017/18</u>							
(Surplus) or deficit on the provision of services	11,422	-	-	-	11,422	-	11,422
Other Comprehensive Income and Expenditure	-	-	-	-	-	(33,916)	(33,916)
<b>Total Comprehensive Income and Expenditure</b>	<b>11,422</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,422</b>	<b>(33,916)</b>	<b>(22,494)</b>
Adjustments between accounting basis & funding basis under regulations (Note 23)	(9,235)	-	(277)	-	(9,512)	9,512	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>2,187</b>	<b>-</b>	<b>(277)</b>	<b>-</b>	<b>1,910</b>	<b>(24,404)</b>	<b>(22,494)</b>
Transfers to/from Earmarked Reserves (Note 23)	(652)	652	-	-	-	-	-
<b>(Increase) / Decrease in 2017/18</b>	<b>1,535</b>	<b>652</b>	<b>(277)</b>	<b>-</b>	<b>1,910</b>	<b>(24,404)</b>	<b>(22,494)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>(1,500)</b>	<b>(7,706)</b>	<b>(521)</b>	<b>-</b>	<b>(9,727)</b>	<b>245,927</b>	<b>236,200</b>
Amounts held for revenue purposes	(1,500)	(1,879)			(3,379)	285,207	281,828
Amounts held for capital purposes	-	(5,827)	(521)		(6,348)	(39,279)	(45,627)

## 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.

2016/17			2017/18			
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
		109				
1,296	(11)	1,285	Corporate Core	1,365	(27)	1,338
4,143	(399)	3,744	Finance & Assets	4,056	(426)	3,630
3,025	(193)	2,832	People & Organisation Development	2,974	(242)	2,732
22,024	(185)	21,839	Delivery, Corporate Development & Planning	23,516	(210)	23,306
279	(7)	272	Statutory Accounting and Contingency	1,135	-	1,135
<b>30,767</b>	<b>(795)</b>	<b>29,972</b>	<b>(Surplus) or Deficit on Continuing Operations (Note 1)</b>	<b>33,046</b>	<b>(905)</b>	<b>32,141</b>
			<u>Other Operating Expenditure</u>			
	(53)	(53)	(Gain)/losses on disposals of non-current assets	(47)	-	(47)
-	-	-	Gain in relation to government grant payable to the Pension Fund on the Authority's behalf	-	-	-
<b>-</b>	<b>(53)</b>	<b>(53)</b>	<b>Total Other Operating Expenditure</b>	<b>(47)</b>	<b>-</b>	<b>(47)</b>
			<u>Financing and Investment Income and Expenditure</u>			
347	-	347	Interest payable and similar charges (Note 29)	326	-	326
	(155)	(155)	Interest and Investment income (Note 29)	-	(214)	(214)
6,603	-	6,603	Pension interest cost (Note 28)	7,441	-	7,441
<b>6,950</b>	<b>(155)</b>	<b>6,795</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>7,767</b>	<b>(214)</b>	<b>7,553</b>
			<u>Taxation and Non-Specific Grant Income</u>			
	(17,687)	(17,687)	Precepts		(18,268)	(18,268)
	(5,692)	(5,692)	General Government Grants		(4,773)	(4,773)
	(5,126)	(5,126)	Non Domestic Rates redistribution		(5,184)	(5,184)
<b>-</b>	<b>(28,505)</b>	<b>(28,505)</b>	<b>Total Taxation and Non-Specific Grant Income (Note 10)</b>	<b>-</b>	<b>(28,225)</b>	<b>(28,225)</b>
<b>37,717</b>	<b>(29,508)</b>	<b>8,209</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>40,766</b>	<b>(29,344)</b>	<b>11,422</b>
		(1,766)	(Surplus) or Deficit on revaluation of fixed assets (Note 24e)			(2,552)
		44,262	Remeasurement of net defined liability (Note 24d)			(31,364)
		<b>42,496</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(33,916)</b>
		<b>50,705</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(22,494)</b>



## 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.

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
	<u>Property, Plant and Equipment</u>	
30,664	Land & Buildings	33,351
4,349	Vehicles, Plant & Equipment (including Donated Assets)	5,630
1,486	Assets under construction	1,501
<b>36,499</b>	<b>Total Property, Plant &amp; Equipment (Note 11a)</b>	<b>40,482</b>
105	Investment Property (Note 12)	155
459	Intangible Assets (Note 13)	328
<b>37,063</b>	<b>Non-Current Assets</b>	<b>40,965</b>
21,073	Short Term Investments (Note 14)	18,552
346	Inventories (Note 15)	159
3,732	Short Term Debtors (Note 16)	4,461
2,037	Cash and Cash Equivalents (Note 17)	4,048
<b>27,188</b>	<b>Current Assets</b>	<b>27,220</b>
(101)	Short Term Borrowing (Note 18)	(90)
(2,400)	Short Term Creditors (Note 18)	(3,509)
(504)	Provision for Accumulated Absences (Note 19)	(414)
(140)	Provision - Part Time Workers (Note 19)	-
(530)	Provision - VR/Special Payments (Note 19)	(869)
(518)	NNDR Appeals Provision (Note 19)	(725)
(1,188)	Injury Pensions Provision (Note 19)	(1,188)
<b>(5,381)</b>	<b>Current Liabilities</b>	<b>(6,795)</b>
(7,382)	Long Term Borrowing (Note 20)	(7,382)
	<u>Other Long Term liabilities</u>	
(2,841)	Capital Grants Received in Advance (Note 21)	(2,841)
(98)	Revenue Grants Received in Advance (Note 21)	(546)
(1,733)	Finance Lease (Note 22)	(1,686)
-	Donated Asset Account (Note 25)	-
(305,510)	Liability related to the Defined Benefit Pension Scheme (Note 28)	(285,135)
<b>(310,182)</b>	<b>Total Other Long Term Liabilities</b>	<b>(290,208)</b>
<b>(317,564)</b>	<b>Long Term Liabilities</b>	<b>(297,590)</b>
<b>(258,694)</b>	<b>Net Assets</b>	<b>(236,200)</b>
	<u>Reserves</u>	
(11,639)	Usable Reserves (Note 23)	(9,727)
270,333	Unusable Reserves (Note 24)	245,927
<b>258,694</b>	<b>Total Reserves</b>	<b>236,200</b>

## 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.

2016/17		2017/18
	<b>£000</b>	<b>£000</b>
	<b>Cash Flow Statement</b>	
(8,209)	Net surplus or deficit on the provision of services	(11,422)
13,414	Adjust for non-cash movements	15,003
(288)	Adjust for items that are investing or financing activities	(368)
<b>4,917</b>	<b>Net Cash Flow from Operating Activities</b>	<b>3,213</b>
(4,783)	Investing Activities	(1,155)
(465)	Financing Activities	(47)
<b>(331)</b>	<b>Net Increase or decrease in cash and cash equivalents</b>	<b>2,011</b>
2,368	Cash and Cash equivalents at the beginning of the reporting period	2,037
<b>2,037</b>	<b>Cash and Cash equivalents at the end of the reporting period</b>	<b>4,048</b>

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.

Net Expenditure Chargeable to the General Fund	2016/17		Expenditure and Funding Analysis		2017/18	
	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Services	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
1,171	114	1,285	Corporate Core	1,259	79	1,338
3,639	105	3,744	Finance and Assets	3,647	-17	3,630
2,585	247	2,832	People and Organisational Development	2,432	300	2,732
19,455	2,384	21,839	Delivery, Corporate Development & Planning	20,121	3,185	23,306
272	0	272	Statutory Accounting and Contingency	1,135	0	1,135
<b>27,122</b>	<b>2,850</b>	<b>29,972</b>	<b>Net Cost of Services</b>	<b>28,594</b>	<b>3,547</b>	<b>32,141</b>
-27,602	5,839	-21,763	Other Income and Expenditure	-26,684	5,965	-20,719
<b>-480</b>	<b>8,689</b>	<b>8,209</b>	<b>Surplus or Deficit</b>	<b>1,910</b>	<b>9,512</b>	<b>11,422</b>
-11,159			Opening General Fund Balance	-11,639		
-480			Less/Plus Surplus or (Deficit) on General Fund	1,910		
<b>-11,639</b>			<b>Closing General Fund Balance at 31 March</b>	<b>-9,729</b>		

**1a – Adjustments between Funding and Accounting Basis**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	2017/18			
	Adjustments For Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Corporate Core	-	79	-	79
Finance and Assets	-	(17)	-	(17)
People and Organisational Development	-	300	-	300
Delivery, Corporate Development & Planning	-	3,185	-	3,185
Statutory Accounting and Contingency	-	-	-	-
<b>Net Cost of Services</b>	-	<b>3,547</b>	-	<b>3,547</b>
Other Income and Expenditure from the EFA Analysis	(1,476)	7,441	-	5,965
<b>Differences between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(1,476)</b>	<b>10,988</b>	-	<b>9,512</b>

For comparison, the following table sets out the disclosures for adjustments between funding and accounting basis during 2016/17:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	2016/17			
	Adjustments For Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Corporate Core	-	114	-	114
Finance and Assets	-	105	-	105
People and Organisational Development	-	247	-	247
Delivery, Corporate Development & Planning	-	2,384	-	2,384
Statutory Accounting and Contingency	-	-	-	-
<b>Net Cost of Services</b>	-	<b>2,850</b>	-	<b>2,850</b>
Other Income and Expenditure from the EFA Analysis	(764)	6,603	-	5,839
<b>Differences between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(764)</b>	<b>9,453</b>	-	<b>8,689</b>

**Adjustments for Capital Purposes**

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

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

## Net Change for the Pensions Adjustments

2. Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:
- For **services** this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
  - For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
  - The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognized under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
  - The **Accumulated Absences Account** absorbs the differences that would otherwise arise on the General Fund Balance from accruing for Compensated Absences earned but not taken in the year.

## Other Differences

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

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

## Segmental Income

Services	2017/18	2016/17
	Income from Services	Income from Services
	£'000	£'000
Corporate Core	-27	-11
Finance and Assets	-426	-399
People and Organisational Development	-242	-193
Delivery, Corporate Development & Planning	-210	-185
Statutory Accounting and Contingency	-	-7
<b>Net Cost of Services</b>	<b>-905</b>	<b>-795</b>

**Expenditure and Income Analysed By Nature**

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

<b>Expenditure/Income</b>	<b>2017/18</b>	<b>2016/17</b>
<b>Service Analysis</b>	£000	£000
Fees, charges & other service income	(905)	(795)
Interest and investment income	(214)	(155)
Income from Council Tax	(18,268)	(17,686)
Government grants and contributions	(9,957)	(10,819)
<b>Total Income</b>	<b>(29,344)</b>	<b>(29,455)</b>
Employee Expenses	19,593	19,757
Employee Absence Accrual	-	-
Other Operating Expenses	7,051	5,603
Support Service Recharges	-	-
Depreciation, amortisation and impairment	2,854	2,557
Interest payments	326	347
Pensions interest cost and return on Pension Fund assets	10,988	9,453
Gain or loss on disposal of non-current assets	(47)	(53)
<b>Total Operating Expenses</b>	<b>40,766</b>	<b>37,664</b>
<b>Surplus (-) or deficit on the provision of services</b>	<b>11,422</b>	<b>8,209</b>

**2 - Officers Remuneration**

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

<b>2016/17 Totals £000</b>	<b>Remuneration Band</b>	<b>2017/18 Totals £000</b>
19	£50,000 - £54,999	21
6	£55,000 - £59,999	12
3	£60,000 - £64,999	2
4	£65,000 - £69,999	2
3	£70,000 - £74,999	3
-	£75,000 - £79,999	1
1	£80,000 - £84,999	-
1	£85,000 - £89,999	-
1	£95,000 - £99,999	1
1	£100,000 - £104,999	2
-	£105,000 - £109,999	1
2	£110,000 - £114,999	1
1	£130,000 - £134,999	1
1	£160,000 - £164,999	1
<b>43</b>	<b>Total</b>	<b>48</b>

## Buckinghamshire & Milton Keynes Fire Authority – Statement of Accounts 2017/18

The following table sets out the remuneration disclosures for senior officers during 2017/18. 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	143,110	-	20,000	-	<b>163,110</b>	20,456	<b>183,566</b>	
Chief Operating Officer	118,838	-	13,000	-	<b>131,838</b>	16,985	<b>148,824</b>	
Head of Service Delivery	90,546	-	8,500	-	<b>99,046</b>	19,648	<b>118,694</b>	
Head of Service Development	94,577	-	8,500	-	<b>103,077</b>	20,510	<b>123,588</b>	
Director of People and Organisational Development	91,577	8,022	10,000	-	<b>109,599</b>	14,185	<b>123,784</b>	
Director of Finance and Assets & Chief Finance Officer	81,652	8,585	10,000	-	<b>100,237</b>	12,666	<b>112,903</b>	
Director of Legal and Governance	91,577	10,199	10,000	-	<b>111,776</b>	14,185	<b>125,961</b>	
<b>Totals</b>	<b>711,878</b>	<b>26,806</b>	<b>80,000</b>	-	<b>818,684</b>	<b>118,636</b>	<b>937,320</b>	

For comparison, the following table sets out the remuneration disclosures for senior officers during 2016/17:

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	-	<b>162,156</b>	20,204	<b>182,360</b>	
Chief Operating Officer	116,762	1,266	13,000	-	<b>131,028</b>	24,800	<b>155,829</b>	
Head of Service Delivery	77,081	-	10,000	-	<b>87,081</b>	16,634	<b>103,714</b>	
Head of Service Development	93,947	-	4,000	-	<b>97,947</b>	20,257	<b>118,204</b>	
Director of People and Organisational Development	90,244	9,327	13,000	-	<b>112,572</b>	12,220	<b>124,791</b>	
Director of Finance and Assets & Chief Finance Officer	86,494	7,149	10,000	-	<b>103,643</b>	11,408	<b>115,051</b>	
Director of Legal and Governance	89,739	11,364	10,000	-	<b>111,103</b>	12,220	<b>123,322</b>	
<b>Totals</b>	<b>696,424</b>	<b>29,107</b>	<b>80,000</b>	-	<b>805,530</b>	<b>117,741</b>	<b>923,272</b>	



Exit Packages

<b>2016/17</b>		<b>2017/18</b>
<b>Number of Redundancies</b>	<b>Exit Package Cost Banding</b>	<b>Number of Redundancies</b>
-	£0 - £20,000	-
-	£20,001 - £40,000	-
-	<b>Total</b>	-

There were no exit packages in 2017/18.

### 3 - Provision for Doubtful Debt

The provision for doubtful debts is £0 as at 31 March 2018 (£0 as at 31 March 2017).

### 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 £227k (£244k in 2016/17). The estimated un-discharged obligations under the operational lease agreements are shown in the table below:

31 March 2017			31 March 2018	
Vehicles Plant and Equipment	Land and Buildings	Years Operational Lease Remaining	Vehicles Plant and Equipment	Land and Buildings
£000	£000		£000	£000
109	78	0 - 1 years	96	80
124	313	2 - 5 years	120	320
-	449	6 years and onwards	-	379
<b>233</b>	<b>840</b>	<b>Total</b>	<b>216</b>	<b>779</b>

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.

2016/17		2017/18
£000		£000
<b>1,778</b>	<b>Opening Capital Financing Requirement</b>	<b>1,731</b>
	<u>Capital Investment</u>	
2,785	Property Plant and Equipment	4,474
427	Intangible Assets	-
	<u>Sources of Finances</u>	
(43)	Capital Receipts	(91)
-	Donated Assets	-
(3,169)	Government Grants and Contributions	(4,383)
(47)	Revenue Funding including MRP	(47)
-	Voluntary Minimum Revenue Provision	-
-	Other Adjustments	-
<b>1,731</b>	<b>Closing Capital Financing Requirement</b>	<b>1,684</b>
	<u>Explanation of movements in year</u>	
(47)	Increase in the underlying need to borrow (supported by Government financial assistance)	(47)
<b>(47)</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(47)</b>

## **6 - Members Allowances**

Total allowances paid in 2017/18 to 26 Members amounted to £60k (2016/17 amounted to £58k and 21 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. Please note that the actual fees are £31k but a rebate of £4k was provided by PSAA resulting in the actual cost reducing to £27k.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>	<b>Audit Fees</b>	<b>£000</b>
31	Scale fee for audit work	27
1	National Fraud Initiative (NFI)	-
<b>32</b>	<b>Total</b>	<b>27</b>

## **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.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>	<b>Revenue Grants Applied</b>	<b>£000</b>
(818)	New Dimension (Urban Search and Rescue)	(818)
(256)	Firelink	(271)
<b>(1,074)</b>	<b>Total</b>	<b>(1,089)</b>

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<sup>st</sup> of April 2017, the Joint Control room combined assets gross book value was £613k of which BMKFA share equates to £204k. The depreciation charge for the combined assets was £157k of which BMKFA share is £52k. Therefore the net book value as at 31<sup>st</sup> March 2018 was £456k from which BMKFA share is £152k.

The revenue expenditure split is based on the Joint control policy stated in the accounting estimates section. The total expenditure for 2017/18 was £2.030m from which BMKFA contributed £690k.

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.

### 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 2017/18 to the Authority.

### Other Public Bodies

Buckinghamshire County Council provides Internal Audit Services, LGPS Pensions administration Services and SAP legacy access. 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 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.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>	<b>Funding</b>	<b>£000</b>
(4,184)	Aylesbury Vale District Council	(4,376)
(2,633)	Chiltern District Council	(2,699)
(4,910)	Milton Keynes Council	(5,132)
(1,916)	South Buckinghamshire District Council	(1,953)
(4,044)	Wycombe District Council	(4,108)
<b>(17,687)</b>	<b>Total Precepts</b>	<b>(18,268)</b>
(4,514)	Revenue Support Grant	(3,532)
(104)	Council Tax Freeze Grant/NNDR Pooling	(152)
(1,074)	General Revenue Grants (Note 8)	(1,089)
-	Donated Asset	-
-	Capital Grants	-
<b>(5,692)</b>	<b>Total General Government Grants</b>	<b>(4,773)</b>
(5,126)	Non Domestic Rates redistribution	(5,184)
<b>(5,126)</b>	<b>Total Non-Domestic Rates redistribution</b>	<b>(5,184)</b>
<b>(28,505)</b>	<b>Total</b>	<b>(28,225)</b>

In 2017/18 there were 296,507 Band D properties and in 2016/17 there were 291,691 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
<b>Gross Book Value as at 1 April 2017</b>	<b>29,968</b>	<b>2,357</b>	<b>32,325</b>	<b>11,919</b>	<b>1,486</b>	<b>45,730</b>
Additions	1,767	-	<b>1,767</b>	2,225	482	<b>4,474</b>
Disposals and write offs	(248)	-	<b>(248)</b>	(1,095)	-	<b>(1,343)</b>
Reclassifications	-	-	-	467	(467)	-
Revaluation increase/decrease (-) recognised in Revaluation Reserve	1,518	-	<b>1,518</b>	-	-	<b>1,518</b>
Revaluation increase/decrease (-) recognised in surplus/deficit on provision of service	(107)	-	<b>(107)</b>	-	-	<b>(107)</b>
Other movements in cost or valuation	-	-	-	-	-	-
<b>Gross Book Value as at 31 March 2018</b>	<b>32,898</b>	<b>2,357</b>	<b>35,255</b>	<b>13,516</b>	<b>1,501</b>	<b>50,272</b>
<b>Accumulated depreciation and impairment as at 1 April 2017</b>	<b>(1,043)</b>	<b>(618)</b>	<b>(1,661)</b>	<b>(7,570)</b>	-	<b>(9,231)</b>
Depreciation for the year	(1,243)	(47)	<b>(1,290)</b>	(1,330)	-	<b>(2,620)</b>
Depreciation on disposal	8	-	<b>8</b>	1,012	-	<b>1,020</b>
Depreciation written out to Revaluation Reserve	1,035	-	<b>1,035</b>	-	-	<b>1,035</b>
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	5	-	<b>5</b>	-	-	<b>5</b>
Impairment on disposal	-	-	-	2	-	<b>2</b>
Reclassification of depreciation or impairment	-	-	-	-	-	-
Other movements in depreciation or impairment	-	-	-	-	-	-
<b>Depreciation c/f</b>	<b>(1,238)</b>	<b>(665)</b>	<b>(1,903)</b>	<b>(7,886)</b>	-	<b>(9,789)</b>
<b>Net Book Value as at 31 March 2018</b>	<b>31,660</b>	<b>1,692</b>	<b>33,351</b>	<b>5,630</b>	<b>1,501</b>	<b>40,482</b>

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

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Comparative figures for 2016/17:

	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
<b>Gross Book Value as at 1 April 2016</b>	<b>28,900</b>	<b>2,357</b>	<b>31,257</b>	<b>11,281</b>	<b>227</b>	<b>42,765</b>
Additions	461	-	461	1,065	1,259	2,785
Disposals and write offs	(237)	-	(237)	(427)	-	(664)
Reclassifications	-	-	-	-	-	-
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	-	-	-	-	-	-
<b>Gross Book Value as at 31 March 2017</b>	<b>29,968</b>	<b>2,357</b>	<b>32,325</b>	<b>11,919</b>	<b>1,486</b>	<b>45,730</b>
<b>Accumulated depreciation and impairment as at 1 April 2016</b>	<b>(925)</b>	<b>(571)</b>	<b>(1,496)</b>	<b>(6,662)</b>	-	<b>(8,158)</b>
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	-	-	-	-	-	-
<b>Depreciation c/f</b>	<b>(1,043)</b>	<b>(618)</b>	<b>(1,661)</b>	<b>(7,570)</b>	-	<b>(9,231)</b>
<b>Net Book Value as at 31 March 2017</b>	<b>28,925</b>	<b>1,739</b>	<b>30,664</b>	<b>4,349</b>	<b>1,486</b>	<b>36,499</b>



**b) Basis of Valuation**

All land and buildings were initially revalued during the year with an effective revaluation date of 1 April 2017. The valuations were updated as at 31 March 2018 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.

<b>Year of Valuation</b>	<b>Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
2017/18	31,660	-	-	<b>31,660</b>
Valued at Historic Cost	-	5,630	1,501	<b>7,131</b>
<b>Total</b>	<b>31,660</b>	<b>5,630</b>	<b>1,501</b>	<b>38,791</b>

**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 2018, the Authority has entered into a number of contracts for the acquisition or enhancement of Property, Plant and Equipment or Intangible Assets.

<b>Capital Contract</b>	<b>Contractor</b>	<b>Amount Outstanding as at 31 March 2018</b>
Red Fleet Appliances	Emergency One	1,034
Property - Blue Light Hub	Kingerlee	10,300
<b>Total</b>		<b>11,334</b>

All commitments will be honoured during 2018/19 and 2019/20.

Prior year comparators can be seen in the table below:

<b>Capital Contract</b>	<b>Contractor</b>	<b>Amount Outstanding as at 31 March 2017</b>
Red Fleet Appliances	Rosenbauer UK plc	152
Red Fleet Appliances	Emergency One	1,518
Red Fleet Appliances	Bence	79
<b>Total</b>		<b>1,749</b>

## 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.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>	<b>Investment Property</b>	<b>£000</b>
<b>105</b>	<b>Opening Balance</b>	<b>105</b>
-	- Transfer from Land and Buildings	-
-	- Revaluation	50
-	- Impairment	-
<b>105</b>	<b>Closing Balance</b>	<b>155</b>

## 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.

	<b>£000</b>
<b>Movement of Intangible Assets</b>	
<b>Gross Book Value as at 31 March 2017</b>	<b>865</b>
Accumulated Amortisation	(406)
<b>Net Book Value as at 1 April 2017</b>	<b>459</b>
Additions in year	-
Reclassifications	-
Amortisation for the year	(132)
<b>Net Book Value as at 31 March 2018</b>	<b>328</b>

Comparative figures for 2016/17:

	<b>£000</b>
<b>Movement of Intangible Assets</b>	
<b>Gross Book Value as at 31 March 2016</b>	<b>438</b>
Accumulated Amortisation	(274)
<b>Net Book Value as at 1 April 2016</b>	<b>164</b>
Additions in year	427
Reclassifications	-
Amortisation for the year	(132)
<b>Net Book Value as at 31 March 2017</b>	<b>459</b>

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.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>	<b>Short Term Investments</b>	<b>£000</b>
<u>21,073</u>	Short Term Investments	<u>18,552</u>
<b>21,073</b>	<b>Total</b>	<b>18,552</b>

## 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. From September 2019, the management of PPE Uniforms will be outsourced and managed externally. Therefore the Authority will no longer hold any stock in relation to PPE which has resulted in a reduction in value held in stores.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>	<b>Inventories</b>	<b>£000</b>
39	Workshops	48
261	Stores	77
46	Fuel	34
<b>346</b>	<b>Total</b>	<b>159</b>

## 16 - Short Term Debtors

The note below shows the value of debtors as at 31 March 2018.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>	<b>Short Term Debtors</b>	<b>£000</b>
1,654	Central Government Bodies	905
651	Other Local Authorities	1,251
-	NHS Bodies	-
795	Other Entities and Individuals	702
632	Payments in Advance	1,603
-	Provision for Doubtful Debts	-
<b>3,732</b>	<b>Total</b>	<b>4,461</b>

## 17 - Cash and Cash Equivalents

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

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>	<b>Cash and cash equivalents</b>	<b>£000</b>
36	Cash at bank	891
2,001	Cash on deposit	3,157
<b>2,037</b>	<b>Total</b>	<b>4,048</b>

## 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 2018 in accordance with the Code.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>	<b>Short Term Borrowing and Creditors</b>	<b>£000</b>
<b>(101)</b>	<b>Short Term Borrowing</b>	<b>(90)</b>
(54)	Central Government Bodies	(457)
(578)	Other Local Authorities	(218)
(1,432)	Other Entities and Individuals	(2,350)
(336)	Receipts in Advance	(484)
<b>(2,400)</b>	<b>Total</b>	<b>(3,509)</b>

**19 - Provisions**

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

	<b>Accumulated Absences</b>	<b>Part Time Workers</b>	<b>Voluntary Redundancy and Special Payments</b>	<b>NNDR Appeals Provisions</b>	<b>Injury Pension Payments</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance as at 1st April 2017</b>	(504)	(140)	(530)	(518)	(1,188)	<b>(2,880)</b>
Additional provisions made in 2017/18	(414)	-	(339)	(725)	-	<b>(1,479)</b>
Amounts used in 2017/18	504	140	-	518	-	<b>1,162</b>
<b>Balance as at 31 March 2018</b>	<b>(414)</b>	<b>-</b>	<b>(869)</b>	<b>(725)</b>	<b>(1,188)</b>	<b>(3,196)</b>

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 (£250k) to provide for the back pay for Retained Duty System (RDS) staff following an equal pay court case. As at 31<sup>st</sup> March 2018, no further claims are expected and therefore the provision is no longer needed.

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 and potential ill health retirements. 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 2018 and loans due to be repaid within one year in accordance with the Code.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>	<b>Source of Loan</b>	<b>£000</b>
(7,382)	PWLB	(7,382)
<b>(7,382)</b>	<b>Total</b>	<b>(7,382)</b>

The interest rates applicable as at 31 March 2018 were between 3.90% and 5.32%.

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

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>	<b>Repayments Dates</b>	<b>£000</b>
(585)	Maturing in less than 5 years	(1,205)
(1,620)	Maturing in 5 to 10 years	(2,000)
(1,626)	Maturing in 10 to 15 years	(1,376)
(750)	Maturing in 15 to 20 years	-
-	Maturing in 20 to 25 years	-
(2,801)	Maturing in over 25 years	(2,801)
<b>(7,382)</b>	<b>Total</b>	<b>(7,382)</b>

**21 - Grants Received in Advance**

The balance on this account represents capital and revenue grants received by the Authority where the grant conditions had not been met as at the Balance Sheet date. In 2016/17 the Authority received a grant from the DCLG, as at 31<sup>st</sup> March 2018 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.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>	<b>Grants Received in Advance</b>	<b>£000</b>
(98)	ESMCP Funding (Revenue)	(546)
(2,841)	Transformation Fund (Capital)	(2,841)
<b>(2,939)</b>	<b>Total</b>	<b>(3,387)</b>

**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 2017/18 were £123,477 charged as £76,477 to the Income and Expenditure account finance costs and £47,000 write down of obligation to the lessor.

	<b>Land and Buildings</b>
	<b>£000</b>
<b>Outstanding obligations under Finance Lease</b>	
Payable in 2018/19	47
Payable between 2019/20 and 2021/22	141
Payable after 2021/22	1,498
<b>Total liabilities as at 31st March 2018</b>	<b>1,686</b>

Comparative information for 2016/17

Rentals payable under this arrangement 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.

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

## 23 - Usable Reserves

## Adjustments under Regulations

2016/17				2017/18				
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
				<b>Adjustments primarily involving the Capital Adjustment Account</b>				
				<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
(2,557)	-	-	2,557	Depreciation Charges	(2,752)	-	-	2,752
-	-	-	-	Impairment	(102)	-	-	102
3,169	-	-	(3,169)	Capital grants and contributions applied	4,383	-	-	(4,383)
-	-	-	-	Investment Assets Revaluation	50	-	-	(50)
-	-	-	-	Donated assets received in year	-	-	-	-
(234)	-	-	234	Amounts of non-current assets written off on disposal as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	(321)	-	-	321
=				<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>	=			
47	-	-	(47)	Minimum Revenue Provision	47	-	-	(47)
-	-	-	-	Additional Voluntary Provision	-	-	-	-
-				<b>Adjustments primarily involving the Capital Receipts Reserve</b>	-			
288	(288)	-	-	Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	368	(368)	-	-
-	43	-	(43)	Use of the Capital Receipts Reserve to finance new capital expenditure	-	91	-	(91)
-				<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>	-			
-				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	-	-	-	-
-				<b>Adjustments primarily involving the Pension Reserve</b>	-			



## Buckinghamshire & Milton Keynes Fire Authority – Statement of Accounts 2017/18

(11,635)	-	-	11,635	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(14,091)	-	-	14,091
2,182	-	-	(2,182)	Employer's pensions contributions and direct payments to pensioners payable in the year	3,103	-	-	(3,103)
-				<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>	-			
297	-	-	(297)	Precept and NNDR Income	(10)	-	-	10
-				<b>Adjustments primarily involving the Accumulated Absences Account</b>	-			
(1)	-	-	1	Employee Absence Account	90	-	-	(90)
<b>(8,444)</b>	<b>(245)</b>	<b>-</b>	<b>8,689</b>	<b>Total Adjustments</b>	<b>(9,235)</b>	<b>(277)</b>	<b>-</b>	<b>9,512</b>

### Transfers To/From Reserves

	Note	Balance at 1 April 2016	Transfers (In)/Out 2016/17	Balance at 31 March 2017	Transfers (In)/Out 2017/18	Balance at 31 March 2018
General Fund Balance	A	(2,165)	(870)	(3,035)	1,535	(1,500)
<b>Sub Total Non Earmarked General Fund Balance</b>		<b>(2,165)</b>	<b>(870)</b>	<b>(3,035)</b>	<b>1,535</b>	<b>(1,500)</b>
Invest to Save Reserve	B	(250)	-	(250)	250	-
Apprentice Reserve	C	-	(500)	(500)	-	(500)
Redundancy and Early Retirement Reserve	D	(250)	-	(250)	250	-
Sprinklers Reserve	E	-	(200)	(200)	(290)	(490)
Control Room Reserve	F	(319)	(52)	(371)	(53)	(424)
Continuing Projects Reserve	G	(1,164)	582	(582)	117	(465)
Insurance Reserve	H	(50)	-	(50)	50	-
<b>Sub Total Earmarked Reserves - Revenue</b>		<b>(2,033)</b>	<b>(170)</b>	<b>(2,203)</b>	<b>324</b>	<b>(1,879)</b>
Usable Capital Receipts Reserve	I	-	(245)	(245)	(276)	(521)
Other Capital Grants Unapplied	J	-	-	-	-	-
Control Room Capital Grant Unapplied	K	-	-	-	-	-
Revenue Contribution to Capital	L	(6,961)	805	(6,156)	329	(5,827)
<b>Sub Total Earmarked Reserves - Capital</b>		<b>(6,961)</b>	<b>560</b>	<b>(6,401)</b>	<b>53</b>	<b>(6,348)</b>
<b>Total Usable Reserves</b>		<b>(11,159)</b>	<b>(480)</b>	<b>(11,639)</b>	<b>1,912</b>	<b>(9,727)</b>

**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 – 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. The savings have been re-distributed in line with the reserves strategy approved in March 2018.

**C – Apprentice Reserve**

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

**D – 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. The balance in the reserve has been redistributed in line with the reserves strategy approved in March 2018.

**E – Sprinklers Reserve**

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

**F – Control Room Reserve (Revenue)**

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

**G – 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.

**H – 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. The balance in the reserve has been redistributed in line with the reserves strategy approved in March 2018.

**I – Usable Capital Receipts Reserve**

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

**J – Other Capital Grants Unapplied**

This reserve was fully utilised in 2015/16.

**K - 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.

**L – 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.

<b>2016/17</b>	<b>Accumulated Absences Account</b>	<b>2017/18</b>
<b>£000</b>		<b>£000</b>
<b>503</b>	<b>Opening Balance</b>	<b>504</b>
(503)	Reversal of provision for accumulated absences for previous year	(504)
504	Accumulated absences for the year	414
<b>504</b>	<b>Closing Balance</b>	<b>414</b>

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.

<b>2016/17</b>	<b>Capital Adjustment Account</b>	<b>2017/18</b>
<b>£000</b>		<b>£000</b>
<b>(24,024)</b>	<b>Opening Balance</b>	<b>(24,158)</b>
2,557	Depreciation	2,752
426	Depreciation variance Historic to Current	618
(47)	Minimum Revenue Provision	(47)
-	- Impairments	102
-	- Other adjustments	(50)
234	Asset Disposal/Write-Off	321
-	- Additional Voluntary Contributions	-
-	- Revenue contributions	-
(92)	Accumulated gains on assets sold or scrapped	(104)
(3,169)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(4,383)
(43)	Capital receipts credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(91)
-	- Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
<b>(24,158)</b>	<b>Closing Balance</b>	<b>(25,040)</b>

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.

<b>2016/17</b>	<b>Collection Fund Adjustment Account</b>	<b>2017/18</b>
<b>£000</b>		<b>£000</b>
<b>(56)</b>	<b>Opening Balance</b>	<b>(351)</b>
(434)	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	76
139	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.	(67)
<b>(351)</b>	<b>Closing Balance</b>	<b>(342)</b>

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.

<b>2016/17</b>	<b>Pensions Reserve</b>	<b>2017/18</b>
<b>£000</b>		<b>£000</b>
<b>251,796</b>	<b>Opening Balance</b>	<b>305,511</b>
9,453	Appropriations to and from (-) revenue	10,988
44,262	Actuarial gains (-) / losses relating to pensions	(31,364)
<b>305,511</b>	<b>Closing Balance</b>	<b>285,135</b>

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.

<b>2016/17</b>	<b>Revaluation Reserve</b>	<b>2017/18</b>
<b>£000</b>		<b>£000</b>
<b>(9,073)</b>	<b>Opening Balance</b>	<b>(11,173)</b>
(1,800)	Upward Asset revaluations	(3,270)
34	Downward Asset revaluations	718
92	Accumulated gains on assets sold or scrapped	104
(426)	Depreciation difference - historic cost to current value	(618)
-	Other adjustments	-
<b>(11,173)</b>	<b>Closing Balance</b>	<b>(14,239)</b>

**25 - Donated Assets Account**

In 2015/16 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 2018, the Authority does not have any contingent assets.

**27 - Contingent Liabilities**

At 31 March 2018, 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 2017/18

<b>Comprehensive Income and Expenditure Statement</b>	<b>LGPS</b>	<b>Firefighters</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Cost of Services</u>			
Service Cost	1,253	5,397	<b>6,650</b>
Administration Expenses		-	-
<b>Cost of Services Total</b>	<b>1,253</b>	<b>5,397</b>	<b>6,650</b>
<u>Financing and Investment Income and Expenditure</u>			
Net Interest on the defined liability (asset)	(338)	7,779	<b>7,441</b>
<b>Financing and Investment Total</b>	<b>(338)</b>	<b>7,779</b>	<b>7,441</b>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>915</b>	<b>13,176</b>	<b>14,091</b>
Actuarial Gains and Losses	(1,245)	(30,119)	<b>(31,364)</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(330)</b>	<b>(16,943)</b>	<b>(17,273)</b>
<b>Movement in Reserves Statement</b>			
Reversal of net charges made to the surplus or deficit for post-employment benefits in accordance with the code:	915	13,176	<b>14,091</b>
Amount actually charged against the General Fund Balance for pensions in the year for:			
Employers contribution	1,301	1,374	<b>2,675</b>
Retirement benefit payable to pensioners	14	414	<b>428</b>

## Buckinghamshire & Milton Keynes Fire Authority – Statement of Accounts 2017/18

### Comparative data for 2016/17

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

### b) Assets and liabilities in relation to retirement benefits

#### Reconciliation of present value of the scheme liabilities 2017/18

<b>Reconciliation of present value of the scheme liabilities</b>	<b>LGPS</b>	<b>Firefighters</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present Value of scheme liabilities as at 1 April	(37,807)	(291,382)	<b>(329,189)</b>
Current Service Cost	(1,253)	(5,397)	<b>(6,650)</b>
Interest Cost	(1,056)	(7,779)	<b>(8,835)</b>
Change in financial assumptions	1,268	14,156	<b>15,424</b>
Change in demographic assumptions	-	(8,941)	<b>(8,941)</b>
Experience loss/(gain) on defined benefit obligation	-	20,096	<b>20,096</b>
Estimated benefits paid net of transfers in	418	7,444	<b>7,862</b>
Past service costs, including curtailments	-	-	-
Contribution by Scheme participants	(234)	(1,262)	<b>(1,496)</b>
Unfunded pension payments	14	414	<b>428</b>
<b>Present Value of scheme liabilities as at 31 March</b>	<b>(38,650)</b>	<b>(272,651)</b>	<b>(311,301)</b>



## Buckinghamshire & Milton Keynes Fire Authority – Statement of Accounts 2017/18

### Prior year 2016/17

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

### Reconciliation of fair value of the scheme assets 2017/18

<b>Reconciliation of fair value of the scheme assets</b>	<b>LGPS</b>	<b>Firefighters</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair Value of scheme assets as at 1 April	23,679	-	<b>23,679</b>
Interest on Assets	679	-	<b>679</b>
Return on assets less interest	715	-	<b>715</b>
Other actuarial gains/(losses)	-	4,808	<b>4,808</b>
Administration expenses	(23)	-	<b>(23)</b>
Contributions by employer including unfunded	1,315	1,788	<b>3,103</b>
Contributions by Scheme participants	234	1,262	<b>1,496</b>
Estimated benefits paid plus unfunded net of transfers in	(432)	(7,858)	<b>(8,290)</b>
<b>Fair Value of scheme assets as at 31 March</b>	<b>26,167</b>	<b>-</b>	<b>26,167</b>

### Prior year 2016/17

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

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

<b>Reconciliation of present value of the scheme liabilities</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Present Value of Liabilities</u>					
LGPS	(25,002)	(30,880)	(30,105)	(37,807)	(38,651)
1992 Firefighters Scheme	(205,349)	(247,893)	(241,242)	(291,382)	(272,651)
2006 Firefighters Scheme	(4,417)	(6,761)	-	-	-
<b>Present Value of scheme liabilities as at 31 March</b>	<b>(234,768)</b>	<b>(285,534)</b>	<b>(271,347)</b>	<b>(329,189)</b>	<b>(311,302)</b>
<u>Fair Value of Assets</u>					
LGPS	17,136	19,324	19,552	23,679	26,167
<b>Total Assets - BMKFA estimated allocation of LGPS assets</b>	<b>17,136</b>	<b>19,324</b>	<b>19,552</b>	<b>23,679</b>	<b>26,167</b>
LGPS Experience adjustments on scheme assets	-	-	-	-	-
<u>Surplus/Deficit (-) in the scheme</u>					
LGPS	(7,866)	(11,556)	(10,553)	(14,128)	(12,484)
1992 Firefighters Scheme	(205,349)	(247,893)	(241,242)	(291,382)	(272,651)
2006 Firefighters Scheme	(4,417)	(6,761)	-	-	-
<b>Total</b>	<b>(217,632)</b>	<b>(266,210)</b>	<b>(251,795)</b>	<b>(305,510)</b>	<b>(285,135)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £285.135m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £236.200m. 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 2017 for the Local Government scheme and the 31 March 2005 for the Firefighters’ scheme).

The main assumptions used in their calculations have been:

	<b>LGPS</b>		<b>Firefighters</b>	
	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Mortality Assumptions</u>				
Longevity at 65 for current pensioners				
Men	23.90	24.00	21.70	21.40
Women	26.00	26.10	24.20	23.70
Longevity at 65 for future pensioners				
Men	26.10	26.20	23.80	23.20
Women	28.30	28.40	26.50	25.60
<u>Financial Assumptions</u>				
Rate of Inflation (RPI)	3.60%	3.30%	3.60%	3.30%
Rate of Inflation (CPI)	2.70%	2.30%	2.70%	2.30%
Rate of salary inflation	4.20%	3.80%	4.20%	3.80%
Rate of pensions inflation	2.70%	2.30%	2.70%	2.30%
Rate for discounting scheme liabilities	2.80%	2.55%	2.70%	2.55%
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:

<b>31 March 2017</b>			<b>31 March 2018</b>		
<b>£000</b>	<b>%</b>	<b>LGPS</b>	<b>£000</b>	<b>%</b>	
2,799	12%	Gilts	2,386	9%	
13,383	57%	Equities	14,751	56%	
2,905	12%	Other Bonds	3,407	13%	
1,812	8%	Property	1,884	7%	
744	3%	Cash	999	4%	
286	1%	Alternative Assets	279	1%	
865	4%	Hedge Funds	1,240	5%	
885	4%	Absolute Return Portfolio	1,221	5%	
<b>23,679</b>	<b>100%</b>	<b>Total</b>	<b>26,167</b>	<b>100%</b>	

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:

<b>LGPS Sensitivity Analysis</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adjustment to discount rate	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	37,854	38,650	39,463
Projected service cost	1,196	1,226	1,257
Adjustment to long term salary increase	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	38,710	38,650	38,590
Projected service cost	1,226	1,226	1,226
Adjustment to pension increases and deferred revaluation	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	39,404	38,650	37,911
Projected service cost	1,257	1,226	1,196
Adjustment to mortality age rating assumption	<b>+1 year</b>	<b>None</b>	<b>- 1 Year</b>
Present value of total obligation	40,049	38,650	37,301
Projected service cost	1,265	1,226	1,188
<b>Firefighters</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adjustment to discount rate	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	267,166	272,651	278,260
Projected service cost	5,385	5,567	5,756
Adjustment to long term salary increase	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	273,194	272,651	272,112
Projected service cost	5,575	5,567	5,559
Adjustment to pension increases and deferred revaluation	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	277,726	272,651	267,686
Projected service cost	5,748	5,567	5,392
Adjustment to mortality age rating assumption	<b>+1 year</b>	<b>None</b>	<b>- 1 Year</b>
Present value of total obligation	283,464	272,651	262,262
Projected service cost	5,745	5,567	5,395

## 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 31 March 2017	31 March 2018	Current 31 March 2017	31 March 2018
	£000	£000	£000	£000
Financial liabilities at amortised cost	(9,115)	(9,068)	(2,065)	(3,200)
<b>Total Borrowings</b>	<b>(9,115)</b>	<b>(9,068)</b>	<b>(2,065)</b>	<b>(3,200)</b>
Loans and receivables	-	-	24,502	24,028
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>24,502</b>	<b>24,028</b>

### 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.

2016/17	Financial Instruments Gains and Losses	Financial Assets 2017/18				Total
		Financial Liabilities 2017/18	Loans and receivables	Available for sale assets	Fair value through the CIES account	
£000		£000	£000	£000	£000	£000
347	Interest expense	326	-	-	-	326
-	Losses on derecognition	-	-	-	-	-
-	Impairment losses	-	-	-	-	-
<b>347</b>	<b>Interest payable and similar charges</b>	<b>326</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>326</b>
(155)	Interest income	-	(214)	-	-	(214)
-	Gains on derecognition	-	-	-	-	-
<b>(155)</b>	<b>Interest and investment income</b>	<b>-</b>	<b>(214)</b>	<b>-</b>	<b>-</b>	<b>(214)</b>
-	Gains on revaluation	-	-	-	-	-
-	Losses on revaluation	-	-	-	-	-
-	Amounts recycled to the CIES after impairment	-	-	-	-	-
-	Surplus arising on revaluation of financial assets	-	-	-	-	-

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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.

2016/17 £000		2017/18 £000
-	Financial Instruments gain	-
(16)	Rental income from investment properties	-
-	Movement in fair value of investment properties	(50)
(139)	Interest on investments	(164)
<b>(155)</b>	<b>Total Investment income received in the CIES</b>	<b>(214)</b>

### 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 2017	Fair Value	31 March 2018	Fair Value
	Carrying Amount		Carrying Amount	
	£000	£000	£000	£000
PWLB Debt at amortised cost	(7,382)	(11,056)	(7,382)	(9,503)
Finance Lease	(1,733)	(1,733)	(1,686)	(1,686)
Creditors	(2,065)	(2,065)	(3,200)	(3,200)
<b>Total Financial Liabilities</b>	<b>(11,180)</b>	<b>(14,854)</b>	<b>(12,268)</b>	<b>(14,389)</b>
Cash and cash equivalents	2,001	2,001	3,157	3,157
Short Term Investments	21,073	21,073	18,552	18,533
Debtors	1,428	1,428	2,319	2,319
<b>Total Loans and Receivables</b>	<b>24,502</b>	<b>24,502</b>	<b>24,028</b>	<b>24,009</b>

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 2018. 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
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- 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:

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
-	Maturing in less than 1 year	(585)
(585)	Maturing within 2 years	-
-	Maturing within 2 to 5 years	(620)
(1,620)	Maturing within 5 to 10 years	(2,000)
(5,177)	Maturing in more than 10 years	(4,177)
<b>(7,382)</b>	<b>Total</b>	<b>(7,382)</b>

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:

	<b>2017/18</b>
	<b>£000</b>
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	278
Increase in government grant receivable for financing costs	-
<b>Impact on Comprehensive Income and Expenditure Statement</b>	<b>278</b>
Decrease in fair value of fixed rate borrowing liabilities which has no impact on the Comprehensive Income and Expenditure Statement	-
<b>Total Financial Effect</b>	<b>278</b>

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

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
<b>(8,209)</b>	<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>(11,422)</b>
2,557	Depreciation, amortisation, impairment and downward valuations	2,854
122	Net Movement in Creditors	1,116
1,126	Net Movement in Debtors	(729)
(37)	Net Movement in Stocks	187
9,453	Adjustment regarding Pension Liability	10,988
(41)	Contributions to/from Provisions	316
234	Carrying amount of non-current assets sold	321
	Movement in Investment Property Values	(50)
<b>13,414</b>		<b>15,003</b>
-	Capital Grants Credited to surplus or deficit on the provision of services	-
(288)	Proceeds from the sale of assets	(368)
<b>(288)</b>		<b>(368)</b>
<b>4,917</b>	<b>Net Cash Flows from Operating Activities</b>	<b>3,213</b>

b) Net Cash flows from Operating Activities (Interest)

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
164	Ordinary interest received	214
-	- Interest received on cash backed funds/reserves	-
<b>164</b>		<b>214</b>
(347)	Interest charge for year	(326)
	- Adj differences between Effective Interest Rates and actual payable	-
	- Other Interest	-
<b>(347)</b>		<b>(326)</b>
<b>(183)</b>	<b>Net Cash Flows from Operating Activities (Interest)</b>	<b>(112)</b>

c) Cash Flows from Investment Activities

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
(3,169)	Property Plant and Equipment Purchased	(4,488)
(2,000)	Purchase of short or long term investments	2,518
	- Movement on Capital Creditors	-
<b>(5,169)</b>		<b>(1,970)</b>
288	Proceeds from the sale of Assets	367
	- Proceeds from the sale of short or long term investments	-
98	Capital Grants Received	448
<b>386</b>		<b>815</b>
<b>(4,783)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(1,155)</b>

d) Cash Flows from Financing Activities

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
- Cash receipts of short and long term borrowing	-
(368) Repayment of short and long term borrowing	-
(50) Other receipts from financing activities	-
(47) Cash payments for the reduction of outstanding liabilities relating to finance leases	(47)
<b><u>(465) Net Cash Flows from Financing Activities</u></b>	<b><u>(47)</u></b>

e) Make up of Cash and Cash Equivalents

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
36	Cash and bank balances	891
2,001	Cash investments	3,157
<b><u>2,037</u></b>	<b>Total</b>	<b><u>4,048</u></b>

## Firefighters' Pension Fund Account

### Firefighters' Pension Fund

2016/17 £000	Fund Account	2017/18 £000
	<b>Income to the fund</b>	
	<u>Contributions receivable (funds due to us during the year)</u>	
	From employer	
(1,601)	normal contributions	(1,539)
-	early retirements	(59)
-	other contributions	
(1,276)	From members	(1,262)
(39)	Ill health charges	(20)
-	Milne vs GAD - additional grant received from DCLG	-
(138)	Pension contribution holiday	-
	<u>Transfers in</u>	
(25)	Individual transfers in from other schemes	-
-	Other transfers in	-
<b>(3,079)</b>	<b>Total Income to the Fund</b>	<b>(2,880)</b>
	<b>Spending by the fund</b>	
	<u>Benefits payable</u>	
6,353	Pension payments	6,582
1,303	Commutation of pensions and lump sum retirement benefits	1,163
-	Lump sum death benefits	-
-	Other benefits payable	-
	<u>Payments to and on behalf of leavers</u>	
-	Refunds of contributions to people who leave the scheme	-
-	Individual transfers out of the scheme	-
-	Milne vs GAD - payments out	-
133	Pension contribution holiday	-
<b>7,789</b>	<b>Total Spending by the Fund</b>	<b>7,745</b>
<b>4,710</b>	<b>Net amount payable/receivable for the year before top up grant receivable/amount payable to sponsoring department</b>	<b>4,865</b>
(4,710)	Top up grant receivable/amount payable to sponsoring department	(4,865)
-	<b>Net amount payable (-)/receivable for the year</b>	<b>-</b>

### Firefighters' Pension Fund Net Assets Statement

2016/17 £000	Net Assets Statement	2017/18 £000
	<b>Net Current Assets and Liabilities</b>	
-	Contributions due from employer	-
1,321	Pensions top up grant receivable from sponsoring department	897
-	Unpaid pensions benefits	-
-	Amount due to sponsoring department	-
(1,321)	Other current assets and liabilities (other than liabilities and other benefits in the future)	(897)
-	<b>Net Assets at the End of the Year</b>	<b>-</b>

## **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 employers and 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**

Asset – the amount at which that asset could be bought or sold in a current transaction between willing parties, other than in a liquidation.

Liability- 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<sup>st</sup> 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<sup>st</sup> 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

<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	18 July 2018
<b>OFFICER</b>	David Sutherland, Director of Finance and Assets
<b>LEAD MEMBER</b>	Councillor Peter McDonald
<b>SUBJECT OF THE REPORT</b>	<b>Anti-Money Laundering Policy</b>
<b>EXECUTIVE SUMMARY</b>	<p>The Anti-Money Laundering Policy has been updated to reflect the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 which came into force on 26 June 2017, repealing the Money Laundering Regulations 2007.</p> <p>This paper is being presented to the Committee as part of a triennial review.</p>
<b>ACTION</b>	Decision.
<b>RECOMMENDATIONS</b>	That the Anti-Money Laundering Policy be approved.
<b>RISK MANAGEMENT</b>	<p>In terms of risk, the risk of money laundering occurring within the Authority is low. This is because:</p> <ul style="list-style-type: none"> <li>• the Authority does not receive large individual amounts as cash income</li> <li>• the Authority does not accept cash payments for the sale of land and property and deals through prospective purchasers' solicitors, who are obliged to have undertaken their own customer due diligence of their clients</li> <li>• the Authority does not carry out significant trading activity which would generate cash income</li> <li>• the majority of the Authority's income is received from other public service organisations or government bodies</li> <li>• any relevant services provided "by way of business" are primarily for customers who are UK public authorities</li> </ul>
<b>FINANCIAL IMPLICATIONS</b>	No direct impact.
<b>LEGAL IMPLICATIONS</b>	The new regulations are more prescriptive than the 2007 regulations when it comes to carrying out

	<p>Customer Due Diligence (CDD) checks on corporate bodies, in which case CDD requires verification of: its company number or other registration and the address of its registered office and, if different, its principal place of business.</p> <p>The new regulations permit a lighter touch Simplified due diligence (SDD) taking into account a non-exclusive list of factors set out in the regulations. The revised procedure maintains SDD to local authority clients/customers only.</p>
<b>CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE</b>	No direct impact.
<b>HEALTH AND SAFETY</b>	No direct impact.
<b>EQUALITY AND DIVERSITY</b>	No direct impact.
<b>USE OF RESOURCES</b>	<p>The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 require the Money Laundering Reporting Officer to take appropriate measures to ensure that all relevant employees are made aware of the law in this area and understand how to recognise and deal with potential instances of money laundering or terrorist financing.</p> <p>The Chief Finance Officer and Director of Finance &amp; Assets will include the Anti-Money Laundering within the Authority's Counter-Fraud and Corruption framework. The Finance team will provide training and are responsible for raising awareness.</p>
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	<p>Anti-Money Laundering Policy – Overview and Audit Committee, 23 September 2015:</p> <p><a href="https://bucksfire.gov.uk/files/6914/4222/9193/ITEM_12_Anti-Money_Laundering_Policy_Annex.pdf">https://bucksfire.gov.uk/files/6914/4222/9193/ITEM_12_Anti-Money_Laundering_Policy_Annex.pdf</a></p>
<b>APPENDICES</b>	Annex A - Anti-Money Laundering Policy.
<b>TIME REQUIRED</b>	10 minutes.
<b>REPORT ORIGINATOR AND CONTACT</b>	<p>Mark Hemming</p> <p><a href="mailto:mhemming@bucksfire.gov.uk">mhemming@bucksfire.gov.uk</a></p> <p>01296 744687</p>

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### 1. Changes since the last version

The Anti-Money Laundering Policy has been updated to reflect the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) which came into force on 26 June 2017.

**Please note that as Service Documents are frequently updated, if you print a document, its accuracy cannot be guaranteed. Always check the intranet for the latest version.**

### 2. Index

1. [Document changes](#)
2. [Index](#)
3. [Purpose and scope](#)
4. [Roles and responsibilities](#)
5. [Document content](#)
  - 5.1 Scope of the Policy
  - 5.2 What is Money Laundering?
  - 5.3 What are the Obligations on the Authority?
  - 5.4 The importance of disclosing any suspicions to the Money Laundering Reporting Officer (MLRO)
  - 5.5 Customer Due Diligence
  - 5.6 Enhanced Customer Due Diligence and Ongoing Monitoring
  - 5.7 Internal Clients
  - 5.8 External Clients
  - 5.9 Record Keeping
  - 5.10 The Money Laundering Reporting Officer

### 3. Purpose and scope

Please refer to Section 5.1.

### 4. Roles and responsibilities

The roles and responsibilities of everyone should be advised. For example, in relation to this procedure:

The officer nominated to receive disclosure about money laundering actively activity within the Authority is the **Chief Finance Officer** (see Section 5.10.)

### 5. Document content

#### 5.1. Scope of the Policy

5.1.1 This Policy applies to all employees of the Authority and aims to maintain the high standards of conduct which currently exist within the Authority by preventing criminal activity through money laundering. The Policy sets out the procedures that must be followed, for example the reporting of suspicious money laundering activity, to enable the Authority to comply with its legal obligations.

5.1.2 The Policy is accompanied by four additional documents:



1 Page numbers should be in the footer in verdana 8

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- The Customer Due Diligence Pro-Forma (Appendix 1).
- The template Report to the Money Laundering Reporting Officer (Appendix 2)
- The Due Diligence Flowchart (Appendix 3)
- The Enhanced Due Diligence and Ongoing Monitoring Flowchart (Appendix 4)

5.1.3 Failure by a member of staff to comply with the procedures set out in the Policy may lead to disciplinary action being taken against him/her. Any disciplinary action will be dealt with in accordance with the Authority's disciplinary Policy and Procedure.

### **5.2. What is Money Laundering?**

5.2.1 The definition of money laundering is very wide. It includes all forms of handling or possessing criminal property, including possessing the proceeds of one's own crime and facilitating any handling or possession of criminal property. Property is criminal if it constitutes or represents a person's benefit from criminal conduct and the alleged offender knows or suspects that it constitutes such a benefit; criminal property may take any form and includes money, securities, tangible and intangible property. Criminal conduct is conduct which constitutes an offence in the UK or would constitute an offence in the UK if it occurred there. Money laundering also includes activities relating to terrorist financing.

5.2.2 Money laundering activity may range from a single act, for example being in possession of the proceeds of one's own crime, to complex and sophisticated schemes involving multiple parties and multiple methods of handling and transferring criminal property as well as concealing it and entering into arrangements to assist others to do so. Authority employees need to be alert to the risks of clients, their counterparties and others laundering money in any of its many forms.

5.2.3 The main money laundering offences are those under sections 327 to 329 of the Proceeds of Crime Act 2002 and section 18 of the Terrorism Act 2000. In summary the offences are committed as follows:

- Under section 327 it is an offence to conceal, disguise, convert, transfer or remove criminal property from England and Wales.
- Under section 328 it is an offence for a person to enter into or become concerned in an arrangement which s/he knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.
- Under section 329 it is an offence for a person to acquire, use or have in his/her possession criminal property.





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- 5.2.4 Under section 18 of the Terrorism Act 2000 it is an offence for a person to enter into or become concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property by concealment, removal from the jurisdiction, transfer to nominees or in any other way. Terrorist property is defined as money or other property which is likely to be used for the purposes of terrorism (including any resources of a prescribed organisation), proceeds of the commission of acts of terrorism, and proceeds of acts carried out for the purposes of terrorism.
- 5.2.5 It is important to note that anyone, not necessarily an employee of the Authority can commit any of the above offences. However, in addition to these offences there are a series of obligations imposed on the Authority by the [2017](#) Regulations that it must fulfil and of which breach can also amount to an offence by the Authority.

### 5.3. What are the Obligations on the Authority?

- 5.3.1 The obligations on the Authority are those imposed by the [2007-2017](#) Regulations which apply to "relevant persons" acting in the course of business carried on by them in the UK. Not all of the Authority's business is relevant for the purposes of the Regulations; it is mainly the accountancy and audit services carried out by Finance and the financial, company and property transactions undertaken by Legal Services and vehicle disposals in the Workshops.
- 5.3.2 It should be remembered that under Reg. [38](#)(1), the Regulations only apply to "persons acting in the course of a business".
- Therefore Authority employees in the Finance Team, Legal Services and Workshops sections are those to whom the Policy most directly applies.
- 5.3.3 It is reasonable to conclude that the money laundering regime is not primarily aimed at local authorities and that local authorities' work is to some extent tangential to the regime. However, the safest way to ensure compliance with the regime is nonetheless to apply its requirements to all of the Authority's areas of work and to ensure that all staff comply with the reporting procedure set out in the Policy.
- 5.3.4 The obligations on the Authority are to establish and maintain appropriate and risk-sensitive policies and procedures relating to the following:

- Customer due diligence measures and ongoing monitoring
- Reporting
- Record-keeping
- Internal control

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- Risk assessment and management
  - The monitoring and management of compliance with, and the internal communication of, such policies and procedures
- 5.3.5 All employees are required to follow the procedure set out in the policy and in this way the Authority will properly discharge its obligations under the money laundering regime.
- 5.4. The importance of disclosing any suspicions to the Money Laundering Reporting Officer (MLRO)**
- 5.4.1 Where you know or suspect that money laundering activity is taking/has taken place, or you are concerned that your involvement in the matter may amount to a prohibited act under the legislation, you must disclose to the MLRO (see Section [11-10](#) for named officer) this suspicion or concern as soon as practicable; the disclosure should be made within hours rather than days or weeks of the information coming to your attention. **If you fail to do so you may be liable to prosecution.**
- 5.4.2 Your disclosure should be made to the MLRO on the Pro Forma attached at Appendix 1. The report must include as much detail as possible, for example:
- Full details of the people involved (including yourself if relevant) e.g. name, date of birth, address, company names, directorships, phone numbers, etc.
  - If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327-329 of the 2002 Act then your report must include all relevant details as you will need consent from The National Crime Agency formally Serious Organised Crime Agency (SOCA), through the MLRO, to take any further part in the transaction. This is the case even if the client gives instructions for the matter to proceed before such consent is given. You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent, e.g. a completion date or court deadline.
  - The types of money laundering activity involved. If possible cite the section number(s) under which the report is being made.
  - The date of such activities, including whether the transactions have happened, are on-going or are imminent.
  - Where they took place.
  - How they were undertaken
  - The (likely) amount of money/assets involved.
  - Why, exactly, you are suspicious.
  - In addition, any other information to enable the MLRO to make a sound judgement as to whether there are reasonable grounds for

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knowledge or suspicion of money laundering and to enable him/her to prepare his/her report to The National Crime Agency where appropriate. You should also enclose any copies of relevant supporting documentation.

- 5.4.3 As soon as you have reported the matter to the MLRO you must follow any directions he/she gives you. **You must NOT make any further inquiries into the matter yourself.** Any necessary investigation will be undertaken by The National Crime Agency; simply report your suspicions to the MLRO, who will refer the matter to The National Crime Agency if appropriate. All members of staff will be required to co-operate with the MLRO and the Authority's subsequent money laundering investigation.
- 5.4.4 Similarly, **at no time and under no circumstances should you voice any suspicions** to the person(s) or organisation you suspect of money laundering; otherwise you may commit the criminal offence of "tipping off".
- 5.4.5 Do not, therefore, make any reference on a client file to a report having been made to the MLRO. Should the client exercise his/her right to see the file then such a note would obviously tip them off to the report having been made and you would be at risk of prosecution for "tipping off". The MLRO will keep the appropriate records in a confidential manner.

### 5.5. Customer Due Diligence

- 5.5.1 ~~In summary, cCustomer due diligence is a new requirement introduced by the 2007 Regulations, and~~ means that the Authority must know its clients and understand their businesses. This allows the Authority to be in a position to know if there is suspicious activity that should be reported; clearly it is only by the Authority knowing its clients and their businesses that it can recognise abnormal and possibly suspicious activity. As a minimum checks on corporate bodies, must include: its company number or other registration and the address of its registered office and, if different, its principal place of business.
- 5.5.2 The obligations imposed on the Authority must, of course, be brought into effect by its individual employees. Employees must therefore be familiar with these obligations.
- 5.5.3 The 2007-2017 Regulations require that the Authority identifies its customers and verifies that identity on the basis of documents, data or information obtained from a reliable source. Where there is a beneficial

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owner who is not the customer then the Authority must identify that person and verify that identity, and where the beneficial owner is a trust or similar then the Authority must understand the nature of the control structure of that trust. Finally the Authority must obtain information on the purpose and intended nature of the business relationship. [The MLR 2017 introduces the need for the Authority to consider both customer and geographical risk factors in deciding what due diligence is appropriate. The new Regulations introduced a list of high risk jurisdictions which if involved in a transaction makes enhanced due diligence and additional risk assessment compulsory. For an up to date list of such jurisdictions an officer should seek advice from the MLRO. The list of areas is currently: Afghanistan, Bosnia and Herzegovina, Guyana, Iraq, Lao PDR, Syria, Uganda, Vanuatu, Yemen, Iran and the Democratic People's Republic of Korea.](#)

- 5.5.4 The checks described in the paragraph above must generally be undertaken by the Authority **before** it establishes a business relationship or carries out an occasional transaction, or if it suspects money laundering or terrorist funding or doubts the veracity of any information obtained for the purposes of identification or verification. However, the Authority is not required to undertake these checks if its customer is another public authority, unless it suspects money laundering or terrorist funding.
- 5.5.5 The Authority is also obliged to maintain ongoing monitoring of its business relationships which means it must scrutinise transactions throughout the course of the relationship to ensure that the transactions are consistent with the Authority's knowledge of the customer and keep the information about the customer up-to-date.
- 5.5.6 Where the Authority is not able to apply the customer due diligence measures set out above it:
- must not carry out a transaction with or for a customer through a bank account
  - must not establish a business relationship or carry out an occasional transaction with the customer
  - must terminate any business relationship with the customer and consider whether to make a disclosure.
- 5.5.7 However, the above paragraph does not apply where a lawyer or other professional adviser is in the course of advising the legal position for his client or performing his task of defending or representing that client in, or concerning, legal proceedings including the advice on the institution or avoidance of proceedings.

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5.5.8 The due diligence procedures can be found in the Customer Due Diligence Flowchart (Appendix 3)

### **5.6. Enhanced Customer Due Diligence and Ongoing Monitoring**

5.6.1 It will in certain circumstances be necessary to undertake what is known in the 2017 Regulations as enhanced customer due diligence. In summary, this will be necessary where:

- the customer has not been physically present for identification purposes; or
- in any other situation which by its nature can present a higher risk of money laundering or terrorist financing.

5.6.2 Where this applies, the Authority will need to take adequate measures to compensate for the higher risk. For example, this will mean ensuring that the customer's identity is established by additional documents, data or information.

5.6.3 Similarly, where the Authority is in an ongoing "business relationship" with a customer, the 2017 Regulations impose a special obligation to carry out ongoing monitoring. This means that the Authority must:

- scrutinise transactions undertaken throughout the course of the relationship to make sure that these transactions are consistent with the Authority's knowledge of the customer, his business and risk profile; and
- keep documents, data or information obtained for the purpose of applying Customer Due Diligence measures up-to-date

5.6.4 The enhanced due diligence and ongoing monitoring procedures can be found in the Enhanced Due Diligence and Ongoing Monitoring Flowchart (Appendix 4)

### **5.7. Internal Clients**

5.7.1 Appropriate evidence of identity for Authority departments will be signed, written instructions on Authority headed notepaper or an email on the internal system at the outset of a particular matter. Such correspondence should then be placed on the Authority's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.

### **5.8. External Clients**

5.8.1 The MLRO (see below) will maintain a central file of general client identification and verification information about the Authority's external clients to whom the Authority provides professional services. You should check with the MLRO that the organisation or individual in respect of

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which you require identification and verification information is included in the MLRO's central file and then check the details of the information held in respect of the particular client. If the organisation or individual is not included in the central file you should discuss the matter with the MLRO.

- 5.8.2 In practice the Authority can fulfil its obligations if employees complete the Customer Due Diligence Pro-Forma (Appendix 1).

### 5.9. Record Keeping

- 5.9.1 The information gathered by the Authority in pursuance of its customers due diligence obligations and described above must be kept for a period of five years from either the completion of the transaction or the end of the business relationship. Each department or section of the Authority should nominate an officer who is to be responsible for the secure storage of these records.

### 5.10. The Money Laundering Reporting Officer

- 5.10.1 The officer nominated to receive disclosure about money laundering ~~actively~~ activity within the Authority is the Chief Finance Officer and ~~Acting~~ Director of Finance & Assets, David Sutherland. David can be contacted as follows:

David Sutherland  
Chief Finance Officer and Acting Director of Finance & Assets  
Buckinghamshire & Milton Keynes Fire Authority  
Brigade HQ  
Stocklake  
Aylesbury  
Bucks  
HP20 1BD  
Telephone: 01296 744662

In the absence of the MLRO the Director of Legal and Governance, Graham Britten, is authorised to deputise for him. Graham can be contacted at the above address or on telephone 01296 744441 (direct line).

## Customer Due Diligence Pro-Forma

<b>SECTION A: PRELIMINARY</b>	
Name of customer	
Is this customer another public authority (e.g. a local authority)?	<i>If “Yes”, the due diligence measures below in Sections B and C do not need to be applied.</i>
Does the Authority suspect the customer of money laundering or terrorist financing?	<i>If “Yes”, the suspicion MUST always be reported to the MLRO immediately.</i>
<b>SECTION B: DUE DILIGENCE MEASURES</b>	
<p>These measures are to be applied where the Authority:</p> <ol style="list-style-type: none"> <li>1) establishes a business relationship with a customer<sup>1</sup>;</li> <li>2) carries out an occasional transaction<sup>2</sup>;</li> <li>3) doubts the veracity or adequacy of documents, data or information previously obtained from the customer for the purposes of identification or verification.</li> </ol> <p style="text-align: center;"><i>To apply the due diligence measures, please answer as fully as possible the questions below.</i></p>	
1.	Can the Authority identify this customer?
2.	How has the identity of this customer been established? <sup>3</sup> [Attach documents, data or information establishing identity]
3.	Are these documents, data or information from an independent and reliable source?
4.	Can the Authority verify the identity of the customer?

<sup>1</sup> “**business relationship**” means a business, professional or commercial relationship which the Authority expects, at the time the contact is established, to have an element of duration.

<sup>2</sup> “**occasional transaction**” means a transaction, carried out other than as part of a business relationship, amounting to 15,000 Euro or more (£12,800), whether a single operation or several operations which appear to be linked.

<sup>3</sup> Where the customer is a body corporate obtain and verify—  
(i) the name of the body corporate; (ii) its company number or other registration number; and (iii) the address of its registered office, and if different, its principal place of business.



	[Through the documents referred to in Questions 2 and 3]	
5.	Is there a beneficial owner involved with the customer who is a different person or entity to the customer identified above?	
6.	What is the identity of the beneficial owner?	
7.	Can the Authority verify the identity of the beneficial owner?	
8.	Does the Authority doubt the veracity or adequacy of documents, data or information obtained for the purposes of identification or verification?	
9.	When were the documents, data or information obtained for the purposes of identification or verification of this customer last up-dated?	
10.	When will the documents, data or information obtained for the purposes of identification or verification of this customer next be up-dated?	
11.	What is the ownership and control structure of the beneficial owner?	
12.	Does the Authority wish to establish a business relationship with this customer?	<i>If "No", go straight to Section C.</i>
13.	What is the purpose and intended nature of the business relationship?	
<b>SECTION C: OUTCOME OF DUE DILIGENCE MEASURES</b>		
<p>Is the Authority unable to answer any of the above questions because the customer has been unable or unwilling to provide information?</p> <p>If so, please give full details.</p>		<p><b><i>If the answer is "Yes", the Authority must not establish a business relationship or carry out an occasional transaction with this customer; it must not carry out any transaction with or for the customer through a bank account; it must terminate any business relationship with the customer AND the suspicion must be reported immediately to the MLRO.</i></b></p>
<p>Please note: this pro-forma must be kept for <b>five</b> years from the end of the business relationship or occasional transaction with this customer</p>		



## Report to Money Laundering Reporting Officer

### Re money laundering activity

To: **David Sutherland, Money Laundering Reporting Officer**

From: .....  
*(insert name of employee)*

Directorate: ..... Ext/Tel No. ....  
*(insert post title and Cost Centre)*

**DETAILS OF SUSPECTED OFFENCE:**

**Name(s) and address(es) of person(s) involved:**  
*(if a company/public body please include details of nature of business)*

**Nature value and timing of activity involved:**  
*(please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary)*

**Nature of suspicions regarding such activity:**

*(please continue on a separate sheet if necessary)*

**Has any investigation been undertaken (as far as you know)?**

**Yes / No**

**If yes, please include details below:**

**Have you discussed your suspicions with anyone else?**

*(Please delete as appropriate)*

**Yes/ No**

**If yes, please specify below, explaining why such discussion was necessary:**

**Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society)** *(Please delete as appropriate)* **Yes / No**

**If yes, please specify below:**

**Do you feel you have a reasonable excuse for not disclosing the matter to The National Crime Agency (e.g. are you a lawyer and wish to claim legal professional privilege?)** *(Please delete as appropriate)* **Yes / No**

**If yes, please set out full details below:**

**Are you involved in a transaction which might be a prohibited act under sections 327-329 of the Proceeds of Crime Act 2002 and which requires appropriate consent from The National Crime Agency?** *(Please delete as appropriate)*

**Yes / No**

**If yes, please set out full details below:**

**Please set out below any other information you feel is relevant:**

**Signed:**..... **Dated:** .....

***Please do not discuss the content of this report with anyone believe to be involved in the suspected money laundering activity described. To do so may constitute a "tipping off" offence, which carries a maximum penalty of five years' imprisonment.***

**THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO**

Date report received: .....

Date receipt of report acknowledged: .....

**CONSIDERATION OF DISCLOSURE:**

Action plan:

**OUTCOME OF CONSIDERATION OF DISCLOSURE:**

Are there reasonable grounds for suspecting money laundering activity?:

If there are reasonable grounds for suspicion, will a report be made to The National Crime Agency?

(Please delete as appropriate?)

Yes / No

If yes, please confirm date of report to The National Crime Agency and complete the box below:

Date reported: .....

**Details of liaison with The National Crime Agency regarding the report:**

**Notice Period:** .....to .....

**Moratorium Period:** .....to .....

Is consent required from The National Crime Agency to any ongoing or imminent transactions which would otherwise be prohibited acts? Yes / No

If yes, please confirm full details in the box below:

Date consent received from The National Crime Agency:.....

Date consent given by you to employee:.....

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to The National Crime Agency, please set out below the reasons(s) for non-disclosure:

*(Please set out any reasonable excuse for non-disclosure)*

**Date consent given by you to employee for any prohibited act transactions to proceed:**

.....

**Other relevant information:**

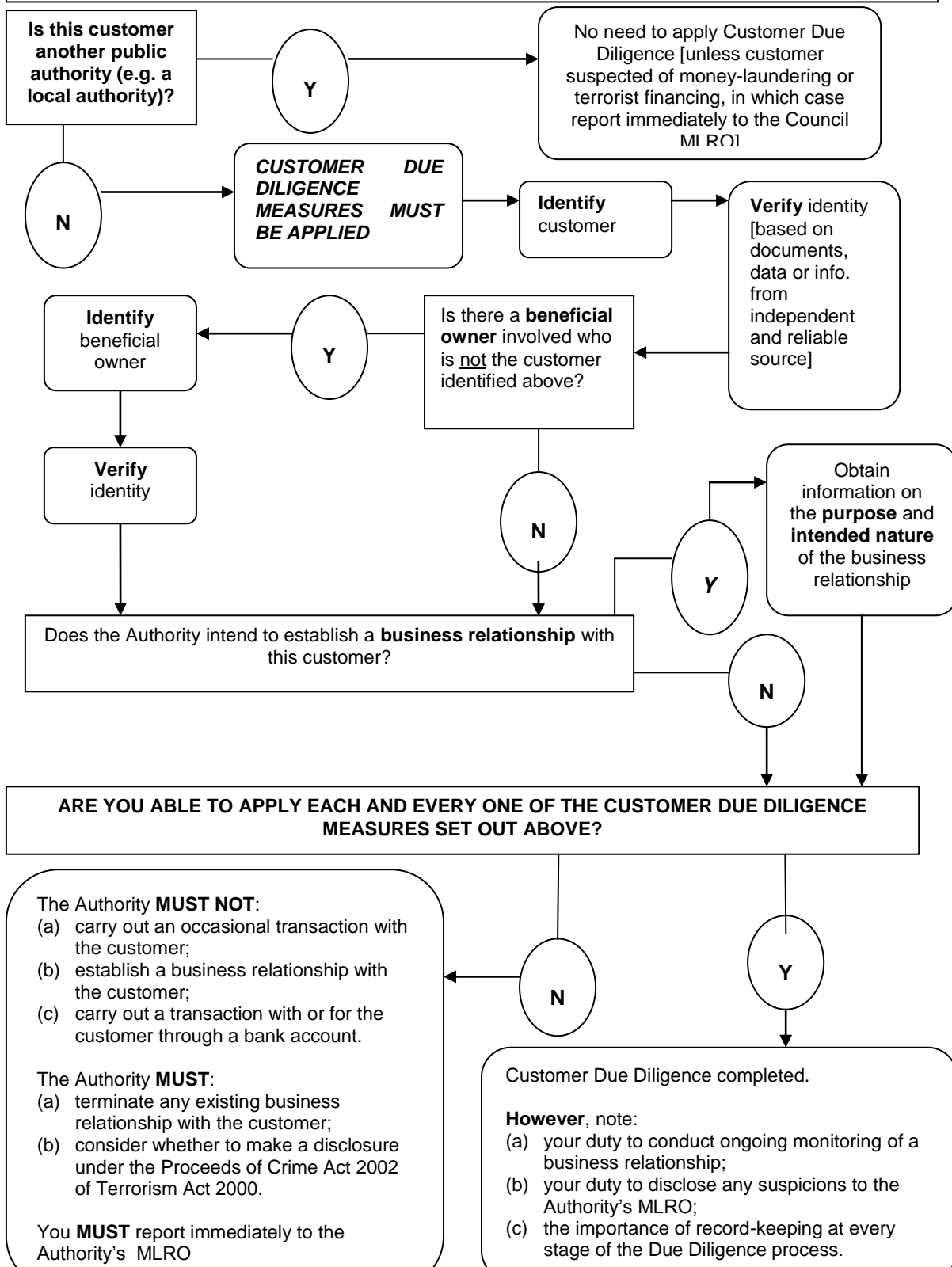
**Signed:**.....

**Date:** .....

**THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS**

## Money Laundering Regulations 2017: Customer Due Diligence

The Authority must generally undertake these Customer Due Diligence measures **before** it establishes a business relationship or carries out an occasional transaction. The measures should also be applied where the Authority doubts the veracity or adequacy of documents, data or information previously obtained for the purposes of identification or verification.



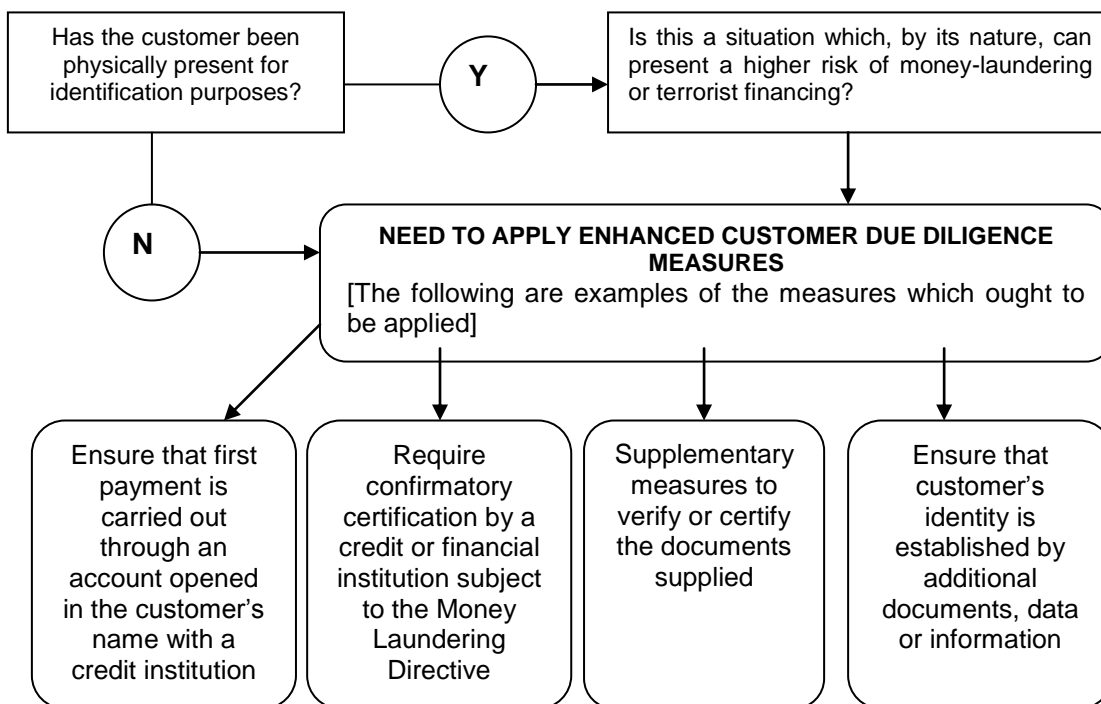
**“business relationship”** - a business, professional or commercial relationship which the Council expects, at the time the contact is established, to have an element of duration

**“occasional transaction”** - a transaction, carried out other than as part of a business relationship, amounting to 15,000 Euro or more, whether a single operation or several operations which appear to be linked

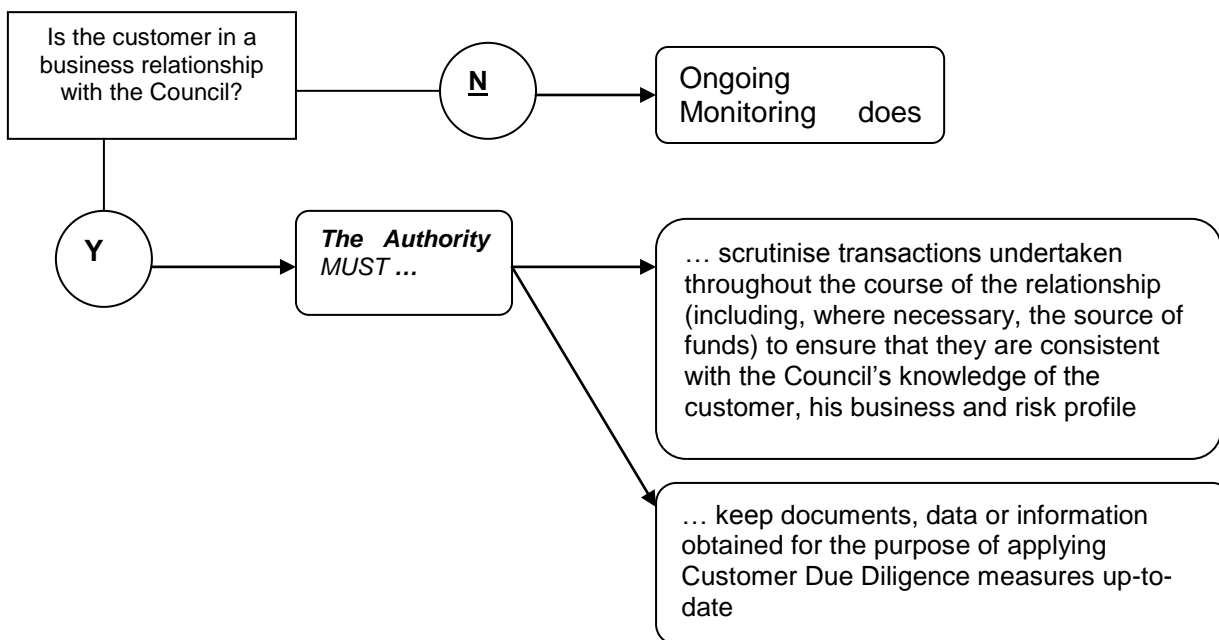


**Money Laundering Regulations 2017: Enhanced Customer Due Diligence and Ongoing Monitoring Flowchart**  
 [To be read in conjunction with the Authority's *Anti Money-Laundering Policy*]

**ENHANCED CUSTOMER DUE DILIGENCE**



**ONGOING MONITORING**



**“business relationship”** - a business, professional or commercial relationship which the Authority expects, at the time the contact is established, to have an element of duration

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# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	18 July 2018
<b>OFFICER</b>	David Sutherland, Director of Finance & Assets
<b>LEAD MEMBER</b>	Councillor David Watson
<b>SUBJECT OF THE REPORT</b>	<b>Treasury Management Performance 2017/18 - Quarter 4</b>
<b>EXECUTIVE SUMMARY</b>	<p>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.</p> <p>The accrued interest earned for 2017/18 is £164k, which is £64k higher than budgeted for the year.</p>
<b>ACTION</b>	Information.
<b>RECOMMENDATIONS</b>	That the Treasury Management Performance 2017/18 – Quarter 4 report be noted.
<b>RISK MANAGEMENT</b>	<p>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.</p> <p>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.</p> <p>The risk of counterparty failure is monitored on the directorate level risk register within Finance and Assets.</p> <p>There are no direct staffing implications.</p>
<b>FINANCIAL IMPLICATIONS</b>	The budget for 2017/18 relating to interest earned on balances invested is £100k. Performance against the budget is included within Appendix A.
<b>LEGAL IMPLICATIONS</b>	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
<b>CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE</b>	No direct impact.
<b>HEALTH AND SAFETY</b>	No direct impact.
<b>EQUALITY AND DIVERSITY</b>	No direct impact.
<b>USE OF RESOURCES</b>	See Financial Implications.
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy <a href="http://bucksfire.gov.uk/files/6915/0816/2881/ITEM_8_Treasury_Management_Strategy_2017-18_Final.pdf">http://bucksfire.gov.uk/files/6915/0816/2881/ITEM_8_Treasury_Management_Strategy_2017-18_Final.pdf</a> Treasury Management Practices <a href="http://bucksfire.gov.uk/files/4314/5527/8969/OA2509_13.compressed.pdf">http://bucksfire.gov.uk/files/4314/5527/8969/OA2509_13.compressed.pdf</a>
<b>APPENDICES</b>	Appendix A – Treasury Management Performance 2017/18 – Quarter 4
<b>TIME REQUIRED</b>	5 minutes
<b>REPORT ORIGINATOR AND CONTACT</b>	Linda Blunt <a href="mailto:lblunt@bucksfire.gov.uk">lblunt@bucksfire.gov.uk</a> 01296 744404

## Appendix A – Treasury Management Performance 2017/18 – 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 fourth year 2017/18.

### 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 Link (previously known as 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 £5m (with the exception of Lloyds Bank, who as our banking provider have a limit of £7.5m, of which at least £2.5m must be instant access). The amount invested with each counterparty on the approved lending list as at 31 March 2018 is detailed below:

<b>Counterparty</b>	<b>Amount (£000)</b>
Coventry Building Society	1,000
Skipton Building Society	2,000
Royal Bank Of Scotland	4,004
Goldman Sachs International	5,000
UBS Ltd	2,500
Warrington Borough Council	2,000
Bournemouth Borough Council	2,000
Lloyds Bank plc (current accounts)	891
Ignis Sterling MMF*	50
CCLA MMF*	102
Payden & Rygel Sterling Reserve**	1,001
Federated Sterling**	1,002
Royal London Sterling Extra**	1,003
<b>Total</b>	<b>22,553</b>

\*MMF denotes a Money Market Fund

\*\* These are Ultra Short Dated Bond Funds (Previously known as Enhanced Money Market Funds)

No counterparty limits were breached during Quarter 4.

The above investments include an amount of £3,005m invested in three Ultra Short Dated Bond Funds (USDBF). These were previously known as Enhanced Money Market Funds. An USDBF is a collective investment vehicle which, like 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.

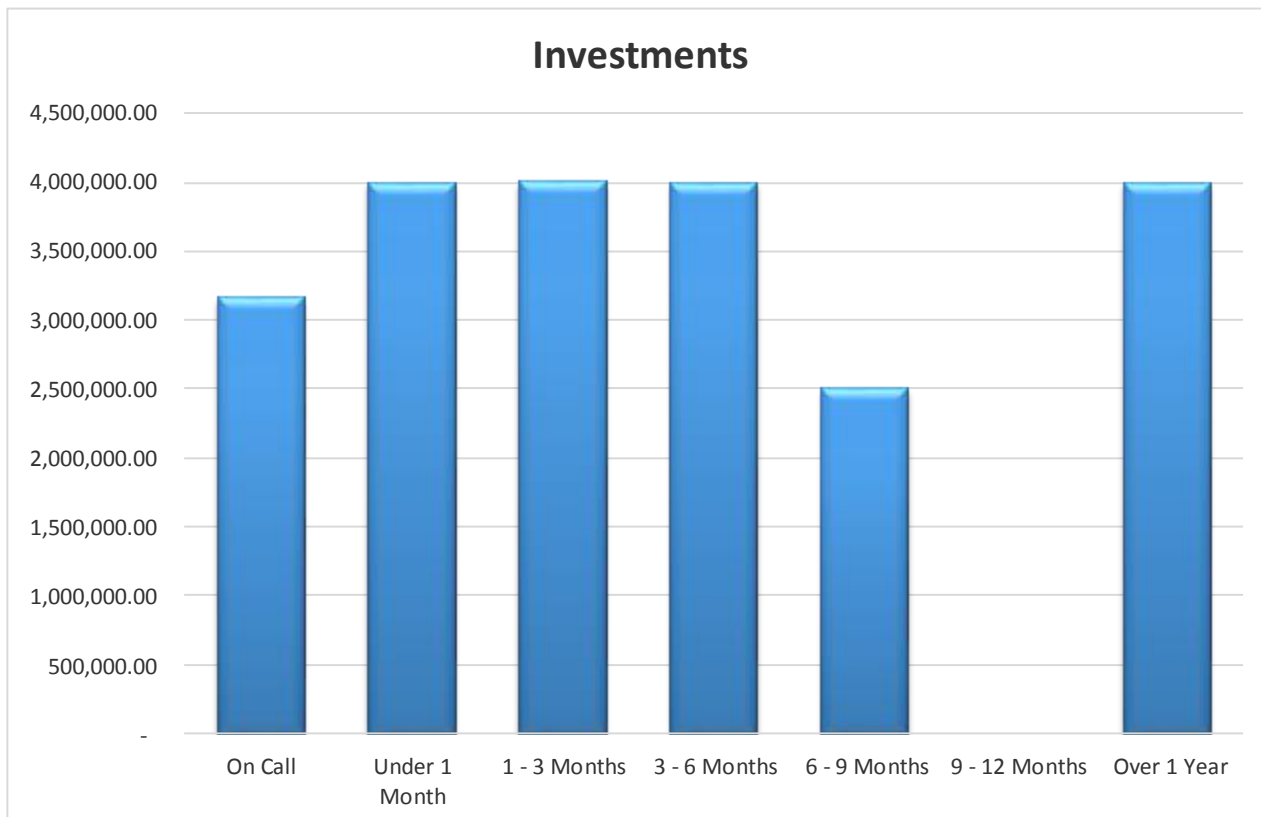
In its AIS the Authority also resolved that all credit ratings will be monitored weekly, by means of the Link creditworthiness service. During Quarter 4 Link made one changes to the counterparty listing. Therefore in line with the AIS, the Authority’s lending list has been updated to reflect these changes as detailed in the table below:

<u>Country</u>	<u>Counterparty</u>	<u>Maximum Duration</u> <u>31/12/2017</u>	<u>Maximum Duration</u> <u>31/03/2018</u>
UK	Abbey National Treasury Services	Orange - 12 mths	Red - 6 mths

## 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:



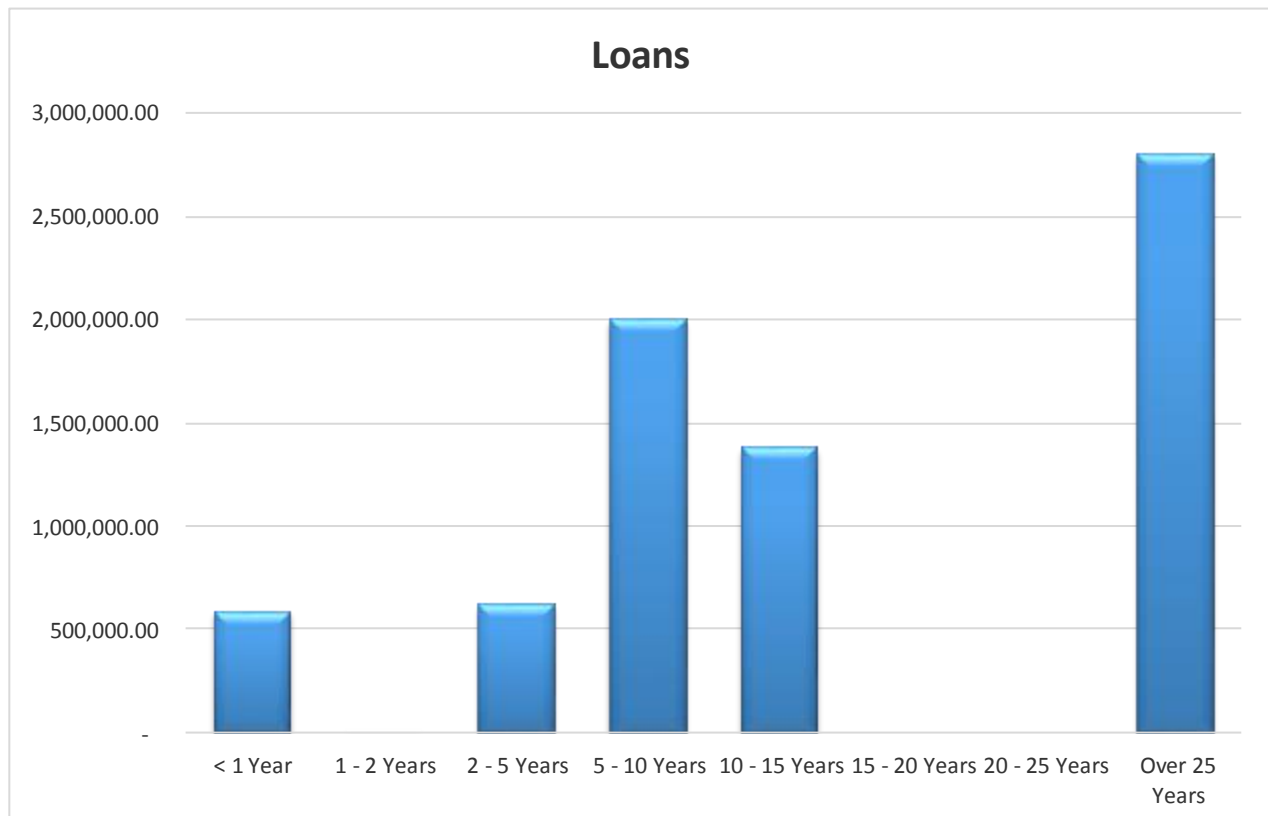
By reviewing the balance sheet position, level of reserves and cash requirements, the Authority determined that it was able to invest £3m in three USDB Funds. In order to cover expenditure such as salaries, pensions, creditor payments, and potential liabilities for which we have made provisions within 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 majority of our investment duration to date has been under 6 months. This is largely due to the impact of the rating agencies changing their methodologies which has resulted in a number of banks given a red credit rating. The red credit rating means that we can only deposit funds for up to 6 months. In October, the Authority placed two longer term investments of £2m each with other local authorities. The investment durations are for 3 and 2 years with a return of 0.90% and 0.72% respectively. An updated strategy was approved in February 2018 which will allow the Authority to invest for longer durations and have a larger selection of counterparties to choose from. A summary of all the key changes have been highlighted on page 8 of this report.

Balances on call include the investments in the Money Market Funds and Ultra Short Dated Bond Funds (USDBF). Both of these help 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 2018 is £7.382m. £585k of this is due for repayment in 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.

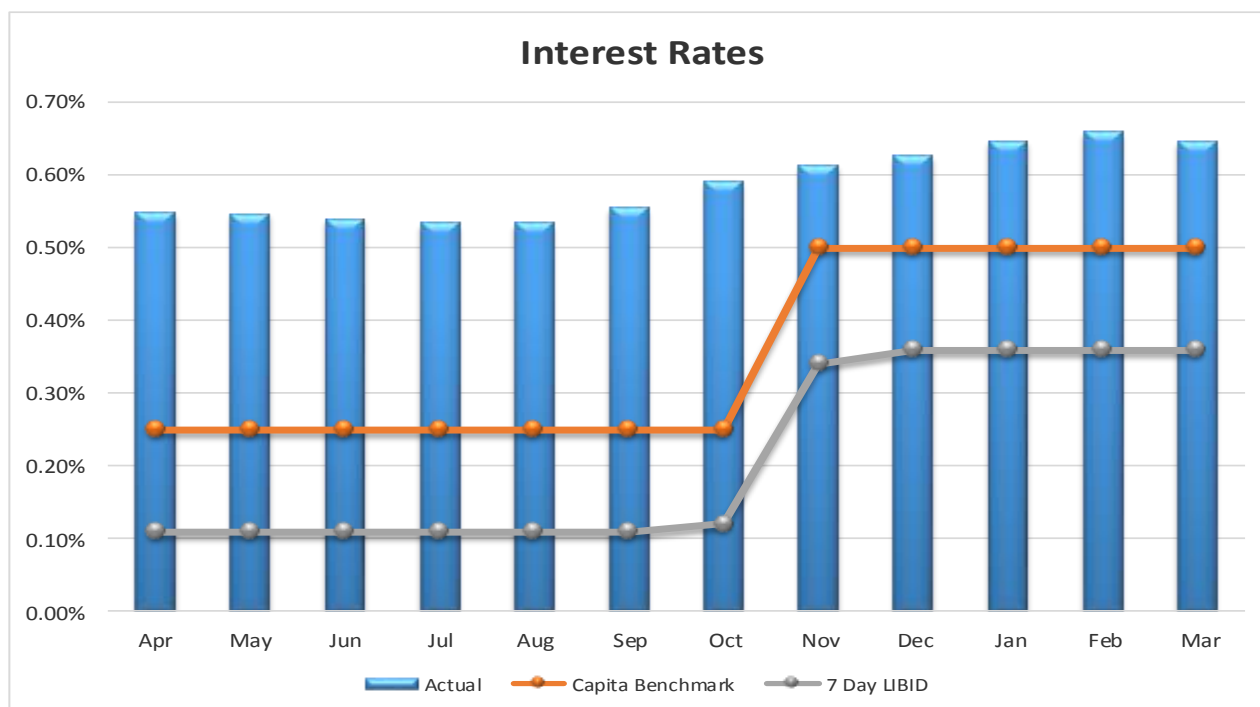
### Performance Against Budget – Quarter 4

The budget for future years was reviewed as part of the Medium Term Financial Plan (MTFP) process and the income target for 2017/18 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. This figure will increase to £150k for 2018/19 as a result of the recommendations approved for the 2018/19 Treasury Management Strategy. The accrued interest earned as at 31 March 2018 is £164k against the planned budget of £100k for the year, which is an over achievement of £64k. It should be noted that £35k of this is due to the interest achieved from making an advance payment in respect of the Employers contribution to the LGPS of £1.3m, achieving £35k interest per annum for the next 3 years.

### 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
- Link benchmark – this is the indicative rate that Link advised we should be looking to achieve for 2017/18 at the start of the year
- The weighted average rate (%) is compared to the two benchmark figures in the following chart for each month:



The Authority has out-performed both benchmark figures for 2017/18 year, however not as significantly as in previous years. The lower return being achieved by the Authority's investments is due to two factors;

1. The expected impact of the cut in interest rates by the Bank of England, as reported in 2016/17, and
2. The impact of the change in methodologies by the rating agencies causing Link in turn to restrict the banks named on the Authority's lending list to a suggested 6 months duration for deposits. The reduction in duration has led to the Authority achieving a reduced rate of return on investments.

An updated Treasury Strategy was presented to and approved by the Fire Authority for approval in February. The updated strategy for 2018/19 will enable the Authority to further diversify our investment portfolio as well as allowing us to invest for longer durations which could result in the Authority achieving better returns. Further returns could be achieved should the Bank Rate rises, expected by the Authority's TM Advisers, be achieved.

The changes that have been made to the TM Strategy for 2018/19 are:

- The duration limit to be used for UK based counterparties should be the Link Asset Services suggested duration plus 6 months.
- For non UK counterparties we will remove the 100 day limit and replace with Link Asset Services suggested duration.
- Any counterparty rated 'Green' by Link should be added to the counterparty list regardless of location.
- Top 10 Building Societies (based on asset size) to be added to the counterparty list.
- A maximum of £3m invested in a Property Fund, upon further approval by the Fire Authority.



# Buckinghamshire & Milton Keynes Fire Authority

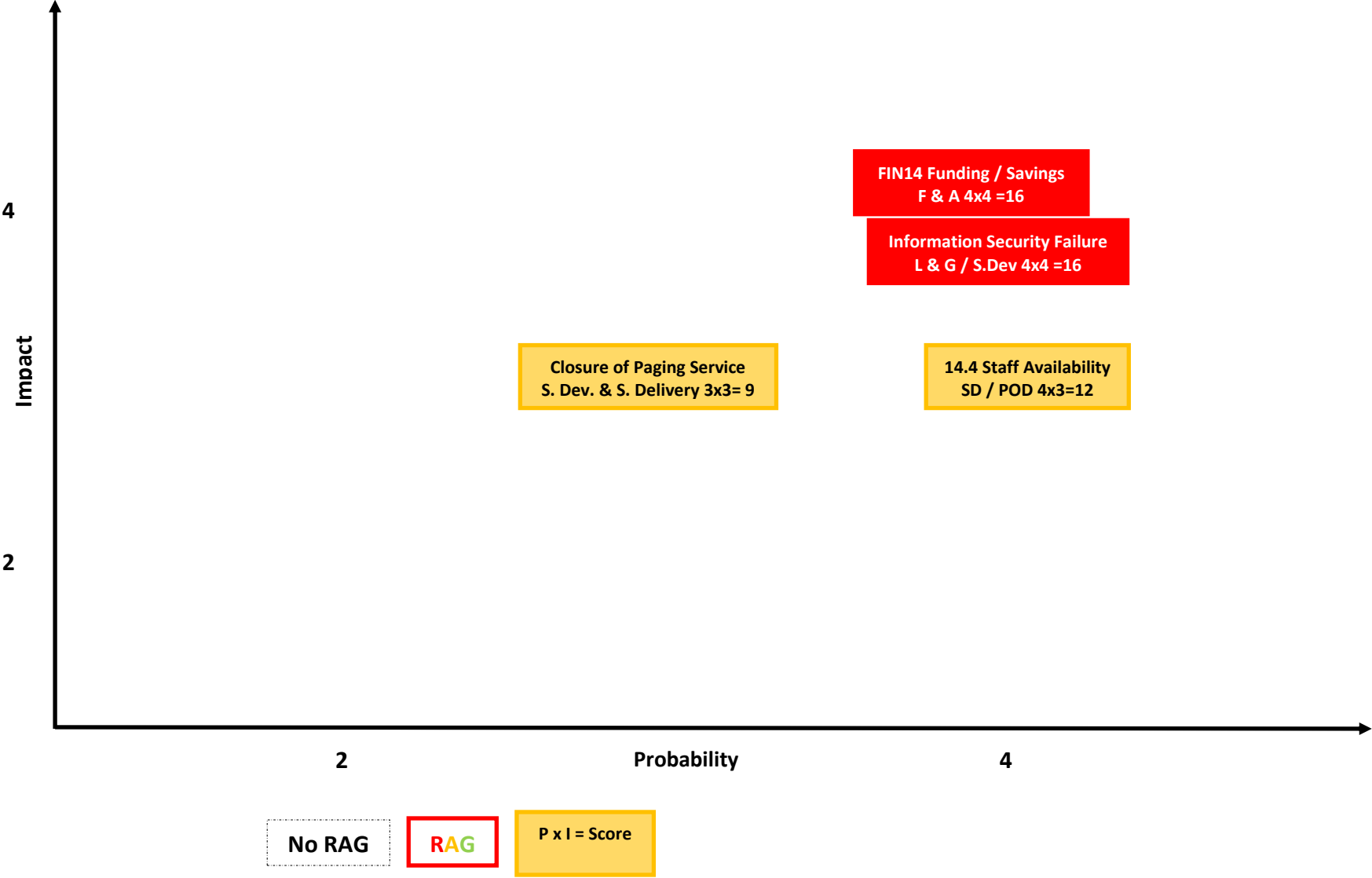
<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	18 July 2018
<b>OFFICER</b>	Julian Parsons, Head of Service Development
<b>LEAD MEMBER</b>	Councillor Netta Glover
<b>SUBJECT OF THE REPORT</b>	<b>Corporate Risk Management</b>
<b>EXECUTIVE SUMMARY</b>	<p>This report provides an update 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.</p> <p>The Corporate Risk Register was last reviewed by the Overview and Audit Committee at the 7 March 2018 meeting. Since then it has been regularly reviewed by the Performance Management Board (PMB), most recently at its 21 June 2018 meeting, at which all the directorate risk registers were scrutinised, and, by SMB most recently at its 3 July 2018 meeting.</p> <p>The 21 June PMB meeting did not identify any items requiring escalation from the directorate risk registers to SMB for potential inclusion in the Corporate Risk Register. At the 3 July SMB it was agreed that the risk scores for each of the four corporate risks be maintained at their present levels following review of the risk definitions, treatments and mitigations relating to them.</p> <p>The current distribution of corporate risks relative to probability and potential impact is shown at Annex A.</p> <p>Changes to the corporate risk ratings over the last year are shown at Annex B.</p> <p>Detailed assessments of identified corporate risks are shown in the Corporate Risk Register at Annex C.</p>
<b>ACTION</b>	Decision
<b>RECOMMENDATIONS</b>	<p>It is recommended:</p> <ol style="list-style-type: none"> <li>1. That the status report on identified corporate risks at Annex C be reviewed and approved.</li> </ol>

	2. that comments to officers for consideration and attention in future updates/reports be provided.
<b>RISK MANAGEMENT</b>	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.
<b>FINANCIAL IMPLICATIONS</b>	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.
<b>LEGAL IMPLICATIONS</b>	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.
<b>CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION</b>	The potential to share corporate risk intelligence with neighbouring FRS 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.
<b>HEALTH AND SAFETY</b>	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.
<b>EQUALITY AND DIVERSITY</b>	No direct implications from the presentation of this report. However risks to achieving the Authority's equality, diversity and inclusion objectives or 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.
<b>USE OF RESOURCES</b>	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

	<p>arrangements for the Authority.</p> <p>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.</p>
<p><b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b></p>	<p>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).</p> <p>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:</p> <p><a href="http://bucksfire.gov.uk/files/8114/0681/3588/150910.PDF">http://bucksfire.gov.uk/files/8114/0681/3588/150910.PDF</a></p> <p>An updated Corporate Risk Management Policy was approved at the 18 March 2015 Executive Committee: <a href="http://bucksfire.gov.uk/files/3314/2564/2098/Executive_Committee_180315.pdf">http://bucksfire.gov.uk/files/3314/2564/2098/Executive_Committee_180315.pdf</a></p> <p>CFA Members were last updated on the status of the Authority's Corporate Risks at the 7 March 2018 Overview &amp; Audit Committee: <a href="https://bucksfire.gov.uk/files/9415/1939/6037/OVERVIEW_AND_AUDIT_COMMITTEE_070318-min.pdf">https://bucksfire.gov.uk/files/9415/1939/6037/OVERVIEW_AND_AUDIT_COMMITTEE_070318-min.pdf</a></p>
<p><b>APPENDICES</b></p>	<ol style="list-style-type: none"> <li>1. Annex A: Distribution of Corporate Risks at 5 July 2018 SMB meeting.</li> <li>2. Annex B: 12 Month View of Changes to Corporate Risks</li> <li>3. Annex C: Corporate Risk Register Report</li> </ol>
<p><b>TIME REQUIRED</b></p>	<p>15 Minutes</p>
<p><b>REPORT ORIGINATOR AND CONTACT</b></p>	<p>Stuart Gowanlock, Corporate Planning Manager</p> <p><a href="mailto:sgowanlock@bucksfire.gov.uk">sgowanlock@bucksfire.gov.uk</a></p> <p>01296 744435</p>

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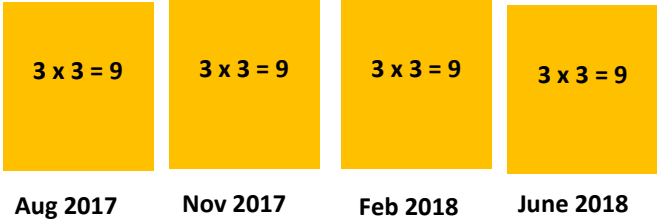
**Annex A: Corporate Risk Map – As at 3 July 2018 SMB**



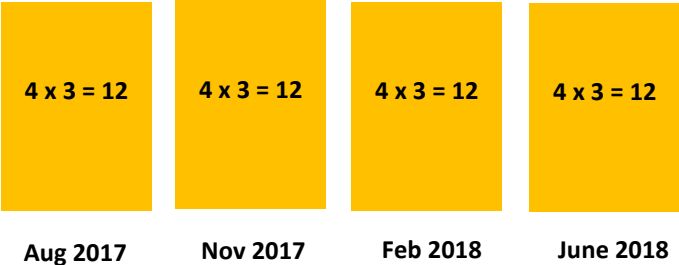
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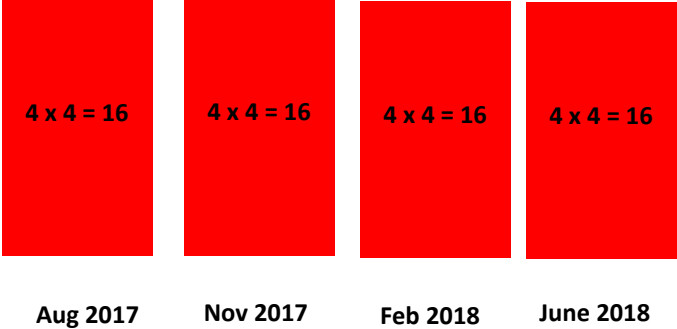
Closure of Paging Service



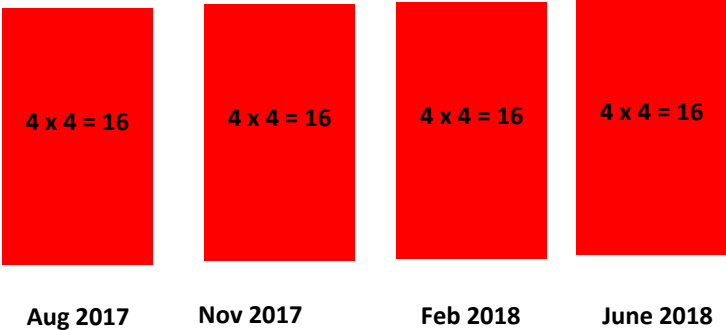
Staff Availability



Information Security Failure



Risk to Funding



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**Annex C - Corporate Risk Register – as at 3 July 2018 SMB**

**Corporate Risks**

Risk Description	Resp.	Consequences if Untreated Risk Occurs	Risk Score (Former) / New			Risk Level	Current Treatment	RAG	Comments / Further Treatment Proposed
			P	I	Σ	HML			
<b>CRR 014.4 Staff Availability</b> <b>Emerging risks of 1/ industrial action due to pension change or pay dispute;</b> <b>2/ Staff inability to get to work due to external factors e.g. Pandemic Flu, disruption to fuel supplies etc.</b> <b>3/Impact of transformation at pace on attraction of new staff, retention and overall workforce stability.</b>	COO / POD Dir.	Potential detrimental effects on service delivery to the community and our reputation.	(2)	(5)	(10)	(M)	<ul style="list-style-type: none"> <li>• Full business continuity plans in place &amp; uploaded to Resilience Direct.</li> <li>• Peer review of the business continuity arrangements</li> <li>• Bank System</li> <li>• Flexi-Duty System Pilot</li> <li>• Staff Transfer Procedure</li> <li>• Employee assistance and welfare support</li> <li>• Training Needs Assessment process</li> <li>• Monitoring of staff 'stability ratio' relative to best practice and sector norms</li> <li>• Review of Resourcing and Retention strategies</li> <li>• Wider range of contracts offering more flexible ways of working</li> <li>• A variety of approaches are being adopted to replenish the workforce. These include more operational apprentices, transferees, and re-engagement options</li> <li>• Workforce planning data is regularly reviewed with Service delivery, HR and Finance.</li> <li>• Project on Strategic Review of Operational Resourcing is underway with a number of work-streams, including On-Call and Geographic station reviews</li> <li>• Growth bids to be considered to support future resourcing demands.</li> </ul>	A	<p><b><u>19 September 2017 SMB</u></b>                      The risk has eased in the short term following take on of transferees and a new batch of apprentices. However, risk score to remain unchanged due to imminent London Fire Brigade recruitment campaign which is aiming to recruit 400 firefighters.</p> <p><b><u>14 November 2017 SMB</u></b>                      Due to neighbouring services advertising for transferees at different levels there is an increased risk of operational staff transferring with only a month's notice. In particular LFB have advertised for Station Commanders and several staff have applied. The border services have less stringent promotion standards without the need for IFE, so staff are attracted by the future potential opportunities.</p> <p><b><u>13 February 2018 SMB</u></b>                      A review of the extant Career Development procedure, is currently being undertaken. Whilst it is anticipated some amendments will be necessary, these will not in any way be detrimental in continuing to raise standards.</p> <p><b><u>21 June 2018 PMB</u></b>                      A coordinated programme of apprenticeships recruitment, replenishment of promotional development pools for Crew through to Group Commander level, with the accompanying mandatory training requirements and progressing a small number of transferees in to balance experience is on track.</p> <p>The risk of losing operational staff at different</p>
		(5)	(5)	(25)	(H)				
		(3)	(5)	(15)	(H)				
		(4)	(5)	(20)	(H)				
		(3)	(5)	(15)	(H)				
		(5)	(4)	(20)	(H)				
		(4)	(3)	(12)	(M)				
		(5)	(3)	(15)	(H)				
		(4)	(3)	(12)	(M)				
		(5)	(3)	(15)	(H)				
(3)	(3)	(9)	(M)						
<b>4</b>	<b>3</b>	<b>12</b>	<b>M</b>						

**Annex C - Corporate Risk Register – as at 3 July 2018 SMB**

							<ul style="list-style-type: none"> <li>• Head of Service delivery is working with SC's to review reward options</li> <li>• HR are reviewing the future promotion and career development options</li> <li>• Competent temporary SC's substantiated without full IFE (December 2017) and a review of impact on Watch and Crew will be taking place December 2107.</li> <li>• Full suite of appointments planned for 2018</li> </ul>		levels continues, particularly with LFB who offer London weighting allowance. The position is being closely monitored and modelled into medium term workforce plans
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Risk Description	Resp.	Consequences if Untreated Risk Occurs	Risk Score (Former) / New			Risk Level	Current Treatment	R A G	Comments / Further Treatment Proposed
			P	I	Σ	HML			
<b>Fin 14 – Funding and Savings Requirement</b>	Director Finance & Assets	The funding settlement now assumes that a council tax increase is required each year in line with the prevailing capping limit, currently 3% 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.	(4)	(4)	(16)	H	Proactive management of the MTFP is in force and 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.  The Authority has responded to consultations and lobbied MPs to increase the referendum threshold for fire authorities to £10.	<b>R</b>	<b>19 September 2017 SMB</b> Risk to remain at red pending outcome of proposal to Central Government to relax Council Tax referendum threshold & outcome of national Firefighter pay negotiations. <b>13 February 2018 SMB</b> The Council Tax referendum threshold was raised from 2% to 3% in the provisional settlement, but growth in the base for 2018-19 was only 1.4% (compared to a forecast of 2%). The final settlement has not yet been announced. The USAR grant has been confirmed for 2018-19 but will be paid upfront in 2017-18, which raises further concerns about its long term viability. Outcomes of national Firefighter pay negotiations are still unknown and present a significant risk to our budgetary position.
			(3)	(4)	(12)	M			
			(3)	(4)	(12)	M			
			<b>4</b>	<b>4</b>	<b>16</b>	<b>H</b>			

**Annex C - Corporate Risk Register – as at 3 July 2018 SMB**

								<p><b>5 June 2018 SMB</b></p> <p>The Authority has not received any reassurance regarding the long-term viability of USAR grant funding. There is also no clarity as to the level of any pay-award, and whether or not amounts above 1% will be funded centrally or not. Concerns around levels of funding and current uncertainty were raised with the Home Office during a conference call discussing 'Fire Risk and Demand'. There is currently a forecast budget deficit of £440k for 2019-20. If the level of Council Tax surpluses seen in previous years is forthcoming, and if the local business rates pool continues for a further year, the Authority could conceivably set a balanced budget for 2019-20 by restricting non-pay inflationary rises and not approving any other budget increases. Any other non-budgeted increases or overspends could be covered by reserves for one-year (although this would impact on future investment).</p> <p>After 2019-20 the Authority should have a better indication of future funding, as the outcomes of the upcoming Comprehensive Spending Review and Fair Funding Review will be published. Until then, the risk is to remain as 'Red'.</p>
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**Annex C - Corporate Risk Register – as at 3 July 2018 SMB**

Risk Description	Resp.	Consequences if Untreated Risk Occurs	Risk Score (Former) / New			Risk Level	Current Treatment	RAG	Comments / Further Treatment Proposed
			P	I	Σ				
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		<p><b>1 February 2018 PMB Update</b> Work is underway to develop the new Mobilising Application and build the link with Capita Vison. There are 2 Go/No Go meetings planned for 5<sup>th</sup> February (integration testing) and 23<sup>rd</sup> February (UAT) with go live planned for late March.</p> <p><b>13 February 2018 Update</b> The initial testing has taken place and has proven the technology is functioning. We have experienced an unforeseen technicality over the Code of Connection authorisation for TVFCS. This is delaying the project for up to 12 weeks as the paperwork has to be submitted to an external verification body via the Home Office. There is a robust Plan B which has now been put into action which will deliver an alternative temporary alerting system via SMS.</p> <p><b>5<sup>th</sup> April 2018</b> Plan B is now live and has replaced the Vodafone paging system from 1<sup>st</sup> April. The system is functioning well. One or two unforeseeable glitches have been found and have been fixed or fixes identified. It will serve adequately until we are able to go live with the App based mobilising system. We continue to liaise with RBFRS in the completion of the CoCo application for revising our Annex A certification. As this is an interim solution the risk remains at amber.</p> <p><b>13 February 2018 SMB:</b> Maintain at amber RAG status pending resolution of Code of Connection issue.</p> <p><b>5 June 2018 SMB</b> We still await the confirmation of the code of compliance permissions from the Home Office which will allow integration with the mobilising system at TVFCS. In the interim the opportunity to further</p>	

Annex C - Corporate Risk Register – as at 3 July 2018 SMB

								develop the App with the provider has been taken. The SMS solution provided as a plan B is functioning well but has caused some restrictions in our ability to provide 2 <sup>nd</sup> and 3 <sup>rd</sup> line availability of appliances. This is due to configurations within TVFCS which would cause issues for our partner services.
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Risk Description	Resp.	Consequences if Untreated Risk Occurs	Risk Score (Former) / New			Risk Level	Current Treatment	RAG	Comments / Further Treatment Proposed
			P	I	Σ	HML			
<p><b>Information security failure to -</b></p> <p><b>a) comply with statutory or regulatory requirements</b></p> <p><b>b) manage technology</b></p> <p><b>c) manage organisational resources</b></p> <p>Deliberate: unauthorised access and theft or encryption of data. Accidental: loss, damage or destruction of data</p>	Senior Information Risk Owner (SIRO) Director Legal & Governance	<ul style="list-style-type: none"> <li>Inability to access/use our e-information systems.</li> <li>Severe financial penalties from the Information Commissioner</li> <li>Lawsuits from the public whose sensitive personal information is accessed causing damage and distress.</li> </ul>	4	4	16	H	<p><b>1. Appropriate roles:</b></p> <ul style="list-style-type: none"> <li>SIRO has overall responsibility for the management of risk</li> <li>Information and information systems assigned to relevant Information Asset Owners (IAO's)</li> <li>Department Security Officer (DSO) the Information Governance &amp; Compliance Manager has day-to-day responsibility for the identification of information risks and their treatments</li> <li>'Stewards' assigned by IAO's with day-to-day responsibility for relevant information.</li> </ul> <p><b>2. Virus detection/avoidance:</b> Anti-Malware report – no significant adverse trends identified which indicates that improved security measures such as new email and web filters are being successful in intercepting infected emails and links;</p> <p><b>3. Policies / procedure:</b> Comprehensive review and amendment of the retention and disposal schedules / Information Asset</p>	<b>R</b>	<p><b><u>24 Oct 17 SMB</u></b> Updates to treatments and comments noted. However, it was agreed that the risk score should remain at its present level for the time being but kept under active review.</p> <p><b><u>1 February PMB Update</u></b> The business impact of cyber-attacks is increasing. As organisations implement new technologies they face disruption from an ever-changing threat landscape. Many organisations don't know how many attacks they've suffered or how these occurred. Breaching an organisation by targeting its employees continues to be the most common cause of attack. Although the average total financial cost of incidents decreased this year to £857,000, the impact of breaches was felt more widely with an average of 19 hours of down-time following an attack<sup>1</sup>.</p> <p><sup>1</sup> PWC UK conducted its "Global State of Information Security® Survey 2018" based on interviews with 9,500 business and technology executives from 122 countries, including 560 UK respondents.</p> <p><b><u>13 Feb 18 SMB</u></b> Maintain RAG status at Red.</p> <p><b><u>21 June PMB Update</u></b> The National Cyber Security Centre (a part of GCHQ)</p>

**Annex C - Corporate Risk Register – as at 3 July 2018 SMB**

						<p>Registers,</p> <ul style="list-style-type: none"> <li>- current and tested business continuity plans / disaster recovery plans</li> <li>- employee training/education</li> <li>- tested data/systems protection clauses in contracts and data-sharing agreements</li> <li>- Integrated Impact Assessments (IIA)</li> <li>- disincentives to unauthorised access e.g. disciplinary action</li> </ul> <p><b>4. Premises security:</b></p> <ul style="list-style-type: none"> <li>- Preventative maintenance schedule</li> <li>- Frequent audits at Stations and inventory aligned to asset management system.</li> <li>- Reduction in the number of CCTV requests following improved education and guidance in relation to the use of the same;</li> <li>- Premises Security Group re-established to meet on a three monthly basis aligned to the PMB meeting schedule.</li> </ul>		<p>has stated that cyber-attacks have resulted in financial losses to business. The costs arise from the attack itself, the remediation and repairing reputational damage by regaining public trust. Attacks have also triggered declines in share prices and the sacking of senior and technical staff held to account for massive data breaches. The enforcement of the General Data Protection Regulation (GDPR) in May 2018 could, under certain circumstances, lead to severe fines for organisations which fail to prevent data breaches, which result in a risk to the rights and freedoms of individuals. The increase in availability of Distribute Denial of Services (DDoS)-for-hire services has led to an increase in Distribute Denial of Services attack attempts. There was a 91% increase between July and September 2017 compared to the first quarter of 2017".</p> <p>With no decline in the threats from external sources and adjustment issues to meet the requirements of GDPR information security continues to be very high risk.</p>
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# Buckinghamshire & Milton Keynes Fire Authority



<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	18 July 2018
<b>OFFICER</b>	Julian Parsons, Head of Service Development
<b>LEAD MEMBER</b>	Councillor Teesdale
<b>SUBJECT OF THE REPORT</b>	<b>Emergency Response Performance Reporting</b>
<b>EXECUTIVE SUMMARY</b>	<p>The purpose of this report is to review how we currently measure and report our speed of response to emergency incidents. In particular, it considers how performance is reported to the Fire Authority and the general public and whether this form of reporting is sufficiently visible, transparent and comprehensible. The review will also consider how the data generated can be used by Service Managers to inform continuous improvement.</p> <p><i>It is not the purpose of this report to recommend a review of the standards of fire cover or how we distribute resources. These are currently determined by our 2015 – 2020 Public Safety Plan and will be considered within the scope of the work to develop the next Public Safety Plan which will cover the period 2020 – 2025.</i></p> <p>The report provides an overview of how response standards and associated performance reporting have evolved. The review also examined how other fire authorities report to see if there are good practices from which we can learn.</p> <p>The report also provides recommendations for the future measurement and reporting of speed of response to emergency incidents.</p> <p>The intention is to give a more transparent and representative reflection of the speed of our emergency response.</p>
<b>ACTION</b>	Decision.
<b>RECOMMENDATIONS</b>	It is recommended that the proposed changes and improvements to the emergency response performance reporting methodology be approved (as summarised in the 'Overall Recommendation' at page 2 of Appendix 1 and further detailed at Appendix 3 to this report).

<p><b>RISK MANAGEMENT</b></p>	<p><i>Implications for the Corporate Risk Assessments / Register status - no specific corporate risks identified as a result of the recommended changes to reporting. Improved transparency and understanding of response performance should have a positive impact on our ability to plan and manage risk in the community.</i></p> <p><i>Staffing Implications – None identified.</i></p> <p><i>Are there any new or increased <b>Privacy issues</b> that need to be considered and assessed? No privacy issues identified.</i></p> <p><i>Has an <u><a href="#">Integrated Impact Assessment (IIA)</a></u> been completed to assess if the process, project or technology is intrusive? No – not required.</i></p> <p><i>Are there any new or increased People, Place, Health or Environmental issues that need to be considered and assessed? None Identified.</i></p>
<p><b>FINANCIAL IMPLICATIONS</b></p>	<p>The proposed changes do not generate any revenue or capital requirements as the changes can be effected from within existing budgets and people capacity.</p>
<p><b>LEGAL IMPLICATIONS</b></p>	<p>None Identified.</p>
<p><b>CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE</b></p>	<p>This is not a current collaboration priority but opportunities for alignment with Thames Valley FRS partners could be considered in the future.</p>
<p><b>HEALTH AND SAFETY</b></p>	<p>No issues or requirements arising from the proposed changes to reporting.</p>
<p><b>EQUALITY AND DIVERSITY</b></p>	<p>No EDI issues identified.</p>
<p><b>USE OF RESOURCES</b></p>	<p><b>The arrangements for setting, reviewing and implementing strategic and operational objectives; Performance monitoring, including budget monitoring; achievement of strategic objectives and best value performance indicators:</b></p> <p>The recommended changes to reporting will enhance our ability to monitor and evaluate our performance against Strategic Objective three: “to provide a timely and proportionate response to incidents by allocating our assets and resources in relation to risk and demand”. The 2015-20 Corporate Plan specifically refers to the use of emergency response time trends to do this.</p> <p><b>Communication with stakeholders:</b>                  Relevant functions including Service Delivery, Data Intelligence Team &amp; Thames Vally Fire Control Service were consulted and invited to contribute to the development of the proposals. These have been</p>

	<p>reviewed and approved by the Performance Management and Strategic Management Boards prior to submission to the O &amp; A Committee.</p> <p><b>The system of internal control:</b> The report recommends:</p> <ul style="list-style-type: none"> <li>• half yearly reporting to Performance Management Board, Senior Management Board and the Overview and Audit Committee on all response performance measures;</li> <li>• annual reporting via the balanced scorecard report, which is put in the public domain.</li> </ul> <p><b>The medium term financial strategy:</b> No implications arising as direct consequence of implementation of the recommendations. However, improved reporting could influence the future distribution of response resources in relation to risk and demand.</p> <p><b>The balance between spending and resources:</b> No additional expenditure or budget requirements arising as a direct result of the report or recommendations.</p> <p><b>The management of the asset base:</b> No immediate or direct implications for the Authority's asset</p> <p><b>The arrangements to promote and ensure probity and propriety:</b> The recommendations would improve the visibility and transparency of our emergency response performance.</p> <p><b>Environmental:</b> No direct environmental implications arising from the implementation of the recommendations.</p>
<p><b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b></p>	<p><b>Background</b> Detailed at Appendix 2.</p>
<p><b>APPENDICES</b></p>	<p>Appendix 1: Emergency Response Performance Reporting Review and Recommendations.</p> <p>Appendix 2: Background History – Standards of Fire Cover.</p> <p>Appendix 3: Future Reporting Format</p>
<p><b>TIME REQUIRED</b></p>	<p>15 Minutes</p>
<p><b>REPORT ORIGINATOR AND CONTACT</b></p>	<p>Stuart Gowanlock – Corporate Planning Manager <a href="mailto:sgowanlock@bucksfire.gov.uk">sgowanlock@bucksfire.gov.uk</a> 01296 744435</p>

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**Emergency Response Performance Reporting:**  
***'Using actionable data to enable continuous improvement'***

**1. Introduction**

The purpose of this report is to review how we currently measure and report our speed of response to emergency incidents. In particular, it will consider how performance is reported to the Fire Authority, the general public and whether this form of reporting is sufficiently visible, transparent and comprehensible. The review will also consider how the data generated can be used by Service Managers to enable continuous improvement.

It is not the purpose of this report to review standards of fire cover or how we distribute resources. These are currently determined by our 2015 – 2020 Public Safety Plan (PSP) and will be considered within the scope of the work to develop the next PSP which will cover the period 2020 – 2025.

An overview of how response standards and associated performance reporting evolved is contained in Appendix 2. A review of how other fire authorities report was also undertaken and a summary of the findings from this set out at Section 5.1 below.

The report also provides recommendations for the future measurement and reporting of speed of response to emergency incidents.

**2. Executive Summary**

The way that response to incidents has been reported has changed since the inception of the Service on 1<sup>st</sup> April 1948 when the then Buckinghamshire Fire Brigade was formed following the dissolution of the wartime National Fire Service. Until the introduction of Integrated Risk Management Planning (IRMP), Fire and Rescue Service (FRS) response standards were set nationally by the original 'Standards of Fire Cover' (see Appendix 2 for further details). These were still in place when Buckinghamshire and Milton Keynes Fire Authority was formed in 1997 and right up until the reversion to locally determined standards began with advent of IRMP from 2004. IRMP requires services to decide their own response strategy and standards of fire cover.

Buckinghamshire Fire & Rescue Service's current standards of emergency response to incidents are:

- Achieve attendance with the first operational resource for all emergency incidents within 10 minutes on 80 per cent of occasions, and 99 per cent of all emergency incidents within 20 minutes; and,
- All pumping appliances required as part of the predetermined attendance to arrive within 20 minutes on 90 per cent of occasions.

Among the factors that have affected recent performance trends are:

1. Use of Automatic Vehicle Location Systems (AVLS);
2. Nearest appliance mobilisation via the new Thames Valley Fire Control Service (TVFCS) mobilisation system; and,
3. Changes to resource allocation as a result of our new resourcing strategy and model.

**Overall Recommendation:**

It is recommended that the way BFRS' emergency response performance is reported be changed by moving away from using targets based on the percentage of occasions on which a particular attendance time is achieved (although the capability to do this will be retained) towards provision of more actionable data that can be used to help identify opportunities to improve performance by breaking down and analysing the component parts of the emergency response process and longer term trends in relation to these. This will provide information that Officers can use to improve performance and better enable Authority Members to fulfil their role of providing scrutiny and challenge and that the general public can see as being open and transparent. Further details of the proposed performance reporting methodology are set out at Appendix 3.

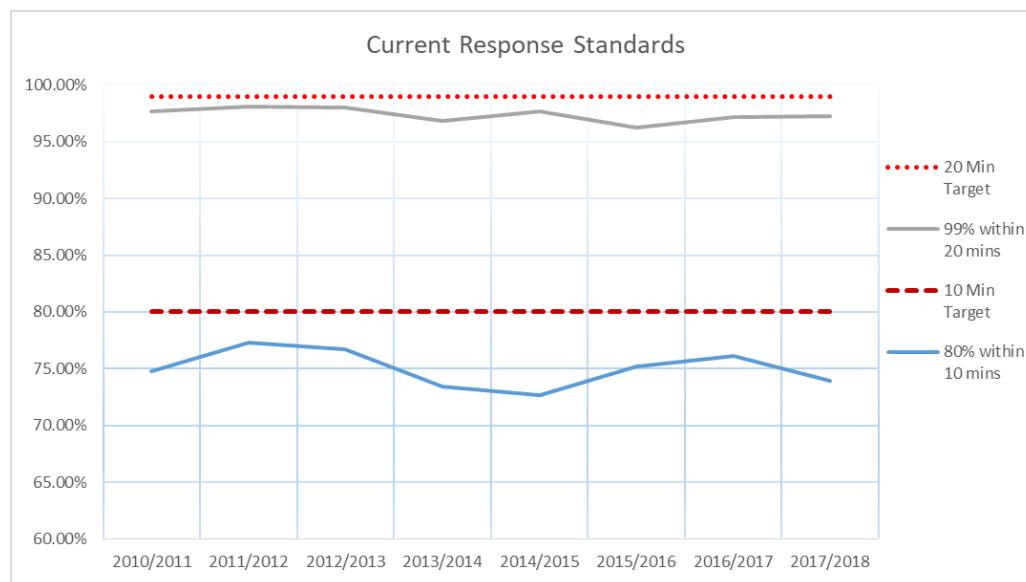
**3. Current Performance Trends**

Actual performance against current response standards over the last eight years is shown below.

**Average First Assigned To First Arrived**

Latest Figures for our current methodology

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	Grand Total
99% within 20 mins	97.65%	98.12%	98.04%	96.86%	97.71%	96.24%	97.15%	97.26%	97.35%
80% within 10 mins	74.80%	77.26%	76.72%	73.42%	72.68%	75.22%	76.12%	73.95%	75.05%



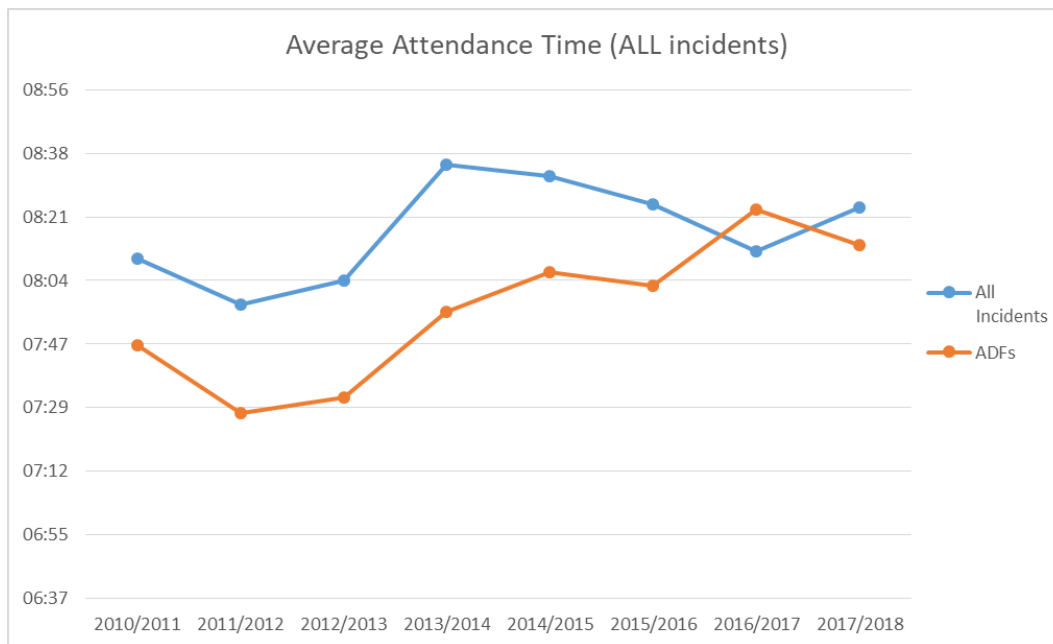
Over the last three years the Service has moved to reporting performance within the framework the current 2015-2020 PSP using longer term performance trends for most performance indicators rather than annualised targets.

This way of reporting which was undertaken within the context of a 'balanced scorecard' structure aimed to show performance holistically and over longer periods of time to establish trends.

The response to incidents was reported using the average attendance time for emergency incidents across the whole Service area. This excluded co-responding incidents which are subject to South Central Ambulance Service performance criteria.

Average Attendance Time (without any caveats / exclusions)

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	Grand Total
All Incidents	08:10	07:57	08:04	08:35	08:32	08:24	08:12	08:24	08:17
ADFs	07:46	07:28	07:32	07:55	08:06	08:02	08:23	08:13	07:55



As can be seen from the graph above the average attendance time to all emergency incidents was on a reducing trend over the period 2013/14 – 2016/17 whilst the trend for response times for accidental dwelling fires (ADFs) rose over the same period. However, in the last year (2017/18) the trend for each of these indicators reversed with a marked improvement in relation to ADFs.

Among the factors influencing these trends are:

1. Use of Automatic Vehicle Location Systems (AVLS);
2. Nearest appliance mobilisation via the new Thames Valley Fire Control Service (TVFCS) mobilisation system; and,
3. Changes to resource allocation as a result of our new resourcing strategy and model.

**4. Future demand/risk/pressures**

A full analysis of the likely pressures on the Service, with the implications for emergency response and wider community risk management, will be undertaken as part of the production of the 2020-2025 PSP. However, it is worth identifying some of the broader factors now in order to inform decisions around the reporting of response to incidents.

**4.1 Demand**

Over the next five to 30 years the area is likely to go through a period of significant increase to its population and associated built and infrastructural environments as a result of factors such as the following:

- The new Cambridge – Milton Keynes – Oxford economic corridor;
- Continued growth to Aylesbury underpinned by its 'Garden Town' status;
- The expansion of Princes Risborough (expected to double in size).
- The potential establishment of a new Garden Towns.

While we have learned over recent years that population increase doesn't necessarily lead to a proportionate increase in incidents, its scale is likely to lead to an increase in the overall volume of incidents even if they continue to fall on a per capita basis. Another consequential risk factor is the increased number of vehicles on our roads and the potential for road traffic incidents. Also, in the longer term we may experience an increasing impact on attendance times from road traffic congestion.

**4.2 Risk**

There is also likely to be a change to the profile of risk in the community due to the ageing and diversification of the population. Statistics show a direct correlation between age and the likelihood of a fire resulting in a serious injury or fatality. This is particularly so among those aged over 80.

A number of major engineering and infrastructure projects such as High Speed 2 rail (HS2), the third runway at Heathrow, East - West rail and the East - West Express Way (the latter two are associated with the planned new Cambridge-Milton Keynes- Oxford economic corridor) will also impact on the area risk profile particularly during the construction phase.

HS2 is unprecedented engineering project (including a 16 mile tunnel under the Chiltern Area of Outstanding Natural Beauty) and has the potential to present BFRS with new and significant operational challenges. This will include disruption to the local road network for years to come.

These factors mean that we need to ensure we are reporting our response to incidents in a way that shows their effects.

**5. Options and recommendations for measurement and reporting of response times.****5.1 Other Services response standards.**

As part of developing this report, the methods for reporting response in 19 other FRS were reviewed. What is apparent is the very diverse range of reporting methods in use. For example, many FRS still report against targets while others use a degree of performance reporting based on risk.

In particular we looked at our Thames Valley partners and also surrounding Services. We also looked at those in our National Fire Chiefs Council (NFCC) 'family group' (Services of similar size and geo-demographic profile).



The findings of this review indicate that most Services seem to base their response standards on what they can achieve (similar to what we did in the targets we set in 2009 and then looked to stretch in 2012/13).

### **5.2 Options for measuring response performance.**

Two determinants for how we measure our response performance are proposed:

1. Public confidence in the service we provide. Our response should be expeditious, professional and safe; and,
2. The effectiveness of our response should be measurable.

In relation to item 1, we know from the After Incident Survey that public satisfaction with our speed of response is high, although relative to other aspects of service performance is one of the greatest causes of dissatisfaction:

However, it leads to relatively few formal complaints with only two over the last two years, only one of which was upheld.

In relation to the second determinant, we can capture data on call handling time, time of crew to mobilise, travelling time and time to deal with an incident (time of stop or time incident closed).

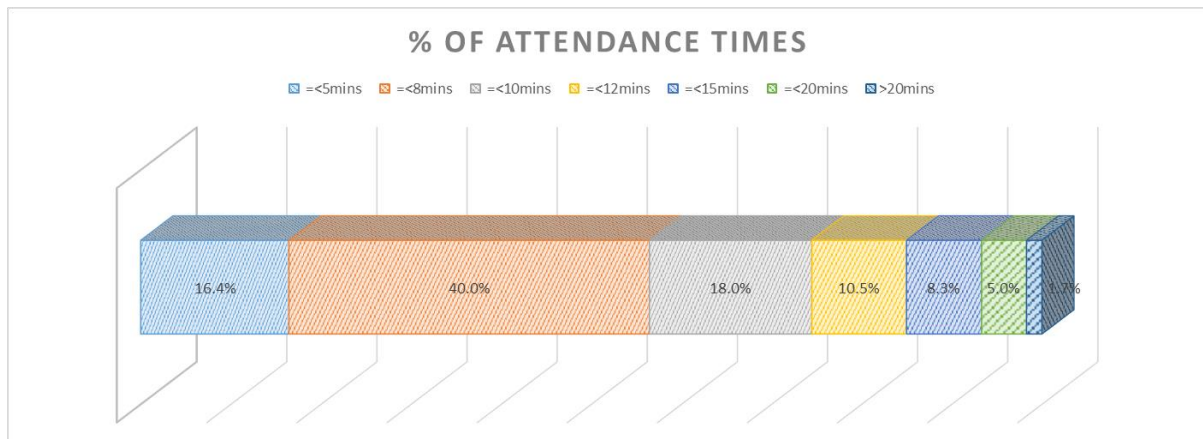
However, we have learned that reporting response in terms of percentages against a target time does not necessarily provide a true picture of the Service's performance because of the aggregating effect of using percentages.

The reporting methodology could be improved by continuing to use average attendance times but using all incidents as a base as shown in the graph at page 6 above (which could also include the median as well as the arithmetic mean) supported by showing average times of the following components:

1. Call handling time (i.e. performance measurement of TVFCS);
2. Time to mobilise (demonstrating the performance of our crews in responding to a call to an incident); and,
3. Travel time (monitoring the impact of changes to our road infrastructure, traffic, weather etc.).

Furthermore, response times can be reported in the form of a distribution along a timeline as illustrated overleaf. This would then demonstrate a spread of typical response times for either all, or specific types of incidents (RTCs, dwelling fires, life risk calls etc.). This would also allow further analysis and scrutiny of outliers based on factors such as incident type and geography.

It would also be possible to report by mapping the geographic locations of incidents which would fall outside of the normal expected attendance times which could allow greater scrutiny and challenge in respect of risk against demand.



However, the effectiveness of our response is not easily quantifiable due to the multitude of parameters. There are some tools within the way we capture incident data that could be utilised. These are factors such as the size of the fire, the amount of damage and confinement to compartment of origin. This last measure is, however, problematical due to changes in the way people live, work and building design.

Nonetheless, we are looking at how the estimation of compartment size and fire damage can be more accurately measured. This could lead to a better understanding of the relationship between building type, occupants, location and the speed of response. Currently, we cannot make recommendations on reliable performance indicators but will look to develop this using technology.

### **5.3 Summary of Recommendations**

A draft of the reporting framework that is proposed for future use is shown at Appendix 3.

#### What we propose to measure:

- Emergency Response subject to the following exclusions:
  - Remove outliers: <1 min, > 45mins for travel time;
  - Remove outliers: <20seconds, >15mins for call handling;
  - Exclude Officer Only Incidents;
  - Exclude Co-Responder Incidents;
  - Exclude Animal Rescue Incidents;
  - Exclude incidents which were revised as: False alarm – Location not found;
  - Exclude incidents with no travel time data.
- Emergency Response subject to the following exclusions once the data is available to us (historic benchmarking will not be available):
  - Exclude any incident where attendance was not made under blue light;
  - Exclude any incident where there was a substantial delay in attendance due to lack of address details or incorrect location.
- Call handling time (performance measurement of TVFCS since inception in April 2015);

- Time to mobilise (demonstrating the performance of our crews in responding to a call to an incident); and,
- Travel time (monitoring the impact of changes to our road infrastructure, traffic, weather etc.).

### How we propose to display it:

- In the form of distribution of incidents along a time line showing mean and median times of response as illustrated as illustrated in the draft reporting framework at Appendix 3;
- Times for call handling, turnout and travel displayed as averages, year on year to show trends;
- Overall response time displayed as an average, year on year to show trends;
- Map of attendance times showing geographical spread of attendance and statistical outliers.

### When we propose to report:

- We currently report real time performance on response to crews at station through their performance reporting screens. We propose that this is maintained as it has driven some improvements;
- We propose that the overall average attendance time is reported as part of the balanced scorecard;
- We propose to report half yearly to Performance Management Board, Senior Management Board and the Overview and Audit Committee on all response performance measures as set out at Appendix 3;
- We propose that as part of the annual report, which is put in the public domain, that all response performance measures are published on a performance dashboard for public access on our website. This would also include the map of response times.

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**Background History**

**1 Standards of Fire Cover**

The way that the response to incidents has been reported to the Authority and the public has changed since the inception of the Service in 1948. For most of its history the Service was bound by the national 'Standards of Fire Cover'.

Historically, the term 'fire cover' has been used describe the disposition and deployment of firefighting equipment and personnel.

UK fire services usually respond to calls in fire appliances, which carry four or five crew and appropriate firefighting and rescue equipment. Most appliances are general purpose vehicles which are sent to all types of incidents. Some appliances are more specialised and carry specialist equipment.

Until c. 2004 the UK had national guidelines for the weight and timeliness of responses to fire calls. These guidelines were first formulated by the Riverdale Committee in 1936 and were modified a number of times, most recently by the Joint Committee on Standards of Fire Cover in 1985. The guidelines depend largely upon the risk of fire spread within an area. The risk of fire spread in an area was ascribed to one of four broad categories; 'A', 'B', 'C' and 'D'. In each risk category, the required response was specified as a number of 'pumps' (first line pumping appliances) which must arrive at an incident within the time limits shown below.

<b>Risk</b>	<b>1st appliance</b>	<b>2nd appliance</b>	<b>3rd appliance</b>
<b>A</b>	<b>5 mins</b>	<b>5 mins</b>	<b>8 mins</b>
<b>B</b>	<b>5 mins</b>	<b>8 mins</b>	
<b>C</b>	<b>10 mins</b>		
<b>D</b>	<b>20 mins</b>		

Table 1-1: Fire Risk Categories and Attendance Standards

These standards applied only to calls to fires (and only those which do not occur whilst another fire is being attended by the brigade). There were no standards for special service calls, although draft guidelines were introduced but were for guidance only, with FRS required to provide performance reporting based upon them.

These standards remained in place until the implementation of the recommendations of the 'Independent Review of the Fire Service,' carried out by Professor Sir George Bain in 2002 (the 'Bain Report') at the request of the UK Government. This looked at how FRS were operated and managed and the working conditions of firefighters. On publication, the report set out recommendations for how UK fire and rescue services should change to meet the

demands of the twenty-first century. The Bain report made several recommendations that led to wide ranging changes in the approach to fire and rescue in the UK. These were enabled in law by Fire and Rescue Services Act 2004. The Act’s provisions included a requirement for FRS to produce Integrated Risk Management Plans (IRMP). Within this, FRS were directed to develop their own local standards of fire cover based on local risk.

**2 Origins of our current attendance time targets**

Up until the end of 2006/7 BFRS was still working to the old Standards of Fire Cover but the IRMP Action Plan for that year included a comprehensive review of response standards:

<b>KTA 07/05: Formulating a Revised Standard of Operational Response</b>		
<b>What are we planning to do?</b>	<b>What benefits will result from these changes?</b>	<b>Any additional resources needed?</b>
As part of our move to integrated risk management planning we are conducting a phased review of operational response standards across the range of incident types that we would normally expect to attend. During 2006/07 we will revise and test changes to response standards for automatic fire alarms, flooding, lift incidents, animal rescues, road traffic accidents, lock-ins/outs, hazardous material incidents, and line rescues. Any changes will only be permanently adopted following an appropriate period of public consultation.	Improved public safety by ensuring that resource targeting more accurately reflects the distribution of risks across our communities.  More efficient and effective use of resources by ensuring that the scale of response is appropriate to the nature of the incident.	No. These activities will be resourced from existing capacity.

By 2007/8 BFRS had introduced a ten minute response standard for ‘risk to life’ incidents on 75% of occasions:

**Risk to life**

In addition to reviewing the scale of our response to particular incident types, our new risk-based approach aims to ensure that our speed of response is proportionate to the risk. Our highest priority is, and has always been, to respond as quickly as possible to any incident that presents a risk to human life and we will always mobilise the nearest/fastest resources to life risk incidents. This normally results in an attendance time of only a few minutes.

Analysis of the configuration of our resources, our current performance capabilities and regard for the safety of the wider public and our own staff has led us to set a maximum response time to life risks of 10 minutes, from time of call to time of attendance (which includes the time taken to handle the call and mobilise our crews). We have further set ourselves a demanding target of achieving this standard on at least 75 per cent of all occasions and we will look for opportunities to improve this as we work with the new standards.

The 2009-12 IRMP introduced the framework that we still work to today<sup>1</sup>. Page 53 of the document referred to an “*extensive trial undertaken during 2007*” as being the basis for the new standards which were as follows:

- Attendance of the first operational resource for all emergency incidents within 10 minutes on 75 per cent of occasions;
- Attendance of the first operational resource for all emergency incidents within 20 minutes on 98 per cent of occasions;
- Ensuring that all pumping appliances required at an incident where a pre-determined attendance standard applies are present within 20 minutes on 90 per cent of occasions.

In 2012/13 The Public safety targets contained within this IRMP period were reviewed. The ones relevant to operational response performance were set as follows:

- Achieve attendance with the first operational resource for all emergency incidents within 10 minutes on 80 per cent of occasions, and 99 per cent of all emergency incidents within 20 minutes;
- All pumping appliances required as part of the predetermined attendance arrive within 20 minutes on 90 per cent of occasions.

These are the response standards that we currently report against.

---

<sup>1</sup> - <N:\Common\IRMP\2009-12 Strategic IRMP\Final Approved IRMP\CFA approved 2009-12 IRMP 31 March 2009.doc>

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# RESPONSE TO EMERGENCIES 2018 REPORT

## Buckinghamshire Fire & Rescue Service

Email: [enquiries@bucksfire.gov.uk](mailto:enquiries@bucksfire.gov.uk)

Website: [bucksfire.gov.uk](http://bucksfire.gov.uk)

Tel: 01296 744400

Address: Stocklake,  
Aylesbury, HP20 1BD



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# RESPONSE SUMMARY

## Strategic aim

To provide a timely and proportionate response to incidents by allocating our assets and resource in relation to risk and demand.

## Targeting

Our targets are simple:

- We strive to achieve an average attendance time no worse than ten seconds more than the average of the previous five year period;
- We strive to improve attendance times through continuous service improvement;

## Why response times are important

- Faster response times may result in a better outcome for persons or property.
- Response times provide us with benchmarking data for resource and risk modeling.
- Response times allow us to identify areas for improvement as well as change in the makeup of the county.
- Allow the public to have an informed expectation.
- 

## Why response times aren't the full picture

Response times are just one performance measure and does not provide the full picture:

- Response times do not include any delay prior to the call being made.
- Response times do not identify if the resource sent was appropriate or proportionate.
- Response times do not identify how performance of crews at an incident impacted the outcome.

## 2017/2018 – Overview

The service just missed out on meeting its response target in 2017/2018, achieving an average response time of 08:31 compared to the target of 08:29.

The 2017/2018 target was always going to be a challenge due to the timings recorded in 2012/2013 (08:00) and 2016/2017 (08:19).

We are potentially seeing some impacts of such parameters as road congestion, greater population densities away from our fire station locations and extreme weather condition: heavy snow in early 2018.

## Looking Ahead

Over the next five to 30 years our service area is likely to go through a period of significant increase to its population and associated with this will be a level of house building and infrastructure since the development of Milton Keynes.

***“We strive to improve attendance times through continuous service improvement”***

Major infrastructure projects like HS2 and cross rail are already starting and will have an impact on our risk but also the road infrastructure. The Oxford/Cambridge Expressway is also scheduled for a few years' time and will have similar impacts. Only by planning now can we maintain or improve our current response performance based on good, logical data.

As always, prevention is far better than response: with this in mind, targeting strategies now take into consideration travel time to locations. This will help us identify those more at risk of a longer attendance time and focus our prevention campaigns accordingly.

**Julian Parsons**

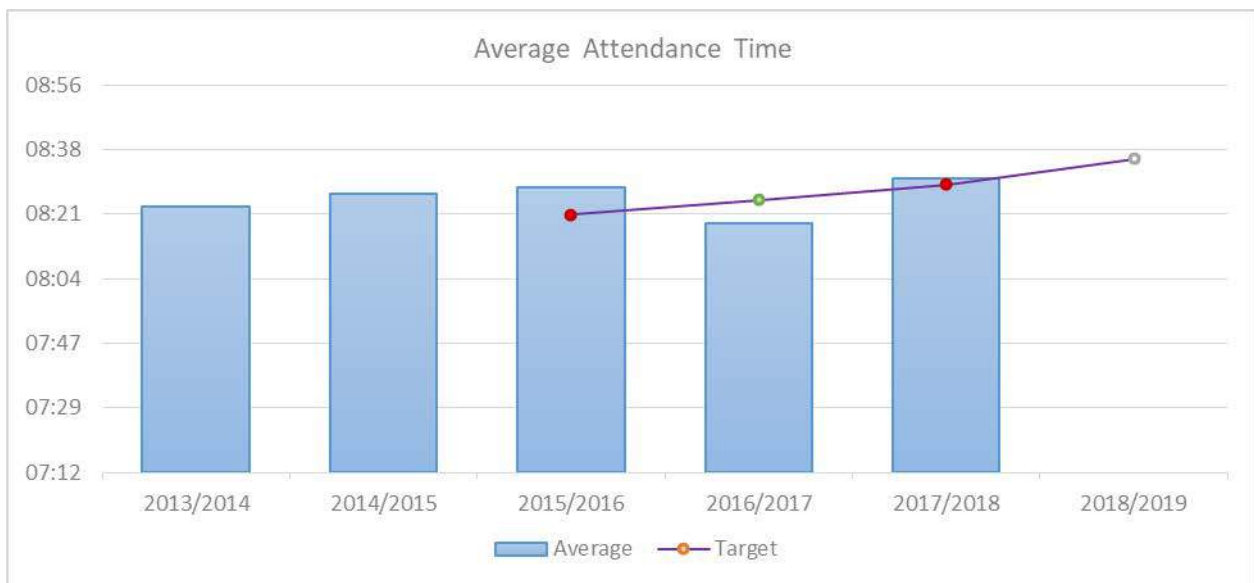
**Head of Service Development**

# THE FIGURES

## BFRS average attendance times to emergencies

The average time for the first appliance to arrive on scene to an incident once assigned was 08:31. This was two seconds slower than the target Bucks Fire and Rescue Service had set itself.

The graph below shows BFRS' average response time to incidents during the period of 1 April 2013 to 31 March 2018:

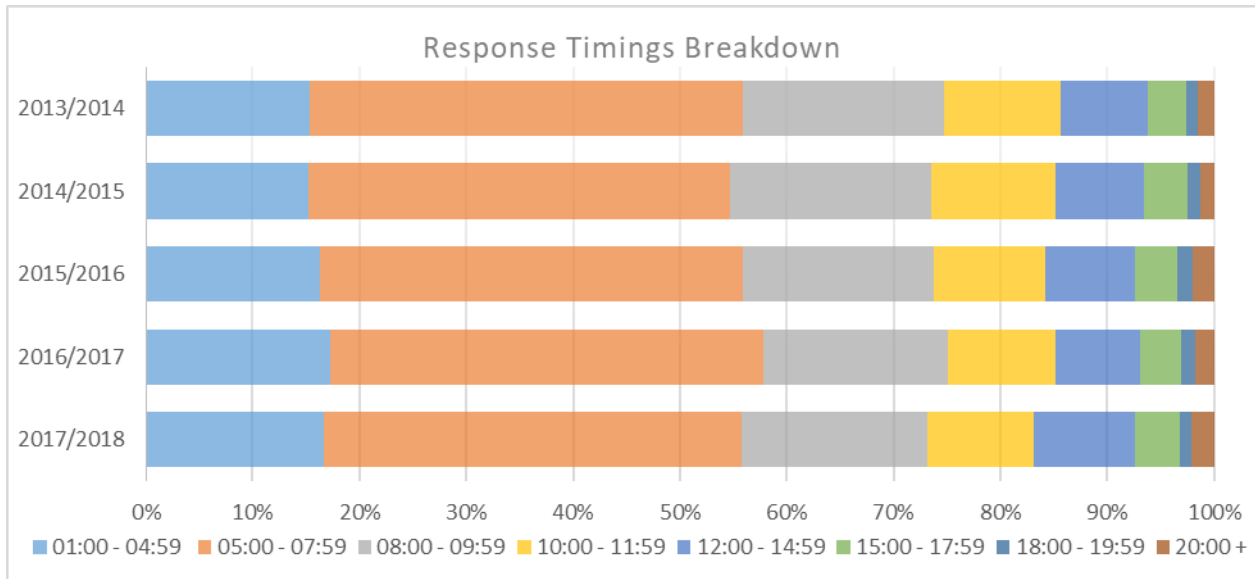


No obvious trends or anomalies were identified as being a major cause for the increase in average attendance time. Time of year, spate conditions or station grounds could not be attributed to being a major reason for the change.

## BFRS attendance times – breakdown

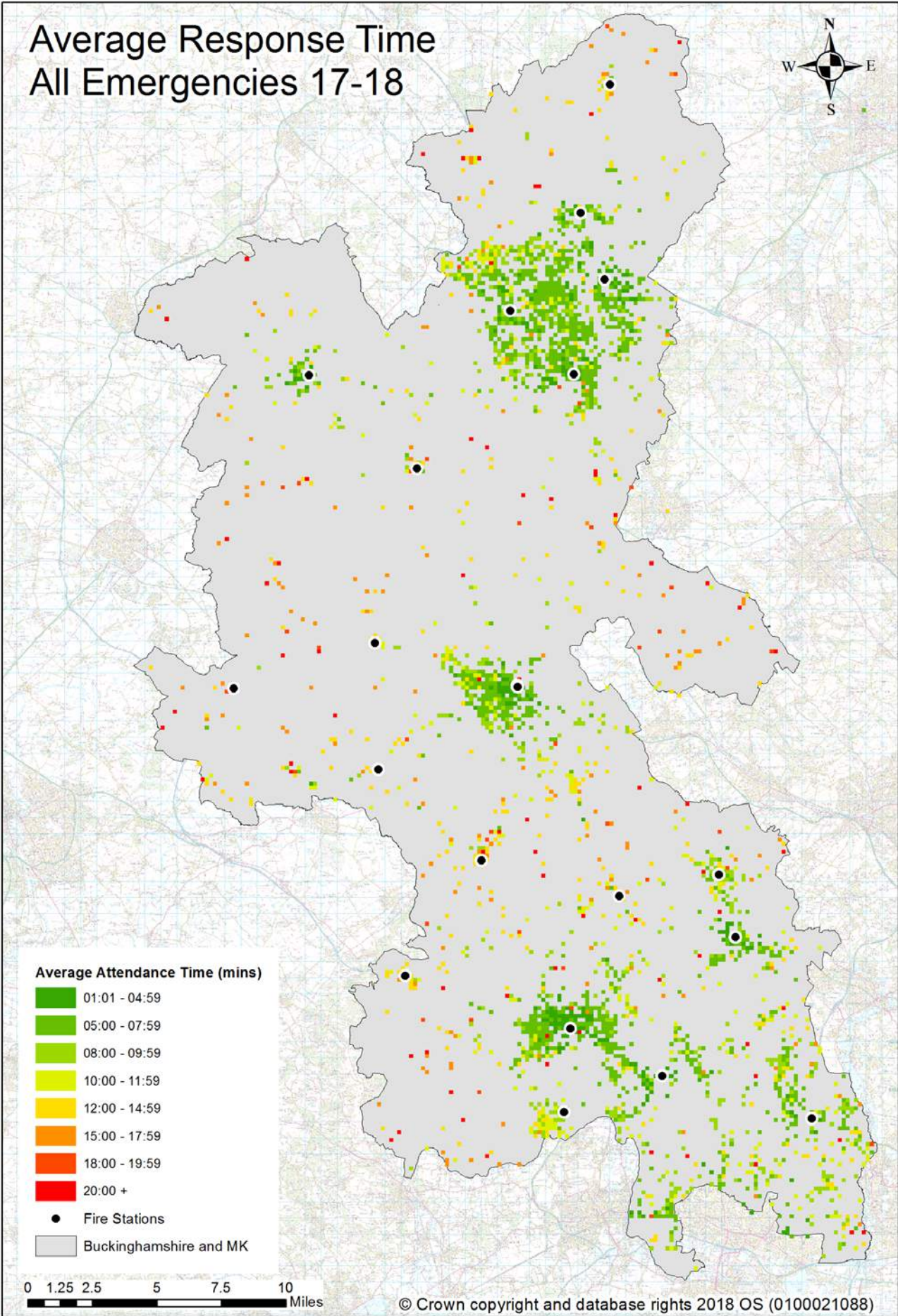
Although the average attendance time across all incidents was 08:31 for 2017/2018, it is important to understand the range of times that go to making up this figure.

The graph below shows a breakdown of all BFRS' response times to incidents over the past five years:



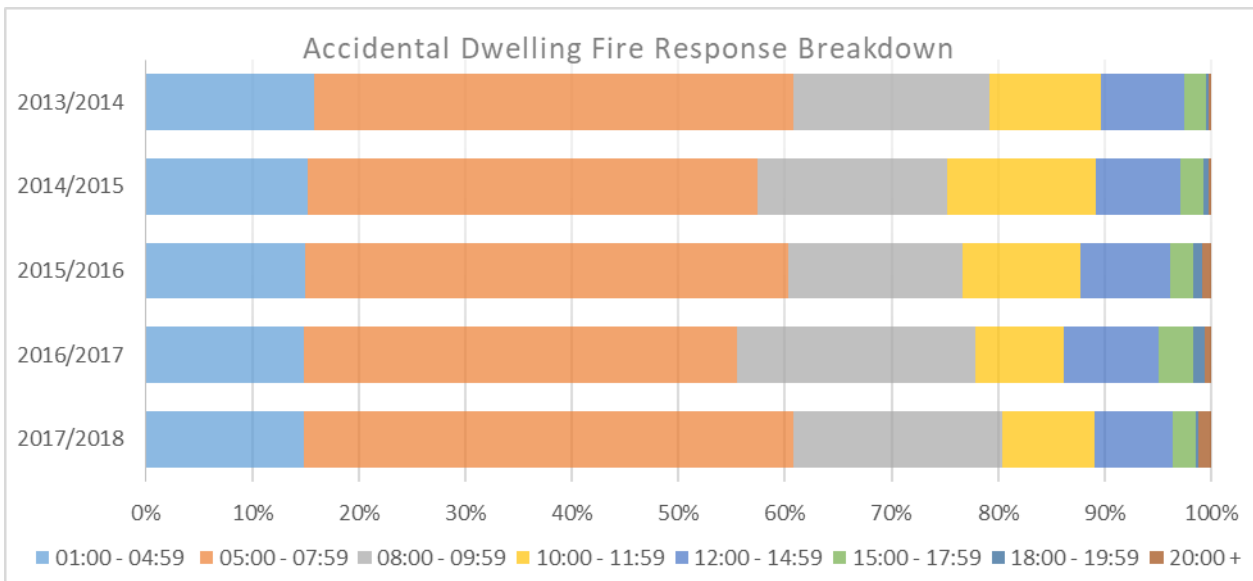
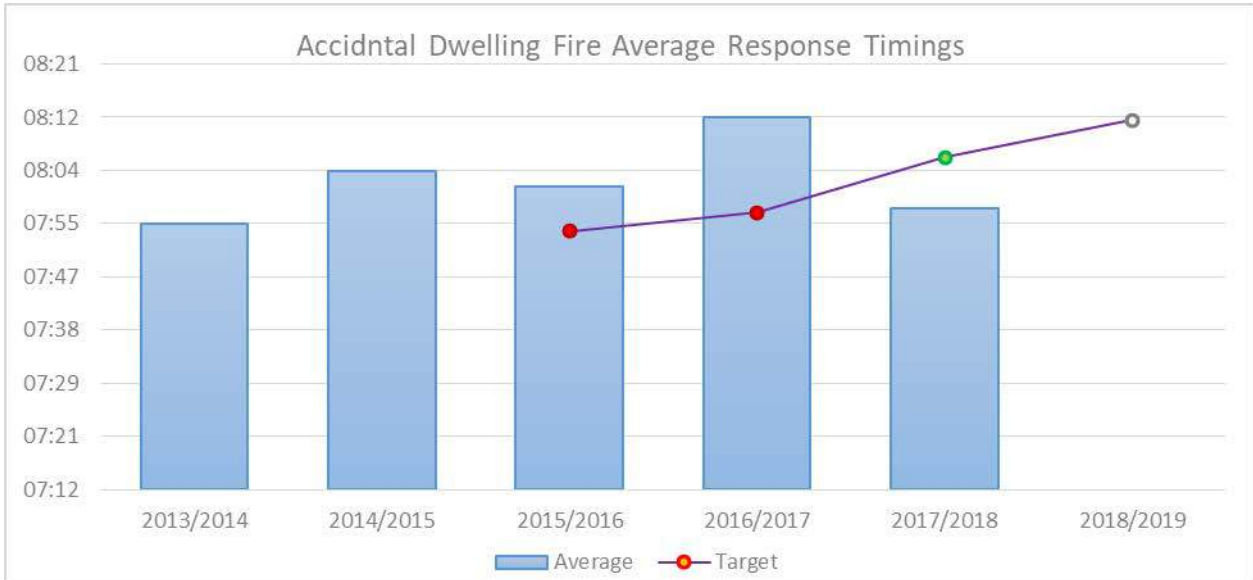
	% of incidents in banding					Number of incidents				
	2013/14	2014/15	2015/16	2016/17	2017/18	2013/14	2014/15	2015/16	2016/17	2017/18
< 5 Mins	15.3%	15.2%	16.4%	17.3%	16.7%	961	892	976	1093	1114
< 8 Mins	55.9%	54.7%	55.9%	57.8%	55.7%	2552	2312	2357	2567	2611
< 10Mins	74.7%	73.5%	73.8%	75.1%	73.2%	1179	1102	1071	1097	1165
< 12Mins	85.7%	85.2%	84.2%	85.2%	83.1%	690	685	622	638	665
< 15Mins	93.8%	93.4%	92.5%	93.1%	92.5%	514	486	495	503	629
< 18 Mins	97.4%	97.6%	96.5%	96.9%	96.8%	224	241	239	237	283
< 20 Mins	98.4%	98.8%	98.0%	98.2%	97.9%	64	70	85	85	73
20 Mins +	100.0%	100.0%	100.0%	100.0%	100.0%	99	73	121	113	142
						6283	5861	5966	6333	6682





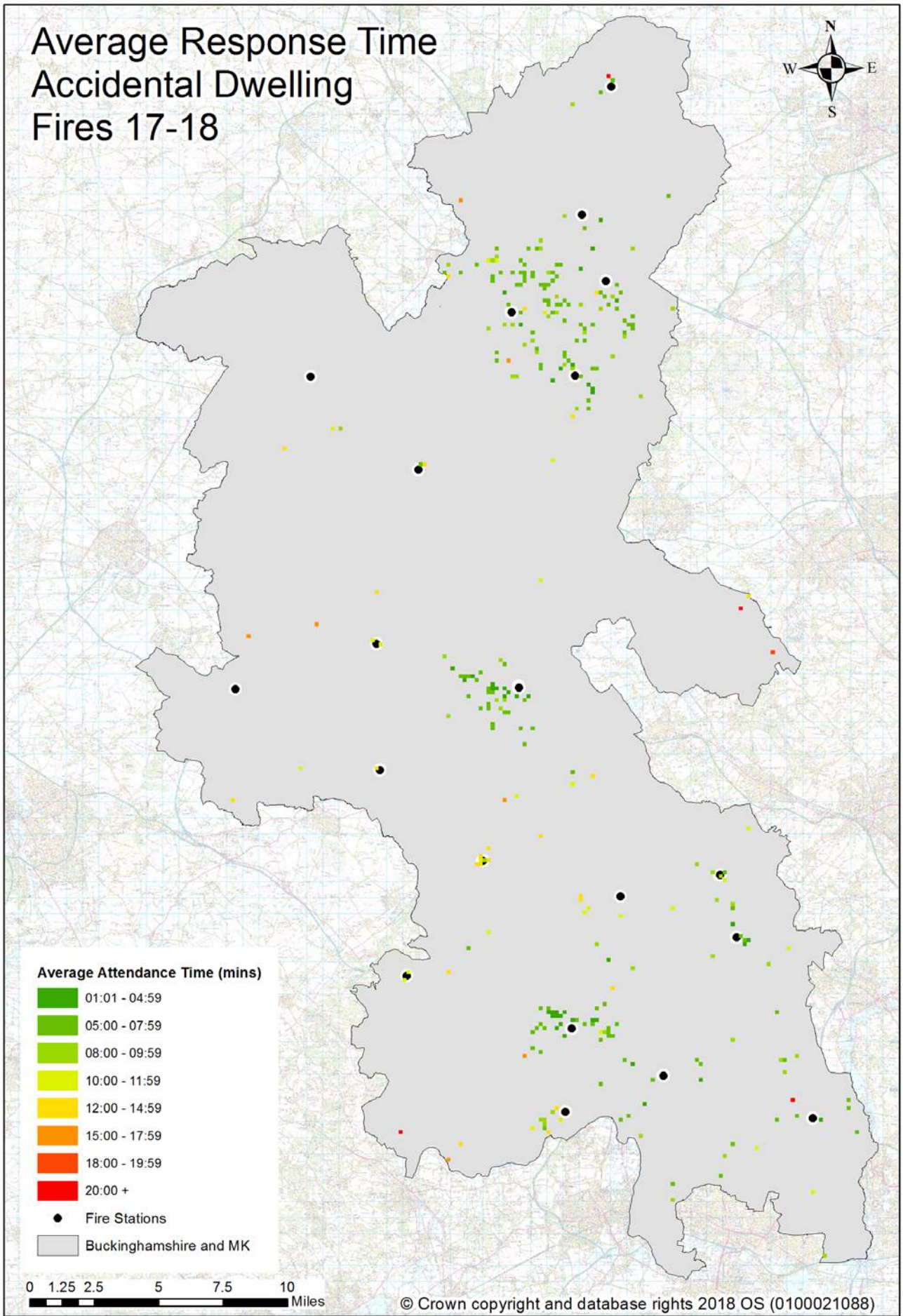
## Accidental dwelling fires (ADF)

The average time for the first appliance to arrive on scene to an incident that was identified as an accidental dwelling fire 07:58. This was eight seconds better than the target Bucks Fire and Rescue Service had set itself, and 33 seconds quicker than the average attendance time to all incidents.



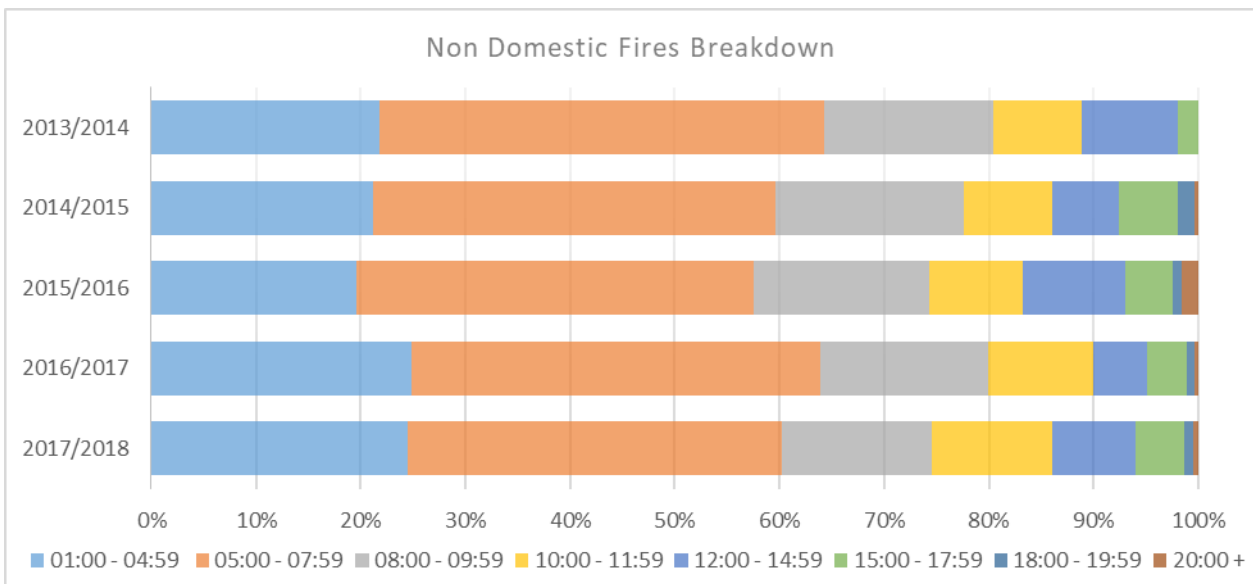
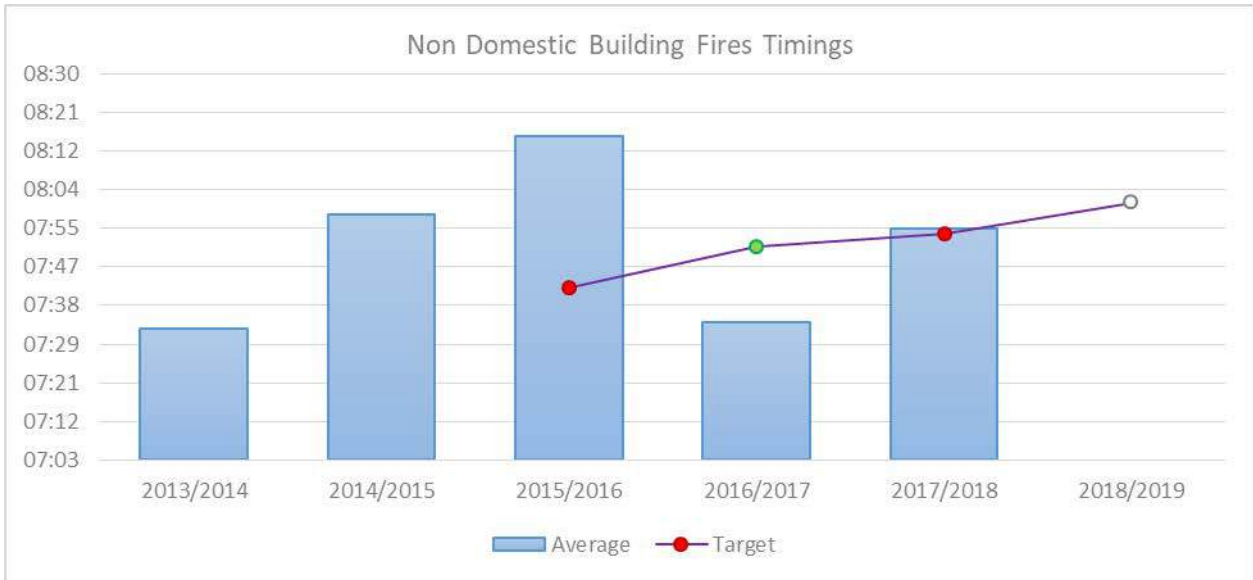
	% of incidents in banding					Number of incidents				
	2013/14	2014/15	2015/16	2016/17	2017/18	2013/14	2014/15	2015/16	2016/17	2017/18
< 5 Mins	15.8%	15.3%	15.0%	14.9%	14.8%	61	58	54	45	50
< 8 Mins	60.8%	57.4%	60.3%	55.4%	60.8%	173	160	163	123	155
< 10Mins	79.2%	75.3%	76.7%	77.9%	80.4%	71	68	59	68	66
< 12Mins	89.6%	89.2%	87.8%	86.1%	89.0%	40	53	40	25	29
< 15Mins	97.4%	97.1%	96.1%	95.0%	96.4%	30	30	30	27	25
< 18 Mins	99.5%	99.2%	98.3%	98.3%	98.5%	8	8	8	10	7
< 20 Mins	99.7%	99.7%	99.2%	99.3%	98.8%	1	2	3	3	1
20 Mins +	100.0%	100.0%	100.0%	100.0%	100.0%	1	1	3	2	4
						385	380	360	303	337





## Non domestic building fires

Non domestic building fires has seen a dramatic drop in numbers: from 316 in 2013/14 to 216 in 2017/2018. Incidents that took more than 12 mins to attend dropped from 35 to 30 in the same period.



	% of incidents in banding					Number of incidents				
	2013/14	2014/15	2015/16	2016/17	2017/18	2013/14	2014/15	2015/16	2016/17	2017/18
01:00 - 04:59	21.8%	21.2%	19.6%	24.9%	24.5%	69	53	48	67	53
05:00 - 07:59	64.2%	59.6%	57.6%	63.9%	60.2%	134	96	93	105	77
08:00 - 09:59	80.4%	77.6%	74.3%	79.9%	74.5%	51	45	41	43	31
10:00 - 11:59	88.9%	86.0%	83.3%	90.0%	86.1%	27	21	22	27	25
12:00 - 14:59	98.1%	92.4%	93.1%	95.2%	94.0%	29	16	24	14	17
15:00 - 17:59	100.0%	98.0%	97.6%	98.9%	98.6%	6	14	11	10	10
18:00 - 19:59		99.6%	98.4%	99.6%	99.5%		4	2	2	2
20:00 +		100.0%	100.0%	100.0%	100.0%		1	4	1	1
						316	250	245	269	216



# Average Response Time Non-Domestic Building Fires 17-18

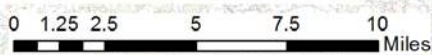


### Average Attendance Time (mins)

- 01:01 - 04:59
- 05:00 - 07:59
- 08:00 - 09:59
- 10:00 - 11:59
- 12:00 - 14:59
- 15:00 - 17:59
- 18:00 - 19:59
- 20 +

● Fire Stations

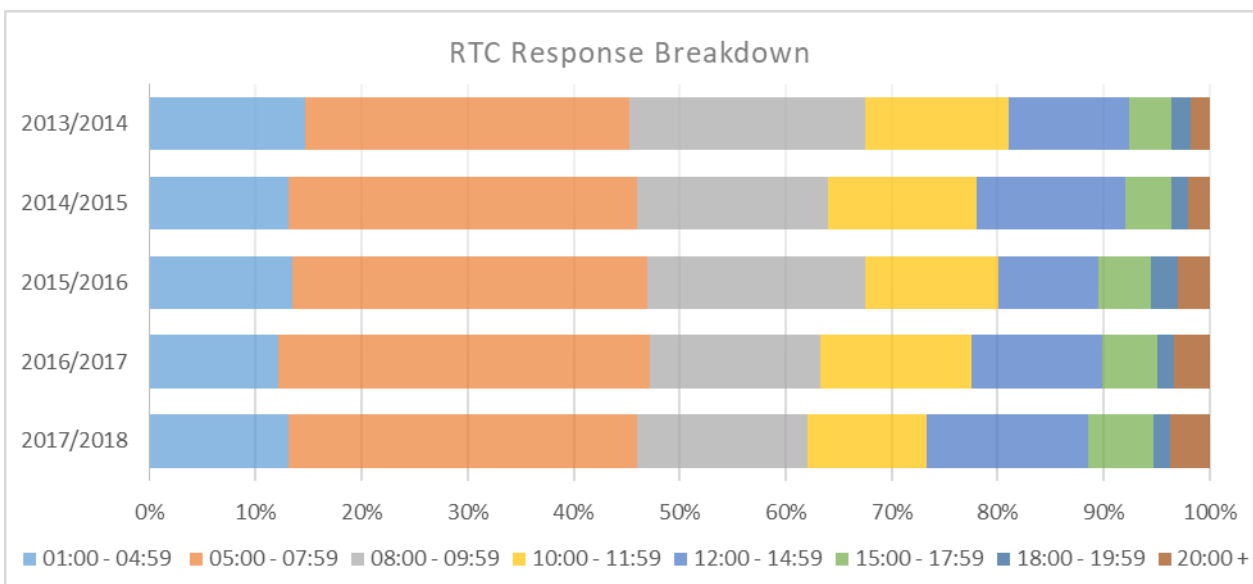
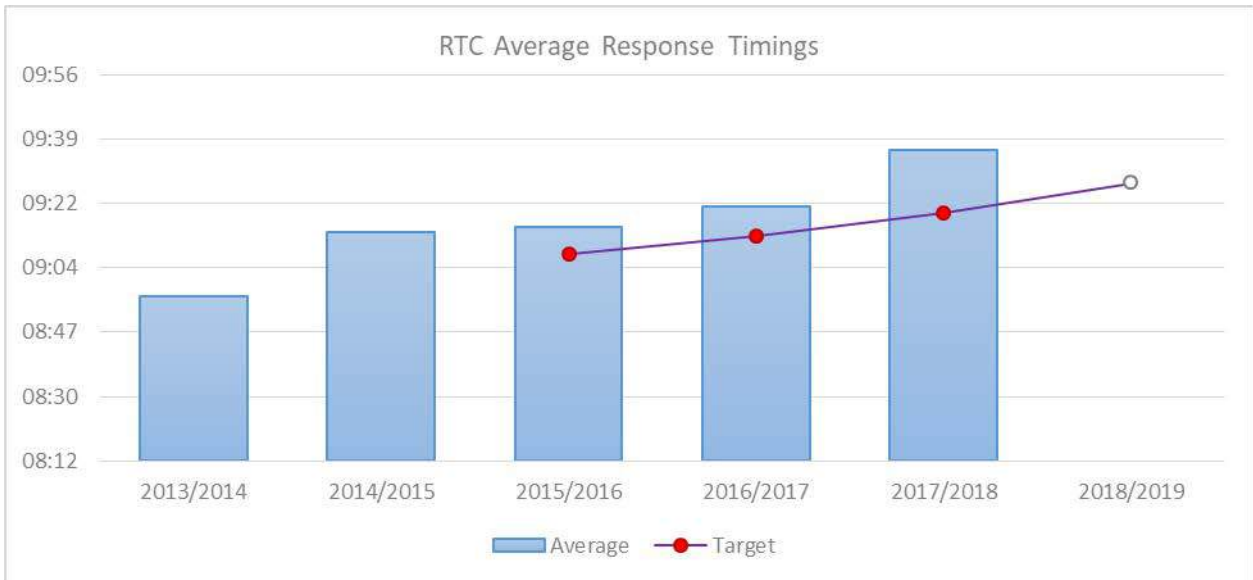
■ Buckinghamshire and MK



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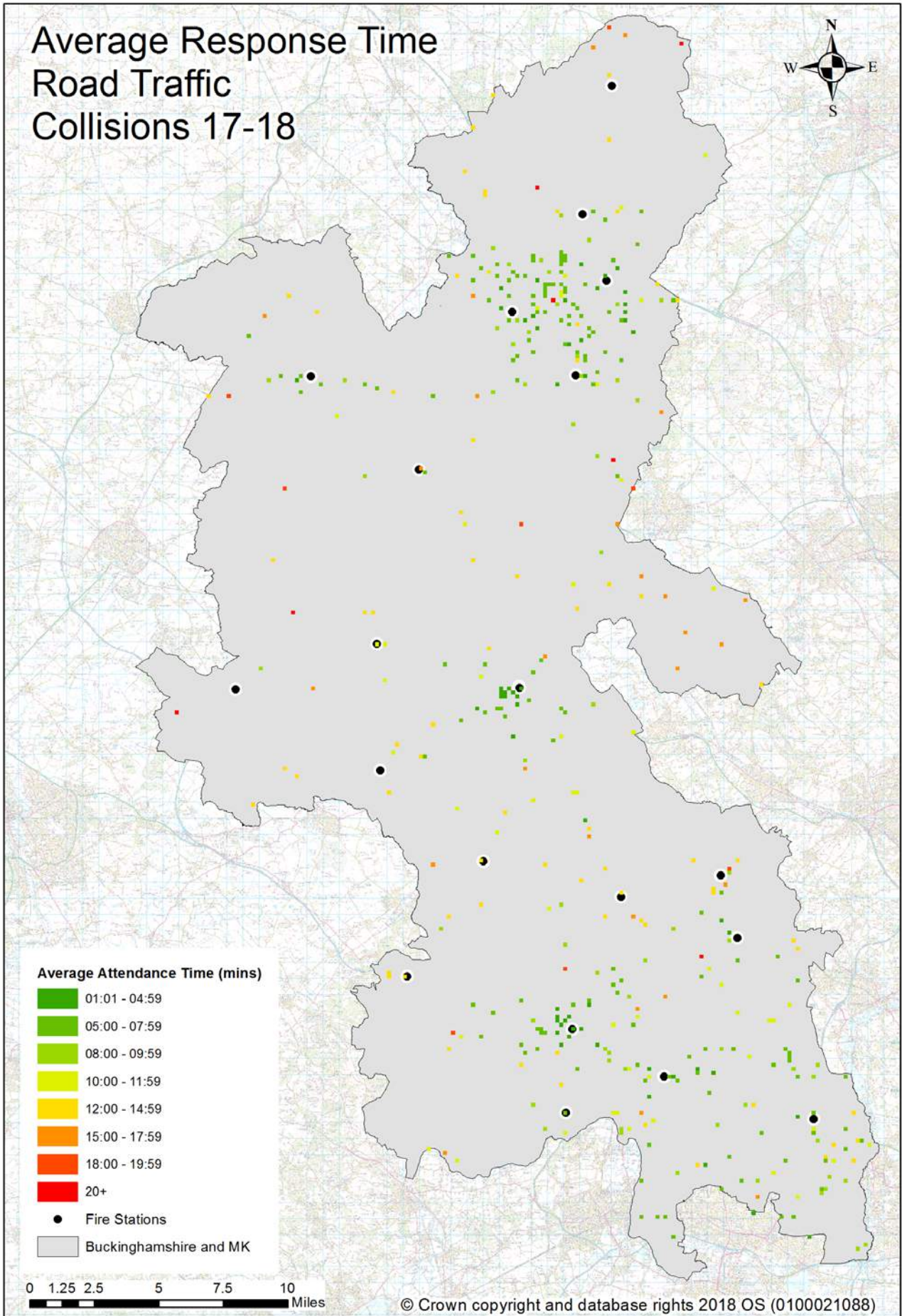
## Road traffic collisions (RTC)

2017/2018 saw 566 RTCs attended within Bucks, this is compared to 441 in 2014/2015. Although all time bands saw a rise in incidents, the mid-range bands saw a slightly greater increase, resulting in a slower average attendance time.



	% of incidents in banding					Number of incidents				
	2013/14	2014/15	2015/16	2016/17	2017/18	2013/14	2014/15	2015/16	2016/17	2017/18
< 5 Mins	14.7%	13.2%	13.5%	12.1%	13.1%	72	58	63	62	74
< 8 Mins	45.3%	46.0%	46.9%	47.2%	45.9%	150	145	156	179	186
< 10Mins	67.6%	63.9%	67.5%	63.2%	62.0%	109	79	96	82	91
< 12Mins	81.0%	78.0%	80.1%	77.5%	73.3%	66	62	59	73	64
< 15Mins	92.4%	92.1%	89.5%	89.8%	88.5%	56	62	44	63	86
< 18 Mins	96.3%	96.4%	94.4%	95.1%	94.7%	19	19	23	27	35
< 20 Mins	98.2%	98.0%	97.0%	96.7%	96.3%	9	7	12	8	9
20 Mins +	100.0%	100.0%	100.0%	100.0%	100.0%	9	9	14	17	21
						490	441	467	511	566



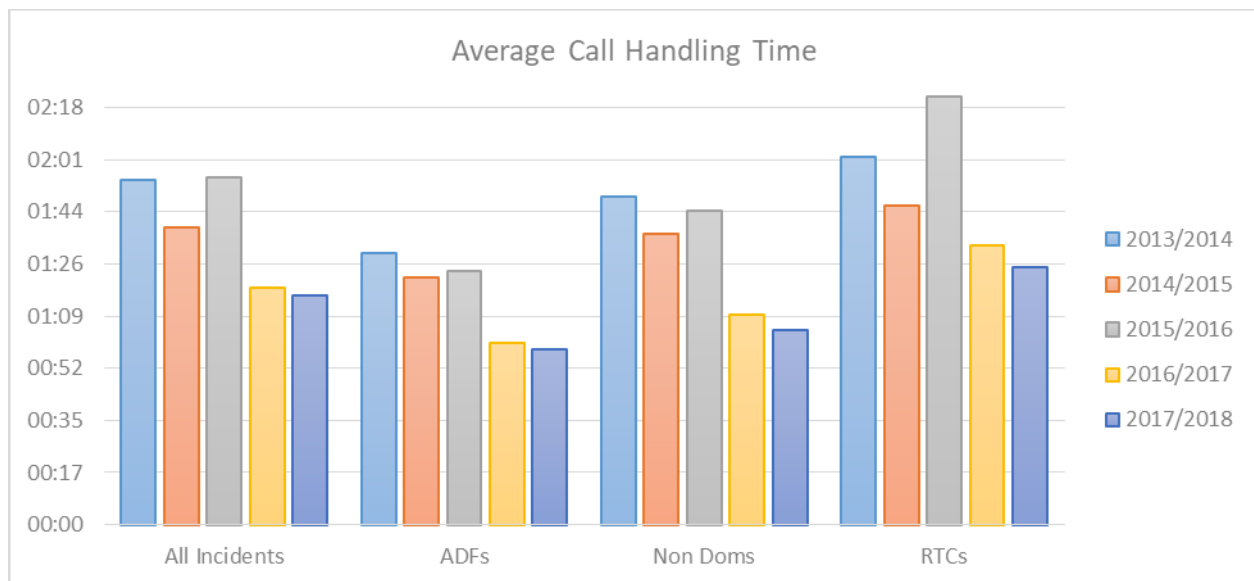


## Call Handling

Call Handling times have continued to reduce.

Thames Valley Fire Control (TVFC) took responsibility for the handling all of BFRS emergency calls in April 2015. Since then, TVFC has worked tirelessly at becoming more efficient and effective. The results of their efforts can be seen below:

	All Incidents	ADFs	Non Doms	RTCs
2013/2014	01:54	01:30	01:49	02:02
2014/2015	01:38	01:22	01:36	01:46
2015/2016	01:55	01:24	01:44	02:22
2016/2017	01:19	01:00	01:10	01:32
2017/2018	01:16	00:58	01:05	01:25



# THE SMALL PRINT

## Data used

The information used to compile this report was collected from Buckinghamshire Fire and Rescue Service's IRS (Incident Recording System). This includes any incident located within the BFRS station grounds, regardless of if BFRS crews attended the incident or not.

## Exclusions to data

To enable us to provide a more visible, transparent and comprehensible report, the following incident types were removed from the data set used to compile this report:

- Any incident that was attended in 60 seconds or less.
- Any incident that the first appliance took over 45 minutes to attend.
- Any incident that was only attended by an officer.
- Any incident identified as a Co-Responder.
- Any incident identified as an animal rescue (only).
- Any incident that was identified as a False alarm, location not found.
- Any incident identified as a malicious call (other than malicious activation of call point).

## Timings

Timings used for this report can be broken down into three categories:

- Call Handling
- Turnout Times
- Travel Time

Response timings are calculated from the time the first asset is assigned to the first asset arriving. This does not include the call handling time, but does include the turnout time and the travel time.

## Call handling

This is measured from the time the call is answered to the time the incident is created (first asset assigned). This time may include criteria such as 'call challenging' and location identification'.

Separate outliers were excluded from call handling stats:

- Any call handled in less than 20 seconds.
- Any call that took over 15 minutes before an appliance was assigned.

## Turnout time

This is measured from the time that a pump is assigned/alerted to the time books mobile to incident. Targets in place only measure turnout timings when the pump is set to certain statuses when assigned to the incident – this prevents timings being included when the pump may take a much quicker or longer time to mobilise to what is set in the targets i.e. the pump is already crewed and mobile.

## Travel time

This is measured from the time the pump books mobile to when the pump books in attendance at the incident.

Please note, as mentioned above, the timings used for response are calculated from the time the first asset is assigned to the first asset arriving on-scene. This does mean that the time stamp for first appliance may be taken from a different asset from which the on-scene time was taken.

## The fire sector

There are many different methodologies used in calculating response times across the fire sector. We believe the approach we are now taking, following a comprehensive review provides an accurate reflection of our response to emergencies.

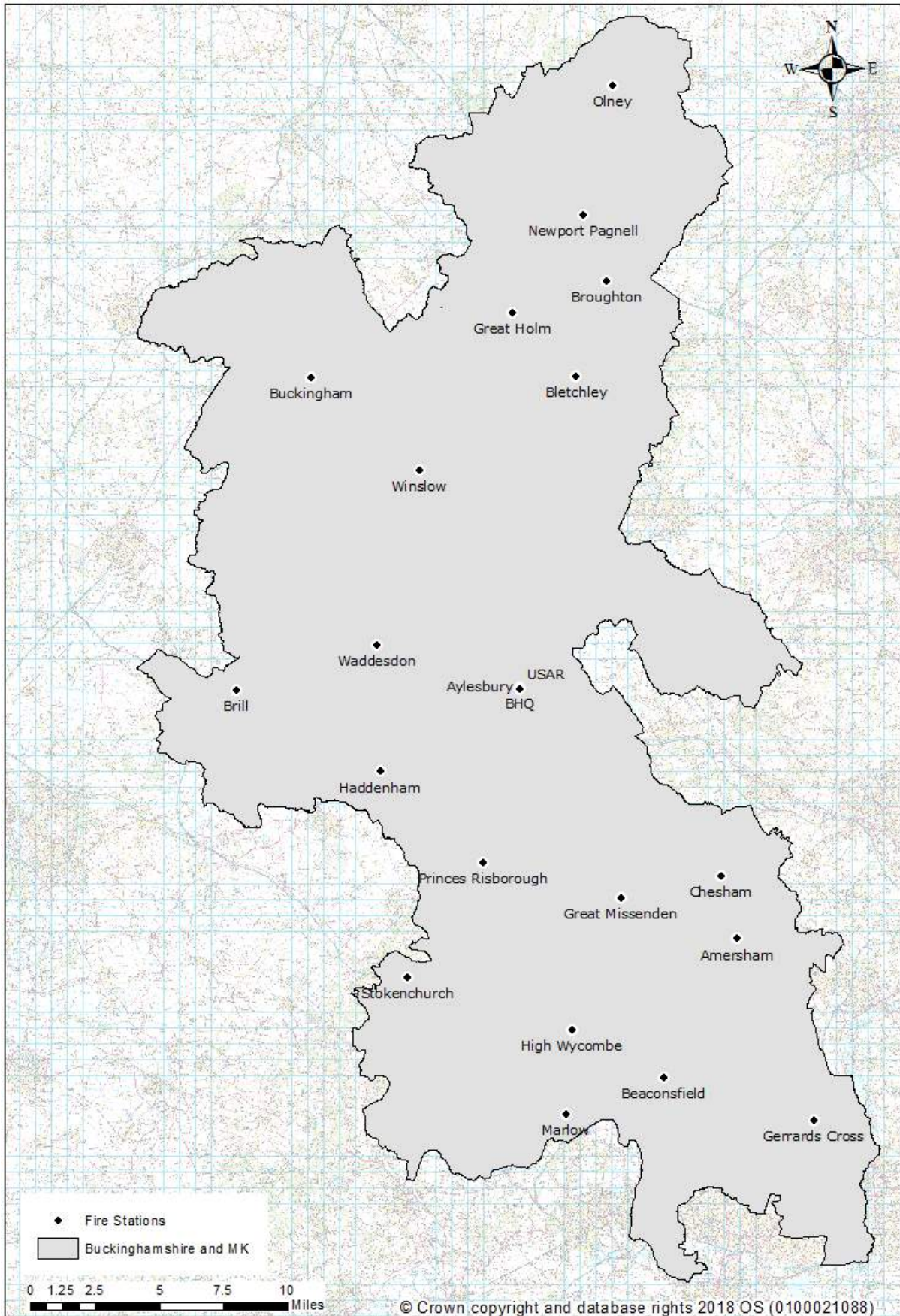
## Future considerations

This report is still being developed – sections still to be included, but are not limited to, are detailed below:

- Turnout Times – a breakdown of turnout times for BFRS appliances
- Benchmarking – a comparison of response times between BFRS, family group 2 fire and rescue services and Home Office national statistics.



# Station Locations



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# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	18 July 2018
<b>OFFICER</b>	Julian Parsons, Head of Service Development
<b>LEAD MEMBER</b>	Councillor Peter McDonald
<b>SUBJECT OF THE REPORT</b>	<b>Business and Systems Integration Project: Progress Report</b>
<b>EXECUTIVE SUMMARY</b>	<p>The Business and Systems Integration Project (BASI) remains on track to meet our requirements and on budget.</p> <p>Since the last Overview and Audit Committee meeting there has been the following activity:</p> <ul style="list-style-type: none"> <li>• eRecruitment is live and was utilised for the latest round of Apprentice applications. A review of the process is underway to see if we could improve the process and utilise the system more;</li> <li>• A trial has started using iTrent for course attendance and skills management, this will support future work with the Resource Management System (RMS);</li> <li>• The build of the Prevention module is nearing completion with a trial in High Wycombe to commence in early July;</li> <li>• The RMS build is well underway with the following areas completed: Payroll, Rota Management and tiered response model;</li> <li>• Following the extension of the overall timescales a financial review has been completed to assess the viability of extending the Project Manager contract to deliver further benefits. An extension has been agreed by the project sponsors, in consultation with the Senior Management Team, until March 2020. This will be funded from the project contingency.</li> </ul> <p>Spend across the BASI project remains on track and within overall budget. Regular reviews are completed with the finance team (See Appendix E for Spend breakdown).</p> <p>At the time of completing this report the current activities are underway:</p> <ul style="list-style-type: none"> <li>• Completion of the Safe and Well eLearning</li> </ul>

	<p>training package to and training of the Prevention Trial station – High Wycombe;</p> <ul style="list-style-type: none"> <li>• Build of the RMS continues with focus on Working Time Directive and Dashboards.</li> </ul>
<b>ACTION</b>	Information.
<b>RECOMMENDATIONS</b>	That the report be noted.
<b>RISK MANAGEMENT</b>	<p>The project risks are contained within a project risk register.</p> <p>Current high level project risks can be seen in Appendix A – Highlight Report – May/June 2018.</p> <p>The governance of this register, including escalations is in line with existing Service policy.</p> <p>An integrated impact assessment is underway for each system.</p>
<b>FINANCIAL IMPLICATIONS</b>	There are no further financial implications related to the project identified in this paper.
<b>LEGAL IMPLICATIONS</b>	There are no further legal implications related to the project identified in this paper.
<b>CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE</b>	<p>Opportunities for collaboration have been actively sought and considered during the procurement phase of the project.</p> <p>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.</p> <p>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.</p>
<b>HEALTH AND SAFETY</b>	No Health and Safety implications perceived at this time.
<b>EQUALITY AND DIVERSITY</b>	The HR system allows us to collect 'real time' Equality & Diversity (E&D) data securely allowing it to be used for trend analysis. eRecruitment will provide E&D data at all stages of recruitment.
<b>USE OF RESOURCES</b>	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.


	<p>An agreement has been made with Service Delivery managers to assign an operational resource to support the implementation of the PRM and RMS. As a result of Crew Commander Oli Finch has joined the team, on secondment from Broughton, for a period of 6 months.</p> <p>A risk has been added to the risk register due to the movement and leaving of key staff.</p> <p>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.</p>
<p><b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b></p>	<p><b>Background</b></p> <p>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.</p> <p>The project is scheduled to be delivered in phases over a two year period.</p> <p><b>Background Papers</b></p> <ul style="list-style-type: none"> <li>• <a href="#">ICT Strategy 2014-2019</a></li> <li>• <a href="#">Business and Systems Terms of Reference</a></li> <li>• <a href="#">Business and Systems Integration Business case</a></li> <li>• <a href="#">Business and Systems Integration Project: Governance Reporting Arrangements (18 November 2015)</a></li> </ul>
<p><b>APPENDICES</b></p>	<p>Appendix A: Highlight Report – May/June 2018  Appendix B: Highlight Report – Mar/Apr 2018  Appendix C: Highlight Report – Jan/Feb 2018  Appendix D: Spend Breakdown  Appendix E: Go Live Dates</p>
<p><b>TIME REQUIRED</b></p>	<p>5 Minutes.</p>
<p><b>REPORT ORIGINATOR AND CONTACT</b></p>	<p>Anne-Marie Carter  <a href="mailto:acarter@bucksfire.gov.uk">acarter@bucksfire.gov.uk</a>  07966 886689</p>

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**Appendix A: Sponsor Highlight Report – May/June 2018**

**Business & Systems Integration project – May/June 2018**

<b>Business Owner:</b> <b>Project Manager:</b> <b>Business Sponsors:</b>	Julian Parsons Anne-Marie Carter Lynne Swift David Sutherland	<b>Project Objectives:</b> To streamline, automate and integrate systems and business processes across: - HR & Payroll, Finance & Planning, Premises Risk Management, Resource Management, Asset Management Data duplication will be reduced and the efficiency and effectiveness of both our processes and MI will increase	<b>Overall RAG</b> 
--	--	---	---

Finance		Plan		Risks & Issues		Scope		Resources	
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<p><b>Exec Summary – Past Period’s Activities</b> <i>Finance &amp; Planning</i></p> <p><i>HR &amp; Payroll</i></p> <ul style="list-style-type: none"> <li>- Attendance Management trial review completed</li> <li>- Course and Skill Trial continues</li> <li>- Learning &amp; Development build review completed</li> </ul> <p><i>Premises Risk Management</i></p> <ul style="list-style-type: none"> <li>- Safe and Well eLearning package released to crews</li> <li>- Prevention reporting and workflows built</li> <li>- UAT started</li> <li>- Review started of Protection documentation to go onto to the new system</li> </ul> <p><i>Resource Management</i></p> <ul style="list-style-type: none"> <li>- Development continues – Focused on Bank shifts, dashboard prep</li> <li>- FDO taster session held</li> </ul> <p><i>Asset Management</i></p> <ul style="list-style-type: none"> <li>- Process mapping the As-Is started</li> </ul> <p>Presented system plan to Thames Valley Fire Control Joint Coordination Group Produced plan showing all system project occurring in 18/19 to support with capacity planning</p>	<p><b>Priorities for Next Period – July/August</b> <i>Finance &amp; Planning</i></p> <ul style="list-style-type: none"> <li>- Refresher training sessions to take place</li> </ul> <p><i>HR &amp; Payroll</i></p> <ul style="list-style-type: none"> <li>- Attendance management trial – update system/process with feedback</li> <li>- Update Learning and Development build following feedback</li> <li>- Update system/process with feedback following Recruitment Optimisation sessions</li> </ul> <p><i>Premises Risk Management</i></p> <ul style="list-style-type: none"> <li>- Train Trial station(High Wycombe) on Prevention module</li> <li>- Trial Commences 16<sup>th</sup> July</li> </ul> <p><i>Resource Management</i></p> <ul style="list-style-type: none"> <li>- Development continues – focus on Working Time Directive and continuing with dashboards</li> <li>- Continue with Rota builds</li> <li>- Start staff engagement sessions</li> </ul> <p><i>Asset Management</i></p> <ul style="list-style-type: none"> <li>- Continue with process mapping the As-Is</li> <li>- Hold Supplier awareness days</li> </ul>
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**Key Decisions Required:**  
- None

**Key Milestones**


Milestone	Forecast/ Actual	RAG
Next BTB	2 <sup>nd</sup> Aug	
Next O&A	18 <sup>th</sup> July	
Premises Risk Management – Prevention Trial	July	

**Key Risks & Issues**

Risk/ Issue	RAG	Description	Mitigating Action	Next Action
R		FRS/Capita integration change request not responded to therefor not currently scheduled	Continue to chase Capita Raise at Service Review meeting Review fallback options	End of July
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		Key resources leaving the business or moving role	Continue to review progress regularly and raise issues with Sponsors if needed	Ongoing

**Appendix B: Sponsor Highlight Report – Mar/Apr 2018**

# Business & Systems Integration project – March/April 2018

<b>Business Owner:</b> <b>Project Manager:</b> <b>Business Sponsors:</b>	Julian Parsons Anne-Marie Carter Lynne Swift David Sutherland	<b>Project Objectives:</b> To streamline, automate and integrate systems and business processes across: - HR & Payroll, Finance & Planning, Premises Risk Management, Resource Management, Asset Management Data duplication will be reduced and the efficiency and effectiveness of both our processes and MI will increase	<b>Overall RAG</b> 
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Finance		Plan		Risks & Issues		Scope		Resources	
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**Exec Summary – Past Period's Activities**

*Finance & Planning*

- Reviewed feedback and made changes were appropriate

*HR & Payroll*

- Phase 1.5 – Continuous improvement plan delivery continues
- Review of recruitment completed
- Course and Skill trial underway
- Learning & Development build continues

*Premises Risk Management*

- Build of Safe & Well and other prevention forms complete
- Reporting spec agreed

*Resource Management*

- Development continues – Focused on Tiered Response Model, Rotas, Extra Hrs
- Change request submitted to Capita

**Priorities for Next Period – May/June**

*Finance & Planning*

- Refresher training sessions to take place

*HR & Payroll*

- Complete Attendance management trial review
- Review Learning and Development build

*Premises Risk Management*

- Prevention reporting and workflows to be built
- Safe and Well eLearning package completed
- Train Trial station(High Wycombe) on Prevention module

*Resource Management*

- Development continues – focus on Working Time Directive and dashboards

*Asset Management*

- Start to process map the As-Is

Present system plan to Thames Valley Fire Control Joint Coordination Group

**Key Decisions Required:**

- None

**Key Milestones**

Milestone	Forecast/ Actual	RAG
Next BTB	24 <sup>th</sup> May	
Next O&A	25 <sup>th</sup> July	
Premises Risk Management – Prevention Trial	July	


**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		Key resources leaving the business or moving role	Continue to review progress regularly and raise issues with Sponsors if needed	Ongoing



**Appendix C: Sponsor Highlight Report – Jan/Feb 2017**

# Business & Systems Integration project – January/February 2018

<p><b>Business Owner:</b>  <b>Project Manager:</b>  <b>Business Sponsors:</b></p>	<p>Julian Parsons                  Anne-Marie Carter                  Lynne Swift                  David Sutherland</p>	<p><b>Project Objectives:</b>                  To streamline, automate and integrate systems and business processes across:                  - HR &amp; Payroll, Finance &amp; Planning, Premises Risk Management, Resource Management, Asset Management                  Data duplication will be reduced and the efficiency and effectiveness of both our processes and MI will increase</p>	<p><b>Overall RAG</b></p> 
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Finance		Plan		Risks & Issues		Scope		Resources	
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**Exec Summary – Past Period's Activities**

*Finance & Planning*

- Reviewed feedback and made changes were appropriate
- Supplier portal training completed

*HR & Payroll*

- Phase 1.5 – Continuous improvement plan delivery continues
- eRecruitment extended to Apprentice applications
- Learning & Development build continues

*Premises Risk Management*

- Safe & Well build – 85% complete
- Other Prevention areas system build 90% complete
- Session with team to review build so far
- Safe & Well eLearning package build continues

*Resource Management*

- Development continues – Focused on payroll
- Initial conversations had with Capita and MHR regarding integration

*Asset Management*

- Agreed approach and way forward

Overall financial review completed to assess viability for Project Management extension

**Priorities for Next Period - March**

*Finance & Planning*

- Continue to review processes and update where appropriate

*HR & Payroll*

- Phase 1.5 – Continuous Improvement – delivery ongoing
- Review eRecruitment use
- Review Learning and Development build

*Premises Risk Management*

- Safe & Well build to be completed
- Other Prevention areas system build to be completed
- Safe & Well eLearning package build continues

*Resource Management*

- Development continues

**Key Decisions Required:**

- None

**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		Key resources leaving the business or moving role	Continue to review progress regularly and raise issues with Sponsors if needed	Ongoing

**Key Milestones**

Milestone	Forecast/ Actual	RAG
Next BTB	22 <sup>nd</sup> March	
Next O&A	7 <sup>th</sup> March '18	
Premises Risk Management – Prevention Trial	June/July	

**Appendix D: Spend Breakdown**

Summary:

	2015/16	2016/17	2017/18	2018/19	Total
	£000	£000	£000	£000	£000
Budget		590	410	0	1,000
Spent	34	373	237	10	654
Committed		0	0	180	180
Earmarked		0	0	166	166
<b>Total</b>	<b>34</b>	<b>373</b>	<b>237</b>	<b>356</b>	<b>1,000</b>

**Contingency** of £200k was not needed in 17/18.

To support the delivery of the project the Senior Management Team have signed off an extension to the Project Management contract until March '20. This will be funded from contingency in 18/19.

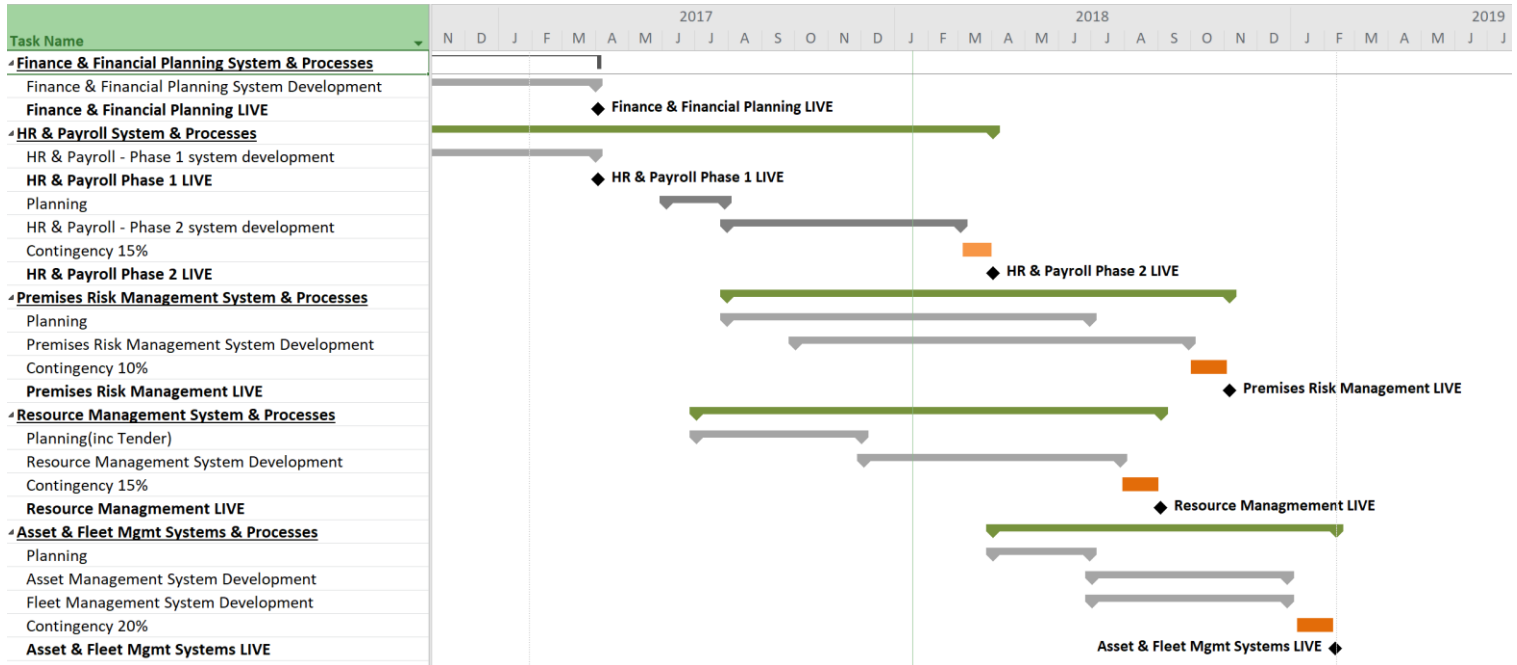
Please note:

- All figures as at end of April 2018
- Spent = Purchase Order paid
- Committed = Purchase Order raised
- Earmarked = For Asset Management system replacement; Project Support and training

**Appendix E: Go Live Dates**

Area	Target Go Live	Tracking
Finance	April 2017	Achieved
HR – Phase 1	April 2017	Achieved
HR – Phase 2	September 2017- March 2019	On track
Payroll	April 2017 1 <sup>st</sup> Pay run at end of April '17	Achieved
Premises Risk Management	Late 2018	N/A
Resource Management	<del>TBC – Mid 2018-</del> Sept 2018	N/A
Asset Management	<del>TBC – Late 2018-</del> Early 2019	N/A

## Business and Systems Integration Project: Progress Report



### 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.

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