

WEST YORKSHIRE FIRE AND RESCUE AUTHORITY	AUDIT COMMITTEE	27 JUNE 2013	ITEM No 5
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- REPORT OF:** CHIEF FINANCE OFFICER
- PURPOSE OF REPORT:**
- (I) TO REPORT ON THE FINANCIAL OUTTURN FOR 2012/2013
 - (II) TO PRESENT THE KEY STATEMENTS FROM THE DRAFT STATEMENT OF ACCOUNTS FOR 2012/2013
 - (III) TO PRESENT THE ANNUAL REPORT FOR TREASURY MANAGEMENT FOR 2012/2013
 - (IV) TO REPORT ON THE LEVEL OF MEMBERS' ALLOWANCES IN 2012/13
- RECOMMENDATIONS:**
- (I) THAT THE REVENUE AND CAPITAL OUTTURN FOR 2012/2013 IS NOTED
 - (II) THAT THE STATEMENT OF ACCOUNTS FOR 2012/2013 BE NOTED
 - (III) THAT THE TREASURY MANAGEMENT REPORT FOR 2012/2013 IS NOTED
 - (IV) THAT THE REPORT ON MEMBERS' ALLOWANCES FOR 2012/2013 IS NOTED

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

EXEMPTION CATEGORY:

CONTACT OFFICER: G. MAREN, CHIEF FINANCE OFFICER
01274 655711
geoff.maren@westyorksfire.gov.uk
A WOOD, FINANCE MANAGER
01274 655759
alison.wood@westyorksfire.gov.uk

BACKGROUND PAPERS OPEN TO INSPECTION:

CIPFA's Code of Practice on Treasury Management in the Public Services.
CIPFA's Prudential Code for Capital Finance in Local Authorities.
Local Government Act 2003.
The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.
Public Works Loan Board Website.

1. INTRODUCTION

The purpose of this report is to present a comprehensive review of the financial activity of the Authority for the financial year 2012/2013. The report is in five sections.

Section 1 – Revenue Expenditure

This section compares the actual expenditure for the year with the revenue budget, enabling the Authority to measure financial performance. The report is in a similar format to the revenue monitoring reports presented to each meeting of the Finance and Resources Committee providing an explanation of the major variations.

Section 2 - Capital Expenditure Outturn

This section reports on actual capital expenditure for the year, compares this performance with the approved Capital Plan, and describes the more significant variations. It also provides details of the major capital schemes completed within the year.

Section 3- Statement of Accounts

This section presents the four key statements from the Authority's formal Statement of Accounts for 2012/2013.

Section 4- Treasury Management Report

This section describes the treasury management activity of the Authority for the year. This identifies the borrowing and cash flow activity, sets out the arrangements made and compares this with the Authority's Treasury Management strategy.

Section 5 – Members' Allowances Outturn

Finally, and for the purposes of convenience, the report includes details of the sums paid to individual members in respect of their various allowances. This is a statutory requirement under Regulation 26A of the Local Authorities (Member Allowances) Regulations 1991, as amended.

Section 1 - Revenue Expenditure

1. Revenue Expenditure Outturn

1.1. During the course of the financial year reports have been presented to each meeting the Finance and Resources Committee, monitoring expenditure against the approved revenue budget. Throughout the year these have been forecasting an under spending of around £1.7m; the actual outturn of £88.7m which represents an under spending of £2.4m (2.7%) against the approved budget which is an increase of £0.7m. The main reason for this increase being the under spending on the contingency for pay and price increases.

1.2. As is normal the majority of the under spending is on employee budgets partly as a result of the early implementation of the fundamental review and partly due to under spending on fire fighters overtime.

1.3. A summary of the outturn is provided in Appendix 5. Explanations of the major variations have been provided throughout the year and these are summarised below.

1.3.1 Firefighters salaries

There is a total under spending of £1.5m on firefighter salaries of which £0.4m relates to retained salaries. The under spend on wholetime firefighters is a result of the number of firefighters leaving the Authority exceeding the estimate by 26, coupled with an underspending on overtime.

1.3.2 Support Staff

The Authority implemented the fundamental review of support staff in the year in order to deliver annual revenue savings of £1.2m from 2013/2014 onwards. The cost of the review totalled £1.5m in the financial year in the form of severance and early retirement costs. However, by implementing the review part way through the year it was possible to recover a large proportion of these costs in the year resulting in a net overspending of £0.465m.

1.3.3 Other employee expenses

The principal area of under spending has been on the external training budget. This has been reflected in the 2012/2013 revenue budget where savings of £0.2m have been removed from the approved budget.

1.3.4 Premises Costs

Expenditure on premises costs has been in line with the approved budget with a small overspending of £40k.

1.3.5 Transport costs

There has been a small underspending of £54k on transport expenses.

1.3.6 Supplies and Services

The total underspending on supplies and services is £0.46m which is an increase of £243k over the previous forecast. The main areas of underspending are the purchase of equipment with a total underspend of £316k and a saving of £154k on communications and telecom costs.

1.3.7 Capital Financing Charges

The policy of taking advantage of low short term variable borrowing rates coupled with the use of revenue balances to reduce borrowing resulted in a saving of over £0.46m in interest charges during the financial year. . A more detailed explanation is provided in section 4 of this report.

1.3.8 Contingency For pay and Prices

As part of the implementation of the new command and control system the Authority anticipates it will incur significant additional costs in the form of early retirement, redundancy and relocation expenses. A provision of £542k has been set aside to meet these cost and this has been set against the contingency for pay and prices leaving a balance of £0.354m unspent.

1.4 **Revenue Balances**

Any variations between actual expenditure and the approved revenue budget will have an impact on the revenue balances of the Authority.

At the beginning of the financial year the Authority had revenue balances of £8.414m. The impact of the under spending is that balances will increase to £10.84m at 31 March 2013 of which £2.5m is required as a minimum revenue balance.

The savings to be achieved as part of the medium term financial plan are to a large extent dependent upon the Authority's ability to deliver the approved programme of station builds. The revenue balances provide the Authority with the flexibility to manage any delays the Authority may encounter in delivering these savings.

Coupled with that the Chancellor has already indicated that there will be similar cuts in public sector spending over the next spending review period. These balances will provide the Authority with the flexibility to manage the savings in line with the retirement profile.

Section 2 - Capital Expenditure Outturn

2.1 Revised Capital Programme 2012/2013

In February 2012 the Authority approved a three year capital plan totalling £28.46m with expenditure of £11.756m programmed for 2012/2013. The nature of major capital schemes is that expenditure often slips between financial years and as a consequence the capital programme is revised throughout the financial year. The revised plan for the 2012/2013 financial year, as amended by the Finance and Resources Committee, is £12.302m.

2.2 Capital Outturn 2012/2013

The actual capital outturn for 2012/2013 was £7.08m equating to just over 61.1% of the revised capital plan. An explanation of performance in each area of the plan is provided below. This level of delivery is well below previous performance but is directly linked to the problems the Authority has encountered in purchasing land for the five new fire stations included within the 2012/2013 capital plan. A summary of the outturn is provided in Appendix 6.

2.2.1 Property

There has been total expenditure of £0.57m which represents 70% of the revised capital plan of £0.818m. Major works progressed in the year include:

- the major refurbishment of Castleford Fire Station incorporating shared accommodation with West Yorkshire Police.
- preparation work for the construction of the five new fire stations included in the IRMP.
- Other refurbishment and improvement schemes included
 - a new roof covering with improved thermal insulation at the Training Centre Gymnasium
 - building, fitting of underground Environmental surface water
 - Interceptors to Derv tank areas at Moortown, Slaithwaite and Bingley Fire Stations
 - the provision of an efficient new Gas fired heating system with Solar Panel, Domestic Hot Water pre-heat system at Fairweather Green Fire Station.

2.2.2 Information Technology

There has been total expenditure of £0.539m which represents 69% of the revised capital plan of £0.705m.

- ICT have been heavily involved in the specification, procurement and subsequent workshops for the new control system and have also provided support for the implementation of the IRMP initiatives.
- Rationalisation of IT hardware continues with a reduction in the number of desktops and subsequent licensing costs. Significant progress has been made on upgrading systems to enable certification against the PSN code of connection.
- The SAP system has been upgraded to the latest version which will ensure on-going support and functionality for the future. Development of systems to support service delivery continue with changes to the prevention database and the introduction of a dynamic cover tool for use by operations and mobilising.

2.2.3 Transport

Total expenditure on transport of £0.944m exceeded the approved capital programme by £54k which is within the tolerance allowed within standing orders. The following schemes were delivered during the year:-

- Purchase of 5 new fire appliances
- Purchase of 2 Fire response units
- Purchase of 2 young firefighter vehicles
- Modifications to all front line fire appliances to accommodate the new breathing apparatus
- Purchase of 2 CARPs which will be delivered in 2013/2014

2.2.4 IRMP

There has been total expenditure of £2.107m which represents 39% of the revised capital plan of £5.375m.

This is by far the largest section of the capital plan covering all the major schemes required to deliver the IRMP. As explained in the opening paragraph almost £3m of the under-spending relates to the purchase of land for the IRMP. Although progress has been slow in 2012/2013 the Authority is now close to purchasing 4 of the 5 sites identified and anticipates commencing construction on at least 2 of the sites in 2013/2014.

2.2.5 Service Delivery

There has been total expenditure of £2.86m which represents 64% of the revised capital plan of £4.463m.

The most significant scheme is the joint project with South Yorkshire Fire and Rescue Authority for the replacement command and control system. During the year the majority of the building work including the development of the service delivery hub has been completed.

The Authority also purchased new breathing apparatus for all front line firefighters which following a competitive procurement process resulted in a saving of £0.5m on the estimated cost.

2.3 Capital Financing

As reported in the treasury management section in the report the Authority has funded the capital plan using capital grants, capital receipts and short term variable rate borrowing.

Section 3 – Statement of Accounts

3.1 The formal Statement of Accounts for 2012/2013 will be presented to the September meeting of this Committee once the audit has been completed. Included within this report is a copy of the four main financial statements, these being:

- Movement in Reserve Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement

This report does not include the numerous notes and supporting statements which will be provided at the September meeting. It is intended by taking this approach that members may get a better understanding of the four key statements.

3.2 The preparation, format and approval procedures for the Statement of Accounts have been carried out in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom, (the Code of Practice) published by Chartered Institute of Public Finance and Accountancy (CIPFA). As a result of changes to the code of practice the Audit Committee is no longer required to approve the Statement of accounts prior to the completion of the Audit. The accounts are therefore presented to the Committee for information, not approval.

A brief explanation of the key financial statements is provided below.

3.3 Movement in Reserve Statement (Appendix 7)

Included within the Authority's balance sheet are a number of reserves which are set aside to meet future years expenditure. These reserves are broken down into those which the Authority can use to either fund expenditure or reduce council tax which are called useable reserves and those which cannot which are called 'unusable reserves'. An example of an unusable reserve would be a 'capital asset revaluation reserve' where the book value of a building may have increased but would not create any additional income to the Authority and consequently is just an accounting entry.

The purpose of this statement is to show the movement during the current financial year. In the case of 2012/2013 the most significant movement is in the general fund balance which has increased by £2.427m as a result of the under spending in the year and is available to fund future years expenditure.

3.4 Comprehensive Income and Expenditure Statement (Appendix 8)

This statement consolidates all the gains and losses experienced by the Authority during the course of the financial year which reconcile to the overall change in the net worth of the Authority which is shown in the balance sheet.

The statement is split into two sections

- The first section looks at the impact on net worth as a result of the provision of the service and compares the expenditure incurred with the income generated
- The second section looks changes which have not been related to the provision of the service including changes in the value of its land and buildings and any actuarial gains and losses on pension assets and liabilities.

The main purpose of the statement is to show the accounting cost in the year of providing the service in accordance with generally accepted accounting practice rather than the cost to the tax payer. The actual impact on the taxpayer is shown in the Movement in Reserves Statement as explained in the previous paragraph.

3.5 Balance Sheet (Appendix 9)

The balance sheet is fundamentally different from the other key statements because it summarises the financial position of the Authority on one day (31 March) rather than providing a summary of the transactions through the year.

The balance sheet shows the value of the assets and liabilities that have been recognised by the Authority at 31 March and then shows how these are matched by the reserves held by the Authority.

As explained above, there are two types of reserve held by the Authority, 'useable reserves' (which are those the Authority can use to fund expenditure or reduce council tax) and 'unusable reserves' which cannot; the balance sheet splits the reserves into these categories.

There has been an increase in usable reserves which is for unspent Government grants, the majority of this balance relates to the Fire Control grant of £3.6m

There are two items that stand out on the balance sheet, the 'Net Liability related to Defined Pension Scheme' and the Pension Reserve, both of which show a liability of £1207m. These show the total future value of net liabilities in the Firefighters' Pension scheme which is an unfunded scheme. These figures, which overshadow the rest of the balance sheet, give a false impression of the overall financial worth of the Authority for two reasons. Firstly, these are long term liabilities which will be payable over the life of all existing staff and pensioners and secondly, any year on year deficit on pensions is met by a grant from central government. Consequently, if you exclude these liabilities from the balances sheet the Authority has a net worth of £47m.

3.6 Cash Flow Statement (Appendix 10)

This statement shows the changes in cash and cash equivalents (e.g. debtors, creditors) during the financial year. It shows how the Authority generates and uses the cash by classifying it as either operating (provision of service), investing and financing activities.

- The operating activities demonstrate how the income raised through government grant council tax is used to fund service provision,
- The investment activities include the extent to which the Authority has invested in new property and equipment , as well as any income achieved from investing spare cash resources
- The financing activities shows the Authority's financing decisions including borrowing activity and the repayment of existing loans.

The cash flow statement excludes all non cash transactions such as depreciation.

West Yorkshire Fire & Rescue Service Treasury Management – Annual Report 2012-13

1. Purpose of report

1.1 Financial Procedure Rules require that the Authority receives an annual report on Treasury Management activities for the previous financial year. The report reviews borrowing and investment performance, Prudential Indicators, and risk and compliance issues.

2. Key points

2.1 Background

2.1.1 The Authority has adopted the CIPFA Code of Practice on Treasury Management and operates its treasury management service in compliance with this Code and various statutory requirements. These require that the prime objective of the activity is to secure the effective management of risk, and that borrowing is undertaken on a prudent, affordable and sustainable basis.

2.1.2 As part of the new requirements in the Code of Practice, the Finance and Resources Committee undertakes a scrutiny role with regard to treasury management. Training is provided to members of that committee.

2.1.3 In reviewing performance, reference will be made to the Treasury Management Strategy Report approved by the Authority on 16 February 2012.

2.2 Borrowing and Investment Strategy 2012/13

2.2.1 With the continuation of instabilities in the financial markets and the economic downturn, the over-riding policy was one of ensuring the security of the Authority's balances. The Authority would usually choose to invest externally balances of around £2 million, largely for the purpose of managing day-to-day cash flow requirements. However, the balance has been significantly higher for large parts of the year due to the Government's policy of paying the pension grant of around £22 million in full in July each year. The Authority was also in receipt of a grant from the Government of £3.6 million towards the funding of a joint control centre with South Yorkshire. This has been invested separately so that any investment income earned is easily identifiable. The investment strategy was designed to minimise risk, investments being made primarily in instant access accounts or short-term deposits, with the major British owned banks and building societies, or Money Market Funds.

2.2.2 It was expected that the Authority would have an external borrowing requirement of up to £4.4 million, arising from the need to finance capital expenditure, replace long term borrowing due to mature and replace balances used. It was proposed to take a pragmatic approach to borrowing, in terms of short or long term, variable or fixed rate, public or private sector borrowing, depending on opportunities offered in terms of interest rates and availability of products.

2.3 Actual Performance

2.3.1 The global outlook stabilised mainly due to central banks maintaining low interest rates and expansionary monetary policy for an extended period. Equity market assets recovered sharply despite economic growth being either muted or disappointing.

2.3.2 The UK had growth of 0.2% in the calendar year, largely due to a boost from the Olympic Games in the third quarter. Wage growth was outstripped by inflation – higher food, energy and transport costs being the principal contributors to inflation remaining above the Bank of England’s 2% CPI target. With the national debt metrics out of kilter with a triple-A rating, it was not surprising that the UK’s sovereign rating was downgraded by one of the credit rating agencies (Moody’s).

2.3.3 The possibility of a further cut in Base Rate was discussed at some of the Monetary Policy Committee meetings, but did not materialise. Long-term interest rates have fallen from the beginning of the year – the UK being seen as something of a safe haven has driven gilt yields down.

2.3.4 At the beginning of each quarter, interest rates were as follows:

		<u>Base rate</u>	<u>50 year PWLB (maturity)</u>
2012	Apr	0.5%	4.43%
	Jul	0.5%	4.15%
	Oct	0.5%	4.19%
	Jan	0.5%	4.12%*
2013	Apr	0.5%	4.02%*

*Includes the discount offered under the “certainty rate” scheme – see paragraph 2.3.8 below.

2.3.5 The Authority’s investments totalled £4.9 million as at 31 March 2013 (£1.9m 31 March 2012). The Authority invested an average balance of £12.5 million externally during the year – higher than expected due to under-spending on capital and stronger cash flow. Income of £0.042 million was generated through these investments around £0.009 million of which is attributable to the control centre grant mentioned in paragraph 2.2.1 above. The Authority’s average lending rate for the year was 0.54%, being above the weighted average 7 day London Interbank borrowing rate 0.52%.

- 2.3.6 In terms of borrowing, long-term loans at the end of the year totalled £54.8 million and short-term loans £6.4 million (£56.4 million and £3.0 million 31 March 2012). There was no new long-term borrowing taken during the year and repayments are detailed in Appendix 1. Overall external borrowing increased by £1.8 million during the year.
- 2.3.7 Fixed rate loans account for 85% of total long-term debt giving the Authority stability in its interest costs. The maturity profile for fixed rate long-term loans is shown in Appendix 2 and shows that no more than 5% of fixed rate debt is due to be repaid in any one year. This is good practice as it reduces the Authority's exposure to a substantial borrowing requirement in future years when interest rates might be at a relatively high level.
- 2.3.8 The primary source of long-term local authority borrowing has historically been from the Government ie Public Works Loan Board (PWLB). From November, the PWLB have been offering a 0.20% discount on loans ("the certainty rate" scheme) for local authorities providing improved information and transparency on their locally-determined long-term borrowing and associated capital spending plans. The Authority has qualified to use the scheme.
- 2.3.9 The Authority has a £2.0 million LOBO (Lender's Option, Borrower's Option) loan as at 31 March 2013. The way these loans work is that the Authority pays interest at a fixed rate for an initial period and then the lender has the option in the secondary period to increase the rate. If the option is exercised, the Authority can either accept the new rate or repay the loan. The initial fixed period ended in May 2011. The lender did not exercise their option to increase interest rates. The next time the lender has this option is in May 2016. The final maturity date is 22 May 2066.
- 2.3.10 The Authority's average borrowing rate has remained low. The average for 2012/13 was 3.77% compared to 3.68% in 2011/12, a slight increase caused by the maturity of some low rate loans. The Authority's temporary borrowing performance was monitored during the period, with the average temporary borrowing rate of 0.62% being higher than the weighted average 7 day London Interbank borrowing rate of 0.54%. This is due to taking some borrowing for periods of up to 12 months in December 2011 to assist with cashflow planning. These loans have now been repaid.

2.4 Prudential Indicators

- 2.4.1 The Authority is required by the Prudential Code to report to Members the actual prudential indicators after the year end. Appendix 4 provides a schedule of all the mandatory indicators. The Authority operated within all the appropriate limits.

2.5 Risk and Compliance Issues

- 2.5.1 The Authority has complied with all of the relevant statutory, regulatory and internal requirements which limit the levels of risk associated with its treasury management activities. Officers have continually adapted investment policies during the year in order to minimise risk in view of the deepening crisis in the financial markets. The Authority's adoption and implementation of both the Prudential Code and the CIPFA Code of Practice on Treasury Management means that its capital expenditure is prudent, affordable and sustainable.
- 2.5.2 Kirklees Council manages the treasury management function on behalf of the Authority. Their officers are aware of the risks of passive management of the treasury portfolio and, with the support of the Council's consultants, Sterling Consultancy Services and their successor Arlingclose Limited, have proactively managed the debt and investments over the year. There is little risk of volatility of borrowing costs in the current debt portfolio as interest rates are predominantly fixed.
- 2.5.3 The CIPFA Code of Practice 2009 requires that treasury management performance be subject to regular member scrutiny. The Treasury Management Strategy report, approved by the Authority on 16 February 2012, indicated that the Finance and Resources Committee would be given responsibility for this. As well as receiving the Strategy and Outturn reports the Committee also receive regular monitoring reports on treasury management activities.

CIPFA's Code of Practice on Treasury Management in the Public Services.

CIPFA's Prudential Code for Capital Finance in Local Authorities.

Local Government Act 2003.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.

Public Works Loan Board Website.

Section 5 – Members’ Allowances Outturn

5.1 Under Regulation 26A of the Local Authorities (Member Allowances) Regulations 1991, as amended, the Authority is required to publish details of all sums paid within the year under the scheme to each individual member in respect of Basic allowance, Special Responsibility allowance. This information is provided below.

			Basic Allowance	Special Responsibility Allowance	Expenses	Total
T	AUSTIN		£3,411.00	£4,088.17	£235.97	£7,735.14
C	BAMPTON-SMITH	*	£348.44	£99.28	£17.55	£465.27
V	BINNEY		£2,093.98	£0.00	£113.10	£2,207.08
R	BROWN	*	£568.50	£0.00	£42.90	£611.40
C	BURKE		£2,870.01	£708.39	£227.50	£3,805.90
A	CASTLE	*	£568.50			£568.50
J	COLE	*	£348.44	£0.00	£0.00	£348.44
D	DAVIES	*	£1,326.50	£0.00	£41.60	£1,368.10
J	DODDS		£3,411.00	£941.04	£0.00	£4,352.04
R	GRAHAME		£3,411.00	£0.00	£230.10	£3,641.10
D	GRAY		£2,868.46	£0.00	£508.47	£3,376.93
D	HALL	*	£568.50	£0.00	£0.00	£568.50
S	HAMILTON		£3,411.00	£0.00	£0.00	£3,411.00
P	HARRAND		£3,411.00	£3,764.04	£572.65	£7,747.69
L	HOLMES		£2,897.52	£0.00	£0.00	£2,897.52
D	HOPKINS	*	£485.98	£0.00	£0.00	£485.98
J	HUGHES		£3,411.00	£7,203.91	£219.70	£10,834.61
A	HUSSAIN		£3,361.00	£708.39	£270.40	£4,339.79
J	ILLINGWORTH	*	£568.50	£0.00	£17.55	£586.05
M	KHAN		£3,411.00	£17,326.72	£1,492.02	£22,229.74
A	McKENNA	*	£852.75	£941.01	£104.00	£1,897.76
K	RENSHAW		£2,577.20	£0.00	£6.57	£2,583.77
D	RIDGWAY	*	£568.50	£0.00	£231.70	£800.20
B	SELBY		£2,870.01	£2,823.03	£488.80	£6,181.84
B	SMITH		£3,411.00	£3,066.14	£195.00	£6,672.14
A	TAYLOR		£2,925.02	£0.00	£117.00	£3,042.02
G	THORNTON		£3,411.00	£3,066.14	£744.90	£7,222.04
C	TOWNSLEY		£3,411.00	£1,638.94	£239.90	£5,289.84
A	WAINWRIGHT		£2,861.45	£0.00	£7.80	£2,869.25
A	WALLIS		£3,411.00	£0.00	£0.00	£3,411.00
P	WARDHAUGH		£2,906.69	£0.00	£0.00	£2,906.69
G	WILKINSON		£2,870.01	£0.00	£442.13	£3,312.14
		*	Part year only			

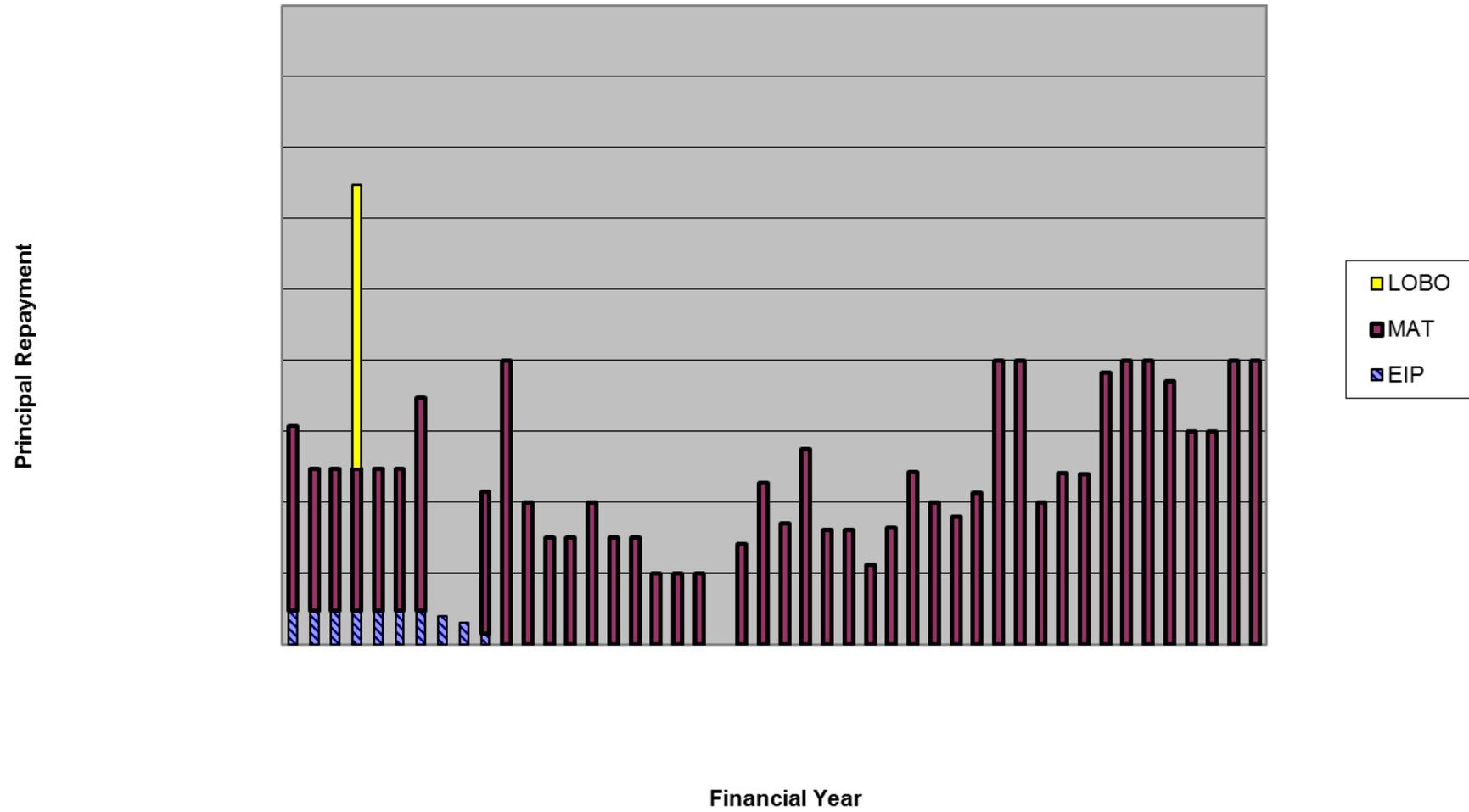
Appendix 1

MOVEMENT IN PWLB BORROWING

LOANS REPAID 2012/13

	Rate %	Date repaid	Amount £000s
Repayments on Maturity			
PWLB (495119) variable rate loan	0.59	8 Dec 12	300.0
PWLB (496596) variable rate loan	0.53	1 Feb 13	500.0
PWLB (494388)	4.3	7 Mar 13	500.0
Repayments on EIP loans			
PWLB (479328)	7.50	12 May 12	40.0
		12 Nov 12	40.0
PWLB (474941)	8.625	8 June 12	9.8
		8 Dec 12	9.8
PWLB (474942)	9.00	8 June 12	29.4
		8 Dec 12	29.4
PWLB (478223)	8.375	30 Sept 12	38.5
		30 Mar 13	38.5
Total			1,535.4

WYFRA Long-Term Debt Maturity Structure



Appendix 3

Investments as at 31 March 2013

Counterparty	£m	Interest Rate %	Terms
Aviva Liquidity Fund	0.033	0.26	Money Market Fund
Goldman Sachs Sterling Liquid Reserve	0.081	0.36	Money Market Fund
Ignis Liquidity Fund	0.700	0.39	Money Market Fund
Bank of Scotland	0.307	0.75	Deposit Account
DMO	3.427	0.25	Investment
DMO	0.350	0.25	Investment
Total	4.898		

PRUDENTIAL INDICATORS ACTUALS 2012/13**Capital Expenditure, Capital Financing Requirement and External Debt**

The table below draws together the main elements of the capital plans, highlighting the supported and unsupported elements of borrowing and other financing arrangements. The table also shows the Capital Financing Requirement (CFR), which is the Authority's underlying external indebtedness for a capital purpose, compared with the expected borrowing position.

	2011/12 Actual <u>£000s</u>	2012/13 Estimate <u>£000s</u>	2012/13 Actual <u>£000s</u>
Capital Expenditure	8,635	11,586	7,075
Financed by -			
Borrowing	6,023	7,153	3,069
Capital Grant	2,612	2,538	2,543
Capital Receipts	0	1,200	1,463
Anticipated Slippage	0	695	0
	<u>8,635</u>	<u>11,586</u>	<u>7,075</u>
CFR as at 31 March	63,747	67,994	63,140
External debt as at 31 March			
Borrowing	59,352	66,813	61,216
Other LT Liabilities	333	116	71
Total debt	<u>59,885</u>	<u>66,929</u>	<u>61,287</u>

Limits to Borrowing Activity

The first key control over the Authority's borrowing activity is a Prudential Indicator to ensure that over the medium term, net borrowing will only be for a capital purpose. Net external borrowing should not, except in the short-term, exceed the total CFR. This allows some flexibility for limited early borrowing for future years. As can be seen from the table above, the Authority was within the CFR in 2012/13. The Authority's total borrowing includes £6.4 million of short-term loans.

A further two Prudential Indicators control overall level of borrowing. These are the Authorised Limit and the Operational Boundary. The Authorised Limit represents the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected

movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

The Operational Boundary is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during this year.

	2011/12	2012/13	
	Actual (max) £m	Estimate £m	Actual (max) £m
<u>Authorised limit for external debt</u>			
Borrowing	63.8	74.9	62.8
Other Long Term Liabilities	0.3	0.1	0.1
Total	64.1	75.0	62.9
<u>Operational boundary for external debt</u>			
Borrowing	63.8	69.9	62.8
Other Long Term Liabilities	0.3	0.1	0.1
Total	64.1	70.0	62.9

The Authority was within its Authorised limit for the year and its Operational Boundary.

Affordability Prudential Indicators

Ratio of financing costs to net revenue stream and impact of capital investment decisions on the Precept

These indicators identify the cost of capital (borrowing costs net of investment income) against the net revenue stream, and the impact of the capital programme compared to the Authority's original budget commitments. The net revenue stream is defined as the amount to be met from government grants, local taxpayers and balances.

	2011/12	2012/13	
	Actual	Estimate	Actual
<u>Ratio of financing costs to net revenue stream</u>	7.44%	8.04%	7.56%
<u>Incremental impact of capital investment decisions</u>	0.08	0.13	* 0.01

* as no new long term borrowing was taken in 2012-13, this figure has been calculated using the investment rate of 0.54% to assess the opportunity cost of using the Authority's cash balances to fund capital expenditure

Treasury Management Prudential Indicators

Interest Rate Exposures

While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio. The Prudential Code requires the setting of upper limits for both variable rate and fixed interest rate exposure:

	Limit Set 2012 - 13	Actual 2012 – 13
Interest at fixed rates as a percentage of net interest payments	60% - 100%	97.8%
Interest at variable rates as a percentage of net interest payments	0% - 40%	2.2%

The interest payments were within the limits set.

Maturity Structure of Borrowing

This indicator is designed to prevent the Authority having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	Limit Set 2012 - 13	Actual Levels 2012 - 13
Under 12 months	0% - 20%	0.5% - 1.5%
12 months to 2 years	0% - 20%	0.5%
2 years to 5 years	0% - 50%	5.6% - 5.7%
5 years to 10 years	0% - 80%	2.1% - 4.1%
More than 10 years	20% - 100%	88.2% - 90.2%

The limits on the proportion of fixed rate debt were adhered to.

Total principal sums invested for periods longer than 364 days

This indicator was set at zero as there was no intention to hold investments for treasury management purposes with maturity dates in excess of a year. There was no change to this position.

Appendix 5

2012/2013 REVENUE EXPENDITURE OUTTURN

EXPENDITURE	EXPEND FORECAST £000	APPROVED BUDGET £000	FORECAST VARIANCE £000
Wholtime firefighters	£56,274	£57,379	-£1,105
Retained firefighters	£1,675	£2,073	-£398
Firefighters pensions	£1,586	£1,482	£104
Brigade control	£1,962	£1,834	£128
Support staff	£10,158	£9,693	£465
Other employee expenses	£450	£667	-£217
Premises expenses	£2,960	£2,920	£40
Transport costs	£2,310	£2,364	-£54
Supplies and services	£3,866	£4,326	-£460
Insurance	£743	£743	£0
Lead authority charges	£234	£288	-£54
Capital financing charges	£6,742	£7,207	-£465
Provision for pay & prices	£542	£896	-£354
Total Expenditure	£89,502	£91,872	-£2,370
			£0
			£0
Grants	£1,388	£1,343	£45
Other Income	£1,324	£1,313	£11
			£0
Total Income	£2,712	£2,656	£56
			£0
Net expenditure	£86,790	£89,216	-£2,426

Appendix 6

CAPITAL BUDGET MONITORING 2012/13					
SUMMARY					
Directorate	Original Capital Plan	Virement/ Slippage	Revised Capital Plan	Expenditure 2012/13	Balance Uncommitted
CORPORATE RESOURCES					
Property services	£685,000	£133,000	£818,000	£570,946	£247,054
Information technology	£725,000	-£20,000	£705,000	£539,202	£165,798
Transport	£958,000	-£17,700	£940,300	£994,938	-£54,638
STRATEGIC DEVELOPMENT					
IRMP	£5,255,000	£120,624	£5,375,624	£2,107,587	£3,268,037
SERVICE DELIVERY					
Operations	£3,433,000	£330,144	£3,763,144	£2,118,589	£1,644,555
Fire Safety & Community Relations	£700,000	£0	£700,000	£744,067	-£44,067
	£11,756,000	£546,068	£12,302,068	£7,075,329	£5,226,739

CAPITAL BUDGET MONITORING 012/13					
CORPORATE RESOURCES					
PROPERTY					
Details of Scheme	Original Capital Plan	Virement/Slippage	Revised Capital Plan	TOTAL EXPT	Balance Uncommitted
Oakroyd Hall					
Phased major refurbishment - conference room	£50,000	-£50,000	£0	£0	£0
Training Centre					
Asbestos removal and major environmental improvements	£50,000	-£35,000	£15,000	£0	£15,000
MPTC - replacement of electrical and emergency back up safety systems and fabric repairs	£80,000		£80,000	£56,693	£23,307
Replacement of roof to old gym building	£60,000		£60,000	£0	£60,000
Training Centre and main block - external refurbishment	£0	£27,000	£27,000	£9,681	£17,319
Fire Stations					
Moortown - installation of a diesel tank drainage interceptor and refuelling pad	£30,000		£30,000	£29,994	£6
Slaithwaite - replacement roof & internal refurbishment	£25,000		£25,000	£6,812	£18,188
Fairweather Green - replacement of heating system & internal fabric upgrade	£85,000		£85,000	£85,274	-£274
General Strategic Refurbishments					
Phased strategic refurbishment of vehicle pits	£15,000		£15,000	£14,877	£123
Health & Safety improvements	£40,000		£40,000	£16,568	£23,432
Electrical, heating and other services equipment replacement	£50,000		£50,000	£46,546	£3,454
Lightening and power surge protection	£30,000		£30,000	£25,151	£4,849
Asbestos management & removal	£20,000		£20,000	£18,930	£1,070
DDA access improvements	£10,000		£10,000	£0	£10,000
Internal fabric refurbishment	£30,000		£30,000	£29,575	£425
Upgrading of appliance bay doors	£10,000		£10,000	£9,995	£5
External fabric refurbishments	£20,000		£20,000	£19,605	£395
Tarmac and surface to drill ground replacement	£30,000		£30,000	£22,651	£7,349
Kitchen refurbishments	£10,000		£10,000	£0	£10,000
Access control & security improvements	£40,000		£40,000	£27,449	£12,551
TOTAL CAPITAL PLAN 2012/13	£685,000	-£58,000	£627,000	£419,801	£207,199
Schemes slipped from previous years					
FSHQ Whitehall Road Access		£4,000	£4,000	£2,406	£1,594
Breathing Apparatus building extension for kit storage, change & shower facilities		£41,000	£41,000	£39,920	£1,080
Strategic Corporate development		£9,000	£9,000	£9,000	£0
Strategic Major Refurb Rothwell & Brighouse Fire Stations		£8,000	£8,000	£0	£8,000
Phased programme Ablution Refurb inc FWG		£4,000	£4,000	£3,200	£800
Hunslet Refurbishment		£16,000	£16,000	£15,986	£14
Oakroyd Hall Major refurbishment		£12,000	£12,000	£1,425	£10,575
Emergency electrical back up power supply systems		£14,000	£14,000	£13,737	£263
Illingworth Environmental improvement & DDA		£2,000	£2,000	£0	£2,000
Phased programme of washing & welfare refurbishments - Odsal & Cleckheaton		£9,000	£9,000	£6,054	£2,946
Upgrading of defective heating systems - Moortown, FWG, Bingley & Odsal		£5,000	£5,000	£2,143	£2,857
Replacement of tarmac & surfaces		£2,000	£2,000	£2,000	£0
Health & Safety Improvements		£14,000	£14,000	£8,274	£5,726
Improvements to electrical, heating, legionella prevention, appliance bay battery chargers		£23,000	£23,000	£23,000	£0
Training facility & training tower refurbishments		£14,000	£14,000	£14,000	£0
DDA access improvements (lift retention)		£4,000	£4,000	£0	£4,000
Security System Installations		£10,000	£10,000	£10,000	£0
TOTAL SLIPPAGE		£187,000	£187,000	£151,145	£38,261
TOTAL CAPITAL INCLUDING SLIPPED SCHEMES	£685,000	£133,000	£818,000	£570,946	£247,054

CAPITAL BUDGET MONITORING 2012/13

CORPORATE RESOURCES

IT

Details of Scheme	Original Capital Plan	Virement/Slippage	Revised Capital Plan	TOTAL EXPT	Balance Uncommitted
Computer hardware	£80,000		£80,000	£69,309	£10,691
Human resources data base upgrade	£50,000		£50,000	£46,012	£3,988
Software licences	£250,000		£250,000	£204,849	£45,151
Wireless networks	£20,000	-£20,000	£0	£0	£0
Replacement servers	£90,000		£90,000	£89,206	£794
Networking hardware	£50,000		£50,000	£49,379	£621
Business continuity	£50,000		£50,000	£50,136	-£136
Mobile computing	£40,000		£40,000	£20,311	£19,689
Technicians tools	£15,000		£15,000	£0	£15,000
Computer hardware - secure internet	£80,000		£80,000	£0	£80,000
Premises Risk Database	£0		£0	£10,000	-£10,000
TOTAL CAPITAL SCHEMES	£725,000	-£20,000	£705,000	£539,202	£165,798

CAPITAL BUDGET MONITORING 2012/13

CORPORATE RESOURCES

TRANSPORT

Details of Scheme	Original Capital Plan	Virement/Slippage	Revised Capital Plan	TOTAL EXPT	Balance Uncommitted
Vehicle replacement (Appliances * 5)	£938,000	-£30,000	£908,000	£975,521	-£67,521
Traffic management system	£20,000	£12,300	£32,300	£19,417	£12,883
TOTAL CAPITAL SCHEMES	£958,000	-£17,700	£940,300	£994,938	-£54,638

CAPITAL BUDGET MONITORING 2012/13

STRATEGIC DEVELOPMENT

IRMP

Details of Scheme	Original Capital Plan	Virement/ Slippage	Revised Capital Plan	TOTAL EXPT	Budget Remaining
LAND PURCHASE					
South Kirkby	£200,000		£200,000	£0	£200,000
Rastrick	£500,000		£500,000	£0	£500,000
Menston	£600,000		£600,000	£0	£600,000
Killingbeck	£800,000		£800,000	£0	£800,000
Batley Carr	£800,000		£800,000	£0	£800,000
CLOSE CALL					
Rothwell refurbishment	£430,000	-£430,000	£0		£0
Castleford Refurbishment	£680,000	£22,924	£702,924	£595,152	£107,772
Castleford close call	£350,000		£350,000	£288,366	£61,634
VEHICLES					
Fire Response Unit	£0	£54,200	£54,200	£41,157	£13,043
Small Van Replacement	£55,000		£55,000	£67,561	-£12,561
Bradford CARP	£0	£274,500	£274,500	£309,663	-£35,163
Huddersfield CARP	£640,000	-£100,000	£540,000	£515,738	£24,262
Schemes slipped from previous years					
Pontefract Firestation New Build		£260,000	£260,000	£183,934	£76,066
Normanton Fire Station New Build	£200,000	£29,000	£229,000	£97,822	£131,178
Normanton close call house	£0	£10,000	£10,000	£8,194	£1,806
TOTAL CAPITAL PLAN 2011/12	£5,255,000	£120,624	£5,375,624	£2,107,587	£3,268,037

CAPITAL BUDGET MONITORING 2012/13

SERVICE DELIVERY

OPERATIONS

Details of Scheme	Original Capital Plan	Virement/Slippage	Revised Capital Plan	TOTAL EXPT	Balance Uncommitted
High pressure air mats	£70,000		£70,000	£71,610	£-1,610
BA Equipment	£940,000		£940,000	£427,270	£512,730
Lay flat hose	£100,000	£-20,000	£80,000	£70,840	£9,160
PPV fans	£26,000		£26,000	£21,709	£4,291
Line rescue equipment	£25,000		£25,000	£13,292	£11,708
Ultra lightweight portable pumps	£12,000		£12,000	£0	£12,000
Water rescue equipment	£15,000		£15,000	£16,418	£-1,418
PPE	£900,000		£900,000	£949,593	£-49,593
Hydrants	£450,000		£450,000	£168,320	£281,680
Ladder replacements	£45,000		£45,000	£58,979	£-13,979
			£0	£0	£0
Replacement control project - Premises	£550,000	£250,000	£800,000	£241,730	£558,270
Replacement control project - Contingency	£300,000		£300,000	£63,629	£236,371
TOTAL CAPITAL PLAN 2012/13	£3,433,000	£230,000	£3,663,000	£2,103,389	£1,559,611
Schemes slipped from previous years					
Command Units ICT Provision and Upgrade	£0	£91,458	£91,458	£15,200	£76,258
Water Rescue Equipment	£0	£8,686	£8,686	£0	£8,686
TOTAL SLIPPAGE	£0	£100,144	£100,144	£15,200	£84,944
TOTAL CAPITAL INCLUDING SLIPPED SCHEMES	£3,433,000	£330,144	£3,763,144	£2,118,589	£1,644,555
FIRE SAFETY					
Details of Scheme	Original Capital Plan	Virement/Slippage	Revised Capital Plan	TOTAL EXPT	Balance Uncommitted
Home Fire Safety Checks	£700,000	£0	£700,000	£744,067	£-44,067
TOTAL CAPITAL INCLUDING SLIPPED SCHEMES	£700,000	£0	£700,000	£744,067	£-44,067

CAPITAL BUDGET MONITORING 2010/11
CORPORATE RESOURCES
OPERATIONS

Details of Scheme	Original Capital Plan	Virement/Slippage	Revised Capital Plan	TOTAL EXPT	Balance Uncommitted
Command Rooms	£50,800	£50,800	£101,600	£51,222	£50,378
Flood Response	£156,000	-£1,300	£154,700	£101,858	£52,842
Incident Liason Officers equipment	£22,800	-£22,800	£0		£0
Adapt Demountable Units IRMP	£94,000	-£44,400	£49,600	£35,374	£14,226
Technical Rescue Vehicle	£217,000	£44,400	£261,400	£243,643	£17,757
Additional Water Rescue Equipment (stations)	£30,000		£30,000	£29,890	£110
TRV PPE	£20,000		£20,000	£23,718	-£3,718
Command Unit IT Equipment	£0		£0		£0
Fireground Radios	£12,500		£12,500	£12,571	-£71
Water Office Budget	£450,000		£450,000	£380,635	£69,365
Sill Braces	£11,000		£11,000	£11,499	-£499
Rescue Pumps Equipment	£70,000		£70,000	£51,273	£18,727
Rope Rescue Equipment	£15,000		£15,000	£11,230	£3,770
Thermal Imaging Cameras	£60,000		£60,000	£57,850	£2,150
PPV Fans	£37,500		£37,500	£36,405	£1,095
Lay Flat Hose	£30,000		£30,000	£24,522	£5,478
Replace Portable Pumps	£35,000		£35,000	£21,918	£13,082
Forced Entry Equipment	£23,000		£23,000	£21,987	£1,013
Battery Powered Reciprocating Saws	£31,000	-£15,000	£16,000		£16,000
Ground Monitors	£55,000	£15,000	£70,000	£67,587	£2,413
Hot Water System for Appliances	£15,000		£15,000	£16,302	-£1,302
Portable Lighting	£78,000		£78,000	£73,062	£4,938
MDT Software and Gateway	£0	£8,900	£8,900	£0	£8,900
Incident Liaison Officer's Equipment	£0	£1,800	£1,800	£1,905	-£105
USAR Accommodation Adaption	£0	£30,000	£30,000	£32,376	-£2,376
Personnel Welfare Unit	£0	£58,700	£58,700	£58,435	£265
Command Units ICT Provision and Upgrade	£0	£212,100	£212,100	£161,743	£50,357
TOTAL CAPITAL INCLUDING SLIPPED SCHEMES	£1,513,600	£338,200	£1,851,800	£1,527,007	£324,793

Main Financial Statements

4. Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Receipts Unapplied	Total Usable Reserves Note 23	Unusable Reserves Note 25	TOTAL AUTHORITY RESERVES
Movement in Reserves during 2011/12								
Balance at 01 April 2011		8,374	235	10	0	8,619	-929,922	-921,303
Movement in Reserves during 2011/12								
Surplus or (Deficit) on the provision of services		-39,611	0		0	-39,611	0	-39,611
Other Comprehensive Income & Expenditure	35		0	0	0	0	-43,065	-43,065
Total Comprehensive Income & Expenditure		-39,611	0	0	0	-39,611	-43,065	-82,676
Adjustments between accounting basis & funding basis under regulations	7	43,349		506		43,855	-43,855	0
Net Increase/Decrease before Transfers to Earmarked Reserves		3,738	0	506	0	4,244	-86,920	-82,676
Transfers to/from Earmarked Reserves	24	-3,698	3,698	0	0	0		0
Increase/Decrease in 2011/12		40	3,698	506	0	4,244	-86,920	-82,676
Balance at 31 March 2012 carried forward		8,414	3,933	516	0	12,863	-1,016,842	-1,003,979

Main Financial Statements

	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Receipts Unapplied	Total Usable Reserves (Note 21)	Unusable Reserves (Note 23)	TOTAL AUTHORITY RESERVES
<u>Movement in Reserves during 2012/13</u>								
Balance at 01 April 2012		8,414	3,933	516	0	12,863	-1,016,842	-1,003,979
Movement in Reserves during 2012/13								
Surplus or (Deficit) on the provision of services		-34,329	0	0	0	-34,329	0	-34,329
Other Comprehensive Income & Expenditure	35	0	0	0	0	0	-121,192	-121,192
Total Comprehensive Income & Expenditure		-34,329	0	0	0	-34,329	-121,192	-155,521
<u>Adjustments between accounting basis & funding basis under regulations</u>	7	36,787	0	-516	0	36,271	-36,271	0
Net Increase/Decrease before Transfers to Earmarked Reserves		2,458	0	-516	0	1,942	-157,463	-155,521
Transfers to/from Earmarked Reserves	24	-31	31	0	0	0	0	0
Increase/Decrease in 2012/13		2,427	31	-516	0	1,942	-157,463	-155,521
Balance at 31 March 2013 carried forward		10,841	3,964	0	0	14,805	-1,174,305	-1,159,500

Main Financial Statements

5. Comprehensive Income and Expenditure

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

<u>2011/12</u>				<u>2012/13</u>		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
5,539	-332	5,207	Community Fire Safety	5,535	-332	5,204
69,471	-1,749	67,722	Fire Fighting & Rescue Operations	69,415	-1,749	67,666
478	-6	472	Corporate and Democratic Core	478	-2	476
712	0	712	Non Distributed Costs	712		712
76,200	-2,087	74,113	Cost of Services	76,140	-2,083	74,058
1,266	-186	1,080	Other Operating Expenditure (Note 8)	637	-947	-310
55,727	-24	55,703	Financing and Investment Income & Expenditure (Note 9)	55,301	-2,979	52,321
0	-91,833	-91,833	Taxation and Non specific Grant Income (Note 10)	0	-91,740	-91,740
133,193	-94,130	39,063	Deficit on Provision of Services	132,078	-97,749	34,329
			0 Unrealised Surplus or Deficit on revaluation of fixed assets			0
			0 Surplus or Deficit on revaluation of available for sale financial assets			0
		43,065	Actuarial gains/losses on pension assets/liabilities			121,192
		0	Other adjustments			0
		<u>43,065</u>	<u>Other Comprehensive Income and Expenditure</u>			<u>121,192</u>
		82,128	Total Comprehensive Income and Expenditure			155,521

Main Financial Statements

6. Balance Sheet

West Yorkshire Fire and Rescue Balance Sheet as at 31 March 2013

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. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e., those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations"

Main Financial Statements

Balance Sheet as at 31 March 2013

31 March 2012 £000		Notes	31 March 2013 £000
	Property, Plant and Equipment	11	
77,104	Other Land & Buildings		73,185
15,801	Vehicles, Plant & Equipment		15,475
1,005	Assets Under Construction		5,808
854	Surplus assets not held for sale		433
883	Intangible Assets	13	841
230	Assets Held for Sale	14	0
<u>95,877</u>	Long Term Assets		<u>95,742</u>
	Assets Held for Sale		
559	Inventories	18	555
4,910	Short Term Debtors	19	8,009
-855	Doubtful Debt provision		-979
8,343	Cash and Cash Equivalents	20	11,496
<u>12,957</u>	Current Assets		<u>19,081</u>
-451	Bank Overdraft		-400
-4,535	Short Term Borrowing		-7,935
-4,867	Short Term Creditors	21	-5,019
-285	Provisions (<1yr)	22	-835
<u>-10,139</u>	Current Liabilities		<u>-14,189</u>
-54,816	Long Term Borrowing		-53,281
0	Capital Grants received in Advance		0
-1,047,525	Net liability related to defined Benefit Pension Schemes	35	-1,206,782
-333	Other Long Term Liabilities	33	-71
<u>-1,102,674</u>	Long Term Liabilities		<u>-1,260,134</u>
<u>-1,003,979</u>	Net Assets		<u>-1,159,500</u>
12,863	Usable Reserves	23	14,805
-1,016,842	Unusable Reserves	25	-1,174,305
<u>-1,003,979</u>	Total Reserves		<u>-1,159,500</u>

Main Financial Statements

7. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period.

The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e., borrowing) to the Authority.

Main Financial Statements

Cash Flow Statement for 2012/13

2011/12 £000		2012/13 £000
	Operating Activities	
35,846	Council Tax Income	35,740
39,885	NNDR	51,403
13,223	Grants	2,075
-1,408	Sales of goods and rendering of services	-1,506
24	Interest received	42
87,570		87,754
-59,101	Cash paid to and on behalf of employees	-55,257
-20,244	Cash paid to suppliers of goods and services	-21,744
-2,291	Interest Paid	-2,209
-81,636		-79,210
5,934	Net Cash Flow from Operating Activities	8,544
	Investing Activities	
-8,635	Purchase of PPE, investment property and intangible assets	-7,075
506	Proceeds from the sale of PPE, investment property and intangible assets	947
2,612	Capital grants received	2,543
	Net increase/(decrease) in short term deposits	
-5,517	Net cash flows from Investing Activities	-3,585
	Financing Activities	
28,500	Cash receipts of short and long term borrowing	11,500
	Other receipts from financing activities	
-218	Cash payments for the reduction of the outstanding liability relating to finance leases and on balance sheet PFI contracts (principal)	-110
-29,585	Repayments of short and long term borrowing	-9,635
-1,303	Net cash flows from financing activities	1,755
-886	Net increase or decrease in cash and cash equivalents	3,204
8,778	Cash and cash equivalents at the beginning of the reporting period	7,892
7,892	Cash and cash equivalents at the end of the reporting period	11,096

WYFRA	AUDIT COMMITTEE	27 JUNE 2013	ITEM NO 6
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REPORT OF: DIRECTOR OF CORPORATE RESOURCES

PURPOSE OF REPORT: TO INFORM MEMBERS OF THE AUTHORITY'S
PERFORMANCE INDICATOR OUTTURN
FIGURES FOR 2012/13

RECOMMENDATION: THAT MEMBERS NOTE THE REPORT

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

EXEMPTION CATEGORY: NONE

CONTACT OFFICER: ALISON DAVEY
CORPORATE SERVICES MANAGER
alison.davey@westyorksfire.gov.uk

BACKGROUND PAPERS: N/A

SUMMARY:

This report provides the outturn figures for the performance indicators 2012/13.

1 BACKGROUND

- 1.1 The Authority measures and monitors performance against Key, Service Delivery and Corporate Health indicators.
- 1.2 Performance against these indicators is reported bi-monthly to Management Team and to each Full Authority meeting.
- 1.3 Performance indicators are also used to benchmark performance with the Metropolitan Fire and Rescue Authorities and these comparisons are shown in the Performance Management Report presented to Management Team and the Full Authority.
- 1.4 An abridged version of the Performance Management Report is also presented to the Audit Committee highlighting the performance indicators where the targets are not being achieved or where comparisons with the seven Metropolitan Fire and Rescue Authorities identifies West Yorkshire as performing seventh, along with information regarding reasons why performance is not at the required level and actions being taken to address this.

2 INFORMATION

- 2.1 The performance indicator outturn figures 2012/13 for West Yorkshire Fire and Rescue Authority are shown in the attached table.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications arising from this report.

4 EQUALITY AND DIVERSITY ISSUES

- 4.1 There are no equality and diversity implications associated with this report.

5 HEALTH AND SAFETY IMPLICATIONS

- 5.1 There are no health and safety implications associated with this report.

6 SERVICE PLAN LINKS

- 6.1 This report links to all of the Service Plan 2011-2015 priorities.

7 RECOMMENDATION

- 7.1 That Members note the report.

Performance Indicator Outturns for 2012/13 and Targets from 2013/14 to 2014/15

Indicator	Definition	Outturn figures for 2011/12	Target 2012/13	Outturn figures for 2012/13	Target 2013/14	Target 2014/15
Service Delivery Indicators						
KPI 1(i)	Arson Incidents (All Deliberate Fires) per 10,000 population	38.78	55.34	21.58	53.98	52.63
KPI 1(ii)	Arson Incidents (Deliberate Primary Fires) per 10,000 population	7.00	13.13	5.51	12.81	12.50
KPI 1(iii)	Arson Incidents (Deliberate Secondary Fires) per 10,000 population	31.78	43.46	16.07	42.24	41.02
KPI 2(i)	Number of Primary Fires per 100,000 population	164.35	219.02	141.78	208.35	197.68
KPI 2(ii)a	Number of Fire Fatalities per 100,000 population – Accidental Dwelling Fires	0.18	0.41	0.18	0.40	0.39
KPI 2(ii)b	Number of Fire Fatalities per 100,000 population – Other Fires	0.18	No target set	0.13	No target set	No target set
KPI 2(iii)	Number of Fire Casualties (excluding precautionary checks) per 100,000 population	12.18	9.99	9.48	9.60	9.22
NI 47 ¹	People Killed or Seriously Injured (KSI) in Road Traffic Accidents	904	1024	934	994	963
NI 48 ¹	Children Killed or Seriously Injured (KSI) in Road Traffic Accidents	148	143	131	138	133
SD 1	Accidental dwelling fires (per 10,000 dwellings)	13.11	13.35	12.05	12.84	12.34
SD 2	Number of deaths arising from accidental fires in dwellings per 100,000 population	0.18	0.41	0.18	0.40	0.39
SD 3	Number of Injuries arising from accidental fires in dwellings per 100,000 population	9.07	6.94	7.28	6.65	6.37
SD 4	The percentage of accidental fires in dwellings confined to compartment of origin	91.45%	Mets upper quartile	91.91%	Mets upper quartile	Mets upper quartile
SD 5	Number of calls to malicious false alarms per 1000 population – not attended	0.16	0.42	0.12	0.41	0.39
SD 6	Number of calls to malicious false alarms per 1000 population – attended	0.28	0.58	0.21	0.56	0.54
SD 7	Unwanted fire signals from automatic fire detection equipment per 1000 non-domestic properties	57.25	83.70	48.43	83.07	82.44
SD 8 ²	False alarms caused by automatic fire detection apparatus per 1000 domestic properties	5.73	No target set	5.14	No target set	No target set
SD 9	Fires in non-domestic premises per 1000 non-domestic premises	6.44	7.45	5.36	7.11	6.78
SD 10a	The percentage of fires attended in dwellings where there was a working smoke alarm	56.1%	50.9%	53.9%	51.7%	52.6%
SD 10b	The percentage of fires attended in dwellings where a smoke alarm, because it was faulty or incorrectly sited, did not activate	6.3%	8.9%	5.9%	8.7%	8.5%
SD 10c ³	The percentage of fires attended in dwellings where a correctly sited and working smoke alarm did not activate	16.3%	N/A	17.5%	N/A	N/A
SD 10d	The percentage of fires attended in dwellings where no smoke alarm was fitted	21.3%	45.6%	22.7%	43.6%	41.6%

¹West Yorkshire Fire and Rescue Service is not directly responsible for performance against NI 47 & 48. Performance is reflective of the West Yorkshire Local Transport Plan for the reduction of 'Killed and Seriously Injured' and the work done by the West Yorkshire Safer Roads Partnership. West Yorkshire Fire and Rescue Service is a representative of the West Yorkshire Safer Roads Partnership alongside the 5 District Councils, West Yorkshire Police, Yorkshire Ambulance, Highways Agency, West Yorkshire Casualty Reduction (Safety Camera) Partnership and NHS Primary Care Trusts

² Indicator for monitoring purposes only. The expected increase over the coming years in the number of domestic properties installing detection equipment causes difficulties setting targets for this indicator

³ Indicator is used to identify where a smoke alarm has not activated for legitimate reasons

Key:	Purple indicates no target set	
	Red indicates not achieving target	
	Amber indicates satisfactory performance (within 10% of target)	
	Green indicates achieving or exceeding target	

Performance Indicator Outturns for 2011/12 and Targets from 2012/13 to 2014/15

Indicator	Definition	Outturn figures for 2011/12	Target 2012/13	Outturn figures for 2012/13	Target 2013/14	Target 2014/15
Corporate Health Indicators						
CH 1	The level (if any) of the Equality Standard for Local Government to which the Authority conforms	Excellent	Excellent	Excellent	Excellent	Excellent
CH 4 ⁵	Average number of days / shifts lost to sickness	5.77	6.25	6.28	6.12	6.00
CH 5a	Health and Safety - < 3 days injuries (Lost time)	51	46	26	44	42
CH 5b	Health and Safety – Total Injuries (Fatal)	0	0	0	0	0
CH 5c	Health and Safety – Total Injuries (Major)	1	No target set	5	No target set	No target set
CH 5d	Health and Safety – Total Injuries (3 + days)	22	34	19	32	30
CH 9	Forecast Budget Variance (% Variance against overall budget)	-1.2%	<1%	-2.7%	<1%	<1%
CH 10	The percentage of invoices for goods and services paid by the Authority within 30 days (stand alone month)	97.41%	100%	98.20%	100%	100%
CH 11	Forecast Capital Payments (Actual figures £s)	£8.63m	£11.52m	£7.04m	£13.71m	£12.61m
CH 13	Debtors – Value of debt outstanding which is over 60 days old	£48,877	No target set	£8,241	No target set	No target set
CH 14	Customer Satisfaction - % Overall Satisfaction with the service provided:					
CH 14a	Quality of Service: Domestic Incidents	98%	>95%	98%	>95%	>95%
CH 14b	Quality of Service: Non Domestic Incidents	100%	>95%	99%	>95%	>95%
CH 14c	Home Fire Safety Checks	100%	>95%	99%	>95%	>95%
CH 14d	School Fire Safety Visits	99%	>95%	100%	>95%	>95%

⁵From 2009-10, employees no longer being paid by the Authority have been removed in the calculation of this indicator

Key:	Purple indicates no target set	
	Red indicates not achieving target	
	Amber indicates satisfactory performance (within 10% of target)	
	Green indicates achieving or exceeding target	

WEST YORKSHIRE FIRE AND RESCUE AUTHORITY	AUDIT COMMITTEE	27 JUNE 2013	ITEM No 7
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REPORT OF: CHIEF FINANCE OFFICER

PURPOSE OF REPORT: Annual Report of Internal Audit 2012/13. To seek Members' endorsement of the Chief Finance Officer's conclusion as to the effectiveness of the system of internal audit.

To note the audit opinion on risk management and the internal control environment during 2012/13.

RECOMMENDATIONS: That Members endorse the Chief Finance Officer's conclusion as to the effectiveness of the system of internal audit.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

EXEMPTION CATEGORY:

CONTACT OFFICER: G. Maren
Chief Finance Officer – 01274 655711
geoff.maren@westyorksfire.gov.uk

Simon Straker – Internal Audit Manager
01484 221140
simon.straker@kirklees.gov.uk

BACKGROUND PAPERS OPEN TO INSPECTION

Annual Report of Internal Audit 2011/12
Annual Governance Statement 2011/12
Internal Audit Plan 2012/13
Quarterly Reports of Internal Audit 2012/13

Summary

The Chief Finance Officer concludes the Authority's systems of internal audit are effective.

This report concludes that the Authority's risk management arrangements and internal control environment were effective and robust during the financial year to 31 March 2013.

WEST YORKSHIRE FIRE & RESCUE AUTHORITY

INTERNAL AUDIT

REPORT TO AUDIT COMMITTEE

ANNUAL REPORT OF INTERNAL AUDIT 2012/13

1. Introduction

- 1.1 This report provides an assessment of the adequacy and effectiveness of the Authority's risk management system and internal control environment during the year, particularly in support of the Annual Governance Statement.
- 1.2 The assessment is drawn from the matters included in the Quarterly Reports to the Committee during the year on the audit opinions reached on the level of assurance concerning each of the risk, system or process controls examined.
- 1.3 Each planned audit performed during the year concluded with at least an Adequate Assurance opinion, apart from a review of IT procurement which produced a Limited Assurance one. The majority of audits concluded with a Substantial Assurance opinion, which is the highest assurance opinion available.
- 1.3 The report also reviews delivery of the 2012/13 Audit Plan and the performance of the internal audit function against its performance indicators and criteria as measured through its quality assurance process. The Chief Finance Officer has used this data in formulating an assessment of the Authority's system of internal audit to conclude what reliance can be placed on its work and opinion on the internal control environment.

2. Operational Information

- 2.1 During the year Internal Audit continued to operate in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006 (CIPFA Code). The scope of activity is established by the Authority's Financial Procedure Rules and statements of operating practice.
- 2.2 In line with the Audit Strategy, assurance is obtained by the maintenance and delivery of a risk based audit plan. Planned work during 2012/13 targeted areas of highest risk and where most value could be added, particularly on wider business and governance controls. This is necessary to support the requirements of the Accounts & Audit (England) Regulations 2011 to "conduct a review at least once in a year of the effectiveness of its systems of internal control" and to formulate an Annual Governance Statement that accompanies the Authority's Statement of Accounts.

- 2.3 Areas of highest risk are determined by the Authority through its risk management process and in particular the Risk Matrix. Such work amounted to approximately 50% of available audit resources, the remaining 50% continued to relate to the review of key financial systems and processes.
- 2.4 Each audit concludes with an opinion about the level of assurance derived on the adequacy and effectiveness of the system, process or location concerned at the time of the audit, based upon the management of risk and the operation of financial and other controls. The approach involves the follow up of any activities about which less than "Adequate Assurance" is given, as a means of seeking to ensure that the work carried out by Internal Audit maximises the chances of improving the Authority's control environment.

The Audit Committee has previously agreed definitions of the different levels of assurance given and how these are derived from audit recommendations. Implementation of the agreed recommendations by management should provide for a satisfactory degree of control in all cases.

- 2.5 The outcome of individual audits is summarised quarterly and reported to the Audit Committee for consideration. These reports also include action taken by management regarding the implementation of agreed key recommendations.

3. Summary of Audit Activity and Outcomes in 2012/13

Systems Work

- 3.1 Payroll and creditor payments systems were examined from a risk based perspective focusing on areas of fraud and error found in other public bodies, such as immigration fraud, multiple incompatible employment, duplicate and inefficient payment patterns.
- 3.2 No problems of this nature were identified and it was concluded that a high standard of control was maintained with a Substantial Assurance opinion being provided for each system.
- 3.3 An audit of financial management and budgetary control systems also produced a Substantial Assurance opinion, reflecting budget holder feedback as well as compliance with corporate governance requirements.
- 3.4 In addition to key financial systems, a routine programme of work relating to other systems and locations was undertaken including financial systems and location processes. This year's work included reviews of
- Special Services Income
 - Stores
 - Fire Prevention Team

Business Risks

3.5 As regards wider business risks and systems of control, in accordance with the Audit Strategy, a number of audit reviews have been carried out on management arrangements as recorded in the Corporate Risk Matrix covering:

- SAP Implementation
- Data Quality & Security
- Industrial Dispute
- Major Project Management

These audits all concluded with positive assurance opinions and conclusions that management controls to address the key risks to the Authority were robust and operating effectively. Where appropriate, management has agreed recommendations to further enhance the control environment.

3.6 Additional information included in the routine quarterly reports to Committee to enable Members to monitor the effectiveness of management's implementation of agreed recommendations, showed that all key recommendations had been acted upon by management in a timely manner.

Standing Orders

3.7 A review of compliance with Contract Standing Orders as regards IT procurement identified a lack of an audit trail to evidence decision making processes in the selection and use of a supplier for major purchases of computer hardware, leaving the Authority open to the risks of legal challenge from rival suppliers and failure to achieve value for money. No evidence of impropriety was found and systems have been improved to prevent a reoccurrence.

3.8 During the year a number of investigations were commissioned in accordance with Financial Procedure Rules following concerns about individuals conduct and compliance with corporate rules, notably around procurement.

3.9 Two of these investigations are worthy of particular note having both resulted in Limited Assurance opinions.

- Following identification of a number of thefts of thermal imaging cameras an audit of the inventory and security controls found a serious lack of accountability and proper recording which had facilitated the thefts. Management have introduced a more robust set of measures since and these are due to be tested shortly as part of a follow up audit. The perpetrator, a former employee, and another person are currently under investigation by the police.
- Theft of monies from Fire Safety office.

All the recommendations from these audits have been implemented.

Other Work

3.10 Audit were requested to oversee in the Non-emergency Fleet Review to provide challenge and an external perspective to the work of the review group. The role played was well received and helped towards the rationalisation of vehicle fleet and

reduction in the number of vehicles that has been achieved. A follow up of the actions in the implementation plan is scheduled later in the year.

Similarly, Audit continues to participate in the Joint Mobilisation and Command IT System Procurement with South Yorkshire FRA. A review of the management of the pre-qualification and tendering stages produced a Substantial Assurance opinion.

- 3.11 In accordance with our commitment to provide help, assistance and add value, questions and issues raised by managers have been resolved, particularly in relation to advice/approval for authorisation of contracting matters, and to evaluation of potential suppliers. In addition, the Audit Plan is designed to be sufficiently flexible to accommodate any ad hoc requests for audit reviews.

4. Effectiveness of the System of Internal Audit

- 4.1 The Internal Audit function is included in the Financial Services SLA with Kirklees Council. The Internal Audit SLA has been reviewed and revised during the year as part of a wider process undertaken by the Chief Finance Officer. According to benchmarking information from CIPFA, internal audit operations continued to be at within the lower quartile of cost (based on £m gross expenditure) compared with Unitary authorities.
- 4.2 The Internal Audit function operates according to CIPFA Code and continuing compliance with the Code has been re-assessed periodically. The latest self assessment process in 2012 was validated by one of the independent Council's corporate finance managers.
- 4.3 A summary of the performance of Internal Audit in delivering the 2012/13 Plan as reported to the Audit Committee during the year is shown below:

Performance Indicators	12/13 Target	12/13 Actual
Audits completed within the planned time allowance	80%	70%
Draft reports issued within 10 days of fieldwork completion	90%	85%
Client satisfaction in returned post audit questionnaires	90%	83%
Chargeable audit days (cumulative)	160	184
QA compliance sample checks – pass rate	90%	100%
Planned Audits Completed	15	13
Planned Audits In Progress		1
Unplanned Audits Completed		7
Unplanned Audits in Progress		0

The total time used reflects the unusually high number of unplanned pieces of work i.e. investigations undertaken in the year for which the contingency included in the

Plan proved insufficient. It has been agreed with the Chief Finance Officer that the total is within the range of time adjusted for on a year on year basis and no additional charge is appropriate.

The outstanding planned item on the Safeguarding risk is due to be concluded shortly and will be reported in the next Quarterly Report in the normal way.

- 4.4 A positive working relationship has continued with colleagues now employed by the Authority's new external auditor, KPMG, to maximise the use of audit resources and ensure our mutual roles are fulfilled, albeit that the nature of the relationship has changed now. KPMG will not routinely place reliance on internal audit financial systems work due to a different approach to risk and materiality than their predecessor. This may impact upon the internal audit approach to these systems in the future.
- 4.5 The Accounts & Audit (England) Regulations 2011 also require authorities to conduct an annual review of the effectiveness of their system of internal audit, so as to ensure the opinion of the Head of Internal Audit on the internal control environment can be relied upon as a key source of evidence in compiling the Annual Governance Statement.

Members may wish to endorse the positive opinion reached by the Chief Finance Officer.

5. Internal Audit in 2013/14

- 5.1 In 2013/14 Internal Audit will continue to strive to reliably achieve planned audit work and to address Authority priorities and activities that will add value for the organisation. Audit work in the coming year will be particularly mindful of the very tight financial control that will be necessary across the public sector and the consequent increased risks including fraud and corruption.
- 5.2 In addition, we will continue to develop the approach to organisational and business controls encompassed in the revised Audit Strategy to focus on areas of highest risk and thus to contribute to the level of assurance required by the Chief Fire Officer / Chief Executive and Chair of the Authority to sign the Annual Governance Statement.
- 5.3 A key area for 2013/14 will be the successful implementation of a new integrated IT system (SAP) for payroll and finance functions by Kirklees Council and substantial audit focus will relate to the control aspects of this project.
- 5.4 From 1 April 2013 CIPFA Code was superseded by the Public Sector Internal Audit Standards. CIPFA has somewhat belatedly published an application note for local government. An initial assessment of current compliance with the new Standards suggests that overall Internal Audit largely operate in such a manner but that some documentation and systems may need refining. Full confirmation will be provided to the Chief Finance Officer and next meeting of the Committee.

6. Conclusion and Internal Control Opinion

- 6.1 This report has summarised the main activities of Internal Audit during 2012/13.
- 6.2 A review of the key financial and business risk control systems has provided sufficient evidence and assurance that each is robust and effective and that in the small number of occasions where it has been necessary, management have taken appropriate action to address weaknesses.
- 6.3 Audit work during 2012/13 has provided assurance that the Authority has a sound and robust internal control environment and that there are no new items of significance to be considered for inclusion in the Annual Governance Statement.
- 6.4 The Chief Finance Officer therefore concludes that the systems of internal audit are effective.

7. Recommendations

- 7.1 Members endorse the Chief Finance Officer's conclusion as to the effectiveness of the system of internal audit.
- 7.2 Members note the audit opinion on risk management arrangements and the internal control environment, thereby providing assurance to the compilation process of compiling the Annual Governance Statement.

WEST YORKSHIRE FIRE AND RESCUE AUTHORITY	AUDIT COMMITTEE	27 JUNE 2013	ITEM No 8
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REPORT OF: CHIEF FIRE OFFICER/CHIEF EXECUTIVE AND THE MANAGEMENT BOARD

PURPOSE OF REPORT: TO PRESENT THE ANNUAL GOVERNANCE STATEMENT OF THE AUTHORITY FOR APPROVAL

RECOMMENDATION: THAT THE ANNUAL GOVERNANCE STATEMENT BE APPROVED.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

EXEMPTION CATEGORY: None

CONTACT OFFICER: G. Maren
Chief Finance Officer – 01274 655711

BACKGROUND PAPERS OPEN TO INSPECTION: N/A

Summary

This report presents the Annual Governance Report of the Authority for approval for inclusion within the 2012/2013 statement of accounts.

1. INTRODUCTION

- 1.1 The Authority is required to include its Annual Governance Statement within its statement of accounts.
- 1.2 The purpose of the Annual Governance Statement is to set out the formal procedures for governance within the Authority, and to report upon their effectiveness and to identify any significant issues. Although it forms part of the statement of accounts document it relates to the overall governance of the Authority rather than just the financial systems. The statement is prepared by the Chief Executive and his Management Board and is signed by the Chief Executive, the Chair of the Authority and the Chief Finance Officer.

2. THE FORM OF THE STATEMENT

- 2.1 The statement is split into six sections which explain how the system of governance work and what procedures and policies are in place to ensure that the systems remain effective. Detailed below is a brief explanation of each of the sections.
 - i) **Scope of responsibility**
This establishes the requirement the Authority has to conduct its business lawfully and ensure the proper safeguards are in place
 - ii) **The Code of Corporate Governance**
These are the basic principles of corporate governance within West Yorkshire Fire Authority linked to the Nolan principles of Standards in Public Life
 - iii) **The Purpose of the Governance Framework**– provides a brief explanation of the purpose of the Governance Framework and provides assurance that the framework has been in place for the whole of the financial year 2012/2013
 - iv) **The Governance Framework** –provides a detailed explanation of the core elements that make up the governance framework within West Yorkshire Fire Authority and how they contribute to it achieving its aim of ‘Making West Yorkshire Safer’

v) **Review of Effectiveness** - The Authority has a responsibility to review the effectiveness of the systems of governance annually. This section sets out the processes that are in place to provide this review by both internal and external systems.

vi) **Significant Governance Issues**

The final section identifies the key areas of challenge to the systems of governance that the review of the governance has identified. Not surprisingly these issues are related to the uncertainty over the future funding of the Authority the specific issues included are :-

1. Loss of grant
2. IRMP delivery
3. Impact of the fundamental review
4. Changes to employee pension schemes
5. Changes to the senior management structure

The first three issues relate to the level of funding the Authority will receive and the changes required to deliver the service within the reducing resources.

Whilst the uncertainty over the future levels of funding makes it difficult to plan to address the above issues, the Authority and its Management Board are confident that they have the ability to deliver a high quality service whilst driving through major changes to the organisation. In addition we are confident that the systems are in place to further enhance governance arrangements.

3. RECOMMENDATION

3.1 Members are asked to approve the Annual Governance statement for inclusion within the Annual statement of accounts.

2 Annual Governance Statement

2.1 Scope of Responsibility

Corporate governance is a phrase used to describe how an organisation directs and controls what it does. It covers the systems and procedures that are in place to ensure that business is conducted in accordance with the law and proper standards, and that public money is properly accounted for and used economically, efficiently and effectively.

West Yorkshire Fire and Rescue Authority has a duty to achieve best value in the way it functions and ensure that arrangements are in place to secure continuous improvement in all areas of service provision.

The Authority has set out its arrangements for the governance of its affairs in its constitution (a copy of this can be found at www.westyorksfire.gov.uk). Included within the constitution is the Authority's Code of Corporate Governance which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government.

In publishing this statement the Authority fulfils the requirement under regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.

2.2 Code of Corporate Governance

Corporate Governance is the system by which local government directs and controls their functions and relate to their communities. The general public have a right to expect the highest standards of conduct from its community leaders and institutions in the delivery of public services.

By applying the principles within the Code of Corporate Governance and applying the Nolan Principles of Standards in Public Life, the Authority commits to deliver its services with integrity, accountability, transparency, effectiveness, and inclusivity.

2.3 The Purpose of the Governance Framework

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

The Authority acknowledges that it can never eliminate risk entirely from its operations and this statement explains the systems used to manage this risk to a reasonable level.

The system of internal control is a significant part of that framework which is designed to manage the Authority's risk.

The governance framework has been in place at West Yorkshire Fire and Rescue Authority for the year ending 31 March 2013 and will remain in place up to the date of the approval of the statement of accounts.

2.4 The Governance Framework

Summarised below are some of the key elements of the governance framework:

2.4.1 Strategic Objectives and the Service Planning Process

The Authority's Ambition, Aims and Priorities are set out in its 2011-2015 Service Plan. This plan is supported by the Integrated Risk Management Plan and the Medium Term Financial Plan, all of which are reviewed and approved annually by the Authority. All these plans are published on the website at www.westyorkshire.gov.uk. The Authority's Ambition, aim and Priorities are:-

Ambition 'Making West Yorkshire Safer' and it aims to achieve this by

Aim 'Provide an Excellent Fire and Rescue Service working in partnership to reduce death, injury, economic loss and contribute to community well-being,

Priorities

- Deliver a professional and resilient emergency response service
- Deliver a proactive fire prevention and protection programme.
- Provide a safe, competent and diverse workforce
- Provide effective and ethical governance and achieve value for money in managing resources.

These objectives are set out in the Authority's Service Plan and form part of area plans, departmental plans and station plans. There is an on-going system of monitoring and reporting achievement of the Authority against its corporate aims with regular reports on progress monitored by senior management and the Authority, through its committee structure.. Copies of the plan are distributed to all fire stations and departments of the Authority. In addition it is available on the internet along with copies of the reports on progress against corporate aims.

2.4.2 The Internal Control Environment

As explained previously, the Authority cannot eliminate all risks of failure to achieving its aims and objectives and the purpose of the system of internal control is to manage risk to a reasonable level. The system of internal control within West Yorkshire Fire and Rescue Authority is an on-going process, designed to identify the risks and to evaluate what impact failure would have on the organisation. Once identified the Authority, where possible, eliminates the risks and, if this is not possible, establishes procedures to manage the risks effectively, efficiently and economically.

The Authority confirms that its financial governance arrangements conform to the governance requirements of the CIPFA statement of the role of the Chief Financial Officer in Local Government.

2.4.3 The Constitution

The Authority has a written constitution which is published on its internet site (www.westyorkshire.gov.uk) and is included within the body of evidence which supports this statement. This document forms the basis of the Governance Framework and sets out the way the Authority is governed and is made up the following documents:-

Authority Committee Standing orders and procedures
Access to information rules
Contract standing orders

Financial Procedure Rules
Anti-fraud and corruption strategy
Code of corporate governance
Members' code of conduct
Officers' code of conduct
Member\ officer relations protocol
Officers' employment rules
Protocol regarding the use of Authority resources by Members
Members' allowances
Management structures
Officer delegation scheme
Complaints procedure
Whistle blowing policy

The Constitution is kept under constant review by the Clerk to the Authority and is formally reviewed by the Full Authority at the Annual General Meeting.

2.4.4 The Committee Structure

The constitution sets out the Framework under which the Authority is governed. It sets out in detail the composition of the Authority, the role and functions of the elected members, the roles and responsibilities of designated office holders and the roles, functions and terms of reference of the Authority and its Committees.

The Authority has four standing committees each of which along with the Authority meet 4 times per year :-

Human Resources (11 members)

This committee deals with all issues relating to the employment of staff including conditions of service, industrial relations, equal opportunities and training.

Finance and Resources (11 members)

This committee is responsible for all issues relating the Assets of the Authority. This includes Finance (including recommendation to the Authority in relation to the revenue budget, capital planning and precepts), Insurance, Treasury Management, Buildings land and property, purchasing and supplies and data protection and computer development. This committee receives regular reports on the financial performance of the Authority along with detailed updates on major capital schemes.

Audit Committee. (6 members)

This committee is established in accordance with CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities'. In addition to all matters relating to both internal and external audit the committee is responsible for performance review and risk management and business continuity.

Community Safety Committee (11 members)

The Community Safety Committee was established in 2011/2012 to take on responsibility for all aspects of service delivery of the Authority. Its responsibility includes the key areas of emergency response, fire protection and fire prevention. This includes responsibility for integrated risk management planning, national resilience support arrangements and shared services.

Executive Committee (6 members)

The Executive Committee of 6 members which deals with any urgent matter.

The terms of reference of all the Authority's committees are available on the Authority's web site. All meetings are open to the general public and wherever possible items are considered within the public sessions of the meetings. Copies of reports and minutes of all meetings are published on the Authority's web site.

2.4.5 Management Structure

The Authority has a Corporate Management Board made up of the Chief Executive\ Chief Fire Officer, three Service Directors, the Director of Corporate Resources and the Chief Finance Officer which meet monthly. This is supported by a management team which, in addition to the Board, includes senior officers from both the operational and non-operational sides of the Authority.

There is a close interaction between management and elected members based around a formal briefing process prior to each committee. In addition, management provide additional briefings when required by elected members or when key issues are being addressed e.g. revenue budget and IRMP.

The Chief Executive's Strategy Group consisting of Management Board members and the Chair and Vice Chair of the Authority meets bi-monthly. The purpose of this group is to allow senior management and the political leadership to consider major issues affecting this Authority and the Fire Service as a whole. Leading elected members from the opposition are invited to attend the meeting when key issues including the budget are being discussed.

These are the key elements which make up the Governance Framework. Other areas including officer and member training and development, communication strategy and examples of the performance management structure are provided in the supporting evidence.

2.5 Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance arrangements. The review process is on-going and is informed by the work of the Management Board, The Chief Finance Officer, Internal Audit, external auditors and other external assessors. The results of the reviews are reported to the Authority through the committee structure.

2.5.1 A self-assessment of our effectiveness

- **Integrated Risk Management Planning (IRMP)**

The Authority is systematically reviewing the service it provides throughout the county through the IRMP process. This process aims to improve community safety and reduce the risk of fires in homes. The Authority uses a community risk matrix for the whole of the county which categorises different levels of risk from very high to very low. The information provided by this process has been used by the Authority to review fire cover throughout the county resulting in approval to make radical changes to service delivery over the next 5 years.

- **Effective Performance Management**

It is important that the Authority is able to measure its performance against its aims and objectives. The Authority has a well-established performance management structure which is focused on its outcomes. The system runs throughout the organisation from Fire Station level through District Command to Authority wide achievement.

Each year the Authority produces district risk reduction plans which set service delivery priorities and targets for the coming year. The targets are challenging and outcome based and are designed to build on the success of the previous year. The service delivery framework, coupled with the service delivery plans, has already proved to be successful in targeting the Authority's resources where the risk exists within each of the five districts.

Performance against the service delivery plan is monitored by the Service Delivery Board, Management Board and management team with reports on performance presented to each meeting of the Community Safety Committee where each of the District Commanders attends to be challenged by the members of the Committee.

- **Effective Financial Planning and Management**

The 2012/2013 revenue budget falls in the middle of challenging period for West Yorkshire Fire and Rescue Authority when it was expecting lose over 25% of its external funding whilst at the same time freezing its council tax precept. The Authority has taken the strategic decision to restructure the way the service is provided to deliver these changes rather than attempting to maintain the same service with significantly less resources. By the end of 2011/2012 the Authority will already have lost over £6m (10.5%) of its revenue support grant and delivered almost £8m in revenue savings. Over the next 5 years the Authority plans to close 16 existing fire stations and replace them with 8 new stations which will be better placed and more efficient to run. The savings from these changes will help the Authority achieve the additional savings required over the next 5 years. Whilst these changes by no means deliver all the required savings they do make a significant contribution.

The Authority has now aligned its 5 year medium term financial plan with the capital plan, integrated risk management plan and service plan to deliver a coordinated approach to service delivery.

The Authority has a track record of strong financial management and will once again deliver a significant under-spending.

- **Effective Arrangements for Accountability**

The Authority can demonstrate robust systems of accountability both to elected members and the general public. During the recent consultation on the Integrated Risk Management plan the Authority attended public meetings throughout West Yorkshire as well as making presentations to the scrutiny committees of the five district councils. These meetings provided the opportunity to challenge the operational data, the proposed changes to service delivery and the financial plans of the authority. As a result of this consultation the Authority made some significant changes to the proposals for changes to service delivery.

- **Internal Audit**

The Authority procures its internal audit service from Kirklees Council which not only provides better value for money but also gives the Authority access to specialist auditors and gives an added element of independence.

The work of internal audit extends well beyond the normal probity audits and includes examination of the key financial systems as well as verification work on the Authority's business continuity plan. An additional piece of work carried out during 2011/2012 was a review of the consultation process for the Integrated Risk Management plan.

- **Human Resources**

The Authority has a full range of robust policies and procedures to underpin the conduct of staff from Discipline, Annual Performance Development Reviews, Absence Management procedures to Flexible Working practices. The Authority has not recruited whole-time firefighters since autumn 2009 and does not anticipate commencing recruitment in the foreseeable future. . In terms of training, the Authority continues to put priority on maintaining operational competence for all firefighters.

The Authority's pro-active Occupational Health and Safety Unit has produced policies that maintain low levels of ill-health retirements. The Unit continues to maintain high levels of workplace health and safety.

2.5.2 External review

2012/2013 will see a change in the Auditors from the Audit Commission to KPMG who are a private sector provider. Whilst there will be some continuity of staff it is anticipated that a different approach to the audit process will provide a different type of review to the systems of governance.

2.6 Significant Governance Issue

The main issue facing the Authority remains the further cuts in funding and the ability to deliver the savings to meet the anticipated level of cuts. In January 2013 the Authority received confirmation that it would lose a further £7.5m in grant over the next two financial years although indications from Government suggest that these may well increase. Whilst the Authority has plans in place to achieve a significant proportion of these savings these are to a degree dependent upon the delivery of the major capital schemes. Whilst the independent auditors' opinion on the medium term financial plan provides considerable assurance they do highlight the issue of the delivery of change. A more detailed explanation of these challenges is provided below.

Grant Loss

Whilst the Authority continues to plan on the basis of further grant reductions there remains considerable uncertainty around the scale and timing of these cuts. Already since the Authority's budget was approved in February, the Chancellor's Spring Budget has signposted additional cuts in public sector spending in the remainder of the current spending review and indicated that similar levels of cuts will be required in the following 4 year spending review period. The review of service provision approved in the two most recent IRMP's will deliver a large proportion of the savings required although further sustainable savings of between £7.5m and £10m will have to be identified by 2019.

The £5 precept increase approved in 2013/2014 provides the Authority with long term sustainable income of £2.9m providing some short term breathing space and means the Authority will not have to significantly review fire cover in the next 2 years. Added to that whilst the Authority's revenue balances are well below the average for Fire and Rescue Authorities they can be used to purchase long term savings on an 'invest to save' basis.

IRMP delivery

The delivery of savings to match the cuts in funding is heavily dependent upon the delivery of the Integrated Risk Management Plan. Whilst some of the changes relate to changes to staffing models and the introduction of new types of fire-fighting appliances the realisation of the majority of the savings require the construction of 8 new fire stations. Whilst the Authority has the finance in place to fund this building programme and has identified a number of suitable sites, delivery is directly linked to site purchase and planning approvals. It is important that these stations are constructed within the next 5 years and therefore delays in land purchase could have an impact on delivery. It is therefore likely that the Authority may have to deliver the programme over a reduced period and have to construct multiple stations in a reduced period. The Authority is confident that it has the correct programme management structure in place to manage this ambitious building programme.

Failure to deliver the building programme within the timescale would have an impact on service delivery.

Impact of the fundamental review

The Authority reduced the strength of the support staff structure by 90 posts as part of the fundamental review with the revised structure being fully implemented with effect from 1 April 2013. It is important that management continue to monitor the impact of the review on staff welfare and service delivery.

Changes to Pension Schemes

Following the Hutton Review the Government are implementing changes to both the fire-fighters pension schemes and the Local Government Pensions Scheme. The new fire-fighters pension scheme is a career average scheme based on a Normal pension age of 60 years compared to the existing final salary scheme with a normal retirement age of 50 years. Whilst the Government are offering protection to longer serving fire-fighters as well as protected benefits these changes are not popular with the workforce and the Fire Brigades Union have already indicated they intend to oppose the changes. It is therefore possible that these changes could result in a period of industrial unrest.

Changes to the Senior Management Structure

The Authority has had a period of stability at Board level which has been invaluable as it has implemented huge changes to the way the service is delivered. Over the next three years there will be a significant turnover in the Board with the possibility of almost all the existing members leaving the organisation. Succession planning is therefore critical at a time when the Authority is facing its biggest reorganisation.

The Fire Authority continues to operate in a difficult environment and we accept that the above issues present the Authority and its Management Board with a major challenge. However previous performance demonstrates the ability of the Authority and its management to manage in challenging times. We are therefore confident that we the ability to continue to deliver a high quality service whilst driving through major changes to the organisation, and that the systems are in place to further enhance our governance arrangements

Signed

Simon Pilling
Chief Fire Officer / Chief Executive

June 2013

Signed

Cllr Mehboob Khan
Chair, West Yorkshire Fire & Rescue Authority

June 2013



Signed

Geoffrey Maren
Chief Finance Officer

28 June

2013