



OFFICIAL

Abridged Performance Management Report

Audit Committee

Date: 26 July 2019

Agenda Item:

5

Submitted By: Chief Legal and Governance Officer

Purpose	To inform Members of the Authority's performance against Key Performance Indicators where targets are not being achieved
Recommendations	That Members note the report
Summary	The Performance Management and Activity Report which is presented to the Full Authority outlines the Authority's performance against key performance indicators thereby enabling the Authority to measure, monitor and evaluate performance against targets. This report highlights the key performance indicators where targets are not being achieved. The report also includes details of applications, authorisations and rejections under the Regulation of Investigatory Powers Act (RIPA) 2000

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: None

Annexes: Abridged Performance Management Report

1 Introduction

- 1.1 The Performance Management and Activity Report, which is presented quarterly to the Full Authority meeting outlines the Authority's performance against key performance indicators thereby enabling the Authority to measure, monitor and evaluate performance against targets. These are detailed in three categories as shown below:
- o Key Performance Indicators
 - o Service Delivery Indicators
 - o Corporate Health Indicators
- 1.2 The Performance Management and Activity Report is monitored quarterly by Management Team and the Full Authority.
- 1.3 A traffic light system is used to provide a clear visual indicator of performance against each specific target and comparison is made with the same period the previous year to indicate whether performance has improved, remained the same or deteriorated.

2 Information

- 2.1 The attached report highlights the key performance indicators where the targets are not being achieved.
- 2.2 Information regarding reasons why performance is not at the required level, together with actions being taken to address this, is provided within the report.
- 2.3 The report also includes details of the applications, authorisations and rejections under the Regulation of Investigatory Powers Act (RIPA) 2000.

3 Financial Implications

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

4 Legal Implications

- 4.1 The Chief Legal & Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and/or respond to any requests by members for legal advice made at the meeting.

5 Human Resources and Diversity Implications

- 5.1 Measurement against key indicators on human resources and diversity are included in the Performance Management Report.

6 Health, Safety and Wellbeing Implications

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

7 Your Fire and Rescue Service priorities

- 7.1 This report links to all the Your Fire and Rescue Service priorities 2019 – 22.

Performance Management and Activity Report (Abridged) 2018/19

Period covered: 1 April 2018 – 31 March 2019
Date Issued: 30 April 2019



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1. Introduction/Summary

The purpose of this report is to provide information regarding the performance of West Yorkshire Fire and Rescue Service against selected performance indicators for which performance has decreased compared with the same period the previous year.

The first section provides a summary of performance against all performance indicators detailed within the full Performance Management and Activity Report which is presented to each Full Authority Committee meeting.

In this report, appropriate and progressive monthly statistics have been utilised to identify trends in performance, with corresponding information regarding the action being taken to address areas of under-performance.

All data, unless specified, is for the reporting period 1 April 2018 – 31 March 2019.

A traffic light system has been employed to provide straightforward visual indication of performance against each specific indicator.

If further data is available following the last Performance Management Report presented to the Full Authority, this has been included to show the performance trend.

2. Service Delivery Targets

	Not achieving target (by more than 10%)
	Satisfactory performance (within 10% of target)
	Achieving or exceeding target

	Actual Data (2009/10)	Three Year Average Target (2015/18)	Actual Data to date (2017/18)	Actual Data to date (2018/19)	Performance Against Three Year Average (2018/19)	End of Year Projection (2018/19)
Arson	10897	6355	6714	7735	21.7%	7735
Actual Rescues	875	784	691	796	1.5%	796
Total Activity	34270	22504	22936	25675	14.1%	25675
Dwelling Fires	1549	1169	1094	1190	1.8%	1190
Non-Domestic Building Fires	513	448	392	411	-8.5%	411
Prevalence of False Alarms	16750	11249	10317	10523	-6.5%	10523
Fire-Related Injuries	270	214	193	208	-2.8%	208
Road Traffic Collisions	1060	634	599	615	-3.0%	615
Malicious False Alarms	713	352	377	352	0.0%	352

3. Service Delivery Indicators – Performance compared to previous year

Description	2017-18	2018-19
Accidental Dwelling Fires (per 10,000 dwellings)	9.60	9.95
Number of deaths arising from accidental fires in dwellings (per 100,000 population)	0.53	0.43
Number of Fire-Related Deaths (per 100,000 population) arising from fires other than Accidental Dwelling Fires	0.22	0.13
Number of Injuries arising from accidental fires in dwellings (per 100,000 population)	5.22	5.94
(a) Number of Serious Injuries(per 100,000 population)	0.61	0.74
(b) Number of Slight Injuries (per 100,000 population)	4.60	5.20
The percentage of dwelling fires attended where there was a working smoke alarm which activated	56.67%	55.88%
The percentage of dwelling fires attended where a working smoke alarm was correctly fitted but did not activate	19.84%	18.24%
The percentage of dwelling fires attended where a smoke alarm, because it was faulty or incorrectly sited, did not activate	3.84%	4.62%
The percentage of dwelling fires attended where no smoke alarm was fitted	19.65%	21.26%
Number of calls to malicious false alarms (per 1000 population) – attended	0.17	0.15
False alarms caused by automatic fire detection equipment (per 1000 non-domestic properties)	36.83	34.28
False alarms caused by automatic fire detection equipment (per 1000 domestic properties)	3.69	3.87
Fires in non-domestic premises (per 1000 non-domestic premises)	4.85	4.87
Number of Primary Fires (per 100,000 population)	143.40	150.33
Number of Fire Casualties – excluding Precautionary Checks (per 100,000 population)	7.71	8.45
Arson Incidents – All Deliberate Fires (per 10,000 population)	29.43	33.53
Arson Incidents – Deliberate Primary Fires (per 10,000 population)	6.64	6.67
Arson Incidents – Deliberate Secondary Fires (per 10,000 population)	22.78	26.86

4. Service Delivery Indicators – WYFRS not achieving target

Description	Cumulative Year to Date Performance												Performance in 2017-18
	To 30 Apr	To 31 May	To 30 Jun	To 31 Jul	To 31 Aug	To 30 Sep	To 31 Oct	To 30 Nov	To 31 Dec	To 31 Jan	To 28 Feb	To 31 Mar	
Number of injuries arising from accidental fires in dwellings (per 100,000 population)	0.61 (14)	1.17 (27)	1.69 (39)	2.21 (51)	2.51 (58)	2.60 (60)	2.90 (67)	3.21 (74)	4.20 (97)	4.81 (111)	5.59 (129)	5.94 (137)	5.22 (119)
<p>Comments: WYFRS attended 969 accidental dwelling fires in the reporting period, compared to 923 in the previous year. Of the 137 reported injuries arising from accidental house fires, 120 were reported as being 'slight' with 17 reported as being more serious. Of the serious injuries reported, 14 of the 17 were due to burns being received and 3 were down to smoke inhalation. The vast majority of the injuries reported as 'slight' are where an occupant has suffered smoke inhalation and has attended hospital for a precautionary check up.</p>													

Description	Cumulative Year to Date Performance												Performance in 2017-18
	To 30 Apr	To 31 May	To 30 Jun	To 31 Jul	To 31 Aug	To 30 Sep	To 31 Oct	To 30 Nov	To 31 Dec	To 31 Jan	To 28 Feb	To 31 Mar	
Arson Incidents – All Deliberate Fires (per 10,000 population)	1.66 (383)	4.62 (1065)	8.57 (1976)	14.82 (3420)	18.71 (4317)	21.60 (4983)	24.27 (5599)	26.66 (6150)	27.64 (6377)	29.38 (6778)	31.48 (7263)	33.53 (7735)	29.43 (6714)
<p>The significant weather event in Summer 2018 has resulted in a huge increase in fires recorded as deliberate. The month of April saw WYFRS attend 383 incidents which was a very positive start to the year compared to April 2017 where we attended 869 arson incidents. Figures for May were also lower than the previous year but then the hot, dry weather throughout the Summer period resulted in us attending significantly more arson incidents compared to the same period in previous years. This busy period has been well documented with attendance at some of the most significant wildfires in recent history as well as crews attending many fires in the open. Vegetation and refuse are the most frequent incident type recorded as arson and account for over 70 % of such incidents over the period. If you isolate primary arson incidents, then the performance is more aligned with previous years. We attended 1538 primary arson incidents over the reporting period compared to 1516 in the previous year.</p>													

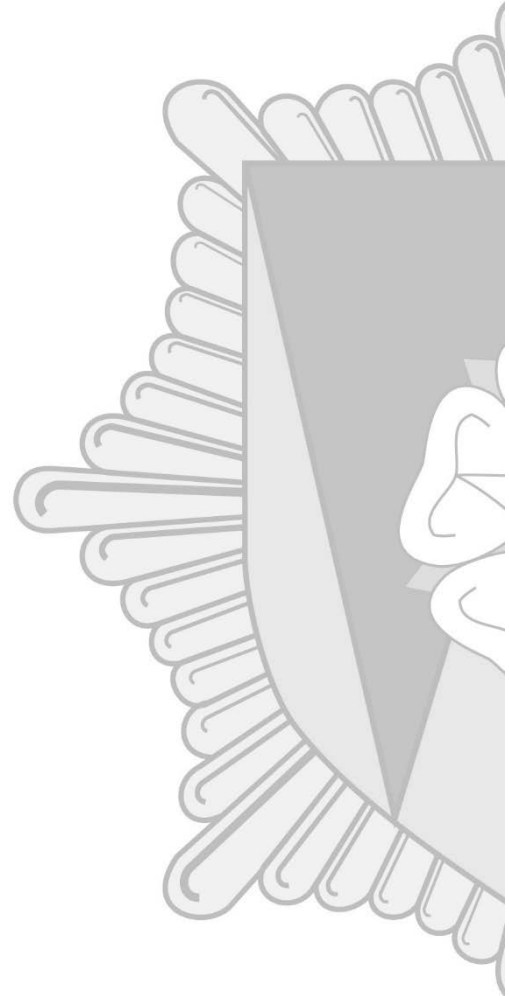
Description	Cumulative Year to Date Performance												Performance in 2017-18
	To 30 Apr	To 31 May	To 30 Jun	To 31 Jul	To 31 Aug	To 30 Sep	To 31 Oct	To 30 Nov	To 31 Dec	To 31 Jan	To 28 Feb	To 31 Mar	
Arson Incidents – Deliberate Secondary Fires (per 10,000 population)	1.24 (287)	3.56 (821)	6.90 (1592)	12.34 (2846)	15.46 (3567)	17.82 (4112)	19.97 (4608)	21.82 (5035)	22.44 (5177)	23.68 (5462)	25.31 (5840)	26.86 (6197)	22.78 (5198)
<p>The summer period in 2018 saw very little rainfall and a prolonged period of hot weather that resulted in a significant increase in the number of secondary fires. Many were recorded as grass fires and the months of June, July, August and September saw a significant increase compared to previous years. To put this into context, in July 2017, WYFRS attended 549 incidents in this category. In July 2018, the figure was 1254. The months of April, May, October, November and December have seen fewer deliberate secondary fires compared to the previous year. The extraordinary period of hot dry weather in summer has impacted on this figure.</p>													

5. Regulation of Investigatory Powers Act (RIPA) 2000

The Regulation of Investigatory Powers Act (RIPA) 2000 regulates the use of the powers to conduct covert surveillance by public bodies including West Yorkshire Fire and Rescue Authority. The Authority adheres to procedures based on the Codes of Practice produced by the Home Office. Annual returns are submitted to the Office of Surveillance Commissioners and the Interception of Communications Commissioners Office. The annual number of applications, authorisations and rejections are stated in the Annual Corporate Health Report which is submitted to the Full Authority Annual General meeting. A breakdown for this period is stated below.

Period: 1 April 2018 to 31 March 2019	Applications	Authorisations	Rejections
Directed Surveillance	0	0	0
Covert Human Intelligence Sources	0	0	0
Disclosure of Communications Data	0	0	0

PREVENTING PROTECTING RESPONDING



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Risk Management Strategy Group update

Audit Committee

Date: 26 July 2019

Agenda Item:

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Submitted By: Director of Service Delivery

Purpose To report risk management activity and developments reported to Risk Management Strategy Group (RMSG) in June 2019 and highlight any future risks or risk related areas.

Recommendations That the Audit Committee note the report.

Summary The overall responsibility of the RMSG is to maintain the Authority's risk management capabilities and to develop strategies to effectively manage new and existing risks. The RMSG meet on a quarterly basis and the group is chaired by the Deputy Chief Fire Officer/Director of Service Delivery. The RMSG is one element that supports the Authority's Code of Corporate Governance in terms of risk management and internal control.

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: Risk Management Strategy and Policy
Risk Management Matrix

Annexes: None

1 Introduction

- 1.1 The Authority's Risk Management Strategy and Policy provides a clear and defined strategy to enable risk management objectives to be met.
- 1.2 The Risk Management Strategy Group (RMSG) has the responsibility of maintaining the Authority's risk management capabilities and developing strategies to effectively manage new and existing risks. The group meet every three months at which time a summary of risk reviews that have occurred in the past three months is provided by each risk owner.
- 1.3 The group is also responsible for sharing and promoting experience of risk management and strategies across the Authority.

2 Information

- 2.1 The Risk Management Strategy Group last met in June 2019. The Audit Manager and the Risk and Insurance Manager from Kirklees Council attend RMSG meetings. The Audit Manager provides an update on recent internal audit activity. Councillor Ronald Grahame also attends the meetings.
- 2.2 Below is a summary of key areas:
- Between the March 2019 and June 2019 RMSG meetings, 22 risks have been reviewed by their respective owners.
 - A new risk relating to cyber threats/attacks has been created and currently is scored in the 'very high' risk category. The risk description is 'A digital attack or an unauthorised attempt to access WYFRS systems that impacts on the integrity, confidentiality or availability of systems and / or the information within them'.
 - The score relating to the risk 'Inability to continue/deliver duty systems' has increased from 12 to 16. WYFRS are aware of a number of issues linked to interpretation of the Working Time Directive which may have an impact on our service. These issues will be kept under review.
 - Risks and issues relating to the UK Exiting the EU are currently discussed at each RMSG meeting.
 - The risks included on the Community Risk Register are currently being reviewed against WYFRS corporate risks and also WYFRS foreseeable risks.
- 2.3 There are currently 55 risks split between the following categories. The table below shows movement over the past 12 months.

Risk Factor Score	September 2018	December 2018	March 2019	June 2019
Very High (15-25)	5	5	5	7
High (9-14)	19	21	21	20
Medium (4-8)	26	24	24	24
Low (1-3)	3	4	4	4
Total number of risks	53	54	54	55

The 7 'very high' risks are:

LRGG1.S - Loss or reduction in government grant.

WAFL1.S - Wide area flooding.

MTFA1.S - Responding to a marauding terrorist firearms attack.

CTLI1.S - Rise in the national threat level to critical for a short period of time.

DSYS1.S - Inability to continue/deliver duty systems.

ARDS1.S - Generic reduced availability of retained duty system staff.

CYBS1.S - A digital attack or an unauthorised attempt to access WYFRS systems that impacts on the integrity, confidentiality or availability of systems and / or the information within them.

3 Financial Implications

3.1 There are no significant financial implications associated with this report.

4 Legal Implications

4.1 The Chief Legal and Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and / or respond to any request by Members for legal advice made at the meeting.

5 Human Resources and Diversity Implications

5.1 There are no significant human resources and diversity implications associated with this report.

6 Health, Safety and Wellbeing implications

6.1 There are no significant health and safety implications associated with this report.

7 Your Fire and Rescue Service priorities

7.1 This report supports the following priorities which have been identified in the 'Your Fire & Rescue Service 2019-2022' plan.

- Reduce the risks to the communities of West Yorkshire
- Continue to keep our firefighters safe



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Internal Audit Quarterly report

Audit Committee

Date: 26 July 2019

Agenda Item:

7

Submitted By: Chief Finance and Procurement Officer

Purpose To present the Internal Audit report (April to June 2019) to Members

Recommendations That Members note the content of the report

Summary To provide a summary of the audit activity for the period April to June 2019 and to report the findings to the Committee

Local Government (Access to information) Act 1972

Exemption Category: [Click here to enter text.](#)

Contact Officer: [Click here to enter text.](#)

Background papers open to inspection: [Click here to enter text.](#)

Annexes: [Click here to enter text.](#)

1 Information

- 1.1 This Committee has the responsibility for monitoring the work of internal audit. In order to facilitate this, Internal Audit provide a quarterly report of its progress which includes a summary of the work completed and an assessment of the level of assurance provided by the systems examined. This report covers the period from April to June 2019.

On completion of each audit the Auditors provide an assessment of the level of assurance that the control systems in place provide. There are four rankings as detailed below. :-

Substantial assurance
Adequate assurance
Limited assurance
No assurance

More details of how these classifications are measured are provided in the attached appendix.

This report includes a detailed explanation of action which has been taken on any audits which are ranked as providing either limited assurance or no assurance.

2 Audit Work

- 2.1 There has been one audit of key financial systems which received adequate assurance and one business risk audit in the period which received substantial assurance.

3 Audit Performance 2019/20

- 3.1 Section 10 of the attached appendix compares current audit performance in the current financial year with the previous year.

4 Financial Implications

- 4.1 There are no financial implications associated with this report

5 Legal implications

- 5.1 The Chief Legal and Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and / or respond to any requests by Members for legal advice at the meeting.

6 Human Resources and Diversity Implications

6.1 There are no human resource or diversity implications.

7 Health, Safety and Wellbeing implications

7.1 There are no health, safety and wellbeing implications arising directly from this report.

8 Your Fire and Rescue Service Priorities

8.1 The provision of internal audit satisfies all the fire and rescue service priorities

9 Conclusions

9.1 That Members note the internal quarterly review report



INTERNAL AUDIT QUARTERLY REPORT

2019/20

April to June 2019

Simon Straker: Audit Manager

ABOUT THIS REPORT

This report contains information about the work of the Authority's Internal Audit provided by Kirklees Council. The 2019/20 Audit Plan as approved by this Committee at the start of the year is risk based and included 17 pieces of work covering a variety of areas enabling an annual opinion to be formed on the Authority's governance, risk management and internal control arrangements.

For ease of reference the audits are categorised as follows:

1. Summary
2. Major and Special Investigations
3. Key Financial Systems
4. Other Financial Systems & Risks
5. Locations and Departments
6. Business Risks & Controls
7. Follow Up Audits
8. Recommendation Implementation
9. Advice, Consultancy & Other Work
10. Audit Plan Delivery

Investigation summaries may be included as a separate appendix depending upon the findings. When reports have been agreed and finalised with the Director concerned and an Action Plan drawn up to implement any improvements, the findings are shown in the text. Incomplete audits are shown as Work in Progress together with the status reached: these will be reported in detail in a subsequent report once finalised.

Good practice suggests that the Authority's management and the Audit Committee should receive an audit opinion reached at the time of an audit based upon the management of risk concerning the activity and the operation of financial and other controls. At the first meeting of the Audit Committee, Members resolved to adopt an arrangement relating to the level of assurance that each audit provides.

As agreed with the Audit Committee, the report has been expanded to include details of the key recommendations applicable to each audit that does not result in a formal follow up visit and the action taken by management regarding their implementation.

The final section of the report concerns Audit Plan delivery.

It is the practice of Internal Audit to undertake follow up audits to ensure that agreed actions have been undertaken. Any audits that produce less than "adequate assurance" will be followed up, together with a sample of the remainder and a new opinion will be expressed about the level of assurance that can be derived from action taken by management to address the weaknesses identified.

1. **SUMMARY**

This report contains an update on audit work completed during the first quarter of 2019/20. Each of the audits related to the 2018/19 Plan and produced a positive assurance opinion.

Two audits from the current Plan were scheduled for this quarter but both have had to be deferred.

2. **SPECIAL INVESTIGATIONS & REVIEWS**

National Fraud Initiative 2018/19

Following on from updates in previous reports, the outcome of this biennial exercise can now be provided. The Home Office withdrew their participation whilst they review safeguards to ensure that those who are lawfully in the UK are not disadvantaged by measures to tackle illegal migration. It is hoped this issue will have been resolved by the next exercise in 2021/21. Therefore no assurance was provided concerning the immigration status of employees but no issues have been raised in previous exercises.

No overpayments to employees or creditor suppliers were identified and no issues concerning the declaration of secondary or other employment or company directorships. Therefore overall assurance can be taken from the effectiveness of the systems and procedures to manage payroll and creditor payments and employee conduct in relation to terms of employment.

3. KEY FINANCIAL SYSTEMS

Risk	Findings	Audit Opinion
Chief Finance & Procurement Officer		
Payroll Key Controls	<p>Since the majority of the Authority’s expenditure relates to employees, the robustness of the payroll system key controls and procedures is integral to the veracity of the Annual Accounts. Management of the payroll system forms part of the Financial Services SLA with Kirklees Council, although most routine input is performed within the Finance function at Headquarters. Payroll processing is operating to a good standard with complete source documentation for set-up, termination and variations, a clear audit trail for overpayments, loans and absences, and thorough checking of exception reports, resulting in accurate payments and contract details for the samples selected.</p> <p>Although reasonable checks are carried out to ensure that input requests are derived from an appropriate department or officer, there is now no schedule of officers authorised to approve payroll instruction in line with Financial Procedure Rules. The current process to change an employee’s bank details could be strengthened as a counter fraud measure and this should be reviewed.</p> <p>The reconciliation of payroll to financial ledger had been carried out at HD-One as per the SLA and a copy of the reconciliation forwarded to WYFRA detailing the amounts to be paid over to Employees, Vendors, HMRC and Pension Fund.</p> <p>There is scope for more automation of requests including uploading details into SAP and this may be worthy of consideration when reviewing processes going forward.</p>	Adequate Assurance

4. OTHER FINANCIAL SYSTEMS & RISKS

None during this period.

5. LOCATION & DEPARTMENT AUDITS

None during this period.

6. BUSINESS RISK AUDITS

This category of audits reflects the Audit Strategy to incorporate coverage of the controls and management actions to respond to the key risks to the Authority’s objectives as codified in the Corporate Risk Matrix.

Risk	Findings	Audit Opinion
Director of Service Delivery		
Staff Fatality at an Incident Risk	The arrangements in place to manage the risk of staff fatalities appear to be robust with a broad support framework, which is constantly monitored both at an internal and national level.	Substantial Assurance

7. FOLLOW UP AUDITS

Any audits that result in a less than adequate assurance opinion are followed up usually within six months, depending upon the timescale for implementing the agreed recommendations. Additionally, a sample of other audits is followed up periodically too.

None during this period.

8. REVIEW OF KEY RECOMMENDATIONS

No key recommendations were outstanding other than those in follow up audits.

9. ADVICE, CONSULTANCY & OTHER WORK

System	Comments
Director of Service Support	

Emergency Services Mobile Communications Project (ESMCP)	<p>Internal Audit has been requested to provide ongoing assurance about the financial probity and governance arising from the delivery of the project, both as regards WYFRS and within the Yorkshire & Humber region as a whole. WYFRS acts as custodian for the region of grant monies from the Home Office. The terms of reference of the former have been agreed by the Project Board.</p> <p>Assurance has been provided concerning validation of a grant and VFM return to the Home Office for monies received and expended on the project to date. National Project slippage and revision to financial support from Government has necessitated a review of the financing arrangements locally, which is still ongoing.</p>
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10 AUDIT PLAN DELIVERY 2018/19

Performance Indicators	18/19 Target	18/19 Actual	19/20 Target
Audits completed within the planned time allowance	80%	100%	80%
Draft reports issued within 10 days of fieldwork completion	90%	100%	90%
Client satisfaction in post audit questionnaires	90%	100%	90%
Chargeable audit days	160	155	160
QA compliance sample checks – percentage pass	100	100	100
Planned Audits Completed	19	18	17
Planned Audits in Progress		1	
Planned Audits Outstanding		0	
Unplanned Work Completed		1	
Unplanned Work in Progress		0	



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Internal Audit Annual Report 2018 - 19

Audit Committee

Date: 26 July 2019

Agenda Item:

8

Submitted By: Chief Finance and Procurement Officer

Purpose

To seek Members' endorsement of the Chief Finance and Procurement 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 2018/19

Recommendations

Members endorse the Chief Finance & Procurement Officer's conclusion as to the effectiveness of the system of internal audit.

Members note the audit opinion on governance, risk management arrangements and the internal control environment in 2018/19, thereby providing assurance for the Annual Governance Statement 2018/19.

Summary

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

This report concludes that the Authority's governance, risk management arrangements and internal control environment were effective and robust during the financial year to 31 March 2019.

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: None

Annexes: None

1 Introduction

- 1.1 The Authority is required (by the Accounts & Audit Regulations 2015) to undertake an annual review of the effectiveness of its system of internal control which
- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - ensure that the financial and operational management of the Authority is effective; and
 - incorporates effective arrangements for the management of risk.

and includes undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) and code of ethics, or guidance.

- 1.2 Following the external assessment of compliance with the PSIAS last year which resulted in a Generally Conforms (to the Standards) opinion, (the highest available), the annual self-assessment has confirmed that the actions arising last year have been actioned and the overall level of compliance has continued to be maintained.

- 1.3 Coupled with the analysis of the performance of the internal audit function against its performance indicators and quality assurance process and delivery of the 2018/19 Audit Plan, the Chief Finance & Procurement Officer has used this data in formulating her assessment of the Authority's system of internal audit to conclude the degree of reliance can be placed on its work and opinion on the internal control environment.

- 1.4 In accordance with best practice the annual review of the Audit Charter and Strategy has been conducted and confirmed it remains fit for purpose.

- 1.5 This report then provides an opinion on the adequacy and effectiveness of the Authority's governance, risk management system and internal control environment during the year, particularly in support of the Annual Governance Statement that accompanies the Annual Accounts.

- 1.6 The opinion 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.

- 1.7 Each planned audit performed during the year concluded with at least an Adequate Assurance opinion, with exception to two which produced a Limited Assurance one. Half of the audits concluded with a Substantial Assurance opinion, which is the highest available.

2 Effectiveness of the System of Internal Audit

- 2.1 The Internal Audit function is included in the Financial Services Service Level Agreement with Kirklees Council which the Chief Finance & Procurement Officer has reviewed recently in conjunction with officers from the Council. The most recent benchmarking information from CIPFA showed internal audit operations have been at approximately the lower quartile of costs (based on £m gross expenditure) compared with Metropolitan and Unitary authorities, a position previously supported by data gathered by the previous Chief Finance & Procurement Officer from the other metropolitan fire and rescue authorities.

2.2 The actions from the external assessment of compliance with the PSIAS undertaken by Wakefield MDC as regards the Authority have been addressed as follows:

	Recommendation	Progress
1	Accessing the skills necessary to address speciality work areas (e.g. cyber IT) and more generally to secure a sustainable workforce.	Recognition that super speciality skills are not practically available but as a recognition of workforce development a trainee auditor/accountant is being recruited.
2	The need to improve feedback/client engagement information.	New post audit survey arrangements are being trialled
3	Making sure that process documentation is fully completed	Ongoing supervision to address.

The annual self-assessment of compliance for 2018/19 has confirmed the overall position was maintained last year.

2.3 As referred to above, the Audit Charter & Strategy has been reviewed to ensure it continues to meet the needs of the Authority, which it does and a proposed only slightly revised version is shown as Appendix 1 in accordance with the annual review process for formal approval.

2.4 A summary of the performance of Internal Audit in delivering the 2018/19 Plan as reported to the Audit Committee during the year is shown below

Performance Indicators	18/19 Target	18/19 Actual
Audits completed within the planned time allowance	80%	82%
Draft reports issued within 10 days of fieldwork completion	90%	88%
Client satisfaction in returned post audit questionnaires	90%	100%
Chargeable audit days (cumulative)	160	154

QA compliance sample checks – pass rate		90%	100%
Planned Audits Completed		19	17
Unplanned Audits Completed			1

- 2.5 A summary of plan delivery itself is shown as appendix 2, together with the opinion reached for each audit.
- 2.6 The positive working relationship with the previous external auditors has continued with Deloitte colleagues, to maximise the use of audit resources and ensure our mutual roles are fulfilled effectively.
- 2.7 Members may wish to endorse the positive opinion on the effectiveness of the system of internal audit reached by the Chief Finance & Procurement Officer.

3 Operational Information

- 3.1 The scope of activity is established by the Financial Procedure Rules, the Audit Charter & Strategy and statements of operating practice.
- 3.2 In line with the Audit Strategy, assurance about the governance, risk management and internal control environment is obtained by the maintenance and delivery of a risk based audit plan approved by Members. Planned work during 2018/19 targeted areas of significant risk and where most value could be added, particularly on wider business and governance controls.
- 3.3 Areas of significant risk are determined by the Authority through its risk management process and in particular the Corporate Risk Matrix. Review of this area accounted for approximately 50% of available audit resources, the remaining 50% continued to relate to the review of key financial systems and processes.
- 3.4 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 adequacy and 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.
- 3.5 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.
- 3.6 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 any agreed key recommendations.

4 Summary of Audit Outcomes in 2018/19

4.1 The agreed Audit Plan for 2018/19 included 160 days of planned work in the following main areas:

- financial system and process audits,
- main business and governance risks and controls,
- follow up audits, and
- ongoing project assurance to the Joint Command & Control and the Emergency Services Mobile Communication Project Boards

Liaison with the Chief Finance & Procurement Officer throughout the year ensures that internal audit work undertaken continues to focus on the high risk areas and is reflective of any new developments or particular areas of concern so as to ensure the most appropriate use of internal audit resources. Appendix 2 provides a summary of the audits undertaken and status reached.

4.2 Key financial systems produced positive assurance opinions, apart from the review of the payment of Additional Responsibility Allowances requested by management, which is due to be followed up once the new policy and arrangements are bedded in.

4.3 The audit of Operational Competence and other mandatory training supported management's belief that the recording system is inadequate and not fit for purpose. Training is a key management control action for many of the risks in the Corporate Risk Matrix, so being unable to verify with confidence who has been trained, when and with what outcome is a concern. Implementation of a new IT system is in the process of addressing these issues.

4.4 The Authority's risk management arrangements have been considered in individual pieces of audit work, whereby management activity to address particular business risks, as recorded on the Corporate Risk Matrix, has been assessed. 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.

4.5 Follow-up audits were carried out to assess the degree of implementation of recommendations after the original audits had produced Limited Assurance and this was found to be satisfactory, thus providing assurance that management are effective in implementing agreed actions.

4.6 Once again participation in the National Fraud Initiative provided assurance that the payroll and creditor payments system are free from fraud and error that would be detected by such data matching techniques.

4.7 As part of the continuing support to the Joint Command and Control Project with South Yorkshire FRA, Internal Audit has undertaken a number of pieces of assurance work linked mainly to payments due to the contractor. Processes to test and evidence satisfactory completion of tasks and delivery of functionality have been found to be robust. A similar approach has been agreed as regards the Mobile Services Communication Project.

4.8 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.

5 Internal Audit in 2019/20

- 5.1 In 2019/20 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, particularly supporting the roll out of revised procurement arrangements.
- 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, Chair of the Authority and Chief Finance & Procurement Officer in order to sign off the Annual Governance Statement.
- 5.3 Planned audit work built into the agreed 2019/20 Internal Audit Plan includes key financial control audits, review of controls to manage key business risks and follow up audits.
- 5.4 The summary Audit Plan for 2019/20 as approved at the last meeting of the Committee is attached for information at Appendix 3.

6 Financial Implications

- 6.1 There are no financial implications associated with this report.

7 Legal Implications

- 7.1 The Chief Legal & Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and/or respond to any requests by members for legal advice made at the meeting.

8 Human Resource and Diversity Implications

- 8.1 There are no human resource and diversity implications associated with this report

9 Health, Safety and Wellbeing Implications

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

10 Your Fire & Rescue Service priorities

Production of the Treasury Management out turn report supports all the Fire and Rescue Service 2019 – 22 priorities.

11 Conclusions

- 11.1 This report has summarised the main activities of Internal Audit during 2018/19, detailed information on which has been provided to this Committee during the year.

- 11.2 Audit work during the year and the annual self-assessment of PSIAS compliance provided sufficient evidence to demonstrate that overall the system of internal audit is effective and has been undertaken in compliance with the PSIAS.
- 11.3 A review of the Authority's framework of governance, risk management and control, and business systems controls, 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/agreed appropriate action to address weaknesses.
- 11.4 Overall, the Authority has a sound control environment and no items of significance have been identified that merit consideration for inclusion in the Annual Governance Statement for 2018/19.



**West Yorkshire Fire & Rescue
Authority**

**INTERNAL AUDIT CHARTER &
STRATEGY**

June 2019

1. Introduction

The Public Sector Internal Audit Standards (PSIAS) and Code of Ethics are mandatory guidance which state the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance. These standards in local authorities are supplemented by additional guidance from CIPFA that has regulatory authority in this respect for local government in the UK.

The PSIAS require that there is a formal Internal Audit Charter defining its purpose, authority and responsibilities, which must be consistent with its definition of internal audit, code of ethics and professional standards.

The Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit advises the Authority on whether effective and efficient arrangements exist, cumulating in the annual Internal Audit opinion, which informs the Annual Governance Statement. Optimum benefit to the Authority arises when Internal Audit work in partnership with management to improve the control environment and assist in achieving objectives.

2. The Purpose of the Charter

The purpose of this Charter is to set out the nature, objectives, outcomes and responsibility of the Internal Audit function.

3. Definition of Internal Audit

The PSIAS definition of Internal Audit is:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

This definition goes beyond basic compliance by, where appropriate, evaluating and improving the effectiveness of risk, control and governance arrangements.

4. Accountability and Reporting Lines

Internal Audit will report to the Audit Committee

- Quarterly on each piece of work completed in the period, the opinion arising from that work and performance of internal audit (achievement of the annual audit plan, issuing reports on time, completing work within time allocated, client satisfaction and quality assessment).

- Annually on the overall achievement and assessment of the Authority's internal audit work programme, including an opinion on the assurance arrangements, and on the overall risk environment and the overall planned work on assurance in the forthcoming year, plus any investigative and consultancy tasks. This will include an assessment on the availability of resources, and any impact this may have on the ability to assess the control environment.
- As necessary on any matter impacting on the overall integrity of the Authority's control environment, where any significant risk or threat to the organisation identified through audit assurance work has not been adequately addressed by management, or on any operational matter that seriously impacts on the delivery or resourcing of the internal audit function.

Internal Audit reports to all levels of management, with reporting of detailed operational work usually being to Directors. All Directors and the Chief Executive receive the full Authority wide summary of activity.

Operationally Internal Audit report to the Chief Finance & Procurement Officer but has the right to communicate directly with the Chief Fire Officer / Chief Executive as necessary, for example in relation to audit work on activities for which the Chief Finance & Procurement is responsible and ultimately with the Chair of the Audit Committee as necessary.

5. Scope of Internal Audit

Internal Audit's remit extends to the adequacy and effectiveness of the entire control environment of the Authority as encompassed in the Audit Strategy as approved by the Audit Committee. It involves the examination of all business processes to evaluate the adequacy, effectiveness and efficiency of control, governance and risk management arrangements. It will assess the quality of performance in carrying out assigned responsibilities to achieve the Authority's objectives.

6. Responsibilities and Objectives of Internal Audit

The responsibilities and objectives of Internal Audit are as follows:

- To provide soundly based assurances to management on the adequacy and effectiveness of their internal control, risk and governance arrangements, including; ethics, information management and technology.
- To review, appraise and report on the extent to which the assets and interests of the Authority are accounted for and safeguarded from loss.
- To review, appraise and report on the suitability and reliability of financial and other management data and information.
- To assess the adequacy and effectiveness of the Authority's procurement, contract and partnership arrangements.

- To assess the corporate risk management processes.
- To evaluate the risk of fraud and how it is managed and controlled. To provide corporate fraud and irregularity prevention, detection and investigation services in accordance with the Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy.
- To reach conclusions about the effectiveness of the Authority's control environment, and to recommend improvements to management.
- To contribute to assurances in relation to the robustness and reliability of internal controls and governance to support the Annual Governance Statement.
- To support the achievement of efficiency, value for money and effective change management.
- To provide advisory and consultancy services intended to add value and improve value for money, governance, risk management and control processes.
- To provide advice in respect of the development of new or significant changes to existing programmes and processes including the design of appropriate controls. This is usually through membership of groups, boards or working parties as well as direct contact with officers within directorates.
- To support effective procurement.
- To support activities of the Audit Committee to discharge its responsibilities.
- To support the Chief Finance & Procurement (s151) Officer and all senior management in meeting their corporate responsibilities.
- To monitor the implementation of agreed recommendations.
- To plan, manage and operate the internal audit function in an efficient and effective manner.

7. Organisational Independence of Internal Audit

An effective Internal Audit function must be independent, objective and unbiased. To ensure this, Internal Audit will operate within a framework that allows:-

Unrestricted access to all of the Authority's

- + employees
 - + premises and assets
 - + records, information and data (in all forms)
 - + contractors and partners
- and to the Authority's External Audit provider.

As the Head of Audit & Risk, Kirklees Council has direct operational responsibility for the Insurance function and input into certain procurement functions that form part of the overall Financial Services SLA with Kirklees Council, one of the Audit Managers will assume the lead for internal audit for the Authority and report directly to the Chief Finance & Procurement Officer. This arrangement helps maintain independence and avoid any conflicts of interest. With the exception of these activities, the Internal Audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in processing functions or business activities.

As an outside provider, Internal Audit at Kirklees has the advantage of total segregation from line operations, so has no responsibility for developing or implementing procedures or systems and does not prepare records or engages in processing functions or business activities. If staff move from the Authority to Internal Audit they will not be involved in the audit of any system or process for which they had previous operational responsibility for a period of two years

Audit responsibilities are periodically rotated to avoid over-familiarity and complacency and also to provide for service continuity and resilience.

8. Ethical Standards

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined, working with honesty, diligence and responsibility. They must at all times observe the law and respect and contribute to the legitimate and ethical objectives of the Authority.

Objectivity:

Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by:

taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment;

declaring any real or perceived interests on an annual basis, or at any time that they recognise any impairment to the objectivity.

accepting anything that may impair or be presumed to impair their professional judgement such as gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties.

disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review;

not using information obtained during the course of duties for personal gain and;

complying with the Bribery Act 2010

Confidentiality:

Internal Auditors must;

act prudently when using information acquired in the course of their duties and protecting that information and;

not use information (derived or obtained through their official role) for any personal gain.

Integrity:

In the conduct of audit work, Internal Audit staff will:

comply with relevant professional standards of conduct and perform their work with honesty, diligence and responsibility

Competency:

Internal Auditors are expected to be competent in their role by:

possessing the knowledge, skills and technical proficiency relevant to the performance of their duties;

being skilled in dealing with people and communicating audit, risk management and related issues effectively;

maintaining their technical competence through a programme of continuous professional development;

exercising due professional care in performing their duties and;

complying with all requirements of the PSIAS & Code of Ethics.

9. Relationships

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort. Periodic meetings and contact between internal and external audit are held to discuss matters of mutual interest. External Audit has full and free access to all internal audit plans, working papers and reports.

Where appropriate the Internal Audit function will obtain assurance from other internal and external review agencies that offer opinions or appropriate analysis of the Authority's functions, or can otherwise contribute to the understanding of the overall risk profile and assurance environment.

The existence of Internal Audit does not diminish the responsibility of management to establish and maintain systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

10. Arrangements for Anti-Fraud, Anti-Corruption & Anti-Bribery Work

The Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy and other supporting fraud related policies set out the Authority's approach. The Policy requires the Chief Finance & Procurement Officer to be notified of all suspected or detected fraud, corruption, impropriety or other irregularity, in order to inform the annual internal audit opinion and the risk-based plan.

Internal Audit's role in respect of fraud-related work is as follows:

to advise the Chief Finance & Procurement Officer about the Corporate Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy, and provide guidance for managers and Members;

to co-ordinate the Authority's response to the biennial mandatory National Fraud Initiative (NFI) exercise;

to contribute to the corporate counter fraud arrangements, and;

to assume a lead role in the investigation of certain alleged irregularities. In some cases whistleblowing or outcomes from routine work will lead to an initial investigation, outcomes of which will be discussed with management, and a way forward agreed involving an Internal Audit lead investigation. In other instances irregularities are investigated by management with support from Internal Audit.

11. Authority of Internal Audit

The scope of Internal Audit allows for unrestricted coverage of all the Authority's activities and unrestricted access to all functions, records, data, personnel, premises and assets of the Authority.

Internal Audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Recipients of audit reports must respond within prescribed timeframes (draft reports within 2 weeks and final reports within 6 weeks).

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. All internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

12. Appropriate Resourcing of Internal Audit

At least annually, Internal Audit will submit to the Audit Committee an Internal Audit plan for review and approval. The plan will consist of a schedule of planned assurance and consultancy work (including some contingency) which will establish resource requirements for the next financial year. This will be balanced between resource requirement and capacity. The standard requires the Head of Audit to advise the Audit Committee if the amount of resources available compromises the ability to offer appropriate levels of assurance.

The internal audit plan is based on a risk based assessment. As the internal auditor of Kirklees Council which provides the Authority's key financial systems, the audit plan is able to reflect a level of knowledge and assurance from all audit work on these areas to maximise coverage efficiency. The current Audit Strategy is to ensure that assurance coverage concentrates on those areas of highest risk in terms of potential exposure or likelihood of failure, covering both financial and other business risks and controls.

Any material variations from the approved Internal Audit plan are reported to the Audit Committee.

13. Assurances Provided to Outside Parties

Internal Audit also undertakes work for Kirklees Council and Kirklees Neighbourhood Housing Ltd, the Council's housing provider, a wholly owned subsidiary of the Council. It also provides assurance work for Kirklees Active Leisure (a charitable trust that is Kirklees Council's leisure centre operator partner) and Kirklees College. Internal Audit provide assurances (where requested) about the bona fide of transactions and claims as required by government departments. Internal audit would if requested provide assurance to other partner public sector bodies as appropriate.

14. Assurances Obtained from Outside Parties

Internal Audit will obtain assurances from third parties where this is an appropriate form of assurance related to activity carried out on behalf of the Authority.

15 Assessment of Internal Audit

In addition to maintaining its own quality assurance process, performance against which will be reported quarterly to the Audit Committee, annually the Head of Internal Audit will conduct a self-assessment of ongoing compliance with the PSIAS which will be validated by the Chief Finance & Procurement Officer and reported to the Audit Committee.

At least every five years the Authority will conduct an external assessment of its internal audit compliance with PSIAS, the outcome of which will be reported to the Audit Committee, together with an Action Plan as necessary to address any issues arising. .

16 Review

This Charter will be reviewed at least annually by the Audit Committee to ensure it remains relevant to the corporate objectives of the Authority and the operational needs of the Brigade.

Annexe 1 Definitions alignment to the Public Sector Internal Audit Standards

For the purposes of Internal Audit activity, the term;

‘board’ refers to the Audit Committee.

‘senior management’ refers to the Directors, namely the Chief Fire Officer / Chief Executive, Deputy Chief, Assistant Chief, Chief Finance & Procurement Officer, Chief Legal & Governance Officer and the Chief Employment Services Officer.

The PSIAS refer to the officer responsible for the Internal Audit function as the Chief Audit Executive. This role is undertaken by an Audit Manager at Kirklees Council.

Appendix 2 – Summary of Audit Coverage 2018/19

Audit	Report Status	Assurance Opinion
Financial Systems & Risks Payroll Creditors ARA Payments Debtors Treasury Management	Complete Complete Complete Complete Complete	Adequate Substantial Limited Adequate Adequate
Other Systems & Risks Insurance Operational Competence & other Mandatory Training	Complete Complete	Substantial Limited
Corporate Governance National Fraud Initiative 2018/19 Officer Delegation Scheme Freedom of Information Compliance	Complete WIP Complete	Substantial Substantial
Business Risk Management Commercial Premises Risk Database Managing an Industrial Dispute Responding to a Marauding Terrorist Attack Rise in National Threat Level Failure to provide an Effective Control Function Poor Data Quality Incident Staff Fatality Staff Safeguarding Issues Loss of Key Staff	Complete Complete Complete Complete Reviewed as part of Project Board role Complete Complete Complete Complete	Limited Substantial Substantial Substantial Adequate Substantial Substantial Adequate
Follow up Audits	None	
Unplanned Audits BACS Bureau Accreditation	Complete	Adequate
Project Board Risk Assurance Joint Command & Control Emergency Services Network	Complete Ongoing	

Appendix 3 – Internal Audit Plan 2019/20

Internal Control Systems

- Pensions (information flows to / from the Pensions bodies)
- Absence Management (compliance with and effectiveness of policy)
- Off Payroll Compliance (IR35) (legal compliance)
- Bank Reconciliation & Contract
- IT Asset Management (accountability and physical checks)
- Facilities Management (Contract Standing Order compliance & contract delivery)
- Responsive Building Repairs (Follow up from previous reviews)
- Stores
- Transport Maintenance
- Hydrant Maintenance
- IT Software Licencing (legal compliance and value for money)
- Communications – effectiveness in achieving objectives and protecting reputation

Risk Management Strategy / Risks & Controls

- Risk 2 - Wide Area Flooding
- Risk 20 - Fraud
- Risk 21 - Loss of Critical ICT
- Risk 30 - GDPR Compliance

Ongoing support to the Risk Management Strategy Group.

Governance

- Local Code of Corporate Governance / Ethics

Contingency

Support to the Procurement Review

ESMCP – Assurance to Board

Follow up audits as required (audits with Limited Assurance opinions)

Total Days per SLA

160



OFFICIAL

Statement of Accounts and Financial Outturn 2018/19

Audit Committee

Date: 26 July 2019

Agenda Item:

9

Submitted By: Chief Finance and Procurement Officer

Purpose

To report on the financial outturn for 2018/19
To present the Statement of Accounts for approval following completion of the audit.
To report on the level of Members allowances in 2018/19

Recommendations

That the revenue and capital outturn for 2018/19 be noted
That members approve the Statement of Accounts
That the report on Members allowances for 2018/19 be noted

Summary

The report presents details of the Authority's financial outturn for 2018/19, members allowances and the formal Statement of Accounts following completion of the audit.

Local Government (Access to information) Act 1972

Exemption Category: Nil

Contact Officer: Alison Wood – Chief Finance and Procurement Officer
T: 01274 655711 E: Alison.wood@westyorkshire.gov.uk

Background papers open to inspection: Nil

Annexes:

Detailed capital outturn 2018/19
Statement of Accounts 2018/19

1 Introduction

The purpose of this report is to present a comprehensive review of the financial activity of the Authority for the financial year 2018/19 looking at the following areas.

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

There is now a statutory requirement for the financial accounts to be completed by the 31st May and approval at Audit committee by the 31st July, previous dates were the 30th June and 30th September respectively.

This section presents the Statement accounts 2018/19 for members' approval.

Section 4 – Members' Allowances Outturn

Finally, 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.

2 Information

Section 1- Revenue Expenditure

2.1 Revenue Outturn

Throughout the year the Authority received regular financial review reports which provides members with financial information on expenditure on both revenue and capital.

During the financial year it became apparent that some of the assumptions underlying the calculation of the 2018/19 budget had changed which resulted in the transfer of £1.1m. to contingencies during the year, which were approved at Finance and Resources Committee.

A more rigorous budget monitoring system was introduced in 2018/19 whereby a red, amber, green (RAG) rating system has been implemented. If a budget is forecast to over or under spend by 5%, a RAG rating is inserted on the budget monitoring report. These variances have to be explained and a course of corrective action identified which is sent to the Chief Finance and Procurement Officer. This is also reported to Management Board on a monthly basis. This improved budget monitoring system has enabled the service to review and make savings of £2m in the 2019/20 budget, ultimately resulting in a balanced budget.

The revenue budget under spend in 2018/19 was £117k which is summarised in the table below;

Budget Description	Outturn £'000	Revised Budget £'000	Variance £'000
Uniformed Staff			
Wholetime Firefighters	44,752	45,801	-1,049
Retained Firefighters	1,605	1,740	-135
Control	1,773	1,890	-117
Support Staff	9,365	9,340	25
Other Employee Expenses	3,131	3,135	-4
Premises Expenses	4,169	4,121	48
Transport Expenses	2,060	2,108	-48
Supplies and Services	4,699	4,980	-281
Insurance	918	918	0
Lead Authority Charges	267	294	-27
Capital Financing Charges	8,272	8,272	0
Contingency	250	1,955	-1,705
TOTAL EXPENDITURE	81,261	84,554	-3,293
TOTAL INCOME	-2,788	-2,642	-146
Revenue Contribution to Capital Outlay	3,322	0	3,322
NET MOVEMENT TO GENERAL FUND	81,795	81,912	-117

A brief explanation of the major variances against budget are as follows:

Uniformed Staff -£1.3m

This is the largest area of expenditure and the largest variances are explained below;

Whole-time Firefighters -£1.049m

The underspending in this budget is because there has been an increase in the number of leavers and retirements in the year than was estimated in the original budget, resulting in a saving on employee costs.

Retained Firefighters -£0.135m

A review of the method in which Retained Firefighters are remunerated was introduced in October 2018 where enhanced rates are paid for hours that are difficult to cover and also making advance payments to staff based on a number of average turnouts. An additional annual budget of £234k was allocated in 2018/19 which has underspent due to the implementation of the review mid-year.

Control Staff -£0.117m

There was a review of the structure of the control department during 2018/19, the underspending is due to a budget over provision.

Support Staff £0.025m

The overspending is due to the temporary extension of some fixed term contracts

Training Courses -£0.043m

This is a budget that has traditionally experienced underspending in previous years, the main reason for this are either the lack of availability for staff to attend courses or the lack of suitable courses. The ability to respond safely to emergencies is not jeopardised by this situation.

Premises £0.048m

This over spending is due to the overspending on both property repairs and cleaning contract totalling £70k. This is a combination of an increase in the cost of labour and parts and an increase in inspections and compliance checks due to statutory regulations and revised health and safety legislation.

This has been offset by a £22k underspend in utilities and property rates which is attributable to the reduction in the number of fire stations over recent years.

Transport -£0.048m

There has been an increase in the cost of spare parts of £53k during 2018/19 which is attributable to an increase in the stock of spare parts. This has been offset by savings in vehicle leasing of £39k which is due to a reduction in the size of our fleet and savings of £60k in mileage and public transport costs.

Supplies and Services -£0.281m

The underspend in 2018/19 can be attributable to a number of factors, the most notable are

- a) There has been an underspend on the installation of the new HR and Rostering system of £143k
- b) There has been an underspend of £110k on our ICT maintenance and support and communication contracts.
- c) An underspend on feasibility studies of our property sites of £44k

These have offset some overspends on operational, training and gym equipment.

Lead Authority Charges -£0.027m

The underspending is on the service level agreement with West Yorkshire Pension Fund for the administration of the pension schemes which is due to an overprovision of budget in 2018/19.

Contingency -£1.7m

A contingency budget is held to manage any changes in expenditure and budget requirements during the year. As explained earlier in the report, £1.1m was transferred to contingencies mid-way through the financial year. Due to the effective management of budgets there has been no call upon the contingency budget during the year. A provision of

£0.25m was charged to the contingency budget which is in relation to an outstanding payment that is currently in dispute.

Income -£0.146m

The Authority has generated greater income than budgeted in a number of areas including charges for special services, secondments, primary authority scheme and external training courses for national resilience. This has offset lower than budgeted income for false activation charges.

Revenue Contribution to Capital Outlay +£3,322

A revenue contribution to capital outlay was provided for in 2018/19 which means that £3.32m of the capital expenditure spent in 2018/19 was charged to revenue. This means that the Authority will not be subject to Minimum Revenue Provision charges on this amount, thus resulting in a saving to the revenue budget in future years. On average this saves £200k in minimum revenue provision charges per annum.

2.2 Revenue Balances

Reserves

The Authority has a General Fund Reserve and a number of Earmarked Reserves. The General Fund Reserve is used to fund any day to day cash flow requirements or cover any unexpected expenditure that is not included within the revenue budget. Earmarked Reserves are funds that are set aside for specific purposes for which a liability may incur at some point in the future.

The Authority's reserve strategy was approved at Finance and Resources Committee on the 12th October 2018, is reviewed as part of the budget approval process in February 2019 and published on the Authority's website.

The table below gives a summary of the Authority's reserve position as at the 31 March 2019;

Description	Opening Balance 1.4.18 £'000	Adjustment in year £'000	Revised Balance £'000	Movements 2018/19 £'000	Closing Balance 31.3.19 £'000
General Fund	14,388	-9,388	5,000	117	5,117
Earmarked Reserves	21,355	9,388	30,743	430	31,173
TOTAL	35,743	0	35,743	547	36,290

General Fund Balances

At the 1st April 2018, the Authority's General Fund balance was £14.4m, in October 2018, the Finance and Resources committee approved the movement of £9.4m to three new

earmarked reserves, namely the Major Projects Reserve (transferred to the Capital Finance Reserve), Medium Term Impact Reserve and the Operational Equipment Reserve, leaving a revised General Fund balance of £5m. The underspend in the revenue budget of £0.117m has been transferred to the General Fund leaving a balance at the 31 March 2019 of £5.117m.

Earmarked Reserves

The Authority has used its Service Support Earmarked Reserve to fund the costs associated with the lean working and procurement reviews and the Capital Finance Reserve has funded the costs of the rebuild of Wakefield Fire Station in 2018/19.

Details on all the Authority's usable reserves are detailed in Notes 28 and 29 to the accounts.

Section 2 - Capital Expenditure Outturn

2.2 Capital Programme

Each year the Authority produces a capital programme to manage major capital schemes. Owing to the nature of capital expenditure, a large number of schemes span more than one financial year, therefore the programme is a rolling programme covering four financial years.

The Authority spent £4.252m on capital during 2018/19 against an approved capital plan of £8.464m, details of expenditure by directorate is shown in the table below.

Directorate	Outturn	Capital Plan 2018/19	Variance
	£'000	£'000	£'000
Property	1,141	1,921	780
IRMP	168	1,000	832
Information Communications and Technology	334	835	501
Human Resources	54	56	2
Transport	731	1,565	834
Operations	1,415	2,560	1,145
Fire Safety	398	500	102
Finance	12	27	15
TOTAL	4,253	8,464	4,211

Of particular significance was:

- Upgrades to the Transport Stock Management System and Human Resources and Rostering System costing £122k.
- Purchase of two aerial appliances costing £0.66m, one will be based at Leeds Fire Station and became operational in March 2019 and the other at Bradford Fire Station,

for which there is still outstanding payments of £0.75m. This appliance will be operational in January 2020.

- Replacement of operational hydraulic rescue tools on fire appliances costing £835k.

This expenditure has been funded through the following sources as detailed below;

Funding	£'000
Revenue Contribution	3,322
Capital Receipts	108
Capital Finance Reserve	118
Capital Grants	35
Internal Borrowing	670
TOTAL	4,253

The authority has not taken out any new long term external borrowing since December 2011 which has saved the Authority over £2 million in interest charges over the period. The Authority uses its own internal cash to fund expenditure rather than taking out loans, cash flow is boosted in July each year following the receipt of Pension Top Up Grant from Central Government which totalled £34m in 2018/19.

Our capital programme continues to invest in our asset base ensuring that our employees have the best tools to do the job, in particular a planned replacement of our appliances, rebuilding and major refurbishment of our fire stations, up to date operational equipment and information technology.

Treasury Management

The Authority's borrowing is undertaken in accordance with the Prudential Code which provides the regulatory framework to ensure that all borrowing is prudent, affordable and sustainable. This framework is laid out in the Treasury Management Strategy.

The Authority's Treasury Management Strategy is reviewed annually as part of the budget approval process. The strategy sets out the Authority's policies and parameters to provide an approved framework within which officers undertake the day to day treasury activities.

The Authority's total long term debt outstanding as at the 31st March 2019 was £45.41m of which £43.41m was owed to the Public Works Loans Board and £2m in the form of a LOBO with Dexia.

Section 3 - Statement of Accounts

- 2.4 There is a statutory requirement for the financial accounts to be completed by the 31st May and approved at Audit committee by the 31st July.

Deloitte LLP, the Authority's Auditors, have almost completed the audit. A copy of the ISA 260 report, to those charged with governance, is the subject of the next report on the agenda. Once again the Auditors have issued an unqualified audit opinion.

As part of the Audit process the auditors review the Statement of Accounts and the working papers which support the accounts.

Following the decision by the High Court to not allow the Government to appeal to the Supreme Court on the judgement relating to the McCloud/Sargeant case has meant that the Authority has been required to recalculate the IAS19 pension liability for both the fire fighters pension schemes and the Local Government Pension Scheme. This recalculation has been carried out by The Government Actuary Department (GAD) for the fire fighters pension schemes and by Aon for the Local Government Pension Scheme (LGPS). This has resulted in the liability for the fire fighters pensions increasing by £56.67m and the Local Government Pension Scheme increasing by £0.897m, this has been included as a past service cost in the Comprehensive Income and Expenditure Statement and subsequently has increased the overall pension liability on the Balance Sheet to £1,503m.

The formal Statement of Accounts for 2018/19, which incorporates these changes, is attached as Appendix 1 to this report. The accounts are made up of four key statements, supported by a number of supporting notes which take up the majority of the document.

The key statements are:

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

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).

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

2.5 **Comprehensive Income and Expenditure Statement.** (*Page 26 of SOA*)

Purpose of this statement

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, as shown in the balance sheet.

The Comprehensive Income and Expenditure Statement is reported in the accounts in the same format as budget monitoring information is provided to management. This supports accountability and transparency as it reflects the way in which services operate and performance is managed.

The statement is split into two sections:

- The first section (deficit on the provision of services) reflects the full economic cost of providing the services of the authority, as a result of the provision of the service, by comparing the expenditure incurred with the income generated.
- The second section (other comprehensive income and expenditure) looks at changes which do not relate 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.

Financial Position

The statement shows that the overall expenditure for the year exceeded income by £98.79m (£10.55m in 2017/18). The change is due to the impact actuarial gains on the fire-fighters' pension scheme of £39.9m and a deficit on the revaluation of assets of £5.2m. In addition, the past service cost in relation to the McCloud/Sargeant judgement resulted in the net cost of services increasing by £57.57m. to £109.366m.

The total balance of the Comprehensive Income and Expenditure Statement of £98.78m represents the change in total reserves on the balance sheet between 31 March 2018

(-£1,328.99m) and 31 March 2019 (-£1,427.78m).

2.7 **Balance Sheet.** *(Page 29 of SOA)*

Although this statement does not appear first in the Statement of Accounts document it is the one that sets out the Authority's financial position at 31 March 2019 and the other three statements provide the information to be included in the balance sheet.

Purpose of the balance sheet

The balance sheet is fundamentally different from the other statements because it provides a snap shot of the financial position of the Authority on one particular day (31 March) rather than providing a summary of the transactions through the year. It also provides details of the position at 31 March the previous year for comparison. It shows the net 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.

These reserves are split into two:

- 'useable reserves' (which are those the Authority can use to fund expenditure or reduce council tax)
 - 'unusable reserves' which cannot be used to fund expenditure
- An explanation of the movement of these reserves is included in the Statement of Movement of Reserves which is explained in paragraph 2.

Financial Position

The balance sheet shows that the Authority's liabilities exceeded its assets by £1,428m at 31 March 2019 and that the total amount of reserves equals that amount.

Further analysis of the reserves shows that the Authority has useable reserves of £36.3m and negative unusable reserves of (£1,464m).

The large deficit in the unusable reserves relates to the total future value of net liabilities in the Fire-fighters' Pension scheme which totals £1,503.19m. This represents the estimated lifetime cost of paying pensions to all existing employees and pensioners. These figures, which overshadow the rest of the balance sheet, overshadow the overall financial position 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, under the current funding arrangements any year on year deficit on pensions is met by a grant from central government which means the Authority will not have to meet this liability.

Consequently, if you exclude these liabilities from the balance sheet the Authority has a net worth of £75.4m including useable reserves of £36.3m.

2.8 Movement in Reserve Statement. *(Page 28 of SOA)*

Purpose of this statement

As explained in the previous paragraph, there are a number of reserves in the Authority's balance sheet which are set aside to meet future year's expenditure. This statement shows the movement on these reserves during the financial year 2018/19. As previously explained, these are broken down between useable reserves and unusable reserves. The main difference between the two categories is that useable reserves are created by setting aside funds whilst unusable reserves are created by an accounting adjustment

The general fund balance is an example of a useable reserve, with the 'revaluation reserve' being a good example of an unusable reserve.

Financial Position

Useable reserves have increased by £0.547m with a detailed analysis of the changes provided in note 28 (page 63) to the Statement of Accounts.

Movements into and out of usable reserves are set out in note 29 (page 64) of the Statement of Accounts.

The deficit on unusable reserves has increased by £99,335m which is primarily as a result of an increase in the actuarial valuation of the future pension liabilities.

2.9 **Cash Flow Statement.** *(Page 30 of SOA)*

Purpose of the statement

This statement tracks 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 and 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 show 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.

Financial position

The statement shows that the Authority has seen an increase in the amount of cash and cash equivalent at the end of the financial year. The closing balance of cash and cash equivalents of £6.869m can be found within the Balance Sheet by deducting the bank overdraft in current liabilities of £0.373m from the cash and cash equivalents in current assets totalling £6.496m.

The key items from the cash flow statement are

- net cash flows from operating activities £11.293m
- increase in cash and cash equivalents of £2.34m

Section 4 - Members Allowances Outturn

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
Cllr Angela Tait	£3,521.04	£3,173.43	£31.20
Cllr Angela Wenham	£3,000.46	£733.67	
Cllr Anthony Wallis	£762.89	£841.96	
Cllr Bryan Smith	£831.36	£917.52	£52.20
Cllr Cahal Burke	£530.05		£45.59
Cllr Caroline Anderson	£3,521.04		
Cllr Chris Pillai	£3,471.04		£109.20
Cllr Christopher Townsley	£350.21	£96.58	£32.50
Cllr Darren O'Donovan	£3,521.04	£3,173.43	£42.90
Cllr Denise Ragan	£530.05		£69.32
Cllr Ghulam Hussain	£250.21	£96.58	
Cllr Gohar Almas	£3,000.46	£733.67	£419.25
Cllr Jeanette Sunderland	£3,026.18	£733.67	£89.70
Cllr Jessica Lennox	£3,000.46		£231.40
Cllr Joanne Dodds	£3,521.04	£3,885.96	
Cllr Joshua Fenton-Glynn	£2,639.68		£92.40
Cllr Judith Hughes	£3,521.04	£19,425.00	£181.70
Cllr Karen Renshaw	£3,521.04	£733.67	£61.44
Cllr Lisa Holmes	£3,521.04		
Cllr Michael Pollard	£3,521.04		
Cllr Monica Graham	£762.89		
Cllr Mussarat Pervaiz	£3,000.46		
Cllr Olivia Rowley	£2,758.15		£318.50
Cllr Peter Harrand	£3,521.04	£3,885.96	£462.15
Cllr Riaz Ahmed	£444.86		
Cllr Richard Hunt	£2,758.15		£198.90
Cllr Ron Grahame	£3,471.04	£3,885.96	£312.00
Cllr Ryk Downes	£3,000.46		£210.60
Cllr Salma Arif	£530.05		£61.84
Cllr Teresa Peart	£3,521.04	£971.04	
Cllr Tracy Austin	£3,521.04	£9,713.04	£261.54
Mr Michael Wilkinson	£625.00		£46.44

3 Financial Implications

3.1 There are no financial implications associated with this report.

4 Legal Implications

4.1 The Chief Legal & Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and/or respond to any requests by members for legal advice made at the meeting.

5 Human Resource and Diversity Implications

5.1 There are no human resource and diversity implications associated with this report

6 Health and Safety Implications

6.1 There are no health and safety implications associated with this report

7 Your Fire and Rescue Service Priorities

7.1 The Statement of Accounts 8 satisfies all the fire and rescue service priorities

8 Conclusions

8.1 That members note the content of this report

CAPITAL BUDGET MONITORING 2018/19
SUMMARY

Directorate	Approved Capital 18/19			Capital Expenditure 18/19	
	<u>2018/19</u> Approved at MB /F&R	<u>2017/18</u> Slippage	<u>2018/19</u> Total Approved Capital	<u>2018/19</u> Total	<u>2018/19</u> Over/(Under) spend to date
Property services	£1,625,000	£296,472	£1,921,472	£1,141,034	-£780,438
IRMP	£300,000	£700,000	£1,000,000	£168,364	-£831,636
ICT	£358,450	£510,337	£835,787	£333,786	-£502,001
HR	£18,000	£37,700	£55,700	£54,424	-£1,276
Transport	£1,500,000	£64,738	£1,564,738	£730,584	-£834,154
Operations	£2,084,000	£476,000	£2,560,000	£1,415,237	-£1,144,763
Fire Safety	£500,000	£0	£500,000	£398,237	-£101,763
Finance	£0	£26,530	£26,530	£11,671	-£14,859
	£6,385,450	£2,111,777	£8,464,227	£4,253,338	-£4,210,889

PROPERTY						
Details of Scheme	Approved Capital 18/19			Capital Expenditure 18/19		
	2018/19	2017/18	2018/19	2018/19	2018/19	2018/19
	Approved at MB /F&R	Slippage	Total Approved Capital	Total Exp	Total	Over/(Under) spend to Date
Cookridge/Moortown	£150,000	£0	£150,000	£84,969	£84,969	-£65,031
FSHQ Works 18/19	£165,000	£0	£165,000	£101,735	£101,735	-£63,265
New Car Park Training Centre	£50,000	£0	£50,000	£0	£0	-£50,000
FSHQ Retaining and Boundary Walls	£120,000	£0	£120,000	£96,582	£96,582	-£23,418
Upgrade FSHQ - Breathing Acc, Classroom, TC	£100,000	£0	£100,000	£8,570	£8,570	-£91,430
General Upgrading Morley	£80,000	£0	£80,000	£47,069	£47,069	-£32,931
General Upgrading Odsal	£100,000	£0	£100,000	£3,352	£3,352	-£96,648
Fire Alarm upgrade, Security Gate Fairweather Green	£50,000	£0	£50,000	£28,096	£28,096	-£21,904
Tarmac, Lighting, smoke training House - Bingley	£45,000	£0	£45,000	£17,233	£17,233	-£27,767
Security gate, fencing, LED Lighting - Illingworth	£50,000	£0	£50,000	£43,263	£43,263	-£6,737
LED Lighting, Ext lighting CCTV, Security Todmorden	£30,000	£0	£30,000	£23,086	£23,086	-£6,914
Roof drainage, LED lighting, General Works Cleckheaton	£45,000	£0	£45,000	£33,685	£33,685	-£11,315
Upgrade AFS garage/gym, LED Lighting, Asbestos - Slaithwaite	£30,000	£0	£30,000	£19,286	£19,286	-£10,714
Boiler, Lighting, car parking, wall repairs - Meltham	£55,000	£0	£55,000	£47,583	£47,583	-£7,417
LED Lighting, Replace glazing - Rawdon	£80,000	£0	£80,000	£15,933	£15,933	-£64,067
LED Lighting, Decorating - Leeds	£50,000	£0	£50,000	£32,332	£32,332	-£17,668
Kitchen & Facility improvements - Stanningley	£20,000	£0	£20,000	£14,317	£14,317	-£5,683
Security systems, fire alarm, LED lighting - Garforth	£40,000	£0	£40,000	£10,343	£10,343	-£29,657
LED Lighting - Bradford	£25,000	£0	£25,000	£17,725	£17,725	-£7,275
Upgrade Shower installations - Normanton	£25,000	£0	£25,000	£0	£0	-£25,000
Upgrade to various Training Towers	£50,000	£0	£50,000	£18,190	£18,190	-£31,810
Security systems, Fire Alarms & upgrades	£100,000	£0	£100,000	£61,123	£61,123	-£38,877
Filling in Appliance Bay & making good	£85,000	£0	£85,000	£93,815	£93,815	£8,815
Asbestos removal	£40,000	£0	£40,000	£5,100	£5,100	-£34,900
Minor Equality & dignity facility improvements	£20,000	£0	£20,000	£19,419	£19,419	-£581
BA Equipment	£20,000	£0	£20,000	£0	£0	-£20,000
TOTAL NEW CAPITAL SCHEMES 18/19	£1,625,000	£0	£1,625,000	£842,806	£842,806	-£782,194
SLIPPED SCHEMES						
Roof replacement - Skelmanthorpe	£0	£2,000	£2,000	£1,652	£1,652	-£348
Training Centre boiler replacement	£0	£3,235	£3,235	£0	£0	-£3,235
Emergency generator - Slaithwaite	£0	£2,860	£2,860	£449	£449	-£2,412
Upgrade training fac - new steel training tower, fees, concrete surface replacement, installation of new water hydrant supply for drill yard	£0	£41,000	£41,000	£23,017	£23,017	-£17,983
Refurbishment - Wetherby	£0	£57,263	£57,263	£60,332	£60,332	£3,069
Tarmac hard standing and Interceptors and Tanks - Silsden	£0	£7,991	£7,991	£0	£0	-£7,991
External decorations District Smoke Houses - Bingley	£0	£50,000	£50,000	£48,776	£48,776	-£1,224
Phased programme to install essential security systems including PAC access, CCTV monitoring and recording, intruder alarms and fire detection - Keighley, Bingley, Fairweather Green, Odsal, Halifax, Cleckheaton, Huddersfield, Meltham, Otley, Morley, SDC	£0	£59,758	£59,758	£50,984	£50,984	-£8,774
Boiler replacement - Bradford	£0	£46,459	£46,459	£55,135	£55,135	£8,676
Roof replacements - Fairweather Green	£0	£1,093	£1,093	£3,547	£3,547	£2,454
Upgrade to brick built towers including structural repairs and upgrade of existing electrical system - Meltham	£0	£1,940	£1,940	£0	£0	-£1,940
Leeds - Ablutions & Tarmac hard standing	£0	£22,873	£22,873	£18,301	£18,301	-£4,572
TOTAL SLIPPED SCHEMES	£0	£296,472	£296,472	£262,193	£262,193	-£34,279
TOTAL EXPENDITURE APPROVED	£1,625,000	£296,472	£1,921,472	£1,104,999	£1,104,999	-£816,473
SCHEMES - NO APPROVAL						
Rothwell	£0	£0	£0	£20,395	£20,395	£20,395
Capital - General Equipment	£0	£0	£0	£15,640	£15,640	£15,640
TOTAL SCHEMES - NO APPROVAL	£0	£0	£0	£36,035	£36,035	£36,035
TOTAL CAPITAL 18/19	£1,625,000	£296,472	£1,921,472	£1,141,034	£1,141,034	-£780,438

IRMP						
Details of Scheme	Approved Capital 18/19			Capital Expenditure 18/19		
	<u>2018/19</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2018/19</u>	<u>20/18/19</u>	<u>2018/19</u>
	Approved at MB /F&R	Slippage	Total Approved Capital	Total Exp	Total	Over/(Under) spend to Date
Wakefield rebuild	£300,000	£0	£300,000	£118,477	£118,477	-£181,523
18/19	£300,000	£0	£300,000	£118,477	£118,477	-£181,523
<u>SLIPPED SCHEMES</u>						
Dewsbury	£0	£100,000	£100,000	£2,235	£2,235	-£97,765
Shipley	£0	£500,000	£500,000	£47,652	£47,652	-£452,348
Ossett	£0	£100,000	£100,000	£0	£0	-£100,000
TOTAL SLIPPED SCHEMES	£0	£700,000	£700,000	£49,887	£49,887	-£650,113
APPROVED	£300,000	£700,000	£1,000,000	£168,364	£168,364	-£831,636
TOTAL CAPITAL 18/19	£300,000	£700,000	£1,000,000	£168,364	£168,364	-£831,636

ICT						
Details of Scheme	Approved Capital 18/19			Capital Expenditure 18/19		
	<u>2018/19</u> Approved at MB /F&R	<u>2017/18</u> Slippage	<u>2018/19</u> Total Approved Capital	<u>2018/19</u> Total Exp	<u>2018/19</u> Total	<u>2018/19</u> Over/(Under) spend to Date
Computer Hardware	£70,000	£0	£70,000	£24,308	£24,308	-£45,692
GPS Repeaters	£86,350	£0	£86,350	£84,925	£84,925	-£1,425
Voice Over IP Telephony	£0	£0	£0	£0	£0	£0
Silent Witness	£0	£0	£0	£0	£0	£0
Mobile Phone	£18,930	£0	£18,930	£18,475	£18,475	-£455
Protection Database	£0	£0	£0	£0	£0	£0
ID Cards	£0	£0	£0	£0	£0	£0
Bring Your Own Device Policy and Software Solution	£0	£0	£0	£0	£0	£0
Command Support	£0	£0	£0	£0	£0	£0
Operational Risk Information	£0	£0	£0	£0	£0	£0
Additional resource for HR & Rostering	£33,750	£0	£33,750	£0	£0	-£33,750
Mobile Working	£51,000	£0	£51,000	£5,790	£5,790	-£45,210
Hydra command training	£0	£0	£0	£0	£0	£0
Thin Client	£0	£0	£0	£0	£0	£0
Hydrant Management	£0	£0	£0	£0	£0	£0
Equipment Management & RFID	£0	£0	£0	£0	£0	£0
Transport Upgrade	£98,420	£0	£98,420	£82,848	£82,848	-£15,573
Electronic Forms	£0	£0	£25,000	£0	£0	-£25,000
TOTAL NEW CAPITAL SCHEMES 18/19	358,450	0	383,450	216,345	216,345	-167,105
<u>SLIPPED SCHEMES</u>						
MDT	£0	£30,000	£30,000	£24,030	£24,030	-£5,970
Retained Pagers	£0	£25,848	£25,848	£8,878	£8,878	-£16,970
ICTSP2 Information Management Strategy	£0	£6,800	£6,800	£0	£0	-£6,800
ICTSP4 System Security	£0	£148,000	£148,000	£0	£0	-£148,000
ICTSP3 HR & Rostering	£0	£100,000	£100,000	£39,771	£39,771	-£60,229
Networking Hardware	£0	£28,448	£28,448	£0	£0	-£28,448
Networking Hardware	£0	£80,000	£80,000	£0	£0	-£80,000
New WAN (Enabling work)	£0	£6,916	£6,916	£0	£0	-£6,916
Communications Test Equipment	£0	£36,266	£36,266	£21,370	£21,370	-£14,896
Asset Management Software	£0	£40,000	£40,000	£16,451	£16,451	-£23,549
ICT Hardware for Trainee Firefighters	£0	£3,751	£3,751	£1,580	£1,580	-£2,171
Additional Hardware 17-18	£0	£4,308	£4,308	£5,362	£5,362	£1,054
TOTAL SLIPPED SCHEMES	£0	£510,337	£510,337	£117,441	£117,441	-£392,896
TOTAL EXPENDITURE APPROVED	£358,450	£510,337	£893,787	£333,786	£333,786	-£560,001
TOTAL CAPITAL 18/19	£358,450	£510,337	£893,787	£333,786	£333,786	-£560,001

HUMAN RESOURCES						
Details of Scheme	Approved Capital 18/19			Capital Expenditure 18/19		
	<u>2018/19</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2018/19</u>	<u>20/18/19</u>	<u>2018/19</u>
	Approved at MB /F&R	Slippage	Total Approved Capital	Total Exp	Total	Over/(Under) spend to Date
HQ Gym Equipment	£18,000	£0	£18,000	£17,429	£17,429	-£571
TOTAL CAPITAL PLAN 2018/19	£18,000	£0	£18,000	£17,429	£17,429	-£571
<u>SLIPPED SCHEMES</u>						
Casualty Care Training	£0	£37,700	£37,700	£36,995	£36,995	-£705
TOTAL EXPENDITURE APPROVED	£0	£37,700	£37,700	£36,995	£36,995	-£705
TOTAL EXPENDITURE APPROVED	£18,000	£37,700	£55,700	£54,424	£54,424	-£1,276

<u>TRANSPORT</u>						
Details of Scheme	Approved Capital 18/19			Capital Expenditure 18/19		
	<u>2018/19</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2018/19</u>	<u>2018/19</u>	<u>2018/19</u>
	Approved at MB /F&R	Slippage	Total Approved Capital	Total Exp	Total	Over/(Under) spend to Date
Aerial Appliances	£1,500,000	£0	£1,500,000	£662,549	£662,549	-£837,451
Appliances	£0	£0	£0	£0	£0	£0
TOTAL CAPITAL PLAN 2018/19	£1,500,000	£0	£1,500,000	£662,549	£662,549	-£837,451
<u>SLIPPED SCHEMES</u>						
POD Refurbishments	£0	£40,000	£40,000	£43,297	£43,297	£3,297
Vehicle Replacement - Appliances	£0	£24,738	£24,738	£24,738	£24,738	-£0
TOTAL SLIPPED SCHEMES	£0	£64,738	£64,738	£68,035	£68,035	£3,297
TOTAL EXPENDITURE APPROVED	£1,500,000	£64,738	£1,564,738	£730,584	£730,584	-£834,154
TOTAL CAPITAL 18/19	£1,500,000	£64,738	£1,564,738	£730,584	£730,584	-£834,154

OPERATIONS						
Details of Scheme	Approved Capital 18/19			Capital Expenditure 18/19		
	2018/19	2017/18	2018/19	2018/19	20/18/19	2018/19
	Approved at MB /F&R	Slippage	Total Approved Capital	Total Exp	Total	Over/(Under) spend to Date
PPE - RTC jackets	£210,000	£0	£210,000	£14,745	£14,745	-£195,255
Line Rescue	£12,000	£0	£12,000	£0	£0	-£12,000
Lay Flat Hose	£50,000	£0	£50,000	£42,570	£42,570	-£7,430
Gas Tight Suits	£14,000	£0	£14,000	£0	£0	-£14,000
Water Rescue	£12,000	£0	£12,000	£0	£0	-£12,000
Respiratory Protection Equipment	£50,000	£0	£50,000	£40,129	£40,129	-£9,871
Hydraulic Rescue Tools	£1,158,000	£0	£1,158,000	£835,892	£835,892	-£322,109
Ballistic PPE Ensemble	£36,000	£0	£36,000	£34,784	£34,784	-£1,216
Hydrants	£450,000	£0	£450,000	£339,892	£339,892	-£110,108
Aerial Vehicle Drone	£32,000	£0	£32,000	£20,601	£20,601	-£11,399
Method of Entry	£60,000	£0	£60,000	£14,771	£14,771	-£45,229
TOTAL CAPITAL PLAN 2018/19	£2,084,000	£0	£2,084,000	£1,343,384	£1,343,384	-£740,616
<u>SLIPPED SCHEMES</u>						
ULPP - Ultra Lightweight Portable Pumps	£0	£45,000	£45,000	£44,412	£44,412	-£588
Gas Tight Suits	£0	£14,000	£14,000	£0	£0	-£14,000
Gas Detectors	£0	£25,000	£25,000	£12,123	£12,123	-£12,878
New Control Project Contingency	£0	£338,000	£338,000	£0	£0	-£338,000
New Control Project (Premises costs)	£0	£54,000	£54,000	£0	£0	-£54,000
TOTAL SLIPPAGE	£0	£476,000	£476,000	£56,535	£56,535	-£419,465
TOTAL EXPENDITURE APPROVED	£2,084,000	£476,000	£2,560,000	£1,399,918	£1,399,918	-£1,160,082
<u>Expenditure no approvals</u>						
PPE	£0	£34,476	£34,476	£15,319	£15,319	-£19,157
TOTAL SCHEMES - NO APPROVAL	£0	£34,476	£34,476	£15,319	£15,319	-£19,157
TOTAL CAPITAL 18/19	£2,084,000	£510,476	£2,594,476	£1,415,237	£1,415,237	-£1,179,239

FIRE SAFETY						
Details of Scheme	Approved Capital 18/19			Capital Expenditure 18/19		
	<u>2018/19</u> Approved at MB /F&R	<u>2017/18</u> Slippage	<u>2018/19</u> Total Approved Capital	<u>2018/19</u> Total Exp	<u>20/18/19</u> Total	<u>2018/19</u> Over/(Under) spend to Date
Home Fire Safety Checks	£500,000	£0	£500,000	£398,237	£398,237	-£101,763
TOTAL CAPITAL PLAN 2018/19	£500,000	£0	£500,000	£398,237	£398,237	-£101,763
SLIPPED SCHEMES						
Home Fire Safety Checks	£0	£0	£0	£0	£0	£0
TOTAL SLIPPAGE	£0	£0	£0	£0	£0	£0
TOTAL EXPENDITURE APPROVED	£500,000	£0	£500,000	£398,237	£398,237	-£101,763

FINANCE						
Details of Scheme	Approved Capital 18/19			Capital Expenditure 18/19		
	<u>2018/19</u> Approved at MB /F&R	<u>2017/18</u> Slippage	<u>2018/19</u> Total Approved Capital	<u>2018/19</u> Total Exp	<u>20/18/19</u> Total	<u>2018/19</u> Over/(Under) spend to Date
	£0	£0	£0	£0	£0	£0
TOTAL CAPITAL PLAN 2018/19	£0	£0	£0	£0	£0	£0
SLIPPED SCHEMES						
Photocopiers	£0	£26,530	£26,530	£11,671	£11,671	-£14,859
TOTAL SLIPPAGE	£0	£26,530	£26,530	£11,671	£11,671	-£14,859
TOTAL EXPENDITURE APPROVED	£0	£0	£26,530	£11,671	£11,671	-£14,859



West Yorkshire Fire & Rescue Service

2018/19 ANNUAL STATEMENT OF ACCOUNTS (DRAFT)

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Narrative Report

Narrative Report

Purpose

The purpose of this statement is to present a picture of the performance of West Yorkshire Fire and Rescue Authority for 2018/19. The statement fulfils two main purposes; firstly, it demonstrates how the Authority continues to provide value for money by comparing its operational performance with its financial performance through performance management and secondly it provides an explanation of the key financial statements with a view to making them easier to understand.

Background

West Yorkshire Fire and Rescue Authority is the 4th largest Metropolitan Fire and Rescue Authority in the country serving a population of over 2.2m residents covering an area of 800 square miles, made up of the metropolitan areas of Bradford, Calderdale, Kirklees, Leeds and Wakefield. The area is diverse both in terms of topography and culture providing fire cover for the major cities of Leeds and Bradford as well as the ribbon valleys in the Holme and Calder Valley each providing differing challenges. The Fire Authority is governed by 22 local councillors who are nominated by the five districts councils with the Labour Party currently being the largest group. It is traditionally a low cost organisation having the third lowest precept at Band D of all fire and rescue authorities in England and Wales and is proud of its record as a high performing service.

The Fire services activities are governed by the Home Office and our legislative responsibilities are set out in the Fire and Rescue Services Act 2004 and the Fire and Rescue Framework for England.

The ambition of the Authority is to 'Make West Yorkshire Safer' and it will do this by delivering;

- A proactive community safety programme
- A professional and resilient emergency response service
- Provide a skilled workforce that serves the needs of a diverse community
- Provide effective and ethical governance and achieve value for money

In order to achieve our ambition, the service will;

- Focus on risk and vulnerability
- Be part of our communities
- Work in partnership
- Be at our best and strive to improve
- Make a positive difference in everything we do.

The Authority has seen significant reductions in its funding over the last 8 years which has resulted in a major restructure of service provision. The Authority has focused on aligning fire cover to risk and demand. This has involved the moving of fire station locations, reducing the number of fire engines, changing duty systems and support services. Since 2010 the number of fire stations has reduced by 8, fire engines by 16 and the number of whole time and retained firefighters by nearly 500. The Fire Authority in 2018/19 had 40 fire stations, 46 fire engines and 950 Firefighters.

Performance and Activity

In terms of overall operational activity for 2018/19 the service responded to 25,675 incidents, an increase in 11% from 2017/18, of which 10,523 proved to be false alarms, leaving 15,152 actual incidents.

An analysis of the actual incidents shows the service attended

- 10,523 false alarms

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- 9,049 secondary fires
- 3,468 primary fires
- 2,020 special service calls
- 615 road traffic collisions

In addition to the operational activity the service also provided a proactive fire safety and fire protection programme using both firefighters and specialist staff. The authority provides a Safe and Well programme in order to improve the safety and well-being of people in their homes. This is focused on individuals who are most vulnerable from fire risk which could be due to factors such as smoking, living alone, mobility issues, mental health, hoarding, poor housekeeping, misuse of alcohol and recreational drugs. During these visits other risks facing the safety of the individual are also assessed which include slips, trips and falls.

During 2018/19 fire crews and dedicated fire safety teams delivered;

- 16,350 homes received safe and well visits
- 333 school visits
- 1,470 operational risk visits

In delivering this service the Authority continues to work with partner organisations from all sectors of the community including other emergency services, local authorities and the voluntary sector.

Tragically, despite the work of the service, there were 15 fire deaths in the year, a decrease of 2 from the previous year, which demonstrates the importance of maintaining the focus on fire safety and fire protection.

Detailed performance management reports can be found at <https://www.westyorksfire.gov.uk/fire-authority/committees/full-authority/>

Developments

During 2018/19 the Authority recruited and trained 65 new whole time Fire Fighters. The authority embarked on a recruitment campaign which started in February 2016 for the first time since 2009, which resulted in over 6,000 applicants. The second recruitment process launched in January 2018 resulted in another 3,400 applicants.

The Authority began a lean working review in Autumn 2018 which has initially looked at the internal processes for property repairs and the ordering of stock and goods and services. The aim of lean working is to improve efficiency across the whole organisation and further reviews of employee expense claims and internal stock control are due to commence in July 2019.

Following a peer review from the Local Government Association the Authority is currently conducting a procurement review which commenced in January 2019. An interim procurement manager has been appointed who will implement the recommendations from the report. They will review our procedures and produce a contract pipeline which should facilitate efficiencies and identify collaboration opportunities in the procurement of goods and services.

Financial Performance

West Yorkshire Fire and Rescue Authority remains proud of its record as a high performing, low cost organisation and has continued to demonstrate these qualities in 2018/19 despite facing a number of major challenges.

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Local Government Finance Settlement

As part of the 2015/2016 Local Government Finance settlement the Government provided details of the proposed settlement for the following four years allowing Authorities to secure the long term settlement by submitting a 4 year efficiency plan. The settlement showed a reduction in grant of £7.9m by 2019/2020 with £1.3m lost in 2018/19. The Authority considered its budget options and approved a precept increase of 2.99% which was supported by a savings and development package totalling £2.5m.

Our estimated funding in 2018/19 came from the following sources:

Funding Sources	£'000
Central Government	30,939
Business Rates	8,152
Council Tax	40,821
Reserves	2,000
Total Funding 2018/19	81,912

Revenue Outturn

Throughout the year the Authority received regular financial review reports which provides members with financial information on income and expenditure on both revenue and capital.

During the financial year it became apparent that some of the assumptions underlying the calculation of the 2018/19 budget had changed which resulted in the transfer of £1.1m to contingencies during the year, which was approved at Finance and Resources Committees in July and October 2018.

A more rigorous budget monitoring system was introduced in 2018/19 whereby a red, amber, green (RAG) rating system has been implemented. If a budget is forecast to over or under spend by 5%, a RAG rating is inserted on the budget monitoring report. These variances have to be explained and a course of corrective action identified which is sent to the Chief Finance and Procurement Officer. This is also reported to Management Board on a monthly basis. This improved budget monitoring system has enabled the service to review and make savings of £2m in the 2019/20 budget, ultimately resulting in a balanced budget.

Details of revenue expenditure are shown in the table below:

Budget Description	Outturn £'000	Revised Budget £'000	Variance £'000
Uniformed Staff	48,130	49,431	-1,301
Support Staff	9,365	9,340	25
Other Employee Expenses	3,131	3,135	-4
Premises Expenses	4,169	4,121	48
Transport Expenses	2,060	2,108	-48
Supplies and Services	4,699	4,980	-281
Insurance	918	918	0
Lead Authority Charges	267	294	-27
Capital Financing Charges	8,272	8,272	0
Contingency	250	1,955	-1,705
Total Expenditure	81,261	84,554	-3,293
Total Income	-2,788	-2,642	-146
Net Expenditure	78,473	81,912	-3,439
Revenue Contributions to Capital Outlay	3,322	0	3,322
Net Movement in General Fund	81,795	81,912	-117

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The net expenditure variance of £3.439m was then utilised by making revenue contributions to capital totalling £3.322m. This enables the Authority to repay its Capital Financing Requirement via these contributions rather than funding through external borrowing. This in turn reduces the future burden on the Authority for the repayment of debt and the associated borrowing costs.

A brief explanation of the major variances against budget are as follows:

Uniformed Staff -£1.3m

This is the largest area of expenditure and the largest variances are explained below;

Whole-time Firefighters -£1.049m

The underspending in this budget is due to an increase in the number of leavers and retirements in the year than was estimated in the original budget, resulting in a saving on employee costs.

Retained Firefighters -£0.135m

A review of the method in which Retained Firefighters are remunerated was introduced in October 2018 where enhanced rates are paid for hours difficult to cover and making advance payments to staff based on a number of average turnouts. An additional annual budget of £234k was allocated in 2018/19 which has underspent due to the implementation of the review mid-year.

Control Staff -£0.117m

There was a review of the structure of the control department during 2018/19, the underspending is due to a budget over provision.

Support Staff £0.025m

The overspending is due to the temporary extension of some fixed term contracts

Other Employee Expenses -£0.043m

There are budgets within this category for training that has traditionally experienced underspending in previous years, the main reason for this are either the lack of availability for staff to attend courses or the lack of suitable courses. The ability to respond safely to emergencies is not jeopardised by this situation.

Premises £0.048m

This is due to overspending on both property repairs and cleaning contract totalling £70k. This is a combination of an increase in the cost of labour and parts and an increase in inspections and compliance checks due to statutory regulations and revised health and safety legislation. This has been offset by a £22k underspend in utilities and property rates which is attributable to the reduction in the number of fire stations over recent years.

Transport -£0.048m

There has been an increase in the cost of spare parts of £53k during 2018/19 which is attributable to an increase in stock of spare parts. This has been offset by savings in vehicle leasing of £39k which is due to a reduction in the size of our fleet and savings of £60k in mileage and public transport costs.

Supplies and Services -£0.281m

The underspend in 2018/19 can be attributable to a number of factors, the most notable are

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- a) There has been an underspend on the installation of the new HR and Rostering system of £143k
- b) There has been an underspend of £110k on our ICT maintenance and support and communication contracts.
- c) An underspend on feasibility studies of our property sites of £44k

- d) These have offset some overspends on operational, training and gym equipment.

Lead Authority Charges -£0.027m

The underspending is on the service level agreement with West Yorkshire Pension Fund for the administration of the pension schemes which is due to an overprovision of budget in 2018/19.

Contingency -£1.7m

A contingency budget is held to manage any changes in expenditure and budget requirements during the year. As explained earlier in the report, £1.1m was transferred to contingencies mid-way through the year. Due to the management of budgets within each category there has been no call upon the contingencies budget during the year, except for a provision for an outstanding payment which is in dispute.

Income -£0.146m

The Authority has generated greater income than budgeted in a number of areas including charges for special services, secondments, primary authority scheme and external training courses for national resilience. This has offset lower than budgeted income for false activation charges.

Reserves

The Authority has a General Fund Reserve and a number of Earmarked Reserves. The General Fund Reserve is used to fund any day to day cash flow requirements or cover any unexpected expenditure that is not included within the revenue budget. Earmarked Reserves are funds that are set aside for specific purposes for which a liability may incur at some point in the future.

The Authority's reserve strategy was approved at Finance and Resources Committee on the 12th October 2018, is reviewed as part of the budget approval process in February 2019 and published on the Authority's website.

The table below gives a summary of the Authority's reserve position as at the 31 March 2019;

Description	Opening Balance 01/04/2018 £'000	Adjustment in Year £'000	Revised Balance £'000	Movements 2018/19 £'000	Closing Balance 31/03/2019 £'000
General Fund	14,388	-9,388	5,000	117	5,117
Earmarked Reserves	21,355	9,388	30,743	430	31,173
Total	35,743	0	35,743	547	36,290

General Fund Balances

At the 1st April 2018, the Authority's General Fund balance was £14.4m, in October 2018, the Finance and Resources committee approved the movement of £9.4m to three new earmarked reserves, namely the Major Projects Reserve (transferred to the Capital Finance Reserve), Medium Term Impact Reserve and the Operational Equipment Reserve, leaving a revised General Fund balance of £5m. The underspend in the revenue budget of £0.117m has been transferred to the General Fund leaving a balance at the 31 March 2019 of £5.117m.

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Earmarked Reserves

The Authority has used its Service Support Earmarked Reserve to fund the costs associated with the lean working and procurement reviews and the Capital Finance Reserve has funded the costs of the rebuild of Wakefield Fire Station in 2018/19.

Details on all the Authority's reserves are detailed in Notes 28 and 29 to the accounts.

Capital Programme

Each year the Authority produces a capital programme to manage major capital schemes. Owing to the nature of capital expenditure, a large number of schemes span more than one financial year, therefore the programme is a rolling programme covering four financial years.

The Authority spent £4.252m on capital during 2018/19 against an approved capital plan of £8.464m, details of expenditure by directorate is shown in the table below.

Directorate	Outturn £'000	Capital Plan 2018/19 £'000	Variance £'000
Property	1,141	1,921	(780)
IRMP	168	1,000	(832)
Information, Communications and Technology	334	835	(501)
Human Resources	54	56	(2)
Transport	731	1,565	(834)
Operations	1,414	2,560	(1,146)
Fire Safety	398	500	(102)
Finance	12	27	(15)
Total	4,252	8,464	(4,212)

Of particular significance was:

- Upgrades to the Transport Stock Management System and Human Resources and Rostering System costing £122k.
- Purchase of two aerial appliances, one costing £0.66m based at Leeds Fire Station and became operational in March 2019 and the other at Bradford Fire Station, for which there is still outstanding payments of £0.7m. This appliance will be operational in January 2020.
- Replacement of operational hydraulic rescue tools on fire appliances costing £835k.

This expenditure has been funded through the following sources as detailed below;

Funding	£'000
Revenue Contribution	3,322
Capital Receipts	108
Capital Finance Reserve	118
Capital Grants	35
Internal Borrowing	669
Total	4,252

The authority has not taken out any new long term external borrowing since December 2011 which has saved the Authority over £2m in interest charges over the period. The Authority uses its own internal cash to fund expenditure rather than taking out loans, cash flow is boosted in July each year following the receipt of Pension Top Up Grant from Central Government which totalled £34m in 2018/19.

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Our capital programme continues to invest in our asset base ensuring that our employees have the best tools to do the job, in particular a planned replacement of our appliances, rebuilding and major refurbishment of our fire stations, up to date operational equipment and information technology.

Treasury Management

The Authority's borrowing is undertaken in accordance with the Prudential Code which provides the regulatory framework to ensure that all borrowing is prudent, affordable and sustainable. This framework is laid out in the Treasury Management Strategy.

The Authority's Treasury Management Strategy is reviewed annually as part of the budget approval process. The strategy sets out the Authority's policies and parameters to provide an approved framework within which officers undertake the day to day treasury activities.

The Authority's total long term debt outstanding as at the 31st March 2019 was £45.41m of which £43.41m was owed to the Public Works Loans Board and £2m in the form of a LOBO with Dexia.

Explanation of the Financial Statements

Statement of Responsibilities

The Statement of Responsibilities for the statement of accounts sets out the respective responsibilities of the Authority and the Chief Finance and Procurement Officer.

This is followed by the Auditors report which gives the external auditor's opinion on the financial statements and the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Core Financial Statements

Movement in Reserves Statement

This shows the movement in the year of the different reserves held by the Authority. These are broken down between Usable Reserves which are those which can be used to fund expenditure or reduce local taxation and Unusable Reserves which cannot. Examples of Usable Reserves are the General Fund Balance and the Pension Fund Equalisation Reserve; these are usable because they have been created by setting aside funds. Examples of Unusable Reserves include the Pension Reserve and the Capital Adjustment Account, these are unusable because they are created by accounting adjustments and not backed by funds. The total value of Usable Reserves has increased by £0.547m to £36.290m whilst the deficit of Unusable Reserves has increased by £99.335m principally as a result of the future lifetime cost of the Firefighter Pension Scheme.

Comprehensive Income and Expenditure Account

This shows the cost of providing the service in the year in accordance with International Financial Reporting Standards; however, this is different to the actual expenditure that is funded through government grants and council tax. This is because this statement includes a number of adjustments made in accordance with regulations, the largest relating to the long term cost of unfunded pension schemes.

Balance Sheet

This statement shows the value of the Fire Authority's assets and liabilities on 31 March 2019 and includes the figures at 31 March 2018 for comparison. It then shows how the net assets are matched by the Authority's reserves (both usable and unusable). On examination, the Balance Sheet shows the Authority having net liabilities of £1.428bn, however this includes the liabilities under the unfunded Fire-Fighters Pension Schemes totalling £1.503bn which the Authority is required to include. These

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represent the total future lifetime cost of pension liabilities for all existing employees and pensioners.

However, these liabilities are met through contributions from the employer and the employees with the balance met through government grant. Consequently, the Authority will not be required to meet all of this liability in future years. If these are excluded from the balance sheet it shows net assets of £75.4m.

Cash Flow Statement

This statement shows the changes in cash and cash equivalents during the financial year. It is prepared by removing all the non-cash transactions from the income and expenditure account. It includes the income raised through government grants, council tax, business rates, borrowing and fees and charges.

The statement is broken down into three sections the first showing day to day running of the service (operating activities) the second showing expenditure on capital schemes (investment activities) and finally changes in the level of borrowing and investment (financing activities). The closing balance of cash and cash equivalents of £6.869m can be found within the Balance Sheet by deducting the bank overdraft in current liabilities of £0.373m from the cash and cash equivalents in current assets totalling £6.496m.

Pension Fund Statement

This statement provides details of income and expenditure on Firefighter pensions. There are currently 4 different pension schemes none of which are supported by an investment fund. Details of these can be found on pages 86 to 88.

Looking Forward

Local Government Finance Settlement

As part of the Local Government Finance Settlement 2017/18, the government launched the Fair Funding Review whose aim is to address the relative needs and resources of the funding allocation to local government and the fire service. This will form the basis of the next comprehensive spending review which will take effect from April 2020. The financial effect on fire and rescue services at the present time is unknown. A range of funding scenarios have been calculated and presented to elected members to show potential funding shortfalls from a 0%, 5% and 10% cut in central government funding. These show that the Authority may need to find ongoing efficiency savings of £7.3m if a 10% cut to central government funding became a reality. The Authority has a strategy to use its earmarked reserves in the short term to fund any shortfall until efficiency plans can be implemented.

Brexit

The delay in the exit of the UK from the European Union is likely to result in Local Government and Fire and Rescue Authorities receiving a one year funding settlement rather than a multi-year deal, resulting in further financial uncertainty. The effect of Brexit on the provision of goods and services has been assessed and is unlikely to result in any adverse effect to service delivery.

Pay Awards

The Government lifted the pay cap on public sector pay in Autumn 2017 which means that employers are not limited to pay awards at 1%. There is increasing pressure from trade unions to increase pay by above inflation pay awards. In April 2019, Firefighters, who make up the majority of our workforce, rejected the employer's offer of a 13.57% pay increase payable over three years. The Medium Term Financial Plan has provision for a 3% pay award in 2019/20 and onwards which is considerably less

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than the amount rejected. For every additional 1% pay award it will cost an extra £0.5m year on year.

If the final pay award is in excess of the 3% that is budgeted within the Medium Term Financial Plan, this will mean the Authority will need to identify revenue savings and/or the use of reserves in the short term.

Fire and Rescue National Framework for England

The Fire and Rescue National Framework for England provides the overall strategic direction to fire and rescue authorities in England. This was last revised in 2012 and following public consultation by the Home Office the updated framework came into effect on the 1st June 2018. The major changes are;

- a) New guidance on how fire and rescue authorities should work with the National Fire Chiefs Council (NFCC) and Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS)
- b) Changes in guidance which reflects legislative changes to allow Mayors and Police and Crime Commissioners (PCC's) to exercise the functions of a Fire and Rescue Authority
- c) Development and delivery of professional standards for fire and rescue authorities
- d) Workforce development
- e) Changes to encourage commercial transformation, leading to further collaboration, innovative thinking and sharing of best practice.

Fire and Rescue Authorities have a statutory duty to have regard to this framework.

Summary

Once again the future of West Yorkshire Fire Authority will be challenging, however, the track record of the Authority over recent years, and effective scenario planning will ensure that the Authority is aware and prepared to meet the financial uncertainty from April 2020 onwards.

Annual Governance Statement

Scope of Responsibility and Code of Corporate Governance

Corporate governance is a phrase used to describe 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.

The Authority has a duty to achieve best value in the way it functions and to 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.westyorkshire.gov.uk) which includes the Authority's Code of Corporate Governance which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government (2016).

These principles are:

1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social and environmental benefits
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing West Yorkshire Fire and Rescue capacity, including the capability of its leadership and the individuals within it
6. Managing risks and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

In publishing this statement, the Authority fulfils the requirement under regulation 4(2) of the Accounts and Audit Regulations 2015, and accompanies the 2018/19 Statement of Accounts.

It is a requirement to produce this statement under regulation 6(1) b of the Accounts and Audit (England) Regulations and that it is approved by Audit Committee in advance of them agreeing the Statement of Accounts.

By applying the principles within the Authority's own 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.

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, a key element of which is the system of internal control.

Annual Governance Statement

The governance framework has been in place at West Yorkshire Fire and Rescue Authority for the year ending 31 March 2019 and will remain in place up to the date of the approval of the statement of accounts.

The Governance Framework

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

Strategic Objectives and the Service Planning Process

The Authority's Ambition and Priorities are set out in Your Service 2019-2022. This document is the Authority's Integrated Risk Management Plan (IRMP) and is supported by the Workforce Plan and the Medium Term Financial Plan, all of which are reviewed and approved annually by the Authority. These plans are published on the website at www.westyorksfire.gov.uk. The Authority's Ambition and Priorities are;

Ambition: 'Making West Yorkshire Safer'

Priorities:

- Reduce the risk to the communities of West Yorkshire
- Continue to keep our fire-fighters safe
- Maintain our current 40 fire stations and 46 fire engines
- Reduce what we spend by at least £2.4m by 2020
- Work smarter through the service
- Make better use of technology and innovate where possible
- Be more efficient across all areas of the service to make savings
- Identify options to make further savings beyond 2020
- Manage recruitment to avoid compulsory redundancies wherever possible

These objectives 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.

The Internal Control Environment

Internal Control describes the systems and processes that ensure the Authority is able to achieve its objectives with integrity and in compliance with laws, regulations and its own policies. They define the decision making processes and the controls that are in place to monitor these processes. The fundamentals include making sure that decisions are taken at the correct level and that there are clear separations of duty within the decision making processes.

It covers the reliability of financial reporting and performance management against the achievement of the Authority's strategic goals.

The Authority's systems of internal control conform to the standards of financial governance set out in CIPFA statement of the role of the Chief Financial Officer in Local Government.

The Constitution

The Authority has a written constitution which is reviewed annually by the Chief Legal and Governance Officer and is formally approved by the Authority at its Annual General Meeting. It is published on the website at (www.westyorksfire.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 of the following documents;

Annual Governance Statement

- Authority committee standing orders and procedures
- The roles and responsibilities of the executive officers
- 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 v 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 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 and an executive committee which deals with urgent business.

Human Resources Committee (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 Committee (11 Members)

This committee is responsible for all issues relating to 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, and ICT. This committee receives regular reports on the financial performance of the Authority along with detailed updates on treasury management activity.

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.

Annual Governance Statement

Community Safety Committee (11 Members)

This committee is responsible for the oversight of all aspects of service delivery, which includes the key areas of emergency response, fire protection and fire prevention. This covers responsibility for integrated Risk Management Planning, national resilience support arrangements and shared services.

Executive Committee

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

The terms of reference of all the Authority's committees are available on the Authority's website. 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 website.

Management Structure

The Corporate Management Board is made up of the following Executive Officers who meet monthly:

- Chief Executive/Chief Fire Officer
- Deputy Chief Fire Officer / Director of Service Delivery
- Director of Service Support
- Chief Legal and Governance Officer
- Chief Finance and Procurement Officer
- Chief Employment Services Officer

The Corporate Management Board is supported by a Management Team which, in addition to the Board members, includes senior officers from both the operational and non-operational sides of the organisation.

There is a close interaction between management and elected members based around a formal briefing process prior to each committee. Management also provide training and briefings for the elected members prior to their consideration of key issues such as the Medium Term Financial Plan and the Integrated Risk Management Plan.

The Chief Executive's Strategy Group, consisting of Management Board members and the Chair and Vice Chair of the Authority, meet bi-monthly. The purpose of this group is to allow senior management and the political leadership to consider major issues affecting the 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.

Tri-service Collaboration Board.

The Tri-Service Collaboration Board (TSCB) was established in 2017 and is supported by leading representatives of each blue-light service. The Board consists of the key political leaders of the organisations including the Chair of the Fire Authority, Yorkshire Ambulance Service and the Police and Crime Commissioner supported by members of senior management. The aim and purpose of the TSCB is to act as an enabling forum to bring about closer working arrangements across all three emergency services in West Yorkshire. This formal agreement regulates the relationship between the three parties and provides opportunities for increased efficiency, effectiveness and improved service delivery.

Annual Governance Statement

The TSCB Structure is available on the Authority website

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 and Procurement Officer, Internal Audit, External Audit and other external assessors. The results of the reviews are reported to the Authority through the committee structure.

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 wellbeing and reduce the risk of fires and other emergencies. The Authority maintains an integrated risk management model which bands the county into groups from low to very high based on underlying risk. This information allows the Authority to proportionately allocate resources and evaluate service delivery performance against the level of risk. This is a revised methodology which builds on the risk management process which has transformed service delivery over the last 8 years.

Through this process, the Authority is able to continue to achieve its aim of making West Yorkshire safer.

- 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 outcomes. The system is embedded throughout the organisation from individual Fire Station level through District Command to Authority wide achievement.

Each year the Authority produces district plans which set service delivery priorities for the coming year. Districts are also set a series of performance indicator targets for a variety of incident types that we attend. The targets are challenging, outcome based and are designed to build on the success of the previous year. The service delivery framework is planned for a review in 2019/20 to ensure that our data and intelligence can allow us to target the Authority's resources towards reducing risk across where the risk exist the five districts.

Performance against the service delivery plan is monitored within each district. Reports are produced for consideration at the Safer Communities Programme and Management Team. Reports on performance are presented to the Community Safety Committee which meets on a quarterly basis. Members of the Community Safety Committee are also encouraged to meet with their respective District Commander to discuss priorities, objectives within the local district plan and performance targets.

This system of monitoring has proved successful in measuring performance and provides the vital evidence needed to support the Integrated Risk Management Plan.

- Effective Financial Planning and Management

The Government's austerity measures have seen the Fire Authority lose £26m in government grant from the start of the spending review in 2011/12 to the end of 2019/20. The Authority has from the start taken a strategic approach to this grant loss matching changes to service delivery through the Integrated Risk Management Plan to the reducing resources. This planning coupled with significant capital investment has seen the construction of 7 new fire stations to replace 11 old fire stations delivering over £31m in ongoing revenue savings.

Annual Governance Statement

In 2016/2017 the Authority received Home Office approval of its 4- year efficiency plan which secured the 4-year settlement to 2019/20 which resulted in further grant loss of £7.9m. This has offered a degree of certainty over funding to 2020 allowing the Authority to develop a strategy for the use of balances linked to its precept strategy.

The Chief Finance and Procurement Officer presents to the Finance and Resources Committee every quarter an update on the financial position of the Authority covering both revenue and capital expenditure. Training on finance is also provided to new members in June and prior to the approval of the annual budget in February.

The finance team have developed a comprehensive expenditure monitoring system delivering financial information and forecasts from individual cost centre level through the organisation to senior management and the Fire Authority. A red, amber, green (RAG) rating system has been introduced both for revenue and capital budget monitoring whereby budget holders have to provide written explanation to the Chief Finance and Procurement Officer if they are projected to be 5% over or under budget at the end of the financial year.

The authority maintains a strong record of financial management which is evidenced by its track record of maintaining expenditure within the approved budget.

- **Effective Arrangements for Accountability**

The Authority can demonstrate robust systems of accountability both to elected members and the general public. The district command structure, which mirrors the 5 local authorities' / district boundaries in West Yorkshire, provide for close interaction with the local district councils on service delivery and joint working.

The Authority presents its budget proposals to the district councils and provides representatives of the business community with the opportunity to comment on the budget proposals.

The Authority has a Service Improvement and Assurance Team (SIAT) The team operates within the Service Improvement and Assurance Framework to provide high level assurance to both Management Board and the Fire Authority through the management of the service assurance process. This is achieved by the use of self-assessment tool kits which departments are required to complete by answering a number of questions that include performance indicators, policy compliance, financial controls, elements contributing to operational effectiveness and internal and external audit review. Each department manager makes a self- assessment of the grade they are achieving against each question, the grading mirror those given by the HMFRICS in their inspection process which are outstanding, good, requires improvement and inadequate. This is then independently reviewed by the SIAT and reported to management to enable them to make an informed judgement regarding the overall performance of West Yorkshire Fire and Rescue Service. This judgement is then summarised in the Annual Statement of Assurance which is published on the website in accordance with the requirements of the National Fire and Rescue Framework.

- **Internal Audit**

The Authority procures its internal audit service from Kirklees Council which complies with Public Sector Internal Audit Standards. This 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.

The internal audit plan is approved initially by Management Board and then at Audit Committee in April. All internal audit reports include an assessment of the internal controls and a prioritised action plan to address any areas needing improvement. If an internal audit receives a limited assurance a follow up

Annual Governance Statement

audit is carried out within the next twelve months to ensure that actions have been implemented. In addition, during 2018/19 the Internal Audit section provided an independent review role within the new command and control project implementation and overview to the Emergency Services Mobile Communications Project.

In addition, the SIAT monitors and reviews the actions from internal audit reports in liaison with the departmental manager to ensure that recommendations are implemented.

- Information Management Framework

Information governance is a framework to bring together all of the requirements, standards and best practice that apply to the handling of information.

The Authority is required to comply with legislation including the Data Protection Act 2018 and the General Data Protection Regulations which regulate information data processing, storage, and, access rights. The Authority has appointed a Management Board Member (the Chief Legal and Governance Officer) as the statutory Data Protection Officer who in conjunction with other officers and working groups oversees the development of best practice policies and procedures aimed at ensuring compliance with the legislative requirements.

The information governance group which is chaired by the authority's Senior Technical Services Manager and supported by the Corporate Information Management Group meets quarterly and is attended by senior managers within the organisation. This group is responsible for setting and reviewing policies, standards, procedures, best practices, controls, risk management and ensure compliance with them.

Statement of Assurance

The Authority is required to produce an annual Statement of Assurance as part of the Fire and Rescue National Framework for England. The purpose of the statement is to provide independent assurance to communities and the Government that the service is being delivered efficiently and effectively. Whilst the Fire and Rescue National Framework sets out the Government's priorities and objectives for fire and rescue authorities in England, it does not prescribe operational matters as these are determined locally by fire and rescue authorities.

This Statement of Assurance provides assurance that WYFRA is providing an efficient, effective and value for money service to the community of West Yorkshire in its financial, governance and operational matters.

Conclusion

Overall, the Authority and its Management Board conclude that the systems and procedures provide effective systems of management control enabling the Authority to provide an efficient, effective and economic service to the public of West Yorkshire.

- External Review

Following the Public Sector Audit Appointments tender process, Deloitte LLP have become the Authority's external auditors from 1st April 2018.

Deloitte LLP will provide an external review of systems and procedures as part of their role as the appointed external auditors to the Authority which will include;

- The audit of the financial statements 2018/19
- Reach a conclusion on the economy, efficiency and effectiveness in the use of resources, the value for money (VFM) conclusion
- Review the Whole of Government Accounts return

Annual Governance Statement

The Policing and Crime Act 2017 included the establishment of a Fire Service Inspectorate which will perform independent reviews on all Fire and Rescue Services. The inspection will review the efficiency, effectiveness and people within the organisation. West Yorkshire was one of three fire services who were chosen to pilot the new inspection regime which took place in May 2018. Although no report or rating was issued by the inspectorate, the Authority put in place an action plan resulting from the pilot inspection process in readiness for the Authority's full inspection. The Authority will have its formal inspection in Tranche 3 which will take place in June 2019, the results of which will be available in December 2019.

- Compliance

These systems and reviews demonstrate that the Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010). They also demonstrate the systems that are in place to enable the Monitoring Officer and Chief Finance and Procurement Officer to discharge their functions in relation to the governance of the Authority.

- Significant Governance Issues

The continuing reduction in government funding remains a significant challenge to the Authority as it continues to maintain service standards with reducing resources. In addition, the potential for changes in the governance of the Authority also provide a degree of uncertainty.

Whilst no significant weaknesses have been identified in control systems at present, the following have been identified as internal control issues for the forthcoming year

- a) Implications of the Ville de Nivelles v Matzak Court of Justice Ruling

A recent judgement relating to the working hours and related payments of a Belgium on call firefighter (Matzak) could have implications for the fire authority. The ruling has the potential to impact adversely on current arrangements for the effective provision and affordable cost of on call services. The Authority along with every other fire and rescue service is working with the Local Government Association in seeking advice from Leading Council and reviewing potential options for changing current arrangements to mitigate against the impact of the ruling. However, due to the current uncertainty it is considered appropriate to flag up the risk of potential extra costs which have yet to be fully identified.

- b) Policing and Crime Act 2017

The Police and Crime Act imposes a statutory requirement on emergency services to collaborate to improve public safety and deliver better efficiency. The emergency services in West Yorkshire have established a joint body to review areas of collaboration this is yet to deliver any significant change. This process is dependent on the services agreeing joint priorities and delivering change with willing partners. This must remain one of the key priorities if the Authority is to comply with the Act.

- c) Implementation of the Procurement Review

Following a Local Government Association peer review in Autumn 2018, the Authority has appointed an interim Procurement Manager to review the current procurement processes and produce a contract pipeline. Updated contract procedure rules which determine how we procure goods and services and the associated governance are to be introduced in 2019/20.

Annual Governance Statement

Summary

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 have 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.

John Roberts

Chief Fire Officer / Chief Executive

26th July 2019

Alison Wood

Chief Finance and Procurement Officer

26th July 2019

Cllr O'Donovan, Chair - West Yorkshire Fire & Rescue Authority

26th July 2019

Statement of Responsibilities

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority it is the Chief Finance and Procurement Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Chief Finance and Procurement Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Finance and Procurement Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Local Authority Code.

The Chief Finance and Procurement Officer has also:

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

Certificates

I certify that the financial statements set out on pages 21-82 present a true and fair view of the financial position of the West Yorkshire Fire and Rescue Authority as at 31 March 2019, and its income and expenditure for the year then ended.

Alison Wood CPFA
Chief Finance and Procurement Officer
26th July 2019

Authority Approval of Accounts
Cllr R Grahame
Chair of Audit Committee
26th July 2019

Audit Opinion

Audit Opinion

Audit Opinion

Audit Opinion

Main Financial Statements

Main Financial Statements

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and Expenditure and Funding Analysis.

2017/18 (Restated)				2018/19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
35,228	(2,455)	32,773	Service Delivery	76,582	(2,251)	74,331
12,809	(666)	12,143	Service Support	17,052	(446)	16,606
6,417	(153)	6,264	Employment Services	10,834	(219)	10,615
1,115	(53)	1,062	Legal & Governance	1,385	(4)	1,381
1,786	(49)	1,737	Finance & Procurement	6,142	(6)	6,136
209	0	209	Corporate Communications	298	(1)	297
57,564	(3,376)	54,188	Net Cost of Services	112,293	(2,927)	109,366
2,838	(3,345)	(507)	Other Operating Expenditure (Note 11)	138	(108)	30
38,364	(80)	38,284	Financing and Investment Income & Expenditure (Note 12)	37,278	(205)	37,073
-	(80,245)	(80,245)	Taxation and Non-Specific Grant Income (Note 13)	-	(82,385)	(82,385)
98,766	(87,046)	11,720	Net (Surplus) or Deficit on Provision of Services	149,709	(85,625)	64,084
		-	(Surplus) or Deficit on revaluation of fixed assets			(5,201)
		(1,163)	Re-measurement of the net defined benefit liability			39,905
		(1,163)	Other Comprehensive Income & Expenditure			34,704
		10,557	Total Comprehensive Income & Expenditure			98,788

Main Financial Statements

Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) is not a main financial statement, however this is a supporting note to the CIES. The objective of the EFA is to demonstrate to the tax payer how the funding available to West Yorkshire Fire Service (Government Grants, Council Tax Income in the form of precepts, Non Domestic Rates) for the year have been used in providing services in comparison with those resources consumed or earned by the Fire Service in accordance with generally accepted accounting practices (GAAP). The Analysis also shows how this expenditure is allocated for decision making purposes between the Fire Authority's management structure. A more detailed breakdown of the adjustments between funding and accounting basis is shown in note 10.

Expenditure & Funding Analysis 2018/19	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 10)	Net Expenditure in the Comprehensive and Income Expenditure Statement (Note 9)
	£'000	£'000	£'000
Service Delivery	13,967	60,364	74,331
Service Support	9,141	7,465	16,606
Employment Services	5,644	4,971	10,615
Legal & Governance	986	395	1,381
Finance & Procurement	6,004	132	6,136
Corporate Communications	250	47	297
Net Cost of Services	35,992	73,374	109,366
Other Income and Expenditure	(36,539)	(8,743)	(45,282)
Net (Surplus) or Deficit	(547)	64,631	64,084
Opening General Fund Balance at 01/04/2018	35,743		
Surplus on General Fund in Year	547		
Closing General Fund Balance (including Earmarked Reserves) at 31/03/2019	36,290		

Expenditure & Funding Analysis 2017/18 (Restated)	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 10)	Net Expenditure in the Comprehensive and Income Expenditure Statement (Note 9)
	£'000	£'000	£'000
Service Delivery	15,570	17,205	32,775
Service Support	9,363	2,778	12,141
Employment Services	6,118	146	6,264
Legal & Governance	971	91	1,062
Finance & Procurement	1,650	87	1,737
Corporate Communications	179	30	209
Net Cost of Services	33,851	20,337	54,188
Other Income and Expenditure	(37,012)	(5,456)	(42,468)
Net (Surplus) or Deficit	(3,161)	14,881	11,720
Opening General Fund Balance at 01/04/2017	32,582		
Surplus on General Fund in Year	3,161		
Closing General Fund Balance (including Earmarked Reserves) at 31/03/2018	35,743		

Main Financial Statements

Movement in Reserves Statement

The Movement in Reserves 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 Unusable 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.

Movement in Reserves during 2018/19	Note	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 01/04/2018		35,743	-	-	35,743	(1,364,734)	(1,328,991)
Total Comprehensive Income & Expenditure		(64,084)	-	-	(64,084)	(34,704)	(98,788)
Adjustments between accounting basis and funding basis under regulations	10	64,631	-	-	64,631	(64,631)	-
Increase/Decrease in 2018/19		547	-	-	547	(99,335)	(98,788)
Balance at 31/03/2019 carried forward		36,290	-	-	36,290	(1,464,069)	(1,427,779)

Movement in Reserves during 2017/18	Note	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 01/04/2017		32,582	-	-	32,582	(1,351,016)	(1,318,434)
Total Comprehensive Income & Expenditure		(11,720)	-	-	(11,720)	1,163	(10,557)
Adjustments between accounting basis and funding basis under regulations	10	14,881	-	-	14,881	(14,881)	-
Increase/Decrease in 2018/19		3,161	-	-	3,161	(13,718)	(10,557)
Balance at 31/03/2018 carried forward		35,743	-	-	35,743	(1,364,734)	(1,328,991)

A further analysis of the reserves position can be found within notes 28-30.

Main Financial Statements

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is Usable Reserves; that is 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".

31 March 2018 (Restated) £'000		Notes	31 March 2019 £'000
92,288	Property, Plant & Equipment	14	96,690
699	Intangible Assets	16	537
92,987	Long Term Assets		97,227
11,000	Short-term Investments		16,000
-	Assets Held for Sale	17	-
785	Inventories	20	659
13,810	Short-term Debtors	21	10,424
4,619	Cash and Cash Equivalents	22	6,869
30,214	Current Assets		33,952
(470)	Bank Overdraft	22	(373)
(778)	Short-term Borrowing		(722)
(9,616)	Short-term Creditors	26	(7,750)
(1,110)	Provisions	27	(1,491)
(11,974)	Current Liabilities		(10,336)
(45,604)	Long-term Borrowing		(45,407)
(22)	Grants Receipts in Advance – Capital		(22)
(1,394,592)	Other Long-term Liabilities	39	(1,503,193)
(1,440,218)	Long-term Liabilities		(1,548,622)
(1,328,991)	Net Assets (+) / Net Liabilities (-)		(1,427,779)
35,743	Usable Reserves	28	36,290
(1,364,734)	Unusable Reserves	30	(1,464,069)
(1,328,991)	Total Reserves		(1,427,779)

Main Financial Statements

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.

2017/18 (Restated) £'000		Notes	2018/19 £'000
(11,720)	Net surplus or deficit on the provision of services		(64,084)
23,789	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23	75,520
(3,359)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	(143)
8,710	Net cash flows from Operating Activities		11,293
(8,793)	Investing Activities	24	(8,711)
(196)	Financing Activities	25	(235)
(279)	Net increase or decrease in cash and cash equivalents		2,347
4,428	Cash and cash equivalents at the beginning of the reporting period	22	4,149
4,149	Cash and cash equivalents at the end of the reporting period		6,496

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Notes to the Main Financial Statements

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/2019 financial year and its position at the year end of 31 March 2019. The Statement of Accounts are prepared on a going concern basis and the Chief Finance and Procurement Officer is unaware of any material uncertainties relating to the Authority's ability to continue as a going concern.

The Authority is required to prepare an annual Statement of the Financial Accounts as per the Accounts and Audit Regulations 2015. These regulations require the Financial Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in 2018/19 and the Service Reporting Code of Practice 2018/19. Supported by International Financial Reporting Standards (IFRS).

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

The following accounting concepts have been applied and policies adopted in preparing the financial accounts:

Fundamental Accounting Concepts

The financial statements, other than cash flow information, are prepared on an accruals basis. This means that revenue and capital expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received.

Consistent accounting policies have been applied both within the year and between years unless otherwise identified.

The accounts have been prepared on a going concern basis that is on the assumption that the Authority will continue in operational existence for the foreseeable future.

The concept of materiality has been utilised such that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided in aggregate they would not affect the interpretation of the accounts.

Where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

(1) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received in accordance with section 2.7 of IFRS15. In particular:

- Revenue from the provision of services is recognised when the Authority can measure reliably the completion of the transaction.
- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received (including the services from employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

(2) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of more than 24 hours. The Authority has deposits in financial institutions that are repayable on demand which are classified in the accounts as cash and cash equivalents.

Notes to the Main Financial Statements

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

(3) Exceptional Items

Any exceptional items are included in the cost of service to which they relate or on the face of the Comprehensive Income and Expenditure Statement, if such a degree of prominence is necessary to give a fair presentation of the accounts. Details of such items are given in the notes to the accounts.

(4) Prior Period Adjustments

Prior year adjustments may arise from changes in accounting policies or from the correction of a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Material errors that are identified in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

(5) Charges to Revenue for Non-Current Assets

Front line services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations; however, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, which is calculated by the Authority in accordance with statutory guidance.

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

(6) Employee Benefits

(i) Benefits payable during employment

Short term benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements, accrued flexi time and time in lieu earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the deficit on the Provision of Services but then removed from the account, matched by a corresponding adjustment to the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

(ii) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Notes to the Main Financial Statements

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

(iii) Post-Employment Benefits

Accounting for retirement benefits is carried out in line with International Accounting Standard 19 (IAS19). IAS19 requires an authority to see beyond its commitment to pay contributions to pension funds and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. Inclusion of the attributable share of the fund assets and liabilities does not mean that legal title or obligation has passed to the employer, instead it represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit via reduced contributions from a surplus in the scheme.

IAS19 only applies to defined benefit schemes that are those where retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits.

The Authority participates in the following retirement schemes:

- 1992 Firefighters' Pension Scheme (FPS).
- 2006 Firefighters' Pension Scheme (NFPS).
- Retained Modified Scheme.
- 2015 Firefighters' Pension Scheme.
- Firefighters' Compensation Scheme (FCS).
- The Local Government Pension Scheme (LGPS).

The Government introduced a new pension scheme on the 1st April 2015, the 2015 Firefighters Pension Scheme. Members of the 1992, 2006 and Retained Modified Scheme either transferred to the scheme with no protection, have tapered protection or have full protection in the existing schemes as follows:

1992 Firefighters' Pension Scheme

If a member at the 1/4/12 was within 10 years of the normal pension age (50 years old), and were aged 45 and over then full protection is awarded and the member remains in the 1992 FPS.

If a member at the 1/4/12 was aged between 41 and 45 they have tapered protection and will join the 2015 scheme at a specified date unique to the member.

2006 Firefighters' Pension Scheme

If a member at the 1/4/12 was within 10 years of the normal pension age, and were aged 50 and over then full protection is awarded and the member remains in the 2006 FPS.

If a member at the 1/4/12 was aged between 46 and 50 they have tapered protection and will join the 2015 scheme at a specified date unique to the member.

Retained Modified Scheme

Members have the same protection as those in the 1992 FPS because they have a normal retirement age of 55.

Firefighters' Compensation Scheme

Under the Firefighters' Compensation Scheme injury awards are payable to those firefighters who have sustained a qualifying injury in the exercise of their duties as a firefighter which are paid from the Authority's revenue account.

Notes to the Main Financial Statements

Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefit scheme

- The liabilities of the LGPS attributable to the Authority are included in the Balance Sheet on an actuarial basis using an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates and projections of expected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate of 2.9%.
- The assets of the LGPS attributable to the Authority are included in the Balance Sheet at their fair value.

The change in the net pension's liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service to which the employee worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined liability (asset) which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits to employees – debited or credited to the deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the LGPS – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

The 2018/19 Code (and IAS 19 Employee Benefits Revised) requires that administration costs directly related to the management of plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the defined benefit obligations, are recognised as a reduction in the return on plan assets and recorded in Other Comprehensive Income and Expenditure.

Notes to the Main Financial Statements

The 2018/19 Code does not prescribe a specific accounting treatment for administration costs that are not deducted from the return on plan assets. The accounting treatment adopted by West Yorkshire Pension Fund is to deduct administration costs from the cost of services.

(iv) Discretionary Benefits

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

Pension Fund

The Authority maintains a Firefighters' Pensions Fund from which pension payments are made and into which all contributions (employees and employer's) are received. The annual deficit is topped up as necessary by specific government grant.

(7) Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

(i) Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the re-purchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading losses over the life of the replacement loan and gains over a similar period up to a maximum of ten years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Notes to the Main Financial Statements

(ii) Financial Assets

There are two main classes of financial assets measured within the Authority at:

- Amortised cost and;
- Fair value through other comprehensive income (FVOCI)

The Authority holds investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Authority's financial assets are therefore classified at amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument). The Authority therefore made the irrevocable election to designate changes in equity investments in other comprehensive income as permitted under IFRS. The Authority does not currently hold any equity investments and therefore all assets are currently held at amortised cost.

Financial Assets Measured at Amortised Cost

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Where the Authority has entered into a financial asset and recognises the potential for any loss, then this will be recognised over the lifetime of the asset.

(iii) Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment line in the Comprehensive Income and Expenditure Statement.

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

(iv) Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or

Notes to the Main Financial Statements

determinable payments, income (for example, dividends) is credited to the CIES when it becomes receivable by the Authority.

(8) Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. The Authority has set a De-minimis level for revenue grants and contributions at £20,000.

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

(9) Intangible Assets

Expenditure on the acquisition of intangible assets is capitalised, brought onto the Balance Sheet at cost and amortised over the period benefit is received. Software licences that are purchased by access to a web portal rather than the software being installed on a fire Authority IT device are charged as an expense to the revenue account.

Estimated lives for new intangible assets are 5 years and are amortised on a straight line basis.

Intangible assets are amortised on their current net book value and it is assumed that residual value is insignificant or nil. Intangible assets are reviewed annually for impairment. All services are charged with a provision for amortisation and, where required, any related impairment loss, for all intangible assets used in the provision of the service.

(10) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

(11) Leases

Finance Leases

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

Leases that do not meet the definition of finance leases are accounted for as operating leases. The Authority had no finance leases in 2018/19.

Notes to the Main Financial Statements

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased property, plant or equipment.

Charges are made on a straight line basis over the life of the lease, even if this does match the pattern of payments.

The Authority leases no assets to other organisations.

(12) Overheads and Support Services

The cost of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and performance.

(13) Property, Plant and Equipment

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

(i) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

The cost of enhancement work to existing assets is added to the appropriate fixed asset balance where the enhancement increases either the value or life of the asset. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits is charged as an expense when it is incurred.

The Authority has a De-minimis level of £10,000 whereby new capital schemes below this limit are charged to revenue expenditure.

(ii) Measurement

Assets are initially measured at cost comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

- Assets Under Construction (AUC) – historical cost.
- Operational Assets – including all fire stations, the Urban Search and Rescue Building and buildings at FSHQ - depreciated replacement cost
- Surplus land at Fire Service Head Quarters - market value.
- Non-property assets with short useful lives and/or low values – depreciated historical cost.
- Assets Held for Sale – market value
- Fire Appliances – due to their specialist nature these are valued at depreciated historical cost.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use.

A full valuation of all land and buildings has been completed as at the 31st March 2019. The authority formally values a fifth of its assets each year and for those that are not formally valued in year a detailed desk top evaluation of assets is undertaken to assess their current value. This is determined by using a range of indices.

Valuations are also carried out when there is a major natural disaster and/or there are major refurbishments.

Notes to the Main Financial Statements

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

(iii) Impairment

Assets are assessed at the end of each financial year as to whether there is any indication that an asset may be impaired.

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where identified, the impairment losses are accounted for by:

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

(iv) Depreciation

Depreciation is provided for all fixed assets with a determinable finite life except for freehold land and assets under construction. Assets are depreciated on a straight line basis. Buildings and motor vehicles are depreciated from their date they became operational. All other assets are depreciated from 1st October in year of acquisition. Estimated lives for new assets vary but are mainly as follows:

- New Buildings and Refurbishments 21-50 years
- Vehicles and Operational Equipment 5-13 years
- Fixtures and Fittings 10 years
- Computer Equipment 5 years

From 2019/20, estimated lives for all new appliances will be 13 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Notes to the Main Financial Statements

(v) Componentisation

For those assets where the cost of the component parts is significant, they are depreciated separately from the rest of the asset. The Authority has a £500,000 De-minimis level on the net book value which means that if the carrying value of the asset is lower than this de Minimis the asset is not componentised. For those assets that are assessed for componentisation each component must represent 25% of the total cost of the asset or the depreciation charges must be significant to the charge if componentisation was not used. The componentisation of an asset is also reviewed if the asset has significant enhancement expenditure during the year, is purchased/built from new and also during the formal 5 yearly property valuations.

(vi) Disposals and Non-Current Assets Held for Sale

Once Management has made the decision that an asset has become surplus to requirements and it is being actively marketed for sale it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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

(14) Unusual or Material Charges or Credits in the Accounts

These are items that due to their nature and/or value require separate disclosure. Details of unusual or material charges or credits in the Accounts for 2018/19 are shown in Note 6.

(15) Provisions, Contingent Liabilities and Contingent Assets

(i) Provisions

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

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

When payments are made, they are charged to the provision carried in the Balance Sheet.

Notes to the Main Financial Statements

(ii) Contingent Liabilities

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

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

(iii) Contingent Assets

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

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

(16) Reserves

These are amounts set aside for purposes falling outside the definition of provisions. The Authority's reserves some of which can be used to support expenditure and others which have been established for other purposes. The General Fund Balance can be used to meet both capital and revenue expenditure, and a minimum level must be maintained for risk management purposes. The Authority also has a number of earmarked reserves which are held for identified specific expenditure in the future. These will be reviewed periodically and those no longer required will be transferred to the General Fund Balance.

The balances on the following reserves: Capital Adjustment Account, the Financial Instruments Adjustment Account, the Revaluation Reserve, the Pension Reserve, and the Collection Fund Adjustment Account cannot be used for future expenditure.

(17) Revenue Expenditure Funded from Capital under Statute

This represents expenditure which may properly be capitalised under statutory provisions but which does not represent fixed assets. The expenditure is written off to revenue in the year it is incurred and an adjustment is made on the statement of General Fund Balance for the same amount so that there is no impact on council tax.

(18) Value Added Tax

VAT is included in the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure as appropriate. VAT receivable is excluded from income.

(19) Council Tax and Business Rates Income

Billing Authorities in England are currently required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and the Business Rates Retention Scheme. In its capacity as a billing authority, an authority acts as an agent - it collects and distributes council tax and business rates income on behalf of itself and other major preceptors such as the Fire Authority.

Council tax and business rates income collected by billing authorities is credited to their Collection Fund and represents accrued income for the year. Regulations determine when this income should be released from the Collection Fund and transferred to the General Fund of the billing authority and other major preceptors (which in turn is credited to their General Funds). The amount credited under these regulations is the authority's precept and income from the Business Rates Retention Scheme for the year, plus the authority's share of the surplus or deficit on the collection fund for the previous year.

The income which must be included in the Comprehensive Income and Expenditure statement is the accrued income for the year and not the actual income received in the year. Any difference between these figures is charged to the Collection Fund Adjustment Account which is held on the Balance Sheet

Notes to the Main Financial Statements

and is included in the Movement of Reserves Statement. This ensures that the difference between the accrued income and the actual income received does not impact on the General Fund.

Since the collecting Authority is collecting income on behalf of the Fire Authority, then the Fire Authority must also share in any surplus or deficit on collection.

The Authority therefore makes provision for the following items in its Balance Sheet at the financial year end:

- Debtors for the Authority's share of Council Tax and Business Rates Retention arrears at 31 March 2019.
- Provision for impairments of debtors in relation to Council Tax and Business Rates Retention arrears as at 31 March 2019.
- Income in advance from Council Tax and Business Rate payers who have paid their bills early.
- Creditor provision where the billing authorities have over-collected council tax and business rates income in year compared to the value of amounts actually paid over to the Authority.
- Creditor provision for appeals by business rate payers who disagree with the valuation of their premises for business rates purposes.

2. **Accounting Standards that have been issued but not yet applied**

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The additional disclosures that will be required in the 2019/20 financial statements in respect of accounting changes that are introduced in the 2018/19 code are:-

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
- IFRS16 Leases

The Authority does not expect the changes to have a material impact upon the financial statements.

3. **Prior Period Adjustments**

Prior period adjustments have been made to the Fire Services 2017/18 published financial statements in relation to the following:

In the previous year, income and expenditure from service segments were included within the Comprehensive Income and Expenditure Statement (CIES). The adjustment in relation to the prior year is a decrease in gross expenditure of £3.431m and a respective decrease in gross income to reflect the removal of the income and expenditure which has been generated between segments. The error has no impact on net deficit on provision of services for the year.

Collection Fund / NNDR (narrative to be provided via Deloitte)

Notes to the Main Financial Statements

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are;

Judgements made in the process of applying the Authority's accounting policies that have the most significant effect on the amounts recognized in the financial statements, i.e;

- Influences on going concern, such as future levels of funding for Fire Services. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority has an outstanding uninsured claim relating to exposure to asbestos and it is possible that further claims may arise in the future.

Notes to the Main Financial Statements

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance on individual assets. The current economic climate makes it uncertain if the Authority can sustain the current level of expenditure on repairs and maintenance which could bring into doubt useful lives assigned to the assets.	If the useful lives of assets are reduced, depreciation increases and hence the carrying amount of the asset falls. It is estimated that the annual charge for depreciation would increase by £598k for every year that the useful lives have to be reduced.
Provisions	The Authority shares the collection fund surplus and deficits with the 5 district councils of West Yorkshire. Due to the economic climate the estimated collection fund balance may be more volatile.	As at the 31 st March 2019 the provision for the non-payment of council tax debtors is £2.5m (£2.5m 2017/18). This may rise in the current economic climate due to inability to pay council tax.
Pensions Liability	The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement and mortality ages and expected returns on investment funds. A firm of actuaries are appointed to provide the Authority with expert advice.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £7.37m. However, the assumptions interact in complex ways and changes to other estimates and actuarial assumptions may produce a different impact on the total liability.
Fair Value Measurements	As at the 31 st March 2019 the Authority had a balance of sundry debtors of £0.2m. Due to the low levels of sundry debtors the Authority does not have the need for an impairment allowance but due to the current economic climate this policy may be reviewed.	The amount of debt exceeding 3 months was £0.1m as at 31 st March 2019. This is to be monitored and an impairment allowance would have to be funded from revenue reducing the level of General Fund reserves.

6. Material Items of Income and Expense

It is a requirement of the Code of Practice that details of any material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES) are identified.

Notes to the Main Financial Statements

IAS19 Employee Benefits

This standard requires the recognition of the cost of pensions to be recorded in the CIES. Due to the volatility and uncertainty of the estimation process involved in the calculation of these costs there are significant variations each year. In 2018/19 a debit of £33.475m has been recorded in the cost of services in the CIES (credit £20.7m 2017/18).

This charge has no impact upon the balances of the Fire Authority or upon Council Tax.

7. Events after the Balance Sheet Date

The Statement of Accounts was authorised for use by the Chief Finance and Procurement Officer on the 31st May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at the 31 March 2019, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

8. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

2018/19 Adjustments from General Fund to arrive at Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes (1) £'000	Net Change for the Pensions Adjustments (2) £'000	Other Differences (3) £'000	Total Adjustments £'000
Service Delivery	2,440	54,602	-	57,042
Service Support	2,332	5,133	-	7,465
Employment Services	(59)	5,030	-	4,971
Legal and Governance	(28)	423	-	395
Finance and Procurement	(4)	136	-	132
Corporate Communications	(3)	50	-	47
Net Cost of Services	4,678	65,374	-	70,052
Other Operating Expenditure (a)	(77)	-	279	202
Finance and Investment Income & Expenditure (b)	(4,361)	-	-	(4,361)
Taxation and non-specific Grant Income and Expenditure (c)	(1,262)	-	-	(1,262)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit	(1,022)	65,374	279	64,631

Notes to the Main Financial Statements

2017/18 Adjustments from General Fund to arrive at Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes (1)	Net Change for the Pensions Adjustments (2)	Other Differences (3)	Total Adjustments
	£'000	£'000	£'000	£'000
Service Delivery	2,622	14,583	-	17,205
Service Support	2,166	612	-	2,778
Employment Services	8	138	-	146
Legal and Governance	-	91	-	91
Finance and Procurement	3	84	-	87
Corporate Communications	-	30	-	30
Net Cost of Services	4,799	15,538	-	20,337
Other Operating Expenditure (a)	(522)	-	(16)	(538)
Finance and Investment Income & Expenditure (b)	(4,127)	-	-	(4,127)
Taxation and non-specific Grant Income and Expenditure (c)	(791)	-	-	(791)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit	(641)	15,538	(16)	14,881

(1) Adjustments for Capital Funding and Expenditure Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line for:

(a) Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets

(b) Financing and Investment income and expenditure – the statutory charges for capital financing and other revenue contributions are deducted as these are not chargeable under generally accepted accounting practices

(c) Taxation and Non-Specific Grant Income and Expenditure adjustments are made for capital and revenue grants whose conditions have or have not been made during the year.

(2) Net change for the removal of pension contributions and the addition of pension (IAS19) related expenditure and income

(a) For services this represents the removal of the employer pension contributions made by the Authority as permitted by statute and replacement with current service costs and past service costs

(3) Other Differences

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

Notes to the Main Financial Statements

9. Expenditure and Income Analysed by Nature

Expenditure / Income	2017/18 £'000	2018/19 £'000
Expenditure		
Employees	40,800	94,434
Other Service Expenses	10,549	9,577
Support Services	3,630	3,462
Capital Charges	6,016	7,781
Disposal of Fixed Assets	2,838	138
Interest Payments	38,364	37,278
Total Expenditure	102,197	152,670
Income		
Government Grants and Contributions	(2,058)	(1,650)
Other Non-Government Grants	(382)	(442)
Customer and Client Receipts	(936)	(835)
Internal Income	(3,431)	(2,961)
Fixed Assets Sales Proceeds	(3,345)	(108)
Interest Receivable and similar Income	(80)	(205)
Taxation and Non-Specific Grant Income	(80,245)	(82,385)
Total Income	(90,477)	(88,586)
Surplus or deficit on the Provision of Services	11,720	64,084

10. Adjustments between Funding and Accounting Basis

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Authority in the year in accordance with proper accounting practice to arrive at the resources specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:-

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all liabilities of the Authority only are to be met except to the extent that statutory rules might provide otherwise.

These rules can be specifying the financial year in which the liabilities and payments should impact on the General Fund balance, which is not necessary in accordance with proper practice. The General Fund balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.

Capital Grants Unapplied

The Capital Grants Unapplied (Reserve) holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

The balance is restricted by the grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Notes to the Main Financial Statements

The relevant transfers between reserves are explained in the Movement in Reserves Statement.

2018/19	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement on Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account (CAA)					
Charges for depreciation and impairment of non-current assets	5,993	-	-	5,993	(5,993)
Revaluation losses on property, plant and equipment	(1,488)	-	-	(1,488)	1,488
Amortisation of intangible assets	173	-	-	173	(173)
Capital grants and contributions	(4,692)	-	-	(4,692)	4,692
Revenue expenditure funded from capital under statue	398	-	-	398	(398)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	139	-	-	139	(139)
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	(4,361)	-	-	(4,361)	4,361
	(3,838)	-	-	(3,838)	3,838
Adjustments involving the Capital Receipts Reserves					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(108)	-	-	(108)	108
	(108)	-	-	(108)	108
Adjustments involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(62)	-	-	(62)	62
	(62)	-	-	(62)	62
Adjustments involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	116,557	-	-	116,557	(116,557)
Employers pension contributions and direct payments to pensioners payable in the year	(47,861)	-	-	(47,861)	47,861
	68,696	-	-	68,696	(68,696)
Adjustments involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(56)	-	-	(56)	56
	(56)	-	-	(56)	56
Adjustments involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(1)	-	-	(1)	1
	(1)	-	-	(1)	1
Total Adjustments 2018/19	64,631	-	-	64,631	(64,631)

Notes to the Main Financial Statements

2017/18	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account (CAA)					
Charges for depreciation and impairment of non-current assets	4,581	-	-	4,581	(4,581)
Revaluation losses on property, plant and equipment	-	-	-	-	-
Amortisation of intangible assets	218	-	-	218	(218)
Capital grants and contributions	(791)	-	-	(791)	791
Revenue expenditure funded from capital under statue	462	-	-	462	(462)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,837	-	-	2,837	(2,837)
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	(4,127)	-	-	(4,127)	4,127
	3,180	-	-	3,180	(3,180)
Adjustments involving the Capital Receipts Reserves					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(3,359)	-	-	(3,359)	3,359
	(3,359)	-	-	(3,359)	3,359
Adjustments involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(62)	-	-	(62)	62
	(62)	-	-	(62)	62
Adjustments involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	61,122	-	-	61,122	(61,122)
Employers pension contributions and direct payments to pensioners payable in the year	(45,584)	-	-	(45,584)	45,584
	15,538	-	-	15,538	(15,538)
Adjustments involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(445)	-	-	(445)	445
	(445)	-	-	(445)	445
Adjustments involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	29	-	-	29	(29)
	29	-	-	29	(29)
Total Adjustments 2017/18	14,881	-	-	14,881	(14,881)

11. Other Operating Expenditure

2017/18 £'000		2018/19 £'000
2,838	Net Book Value of Non-Current Assets	138
(3,345)	Sale Proceeds	(108)
(507)	(-) Gains / (+) Losses on the disposal of Non-Current Assets	30

Notes to the Main Financial Statements

12. Financing and Investment Income & Expenditure

2017/18 £'000		2018/19 £'000
2,040	Interest Payable and similar charges	1,995
36,262	Pensions interest cost	35,221
(80)	Interest Receivable and similar income	(205)
62	Income and Expenditure in relation to investment properties and changes in fair value	62
38,284	Total	37,073

Interest receivable and similar income represents the amount of interest earned on the Authority's revenue balances in 2018/19.

13. Taxation and Non-Specific Grant Income

2017/18 (Restated) £'000		2018/19 £'000
(38,303)	Council Tax Income	(40,341)
(7,762)	Non Domestic Rates	(7,862)
(33,313)	Non-ring fenced Government Grants	(32,812)
(867)	Capital Grants and Contributions	(1,370)
(80,245)	Total	(82,385)

Notes to the Main Financial Statements

14. Property, Plant and Equipment

Movements 2018/19	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Assets Under Construction £'000	(Total £'000)
Cost or Valuation				
At 1 April 2018	79,175	36,336	1,399	116,910
Additions	1,191	2,505	142	3,838
Acc depreciation written off to cost	(7,485)	-	-	(7,485)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,201	-	-	5,201
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,488	-	-	1,488
Derecognition – disposals	-	(3,922)	-	(3,922)
Assets reclassified (to)/from held for sale	-	-	-	-
Assets reclassified (to)/from Assets Under Construction	-	1,423	(1,423)	-
At 31 March 2019	79,570	36,342	118	116,030
Accumulated Depreciation and Impairment				
At 1 April 2018	(4,653)	(19,969)	-	(24,622)
Depreciation charge	(2,895)	(3,098)	-	(5,993)
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,485	-	-	7,485
Derecognition – disposals	-	3,790	-	3,790
At 31 March 2019	(63)	(19,277)	-	(19,340)
Net Book Value				
At 31 March 2019	79,507	17,065	118	96,690
At 31 March 2018	74,522	16,367	1,399	92,288

Capital Commitments

At the 31st March 2019, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years. The major commitments as at the 31st March 2019 were;

- £0.1m in relation to the new Wakefield Station Rebuild. This is part of the wider IRMP station refurbishments / rebuild plan that incorporates £7.7m over the next 4 years.
- £0.7m in relation to aerial appliances which will be based at Leeds and Bradford Fire Stations.

Notes to the Main Financial Statements

Movements 2017/18	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
Cost or Valuation					
At 1 April 2017	75,880	34,624	4,224		114,728
Additions	1,526	1,582	2,993	-	6,101
Derecognition – disposals	(2,006)	(1,913)	-	-	(3,919)
Assets reclassified (to)/from Assets Under Construction	3,775	2,043	(5,818)	-	-
At 31 March 2018	79,175	36,336	1,399	-	116,910
Accumulated Depreciation and Impairment					
At 1 April 2017	(2,962)	(18,981)	-	-	(21,943)
Depreciation charge	(1,691)	(2,889)	-	-	(4,580)
Derecognition – disposals	-	1,901	-	-	1,901
At 31 March 2018	(4,653)	(19,969)	-	-	(24,622)
Net Book Value					
At 31 March 2018	74,522	16,367	1,399	-	92,288
At 31 March 2017	72,918	15,643	4,224	-	92,785

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Buildings - 21 to 50 years

Vehicle, Plant, Furniture & Equipment - 5 to 13 years.

15. Revaluations and Impairments

As stated in Note 1 Accounting Policies, section (2), assets are carried on the Balance Sheet using the following measurement bases:

- Assets under construction – historical cost
- Land & Buildings are depreciated replacement cost with the exception of surplus land, buildings at Fire Service Headquarters and assets held for sale which are valued at market value.

The Authority has formally adopted a 5 year rolling programme of valuation from 2018/19. As at 31 March 2019 all assets were revalued by Avison Young (formally GVA), (an external valuations team) who were commissioned on behalf of the authority. In future years 20% of Authority assets will be re-valued in every year with a cross-section of all assets chosen so that across the 5 year programme all assets will have been re-valued. If there are significant factors that the Authority is aware of that would impact on the value of an asset then this would be reviewed, with the potential for certain assets to be formally revalued sooner than originally planned.

2017/18 £'000		2018/19 £'000
-	Revaluation losses/Impairments Recognised in Surplus/Deficit	1,488
-	Revaluations/(Impairments) Recognised in Revaluation Reserve	5,201
-	Total	6,689

16. Intangible Assets

The carrying amount of intangible assets are amortised on a straight line basis. The amortisation of £173k charged to revenue in 2018/19 was charged to the IT Support cost centre and then absorbed

Notes to the Main Financial Statements

as an overhead across all of the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortization is attributable to each service heading.

The movement on Intangible Asset Balances during the year are as follows:

	2017/18 Software Licenses £'000	2018/19 Software Licenses £'000
Balance as at 1st April:		
Gross carrying amounts	1,814	1,488
Accumulated Amortisation	(913)	(789)
Net carrying amount at start of year	901	699
Purchases	16	16
Disposals	-	(7)
Amortisation for the period	(218)	(173)
Other movements	-	2
Net carrying amount as at 31st March:	699	537
Gross Carrying Amounts	1,488	1,433
Accumulated Amortisation	(789)	(896)
Total	699	537

As at the 31st March 2019 there were no capital commitments in relation to intangible assets.

17. Assets Held for Sale

For assets to be included under this category they must meet the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for a sale provided that it is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

	Current		Non-Current	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Balance outstanding as at 1st April	-	-	826	-
Assets newly classified as held for sale				
Property, Plant & Equipment	-	-	-	-
Revaluation Losses	-	-	-	-
Revaluation Gains	-	-	-	-
Other Movements	-	-	-826	-
Balance outstanding as at 31st March	-	-	-	-

There are no assets held for sale as at 31st March 2019.

Notes to the Main Financial Statements

18. Financial Instruments

In order to comply with IFRS9, financial assets and liabilities have been re-classified on one of three measurement basis; Amortised cost, fair value through other comprehensive income or fair value through profit and loss. All of the Authority's financial instruments are carried at amortised cost.

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Current				Non-Current		Total	
	Investments/Borrowings		Debtors/Creditors		Investments/Borrowings		Investments/ Borrowings	Debtors/Cre ditors
	31/03/2018 £'000	31/03/2019 £'000	31/03/2018 £'000	31/03/2019 £'000	31/03/2018 £'000	31/03/2019 £'000	31/03/2018 £'000	31/03/2019 £'000
<u>Financial Assets</u>								
Amortised Cost	15,596	22,799	850	1,008	-	-	16,446	23,807
Total Financial Assets	15,596	22,799	850	1,008	-	-	16,446	23,807
<u>Financial Liabilities</u>								
Amortised Cost	274	235	3,184	3,408	45,604	45,407	49,062	49,050
Total Financial Liabilities	274	235	3,184	3,408	45,604	45,407	49,062	49,050

Income, Expense, Gains and Losses

The gains and losses recognized in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2017/18					2018/19				
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans & Receivables £'000	Financial Assets: Available for Sale £'000	Cash and Cash equivalents £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans & Receivables £'000	Financial Assets: Available for Sale £'000	Cash and Cash equivalents £'000	Total £'000
Interest expense	2,040	-	-	-	2,040	2,002	-	-	-	2,002
Losses on re-recognition	62	-	-	-	62	62	-	-	-	62
Total expense in surplus/deficit on the provision of services	2,102	-	-	-	2,102	2,064	-	-	-	2,064
Dividend & Interest income	-	(65)	(14)	-	(79)	-	(169)	(36)	-	(205)
Total income in surplus/deficit on the provision of services	-	(65)	(14)	-	(79)	-	(169)	(36)	-	(205)
Net gain/(loss) for the year	2,102	(65)	(14)	-	2,023	2,064	(169)	(36)	-	1,859

Notes to the Main Financial Statements

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are disclosed in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- no early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 st March 2018		31 st March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities	46,382	64,025	46,128	63,671
Short Term Creditors	2,680	2,680	2,913	2,913

Loans from the Public Works Loan Board (PWLB) have been valued by discounting the contractual cash flows over the life of the investment at the appropriate market rate for local authority loans

The value of Lenders option, Borrowers option loans have been increased by the value of the embedded options. Which is based on the assumption that lenders will only exercise their options when market rates have been above the contracted loan rate.

The fair value of the liabilities is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

The classes of financial assets and liabilities sit within the fair value hierarchy as defined below:

- Level 1 – Fair value is only derived from quoted prices in active markets for identical assets or liabilities (e.g. bond prices).
- Level 2 – Fair value is calculated from inputs other than quoted prices that are observable for the asset or liability (e.g. interest rates or yields or similar instruments).
- Level 3 – Fair value is determined using unobservable inputs (e.g. non-market data such as cash flow forecasts or estimated creditworthiness).

The above fair values are judged to be level 2 in the fair value hierarchy, using significant observable inputs. For short-term debtors and creditors, it is assumed that the carrying value will be a reasonable approximation of fair value.

The carrying amount of loans and receivables is deemed to be approximate to fair value because of the relatively short periods to maturity.

Notes to the Main Financial Statements

	31 st March 2018		31 st March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables	15,606	15,608	22,854	22,824
Short Term Debtors	812	812	953	953

19. Nature and Extent of Risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments; and
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on minimising any potential adverse effects on the resources available to fund services. The procedures are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code and investment guidance issued under the Act.

Kirklees Council manages the function on behalf of the Authority under the supervision of the Chief Financial & Procurement Officer and policies are approved by Members in the Annual Treasury Management Strategy and the Treasury Management Policy Statement and Practices.

Credit Risk

Investments and Cash

Credit risk arises from deposits with banks and other financial institutions as well as credit exposures to the Authority's customers. Deposits were not made with banks and other financial institutions unless they were rated by one of the main credit rating companies with a minimum rating of F1 (Fitch) and P-1 (Moody's) or where a building society with assets of more than £1 billion. The Authority has a policy of not lending more than £6 million of its surplus balances to any commercial counterparty and does not make commitments of longer than one year.

At the year end, the Authority held cash deposits at banks and other financial institutions of £6.8m (£4.6m 31st March 2018) had shares in Money Market Funds of £16.0m (£11.0m 31st March 2018) as well as some longer term and fixed term deposits. The Authority has instant access to the cash deposits and the shares in the Money Market Funds. The Authority did not make any investments longer than one year in 2018/19.

Notes to the Main Financial Statements

The table below summarises the credit risk exposures of the Authority's investment portfolio by credit rating:

Credit Rating	Short Term	
	31/03/2018 £'000	31/03/2019 £'000
F1/P1	1,025	3,000
F1+/P1	6	5
F1+/-	11,588	13,590
AA+	2,977	6,204
Total Investments	15,596	22,799

The Authority's maximum exposure to credit risk in relation to its investments in UK banks or building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk exists where the Authority may be unable to recover its short term deposits and investments. However, there was no evidence at the 31st March 2019 that this was likely to occur.

Customer and Client Receipts

The Authority does not allow credit for customers but due to the nature of some of the services provided by the Authority, payment prior to the service being carried out is highly unlikely.

Credit Risk	31/03/2018 £'000	31/03/2019 £'000
Less than three months	85	96
Three to six months	17	8
Six months to one year	14	1
More than one year	48	50
Total	164	155

Liquidity Risk

As well as keeping cash in instant access deposit accounts, the Authority has ready access to borrowings from the Public Works Loans Board. Because of this, there is no significant risk that it will be unable to raise finance to meet its commitments. Instead the risk is that the Authority will be bound to replenish its borrowings at less favourable rates or, alternatively, liquidate its investments at more favourable rates. The strategy is to ensure that the loan repayment profile is even with no more than 20% of loans due to mature in one year.

The maturity analysis of borrowing is shown below:

Liquidity Risk	31/03/2018 £'000	31/03/2019 £'000
Less than one year	274	235
Between one and two years	235	588
Between two and five years	1,432	2,882
Between five and ten years	5,500	4,250
Between ten and fifteen years	3,000	2,250
More than fifteen years	33,437	33,437
Total	43,878	43,642
Uncertain Date*	2,000	2,000

Notes to the Main Financial Statements

*The Authority has a £2 million “Lenders Option, Borrowers Option “(LOBO) loan from Dexia Credit Local which was taken out in 2006 for a period of 60 years. The terms of the loan states the lender has the option to increase the interest rate payable. The Authority has the option to accept the new rate or repay the loan without penalty. Due to low current interest rates the Authority is likely to repay the loan. The maturity date is therefore uncertain.

Market Risk

Interest Rate Risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements in particular on borrowings. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the surplus/deficit on the provision of services will rise.
- Borrowings at fixed rates - the fair value of liabilities will fall.
- Investments at variable rates - the interest income credited to the surplus/deficit on the provision of services will rise.
- Investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of service or the Comprehensive Income & Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of service and affect the general fund balance.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances makes it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates and provide compensation for a proportion of any higher borrowing costs.

The treasury management strategy is proactive, providing for the constant assessment of interest rate exposures and deciding whether new borrowing is at fixed or variable rates. This strategy also aims to mitigate the impact of interest rate risk by setting upper limits on its net exposure to fixed and variable interest rates. At the 31 March 2019, £43.4 million of borrowing through the PWLB was at fixed rates. The interest rate on the £2m LOBO agreement is also currently fixed at 3.58%. The lender can exercise the option to increase this rate in May 2021 at which point the Fire Service could either accept the new terms or re-pay the loan without penalty. This would then need to be re-financed elsewhere. However, it should be noted the option to increase the rate has not been exercised since the loan was taken out in 2006.

The fair value of fixed rate borrowings would decrease by around £10.1m if interest rates increased by 1% and likewise increase by £10.1m if interest rates decreased by 1%.

Most investments held by the Authority for cash flow purposes were at variable rates but with the benefit of instant access. Whilst the interest rates on these deposits are variable, the sums invested are not significant to be affected by any change in interest rates.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be an additional interest received of £264k resulting in a corresponding £264k decrease on Surplus or Deficit on the Provision of Services.

Notes to the Main Financial Statements

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate	(264)
Impact on Surplus or Deficit on the Provision of Services	(264)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Authority does not invest in equity shares and consequently is not exposed to losses arising from movements in the prices of shares.

Foreign Exchange Risk

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

20. Inventories

Inventories (stock) are materials or supplies that will be used in producing goods or providing services or distributed as part of the Authority's ordinary business.

2018/19	Clothing & Uniforms £'000	Operational Equipment £'000	Petrol & Derv £'000	Vehicle Spares £'000	Total £'000
Balance Outstanding at 1st April	107	445	67	166	785
Purchases	-	-	9	17	26
Recognised as an expense in year	(9)	(143)	-	-	(152)
Balance Outstanding at 31st March	98	302	76	183	659

2017/18	Clothing & Uniforms £'000	Operational Equipment £'000	Petrol & Derv £'000	Vehicle Spares £'000	Total £'000
Balance Outstanding at 1st April	82	387	63	139	671
Purchases	25	58	4	27	114
Recognised as an expense in year	-	-	-	-	-
Balance Outstanding at 31st March	107	445	67	166	785

21. Short Term Debtors

31 March 2018 (Restated) £'000		31 March 2019 £'000
4,030	Central Government Bodies	6,005
6,443	Other Local Authorities	1,088
12	NHS Bodies	3
5,862	Other Entities and Individuals	5,850
(2,537)	Impairment Allowance	(2,522)
13,810	Total Short Term Debtors	10,424

Notes to the Main Financial Statements

The Authority has made an impairment allowance in 2018/19 of £2.5m (2017/18 £2.5m) which is due to the changes in the accounting for the Collection Fund and Business Rates Retention, whereby a provision is made for the Authority's proportion of council tax and business rate payers' bad debts. A provision for Business Rate Appeals is included within Note 27.

22. Cash and Cash Equivalents

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

31 March 2018 £'000		31 March 2019 £'000
15	Bank Current Accounts	15
4,604	Instant Access Interest Accounts and Money Market Funds	6,854
(470)	Bank Overdraft	(373)
4,149	Cash and Cash Equivalents	6,496

23. Cash Flow Statement – Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements.

31 March 2018 (Restated) £'000		31 March 2019 £'000
4,580	Depreciation	5,993
-	Impairment and downward valuations	(1,488)
218	Amortisation	174
785	Increase/(Decrease) in creditors	(1,939)
(902)	(Increase)/Decrease in debtors	3,439
(114)	(Increase)/Decrease in inventories	126
15,538	Movement in Pension Liability	68,696
2,838	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	138
846	Other non-cash items charged to the net surplus or deficit on the provision of services	381
23,789	Adjustments for non-cash movements	75,520

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities.

31 March 2018 £'000		31 March 2019 £'000
(3,359)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(108)
-	Any other items for which the case effects are investing or financing cash flows	(35)
(3,359)	Total Adjustments	(143)

Notes to the Main Financial Statements

24. Cash Flow Statement – Investing Activities

31 March 2018 (Restated) £'000		31 March 2019 £'000
(6,117)	Purchase of property, plant and equipment, investment property and intangible assets	(3,854)
(6,035)	Purchase of short-term and long-term investments	(5,000)
3,359	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	108
-	Other receipts from investing activities	35
(8,793)	Net cash flows from investing activities	(8,711)

25. Cash Flow Statement – Financing Activities

31 March 2018 (Restated) £'000		31 March 2019 £'000
(196)	Repayments of short and long-term borrowing	(235)
-	Other payments for financing activities	-
(196)	Net cash flows from financing activities	(235)

26. Short Term Creditors

The table below shows the amount of short term creditors as at the 31 March 2019:

31 March 2018 (Restated) £'000		31 March 2019 £'000
3,085	Central Government Bodies	3,269
4,493	Other Local Authorities	2,208
7	NHS Bodies	6
6	Public Corporations and Trading Funds	-
2,027	Other Entities and Individuals	2,267
9,618	Total Short Term Creditors	7,750

27. Provisions

All provisions are shown within the Balance Sheet under current liabilities as it is expected that a settlement date on all provisions will be within the next 12 months.

	Outstanding Legal Cases £'000	Pensionable Pay £'000	SAP License Payment £'000	Landscape Networks £'000	Business Rates Appeals	Other £'000	Total £'000
Balance at 1 April 2018	179	104	189	-	617	21	1,110
Additional Provisions made in year	65	-	-	250	106	-	421
Amounts used in year	-	(40)	-	-	-	-	(40)
Transfers Out	-	-	-	-	-	-	-
Balance at 31 March 2019	244	64	189	250	723	21	1,491

Notes to the Main Financial Statements

The purpose and operation of the provisions are described below:

Outstanding Legal Cases

A former insurer for the Authority, Municipal Mutual Insurance (MMI) is running down its business, whilst paying agreed claims in full. MMI has, however, entered into a Scheme of Arrangement in cases of insolvency, which would involve a levy against claims and future payments. An additional £65k was provided for in 2018/19 following advice from our insurance team at Kirklees Council.

Pensionable Pay

Following the High Court Decision in the Norman v Cheshire case, the Authority has approved that some allowances payable to firefighters will become pensionable. This resulted in an additional on-going annual employer pension cost of £118k, with £475k being owed in back pension payments. During 2018/19 £40k was due for pensionable pay employer contributions.

SAP License underpayment

The Authority is currently in dispute with SAP who provided software support for our HR system. Although the extent of the liability has been determined by the application of the Limitations Act, the date of settlement and the actual amount to be paid has yet to be agreed.

Landscape Networks

The Authority is currently in dispute regarding a payment for the provision of system security. The dispute is currently being progressed through the legal system.

Other Provisions

Following the payment of the amounts owing under the Part-Time Workers (Prevention of less Favourable Treatment) regulations in June 2012 there is an amount outstanding relating to tax and national insurance liabilities relating to this payment. The payment of National Insurance has been paid over to HMRC but there is still an outstanding liability for tax whose payment is currently in dispute.

Business Rates Appeals

There is a provision set aside for potential future claims against Business Rates due to the rateable values of premises.

Notes to the Main Financial Statements

28. Usable Reserves

Usable Reserves can be used to fund and support the Authority's expenditure in future years. Movements in the Authority's Usable Reserves are detailed in the Movement in Reserves Statement together with Note 28.

31 March 2018 £'000		31 March 2019 £'000
14,388	General Fund	5,117
	Earmarked Reserves:	
27	Council Tax Reform	27
40	Body Bag Decontamination	40
10,472	Capital Finance Reserve	17,354
121	Leap Year Fund	160
563	Control Room	563
202	Enhanced Logistics	202
406	Insurance Claims	418
546	Service Support	483
2,961	Pensions Equalisation	3,560
4,627	Pay and Prices	4,627
1,101	Business Rate Appeals	1,054
31	Data Transparency	39
-	Medium Term Funding Impact	2,000
-	Operational Equipment	388
258	Emergency Services Mobile Communications Program (ESMCP)	258
21,355	Total Earmarked Reserves	31,173
35,743	Total Usable Reserves	36,290

Note 29 provides an explanation as to the purpose of each reserve.

29. Transfers to/from Earmarked Reserves

	Balance at 01/04/2017 £'000	Transfers out 2017/18 £'000	Transfers in 2017/18 £'000	Balance at 31/03/2018 £'000	Transfers out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31/03/2019 £'000
Earmarked Reserve:							
Council Tax Reform	27	-	-	27	-	-	27
Body Bag Decontamination	40	-	-	40	-	-	40
Capital Finance Reserve	10,473	(756)	755	10,472	(118)	7,000	17,354
Leap Year Fund	81	-	40	121	-	39	160
Control Room	563	-	-	563	-	-	563
New Risks	27	(27)	-	-	-	-	-
Enhanced Logistics	202	-	-	202	-	-	202
Insurance Claims	329	-	77	406	(65)	77	418
Service Support	798	(252)	-	546	(63)	-	483
Pensions Equalisation	2,166	-	795	2,961	-	599	3,560
Pay and Prices	2,363	-	2,264	4,627	-	-	4,627
Business Rate Appeals	863	-	238	1,101	(47)	-	1,054
Data Transparency	23	-	8	31	-	8	39
Medium Term Funding Impact	-	-	-	-	-	2,000	2,000
Operational Equipment	-	-	-	-	-	388	388
ESMCP	-	-	258	258	-	-	258
Total Usable Reserves	17,955	(1,035)	4,435	21,355	(293)	10,111	31,173

The purpose and operation of the reserves are described below:

Notes to the Main Financial Statements

Council Tax Reform

Notes to the Main Financial Statements is a grant from Central Government that is to be used for costs relating to the changes in council tax which came into effect in April 2014.

Body Bag Decontamination

This is a grant from Central Government for Urban Search and Rescue equipment purchases.

Capital Finance Reserve

This reserve is used to manage future variations in the cost of financing the capital plan and is also used to finance the rebuild and major refurbishment of our assets.

Leap Year

In order to spread the cost of the extra day relating to a leap year, an amount is set aside each year to cover this additional cost.

Control Room

This reserve holds the grant from Central Government for the purchase of a New Control System. West Yorkshire Fire and Rescue and South Yorkshire Fire and Rescue have jointly purchased the new system and the grant of £3.6million is for both Authorities. The system went live in November 2014 and it is expected that the remainder of the grant will be spent during 2019/20.

Enhanced Logistics

This is Central Government grant for the purchase of specific equipment, which has been used to build a new Command Unit which became operational in March 2015.

Insurance Claims

This reserve holds the income received from an insurance claim in 2013/14 and an amount put aside in 2014/15 for future resilience which will be utilised for any uninsured claims that the Authority may face in future years. An additional £77k was transferred to this reserve during 2018/19, which represents the underspend on the amount budgeted for uninsured insurance claims in 2018/19.

Service Support

Due to the changing nature of the service, the Service Support Reserve was established to fund any expenditure that may be required in order to improve efficiency that will generate long term savings or benefits. In 2018/19 the Authority commenced both a lean working and procurement review both of which will facilitate organisational change and realise efficiencies within the Service. The cost of these reviews of £56k in 2018/19 have been charged to this reserve. In addition, following a restructure of our communications department in 2018/19, one employee was offered and accepted a redundancy payment which was charged to the reserve.

Pensions Equalisation

This reserve enables the Authority to manage the cost of ill health retirements. Any budget underspending on ill health retirements are credited to the reserve and if in a financial year there are more ill health retirements than estimated these will be charged against this reserve providing there are sufficient balances available.

Pay and Prices

This reserve will enable the Authority to manage expenditure increases in future years due to changes in pay awards and inflation.

Business Rate Appeals

The Authority receives grant funding from Central Government to enable the management of business rate appeals.

Notes to the Main Financial Statements

Data Transparency

The Authority received grant funding from Central Government to enable systems to be put in place for the provision of data transparency.

Medium Term Funding Impact Reserve

There is uncertainty around future grant funding due to the Fair Funding Review and the Comprehensive Spending Review from April 2020 and onwards. This reserve will in the short term mitigate the impact of a funding cut being higher than that forecast. Efficiencies can take a number of years to realise and this reserve will enable the Authority to manage the potential funding short fall.

Operational Equipment Reserve

Due to new technology and health and safety requirements there is often a requirement to replace operational equipment sooner than the date in the capital plan. This reserve will be used to fund such purchases without having to forego other schemes already in the plan.

Emergency Service Mobile Communications Program (ESMCP)

A new reserve was created in 2017/18 to recognise the potential risk of the ESMCP project not being funded after 2020, which is secured by Central Government to this date. The reserve was originally created by transferring £258k from the general fund to the new ESMCP reserve.

30. Unusable Reserves

The summary of the Unusable Reserves can be found in the Balance Sheet, below is a detailed list of the Unusable Reserves of the Authority. Unusable Reserves cannot be used to fund future expenditure by the Authority.

31 March 2018 £'000		31 March 2019 £'000
7,388	Revaluation Reserve	12,399
23,190	Capital Adjustment Account	27,326
(687)	Financial Instruments Adjustment Account	(625)
(1,394,592)	Pensions Reserve	(1,503,193)
274	Collection Fund Adjustment Account	330
(307)	Accumulating Compensated Absences Adjustment Account	(306)
(1,364,734)	Total Unusable Reserves	(1,464,069)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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2017/18 £'000		2018/19 £'000
9,592	Balance at 1 April	7,388
(174)	Difference between fair value depreciation and historical cost depreciation	(184)
(2,030)	Transfer to Capital Adjustment Account for disposed assets	(6)
(2,204)	Amount written off to the Capital Adjustment Account	(190)
-	Upward Revaluations	6,622
-	Downward Revaluations	(1,421)
7,388	Balance at 31 March	12,399

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The following note details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 £'000		2018/19 £'000
20,807	Balance at 1 April	23,190
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(4,581)	Charges for depreciation and impairment of non-current assets	(5,993)
-	Revaluation losses on property, plant and equipment	(5,389)
-	Revaluation gains on property, plant and equipment	6,877
(218)	Amortisation of intangible assets	(173)
(462)	Revenue expenditure funded from capital under statute	(398)
(807)	Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(133)
(6,068)		(5,209)
174	Adjusting amounts written out of the Revaluation Reserve	184
(5,894)	Net written out amount of the cost of non-current assets consumed in the year	(5,025)
	Capital financing applied in year:	
3,359	Use of the Capital Receipts Reserve to finance new capital expenditure	108
791	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,370
-	Revenue Contribution to Capital Outlay	3,322
4,127	Statutory provision for the financing of capital investment charged against the General Fund	4,361
8,277		9,161
23,190	Balance as at 31 March	27,326

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the

Notes to the Main Financial Statements

unexpired term that was outstanding on the loans when they were redeemed.

As a result, the balance on the Account at 31 March 2019 will be charged to the General Fund in future years.

2017/18 £'000		2018/19 £'000
(749)	Balance at 1 April	(687)
62	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from Finance costs chargeable in the year in accordance with statutory requirements	62
(687)	Balance as at 31 March	(625)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £'000		2018/19 £'000
(1,380,217)	Balance at 1 April	(1,394,592)
1,163	Re-measurements of the net defined liability/(asset)	(39,905)
(61,122)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of Services in the Comprehensive Income and Expenditure Statement	(116,557)
45,584	Employer's pensions contributions and direct payments to pensioners payable in the year	47,861
(1,394,592)	Balance as at 31 March	(1,503,193)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2017/18 £'000		2018/19 £'000
(171)	Balance at 1 April	274
445	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements.	56
274	Balance as at 31 March	330

Notes to the Main Financial Statements

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. Annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18 £'000		2018/19 £'000
(278)	Balance at 1 April	(307)
278	Settlement or cancellation of accrual made at the end of the preceding year	307
(278)	Amounts accrued at the end of the current year	(307)
(29)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	1
(307)	Balance as at 31 March	(306)

31. Members' Allowances

The Authority paid the following allowances and expenses to Members of the Fire Authority during the year:

2017/18 £'000		2018/19 £'000
132	Allowances	133
6	Expenses	12
138	Total	145

32. Officers' Remunerations

Post Holder Information	Financial Year	Salary (inc. fees & Allowances)	Bonuses	Expenses	Benefits in Kind (Lease car Benchmark)	Total Remuneration (exc. Pensions contributions)	Employer Pension Contributions	Total Remuneration (inc. pension contributions)
Chief Fire Officer / Chief Executive (John Roberts)	2017/18	£152,541	-	£1,122	£6,520	£160,183	£21,813	£181,996
	2018/19	£159,252	-	£1,491	£6,520	£167,263	£22,773	£190,036
Director of Service Delivery	2017/18	£133,247	-	£1,447	£6,351	£141,045	£28,915	£169,960
	2018/19	£138,106	-	£1,673	£6,662	£146,441	£29,969	£176,410
Director of Service Support	2017/18	£60,183	-	£1,003	£6,351	£67,537	£13,060	£80,597
	2017/18	£60,788	-	£325	£6,345	£67,458	£13,191	£80,649
	2018/19	£117,251	-	£772	£6,662	£124,685	£25,443	£150,128
Chief Legal & Governance Officer	2017/18	£73,558	-	£850	£4,536	£78,944	£13,353	£92,297
	2018/19	£74,844	-	£574	£4,536	£79,954	£13,574	£93,528
Chief Finance & Procurement Officer (Note 1)	2017/18	£16,678	-	£71	£4,536	£21,285	£2,902	£24,187
	2017/18	£55,118	-	£149	£4,531	£59,798	£9,480	£69,278
	2018/19	£82,536	-	£2,970	£2,152	£87,658	£14,196	£101,854
Chief Employment Services Officer	2017/18	£77,856	-	£410	£4,536	£82,802	£13,391	£96,193
	2018/19	£82,536	-	£658	£4,536	£87,730	£14,196	£101,926

Notes to the Main Financial Statements

Notes

- Following a 12 month secondment, The Chief Finance and Procurement Officer role was recruited to on a full-time basis commencing 17th July 2018. Expenses relate to a cash payment for use of own personal car rather than taking the Lease car Benchmark. This has resulted in a matching reduction in the Benefit in Kind.

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of Employees 2017/18	Number of Employees 2018/19
£50,000 - £54,999	42	50
£55,000 - £59,999	12	16
£60,000 - £64,999	7	6
£65,000 - £69,999	1	2
£70,000 - £74,999	-	-
£75,000 - £79,999	3	-
£80,000 - £84,999	-	3
Total	65	77

The above numbers exclude senior officers who are included in the previous table. Exit packages are shown in detail within note 38.

33. External Audit Costs

2017/18 £'000		2018/19 £'000
37	Fees payable to KPMG LLP with regard to external audit services carried out by the appointed auditor for the year 2017/18	-
-	Fees payable to Deloitte with regard to external audit services carried out by the appointed auditor for the year 2018/19	28
37	Total Fees Payable	28

34. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 £'000		2018/19 £'000
	Credited to Taxation and Non-specific Grant Income and Expenditure	
39,219	Council Tax Income	40,830
15,785	NNDR Top Up Grant	16,294
6,846	District Council – Business Rate Retention	7,373
17,528	Business Rates Retention Scheme (BRRS) / Revenue Support Grant	16,518
867	Capital Grants & Contributions	1,370
80,245	Total	82,385
	Credited to Services	
1,615	New Dimension Programme	1,457
8	Transparency Code set up	8
28	Marauding Terrorist Firearms Attack (MTFA)	33
302	Emergency Services Mobile Communications Programme (ESMCP)	536
1,953	Total	2,034

Notes to the Main Financial Statements

35. Related Parties

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

Central Government

Central Government has a major influence over the general operations of the Authority. It is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from Central Government are set out in Note 13 on reporting for resource allocation decisions.

Members

The Fire Authority is made up of 22 Local Councillors who are nominated by the five constituent Authorities of West Yorkshire, based on the size of the Authority and the political balance. The Fire Authority is responsible for making all decisions concerning the functions, powers, duties and responsibilities of the Authority.

The total amount paid to Members in the form of allowances for 2018/2019 is shown in Note 31. Each of the elected members is required to declare details of all personal interests they have with the financial interests of the Authority including a nil return if there are no interests. For the financial year 2018/2019 all returns were nil.

Officers

The Authority requires each member of the Management Board to sign a declaration that they and close members of their family have no interest in the financial affairs of the Authority. As at the 31st March 2019 all returns were nil.

Entities Controlled or Significantly Influenced by the Authority.

The Authority receives a number of financial services from Kirklees Council in the form of treasury management, insurance, payroll and management of the main banking arrangements. The Authority also receives a number of services from the council in respect of refuse collection, building maintenance and repair. The amounts paid to Kirklees Council in 2018/19 are detailed below:

2017/18 £'000		2018/19 £'000
182	Financial Support Services	215
16	Refuse Collection	11
7	Other Services	9
205	Total	235

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36. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2017/18 £'000	2018/19 £'000
Opening Capital Financing Requirement	64,113	62,409
Capital Investment		
Property, Plant and Equipment	6,094	3,838
Intangible Assets	16	16
Revenue Expenditure Funded from Capital under Statute	462	398
Sources of Finance		
Capital Receipts	(3,359)	(108)
Government Grants and Contributions	(790)	(1,252)
Revenue Contribution to Capital Outlay (RCCO)	-	(3,322)
Earmarked Reserve	-	(118)
<i>Sums set aside from revenue:</i>		
MRP / the Statutory Repayment of Loans Fund Advances	(4,127)	(4,361)
Closing Capital Financing Requirement	62,409	57,500
<i>Explanation of movements in year</i>		
Decrease in underlying need to borrow (unsupported by Government financial assistance)	(1,704)	(4,909)
Increase/(Decrease) in Capital Financing Requirement	(1,704)	(4,909)

37. Leases

Authority as a lessee

Finance Lease

The Authority has no vehicles financed under terms of a finance lease.

Operating Leases

The Authority uses vehicles financed under terms of an operating lease. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	141	265
Later than one year but not later than five years	687	575
Later than five years	-	-
	828	840

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2018 £'000	31 March 2019 £'000
Minimum Lease Payments	757	766
	757	766

Notes to the Main Financial Statements

The Authority has identified the use of phone lines as being under the terms of an operating lease under IFRS. These items have not been included within the calculation as the Authority has been unable to place a value on these leases.

38. Termination Benefits

The Authority terminated the contract of one employees in 2018/19, as a result of the restructure of the internal media communications department. Details of these payments by bands are detailed in the table below:

Exit package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total Number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £	2018/19 £
£0 - £20,000	-	-	1	1	1	1	9,253	6,702
£20,001 - £40,000	-	-	1	-	1	-	34,866	-
£150,001 +	-	-	1	-	1	-	207,327	-
Total	-	-	3	1	3	1	251,446	6,702

Termination benefits are comprised of redundancy costs and the cost relating to enhanced early pension contributions.

This is summarised in the table below:

	2017/18 £	2018/19 £
Redundancy Costs	99,379	6,702
Enhanced Pension Costs	152,067	-
Total	251,446	6,702

39. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its Officers the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Authority participates in two types of pension scheme:

- a) The Local Government Pension Scheme (LGPS), administered locally by West Yorkshire Pension Fund - this is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary, and those after 31 March 2014 are based on a Career Average Revalued Earnings scheme. The funding nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- b) The Firefighters' Pension Scheme, administered by West Yorkshire Pension Fund - these are unfunded schemes whereby current pensions are paid from current contributions and as such there are no assets only liabilities. Both the Authority and the employee make contributions to the fund with the shortfall being funded by Central Government in the form of a pension Top-up Grant.

Notes to the Main Financial Statements

The following Firefighters Pension Schemes are currently administered by the Authority:

- i. Firefighters Pension Scheme 1992 (FPS) operated under the Firefighters Pension Scheme (Amendment) (No 2) (England) Order 2006.
- ii. New Firefighters Pension Scheme 2006 (NFPS) operated under the Firefighters Pension Scheme (England) Order 2006.
- iii. The Firefighters Pension Scheme 2015 as set out in the Firefighters Pension Scheme (England) Regulations 2014 (SI 2014/2848).
- iv. The Retained Modified Pension Scheme – Firefighters who are employed as a Retained Firefighter during the period 1 July 2000 to 5 April 2006 are eligible to join under this scheme with different benefits. Employees are able to pay the historic contributions for the qualifying period.

Injury Allowance - The Firefighters' Compensation Scheme 2006

This is for those employees that left employment with the Authority on ill health and is administered in the same manner as the above two schemes. Injury awards and awards payable on the death of a firefighter attributable to a qualifying injury are not part of the Firefighters' Pension Scheme because they are payable irrespective of whether an employee is a member of the scheme. New tax rules with effect from 1st April 2006 prevent injury awards from being part of the Pension Scheme Regulations and the opportunity was taken to move the injury awards into a separate Firefighters' Compensation Scheme 2006 with all injury awards previously covered by the FPS being paid from the Authority's Income and Expenditure account, not the Pension Fund.

Transactions Relating to Retirement and Injury Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement during the year.

Following a review of public service pension schemes in 2011 by Lord Hutton, all public service pension schemes were reformed with effect from the 1st April 2015. The Local Government Pension Scheme (LGPS) was reformed one year earlier in 2014.

The reforms included transitional protections for those members who were the closest to retirement and applied to all active members of schemes who were within 10 years of their Normal Pension Age on the 1st April 2012. This was implemented by allowing those members to retain membership of the pre-reformed schemes, whilst all other members were moved into the new and less generous arrangements. For the LGPS in England and Wales, all members who joined the new 2014 scheme after the 1st April 2014 but members within 10 years of normal retirement age were given a "better of both" promise so their benefits earned after 1st April 2014 would at least be as valuable in terms of value when pensions could be drawn, as though they had remained in the 2008 scheme.

In December 2018 Government lost a Court of Appeal case (the McCloud/Sargeant judgement) which found that the transitional protection arrangements put in place for both Firefighters and Judges in regards to pension schemes were age discriminatory. The Government applied to the Supreme Court for permission to appeal but this was declined on the 27th June 2019.

The implications of this means that potential liabilities relating to Firefighters and LGPS Schemes would be significantly higher. The liabilities relating to this have been evaluated by the Government Actuary Department (GAD) for the Firefighters Pension Schemes and AON for the LGPS. The increase in liability which has been recognised as a past service cost and is an additional liability of £56.67m for the Firefighters schemes and £0.9m for the LGPS scheme.

In addition, past service costs for the LGPS scheme include £0.433m which is for the effect of GMP

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equalisation and indexation. The GMP is a portion of pensions that was accrued by individuals who were contracted out of the State Second Pension Scheme prior to 6th April 1997. The rate at which GMP was accrued and the date it is payable is different for men and women, meaning there is inequality for male and female members who have GMP. In October 2018, the High Court ruled that equalisation for the effect of unequal GMPs is required, meaning that there is a duty to equalise benefits for men and women. No estimation of the potential impact on the Firefighters Scheme is available and GAD is of the view that the position on GMP equalisation for LGPS is very different from Fire Authorities, not least because of the impact of the different retirement ages. As a result the impact is expected to be lower than that of the LGPS.

The results of the above been reflected in the following tables:

Comprehensive Income and Expenditure Statement

Comprehensive Income & Expenditure Statement – 2018/19	Local Government Pension Scheme 2018/19 £'000	Firefighters 1992 (FPS) Pension Scheme 2018/19 £'000	Firefighters 2006 (NFPS) Pension Scheme 2018/19 £'000	Firefighters 2015 (FPS) Pension Scheme 2018/19 £'000	Firefighters Compensation Pension Scheme 2018/19 £'000	Total 2018/19 £'000
Service Cost Comprising:						
Current Service Cost	(2,646)	(4,950)	(260)	(10,910)	(260)	(19,026)
Cost covered by employee contributions	-	(1,050)	(100)	(3,160)	-	(4,310)
Past Service Cost	(1,330)	(50,900)	(5,770)	-	-	(58,000)
<i>Financing and Investment Income & Expenditure</i>						
Net Interest Expense	(601)	(31,390)	(1,420)	(1,090)	(720)	(35,221)
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	(4,577)	(88,290)	(7,550)	(15,160)	(980)	(116,557)
Return on plan assets (excluding the amount included in net interest)	2,541	-	-	-	-	2,541
Actuarial gains and losses arising on changes in financial assumptions	(5,175)	(32,470)	(2,810)	(2,730)	(550)	(43,735)
Actuarial gains and losses due to liability experience	(171)	2,010	1,130	(670)	(1,010)	1,289
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(2,805)	(30,460)	(1,680)	(3,400)	(1,560)	(39,905)
Total	(7,382)	(118,750)	(9,230)	(18,560)	(2,540)	(156,462)

There has been no plan amendments, curtailments or settlements.

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Comprehensive Income & Expenditure Statement – 2017/18	Local Government Pension Scheme 2017/18 £'000	Firefighters 1992 (FPS) Pension Scheme 2017/18 £'000	Firefighters 2006 (NFPS) Pension Scheme 2017/18 £'000	Firefighters 2015 (FPS) Pension Scheme 2017/18 £'000	Firefighters Compensation Pension Scheme 2017/18 £'000	Total 2017/18 £'000
Service Cost Comprising:						
Current Service Cost	(2,208)	(6,320)	(200)	(10,310)	(330)	(19,368)
Cost covered by employee contributions	-	(1,550)	(110)	(2,770)	-	(4,430)
Past Service Cost	(182)	(880)	-	-	-	(1,062)
<i>Financing and Investment Income & Expenditure</i>						
Net Interest Expense	(532)	(32,910)	(1,320)	(790)	(710)	(36,262)
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	(2,922)	(41,660)	(1,630)	(13,870)	(1,040)	(61,122)
Return on plan assets (excluding the amount included in net interest)	628	-	-	-	-	628
Actuarial gains and losses arising on changes in demographic assumptions	-	32,130	1,150	1,550	990	35,820
Actuarial gains and losses arising on changes in financial assumptions	(1,526)	(29,640)	(3,800)	(180)	(220)	(35,366)
Actuarial gains and losses due to liability experience	(319)	4,660	(1,890)	130	(2,500)	81
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(1,217)	7,150	(4,540)	1,500	(1,730)	1,163
Total	(4,139)	(34,510)	(6,170)	(12,370)	(2,770)	(59,959)

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Movement in Reserves Statement

Movement in Reserves Statement – 2018/19	Local Government Pension Scheme 2018/19 £'000	Firefighters 1992 (FPS) Pension Scheme 2018/19 £'000	Firefighters 2006 (NFPS) Pension Scheme 2018/19 £'000	Firefighters 2015 (FPS) Pension Scheme 2018/19 £'000	Firefighters Compensation Pension Scheme 2018/19 £'000	Total 2018/19 £'000
Reversal of net charges to the Surplus or Deficit on the Provision of Services for Post-employment benefits in accordance with the code	(4,577)	(88,290)	(7,550)	(15,160)	(980)	(116,557)
<i>Actual amount charged against the General Fund Balance for Pensions in the year:</i>						
Employers' contributions payable to scheme	1,461	1,543	128	3,507	1,557	8,196
Retirement benefits payable to pensioners	-	43,138	27	(3,500)	-	39,665
	(3,116)	(43,609)	(7,395)	(15,153)	577	(68,696)

Movement in Reserves Statement – 2017/18	Local Government Pension Scheme 2017/18 £'000	Firefighters 1992 (FPS) Pension Scheme 2017/18 £'000	Firefighters 2006 (NFPS) Pension Scheme 2017/18 £'000	Firefighters 2015 (FPS) Pension Scheme 2017/18 £'000	Firefighters Compensation Pension Scheme 2017/18 £'000	Total 2017/18 £'000
Reversal of net charges to the Surplus or Deficit on the Provision of Services for Post-employment benefits in accordance with the code	(2,922)	(41,660)	(1,630)	(13,870)	(1,040)	(61,122)
<i>Actual amount charged against the General Fund Balance for Pensions in the year:</i>						
Employers' contributions payable to scheme	1,454	2,265	83	3,072	1,612	8,486
Retirement benefits payable to pensioners	-	40,069	101	(3,072)	-	37,098
	(1,468)	674	(1,446)	(13,870)	572	(15,538)

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

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2018/19	Local Government Pension Scheme 2018/19 £'000	Firefighters 1992 (FPS) Pension Scheme 2018/19 £'000	Firefighters 2006 (NFPS) Pension Scheme 2018/19 £'000	Firefighters 2015 (FPS) Pension Scheme 2018/19 £'000	Firefighters Compensation Pension Scheme 2018/19 £'000	Total 2018/19 £'000
Present Value of the defined benefit obligation	98,833	1,324,080	64,730	54,540	30,080	1,572,263
Fair Value of plan assets	(69,070)	-	-	-	-	(69,070)
Net liability arising from defined benefit obligation	29,763	1,324,080	64,730	54,540	30,080	1,503,193

Included within the present value of the defined benefit obligation of the 2006 (NFPS) is an estimated liability for the Retained Firefighters Modified Pension's Scheme of £8.51m.

2017/18	Local Government Pension Scheme 2017/18 £'000	Firefighters 1992 (FPS) Pension Scheme 2017/18 £'000	Firefighters 2006 (NFPS) Pension Scheme 2017/18 £'000	Firefighters 2015 (FPS) Pension Scheme 2017/18 £'000	Firefighters Compensation Pension Scheme 2017/18 £'000	Total 2017/18 £'000
Present Value of the defined benefit obligation	89,528	1,250,540	55,660	35,800	28,750	1,460,278
Fair Value of plan assets	(65,686)	-	-	-	-	(65,686)
Net liability arising from defined benefit obligation	23,842	1,250,540	55,660	35,800	28,750	1,394,592

The cumulative amount of the re-measurement of the net defined liability recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2019 is a loss of £39.9m (2017/18 gain of £1.163m).

The net liability relating to the defined Benefit Pension Schemes recognised in the Balance Sheet at 31 March 2019 is -£1.503m, which is made up of scheme liabilities totaling -£1.572m less scheme assets £69m (2017/18 -£1.395m).

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

West Yorkshire Fire & Rescue Authority employs a building block approach in determining the rate of return on Fund Assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at the 31 March 2019.

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2018/19	Local Government Pension Scheme 2018/19 £'000	Firefighters 1992 (FPS) Pension Scheme 2018/19 £'000	Firefighters 2006 (NFPS) Pension Scheme 2018/19 £'000	Firefighters 2015 (FPS) Pension Scheme 2018/19 £'000	Firefighters Compensation Pension Scheme 2018/19 £'000	Total 2018/19 £'000
Opening fair value of scheme assets	65,686	-	-	-	-	65,686
Interest Income	1,697	-	-	-	-	1,697
Re-measurement gain (loss): The return on plan assets, excluding the amount included in the net interest expense	2,541	-	-	-	-	2,541
Contributions from employers	1,461	-	-	-	-	1,461
Contributions from employees into the scheme	543	-	-	-	-	543
Benefits paid	(2,858)	-	-	-	-	(2,858)
Closing fair value of scheme assets	69,070	-	-	-	-	69,070

2017/18	Local Government Pension Scheme 2017/18 £'000	Firefighters 1992 (FPS) Pension Scheme 2017/18 £'000	Firefighters 2006 (NFPS) Pension Scheme 2017/18 £'000	Firefighters 2015 (FPS) Pension Scheme 2017/18 £'000	Firefighters Compensation Pension Scheme 2017/18 £'000	Total 2017/18 £'000
Opening fair value of scheme assets	63,268	-	-	-	-	63,268
Interest Income	1,647	-	-	-	-	1,647
Re-measurement gain (loss): The return on plan assets, excluding the amount included in the net interest expense	628	-	-	-	-	628
Contributions from employers	1,454	-	-	-	-	1,454
Contributions from employees into the scheme	495	-	-	-	-	495
Benefits paid	(1,806)	-	-	-	-	(1,806)
Closing fair value of scheme assets	65,686	-	-	-	-	65,686

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Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligations)

2018/19	Local Government Pension Scheme 2018/19 £'000	Firefighters 1992 (FPS) Pension Scheme 2018/19 £'000	Firefighters 2006 (NFPS) Pension Scheme 2018/19 £'000	Firefighters 2015 (FPS) Pension Scheme 2018/19 £'000	Firefighters Compensation Pension Scheme 2018/19 £'000	Total 2018/19 £'000
Opening Balance at 1 April	(89,528)	(1,250,540)	(55,660)	(35,800)	(28,750)	(1,460,278)
Current Service Cost	(2,646)	(4,950)	(260)	(10,910)	(260)	(19,026)
Transfers In	-	-	-	(190)	-	(190)
Interest Cost	(2,298)	(31,390)	(1,420)	(1,090)	(720)	(36,918)
Contributions from scheme participants	(543)	(1,050)	(100)	(3,160)	-	(4,853)
Re-measurement gain/(loss): Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	(5,175)	(32,470)	(2,810)	(2,730)	(550)	(43,735)
Actuarial (gains)/losses on liabilities - experience	(171)	2,010	1,130	(670)	(1,010)	1,289
Past Service Cost	(1,330)	(50,900)	(5,770)	-	-	(58,000)
Benefits paid	2,858	45,210	160	10	1,210	49,448
Closing Balance at 31 March	(98,833)	(1,324,080)	(64,730)	(54,540)	(30,080)	(1,572,263)

2017/18	Local Government Pension Scheme 2017/18 £'000	Firefighters 1992 (FPS) Pension Scheme 2017/18 £'000	Firefighters 2006 (NFPS) Pension Scheme 2017/18 £'000	Firefighters 2015 (FPS) Pension Scheme 2017/18 £'000	Firefighters Compensation Pension Scheme 2017/18 £'000	Total 2017/18 £'000
Opening Balance at 1 April	(84,425)	(1,258,810)	(49,630)	(23,430)	(27,190)	(1,443,485)
Current Service Cost	(2,208)	(6,320)	(200)	(10,310)	(330)	(19,368)
Transfers In	-	-	-	-	-	-
Interest Cost	(2,179)	(32,910)	(1,320)	(790)	(710)	(37,909)
Contributions from scheme participants	(495)	(1,550)	(110)	(2,770)	-	(4,925)
Re-measurement gain/(loss): Actuarial (gains)/losses arising from changes in demographic assumptions	-	32,130	1,150	1,550	990	35,820
Actuarial (gains)/losses arising from changes in financial assumptions	(1,526)	(29,640)	(3,800)	(180)	(220)	(35,366)
Actuarial (gains)/losses on liabilities - experience	(319)	4,660	(1,890)	130	(2,500)	81
Past Service Cost	(182)	(880)	-	-	-	(1,062)
Benefits paid	1,806	42,780	140	-	1,210	45,936
Closing Balance at 31 March	(89,528)	(1,250,540)	(55,660)	(35,800)	(28,750)	(1,460,278)

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Local Government Pension Scheme Assets

For more information on the schemes assets, please visit www.wypf.org.uk/Member/Investments

The significant assumptions used by the Actuary in 2018/19 have been:

	Local Government Pension Scheme	Firefighters 1992 (FPS) Pension Scheme	Firefighters 2006 (NFPS) Pension Scheme	Firefighters Compensation Pension Scheme
Long term expected rate of return on assets in the scheme:				
Equity Investments	74.0	-	-	-
Bonds	15.2	-	-	-
Other	10.8	-	-	-

Mortality Assumptions:	Local Government Pension Scheme	Firefighters 1992 (FPS) Pension Scheme	Firefighters 2006 (NFPS) Pension Scheme	Firefighters 2015 (FPS) Pension Scheme	Firefighters Compensation Pension Scheme
Longevity at 65 for current pensioners:					
- Men	22.2	22.0	22.0	22.0	22.0
- Women	25.4	22.0	22.0	22.0	22.0
Longevity at 65 for future pensioners:					
- Men	23.2	23.9	23.9	23.9	23.9
- Women	27.2	23.9	23.9	23.9	23.9
Rate of inflation RPI					
Rate of inflation CPI	2.20%	2.35%	2.35%	2.35%	2.35%
Rate of increase in salaries	3.45%	4.35%	4.35%	4.35%	4.35%
Rate of increase in pensions	2.20%	2.35%	2.35%	2.35%	2.35%
Rate for discounting scheme liabilities	2.40%	2.45%	2.45%	2.45%	2.45%
Pensions account revaluation rate	2.20%	4.35%	4.35%	4.35%	4.35%
Take up option to convert annual pension into retirement lump sum	70 to 80%	25%	17.5%		17.5%

Notes to the Main Financial Statements

The significant assumptions used by the Actuary in 2017/18 have been:

	Local Government Pension Scheme	Firefighters 1992 (FPS) Pension Scheme	Firefighters 2006 (NFPS) Pension Scheme	Firefighters Compensation Pension Scheme
Long term expected rate of return on assets in the scheme:				
Equity Investments	77.3	-	-	-
Bonds	13.1	-	-	-
Other	9.6	-	-	-

Mortality Assumptions:	Local Government Pension Scheme	Firefighters 1992 (FPS) Pension Scheme	Firefighters 2006 (NFPS) Pension Scheme	Firefighters 2015 (FPS) Pension Scheme	Firefighters Compensation Pension Scheme
Longevity at 65 for current pensioners:					
- Men	22.1	21.9	21.9	21.9	21.9
- Women	25.3	21.9	21.9	21.9	21.9
Longevity at 65 for future pensioners:					
- Men	23.1	23.9	23.9	23.9	23.9
- Women	27.1	23.9	23.9	23.9	23.9
	%	%	%	%	%
Rate of inflation RPI	3.20	3.45	3.45	3.45	3.45
Rate of inflation CPI	2.10	2.30	2.30	2.30	2.30
Rate of increase in salaries	3.35	4.30	4.30	4.30	4.30
Rate of increase in pensions	2.10	2.30	2.30	2.30	2.30
Rate for discounting scheme liabilities	2.60	2.55	2.55	2.55	2.55
Pensions account revaluation rate	2.10				
Take up option to convert annual pension into retirement lump sum	75.0	75.0	75.0	75.0	75.0

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Notes to the Main Financial Statements

Local Government Pension Scheme

Local Government Pension Scheme	Impact on the defined benefit obligation in the scheme	
	Increase in assumption £'000s	Decrease in assumption £'000s
Longevity (Increase or decrease in one year)	101,509	(95,326)
Rate of general increase in salaries (increase or decrease by 0.4%)	98,826	(97,986)
Rate of increase in pensions (increase or decrease by 1.5%)	99,834	(96,996)
Rate for discounting scheme liabilities (increase or decrease by 1.9%)	96,582	(100,261)

Firefighters Pension Scheme 1992

Firefighters Pension Scheme 1992	Impact on the defined benefit obligation in the scheme	
	Increase in assumption £'000s	Decrease in assumption £'000s
Longevity (Increase or decrease in one year)	33,000	(33,000)
Rate of general increase in salaries (increase or decrease by 0.5%)	6,000	(6,000)
Rate of increase in pensions (increase or decrease by 0.5%)	96,000	(96,000)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(116,000)	(116,000)

Firefighters Pension Scheme 2006

Firefighters Pension Scheme 2006	Impact on the defined benefit obligation in the scheme	
	Increase in assumption £'000s	Decrease in assumption £'000s
Longevity (Increase or decrease in one year)	1,000	(1,000)
Rate of general increase in salaries (increase or decrease by 0.5%)	5,000	(5,000)
Rate of increase in pensions (increase or decrease by 0.5%)	6,000	(6,000)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(10,000)	10,000

Firefighters Pension Scheme 2015

Firefighters Pension Scheme 2015	Impact on the defined benefit obligation in the scheme	
	Increase in assumption £'000s	Decrease in assumption £'000s
Longevity (Increase or decrease in one year)	1,000	(1,000)
Rate of general increase in salaries (increase or decrease by 0.5%)	4,000	(4,000)
Rate of increase in pensions (increase or decrease by 0.5%)	5,000	(5,000)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(9,000)	9,000

Asset and Liability Matching (ALM) Strategy

West Yorkshire Pension Fund who manage the pension fund on our behalf do not currently have any formal asset liability matching strategies such as annuities or longevity swaps to manage risks. West Yorkshire Pension Fund reviews the mix of assets held after each triennial valuation, to ensure there is an appropriate balance between the expected return from those assets and the risk that outcomes

Notes to the Main Financial Statements

will not meet expectations.

Impact on the Authority's Cash Flows:

Local Government Pension Scheme

The objectives of the scheme are to keep employers contributions at a constant rate as possible. The Authority has agreed a strategy with the pension fund to achieve a funding level of 100% over the longer term. The management of the pension cash flows is set out in West Yorkshire Pension Fund's Funding Strategy Statement which identifies how employers pension liabilities are best met going forward, supports the regulatory requirement to maintain stable employer contribution rates and makes a prudent long term view of funding those liabilities.

The Local Government Pension Scheme will need to take account of the national changes to the scheme under the Public Pensions Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

Firefighters Pension Scheme 1992, 2006 & 2015

The Authority receives a top-up grant from Central Government which reimburses the cost of the Firefighters Pension Scheme 1992, the New Firefighters Pension Scheme 2006 and the 2015 Firefighters Pension Scheme. This grant is received in July which is based on 80% of the estimated pension's deficit for 2018/19 plus the remainder of the 2017/18 grant. The amount received in July 2018 was £34.0m which the Authority uses to manage its pension cash flows.

40. Contingent Liabilities

At 31 March 2019, the Authority has the following contingent liabilities where it is not possible to quantify the financial implications for the Authority:

- 1) Public liability claims relating to the period when the Authority's public liability insurers were Independent Insurers, which has gone out of business. The Authority is not aware of any such claims, but it has no insurance against them.
- 2) In November 2014 the Employment Appeal tribunal ruled that holiday pay should include non-guaranteed overtime. The backdated claims have, however, been limited with the tribunal ruling that workers can only make claims if less than three months since their last incorrect payment, although the claim can be backdated until such time as there is a three month break between underpayments. The Authority is currently assessing the potential impact and will report to the Human Resources Committee with details of the estimated liability.
- 3) The ruling in the Ville de Nivelles V Rudy Matzak case in February 2018 may have financial implications in the methodology in which we make payments for our Retained Duty System. The European Court Judge ruled that limitations imposed on Matzak by having to respond to the fire station within 8 minutes, limits his 'personal and social interests' and that his on call must be considered working time. A Retained Firefighter in West Yorkshire must be available to respond to an emergency call within a specified time. The judgement is currently being assessed by the Fire Legal Network with a view to seeking leading council opinion. Until the outcome of the opinion is reached the financial consequences cannot be quantified.

Notes to the Main Financial Statements

4) Mid and West-Wales Pension Dispute

At the end of March 2019 the High Court ruled on Firefighters' pensionable pay in the case against Mid and West Wales Fire and Rescue Authority. The main issue in this case surrounds payments for duty systems and additional responsibilities which have previously been interpreted as 'temporary' because the Fire & Rescue Authority could change the duty system. Because the regulations themselves do not provide a definition of 'temporary', the application of the pensionable pay regulations has long been an issue for the Firefighters' Pension Scheme with confusion over the correct interpretation of 'temporary' in regulations.

The Authority are now awaiting guidance from the Local Government Association (LGA) in order to understand how the rules should be implemented and to review if there is any historic impact on Firefighters' pensions in West Yorkshire.

WYFRA Pension Account

West Yorkshire Fire and Rescue Authority Pension Account

The Authority administers and pays firefighters' pensions and is required to manage a Firefighters' Pension Fund Account. The fund is an unfunded pension scheme and consequently has no investment assets. It provides for the payment of defined retirement benefits to members, or their dependants, from firefighters' and employer contributions. The fund is topped up and balances to nil as necessary by Government grant if contributions are insufficient to meet the cost of retirement benefits.

The Firefighters' Pension Fund has the legal status of a pension fund which was established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006.

2017/18 £'000	Contributions Receivable	2018/19 £'000
(5,420)	From employer	(5,177)
(403)	Normal	(349)
(4,395)	Ill Health	(4,323)
(10,218)	From Members	(9,849)
	Transfers In	
(19)	Individual transfers in from other schemes	(336)
	Benefits Payable	
35,208	Pensions	36,892
7,883	Lump Sums	8,471
	Payments to and on account leavers	
-	Individual transfers out to other scheme	-
32,854	Net amount payable for the year	35,178
(32,854)	Top Up Grant payable by the Government	(35,178)
0		0

Overview of the Pension Fund

2017/18 £'000	Net Current Assets and Liabilities	2018/19 £'000s
3,574	Top Up Grant receivable from Government	4,749
(54)	Pensionable Pay Creditor from Home Office	(40)
24	Contributions Holiday Debtor from Home Office	-
12	Employee paid but not due	-
(716)	Pension Payments due but not paid	(549)
-	Unpaid Pension benefits	
(2,840)	Cash (Overdrawn)	(4,160)
0		0

The Pension Fund Statements have been compiled in accordance with the Code, as detailed in the Accounting Policies. The above statements do not take account of the liabilities for future retirement benefits, which are recognised in the main Accounts of the Authority in note 39 on Defined Benefit Pension Schemes.

The Firefighters' Pension Account has the legal status of a pension fund which was established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006.

WYFRA Pension Account

There are three Pension Schemes currently administered by the Authority:

- i) Firefighters Pension Scheme 1992 (FPS) operated under the Firefighters Pension Scheme (Amendment) (No 2) (England) Order 2006
- ii) New Firefighters Pension Scheme 2006 (NFPS) operated under the Firefighters Pension Scheme (England) Order 2006
- iii) The Firefighters Pension Scheme 2015 as set out in the Firefighters Pension Scheme (England) Regulations 2014 (SI 2014/2848)

In addition to the three schemes above the Authority also operates a Retained Firefighters Modified Pension Scheme. This scheme was established in response to the settlement between the National Joint Council (NJC) for Local Authority Fire and Rescue Services and the Fire Brigades Union (FBU) in relation to the Part Time (Prevention of Less Favourable Treatment Regulations) 2000, reached in March 2011.

The Government during 2014/15 introduced the terms of the Retained Firefighters' Pension Settlement that offers pension entitlement for all employees who were employed as Retained Firefighters' between 1st July and 5th April 2006 inclusive. The pension benefits are incorporated within the Pension Scheme 2006 (NFPS). It does not constitute a new scheme, rather a modified section of the NFPS with different benefits.

The pension schemes are unfunded meaning that there are no investment assets built up to meet the pension liabilities and cash has to be generated to meet actual payments as they fall due. Entrants to the service since 1st April 2015 are eligible to join the 2015 scheme, a new career average scheme with a normal retirement age of 60. Existing members were either transferred to the 2015 scheme on the 1st April 2015 or will transition to the 2015 scheme at a later date. This is referred to as tapered protection. In the case of Firefighters' who were within 10 years of retirement on 1st April 2012 will remain in either the 1992 (FPS) or the 2006 (NFPS), both of which are final salary schemes.

Pensionable Pay

Following the ruling under the Norman V Cheshire case, the Authority has agreed that some allowances payable to employees who meet pre-determined criteria are pensionable. The Authority has back-dated pension contributions owing for 6 years. This has resulted in a total liability of £475k. The Pension Top-up grant received from the Government will be reduced by £40k of contributions recovered in the year.

West Yorkshire Pension Fund (WYPF) administers and pays Firefighters' pensions on behalf of the Authority under the arrangement of a Service Level Agreement. The account is an unfunded pension scheme and has no investment assets to support its liabilities. It provides for the payment of defined retirement benefits to members, or their dependants, from Firefighter and employer contributions during the year and the deficit is topped up annually by Central Government in the form of a grant. This means that the Pension Fund Account balances to nil.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Firefighters Pension Scheme (England) Order 2006. These require a fire authority to maintain a pension fund into which employee and employer contributions are paid and out of which pension payments to retirees are made. If the pension fund does not have enough funds to meet the cost of pensions in year, the amount required to meet the deficit is then paid by the Secretary of State to the Fire Authority in the form of a Central Government Top-up grant.

Employees' and employers' contribution levels are based on percentages of pensionable pay set nationally by Central Government and are subject to revaluation by the Government's Actuary Department (GAD).

WYFRA Pension Account

	2018/19 1992 (FPS)	2018/19 2006 (NFPS)	2018/19 2015 Scheme
Employer	21.70%	11.90%	14.30%
Employee	11%-17%	8.5%-12.5%	11%-14.5%

Membership of the Pension Fund as at 31st March 2019 is as follows:

Category of Member	1992 (FPS)	2006 (NFPS)	2015 Scheme
Contributors	152	21	828
Deferred Pensioners	105	113	81
Pensioners	2,360	41	2

The Pension Fund Statement does not take account of the liabilities for future retirement benefits; these are recognised in the main Accounts of the Authority in Note 39 on Defined Benefit Pension Schemes.

Accounting Policies

The Pension Fund Accounts for the year ended 31st March 2019 are presented in the format as laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 issued by the Chartered Institute of Public Finance and Accountancy. The accounting policies adopted for the production of the Pension Fund Account follow those that are used to prepare the Authority's primary statements.

Accruals

The Accounts have been prepared on an accruals basis.

Benefits and Refunds

Benefits and Refunds are accounted for in the year in which they become due for payment.

Transfer Values

Transfer values are those sums paid to, or received from, other schemes, and the Firefighters' Pension Scheme outside England, for individuals, and relate to periods of previous pensionable employment. Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

Current Assets

Debtors are raised for known contributions due at the 31 March 2019 and the Top-up grant due from Central Government.

Current Liabilities

Creditors are raised for employer and employee contributions received into the Fund before the 31 March 2019.

Long Term Pension Obligations

Details of the Authority's long term pension obligations in respect of the Firefighters' Pension Scheme are in note 39 in the Statement of Accounts.

Glossary of Terms

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Amortisation

Written off over a suitable period of time, usually in line with the useful life of an asset.

Asset

An item owned by the Authority, which has a monetary value. Assets can be current or non-current

- Current Assets – are consumed or will cease to have value within the next financial year
- Non-Current Asset – provide benefits to the organisation for a period of more than one year

Audit

An independent examination of the Authority's activities, either internally or externally by our appointed auditor Deloitte.

Budget

A statement defining in financial terms the Authority's plans over a specified period. The budget is prepared as part of the process of setting the precept.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Adjustment Account

This account provides a balancing mechanism between the different rates at which assets are depreciated and financed.

Capital Financing Costs

Each service is charged with an annual capital charge to reflect the cost of fixed assets used in the provision of services.

Capital Financing Requirement

This measures the underlying need to borrow to finance capital expenditure.

Capital Receipts

These are the proceeds from the sale of capital assets and are treated in accordance with statutory provisions.

Commutation

This is where a member of the pension scheme gives up part of their pension in exchange for an immediate lump sum payment.

Consistency

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

Contingent Liability

A possible obligation which exists at the Balance Sheet date, whose existence will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a liability is accrued in the financial statements. If, however a loss cannot be accurately estimated or its occurrence is not considered sufficiently probable to accrue it, the obligation is disclosed in a note to the Balance Sheet. Examples of contingent liabilities include legal claims pending settlement.

Glossary of Terms

Corporate and Democratic Core

The Corporate and Democratic Core is concerned with the costs of corporate policy making and all member-based activities, together with costs that relate to the general running of the Authority including those relating to corporate management, public accountability and treasury management.

Corporate Governance

This is concerned with the Authority's accountability for the stewardship of resources, risk management and relationship with the community. It encompasses policies on fraud, whistle blowing and corruption.

Council Tax Freeze Grant

An amount paid to the Authority to compensate for the loss in grant for not increasing the precept on the local taxpayers.

Creditors

Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made at the balance sheet date.

Current Service (Pensions) Cost

The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to a pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is thus unaffected by whether any fund established to meet liabilities is in surplus or deficit.

Debtors

Amounts of money due to the Authority but are unpaid at the balance sheet date.

Depreciated Replacement Cost

A method of valuation based on the gross cost of replacing the asset/building less an allowance for depreciation.

Deferred Liabilities

These represent the outstanding obligations on finance leases.

Deferred Premiums and Discounts

These are payment penalties (premiums) or gains (discounts) incurred on certain loans that have been repaid prematurely. The premium or discount is equal to the present value of the difference between the remaining payments, which would have been made on the repaid loan, and the amount that could be received if the sum prematurely repaid was re-advanced at the current rate on a new loan for a period equal to the unexpired term of the original loan.

Defined Benefit Pension Scheme

Retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. Accounted for by recognising liabilities as benefits are earned (i.e. employees work qualifying years of service), and matching them with the organisation's attributable share of the scheme's investments.

Depreciation

The wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

De-recognition

The removal of financial assets that have previously been recognised in the balance sheet. A financial asset is de-recognised when the contractual rights to the cash flows from the financial asset have been expired or transferred.

Glossary of Terms

Donated Asset

A donated asset is an asset that is transferred to/from the organisation for no monetary exchange.

Earmarked Reserve

An amount set aside for a specific purpose to be expended in future years

Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue (i.e. Authorised by the Authority's Chief Finance and Procurement Officer).

Expected Rate of Return on Assets (Pensions)

The expected return is a measure of the return on the investment assets held by the scheme for the year. It is not intended to reflect the actual realised return by the scheme, but a longer-term measure, based on the value of assets at the start of the year (taking into account movement in assets during the year) and an expected return factor.

Fair Value

This is the amount that an asset could be bought or sold for between parties; the current market value of an asset can be evidence that the assets have been valued fairly.

Financial Instruments

This is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another. The term covers both financial assets (e.g. loans receivable) and financial liabilities (e.g. borrowings).

Fixed Assets

Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Funded Pension Scheme

A Funded Pension Scheme is one in which the future liabilities for pension benefits are provided for by the accumulation of assets held externally to the employer's business. The Authority's employees, with the exception of firefighters, are covered by such a scheme, which is managed on its behalf by West Yorkshire Pension Fund.

Government Grants

Grants made by Central Government towards either revenue or capital expenditure to support the cost of the provision of the Authority's services. These grants may be given specifically towards the cost of a particular defined service or to support the general revenue spend of the Authority (known as Revenue Support Grant).

Impairment

This is a specific reduction on an Authority's Balance Sheet that adjusts the value of the Authority's assets. This would normally be to reflect the fall in economic prices or a reduction in the economic benefit of an asset.

Integrated Risk Management Plan (IRMP)

This is a strategy for managing risk within West Yorkshire. It leads to formulation of a strategic framework for managing community risk. The IRMP is underpinned by a suite of detailed risk indicators and demographic information which reflects key risks for both the community and firefighters.

Glossary of Terms

Intangible Assets

These are non-financial fixed assets that do not have a physical substance but are identifiable and utilised by the Authority through legal or custody rights.

International Financial Reporting Standards

These are the accounting standards that have been adopted from 2010/11 onwards.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of scheme liabilities because the benefits are one period closer to settlement.

Inventories

The amount of unused or unconsumed stocks held in expectation of future use.

Leasing

A method of financing capital expenditure which allows the Authority to use, but not own an asset. A third party (the lessor) purchases the asset on behalf of the Authority (the lessee) which then pays the lessor a rental over the life of the asset.

A finance lease substantially transfers the risks and rewards of ownership of a fixed asset to the lessee. An operating lease is any lease other than a finance lease.

Liability

A liability is where an Authority owes payment to an individual or organisation. There are two types:

- Current Liability – an amount which will become payable or could be called within the next accounting period.
- Deferred Liability – an amount which, by arrangement is payable beyond the next year at some point in the future, or to be paid off by an annual sum over a period of time.

Market Value

The monetary value of an asset determined by current market conditions.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted or misstated, could be expected to lead to distortion of the financial statements to a reader of the statements.

Minimum Revenue Provision (MRP)

Represents the statutory minimum amount that must be charged to revenue in each financial year to repay external borrowings.

Modern Equivalent Asset (MEA)

An asset which provides similar function and equivalent utility to the asset being valued, but which is of a current design and constructed or made using current materials and techniques.

National non-domestic rates (NNDR)

Business rates are the commonly used name of non-domestic rates, a tax on the occupation of non-domestic property.

Net Book Value

This is the gross cost of an asset adjusted for depreciation.

Glossary of Terms

Net Current Replacement Cost

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

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses of realising the asset.

Non-Distributed Costs

These are overheads from which no service now benefits. Costs that may be included are certain pension costs and expenditure on certain unused assets.

Non-Operational Assets

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of services for which it has either a statutory or discretionary responsibility.

Past Service (Pensions) Costs

Past service costs are a non-periodic cost, arising from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. Discretionary benefits, particularly added years, awarded on early retirement are treated as past service costs.

Pensions Account Revaluation Rate

In a career average revalued earnings scheme each member builds up a pension based on their pensionable pay for that year. The pensions earned each year are added to the member's pension's account which is then adjusted for the cost of living CPI inflation. The pensions account revaluation rate assumptions is set to be equal to the CPI inflation assumption and is used to estimate the future value of the pension account.

Precept

This is a charge levied by a local authority which is collected on its behalf by another authority. It does this by adding the precept to its own Council Tax and paying over the appropriate cash collected.

Provision

An amount set aside to provide for a liability, which is likely to be incurred, but the exact amount and the date on which it will arise is uncertain.

Prudence

The concept that revenue is not anticipated but is recognised only when it is realised in the form of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Public Works Loan Board (PWLB)

This is a Central Government Agency which provides loans for one year and above to Authorities at interest rates only slightly higher than those at which the Government itself can borrow.

Glossary of Terms

Related Parties

Two or more parties are related parties when at any time during a financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Reserves

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Revaluation Reserve

This reserve recognises revaluation gains recognised since April 2007.

Revenue Expenditure

This is money spent on the day to day running costs of providing services. It is usually of a recurring nature and produces no permanent asset.

Service Reporting Code of Practice (SeRCOP)

SeRCOP is reviewed annually to ensure that it develops in line with the needs of modern local government, Transparency, Best Value and public services reform. This is increasingly important as Transparency initiatives are expected to become more sophisticated and to evolve constantly.

Settlements and Curtailments (Pensions)

Settlements and curtailments are non-periodic costs. They are events that change the pension liabilities but are not normally covered by actuarial assumptions, for example a reduction in employees through a transfer or termination of an operation.

Unfunded Pension Scheme

An unfunded pension scheme is one in which liabilities for pension benefits are charged to the employer's revenue account in the year in which they arise and are not financed from investments held. The Authority operates such a scheme for its firefighters.

Useful Life

This is the period over which the Authority will derive benefits from the use of a fixed asset.



OFFICIAL

External Audit Annual Report to those Charged with Governance 2018/19

Audit Committee

Date: 26 July 2019

Agenda Item:

10

Submitted By: Chief Finance and Procurement Officer

Purpose

To present the External Annual Audit Report 2018/19

Recommendations

That the Audit Committee note the contents of the report and consider the recommendations within the report.
Confirm that the Committee have considered the Letter of Representation to the Director of Audit at Deloitte LLP.

Summary

Following the completion of the audit of the Statement of Accounts, the auditors present the Audit report to those charged with governance. Having considered this the Committee are asked to consider the letter of representation.

Local Government (Access to information) Act 1972

Exemption Category:

None

Contact Officer:

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Background papers open to inspection: Statement of Accounts 2018/19

Annexes:

Letter of Representation

1 Introduction

- 1.1 The Authority's accounts are subject to external Audit by Deloitte LLP. On completion of the Audit the External Auditor is required to present a report to those charged with governance (The Audit Committee) summarising the conclusions from their Audit work. Following the consideration of this report by the Audit Committee and the submission of a Letter of Representation by the Fire Authority, Deloitte LLP will issue an opinion on the accounts of the Fire Authority.

2 Information

2.1 Purpose of the Report

As detailed in the report itself, it is intended to fulfil three main purposes:

- summarise the findings of the 2018/19 audit of accounts
- to provide an opinion on the arrangements that are in place for securing value for money
- to provide an opinion on the Statement of Accounts

2.2 Financial Statements

The Auditor is required to give an opinion on whether the financial statements present fairly:

- the financial position of the Authority at 31 March 2019 and its income and expenditure accounts for the year
- the financial position of the Fire-fighters' Pension Fund at 31 March 2019

2.3 Letter of Representation

Attached to this report is the Letter of Representation which has been signed by the Chief Finance and Procurement Officer. The purpose of this letter is to provide assurance to the External Auditor that the accounts have been prepared accurately and lawfully, taking account of all the relevant matters. Having considered the Annual Governance report and the Letter of Representation, the Committee are asked to approve the counter signature of the letter by the Chair of the Audit Committee.

3 Financial Implications

There are no financial implications associated with this report.

4 Legal Implications

The Chief Legal & Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and/or respond to any requests by members for legal advice made at the meeting.

5 Human Resource and Diversity Implications

There are no human resource and diversity implications associated with this report

6 Health and Safety Implications

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

7 Organisational Dependencies

If the subject of your report impacts on other work/projects planned or in progress within WYFRS then this should be mentioned here to enable Members to assess the impact on internal resources etc. For further assistance, please contact The Project Framework Manager, who will be able to inform of other projects in train etc.

This section may, however, not be relevant to your report. In which case, please delete the paragraph heading and all of the associated text.

8 Service Plan Links

The external audit report provides assurance that West Yorkshire Fire and Rescue are providing value for money and sound governance.

Deloitte LLP
One Trinity Gardens
Broad Chare
Newcastle upon Tyne
NE1 2HF

Our Ref: PH/CJ/2019

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of West Yorkshire Fire and Rescue Authority for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of West Yorkshire Fire and Rescue Authority as of 31 March 2019 and of the results of its operations, other comprehensive income and expenditure, and its cash flows for the year then ended in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

We confirm, to the best of our knowledge and beliefs, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the UK (the Code) and which give a true and fair view.
2. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.
3. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
5. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
6. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole.
7. We confirm that the financial statements have been prepared on the going concern basis. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Authority's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

8. We have considered the valuation of the Authority's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation of the entire estate in the current year.
9. With respect to the revaluation of properties in accordance with the Code:
- a) the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
 - b) the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;
 - c) the disclosures are complete and appropriate.
 - d) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
10. To the best of our knowledge and belief the Authority holds title to all Property Plant and Equipment included in its balance sheet at 31 March 2019.
11. We confirm that:
- all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - all settlements and curtailments have been identified and properly accounted for;
 - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - the amounts included in the financial statements derived from the work of the actuary are appropriate.

Information provided

12. We have provided you with all relevant information and access.
13. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
14. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
15. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
16. We are not aware of any fraud or suspected fraud that affects the entity and involves:

- (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
17. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
18. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.
19. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
20. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.
21. As a result of the McCloud / Sergeant judgement, West Yorkshire Fire and Rescue Authority have provided for the additional IAS 19 liability as a past service cost. Management have taken appropriate advice from the scheme actuary and consider this to be the current best estimate of the additional liability based on the key assumptions as set out in the accounts.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Alison Wood
Chief Finance and Procurement Officer



West Yorkshire Fire and Rescue Authority
Status Report to the Audit Committee on the audit for the
year ended 31 March 2019

Issued 24 July 2019 for the meeting on 26 July 2019

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Introduction

The key messages in this report

I have pleasure in presenting our report to the Audit Committee (the Committee) of West Yorkshire Fire and Rescue Authority (the Authority) for the 2019 audit. The scope of our audit was set out within our planning report presented to the committee in February 2019.

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

Status of the audit

Our audit is currently underway and subject to completion of the following principal matters:

- review of updated pensions scheme disclosures for the impact of the McCloud judgement;
- review of updated information in relation the testing of the cash flow statement;
- receipt of information from West Yorkshire Pension Fund auditors;
- testing and reconciliation of notes to the financial statements including prior period adjustments;
- receipt of 3rd party evidence in relation to cash and cash equivalents, borrowings and investments;
- finalisation of our experts reports in relation to pensions;
- review of updated disclosures in relation to Council Tax accounting and Business Rates accounting;
- resolution of Directors remuneration testing;
- Whole of Government Accounts Reporting;
- review of updated financial statements for disclosure deficiencies and misstatements;
- completion of internal quality assurance procedures;
- receipt of signed management representation letter; and
- our review of events since 31 March 2019 through to signing.

We will provide an oral update at the meeting.

Conclusions from our testing

- The key judgements in the audit process related to:
 - Property valuations;
 - Management Override of Controls; and
 - Completeness of expenditure.
- We have identified a significant number of audit adjustments / disclosure deficiencies and insights, and this is detailed on pages 11-15 and 20-24.
- Based on the current status of our audit work and assuming satisfactory resolution of the outstanding matters, we envisage issuing an unqualified audit opinion, with no reference to any matters in respect of the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.

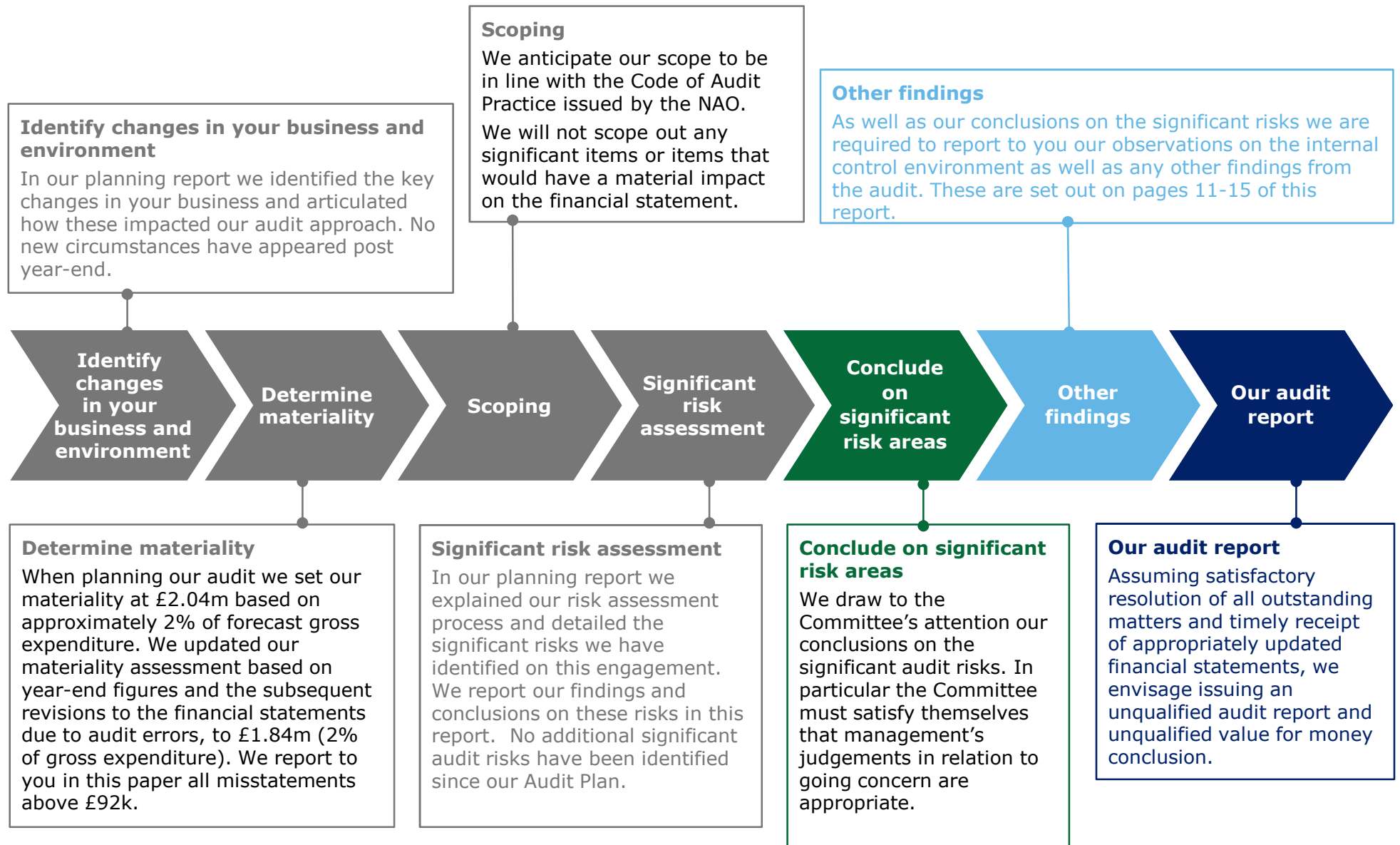
Introduction

The key messages in this report (continued)










Value for Money	<ul style="list-style-type: none">We do not anticipate reporting any matters within our audit report in respect of the Authority's arrangements for securing the economy, efficiency and effectiveness of the use of resources.
Narrative Report & Annual Governance Statement	<ul style="list-style-type: none">We have reviewed the Authority's Annual Report & Annual Governance Statement (AGS) to consider whether it is misleading or inconsistent with other information known to us from our audit work.We required a significant number of changes to the Narrative Report and AGS which we have communicated to management for action. We will review the updated Narrative Report and AGS on receipt of the updated financial statements.
Duties as public auditor	<ul style="list-style-type: none">We did not receive any queries or objections from local electors this year. We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.
Whole of Government Accounts	<ul style="list-style-type: none">The Authority is not a sampled component for WGA reporting. We are required to report our overall audit opinion and key issues from our audit to the National Audit Office following completion of the audit.

Our audit explained

We tailor our audit to your Authority



Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Completeness of expenditure			D+I	Unsatisfactory		Satisfactory	7
Property Valuation			D+I	Unsatisfactory		Satisfactory	8
Management override of controls			D+I	Unsatisfactory		Satisfactory	9

Overly prudent, likely to lead to future credit      Overly optimistic, likely to lead to future debit. ⁷⁴

D+I: Testing of the design and implementation of key controls

Significant risks

Risk 1 – Completeness of expenditure

Risk identified

Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure.

Given the Authority's current budget position and the pressures across the whole of the public sector, there is an inherent fraud risk associated with the under recording of expenditure in order for the Authority to report a more favourable year-end position.

There is a risk that the Authority may materially misstate expenditure through manipulation of the accruals balance, including year-end transactions, in an attempt to move expenditure between years to report a more favourable year end position. The Authority does not have material provisions balances and based upon discussions to date we do not consider the completeness of provisions to fall within the scope of this risk.

Deloitte response

We have undertaken the following:

- We have obtained an understanding of the design and implementation of the key controls in place in relation to recording of accruals including year-end transactions;
- We have performed focused testing in relation to the completeness of expenditure by examining the application of cut off primarily through the focussed testing of accruals balance;
- We have undertaken further analytical procedures; and
- We have reviewed and challenged the assumptions made in relation to year-end estimates and judgements to assess completeness and accuracy of recorded expenditure.

Conclusion

We have completed our testing in relation to the completeness of expenditure. We have noted 6 errors within our testing which has led to an extrapolated error of £293,797 under recording of expenditure. We have also raised an insight surrounding the recognition process for accruals. This is detailed further on pages 11-15.

Significant risks

Risk 2 – Property Valuation

Risk identified

The Authority held £72.9m of property assets (land and buildings) at 31 March 2017 which increased to £74.5m as at 31 March 2018. The increase was due to additions in the year of £1.5m and the completion of £3.8m of assets under construction in the year.

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. There is therefore a risk that that the carrying value of assets not included in the authority's revaluation process in the current year materially differ from the year end fair value. Management undertook a full revaluation for the 2018/19 year-end.

Deloitte response

- We have examined the terms of engagement of the valuer, the instructions issued and the management controls within the Authority concerning the receipt, review and acceptance of the report;
- We have tested the design and implementation of key controls in place around the property valuation;
- We have used our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the assumptions used in the year-end valuation of the Authority's Land and Buildings; and
- We have tested a sample of revalued assets and re-performed the calculation assessing whether the movement has been recorded through the correct line of the accounts.

Conclusion

We have completed our work on property valuation. We have raised an insight on the process, which is detailed on pages 11-15.

Significant risks

Risk 3 – Management override of controls

Risk identified

In accordance with ISA 240 (UK and Ireland) management override is a presumed significant risk for all audit engagements. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Authority's controls for specific transactions.

The key judgments in the financial statements are those which we have selected to be the significant audit risks: completeness of expenditure and valuation of the Authority's estate. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements. Whilst not noted as a significant risk, the valuation of pensions is also a key judgement.

Deloitte response

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

- We have tested the design and implementation of key controls in place around journal entries and judgements;
- We have risk assessed journals and selected items for detailed testing. The journal entries have been selected using computer-assisted profiling based on areas which we consider to be of increased interest;
- We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting;
- We have reviewed accounting estimates for biases that could result in material misstatements due to fraud; and
- We have obtained an understanding of the business rationale of significant transactions that we have become aware of that are outside of the normal course of business for the Authority, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

Conclusion

We have completed our work in relation to management override of controls and through our work did not identify any material misstatements, we have however raised two control insights, which is detailed further on pages 11-15.

Other areas of audit focus

We have also identified an area of judgement which we consider a higher risk, which is detailed below.

Accounting for pensions

Risk identified

The net pension liability represents a material element of the Authority's balance sheet. The Authority has pension balances with both West Yorkshire Pension Fund (Local Government Pension Scheme (LGPS)) and Firefighter's Pension Scheme. The valuation of the pension schemes rely on a number of assumptions, most notably around the actuarial assumptions and methodology which results in the Authority's overall valuation.

Whilst not identified as a significant risk, there is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable.

Our response

We have:

- Reviewed the assumptions used in both the LGPS and Firefighter's Schemes and are reviewing the updated assumptions in light of the McCloud judgement;
 - Reviewed the initial disclosures made in the financial statements and will review the updated disclosure following the amendments made as a result of McCloud;
 - Involved our pensions specialists in relation to the assumptions used within the valuations; and
 - Reviewed the GMP equalisation impact on the pension figures disclosed.
-

Conclusion

We have substantially completed our work in relation to the accounting for pensions. We are reviewing the accounting adopted in respect of the McCloud judgement and are finalising our experts reports.

Other significant findings

Internal control and risk management

During the course of our audit we have identified a significant number of internal control and risk management findings, which we have included below for management action.

Area	Observation	Priority
Adoption of IFRS 9 and IFRS 15	Management should embed the principles of IFRS 9, Financial Instruments, and IFRS 15, Revenue from contracts, in to their monthly task lists because currently the principles of IFRS 9 and IFRS 15 are not embedded in to the Authority's workings.	Low
Preparation for IFRS 16	The implementation of IFRS 16, Leases, for the financial year 2020/21 is expected to have a greater and more complex impact upon the Authority than the adoption of IFRS 9 and 15. The scope and potential complexity of work required, which may require system or process changes to underpin correct accounting under the standard, and will require work to be completed at a significantly earlier stage than has been the case for IFRS 9 and IFRS 15 to allow for financial reporting timetables to be met.	Medium
Journals	<p>Anybody within the finance team can create and post their own journals with no maximum amount assigned to this or a review of these journals. We understand from management that following our recommendation made in January that a process for reviewing journals is now in place.</p> <p>The implemented changes made by management appear to address the risk, however, as this is a new control process we recommend that management reviews the extent to which this is embedded and robustly followed during 2019/20.</p>	High
Access rights to SAP are not regularly reviewed	<p>SAP has pre-programmed access rights to post journals, granted by an access request form done by the user's line manager. However, these rights are not reviewed routinely, such that if someone is granted additional rights, they may be able to both post and authorise. In addition, in the case of leavers, the leaver's line manager would be prompted by HR to contact Kirklees Metropolitan Borough Council (KMBC) to remove them from SAP, but this is not automatically done and may result in them being left with access rights.</p> <p>We recommend that a regular process of reviewing access rights is implemented.</p>	High
Firespace access not reviewed	<p>It is noted from review of the access rights to Firespace that as at 20/3/19 there has not been a review of the access rights as KPMG auditors still have access to this system. This means that data leaks could occur and people may have access to information that they should not.</p> <p>We recommend that a regular process of reviewing access rights is implemented.</p>	High

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Low Priority

Medium Priority

High Priority

Other significant findings

Internal control and risk management (continued)

During the course of our audit we have identified a significant number of internal control and risk management findings, which we have included below for management action.

Area	Observation	Priority
Roles unclear within the team	<p>During our documentation of business processes it has become apparent that many of the members of the team are new or have changed role in the last 18 months. In these circumstances it is important that business process documentation clearly sets out day to day responsibilities of all members of the finance team. Our review of the Authority's documentation suggests that there is scope to improve the clarity with which roles and responsibilities are set out.</p> <p>We do note however, that the year-end processes are clearly defined.</p>	Medium
Year end process for identification of accruals	<p>WYFRA have a process where creditors are identified based on invoices paid in the first week of April and not based on Goods Received Not Invoiced reports (GRNI) or Open Purchase Order (PO) reports. Management should adopt a clear process of identification of creditors including an analysis by GRNI and PO (where applicable) and invoices received till the closure of the books to ensure that the position recorded within the financial statements correctly records the value of expenditure.</p>	Medium
Property, plant and equipment disposal	<p>There is currently no formal authorisation process for scrapped items. At the year-end, emails are sent to the relevant people who have control over their section of the fixed asset register to enquire if they still have all of those assets or if some assets have been disposed of. No physical verification is undertaken and there is no formal disposal process for these assets. It is recommended that management implement a robust disposals process.</p>	High
Componentisation of assets not in line with valuation report	<p>When testing the revaluation of the Canteen Building, and the Stores and Workshops located at the Fire Headquarters, we noted that, whilst the valuer had separated these in to two discrete assets, within the fixed asset register and for the purposes of calculating depreciation management had combined these in to a single asset. This led to a misstatement in depreciation. Similar issues were noted with the Multipurpose Training Centre.</p> <p>We recommend that the fixed asset register and the valuation report be componentised on the same level and that depreciation is calculated at that level.</p>	Medium
Production of financial statements	<p>It was noted through our review of the financial statements that there were a not insignificant number of errors / disclosure deficiencies and omissions within the financial statements, including the narrative report and the Annual Governance Statement. Management should re-examine the quality control procedures surrounding the preparation of the financial statements.</p>	Medium

Other significant findings

Internal control and risk management (continued)

During the course of our audit we have identified a significant number of internal control and risk management findings, which we have included below for management action.

Area	Observation	Priority
Lack of communication between Kirklees Metropolitan Borough Council (KMBC) and WYFRA on journals posted after the close down deadline	It is noted that after the closure of ledgers, KMBC will input journal entries arising out of reconciliations and any manual entries requested by WYFRA, however, there is no formal communication of journals to the WYFRA from the KMBC team.	Medium
	Whilst management have implemented a compensating control, namely that, a daily report is run during the period of preparation of financial statements to update any changes and investigate the differences between the trial balances, we recommended that a more formal process be implemented.	
	We recommend that under the SLA KMBC are required to notify management of journals posted as part of the close down process.	
Lack of review of pensions work	Through our work it is noted that there is no review of the pensions disclosures as these are completed by the Chief Finance and Procurement Officer.	Low
	It is recommended that the preparation of the IAS19 elements of the financial statements are delegated to another member of the finance team and that these are then reviewed by the Chief Finance and Procurement Officer as part of an overall process of quality control.	
Lack of adequate review of close down working papers	There is a process of review of year end working papers however Deloitte note that this has not been effective in the current year as illustrated by the extent of errors detected in the financial statements. We recommend that the review process be made more detailed and considered in light of actions in respect of the recommendation in relation to team roles above.	Medium
	Management should also implement further checks to ensure that the year end review process is undertaken.	

Other significant findings

Internal control and risk management (continued)

During the course of our audit we have identified a significant number of internal control and risk management findings, which we have included below for management action.

Area	Observation	Priority
Service level agreement (SLA) – lack of precision	<p>Throughout the SLA there is limited specification as to what is covered under the SLA, with the terms used being broad and open to misinterpretation. The SLA should be rewritten so that it clearly defines each party's responsibilities under the SLA.</p> <p>For example "Ensure all relevant treasury management information..." should be redefined to state what is "all relevant information" is and similarly "related tasks" should be clearly defined as should the timetable requirements.</p> <p>This will then ensure that the actions under the SLA are easily identifiable, trackable and facilitates good governance, and effective accountability through the SLA and ensures no omissions from the process.</p>	High
Service level agreement –improvement to governance	<p>We noted through our work that there does not appear to be a clear documentation of the end to end business processes including the hand off between the service and the provider.</p> <p>We recommended that an exercise to map the key processes and controls and the delegation of this between the two authorities be undertaken and that the results of this exercise are incorporated in to the SLA.</p> <p>In addition we recommend that WYFRA receive reports from KMBC on the functioning of the key systems and controls used in the delivery of the SLA for the purposes of making their Annual Governance Statements.</p>	High
Finance Interest in Property Valuations	<p>We noted that the depreciated replacement cost (DRC) calculations include finance interest in the calculation which is not in accordance with the CIPFA requirements of "instant build". Whilst this does not have a significant effect on overall values, the methodology should be reviewed for future valuations.</p>	Medium

Other significant findings

Internal control and risk management (continued)

During the course of our audit we have identified a significant number of internal control and risk management findings, which we have included below for management action.

Area	Observation	Priority
No assurance over key financial systems	<p>We noted that WYFRA do not routinely receive assurance from KMBC in respect of the hosted IT systems such as SAP Finance.</p> <p>In a similar manner to that suggested for business controls WYFRA should require KMBC to provide formal annual statements of assurance over the hosted IT systems. Areas of assurance to be covered include the following key areas:</p> <ul style="list-style-type: none">- Cyber Security Incident monitoring/response- Starters, movers and leavers- User Access Reviews- Change Management- Backups	High
Legal expenses recorded under supplies contingency	<p>We noted inconsistencies in which expenditure heading legal expenses were recognised, management should determine the correct code for legal expenses and ensure this is understood by the finance team.</p>	Medium

Our audit report

Matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the financial statements

Subject to the resolution of all outstanding matters and receipt of appropriately updated financial statements we expect our opinion on the financial statements is unmodified.



Material uncertainty related to going concern

We will conclude our work on going concern however at this stage we have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Our value for money conclusion

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performed and to ensure that they are fair, balanced and reasonable.

Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement.

	Requirement	Deloitte response
Narrative Report	<p>The Narrative Report is expected to address (as relevant to the Authority):</p> <ul style="list-style-type: none"> - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation 	<p>We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance.</p> <p>We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>Our review identified a significant number of areas where the Narrative Reports needed revising in order to comply with guidance and to ensure that they were fair, balanced and understandable.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. Our review identified a significant number of areas where the Annual Governance Statement needed revising in order to comply with guidance and to ensure that they were fair, balanced and understandable.</p>

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Committee and the Authority discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Authority.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Audit Committee and Authority, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

We welcome the opportunity to discuss our report with you and receive your feedback.

Paul Hewitson
for and on behalf of Deloitte LLP
Newcastle Upon Tyne
July 2019

Appendices



Audit adjustments

Agreed adjusted misstatements current year

The following misstatements have been identified up to the date of this report and we understand management are correcting for these misstatements. We will provide a verbal update at the meeting.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) reserves £m
Misstatements identified in current year				
Transfer to reserve income and expenditure	[1]	3.322 (3.322)		
NNDR Provision for appeals	[2]		0.722 (0.722)	
Collection Fund Accounting	[3]		3.060 (3.060)	
CIES internal income	[4]	2.961 (2.961)		
ESMCP Income and expenditure	[5]	0.139 (0.139)		

- (1) Transfer to Capital Financing Reserve was made in the year, however, this was incorrectly reported as both income and expenditure in the current year and this should not be accounted for in income and expenditure.
- (2) The NNDR provision for future appeals was incorrectly recorded within the bad debt provision in debtors, and should be presented in the provisions note.
- (3) The accounting for the collection fund has incorrectly recorded the net debtor / net creditor position with the billing authority. This adjustment corrects the incorrect recording of the debtors and creditors position.
- (4) In line with the CIPFA code, transactions between segments should not be included in the CIES and should just be included in the income and expenditure analysed by nature note.
- (5) ESMCP income and expenditure was omitted from the financial statements.

Audit adjustments

Agreed adjusted misstatements current year (continued)

The following misstatements have been identified up to the date of this report and we understand management are correcting for these misstatements. We will provide a verbal update at the meeting.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) reserves £m
Misstatements identified in current year				
McCloud impact	[6]	57.597	(57.597)	
Business rates accounting	[7]		(0.321) 0.321	
Total		57.597	(57.597)	

(6) The crystallisation of the McCloud judgement has required revised pension assumptions to be run for the Local Government Pension Scheme (LGPS) and Firefighters Pension Scheme. This has affected all LGPS, Firefighters Schemes and a wide range of other public sector defined benefit pension schemes across the UK.

(7) The accounting for business rates has incorrectly recorded the net debtor / net creditor position with the billing authority. This adjustment corrects the incorrect recording of the debtors and creditors position.

Audit adjustments

Agreed adjusted misstatements prior year

The following misstatements have been identified up to the date of this report and we understand management are correcting for these misstatements. We will provide a verbal update at the meeting.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) reserves £m
Misstatements identified in current year relating to the prior year				
NNDR Provision for appeals	[1]		0.617 (0.617)	
CIES internal income	[2]	3.431 (3.431)		
Business rates accounting	[3]	0.364	(0.676) 0.312	
Total		0.364	(0.364)	

- (1) The NNDR provision for future appeals was incorrectly recorded within the bad debt provision in debtors, and should be presented in the provisions note.
- (2) In line with the CIPFA code, transactions between segments should not be included in the CIES and should just be included in the income and expenditure analysed by nature note.
- (3) The accounting for the collection fund has incorrectly recorded the net debtor / net creditor position with the billing authority. This adjustment corrects the incorrect recording of the debtors and creditors position.

Audit adjustments

Unadjusted misstatements current year

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by International Standards on Auditing (UK).

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) reserves £m
Misstatements identified in current year				
Depreciation	[1]	1.091 (1.091)	1.091 (1.091)	
Creditors	[2]	0.294	(0.294)	
Aggregation of misstatements individually <£92k				
Cumulative total of errors <£92k		0.102	(0.102)	
Total		0.396	(0.396)	

(1) Noted from our depreciation testing that there is an analysis error between the depreciation charge in the year and the amount reported as Income and Expenditure gains. The overall position in the General Fund, Capital Adjustment Account and Net Book Value of PPE is accurate, however, this is an analysis error within the note.

(2) Relates to an extrapolated under accrual for expenditure noted from the six errors in our creditors testing.

Audit adjustments

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure

We have raised a significant number of typographical errors / disclosure deficiencies and omissions to the financial statements with management which are in the process of being corrected. We will report any non-trivial residual deficiencies in our letter of management representations.

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Authority to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that are not aware of any fraud or suspected fraud that affects the Authority.

We have also asked the Authority to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified completeness of expenditure and management override of controls as key audit risks for your organisation.

During the course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

Concerns:

We have nothing to report in respect of this.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with FRC's Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	<p>The audit fee for 2018/19, in line with the fee range provided by PSAA, is £27,782.</p> <p>Owing to the volume of errors identified in the draft financial statements, the control issues identified and the need for subsequent multiple versions of the accounts we have incurred substantial additional cost in delivering the audit. We will therefore be seeking to agree additional fees in respect of these costs which will be subject to review and approval by PSAA.</p> <p>We will report the final agreed position to the Audit Committee in due course.</p> <p>No non-audit fees have been charged by Deloitte in the period.</p>
Non-audit services	In our opinion there are no inconsistencies between FRC Ethical Standards for Auditors and the Authority's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>



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