West Yorkshire
Fire & Rescue Authority

[Protective Markings]

Internal Audit Quarterly Report

Audit Committee

Date: 23 October 2020 | Agenda Item: **6**

Submitted By: Chief Finance and Procurement Officer

Purpose To present the Internal Audit report April to September 2020.

Recommendations That Members note the content of the report.

Summary To provide a summary of the audit activity for the period April to September 2020 and to report the findings to the Committee.

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer:

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Background papers open to inspection: None

Annexes: Internal Audit Quarterly Report

1 Introduction

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 September 2020.

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 (Appendix to follow for committee).

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

The Covid19 pandemic has affected the ability to deliver the internal audit plan which was approved by Audit Committee in April, this is primarily due to staff availability. In the period April to September, two audits have been completed and one is in progress. In addition, the audit manager is completing the National Fraud Initiative on our behalf.

3 Financial Implications

3.1 There are no financial implications associated with this report.

4 Human Resource and Diversity Implications

4.1 There are no human resource or diversity implications with this report.

5 Health, Safety and Wellbeing Implications

5.1 There are no health, safety or wellbeing implications with this report.

6 Environmental Implications

6.1 There are no environmental implications with this report.

7 Your Fire and Rescue Service Priorities

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

8 Conclusions

8.1 That members note the internal quarterly review report.

INTERNAL AUDIT UPDATE REPORT

2020/21

April to September 2020

ABOUT THIS REPORT

This report contains information about the work of the Authority's Internal Audit provided by Kirklees Council. The 2020/21 Audit Plan was approved by this Committee at the start of the year covering a variety of areas enabling an annual opinion to be formed on the Authority's governance, risk management and internal control arrangements. Due to lockdown a revised Plan was agreed at the last meeting in July and this report forms an update on activity since.
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 internal audit work during 2020/21.

The revised plan agreed with the Chief Finance & Procurement Officer includes 15 prioritised audits reflecting estimated resources available during the remainder of the year. In addition to a refund for 50 days of work that cannot be resourced, relating to both 2019/20 and 2020/21, any further shortfall will be discussed with management and a course of action agreed. At this time it is envisaged there will be a sufficient body of work on which to base the annual opinion on governance, risk management and internal control arrangements that is required.

2. SPECIAL INVESTIGATIONS & REVIEWS

None during this time.

3. KEY FINANCIAL SYSTEMS

System	Findings	Audit Opinion
Chief Finance & Procurement Officer		
VAT	The systems and procedures in place for the accounting, reconciliation and reclaiming of VAT were found to be overall satisfactory. Circa £2.7m net VAT was reclaimed and received by the Authority for the financial year 2019/20; averaging out at approximately £232k per tax period. Two areas where control can be strengthened related to only one member of the Finance Team having sole responsibility for VAT reconciliation and the HMRC return submissions is in need of further consideration, with a risk of insufficient VAT training and experience among the rest of the team in the event of long term absence, along with a process of overview (and sign off) of the monthly return including the introduction of a routine process of sample verification checks on the accuracy of VAT coding would provide additional assurance on accuracy. .	Adequate Assurance

4. OTHER FINANCIAL SYSTEMS & RISKS

System	Findings	Audit Opinion

Director of Service Support		
Facilities Management	The brief agreed with Management represented a significant piece of investigative work than spanned lockdown. The purpose of this audit was to ascertain the processes operating within the Property Management Unit for preparing, procuring and managing FM contracts and to evaluate the extent of consultant related expenditure to feed into future process reviews of Property Services/Facilities Management. The findings primarily pre-date the recent corporate procurement review and re-drafting of Contract Procedure Rules. Whilst activity reflected compliance with CPRs value thresholds, additional work procured or changes to requirements thereafter may have made led to different procurement decisions had they been factored in originally. Overall, the current methods and processes in place for FM procurement were found to lack a clear audit trail. Additions and amendments to specifications further added to the overall lack of transparency. Whilst examination of the contracts and performance of two consultants employed by the PMU found compliance with the expectations and requirements of the commissions, there seemed a lack of strategic direction as to the use of consultants generally, relative to in-house skills, workloads and cost. During the 3 year period reviewed, the Authority spent £670,000 on FM related consultancy, primarily with 6 key consultants who received in excess of £50,000 each, whereas the PMU currently comprises six officers (5.2 fte) with a combined annual salary cost of c£225k. Given the cost of consultancy spend within FM it seems an appropriate juncture for management to give consideration to the overall cost effectiveness of the present arrangements and what alternative options are available.	Limited Assurance

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 Support		
Interim Method of Competency Training Recording & Reporting	Audit in Progress	
Chief Finance & Procurement Officer		
National Fraud Initiative 2020/21	The first phase of this biennial exercise has been completed, so that the Authority's payroll and trade supplier and payments history records have been extracted from SAP and uploaded to the Cabinet Office's secure website. These records are matched against those of other public sector bodies in a variety of ways and exception reports detailing any anomalies or discrepancies for investigation are to be made available at the end of January 2021, for example any undeclared secondary employment, having other employment whilst on long term sick, duplicate payments, VAT errors etc. The outcome of the exercise will be reported once known.	

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 & EXTENSIONS OF TIME TO IMPLEMENT

No key recommendations were outstanding.

Requests from management to extend the agreed implementation date for recommendations relating to the following audits has been agreed:

- Safeguarding – Disclosure & Barring Service checking of current staff (following consultation with representative bodies), now due by January 2021.
- Safeguarding – Supplementary Training for senior managers (delayed due to COVID 19), now due by April 2021
- Commercial Premises Risk Management - Delays due to COVID 19 have put back the completion of OSARIS (IT Solution) to December 2020. This new system allows for the automation required and the effective management of Commercial Premises Risk. Following its completion, prior to 'Go Live', a period of trial will be required by operational crews to test the system and address any issues they may have and to ensure it works seamlessly alongside the Fire Protection side of the system
- Commercial Premises Risk Management – This part of the IT solution is complete but cannot go live until the Protection part is also complete. This is on track and scheduled to go live in January 2021. In the interim, the previous supplier has completed some work for Protection to enable reports to be extracted from the old system and is building scripts to assist with data migration to the new system.

9. ADVICE, CONSULTANCY & OTHER WORK

None this period.

10 AUDIT PLAN DELIVERY 2020/21

Performance Indicators	18/19 Actual	19/20 Actual	20/21 Revised Target	20/21 Actual
Audits completed within the planned time allowance	100%	80%	90%	50%
Draft reports issued within 10 days of fieldwork completion	100%	90%	90%	100%

Client satisfaction in post audit questionnaires	100%	90%	90%	n/a
Chargeable audit days	155	130	140	20
QA compliance sample checks – percentage pass	100	100	100	100%
Planned Audits Completed	17	10	15	2
Planned Audits in Progress				2
Planned Audit Deferred		3		0
Planned Audits Postponed		4		0
Unplanned Work Completed		3		0
Unplanned Work in Progress				0

OFFICIAL

Abridged Performance Management Report

Audit Committee

Date: 23 October 2020 Agenda Item: **7**

Submitted By: Corporate Services Manager

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.

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.

3 Financial Implications

3.1 There are no financial implications arising from this report.

4 Human Resources and Diversity Implications

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

5 Health and Safety Implications

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

6 Environmental Implications

6.1 There are no environmental implications associated with this report.

7 Your Fire and Rescue Service 2019 – 2023 Priorities

7.1 This report links to all the Your Fire and Rescue Service priorities.

8 Conclusions

8.1 That Members note the report.

West Yorkshire
Fire & Rescue Service

Performance Management and Activity Report (Abridged) 2020/21

Period covered: 1 April – 30 June 2020
Date Issued: 31 July 2020

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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 Full Authority Committee meetings.

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 – 30 June 2020.

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

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

	Actual Data (2010/11)	Three Year Average Target (2017/20)	Actual Data to date (2019/20)	Actual Data to date (2020/21)	Projected Performance Against Three Year Average (2019/20)	End of Year Projection (2020/21)
Arson	9396	6641	1845	1800	7.8%	7161
Actual Rescues	859	862	241	174	-19.7%	692
Total Activity	34270	23987	6131	6731	11.6%	26758
Dwelling Fires	1549	1139	270	284	-0.8%	1122
Non-Domestic Building Fires	510	409	108	73	-28.9%	286
Prevalence of False Alarms	15753	10439	2384	2839	8.2%	11294
Fire-Related Injuries	292	191	47	47	-2.3%	187
Road Traffic Collisions	919	629	168	75	-52.6%	298
Malicious False Alarms	595	348	73	55	-37.1%	219

3. Service Delivery Indicators – Performance compared to previous year

Description	2019-20	2020-21
Accidental Dwelling Fires (per 10,000 dwellings)	**2.33**	**2.53**
Number of deaths arising from accidental fires in dwellings (per 100,000 population)	**0.04**	**0.09**
Number of Fire-Related Deaths (per 100,000 population) arising from fires other than Accidental Dwelling Fires	**0.13**	**0.04**
Number of Injuries arising from accidental fires in dwellings (per 100,000 population)	**1.30**	**1.39**
(a) Number of Serious Injuries(per 100,000 population)	**0.04**	**0.26**
(b) Number of Slight Injuries (per 100,000 population)	**1.26**	**1.13**
The percentage of dwelling fires attended where there was a working smoke alarm which activated	**52.22%**	**56.99%**
The percentage of dwelling fires attended where a working smoke alarm was correctly fitted but did not activate	**16.30%**	**17.48%**
The percentage of dwelling fires attended where a smoke alarm, because it was faulty or incorrectly sited, did not activate	**5.19%**	**3.50%**
The percentage of dwelling fires attended where no smoke alarm was fitted	**26.30%**	**22.03%**
Number of calls to malicious false alarms (per 1000 population) – attended	**0.03**	**0.02**
False alarms caused by automatic fire detection equipment (per 1000 non-domestic properties)	**8.10**	**8.14**
False alarms caused by automatic fire detection equipment (per 1000 domestic properties)	**0.92**	**1.00**
Fires in non-domestic premises (per 1000 non-domestic premises)	**1.28**	**0.87**
Number of Primary Fires (per 100,000 population)	**35.20**	**33.72**
Number of Fire Casualties – excluding Precautionary Checks (per 100,000 population)	**1.86**	**1.91**
Arson Incidents – All Deliberate Fires (per 10,000 population)	**8.00**	**7.81**
Arson Incidents – Deliberate Primary Fires (per 10,000 population)	**1.49**	**1.20**
Arson Incidents – Deliberate Secondary Fires (per 10,000 population)	**6.51**	**6.61**

4. Service Delivery Indicators – WYFRS not achieving target

Description	Cumulative Year to Date Performance												Performance in 2019-20
	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 deaths arising from accidental fires in dwellings (per 100,000 population)	0.00	0.00	**0.09 (2)**										0.04 (1)

Comments: We have seen one additional fire death compared to the same period in 2019 / 20. Both individuals were elderly and were not known to West Yorkshire Fire and Rescue Service. Our prevention strategy is focused on information sharing with partners who often have contact with the most vulnerable people in the community. It is difficult to identify vulnerable individuals who have not received or avoid support from public services. We are developing a system which will allow us to proactively find and approach these higher-risk people in order to reduce the likelihood of further tragic fire deaths.

West Yorkshire Fire and Rescue Service

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[Protective Markings]

Service Improvement and Assurance Policy – six monthly update

Audit Committee

Date: 23 October 2020

Agenda Item: **8**

Submitted By: Director of Service Support

Purpose To update Audit Committee on the Service Assurance Process, Covid-19 WYFRS Recovery Plan and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Service inspection programme.

Recommendations Audit Committee note the content of the report.

Summary

his report gives an overview of three areas:

1) Service Assurance Process

2) Covid – 19 WYFRS Recovery Plan

3) Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service Covid-19 inspection.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Adrian Bairstow Adrian.Bairstow@Westyorksfire.gov.uk
Background papers open to inspection:	None
Annexes:	None

1 Introduction

1.1 This paper provides an overview of West Yorkshire Fire and Rescue Service's (WYFRS) assurance process, Covid-19 (C-19) recovery work and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Service (HMICFRS) inspection programme.

WYFRS recognises the importance of the provision of assurance and its responsibilities contained within the National Framework document. A dedicated team, the Service Improvement and Assurance Team (SIAT) provide high level assurance to Management Board and the Fire Authority through the management of the HMICFRS inspection process and the Service Assurance processes.

2 Information

2.1 Service Assurance

The 2019/20 Service Assurance Self-Assessments were distributed to 29 departments/ districts on 9th December 2019. The deadline for returns was 31st January 2020 and one to one review visits were then planned to be carried out with department managers/district commanders between 9th December 2019 and 31st March 2020 (dependent on when self-assessment toolkits were returned).

100% of departments returned their self-assessment toolkits within the timeframe but the department and district review visits were impacted by the C-19 pandemic and only 19 of the 29 review visits were carried out as planned. In March 2020 the decision was made to put the service assurance reviews on hold until the next round of the service assurance process in 2021.

2.2 C-19 Recovery

At this time the SIAT were asked to work as part of Recovery Team in order to undertake activities set out in our C-19 WYFRS Recovery Plan. The plan outlines the 3 parts of the recovery phase as: -

- Understanding the impact
- Identifying and Collating Learning
- Embedding and Promoting a 'New Normality'

In order to understand the impact of the C-19 pandemic the recovery team carried out 1:1 meetings, Departmental Review and Recovery Questionnaires and a PESTLE Analysis. The outcome of these processes along with the results of the staff survey informed our Strategic Impact assessment. Learning from the C-19 pandemic is still being identified and we will provide a briefing to members in January 2021.

2.3 Her Majesty's Inspectorate of Constabulary and Fire & Rescue Service (HMICFRS)

Our C-19 inspection commenced on Monday 5th October and is being conducted entirely remotely.

The inspection methodology was focused around four areas:

- How Fire and Rescue Services are responding to C-19 outbreak
- What is working well
- What is being learned
- What changes are likely/ appropriate for the Fire and Rescue sector

The inspection consists of:

- a maximum of 10 interviews each lasting approximately 1 hour to be carried out over a 1-week period
- C-19 Data Collection
- C-19 Document Request
- Staff Survey
- FRS Survey of FRS' with 6 depts., (Prevention, Protection, Control Room, Response, HR, Finance)
- Survey of Rep Bodies

Findings from the C-19 inspection will be reported at the end of the year with narrative rather than graded judgements in the form of a letter.

3 Financial Implications

3.1 There are no direct financial implications associated with this report although areas for development may require investment decisions which will be incorporated into each specific business case for funding

4 Human Resource and Diversity Implications

4.1 There are no direct human resource and diversity implications associated with this report although equality impact assessments form an integral part of considerations for all aspects of service delivery.

5 Health, Safety and Wellbeing Implications

5.1 Health and safety is a fundamental consideration for all aspects of service delivery. Identified issues relating the Health, Safety and well-being will be addressed and dealt with depending on their level of urgency either through the action plan or directly if required.

6 Environmental Implications

6.1 There are no environmental implications arising directly from this report.

7 Your Fire and Rescue Service Priorities

- Reduce the risks to the communities of West Yorkshire
- Continue to keep our firefighters safe
- Work smarter throughout the service
- Make better use of technology and innovate where possible
- Be more efficient across all areas of the service to make savings
- Support, develop and enable our people to be at their best

8 Conclusions

8.1 The service assurance process will resume in November 2020. Prior to this the self-assessment toolkit will be reviewed to include any learning identified through C-19 recovery work.

8.2 Findings from out our HMICFRS C-19 inspection will be reported back to members in January 2021.

OFFICIAL

Statement of Accounts 2019/20

Audit Committee

Date: 23 October 2020 | Agenda Item: **9**

Submitted By: Chief Finance and Procurement Officer

Purpose To present the Statement of Accounts for approval pending completion of the audit.

Recommendations That members approve the Statement of Accounts.

Summary The report presents the Statement of Accounts 2019/20 for committee approval. The audit of pensions is outstanding due to additional work in respect of McCloud Sargeant and Goodwin legal cases which are outside the control of both Deloitte and fire.
It is proposed that the accounts are approved by the Audit Committee and once the pensions audit work has been completed, that authority is given to the Chair of Audit Committee to sign off the accounts.

Local Government (Access to information) Act 1972

Exemption Category: Nil

Contact Officer: Alison Wood

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Background papers open to inspection: Nil

Annexes: Statement of Accounts 2019/20.

1 Introduction

The purpose of this report is to present to members the Statement of Accounts 2019/20. Normally there is a statutory requirement to have the accounts completed by the 31st May and approved at Committee by the 31st July. Due to the Covid19 pandemic this deadline was pushed back because government recognised that finance teams would be impacted in their ability to meet this deadline. A revised deadline for completion was set at the 31st August with approval by the 30th November.

The work of the external auditor (Deloitte) has yet to be fully completed for reasons mainly outside of the control of both officers of West Yorkshire Fire & Rescue and the external auditor. The elements falling outside of the Authorities and the auditors' control both fall within the scope of pensions auditing. The first of these being due to the ongoing cases of McCloud & Sergeant and Goodwin. Both of these impact on the overall liabilities held on the Authorities Balance Sheet and as such require a re-calculation of these liabilities by the actuaries for the Fire fighters and Local Government Pension Scheme (LGPS).

The second element is the audit of the LGPS itself. There has been delays in the audit of the West Yorkshire Pension Fund (WYPF) accounts which impacts on the Authority as Deloitte needs assurance from the pension fund auditor that the accounts of WYPF are free from material error or misstatement. It is now expected that this will not be completed until the end of October 2020.

In addition, there is still some outstanding work to be carried out on the disclosure of creditors within note 26 to the accounts.

The above outstanding audit work will have no impact on the cash position or the usable reserves of the authority but will change the overall position of the key statements and the pensions unusable reserve.

2 Information

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 32 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 income for the year exceeded expenditure by £86.752m (-£98.79m in 2018/19). The change is due to the impact of the actuarial gain on the fire-fighters' pension scheme of £110.288m.

The total balance of the Comprehensive Income and Expenditure Statement of £86.752m represents the change in total reserves on the balance sheet between 31 March 2019

(-£1,427.8m) and 31 March 2020 (-£1,341.027m).

2.7 **Balance Sheet.** **(***Page 35 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 2020 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 £1,341m at 31 March 2020 and that the total amount of reserves equals that amount.

Further analysis of the reserves shows that the Authority has useable reserves of £34.66m and negative unusable reserves of (£1,375.7m).

The large deficit in the unusable reserves relates to the total future value of net liabilities in the Fire-fighters’ Pension scheme which totals £1,418.64m. 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, over shadow 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 £77.61m including useable reserves of £34.66m.

2.8 **Movement in Reserve Statement. (***Page 34 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 2019/20. 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

Usable reserves have decreased by £1.622m with a detailed analysis of the changes provided in note 28 (page 74) to the Statement of Accounts. Usable reserves have been used to fund some capital expenditure and the lean working and procurement reviews in 2019/20.

Movements into and out of usable reserves are set out in note 29 (page 75) of the Statement of Accounts.

The deficit on unusable reserves has decreased by £88.374m which is primarily as a result of a reduction in the actuarial valuation of the future pension liabilities.

2.9 **Cash Flow Statement.** **(***Page 36 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 a net increase in the amount of cash and cash equivalent of £4.616m at the end of the financial year and a closing balance of cash and cash equivalents of £11.112m.

The key items from the cash flow statement are

- net cash flows from operating activities of £13.236m
- net cash flows from investing activities £8.804m
- net cash flows from financing activities of £0.184m

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, Safety and Wellbeing Implications

There are no health, safety and wellbeing implications associated with this report.

7 Environmental Implications

There are no environmental implications associated with this report.

8 Your Fire and Rescue Service Priorities

The Statement of Accounts presents the financial position of the authority and as such underpins all the fire and rescue service priorities.

9 Conclusions

Due to the impact of Covid19 the deadline for completion of the Statement of Accounts was moved to the 31st August and to the 30th November for committee approval. There is still some outstanding work around pensions auditing meaning that the accounts cannot be signed as approved until the work of Deloitte is completed and the accounts are updated with any associated amendments.

West Yorkshire Fire & Rescue Service

2019/20 ANNUAL STATEMENT OF ACCOUNTS (DRAFT)

WEST YORKSHIRE FIRE & RESCUE SERVICE | OAKROYD HALL, BRADFORD ROAD, BIRKENSHAW, WEST YORKSHIRE BD11 2DY

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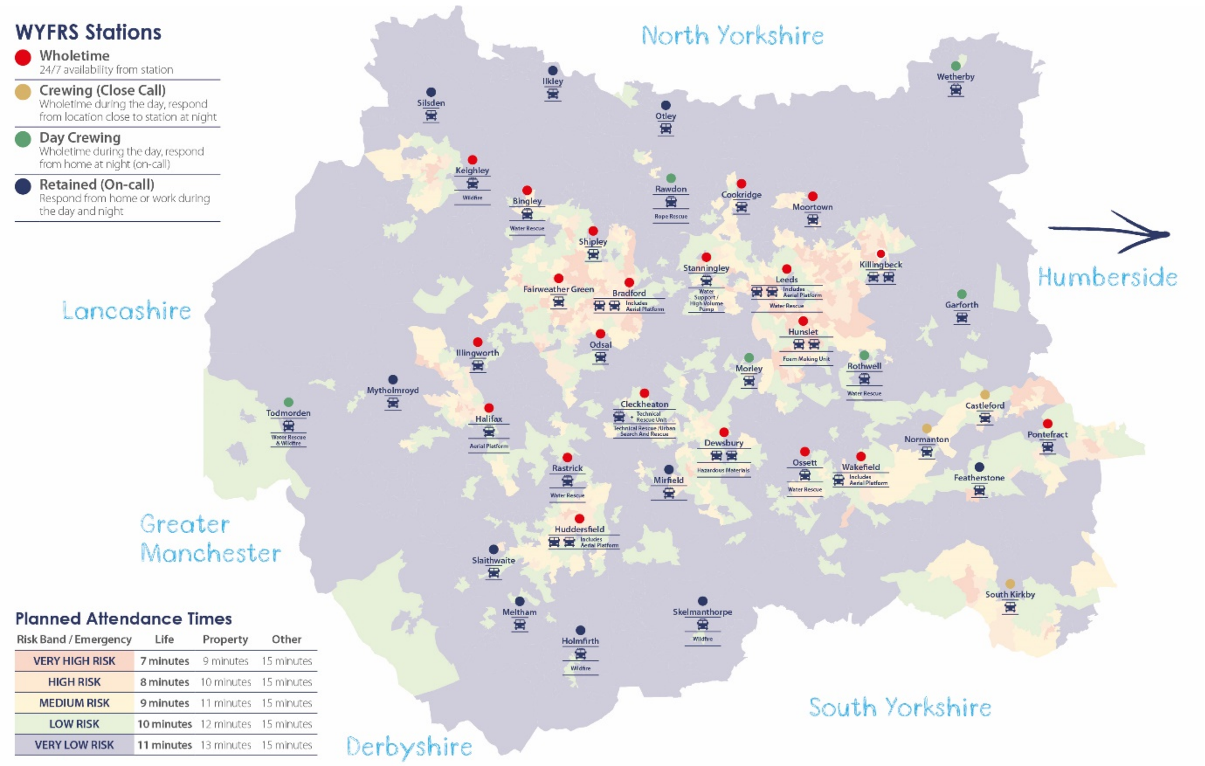
Narrative Report

Purpose

The purpose of this statement is to present a picture of the performance of West Yorkshire Fire and Rescue Authority for 2019/20. 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 Authority has 40 fire stations and these are operated by a combination of four separate crewing models; wholetime, close call, day crewing and retained. The distribution of these fire stations is shown in the map below.



Narrative Report

The Fire Authority is governed by 22 local councillors who are nominated by the five district 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 stand-alone 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 Authority as such has a number of statutory responsibilities, the most important being; promoting fire safety, emergency response and rescue and fire, petroleum and explosives regulatory enforcement.

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
- Promote diversity and create an inclusive workplace

The Authority has seen significant reductions in its funding over the last 9 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 2019/20 had 40 fire stations, 46 fire engines and employed 904 operational firefighters.

Performance and Activity

In terms of overall operational activity for 2019/20 the service responded to 23,355 incidents, a decrease of almost 10% from 2018/19, the following table details the type of incidents attended;

Incident Type	2018/19	2019/20	% Variance
Arson	7,735	5,474	-29.23%
Actual Rescues	796	1,100	38.19%
Dwelling Fires	1,190	1,137	-4.45%
Non-Domestic Building Fires	411	425	3.41%
Prevalence of False Alarms	10,523	10,476	-0.45%
Special Service Calls	2,020	3,304	63.56%
Fire Related Injuries	208	174	-16.35%
Road Traffic Collisions	615	672	9.27%
Malicious False Alarms	352	315	-10.51%
Other incidents not formally reported	1,825	278	-84.77%
Total Incidents	**25,675**	**23,355**	**-9.04%**

In addition to the operational activity the service also provided a proactive fire safety and fire protection programme using both firefighters and specialist support staff. The Authority provides a Safe and Well programme in order to improve the safety and wellbeing 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 2019/20 fire crews and dedicated fire safety teams delivered;

Visit Type	2018/19	2019/20	% Variance
Safe and Well Visits	16,350	15,528	-5.03%
School Visits	333	504	51.13%
Operational Risk Visits	1,470	1,782	21.22%
Total Visits	18,153	17,814	-1.87%

In delivering the above activities, 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 13 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/

Key Achievements in 2019/20

The Authority had its inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) in June 2019 in which the Authority was rated good, not just on the three inspection pillars of effectiveness, efficiency and people but good against all eleven criteria within the three categories. This is something the Authority is very proud of and has put an action plan in place in order to make further improvements to the service it provides.

January 2020 saw the implementation of Command Leadership and Management (CLM), which is an improved way of working through changes in the management structure by realigning responsibilities. This effectively means that the Watch Manager on each fire station no longer rides with the crew on the fire engine but attends the majority of incidents independently in a separate response vehicle. This has given the Watch Manager more flexibility to manage workloads, thereby increasing efficiency.

One of the requirements of the Integrated Risk Management Plan (IRMP), approved in December 2017, was to reduce the number of whole time firefighter posts to around 900 by April 2020. This was required to meet the financial challenges identified in the Medium Term Financial Plan (MTFP). This was achieved by the implementation of a recruitment strategy which managed the number of retirements and the recruitment of new firefighters. During 2019/20, there were 68 whole time firefighter retirements and 47 new firefighter recruits which resulted in a whole time establishment of 900 at the 1st April 2020. In addition, the Authority recruited 24 on call firefighters to improve resilience at retained fire stations within West Yorkshire.

The Authority conducted its third staff survey in 2019/20, the results highlight the positive impact of changes to the organisation culture and how colleagues across the organisation feel about working for West Yorkshire Fire and Rescue Service. When the first survey was undertaken in 2016, 74% of respondents thought that the organisation was a good place to work, this rose to 86% in 2019 up from 84% in 2017. The 2019 survey demonstrated continuous progress in almost all areas compared to the previous staff surveys in 2016 and 2017. There are areas of continuous improvement which have been identified and are included within our programme of change.

Organisational Strategy

The Authority manages risk and allocates it resources using the IRMP, our priorities and the ways of achieving the IRMP are included in the document "Your Fire and Rescue Service 2019-2022".

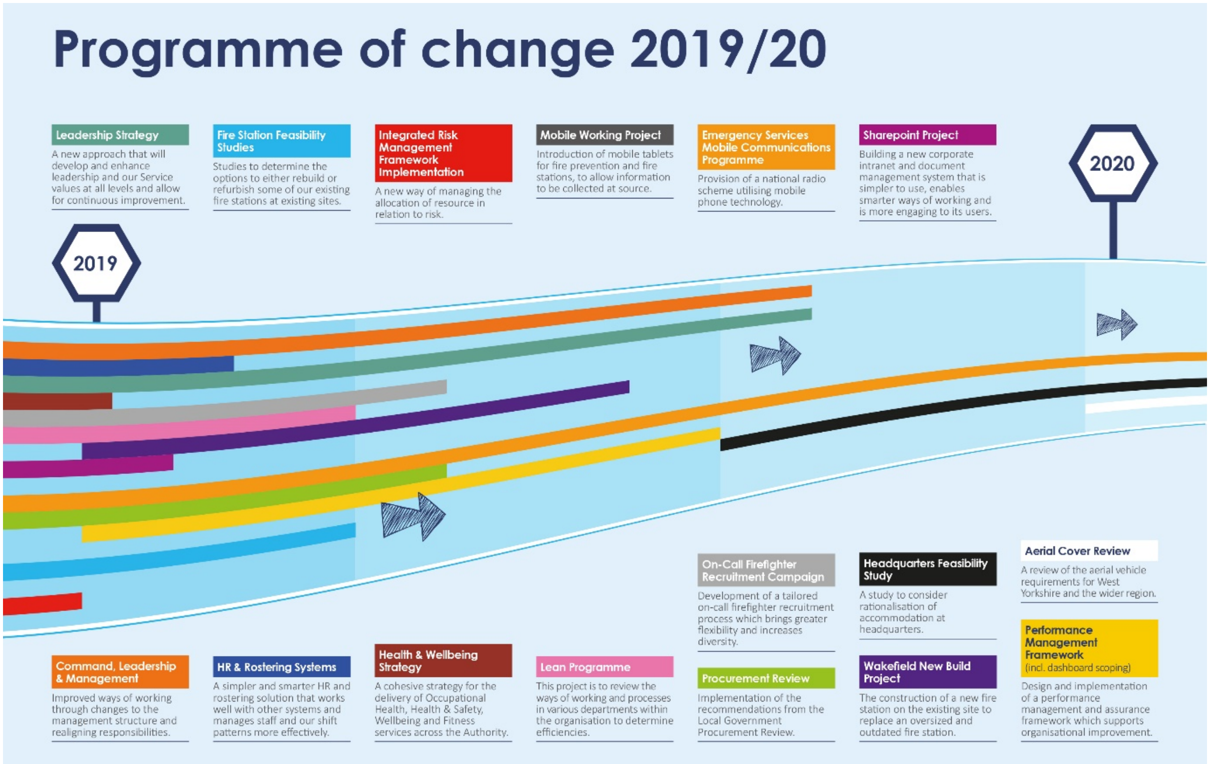
This document sets out how we aim to use our resources to manage the risks we face in West Yorkshire and keep the community safe from fire and other emergencies. The Authority's priorities are detailed in the diagram below;

The Authority's priorities are managed and delivered by a series of individual projects which is called the programme of change. This underpins our ambition to Make West Yorkshire Safer and focuses on improving our efficiency and effectiveness without compromising public safety. It involves changing how we work and also improving our organisational culture. Our priorities also reflect the challenges and opportunities presented by the HMICFRS inspection in which the Authority was awarded good across all areas of review.

The programme of change is monitored during the year and is updated annually. The progress of each project is reported to Full Authority committee on a quarterly basis.

The projects are initiated and developed in line with the organisational planning cycle, which is a framework which departments use to plan and build business cases which is linked to the key financial milestones during the year.

Below is a summary of the projects included within the programme of change for 2019/20 with includes a brief description of each project.



The costs associated with the programme of change and its implementation is funded by both revenue and capital resources which are included within the revenue budget and capital plan for 2019/20.

Narrative Report

The table below shows the current progress of each project within the programme of change for 2019/20:

Project /Initiative	Project start date	Project target completion date	Project status
Leadership Strategy	01/03/2018	31/03/2021	Behind schedule
Fire Station Feasibility Studies	01/04/2019	31/03/2020	Complete
IRMP Implementation	01/05/2019	01/09/2019	Complete
Mobile Working	31/12/2018	07/03/2020	Overdue
Emergency Services Mobile Communications Programme	12/02/2016	31/12/2021	Behind schedule
SharePoint	03/01/2017	29/05/2020	On track
Command, Leadership and Management	19/12/2018	30/06/2021	On track
HR and Rostering Systems	01/07/2016	31/07/2020	On track
Health and Wellbeing Strategy	02/10/2018	31/03/2021	Complete
Lean Programme (Smarter Working Programme)	03/10/2017	31/01/2021	On track
Procurement Review	07/01/2019	31/05/2020	On track
Headquarters Feasibility Study	01/10/2018	31/07/2019	Complete
Wakefield Fire Station Re-Build	01/01/2018	31/12/2020	Behind schedule
Aerial Cover Review	01/04/2019	13/12/2019	Complete
Performance Management Framework	01/04/2019	31/12/2022	Behind schedule

Although the majority of projects for 2019/20 have either been completed or are on track, there are four projects that are behind schedule and one that is overdue:

- Leadership Strategy – this is being rolled out in modules to our managers within the organisation. Due to Covid19 and the need to work from home, the delivery of the course has been paused, it is expected to recommence in September 2020.

- Mobile Working – once again there have been constraints on the availability of staff in fire prevention and ICT to develop the new mobile working system due to Covid19. Also, the existing mobile contract ended in January so new options will need to be appraised with the new provider before the project can be completed.

- Emergency Services Mobile Communications Programme (ESMCP) - this is a national project across all three emergency services to replace the current Airwave system and its completion is dependent on the decisions of central government which is outside the control of West Yorkshire Fire and Rescue.

- Wakefield Fire Station Rebuild – this project was halted in March 2020 due to the Covid19 pandemic but the rebuild restarted in May and is now expected to be completed by the end of 2020.

- Performance Management Framework – this is a complex project requiring the commitment of a number of departments across the organisation, and it will need robust scrutiny before it is implemented to ensure it delivers it objectives. This project is been progressed and the new framework will be introduced in early 2021.

Narrative Report

Covid19 Pandemic

The ongoing Covid19 pandemic has had an effect on the way in which West Yorkshire Fire and Rescue is delivering it services. Although the service is responding to incidents in the usual manner, it has had to change the way it delivers safe and well visits and operational risk visits to commercial premises in order to adhere to social distancing requirements. For these areas of work, rather than make a physical visit to a domestic property (safe and well) or a commercial premise (operational risk) the work is being conducted by a telephone call.

The pandemic has also required support staff to work from home, the majority of staff are able to do this almost as effectively as they would by attending their normal place of work.

The service is supporting Yorkshire Ambulance Service by providing drivers to transport patients and staff to other locations and also the transportation of the deceased to mortuaries. The service has also over 450 employees who have volunteered to assist other organisations during the crisis which include the delivery of food and medicines to vulnerable people.

The service has also worked closely with the National Fire Chiefs Council (NFCC) which includes all fire and rescue services within England to support the supply chain of Personal, Protective Equipment (PPE). This has resulted in national joined up procurement for PPE.

In addition, the service is working closely with the Local Resilience Forum to ensure a coordinated emergency service delivery across West Yorkshire, this group meets on a weekly basis.

The Authority has received an additional £2.171m in Covid19 grant funding from central government, £0.436m at the end of March and £1.735m in May, although this is not ring fenced it has been allocated to a separate earmarked reserve called Covid19 on the Balance Sheet.

The service has established a service recovery plan and a working group which consists of senior managers from departments who will be responsible for its implementation, the work has been split into three phases:

1. Understanding the impact
2. Identify and collate learning
3. Embed and promote the new normal

The Covid19 grant has been earmarked to fund the costs associated with new working practices under the new normal, for example, investment in paperless systems.

Due to social distancing and lock down, the re-build of Wakefield Fire Station and the capital refurbishment programme had to be suspended. This recommenced in May and it is anticipated that this will have only a small effect on the delivery of the capital plan 2020/21. Other schemes in the capital plan are progressing in line with existing timelines but will be monitored during the year which may result in the revision of the plan in late 2020.

The delivery of the programme of change 2020/21 has also been affected by the pandemic and projects will need to be realigned and a new timeline for completion will be required. This will be addressed in the service recovery plan.

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 2019/20 despite facing a number of major challenges.

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 total reduction in grant of £7.9m by 2019/2020 with £0.786m lost in 2019/20. The Authority considered its budget options and approved a precept increase of 2.99% which was supported by a savings package totalling £4.1m. This resulted in the Authority having a balanced budget meaning that planned expenditure was matched by funding without the need to use reserves.

Our funding in 2019/20 from Central and Local Government came from the following sources;

Funding Source	£000's
Revenue Support Grant	13,339
Business Rates Top Up	16,650
Pension Grant	4,286
Council Tax Precept	42,157
Local Business Rates	8,020
Collection Fund Surplus	236
Section 31 Grant	1,683
TOTAL	86,371

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 2019/20 budget had changed which resulted in the transfer of £2.1m to contingencies during the year, which were approved at Finance and Resources Committee in July and October 2019 and February 2020.

Details of net expenditure outturn for 2019/20 are shown in the table below;

Description	Revised Revenue Budget £000	Outturn £000	Variance £000
Employees			
Operational Staff	52,966	53,043	77
Support Staff	9,798	9,801	3
Pensions	2,000	1,490	(510)
Training	787	793	6
Other Employee expenses	390	385	(5)
Premises	4,417	4,534	117
Transport	2,320	2,307	(13)
Supplies and Services	4,733	4,512	(221)
Contingency	2,421	0	(2,421)
Support Services	312	319	7
Capital Charges	7,948	5,986	(1,962)
Expenditure	**88,092**	**83,170**	**(4,922)**
Income	**(2,945)**	**(3,498)**	**(553)**
Net Cost of Service	**85,147**	**79,672**	**(5,475)**
Planned Movements to/from reserves		**5,307**	
Increase in General Fund		**1,392**	
Overall Financial Position		**86,371**	
Funding		**(86,371)**	
Net Financial Position		**0**	

A brief explanation of the variances in excess of £0.500m against budget are as follows:

Pensions (£0.510m)

The cost of ill health pensions is chargeable against the Authority's revenue account. In order to ease any future increases in ill health pensions, the underspend on this budget is transferred to the pension equalisation reserve.

Contingency (£2.421m)

Both the employee and the general contingency budgets are held to manage any changes in expenditure and budget requirements during the year. As explained earlier in the report, £2.1m was transferred to contingencies mid-way through the year. There was no call upon the contingency budget during 2019/20.

Capital Charges (£1.962m)

The Authority budgeted to fund £0.950m of capital expenditure from the revenue budget, also actual capital financing charges were lower than estimated.

Income (£0.553m)

The Authority received £0.436m of Covid19 grant from central government in March 2020, this has been transferred to a separate earmarked reserve so that the grant can be managed outside of normal budget monitoring. The Authority also received additional income from neighbouring brigades for the providing of assistance during the floods and the provision of youth training.

In order to keep the capital financing requirement at an affordable level, the Authority has used the underspend on contingencies, capital financing charges and the increase in the general fund to make additional voluntary Minimum Revenue Provision (MRP) charges. The Authority has an ambitious capital plan over the next four years and by making additional capital charges this will reduce the impact on the revenue budget over the longer term by reducing the capital financing requirement.

Movement to Reserves

Whilst the general fund shows a neutral position for the year after the movement to reserves at the end of the year, the Comprehensive Income and Expenditure Statement (CIES) indicates a net expenditure of £69.832m. The CIES is prepared on a different basis to the general revenue fund, the CIES shows the accounting cost in the year in accordance with generally accepted accounting practices rather the amount funded from taxation. The CIES includes such expenses as depreciation and amounts to reflect pension costs which are not charged to council tax and are excluded from the general fund financial position.

The table below reconciles the revenue outturn to the CIES;

	£000's
Total Net Expenditure per outturn report	79,672
Adjustments:	
Capital items	844
Pension Costs	(10,908)
Accumulated Absences	3
Transfer to reserves (Items funded via reserve)	221
COST OF SERVICE CIES	69,832

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 11th October 2019 and is also reviewed as part of the budget approval process in February 2020. The reserves strategy is published on the Authority's website.

The table below gives a summary of the Authority's reserve position as at the 31 March 2020;

Description	Opening Balance 1.4.19 £'000	Adjustment in year £'000	Revised Balance £'000	Movements 2019/20 £'000	Closing Balance 31.3.20 £'000
General Fund	5,117	(117)	5,000		5,000
Earmarked Reserves	31,173	117	31,290	(1,622)	29,668
TOTAL	36,290	0	36,290	(1,622)	34,668

General Fund Balances

At the 1st April 2019, the Authority's general fund balance was £5.117m, in October 2019, the Finance and Resources committee approved the transfer of £0.117m to the service support earmarked reserve, leaving a general fund balance of £5.0m.

Earmarked Reserves

Members at the Finance and Resources Committee in February 2020 granted approval for the transfer of £1m from the pay and prices earmarked reserve to the service support reserve and also the amalgamation of the operational equipment earmarked reserve with the capital finance reserve.
The Authority has used its service support earmarked reserve to fund the costs associated with the lean working and procurement reviews, the rebuild of Wakefield Fire Station and the purchase of vehicles and equipment for the command and leadership management project.

Details on all the Authority's reserves are detailed in Notes 28 to 30 to the accounts.

Capital Programme

In addition to spending on day to day activities, the Authority incurs expenditure on land and buildings, information technology and other items of plant and equipment which have a longer term life, this is classed as capital expenditure.

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 £5.981m on capital during 2019/20 against an approved capital plan of £12.557m, details of expenditure by directorate is shown in the table below;

Directorate	Original Capital Plan 2019/20 £'000	Slippage 2018/19 £'000	Approved Virements and Additions 2019/20 £'000	Revised Capital Plan 2019/20 £'000	Outturn 2019/20 £'000	Variance £'000
Property	1,680	801	150	**2,631**	1,718	(913)
IRMP	0	2,132	740	**2,872**	1,253	(1,619)
Information Communications and Technology	1,695	440	219	**2,354**	660	(1,694)
Transport	949	750		**1,699**	1,446	(253)
Operations	1,757	651	74	**2,482**	551	(1,931)
Fire Safety	500	19		**519**	353	(166)
TOTAL	**6,581**	**4,793**	**1,183**	**12,557**	**5,981**	**(6,576)**

Due to the nature of capital expenditure a number of schemes are slipped between financial years', this is due to the length of time taken to identify and procure equipment of a high value or to undertake the required planning before major property refurbishments can commence. Also, during the year, new priorities are identified which requires either additions to the current capital plan or transfers between existing capital schemes.

During 2019/20, capital expenditure of note, was incurred on;

a) The rebuild of Wakefield Fire Station which is due for completion late 2020, incurred expenditure of £1.246m to the 31st March 2020.
b) The purchase of vehicles which cost £0.797m for the Command Leadership and Management project which are due to become operational in May 2020.

Both of the above are currently classified as assets under construction on the Balance Sheet.

c) An aerial appliance at Bradford Fire Station which cost £0.640m became operational in March 2020.
d) A new HR and rostering system went live in January 2020 at a cost of £0.142m, this replaced the out dated SAP system and is a fully integrated rostering and human resource system.
e) A new type of firefighting jacket was introduced in February 2020 which is worn when crews attend road traffic collisions and is a much lighter version of the traditional uniform worn at these incidents. This cost £0.221m.

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

Funding	**£000's**
Revenue Contributions	3,869
Earmarked Reserves	2,042
Capital Receipts	70
Total	**5,981**

The capital expenditure incurred has been funded wholly by internal funds. The Authority has not taken out any new long term external borrowing since December 2011 which has saved the Authority an estimated £4m 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 £35.6m in 2019/20.

Our capital programme continues to invest in our asset base ensuring that our employees have the best tools to do the job. This includes investment in the replacement of our appliances, the rebuilding and major refurbishment of our fire stations, and the purchase of 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 2020 was £45.8m of which £43.8m was owed to the Public Works Loans Board and £2m in the form of a LOBO with Dexia.

The Authority earned £0.307m in income from its investments during 2019/20 (£0.205m 2018/19), the final balance of investments as at the 31st March 2020 was £31.3m (£22.8m 2018/19).

Narrative Report

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

1. 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 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 decreased by £1.622m to £34.668m whilst the deficit of Unusable Reserves has decreased by £88.432m principally as a result of the future lifetime cost of the firefighter pension scheme.

2. 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.

3. Balance Sheet

This statement shows the value of the Fire Authority's assets and liabilities on 31 March 2020 and includes the figures at 31 March 2019 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 £1,341m, however this includes the liabilities under the unfunded firefighters pension schemes totalling £1,419m which the Authority is required to include. These 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 £78m.

4. 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 was £11.112m.

5. 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 96.

Future Challenges and Corporate Risks

1. Covid19 Pandemic

The Covid19 pandemic will continue to affect the way the Authority operates for the foreseeable future. As explained earlier in the report this has resulted in a change to the ways of working for our support staff but the financial effects could be far more reaching. It is expected that there will be a reduction in the income the Authority generates in areas such as youth training and fire alarm calls. Moreover, because the Authority receives half of its income from the precept which is collected by the district councils on our behalf, the Authority will have to share any losses experienced on the collection fund. This will have a direct impact on the revenue budget for 2021/22.

In addition to the £0.436m Covid19 grant received in March 2020, central government paid a further £1.735m in Covid19 grant in May 2020. This will be used to manage the costs relating to the pandemic and also expected reductions in income. Current forecasts confirm that the grant will sufficiently meet all these costs associated with the pandemic.

The five district councils of West Yorkshire are currently estimating large reductions in the collection rates from both domestic and commercial properties and although this may be recovered over the course of the year, there is a possibility that the councils will report large collection fund deficits in April 2021. This will have a direct impact on the Authority as the collection fund surplus or deficit is included within the revenue funding.

The pandemic has also had an effect on the delivery of the Authority's programme of change, which means that the implementation of some projects will be delayed. A service recovery plan has been established which will manage the effects of Covid19 and transition the Authority into the new normal. This will mean a change in processes that have been introduced during the pandemic which identified inefficiencies in current working practices.

2. Future Funding

A comprehensive spending review is to be undertaken by central government in Summer 2020 resulting in a multi-year spending settlement from April 2021. The Local Government Association and the National Fire Chiefs Council have set up a comprehensive spending review team which has the support of all the fire and rescue services in England to build a comprehensive argument for increased government funding across the fire sector as a whole. There are a number of cost pressures that the Authority is facing;

- The remedy for the age discrimination case of McCloud/Sargeant has yet to be determined by central government, although it is highly likely that the past costs will be met by the Treasury, the ongoing revenue costs which are an estimated £2m per annum may have to be met from current budgets.

- There is increasing pressure from trade unions for employers to give firefighters 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 which also included changes to the role of a firefighter. The medium term financial plan has provision for a 3% pay award in 2020/21 and onwards which is considerably less than that rejected.

- There are other pressures facing the Authority, which include the outcomes of the Grenfell enquiry, the issues identified in the HMICFRS State of Fire report and the implementation of the Fire Reform Agenda.

A range of funding scenarios have been calculated and presented to Fire Authority members to show potential funding shortfalls from a 0%, 5% and 10% cut in central government funding from April 2021. These show that the Authority may need to find ongoing efficiency savings of £3.2m 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.

3. Delivery of savings and developments in the Revenue Budget 2020/21

The Fire Authority approved a revenue budget in February 2020 which includes a number of service developments and savings to be implemented in 2020/21. Failure to deliver these may have an impact on the financial position of the Authority. The Authority plans to recruit both whole time and retained firefighters during the year and following the first phase of the Grenfell enquiry a number of fire protection staff. Any delays in recruitment will result in budget savings but will have an impact on the delivery of service.

A change to the planned budgeted retirement dates of firefighters from that calculated in the revenue budget will affect the financial position, for example, if a firefighter decides not to retire on his due date, this will result in an added cost to the Authority.

Moreover, changes to the assumptions in the medium term financial plan particularly around inflation, pay awards, firefighter pension contributions and future government grants are subject to change and could impact on the Authority's financial position.

4. Brexit

The Covid19 pandemic may delay the process of the exit of the UK from the European Union. 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.

Summary

The Authority reviews its budget provision annually and produces a four year rolling medium term financial plan which is reviewed in line with national and local priorities. The IRMP, the medium term financial plan and the workforce plan are interlinked which ensures that any challenges and risks are not looked at in isolation. The Authority has developed medium and long term strategies to meet the challenges of potential funding cuts which have been identified by scenario planning. Any under spending on the revenue budget will continue to be used to pay for additional minimum revenue provision charges which will reduce the revenue impact of financing the capital plan in future years.

The recent HMICFRS report confirms our sound financial planning by grading the Authority as good in its efficiency in the use of resources.

The Covid19 pandemic has meant the Authority has had to adapt to new ways of working and has put in place a service recovery plan to address changes to the organisation. The pandemic has meant that there have been some temporary amendments to the procedures governing the Authority these have been identified in the Annual Governance Statement.

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.westyorksfire.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 core 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 2019/20 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. The governance framework has been in place at West Yorkshire Fire and Rescue Authority for the year ending 31 March 2020 and will remain in place up to the date of the approval of the statement of accounts.

Annual Governance Statement

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 2020-2021. 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:

- We will reduce the risks to the communities of West Yorkshire
- We will continue to develop ways of working which improve the safety and effectiveness of our firefighters
- We will work efficiently to provide value for money and make the best use of reserves to provide an effective service
- We will be innovative and work smarter throughout the service
- We will invest in information and communication technology, digital and data, to deliver our service in smarter ways
- We will support, develop and enable our people to be at their best
- We will use the Her Majesty's Inspectorate of Constabulary, Fire and Rescue Service (HMICFRS) assessment of "Good" in all areas as a foundation to implement our improvement action plan with the aim of delivering an outstanding service.
- We will promote environmentally friendly ways of working, reduce waste and raise awareness amongst staff to both fight climate change and respond more effectively to incidents driven by extreme weather events
- We will actively look for opportunities to implement learning from the Grenfell inquiry to improve how we respond to high rise emergencies and other foreseeable risks
- We will continue working towards delivering a more inclusive work force, which reflects and serves the needs of the diverse communities of West Yorkshire.

These objectives form part of area plans, departmental plans and station plans. There is an ongoing system of monitoring and reporting achievement of the service 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 following review by the Management Board 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;

- 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 four times per year and an executive committee which deals with urgent business and meets when required.

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 information communications and technology (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.

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 the IRMP, national resilience support arrangements and shared services.

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 IRMP. Elected members newly appointed to the Fire Authority are provided with an induction on finance and governance and their roles and responsibilities.

There are a number of working groups which meet on a quarterly basis which include representatives from departments across the service, these groups are: environmental working group, establishment planning, information governance, capital management, risk management and diversity and inclusion.

Established Policies, Procedures and Regulations

The Authority ensures compliance with established policies, procedures, laws and regulations. Information regarding policies and procedures is held on the intranet and these are reviewed on a periodic basis. A staff survey is carried out once a year and an action plan is put in place to address any issues that are identified. The Authority publishes on the web site, the Pay Policy Statement, Gender Pay Gap Results, procurement processes, contracts register and transparency information in relation to expenditure over £500 and all expenditure on procurement cards.

Every year the Authority has an external assessment of its customer service standard, in 2019/20 the Authority attained full compliance against all 57 standards of which 20 achieved compliance plus.

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 organisation's 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.

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 reporting structure.

A Self Assessment of our Effectiveness:

In maintaining and reviewing the effectiveness of the Authority's governance arrangements the following have been considered:

- 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 very 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 nine years.

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

Before the IRMP is approved by the Authority a process of public consultation on each proposal is carried out within the communities of West Yorkshire. This includes community meetings, drop in sessions and information on the website.

- 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 reporting.

Each year the Community Safety Committee approves a set of district priority 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 methodology for setting the service delivery performance targets was approved by the Fire and Rescue Authority in December 2019. In 2020, local station action plans were also produced and this allows local activity to be planned to support the priorities set within the district plans. The performance management framework is planned for a review in 2020/21 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 district priorities is monitored within each district and reports are produced for consideration at the Safer Communities Programme Board before being 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, performance targets and objectives within the local district priorities plan.

This system of monitoring has proved successful in measuring performance and provides the vital evidence needed to support the IRMP.

- Effective Financial Planning and Management

The Government's austerity measures have seen the 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 IRMP to the reducing resources. This planning coupled with significant capital investment has seen the construction of seven new fire stations to replace eleven old fire stations delivering over £31m in ongoing revenue savings.

The Authority employs a responsible finance officer under Section 73 of the Local Government Act 1985 to ensure the proper and effective administration of the financial affairs of the Authority. The Chief Finance and Procurement Officer (CFPO) fulfils this role and is a qualified and experienced accountant.

The CFPO ensures the Authority has an approved, realistic and affordable four year financial plan for revenue and capital which links to the IRMP and the workforce plan. The financial planning process is well embedded and understood across the Authority by staff and members.

The CFPO 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.

- Organisational Planning

In previous years the Authority has produced an annual action plan to lay out the years change activities which was updated periodically to report progress. A review of organisation planning was undertaken in 2018/19 which led to changes to the annual planning cycle. The new cycle provides an indication of when activities should ideally happen as well as key milestone points.

The approved change activities that fall out of the planning process become programmes or projects of varying scale, some of which are managed formally under the West Yorkshire Fire and Rescue Service (WYFRS) Project Portfolio Management (PPM) Framework, with lower change often being managed within departments and/or districts. Those managed through the framework are subject to scrutiny at the Change Management Board where reports are presented on progress, This Programme of Change report is then summarised and reported for consideration to members at Full Authority Committee.

- 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 five local authorities' district boundaries in West Yorkshire, provide for close interaction with the local district councils on service delivery and joint working.

The CFPO and the Chief Fire Officer 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 SIAT applies the Service Assurance Framework to provide high level assurance to Management Board and the Fire Authority through implementation of the service assurance process. Each team and department making up WYFRS are required to complete a self-assessment which involves answering and providing evidence to a range of questions that include performance indicators, policy compliance, financial controls, elements contributing to operational effectiveness, internal and external audit review. 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 WYFRS. This judgement is then summarised in the Annual Statement of Assurance which is published on the WYFRS website in accordance with the requirements of the National Fire and Rescue Framework.

In order to monitor performance, a quality of service survey is undertaken on a monthly basis. Each month, a questionnaire is sent to a selection of the location of the incidents attended by fire stations throughout West Yorkshire. Surveys are also sent to residents who have received a Safe and Well visit and to schools where fire crews have delivered a fire safety talk to school children. Overall feedback is very positive with over 98% of respondents being satisfied with the service provided. The survey results are used to address any areas for improvement in order to continue the positive satisfaction levels. The results of the surveys are reported to the Community Safety Committee on an annual basis.

- Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS)

In 2017 Her Majesty's Inspectorate of Constabulary extended its remit to include inspections of England's Fire and Rescue Services (FRSs). The aim of HMICFRS is to monitor and report on the efficiency and effectiveness of FRSs with the aim of encouraging improvement. HMICFRS assesses services in eleven key areas and grades them from inadequate, requires improvement, good and up to outstanding. HMICFRS undertook its first inspection of WYFRS in June 2019. The inspection was focussed on efficiency, effectiveness and how well it looks after its people. The result of the WYFRS inspection was released in December 2019 and reported that the service was performing at a good standard in each of the eleven key areas. An action plan has been implemented with the aim of improving on this grading to deliver an outstanding service.

- 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, the main business and governance risks and controls 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 audit is carried out within the next twelve months to ensure that actions have been implemented. The Internal Audit Annual Report gives an overview on the effectiveness of internal audit and provides an opinion on the management of the internal control environment during the last financial year. The report for 2019/20, which was presented to Audit Committee on the 24th April 2020 concluded that the Authority's governance, risk management arrangements and internal control environment were effective and robust during the financial year to 31 March 2020.

In addition, during 2019/20 the internal audit team 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 (CLGO) 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 WYFRS is providing an efficient, effective and value for money service to the community of West Yorkshire in its financial, governance and operational matters. The Statement of Assurance is published on the Authority's website which includes links to the key documents.

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 and efficient, effective and economic service to the public of West Yorkshire.

- External Review

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

- The audit of the financial statements 2019/20
- Reach a conclusion on the economy, efficiency and effectiveness in the use of resources, the value for money (VFM) conclusion

- Compliance

The systems and reviews detailed in the annual governance statement 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 CLGO and the CPFO to discharge their functions in relation to the governance of the Authority.

<u>SIGNIFICANT GOVERNANCE ISSUES</u>

The CIPFA guidance suggests that the following criteria should be applied when judging what may constitute a significant control issue:

- The issue has seriously prejudiced or prevented achievement of a principal objective
- The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business
- The issue has led to a material impact on the accounts
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation
- The issue has resulted in formal action being taken by the Chief Financial Officer (CFPO) and/or the Monitoring Officer (CLGO)

<u>Review of Governance Issues Identified in the previous Annual Governance Statement</u>

There still remains uncertainty regarding central government funding, three scenarios were presented to the Fire Authority which were a 0%, 5% and 10% cut to funding from April 2021. A full comprehensive spending review is due to commence in Summer 2020 which will result in a multi-year funding deal from financial year 2021 onwards.

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 and changes to the delivery of the service which have yet to be fully identified. This remains a significant risk to the Authority.

The Police and Crime Act 2017 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 and thus continues to remain a significant governance issue.

The procurement review which commenced in January 2019 has been completed. This review has resulted in revised contract procedures rules and changes to the constitution. This is currently being embedded and will be monitored during 2020/21.

Governance Issues 2020/21

Whilst no significant weaknesses have been identified as per the CIPFA guidance list, the following have been identified as potential issues for the forthcoming year which the Authority will continue to monitor and action as appropriate:

- Covid-19 Pandemic

  The service will be required to flex and accommodate to ensure that legislative changes which arise as a consequence of Covid-19 pandemic are swiftly dealt with in order that the service can continue to deliver its core function and any other new responsibilities which may arise. For example, the Authority may be required to relax some of the procurement rules in respect of the purchase of urgent items of equipment.

  So that human contact is kept to a minimum, it has been agreed that committee meetings will be conducted virtually by Microsoft Teams rather than face to face, which will also enable public participation. Although committee meetings are held remotely, elected members are still able to make key decisions. This temporary method of working is a deviance from our approved constitution.

  Staff who work in fire safety are working from home which means that physical inspection of domestic property and commercial premises have been suspended and are being assessed over the telephone.

  The pandemic has had a temporary impact on the delivery of the capital plan due to social distancing requirements and the closure of suppliers and it is expected that some capital schemes will slip into 2020/21.

  The implementation of some projects in the programme of change have meant that timelines for completion will be extended, the impact of this delay will be assessed and may result in the redistribution of resources within the programme.

  The availability of internal auditors has impacted on the delivery of the internal audit plan, this has been revised which has resulted in some audits being postponed until 2021. This has resulted in a reduction of 30 days from the audit plan, this has been approved at Audit Committee. An assessment of the pandemic has also been carried out against every risk in the Authority's risk register.

  The governance relating to the management of the pandemic is being managed by the WYFRS Recovery Plan which has established a framework for the transition from the initial response to Covid19, through recovery to moving to the "new normal". This will result in the reset of organisational priorities and changes to old working practices to move to a new way of working.

- HMICFRS Inspection

  The Authority is planned to have its second HMICFRS inspection in Autumn 2020, only a year after the first inspection in which the Authority was awarded good across all areas. The HMICFRS has placed the Authority in an earlier tranche than was planned. This short timescale will mean that the action plan that has been put in place to address weaknesses may not be long enough to fully implement. This timescale is dependent on the Covid19 pandemic and may be delayed.

- Embedding of Lean Working

  The Authority has under taken a lean working review during 2019 of the property reactive repairs process, internal stock ordering and payment of expenses. These reviews have resulted in a change in the current ways of working and as such will need to be embedded and monitored.

- Organisational Planning Cycle

  The organisation planning cycle has introduced a new format in the way the Authority plans and manages its projects. This is currently operating to a required standard but it is recognised that are further improvements that can be made to project management within the organisation.

- Risk Management

  The Authority will be developing and implementing a new system to record the competence of operational staff during 2020/21 following the limited assurance opinion given from an internal audit on the maintenance of operational training records during 2019/20 which deemed that the current recording system was inadequate and not fit for purpose. As undertaking and the recording of training is a key management control action for many of the high scoring risks on the Corporate Risk Management matrix, the method of recording risks has been reviewed and will be embedded in 2020/21.

Summary

To the best of our knowledge the governance arrangements as defined above have been operating during the year and up to the date of the approval of the annual accounts, providing an effective framework for identifying governance issues and taking mitigating action. Over the coming year the Authority will continue the operation of its governance framework and take steps to carry out the actions for managing any governance issues identified or that materialise during the year.

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

Alison Wood

Chief Finance and Procurement Officer

Cllr O'Donovan

Chair West Yorkshire Fire & Rescue Authority

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 32-106 present a true and fair view of the financial position of the West Yorkshire Fire and Rescue Authority as at 31 March 2020, and its income and expenditure for the year then ended.

Alison Wood CPFA

Chief Finance and Procurement Officer

Authority Approval of Accounts

Cllr R Grahame

Chair of Audit Committee

Audit Opinion

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST YORKSHIRE FIRE AND RESCUE AUTHORITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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Audit Opinion

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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. The service segments used below to determine cost of services is the Authority's management reporting structure.

2018/19				2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
79,904	(2,251)	77,653	Service Delivery	50,610	(2,974)	47,636
17,052	(446)	16,606	Service Support	11,879	(531)	11,348
10,834	(219)	10,615	Employment Services	8,329	(535)	7,794
1,385	(4)	1,381	Legal and Governance	1,201	(29)	1,172
2,820	(6)	2,814	Finance and Procurement	1,496	(11)	1,485
298	(1)	297	Corporate Communications	401	(4)	397
112,293	**(2,927)**	**109,366**	**Cost of Services**	**73,916**	**(4,084)**	**69,832**
138	(108)	30	Other Operating Expenditure (Note 11)	162	(70)	92
37,278	(205)	37,073	Financing and Investment Income & Expenditure (Note 12)	38,704	(307)	38,397
-	(82,385)	(82,385)	Taxation and Non specific Grant Income (Note 13)	-	(86,093)	(86,093)
149,709	**(85,625)**	**64,084**	**Deficit on Provision of Services**	**112,782**	**(90,554)**	**22,228**
		(5,201)	Impairment losses on non-current assets charged to the revaluation reserve			1,308
		39,905	Remeasurement of the net defined benefit liability			(110,288)
		34,704	**Other Comprehensive Income and Expenditure**			**(108,980)**
		98,788	**Total Comprehensive Income and Expenditure**			**(86,752)**

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.

2019/20 Expenditure and Funding Analysis 2019/20	Net Expenditure Chargeable to the General Fund £'000	Adjustments between Funding and Accounting Basis (Note8) £'000	Net Expenditure in the Comprehensive and Income Expenditure Statement (Note 9) £'000
Service Delivery	55,578	(7,942)	47,636
Service Support	7,946	3,402	11,348
Employment Services	7,506	288	7,794
Legal and Governance	1,053	119	1,172
Finance and Procurement	13,747	(12,262)	1,485
Corporate Communications	349	48	397
Net Cost of Services	**86,179**	**(16,347)**	**69,832**
Other Income and Expenditure	(84,557)	36,953	(47,604)
Deficit on Provision of Services	**1,622**	**20,606**	**22,228**
Opening General Fund Balance as at 31st March 2019	36,290		
Deficit on General Fund in year	(1,622)		
Closing General Fund Balance (Including Earmarked reserves) at 31 March 2020	**34,668**		

2018/19 Expenditure and Funding Analysis 2018/19	Net Expenditure Chargeable to the General Fund £'000	Adjustments between Funding and Accounting Basis (Note7) £'000	Net Expenditure in the Comprehensive and Income Expenditure Statement (Note 8) £'000
Service Delivery	47,340	30,313	77,653
Service Support	13,105	3,501	16,606
Employment Services	10,226	389	10,615
Legal and Governance	1,209	172	1,381
Finance and Procurement	6,989	(4,175)	2,814
Corporate Communications	230	67	297
Net Cost of Services	**79,099**	**30,267**	**109,366**
Other Income and Expenditure	(79,646)	34,364	(45,282)
Deficit on Provision of Services	**(547)**	**64,631**	**64,084**
Restated General Fund Balance as at 31st March 2018	35,743		
Surplus on General Fund in year	547		
Closing General Fund Balance (Including Earmarked reserves) at 31 March 2019	**36,290**		

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.

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

Movement in Reserves during 2019/20	Note	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	TOTAL AUTHORITY RESERVES £'000
Restated Balance 01 April 2019		36,290	0	0	36,290	**(1,464,069)**	**(1,427,779)**
Total Comprehensive Income & Expenditure		(22,228)	-	-	(22,228)	108,980	86,752
Adjustments between accounting basis & funding basis under regulations	10	20,606	-	-	20,606	(20,606)	0
Increase/Decrease in 2019/20		(1,622)	0	0	(1,622)	88,374	86,752
Balance at 31 March 2020 carried forward		**34,668**	**0**	**0**	**34,668**	**(1,375,695)**	**(1,341,027)**

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
Restated Balance 01 April 2018		35,743	0	0	35,743	**(1,364,734)**	**(1,328,991)**
Total Comprehensive Income & Expenditure		(64,084)	-	-	(64,084)	(34,704)	(98,788)
Adjustments between accounting basis & funding basis under regulations	10	64,631	-	-	64,631	(64,631)	0
Increase/Decrease in 2018/19		547	0	0	547	**(99,335)**	**(98,788)**
Balance at 31 March 2019 carried forward		**36,290**	**0**	**0**	**36,290**	**(1,464,069)**	**(1,427,779)**

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 2019 £'000		Notes	31 March 2020 £'000
96,690	Property, Plant and Equipment	14	94,386
537	Intangible Assets	16	409
97,227	**Long Term Assets**		**94,795**
16,000	Short Term Investments		20,000
659	Inventories	20	685
10,424	Short Term Debtors	21	8,883
6,496	Cash and Cash Equivalents	22	11,112
33,579	**Current Assets**		**40,680**
(722)	Short Term Borrowing		(669)
(7,750)	Short Term Creditors	26	(10,812)
(1,491)	Provisions (<1yr)	27	(1,184)
(9,963)	**Current Liabilities**		**(12,665)**
(45,407)	Long Term Borrowing		(45,173)
(22)	Capital Grants received in Advance		(22)
(1,503,193)	Net liability related to defined Benefit Pension Schemes	39	(1,418,642)
(1,548,622)	**Long Term Liabilities**		**(1,463,837)**
(1,427,779)	**Net Liabilities**		**(1,341,027)**
36,290	Usable Reserves	28	34,668
(1,464,069)	Unusable Reserves	30	(1,375,695)
(1,427,779)	**Total Reserves**		**(1,341,027)**

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.

2018/19 £'000		Notes	2019/20 £'000
(64,084)	Net (deficit) on the provision of services		(22,228)
75,520	Adjustment to deficit on the provision of services for non-cash movements	23	35,534
(143)	Adjustment for items included in the net deficit on the provision of services that are investing and financing activities	23	(70)
11,293	**Net Cash flows from operating activities**		**13,236**
(8,711)	Net Cash flows from Investing Activities	24	(8,804)
(235)	Net Cash flows from Financing Activities	25	184
2,347	**Net increase or (decrease) in cash and cash equivalents**		**4,616**
4,149	Cash and cash equivalents at the beginning of the reporting period	22	6,496
6,496	**Cash and cash equivalents at the end of the reporting period**		**11,112**

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Notes to the Main Financial Statements

Note 1. Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/2020 financial year and its position at the year end of 31 March 2020. 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 2019/20 and the Service Reporting Code of Practice 2019/20. 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 accrual's 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 to be 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.

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.

Income from non-exchange transactions is recognised when the obligating event that triggers the payment to the authority has taken place and it is probable that the authority will receive the flow of economic benefits from the transaction, provided that the amount of revenue due can be measured reliably. Accruals are raised where such income should be recognised but has not yet been received. The expected credit loss model would be applied on any receivable or contract asset where the likelihood of default is likely. The Authority would apply this over the lifetime of the expected loss. In addition any bad debt is written off in year if all avenues have been exhausted by approval of the CFPO in line with policy.

Notes to the Main Financial Statements

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.

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.

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.

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.

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.

Employee Benefits

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.

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.

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

Post-Employment Benefits

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:

<u>1992 Firefighters' Pension Scheme</u>

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.

<u>2006 Firefighters' Pension Scheme</u>

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.

<u>Retained Modified Scheme</u>

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

<u>Firefighters' Compensation Scheme</u>

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.

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 determined in the actuaries assumptions.
- 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 considering 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 2019/20 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.

The 2019/20 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.

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.

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

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.

Financial Assets

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

- Amortised cost and;
- Fair value through profit or loss

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).

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 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement.

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.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in the accounting policy section on Fair Value Measurement.

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

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Authority will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

Fair Value through Other Comprehensive Income and Expenditure (FVOCI)

Financial Assets could also be measured at Fair Value through other Comprehensive Income (FVOCI) whereby an asset could be designated under Other Comprehensive Income and Expenditure within the CIES. As any instrument in this category would be for strategic purposes rather than a purely financial transaction then any gain or loss would be reversed out via the Movement in Reserves Statement to a Financial Instruments Revaluation Reserve within Unusable Reserves and therefore this would not impact on the general fund position. The Authority has previously made the irrevocable decision that if any assets were placed within this category then they could then not be later re-classified.

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 determinable payments, income (for example, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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.

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.

<u>Inventories and Long-Term Contracts</u>

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

<u>Leases</u>

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 2019/20.

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.

<u>Overheads and Support Services</u>

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

<u>Property, Plant and Equipment</u>

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.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's 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.

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.

The Authority formally values via an external valuations team, 20% of its assets each year and for those that are not formally re-valued in year a detailed evaluation of assets is undertaken to assess their current value by the Authority's external valuer. This is determined and set out within the letter of engagement between the Authority and external valuer.

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

Increases in value of Property, Plant and Equipment 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.

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.

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 can vary but are generally 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

In 2019/20, estimated lives for all new appliances was 13 years.

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.

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.

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.

There is a formal disposal process in place that departments complete when assets are disposed of to ensure that the asset register is complete.

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 2019/20 are shown in Note 6.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year 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, considering relevant risks and uncertainties.

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

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.

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.

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. For the Authority this is considered to be £5m. The Authority also has a number of earmarked reserves which are held for identified specific expenditure in the future. These are reviewed annually and those no longer required are 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.

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. The Authority uses this approach for the installation of smoke and carbon monoxide alarms within premises.

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.

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 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 2020.
- Provision for impairments of debtors in relation to Council Tax and Business Rates Retention arrears as at 31 March 2020.
- 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.

The relationship with each billing Authority is held within the Balance Sheet as a net debtor or creditor to the Authority.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2019/20 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2020/21 code are:

- Amendments to IAS 28 Investment in Associates and Joint Ventures: Long term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to the 1st April 2021.

IFRS16 will require the Authority to capitalise the lease costs of vehicles. This will see the current revenue charge to the Comprehensive Income and Expenditure being replaced with an additional Minimum Revenue Provision (MRP) charge over the life of the assets. As the current payments under revenue and the future MRP payments are over the same useful economic life then these changes are not expected to have a material impact on the Statement of Accounts.

Note 3. Prior Period Adjustments

Prior period adjustments have been made to the Authority's 2018/19 published Annual Statement of Accounts in relation to the following:

Short Term Debtors (Note 21)

The Authority has previously presented its short term debtors in line with Whole Government Accounts (WGA) information. However, the Authority can choose how it disclosures this information and has opted to be consistent with the format presented within the CIPFA Code of Practice.

Presentation within 2018/19 Statement of Accounts	31-Mar-19 £'000
Central Government Bodies	6,005
Other Local Authorities	1,088
NHS Bodies	3
Other Entities and Individuals	5,850
Impairment Allowance	(2,522)
Total	**10,424**

Presentation within 2019/20 Statement of Accounts	31-Mar-19 £'000
Trade receivables	255
Prepayments	231
Other receivable amounts	6,356
Council Tax Debtors	4,931
Impairment allowance for doubtful debt	(2,359)
Business Rates Debtors	1,173
Impairment allowance for doubtful debt	(163)
Total	**10,424**

Short Term Creditors (Note 26)

The Authority has previously presented its short term creditors in line with Whole Government Accounts (WGA) information. However, the Authority can choose how it disclosures this information and has opted to be consistent with the format presented within the CIPFA Code of Practice.

Presentation within 2018/19 Statement of Accounts	31-Mar-19 £'000
Central Government Bodies	6,005
Other Local Authorities	1,088
NHS Bodies	3
Other Entities and Individuals	5,850
Impairment Allowance	(2,522)
Total	**10,424**

Presentation within 2019/20 Statement of Accounts	(Re-stated) 31-Mar-19 £'000
Trade receivables	255
Prepayments	231
Other receivable amounts	6,356
Council Tax Debtors	4,931
Impairment allowance for doubtful debt	(2,359)
Business Rates Debtors	1,173
Impairment allowance for doubtful debt	(163)
Total	**10,424**

Notes to the Main Financial Statements

Expenditure and Income Analysed by Nature (Note 9)

The net expenditure and income within the note was inconsistent with the CIES as this had internal income within the note. In order to have a comparator on the same basis, the Authority have re-presented the note excluding internal income re-charges.

Expenditure/Income Presented in 2018/19 Statement of Accounts	2018/19 £'000
Expenditure:	
Employees	94,434
Other service expenses	9,577
Support Services	3,462
Capital Charges	7,781
Disposal of Fixed Assets	138
Interest payments	37,278
Total Expenditure	**152,670**
Income:	
Government grants and contributions	(1,650)
Other Non Government Grants	(442)
Customer and Client Receipts	(835)
Internal Income	(2,961)
Fixed Assets Sales Proceeds	(108)
Interest Receivable and similar income	(205)
Taxation and Non Specific Grant Income	(82,385)
Total Income	**(88,586)**
Deficit on the Provision of Services	**64,084**

Expenditure/Income Presented in 2019/20 Statement of Accounts	2018/19 £'000
Expenditure:	
Employees	92,036
Other service expenses	9,014
Support Services	3,462
Capital Charges	7,781
Disposal of Fixed Assets	138
Interest payments	37,278
Total Expenditure	**149,709**
Income:	
Government grants and contributions	(1,650)
Other Non Government Grants	(442)
Customer and Client Receipts	(835)
Fixed Assets Sales Proceeds	(108)
Interest Receivable and similar income	(205)
Taxation and Non Specific Grant Income	(82,385)
Total Income	**(85,625)**
Deficit on the Provision of Services	**64,084**

Note 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:

• There is a high degree of uncertainty about 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.

Note 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect If actual results differs from Assumptions
Property, Plant and 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. Due to Covid19 elements of the capital plan have had to be ceased for a period of time and likewise the external valuer has issued material value uncertainty, which places less weight to market evidence.	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 £0.363m 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 the current the Covid19 pandemic the estimated collection fund balance may be more volatile.	As at the 31st March 2020 the provision for the non payment of council tax debtors and National Non Domestic Rates (NNDR) is £2.3m (£2.5m 2018/19). This may rise due to Covid19 because council tax payers maybe unable 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. Due to Covid19, the Authority instructed the pension fund to use actual investment returns rather than an estimate to obtain a more accurate position on the net liability.	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 £27.6 million. 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	At the 31 March 2020 the Authority had a balance of sundry debtors for £0.45m. Due to the low levels of bad debt the Authority does not have the need for a bad debt provision but due to the current economic climate this policy may be reviewed.	The amount of debt exceeding 3 months was £0.08m as at the 31 March 2020. This is to be monitored and a provision would have to be funded from revenue reducing the level of general fund reserves.

Note 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.

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 2019/20 a debit of £33.613m has been recorded in the cost of services in the CIES (credit £156.462m in 2018/19).

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

Note 7. Events after the Balance Sheet Date

The Draft Statement of Accounts were completed and available for use as authorised by the Chief Finance and Procurement Officer on the 20th July 2020. 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 31st March 2020, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

There were no events taking place after the 20th July 2020 that need to be disclosed.

Note 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.

2019/20

Adjustments from General Fund to arrive at Comprehensive Income & Expenditure Statement amounts	Adjustment for Capital Purposes (1) £'000	Net Change for the Pensions Adjustments (2) £'000	Other Differences (3) £'000	Total Adjustments £'000
Service Delivery	3,849	(12,147)	356	(7,942)
Service Support	2,720	682	-	3,402
Employment Services	14	274	-	288
Legal and Governance	-	119	-	119
Finance and Procurement	(12,378)	116	-	(12,262)
Corporate Communications	-	48	-	48
Net Cost of Services	**(5,795)**	**(10,908)**	**356**	**(16,347)**
Other Operating expenditure - a	92	-	-	92
Finance and Investment income and expenditure - b	-	36,645	(62)	36,583
Taxation and non specific grant income and expenditure - c	-	-	278	278
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit	**(5,703)**	**25,737**	**572**	**20,606**

2018/19

Adjustments from General Fund to arrive at Comprehensive Income & Expenditure Statement amounts	Adjustment for Capital Purposes (1) £'000	Net Change for the Pensions Adjustments (2) £'000	Other Differences (3) £'000	Total Adjustments £'000
Service Delivery	(882)	30,797	398	30,313
Service Support	2,332	1,169	-	3,501
Employment Services	(59)	448	-	389
Legal and Governance	(28)	200	-	172
Finance and Procurement	(4,365)	190	-	(4,175)
Corporate Communications	(3)	70	-	67
Net Cost of Services	**(3,005)**	**32,874**	**398**	**30,267**
Other Operating expenditure - a	30	-	-	30
Finance and Investment income and expenditure - b	-	35,822	(62)	35,760
Taxation and non specific grant income and expenditure - c	(1,370)	-	(56)	(1,426)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit	**(4,345)**	**68,696**	**280**	**64,631**

Notes to the Main Financial Statements

(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
(b) Financing and Investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

(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

Note 9. Expenditure and Income Analysed by Nature

Expenditure/Income	(Re-stated) 2018/19 £'000	2019/20 £'000
Expenditure:		
Employees	92,036	52,610
Other service expenses	9,014	12,436
Support Services	3,462	3,335
Capital Charges	7,781	5,535
Disposal of Fixed Assets	138	162
Interest payments	37,278	38,704
Total Expenditure	**149,709**	**112,782**
Income:		
Government grants and contributions	(1,650)	(2,502)
Other Non Government Grants	(442)	-
Customer and Client Receipts	(835)	(1,582)
Fixed Assets Sales Proceeds	(108)	(70)
Interest Receivable and similar income	(205)	(307)
Taxation and Non Specific Grant Income	(82,385)	(86,093)
Total Income	**(85,625)**	**(90,554)**
Deficit on the Provision of Services	**64,084**	**22,228**

Note 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.

2019/20	General Fund Balance £'000	Capital Receipts Reserve £'000
Adjustments to revenue resources		
Pensions Costs (Transferred to (or from) the pension reserve)	25,737	-
Financial Instruments (Transferred to the accumulated financial Instruments adjustments account)	(62)	-
Council Tax & NDR (Transfers to or from the collection fund adjustment account)	278	-
Holiday Pay (Transferred to the accumulated absences reserve)	3	-
Reversal of Entries included in the surplus or deficit on the provision of Services in relation to the capital expenditure	7,104	-
Total adjustments to revenue reserve	**33,060**	**-**
Adjustments between capital & revenue resources		
Transfer of non current assets sale proceeds from revenue to the capital receipts reserve	(70)	70
Administrative costs of non-current assets disposals (funded by a contribution from the Capital Receipts reserve)	-	-
Statutory Provision for the repayment of debt (transfer to the capital adjustment account)	(2,300)	-
Capital expenditure financed from Revenue balance (transfer to the capital adjustment account)	(10,084)	-
Total adjustments between revenue & capital resources	**(12,454)**	**70**
Adjustments to capital resources		
Use of the capital receipts reserve to finance capital expenditure	-	(70)
Total Capital Resources	**-**	**(70)**
Total Adjustments 2019/20	**20,606**	**-**

2018/19	General Fund Balance £'000	Capital Receipts Reserve £'000
Adjustments to revenue resources		
Pensions Costs (Transferred to (or from)the pension reserve)	68,696	-
Financial Instruments (Transferred to the accumulated financial Instruments adjustments	(62)	-
Council Tax & NDR (Transfers to or from the collection fund adjustment account)	(56)	-
Holiday Pay (Transferred to the accumulated absences reserve)	(1)	-
Reversal of Entries included in the surplus or deficit on the provision of Services in relation to the capital expenditure	523	-
Total adjustments to revenue reserve	**69,100**	**-**
Adjustments between capital & revenue resources		
Transfer of non current assets sale proceeds from revenue to the capital receipts reserve	(108)	108
Administrative costs of non-current assets disposals (funded by a contribution from the Capital Receipts reserve)	-	-
Statutory Provision for the repayment of debt	-	-
Capital expenditure financed from Revenue balance (transfer to the capital adjustment account)	(4,361)	-
Total adjustments between revenue & capital resources	**(4,469)**	**108**
Adjustments to capital resources		
Use of the capital receipts reserve to finance capital expenditure	-	-108
Total Capital Resources	**-**	**(108)**
Total Adjustments 2018/19	**64,631**	**-**

Note 11. Other Operating Expenditure

2018/19 £'000		2019/20 £'000
138	Net Book value of non current assets	162
(108)	Sale Proceeds	(70)
30	**Losses on the disposal of non current assets**	**92**

Note 12. Financing and Investment Income & Expenditure

2018/19 £'000		2019/20 £'000
2,057	Interest Payable and similar charges	2,059
35,221	Pensions interest cost	36,645
(205)	Interest Receivable and similar income	(307)
37,073	**TOTAL**	**38,397**

Interest receivable and similar income represents the amount of interest earned on the Authority's revenue balances in 2019/20.

Note 13. Taxation and Non-Specific Grant Income

2018/19 £'000		2019/20 £'000
(40,341)	Council Tax Income	(42,115)
(7,862)	Non Domestic rates	(8,020)
(32,812)	Non ring fenced Government Grants	(35,958)
(1,370)	Capital Grants and Contributions (1)	-
(82,385)	**TOTAL**	**(86,093)**

(1) This note consolidates all non-specific grants and contributions receivable, that cannot be identified to any particular service expenditure.

Note 14. Property, Plant and Equipment

Movements 2019/20	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Assets under Construction £'000	Total £'000
Cost or Valuation				
1 April 2019	**79,570**	**36,342**	**118**	**116,030**
Additions	1,694	1,864	2,043	5,601
Accumulated Depreciation written off to Cost of services	(2,054)	-	-	(2,054)
Revaluation recognised in the Revaluation Reserve	(1,308)	-	-	(1,308)
Revaluation recognised in the Deficit on the provision of services	(1,407)	-	-	(1,407)
De-recognition - Disposals	-	(1,285)	-	(1,285)
31 March 2020	**76,495**	**36,921**	**2,161**	**115,577**
Depreciation & Impairment				
1 April 2019	**(63)**	**(19,277)**	**-**	**(19,340)**
Depreciation charge	(2,074)	(2,964)	-	(5,038)
Accumulated Depreciation to Cost of services	2,054	-	-	2,054
Derecognition - Disposals	-	1,133	-	1,133
31 March 2020	**(83)**	**(21,108)**	**-**	**(21,191)**
Net Book Value				
31 March 2020	**76,412**	**15,813**	**2,161**	**94,386**
31 March 2019	**79,507**	**17,065**	**118**	**96,690**

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

-

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.

Capital Commitments

At the 31st March 2020, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2020/21 and future years. The major commitments as at the 31st March 2020 were;

- £1.4m in relation to the new Wakefield Station Rebuild. This is part of the wider IRMP station refurbishments / rebuild plan that incorporates £21.8m over the next 4 years.
- £0.3m in relation to CLM Vehicles.

Note 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.

From 2018/19 WYFRS adopted a 5 year rolling programme. Avison Young (formally GVA), who are an external valuation team were commissioned on behalf of the Authority to carry out asset valuations. In 2019/20, 20% of Land & Building Assets were formally revalued and 80% were revalued as a desktop exercise in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Within the Valuation Report presented to the Authority from Avison Young, the valuer disclosed the following on material valuation uncertainty;

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards effective from 31 January 2020. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the properties under frequent review.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

The net revaluation loss shown below was recognised within net cost of services, within the directorate which most consumes the asset.

2018/19 £'000		2019/20 £'000
1,488	Revaluation gains/(losses) recognised in deficit on provision of services	(1,407)
5,201	Revaluation gains / (Impairment losses) on non current asssets charged to the revaluation reserve	(1,308)
6,689		**(2,715)**

Note 16. Intangible Assets

The carrying amount of intangible assets are amortised on a straight-line basis. The amortisation of £0.145m charged to revenue in 2019/20 was charged to the ICT and then absorbed 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 amortisation is attributable to each service heading.

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

	2018/19 Software £'000	2019/20 Software £'000
Balance at start of year:		
Gross carrying amounts	1,488	1,433
Accumulated Amortisation	(789)	(896)
Net carrying amount at start of year	699	537
Purchases	16	27
Disposals	(7)	(10)
Amortisation for the period	(173)	(145)
Other movements	2	-
Net carrying amount at the end of year	537	409
Comprising:		
Gross Carrying Amounts	1,433	1,028
Accumulated Amortisation	(896)	(619)
	537	**409**

As at the 31st March 2020 there were no capital commitments in relation to intangible assets.

Note 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.

As at the 31st March 2020 WYFRS had no assets held for sale.

Note 18. Financial Instruments

In order to comply with IFRS9, financial assets and liabilities must be valued and presented in the notes to the Authority's financial statements on one of three measurement basis; amortised cost, fair value through other comprehensive income or fair value through profit and loss. No financial assets were judged to need reclassification following the adoption of IFRS9 Financial Instruments by the Code of Practice on Local Authority Accounting.

Categories of Financial Instruments

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

Financial Assets

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit or loss	-	-	-	-	6,208	4,717	333	581
Amortised Cost	-	-	-	-	16,288	26,395	-	-
Total Financial Assets	**-**	**-**	**-**	**-**	**22,496**	**31,112**	**333**	**581**

The above table, within investments includes accrued interest and the overdraft position on the bank account.

Financial Liabilities

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit or loss	-	-	-	-	-	-	2,601	3,951
Amortised Cost	45,407	45,173	-	-	722	669	-	-
Total Financial Assets	**45,407**	**45,173**	**-**	**-**	**722**	**669**	**2,601**	**3,951**

Income, Expense, Gains and Losses

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

	2018/19 Surplus or deficit on the provision of services £'000	2019/20 Surplus or deficit on the provision of services £'000
Financial Liabilities measured at amortised cost	62	62
Total net gains / losses	**62**	**62**
Interest revenue: Financial Assets measured at amortised cost	(205)	(307)
Interest Expense: Financial Liabilities measured at amortised cost	1,995	1,991
Total Interest (revenue) / expense	**1,790**	**1,684**
Fee expense: Financial liabilities that are not at fair value through profit or loss	7	7
Total Fee Income / expense	**7**	**7**
Net gain / (loss)	**1,859**	**1,753**

Fair Values of Financial Assets and Financial Liabilities

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).

Financial liabilities and financial assets represented by money market funds, short term debtors and creditors are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

	Input Level in fair value hierarchy	Valuation technique used to measure fair value	2018/19 £'000	2019/20 £'000
Financial Liabilities Financial Liabilities held at fair value through profit or loss				
Short Term Creditors	Level 1	Quoted prices (unadjusted) in active markets for identical liabilities	2,601	3,951
Total			**2,601**	**3,951**
Financial Assets Financial Assets held at fair value through profit or loss				
Money Market Funds	Level 2	Observable inputs	6,208	4,717
Short Term Debtors	Level 1	Quoted prices (unadjusted) in active markets for identical assets	333	581
Total			**6,541**	**5,298**

The Fair Values of Financial Assets and Financial Liabilities that are not measured at fair value

Financial liabilities and financial assets are represented by loans, receivables, 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 be approximate to fair values.

The fair values calculated are as follows:

Financial Assets

	31-Mar-19		31-Mar-20	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Fixed Term investments	16,051	16,033	20,066	20,082
Cash and Cash Equivalents	237	595	6,329	6,548
Total	**16,288**	**16,628**	**26,395**	**26,630**

Cash and cash equivalents above do not include Money Market Funds (MMFs) as these are already carried at fair value and not at amortised cost.

Financial Liabilities

	31-Mar-19		31-Mar-20	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Borrowings held at amortised cost				
PWLB	44,103	60,000	43,816	60,780
LOBO	2,026	3,671	2,026	2,879
Total	**46,129**	**63,671**	**45,842**	**63,659**

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 (LOBO) have been increased by the value of the embedded options, based on the assumption that lenders will only exercise their options when market rates have been above the contracted loan rate. The next option date is May 2021.

The fair value of the borrowings 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 2020) arising from a commitment to pay interest to lenders above current market rates. The above fair values are judged to be level 2 in the fair value hierarchy, using significant observable inputs.

Note 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 Finance & 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, in Money Market Funds and other financial institutions of £11.4m (£6.9m 31st March 2019) as well as some longer and fixed term deposits with banks and Local Authorities of £20.0m (£16.0m 31st March 2019). 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 2019/20.

The table below summarises the credit risk exposures of the Authority's investment portfolio by credit rating. This table does not include accrued interest or the bank account balances as at 31st March. These financial instruments are not considered significant in terms of credit risk. The Authority has determined that there is low risk associated with the default of the interest payment due on the investments and the Authority has the capacity to meet the contractual obligations to repay its overdraft.

Credit rating	Short Term 31 March 2019 £'000	 31 March 2020 £'000
F1/P1	3,000	11,966
F1+/P1	5	-
F1+/-	13,590	14,603
AA+	6,204	4,716
Total Investments	**22,799**	**31,285**

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 that this was likely to occur.

Customers

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 March 2019 £'000	31 March 2020 £'000
Less than three months	96	51
Three to six months	8	20
Six months to one year	1	31
More than one year	50	31
	155	**133**

(The table above does not include debts not yet due)

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 March 2019 £'000	31 March 2020 £'000
Less than one year	3,361	4,620
Between one and two years	196	157
Between two and five years	3,235	4,078
Between five and ten years	4,250	4,000
Between ten years and fifteen years	2,250	2,210
More than fifteen years	33,437	32,728
	46,729	**47,793**
Uncertain date	**2,000**	**2,000**

(The table above includes all creditors, and not just long-term borrowing)

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 next option date for a potential interest rate change is May 2021.

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 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 2020, £43.4m of borrowing through the Public Works Loan Board (PWLB) was at fixed rates (£43.6m as at 31st March 2019). 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. However, it should be noted the option to increase this rate has not been exercised since the loan was taken out in 2006.

The fair value of fixed rate borrowings would decrease by around £9.2m if interest rates increased by 1% and likewise increase by the same figure 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 £0.245m resulting in a corresponding £0.245m decrease on Surplus or Deficit on the Provision of Services.

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.

Note 20. Inventories

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

2019/20	Clothing & Uniforms £'000	Operational Equipment £'000	Petrol & Derv £'000	Vehicle Spares £'000	Total £'000
Balance Outstanding as at 1st April	**98**	**302**	**76**	**183**	**659**
Purchases	35	-	-	28	63
Recognised as an expense in the year	-	(21)	(16)	-	(37)
Balance Outstanding as at 31st March	**133**	**281**	**60**	**211**	**685**

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

Note 21. Short Term Debtors

	(Re-stated) 31-Mar-19 £'000	31-Mar-20 £'000
Trade receivables	255	416
Prepayments	231	440
Other receivable amounts	6,356	4,020
Council Tax Debtors	4,931	5,199
Impairment allowance for doubtful debt	(2,359)	(2,085)
Business Rates Debtors	1,173	1,067
Impairment allowance for doubtful debt	(163)	(174)
Total	**10,424**	**8,883**

The Authority has made a provision for bad debts in 2019/20 of £2.259m (2018/19 £2.521m) this is 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.

Note 22. Cash and Cash Equivalents

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

31 March 2019 £'000		31 March 2020 £'000
15	Bank current accounts	17
6,854	Instant Access interest accounts and Money Market Funds	11,351
(373)	Bank Overdraft	(256)
6,496	**Total Cash and Cash Equivalents**	**11,112**

Note 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 2019 £'000		31 March 2020 £'000
5,993	Depreciation	5,038
(1,488)	Impairment and downward valuations	1,407
174	Amortisation	145
(1,750)	Increase/(decrease) in creditors	1,614
3,250	(Increase)/decrease in debtors	1,764
126	(Increase)/decrease in inventories	(26)
68,696	Movement in pension liability	25,737
138	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	162
381	Other non-cash items charged to the net surplus or deficit on the provision of services	(307)
75,520		**35,534**

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

31 March 2019 £'000		31 March 2020 £'000
(108)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(70)
(35)	Any other items for which the cash effects are investing or financing cash flows	-
(143)		**(70)**

Note 24. Cash Flow Statement – Investing Activities

31 March 2019 £'000		31 March 2020 £'000
(3,854)	Purchase of property, plant and equipment, investment property and intangible assets	(4,874)
(5,000)	Purchase of short-term and long-term investments	(4,000)
108	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	70
35	Other receipts from investing activities	-
(8,711)	**Net cash flows from investing activities**	**(8,804)**

Note 25. Cash Flow Statement – Financing Activities

31 March 2019 £000		31 March 2020 £000
(235)	Repayments of short- and long-term borrowing	(274)
-	Other payments for financing activities	458
(235)	**Net cash flows from financing activities**	**184**

Note 26. Short Term Creditors

The table below shows the amount of short-term creditors as at the 31 March 2020:

	(Re-stated) 31-Mar-19 £'000	31-Mar-20 £'000
Trade payables	1,441	1,267
Other payables	3,779	6,322
Council Tax Creditors	2,383	3,112
Business Rates Creditors	147	111
Total	**7,750**	**10,812**

Note 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	Pensionable Pay	Other Provisions	SAP Licence Underpayment	Landscape Networks	NNDR Provision for Appeals	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	**244**	**64**	**21**	**189**	**250**	**756**	**1,524**
Additional Provisions made in 2019/20	-	-	-	-	-	731	731
Amounts used in year	-	(35)	-	-	-	-	(35)
Transfers out - utilised	-	-	-	-	(103)	-	(103)
Transfers out - reversed unused	-	-	-	(30)	(147)	(756)	(933)
Balance at 31 March 2020	**244**	**29**	**21**	**159**	**-**	**731**	**1,184**

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.

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 £0.118m, with £0.475m being owed in back pension payments. During 2019/20 £0.035m 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. This has therefore decreased the overall provision by £0.030m in 2019/20.

Landscape Networks
The Authority settled this dispute during 2019/20 and therefore the provision is no longer required.

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.

<u>Business Rates Appeals</u>
There is a provision set aside for potential future claims against Business Rates due to the rateable values of premises

Note 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 29.

31 March 2019 £'000		31 March 2020 £'000
5,117	**General Fund**	**5,000**
	Earmarked Reserves:	
40	Body Bag Decontamination	40
1,054	Business Rate Appeals	1,114
17,354	Capital Finance Reserve	16,154
563	Control Room	563
27	Council Tax Reform	27
-	COVID-19	406
39	Data Transparency	46
202	Enhanced Logistics	202
258	ESMCP	258
418	Insurance Claims	419
160	Leap Year Fund	-
2,000	Medium Term Funding Impact	2,000
388	Operational Equipment	-
4,627	Pay and Prices	3,627
3,560	Pensions Equalisation	4,070
483	Service Support	742
31,173	**Total Earmarked Reserves**	**29,668**
36,290	**Total Useable Reserves**	**34,668**

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

Note 29. Transfers to/from Earmarked Reserves

	Balance at 01/04/18 £'000	Transfers out 2018/19 £'000	Transfers in 2018/19 £'000	Balance at 31/03/19 £'000	Transfers out 2019/20 £'000	Transfers in 2019/20 £'000	Balance at 31/03/20 £'000
Earmarked Reserve:							
Body Bag decontamination	40	-	-	40	-	-	40
Business Rate Appeals	1,101	(47)	-	1,054	-	60	1,114
Capital Finance Reserve	10,472	(118)	7,000	17,354	(8,195)	6,995	16,154
Control Room	563	-	-	563	-	-	563
Council Tax Reform Credits	27	-	-	27	-	-	27
Covid - 19	-	-	-	-	(30)	436	406
Data Transparency	31	-	8	39	-	7	46
Enhanced logistics	202	-	-	202	-	-	202
ESMCP	258	-	-	258	-	-	258
Insurance Claims	406	(65)	77	418	-	1	419
Leap Year Fund	121	-	39	160	(160)	-	-
Medium Term Funding Impact Reserve	-	-	2,000	2,000	-	-	2,000
Operational Equipment Reserve	-	-	388	388	(388)	-	-
Pay and prices	4,627	-	-	4,627	(1,000)	-	3,627
Pension Equalisation	2,961	-	599	3,560	-	510	4,070
Service Support	546	(63)	-	483	(1,225)	1,484	742
Total	**21,355**	**(293)**	**10,111**	**31,173**	**(10,998)**	**9,493**	**29,668**

The purpose and operation of the reserves are described below:

Council Tax Reform
This 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. Due to the revenue position in 2019/20 the reserve was transferred in full to the Service Support earmarked reserve.

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 £3.6m 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 2020/21.

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.

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 2019/20 the Authority strengthened the reserve by transferring across £0.117m of balances from the General Fund to the Earmarked Reserve. This maintained the General Fund position of £5m in reserve. In addition to this £1m was transferred from the Pay & Prices reserve as per approval granted at Finance and Resources Committee in October 2019. Due to the favourable in year monitoring position, the Leap Year Reserve was transferred directly to the Service Support reserve rather than committing this in year. The reserve was then utilized to support the continuing workstreams within Lean working, procurement review and CLM.

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.

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 2021 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
This was transferred to the Capital Financing reserve as per approval at Finance & Resources Committee in October 2019.

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 2021, which is secured by Central Government to this date. The reserve was originally created by transferring £0.258m from the general fund to the new ESMCP reserves.

Covid19

The global pandemic has caused significant disruption. In order to help during the pandemic and as part of the move towards recovery, the Authority was in receipt of £0.436m. By year end, £0.030m of this had been utilised. The balance remains on the balance sheet and will be used to help support a number of initiatives such as more flexible working arrangements and resilience within staffing levels via a scheme to purchase back annual leave.

Note 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 2019 £'000		31 March 2020 £'000
12,399	Revaluation Reserve	10,767
27,326	Capital Adjustment Account	33,000
(625)	Financial Instruments Adjustment Account	(563)
(1,503,193)	Pensions Reserve	(1,418,642)
330	Collection Fund Adjustment Account	52
(306)	Accumulating Compensated Absences Adjustment Account	(309)
(1,464,069)	**Total Unusable Reserves**	**(1,375,695)**

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.

2018/19 £'000		2019/20 £'000
7,388	**Balance at 1 April**	**12,399**
(184)	Difference between fair value depreciation and historical cost depreciation	(324)
(6)	Transfer to Capital Adjustment Account for disposed assets	-
(190)	**Amount written off to the Capital Adjustment Account**	**(324)**
6,622	Downward Revaluations	(1,457)
(1,421)	Upward Revaluations	149
12,399	**Balance at 31 March**	**10,767**

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 amortisation 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.

2018/19 £'000		2019/20 £'000
23,190	**Balance as at 1 April**	**27,326**
-	Adjustment to Opening Balance	-
23,190		**27,326**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(5,993)	Charges for depreciation and impairment of non current assets	(5,037)
(5,389)	Revaluation losses on property, plant and equipment	(1,457)
6,877	Revaluation gains on property, plant and equipment	50
(173)	Amortisation of intangible assets	(145)
(398)	Revenue expenditure funded from capital under statute	(353)
(133)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and	(162)
(5,209)		**(7,104)**
184	Adjusting amounts written out of the Revaluation Reserve	324
(5,025)	Net written out amount of the cost of non	**(6,780)**
	Capital financing applied in the year:	
108	finance new capital expenditure	70
1,370	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital	-
3,322	Revenue Contributions to Capital outlay	950
4,361	Statutory and voluntary provision for the financing of capital investment charged against the General Fund	11,434
9,161		**12,454**
27,326	**Balance as at 31 March**	**33,000**

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

The charge to the CIES in year is highlighted by the movements in year within the below table.

2018/19 £'000		2019/20 £'000
(687)	**Balance as at 1 April**	(625)
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
(625)	**Balance as at 31 March**	(563)

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.

2018/19 £'000		2019/20 £'000
(1,394,592)	**Balance at 1 April**	(1,503,193)
(39,905)	Re-measurements of the net defined liability/(asset)	110,288
(116,557)	benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(76,675)
47,861	Employer's pensions contributions and direct payments to pensioners payable in the year	50,938
(1,503,193)	**Balance as at 31 March**	(1,418,642)

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.

2018/19 £'000		2019/20 £'000
274	**Balance at 1 April**	**330**
56	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from	(278)
330	**Balance as at 31 March**	**52**

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.

2018/19 £'000		2019/20 £'000
(307)	**Balance at 1 April**	**(306)**
307	Settlement or cancellation of accrual made at the end of the preceding year	238
(307)	Amounts accrued at the end of the current year	(238)
1	Amounts 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	(3)
(306)	**Balance as at 31 March**	**(309)**

Note 31. Members' Allowances

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

2018/19 £'000		2019/20 £'000
133	Allowances	138
12	Expenses	10
145		**148**

Note 32. Officers' Remunerations

Post Holder Information	Year	Salary (including fees & allowances)	Bonuses	Expense Allowances	Benefits in Kind (lease car	Total Remuneration excluding	Employer Pension Contributions	Total Remuneration including
Chief Fire Officer / Chief Exec (John Roberts)	2018/19	£159,252	-	£1,491	£6,520	£167,263	£22,773	£190,036
	2019/20	£166,254	-	£1,830	£6,708	£174,792	£47,728	£222,520
Director Of Service Delivery	2018/19	£138,106	-	£1,673	£6,662	£146,441	£29,969	£176,410
	2019/20	£141,316	-	£987	£6,662	£148,965	£52,542	£201,507
Director of Service Support	2018/19	£117,251	-	£772	£6,662	£124,685	£25,443	£150,128
	2019/20 (1)	£57,632	-	£363	£3,158	£61,153	£21,497	£82,650
	2019/20	£63,401	-	£463	£3,504	£67,368	£18,150	£85,518
Chief Legal & Governance Officer	2018/19	£74,844	-	£569	£4,536	£79,949	£13,574	£93,523
	2019/20	£76,758	-	£566	£4,647	£81,971	£13,895	£95,866
Chief Finance & Procurement Officer	2018/19	£82,536	-	£2,970	£2,268	£87,774	£14,196	£101,970
	2019/20 (2)	£86,569	-	£5,303	-	£91,872	£14,912	£106,784
Chief Employment Services Officer	2018/19	£82,536	-	£658	£4,578	£87,772	£14,196	£101,968
	2019/20 (3)	£78,090	-	£449	£4,758	£83,297	£13,436	£96,733
	2019/20 (3)	£2,991	-	-	-	£2,991	£514	£3,505

Notes

(1) The Director of Service Support retired on the 20th September 2019, this post was recruited to and their successor started in the role on the same day.

(2) The Chief Finance & Procurement Officer is no longer in receipt of the lease car benchmark, alternatively opting for a cash allowance shown under Expense Allowances.

(3) In October 2019, the Chief Employment Services Officer reduced their hours to 0.8 Full-time Equivalent (FTE). The remaining 0.2 FTE has been filled by giving an honorarium to the Corporate Human Resources Manager.

Remuneration Band	Number of Employees 2018/19	Number of Employees 2019/20
£50,000 - £54,999	50	42
£55,000 - £59,999	16	18
£60,000 - £64,999	6	11
£65,000 - £69,999	2	8
£70,000 - £74,999	-	3
£75,000 - £79,999	-	-
£80,000 - £84,999	3	2
£85,000 - £89,999	-	-
	77	84

The above numbers exclude senior officers who are included in the previous table.

Note 33. External Audit Costs

2018/19 £'000		2019/20 £'000
28	Fees payable to Deloitte with regard to external audit services.	28
-	Additional payment of fees for additional work in respect of 2018/19 Audit	10
28		**38**

Note 34. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20:

2018/19 £'000		2019/20 £'000
	Credited to Taxation and non specific Grant Income	
40,341	Council Tax Income	42,157
16,294	Business Rates Top Up Grant	16,650
489	Collection Fund and NNDR Surplus / (Deficit) (1)	(42)
7,373	Business Rates Retention (Local Share) (1)	8,020
1,848	Business Rates Reduction (Section 31 Grant) (2)	1,683
14,670	Revenue Support Grant (2)	13,339
-	Pensions Grant	4,286
1,370	Capital Grant	-
82,385	**Total**	**86,093**
	Credited to Services	
-	Apprenticeship Levy	218
-	Covid 19	436
1,457	New Dimension Programme	1,465
8	Transparency Code set up	8
33	Marauding Terrorist Firearms attack (MTFA)	29
536	Emergency Services Mobile Communications Programme (ESMCP)	346
2,034	**Total**	**2,502**

(1) In the 2018/19 Statement of Accounts this was disclosed on a single line as "District Council – Business Rate Retention".
(2) In the 2018/19 Statement of Accounts this was disclosed on a single line as "Business Rates Retention Scheme (BRRS) / Revenue Support Grant".

Note 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 2019/20 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 2019/20 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 2020 all returns were nil.

Entities with Control or Significant Influence to 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 2019/20 are detailed below

2018/19 £'000		2019/20 £'000
215	Financial Support Services	252
11	Refuse Collection	16
9	Other Services	4
235		**272**

Note 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.

	2018/19 £'000	2019/20 £'000
Opening Capital Financing Requirement	**62,409**	**57,500**
Adjustment to Opening Balance	-	-
Capital Investment :		
Property, Plant and Equipment	3,838	5,601
Intangible Assets	16	27
Revenue Expenditure Funded from Capital under Statute	398	353
Sources of Finance :		
Capital Receipts	(108)	(70)
Government Grants and Contributions	(1,252)	-
Revenue Contribution to capital Outlay (RCCO)	(3,322)	(950)
Earmarked Reserve	(118)	(7,439)
Sums set aside from revenue :		
MRP/loan fund principal	(4,361)	(3,995)
Closing Capital Financing Requirement	**57,500**	**51,027**
Explanation of Movement in Year :		
Increase in underlying need to borrow (unsupported by Government financial assistance)	(4,909)	(6,473)
(Decrease) in Capital Financing Requirement	**(4,909)**	**(6,473)**

Both the Capital Finance and Service Support earmarked reserves helped to fund the £7.439m additional voluntary MRP in year.

Note 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	265	301
Later than one year but not later than five years	575	542
Later than five years	-	-
	840	**843**

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

	2018/19 £'000	2019/20 £'000
Minimum lease payments	766	687
	766	**687**

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.

Note 38. Termination Benefits

The Authority terminated the contracts of sixteen employees in 2019/20 this was due to the disbandment of the Industrial Action team (for which there was no longer operational requirement), and also a restructure of the Central Staffing team resulted in the termination of one employee which is due to efficiencies introduced by the new HR and Rostering system.

Details of these payments are detailed 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	
	2018/19 £	2019/20 £	2018/19 £	2019/20 £	2018/19 £	2019/20 £	2018/19 £	2019/20 £
£0 - £20,000	-	14	1	2	1	16	6,702	33,002
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,0001 +	-	-	-	-	-	-	-	-
TOTAL	**0**	**14**	**1**	**2**	**1**	**16**	**6,702**	**33,002**

Termination benefits are comprised of redundancy costs and the cost relating to enhanced early pension contributions.
This is summarised in the table below:

	2018/19 £	2019/20 £
Redundancy Costs	6,702	7,713
Enhanced Pension Costs	-	25,289
TOTAL	**6,702**	**33,002**

Note 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), is administered locally by West Yorkshire Pension Fund and 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.

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 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 the 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 and therefore £56.67m was included as an additional liability for the firefighters schemes and £0.9m within the LGPS scheme. In addition to this within 2019/20 there is a further £5.5m of past service cost in relation to “guaranteed minimum pension” (GMP) 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 Government Actuary’s Department (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 - 2019/20	Local Government Pension Scheme 2019/20 £'000	Firefighters 1992 (FPS) Pension Scheme 2019/20 £'000	Firefighters 2006 (NFPS) Pension Scheme 2019/20 £'000	Firefighters 2015 (FPS) Pension Scheme 2019/20 £'000	Firefighters Compensation Pension Scheme 2019/20 £'000	Total 2019/20 £'000
Service Cost Comprising:						
Current Service Cost	(3,344)	(3,010)	(240)	(23,170)	(460)	(30,224)
Cost covered by employee contributions	-	(620)	(100)	(3,560)	-	(4,280)
Past Service Cost	(26)	(5,500)	-	-	-	(5,526)
Financing and Investment Income and Expenditure:						
Net Interest Expense	(695)	(31,960)	(1,590)	(1,670)	(730)	(36,645)
Total Post Employment Benefits charged	**(4,065)**	**(41,090)**	**(1,930)**	**(28,400)**	**(1,190)**	**(76,675)**
Return on plan assets (excluding the amount included in net interest)	(5,894)	-	-	-	-	(5,894)
Actuarial gains and losses arising on changes in demographic assumptions	3,405	40,210	2,130	2,480	1,030	49,255
Actuarial gains and losses arising on changes in financial assumptions	1,992	54,370	5,230	3,060	570	65,222
Actuarial gains and losses due to liability experience	(2,215)	5,710	(820)	(1,200)	230	1,705
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(2,712)**	**100,290**	**6,540**	**4,340**	**1,830**	**110,288**
Total	**(6,777)**	**59,200**	**4,610**	**(24,060)**	**640**	**33,613**

There has been no plan amendments, curtailments or settlements.

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)
Financing and Investment Income and Expenditure:						
Net Interest Expense	(601)	(31,390)	(1,420)	(1,090)	(720)	(35,221)
Total Post Employment Benefits charged	**(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)**

Movement in Reserves Statement

Movement in Reserves Statement - 2019/20	Local Government Pension Scheme 2019/20 £'000	Firefighters 1992 (FPS) Pension Scheme 2019/20 £'000	Firefighters 2006 (NFPS) Pension Scheme 2019/20 £'000	Firefighters 2015 (FPS) Pension Scheme 2019/20 £'000	Firefighters Compensation Pension Scheme 2019/20 £'000	Total 2019/20 £'000
Reversal of net charges to the Surplus or Deficit for the provision of services for post employment benefits in accordance with the code	(4,065)	(41,090)	(1,930)	(28,400)	(1,190)	(76,675)
Employer's contributions payable to scheme	1,558	1,571	147	7,998	1,453	12,727
Retirement benefits payable to pensioners	-	43,617	29	(5,435)	-	38,211
	(2,507)	**4,098**	**(1,754)**	**(25,837)**	**263**	**(25,737)**

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 for the provision of services for post employment benefits in accordance with the code	(4,577)	(88,290)	(7,550)	(15,160)	(980)	(116,557)
Employer's 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)**

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:

2019/20	Local Government Pension Scheme 2019/20 £'000	Firefighters 1992 (FPS) Pension Scheme 2019/20 £'000	Firefighters 2006 (NFPS) Pension Scheme 2019/20 £'000	Firefighters 2015 (FPS) Pension Scheme 2019/20 £'000	Firefighters Compensation Pension Scheme 2019/20 £'000	Total 2019/20 £'000
Present Value of the defined benefit obligation	98,750	1,216,670	59,890	78,890	28,210	1,482,410
Fair Value of plan assets	(63,768)	-	-	-	-	(63,768)
Sub total	**34,982**	**1,216,670**	**59,890**	**78,890**	**28,210**	**1,418,642**
Other movements in the liability (asset)	-	-	-	-	-	-
Net liability arising from defined benefit obligation	**34,982**	**1,216,670**	**59,890**	**78,890**	**28,210**	**1,418,642**

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 £1.55m.

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)
Sub total	**29,763**	**1,324,080**	**64,730**	**54,540**	**30,080**	**1,503,193**
Other movements in the liability (asset)	-	-	-	-	-	-
Net liability arising from defined benefit obligation	**29,763**	**1,324,080**	**64,730**	**54,540**	**30,080**	**1,503,193**

The cumulative amount of the re-measurement of the net defined liability recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2020 is a gain of £110.3m (2018/19 loss of £39.9m).
The net liability relating to the defined Benefit Pension Schemes recognised in the Balance Sheet at 31 March 2020 is -£1,418.6m (2018/19 -£1,503.2m), which is made up of scheme liabilities totaling -£1,482.4m (2018/19 -£1,572.3m) less scheme assets £63.8m (2018/19 £69.1m).

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 2020.

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

2019/20	Local Government Pension Scheme 2019/20 £'000	Firefighters 1992 (FPS) Pension Scheme 2019/20 £'000	Firefighters 2006 (NFPS) Pension Scheme 2019/20 £'000	Firefighters 2015 (FPS) Pension Scheme 2019/20 £'000	Firefighters Compensation Pension Scheme 2019/20 £'000	Total 2019/20 £'000
Opening fair value of scheme assets	**69,070**	**-**	**-**	**-**	**-**	**69,070**
Interest income	1,646	-	-	-	-	1,646
Re-measurement gain (loss):						
The return on plan assets, excluding the amount included in the net interest expense	(5,894)	-	-	-	-	(5,894)
Contributions from employers	1,558	-	-	-	-	1,558
Contributions from employees into the scheme	569	-	-	-	-	569
Benefits paid	(3,181)	-	-	-	-	(3,181)
Closing fair value of scheme assets	**63,768**	**-**	**-**	**-**	**-**	**63,768**

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**

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

2019/20	Local Government Pension Scheme 2019/20 £'000	Firefighters 1992 (FPS) Pension Scheme 2019/20 £'000	Firefighters 2006 (NFPS) Pension Scheme 2019/20 £'000	Firefighters 2015 (FPS) Pension Scheme 2019/20 £'000	Firefighters Compensation Pension Scheme 2019/20 £'000	Total 2019/20 £'000
Opening Balance at 1 April	(98,833)	(1,324,080)	(64,730)	(54,540)	(30,080)	(1,572,263)
Current Service Cost	(3,344)	(3,010)	(240)	(23,170)	(460)	(30,224)
Transfers In	-	-	-	(450)	-	(450)
Interest Cost	(2,341)	(31,960)	(1,590)	(1,670)	(730)	(38,291)
Contributions from scheme participants	(569)	(620)	(100)	(3,560)	-	(4,849)
Re-measurement gain (loss):						0
Actuarial (gains)/losses arising from changes in demographic assumptions	3,405	40,210	2,130	2,480	1,030	49,255
Actuarial (gains)/losses arising from changes in financial assumptions	1,992	54,370	5,230	3,060	570	65,222
Actuarial (gains)/losses on liabilities - experience	(2,215)	5,710	(820)	(1,200)	230	1,705
Past Service Cost	(26)	(5,500)	-	-	-	(5,526)
Benefits paid	3,181	48,210	230	160	1,230	53,011
Closing Balance 31 March	(98,750)	(1,216,670)	(59,890)	(78,890)	(28,210)	(1,482,410)

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 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 31 March	(98,833)	(1,324,080)	(64,730)	(54,540)	(30,080)	(1,572,263)

Local Government Pension Scheme Assets

For more information on the scheme's assets, please visit www.wypf.org.uk/MemberInvestments

The significant assumptions used by the actuary in 2019/20 have been:

2019/20	Local Government Pension Scheme 2019/20	Firefighters 1992 (FPS) Pension Scheme 2019/20	Firefighters 2006 (NFPS) Pension Scheme 2019/20	Firefighters Compensation Pension Scheme 2019/20
Long term expected rate of return on	%			
Equity investments	77.5			
Bonds	14.7			
Other	7.8			

Mortality assumptions :	Local Government Pension Scheme 2019/20 £'000	Firefighters 1992 (FPS) Pension Scheme 2019/20 £'000	Firefighters 2006 (NFPS) Pension Scheme 2019/20 £'000	Firefighters 2015 (FPS) Pension Scheme 2019/20 £'000	Firefighters Compensation Pension Scheme 2019/20 £'000
Longevity at 65 for current pensioners :					
- Men	21.8	21.3	21.3	21.3	21.3
- Women	24.6	21.3	21.3	21.3	21.3
Longevity at 65 for future pensioners :					
- Men	22.5	23.0	23.0	23.0	23.0
- Women	25.7	23.0	23.0	23.0	23.0
	%	%	%	%	%
Rate of inflation CPI	2.00	2.00	2.00	2.00	2.00
Rate of increase in salaries	3.25	4.00	4.00	4.00	4.00
Rate of increase in pensions	2.00	2.00	2.00	2.00	2.00
Rate for discounting scheme liabilities	2.30	2.25	2.25	2.25	2.25
Pensions account revaluation rate	2.00	4.00	4.00	4.00	4.00
Take up option to convert annual pension into retirement lump sum.	70 to 80 %	25.00	17.50	17.50	25.00

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

2018/19	Local Government Pension Scheme 2018/19	Firefighters 1992 (FPS) Pension Scheme 2018/19	Firefighters 2006 (NFPS) Pension Scheme 2018/19	Firefighters Compensation Pension Scheme 2018/19
Long term expected rate of return on	%			
Equity investments	74.0			
Bonds	15.2			
Other	10.8			

Mortality assumptions :	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
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 CPI	2.20	2.35	2.35	2.35	2.35
Rate of increase in salaries	3.45	4.4	4.4	4.4	4.4
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%	25.0%	17.5%		17.5%

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.

Local Government Pension Scheme

Local Government Pension Scheme	Impact on the Defined Benefit obligation in the scheme	
	Increase in assumption £000's	Decrease in assumption £000's
Longevity (increase or decrease in 1 year)	95,198	(101,615)
Rate of general increase in salaries (increase or decrease by 0.1%)	98,668	(98,115)
Rate of increase in pensions (increase or decrease by 0.1%)	100,236	(96,584)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	96,366	(100,457)

Firefighters Pension Scheme 1992

Firefighters Pension Scheme 1992	Impact on the Defined Benefit obligation in the scheme Increase in assumption £000's	Decrease in assumption £000's
Longevity (increase or decrease in 1 year)	38,000	(38,000)
Rate of general increase in salaries (increase or decrease by 0.5%)	8,000	(8,000)
Rate of increase in pensions (increase or decrease by 0.5%)	84,000	(84,000)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(101,000)	101,000

Firefighters Pension Scheme 2006

Firefighters Pension Scheme 2006	Impact on the Defined Benefit obligation in the scheme Increase in assumption £000's	Decrease in assumption £000's
Longevity (increase or decrease in 1 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%)	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 £000's	Decrease in assumption £000's
Longevity (increase or decrease in 1 year)	2,000	(2,000)
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%)	7,000	(7,000)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(13,000)	13,000

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 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. Within 2020/21 the Authority expects to make contributions of £11.06m across all schemes.

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 2019/20 plus the remainder of the 2018/19 grant. The amount received in July 2019 was £35.6m which the Authority uses to manage its pension cash flows.

Note 40. Contingent Liabilities

At 31 March 2020, 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.

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.

West Yorkshire Fire and Rescue Authority Pension Fund

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 dependents, 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.

The table below shows the overall sum of the Top Up Grant to be funded from central Government.

2018/19 £'000	Contributions Receivable	2019/20 £'000
	From employer	
(5,177)	Normal	(9,716)
(349)	Ill Health	(226)
(4,323)	From members	(4,296)
(9,849)		**(14,238)**
	Transfers in	
(336)	Individual transfers in from other schemes	(544)
	Benefits Payable	
36,892	Pensions	38,927
8,471	Lump Sums	9,797
	Payments to and on account leavers	
-	Individual transfers out to other schemes	-
35,178	**Net amount payable for the year**	**33,942**
(35,178)	Top Up Grant payable by the Government	(33,942)
0		**0**

The table below presents the net asset statement as at 31st March 2020.

2018/19 £'000	Net current assets and Liabilities	2019/20 £'000
4,749	Top Up Grant receivable from Government	3,153
(40)	Pensionable Pay Creditor to Home Office	(35)
-	Contributions Holiday Debtor from Home Office	-
-	Employee paid but not due	-
(549)	Pension payments due but not paid	(740)
-	Unpaid pension benefits	-
(4,160)	Cash (Overdrawn)	(2,378)
0		**0**

Overview of the Pension Fund

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 £0.475m. The Pension Top-up grant received from the Government will be reduced by £0.035m (shown in note 27 – Provisions) 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 GAD.

These are detailed in the table below:

	2019/20 1992 (FPS)	2019/20 2006 (NFPS)	2019/20 2015 Scheme
Employer	37.30%	27.40%	28.80%
Employee	11%-17%	8.5%-12.5%	11%-14.5%

West Yorkshire Fire membership of the Pension Fund as at 31st March 2020 is as follows:

Category of Member	1992 (FPS)	2006 (NFPS)	2015 Scheme
Contributors	84	2	906
Deferred Pensioners	98	92	89
Pensioners	2,402	10	2

Accounting Policies
The Pension Fund Accounts for the year ended 31st March 2020 are presented in the format as laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 2020 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 31st March 2020.

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 LLP.

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.

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.

Default
The failure to fulfil the obligation to repay a financial instrument with corrective action required to prevent potential future credit losses.

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.

Glossary of Terms

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.

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.

Glossary of Terms

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.

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.

Glossary of Terms

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.

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 are 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.

Glossary of Terms

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.

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.

West Yorkshire Fire & Rescue Authority

[Protective Markings]

External Audit Annual Report 2019-20

Audit Committee

Date: 23 October 2020

Agenda Item: 10

Submitted By: Chief Finance and Procurement Officer

Purpose To present the External Annual Audit Report 2019/20.

Recommendations That the Audit Committee note the contents of the ISA260 report and consider the recommendations within the report.

Summary Following the completion of the audit of the Statement of Accounts, the auditors present the Audit report to those charged with governance.

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer: Alison Wood

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Background papers open to inspection: Statement of Accounts 2019/20

Annexes: ISA260 Report

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.

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 2019/20 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 2020 and its income and expenditure accounts for the year
• the financial position of the Fire-fighters' Pension Fund at 31 March 2020

3 Financial Implications

3.1 There are no financial implications associated with this report.

4 Human Resource and Diversity Implications

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

5 Health, Safety and Wellbeing Implications

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

6 Environmental Implications

6.1 There are no environmental implications associated with this report.

7 Your Fire and Rescue Service Priorities

7.1 The Statement of Accounts presents the financial position of the authority and as such underpins all the fire and rescue service priorities.

8 Conclusions

8.1 Due to the impact of Covid19 the deadline for completion of the Statement of Accounts was moved to the 31st August and to the 30th November for committee approval. There is still some outstanding work around pensions auditing meaning that the accounts cannot be signed as approved until the work of Deloitte is completed and the accounts are updated with any associated amendments.

7 Environmental Implications

7.1 There are no environmental implications associated with this report.

8 Your Fire and Rescue Service Priorities

8.1 The Statement of Accounts presents the financial position of the authority and as such underpins all the fire and rescue service priorities.

9 Conclusions

9.1 Due to the impact of Covid19 the deadline for completion of the Statement of Accounts was moved to the 31st August and to the 30th November for committee approval. There is still some outstanding work around pensions auditing meaning that the accounts cannot be signed as approved until the work of Deloitte is completed and the accounts are updated with any associated amendments.

Deloitte.

West Yorkshire Fire & Rescue Authority

Update report to the Audit Committee for the year ending 31 March 2020

October 2020

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Introduction
The key messages in this report

I have pleasure in presenting our update report to the Audit Committee (the Committee) of West Yorkshire Fire and Rescue Authority (the Authority) for the 2019/20 audit. The scope of our audit was set out within our planning report presented to the committee in January 2020.

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 at an advanced stage at the date of issue of this report with the following key matters still outstanding:

- receipt and evaluation of information from West Yorkshire Fund auditors;
- receipt of our final specialists reports in relation to pensions;
- evaluation of the impact of McCloud and Goodwin on the pension schemes;
- receipt and review of updated pension reports;
- resolution of queries on creditors testing;
- finalisation of the creditors note and testing of updated note;
- review of fair value disclosure provided by Arlingclose;
- tie through of narrative report to updated accounts;
- finalisation of notes testing following amendments to notes;
- receipt and full review of final, updated financial statements;
- completion of internal quality assurance procedures;
- receipt of signed management representation letter; and
- our review of events since 31 March 2020 through to signing.

We have included a section in this report providing observations arising from the work we have so far carried out on the areas of significant risk as reported to you in our audit planning report.

We will provide an oral update on these matters including an update regarding the status of the audit at the meeting.

Conclusions from our testing

- We have not identified any significant uncorrected audit adjustments or disclosure deficiencies. We have provided to management our proposed changes to the accounts, and are awaiting an updated version of the accounts to check the changes have been made. As our audit work is ongoing, further misstatements may be identified through the completion of our remaining work. We will provide an oral update regarding any such matters in the meeting.
- We have summarised our audit adjustments on pages 24 to 26.
- Based on the current status of our audit work, we envisage issuing an unmodified 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.
- We have considered the impact of the COVID-19 pandemic on our work – we include details on pages 9 to 11. Further details are included in our work on the valuation, where management's expert, Avison Young, identified a material valuation uncertainty. This is common to all valuations completed as at 31 March 2020 across the sector. This wording is reflected in our draft auditor's report. We did not identify any new financial statement or value for money significant risks as a result of the impact of the pandemic.
- We have reviewed the internal audit reports relating to the financial year, and have not placed any reliance on their work.
- We have raised some control recommendations on pages 17 and 18.

Introduction

The key messages in this report (continued)

Financial Sustainability and Value for Money	• In the CIES, the Authority reported an accounting surplus of £86.810m for the year (2018/19: deficit £98.788m) which is mainly due to an actuarial gain on the pension liability of £110.288m (2018/19: loss £39.905m). At the provision of service line the Authority showed a net deficit of £22.170m (2018/19: £64.084m). At year end the Authority had usable reserves of £34.668m (31 March 2019: £36.290m) and unusable reserves of (£1,375.637m) (31 March 2019: (£1,454.069m)). • We did not identify any significant risks related to Value for Money and 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	• We have reviewed the Authority's Annual Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work. • At the date of this report, we have no significant matters to raise with you in respect of the Narrative Report, and understand our proposed changes will be made by management. We also have no significant matters in respect of the Annual Governance Statement.
Duties as public auditor	• We did not receive any formal 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	• The WGA guidance has not yet been published, and is expected in September 2020. We anticipate that the Authority will remain below the threshold for WGA reporting, if this changes we will communicate this to the committee.

Paul Hewitson

Audit Director

Responsibilities of the Audit Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit Committee?

- To communicate audit scope
- To provide timely and relevant observations
- To provide additional information to help you fulfil your broader responsibilities

As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit Committee in fulfilling its remit.

Oversight of external audit

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.
- Make recommendations as to the auditor appointment and implement a policy on the engagement of the external auditor to supply non-audit services.

Integrity of reporting

- Impact assessment of key judgements and level of management challenge.
- Review of external audit findings, key judgements, level of misstatements.
- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.
- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested, provide advice in respect of the fair, balanced and understandable statement.

Internal controls and risks

- Review the internal control and risk management systems (unless expressly addressed by separate board risk committee).
- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

Oversight of internal audit

- Consider annually whether there is a need for an internal audit function and make a recommendation accordingly to the Board.
- Monitor and review the effectiveness of the internal audit activities.

Whistle-blowing and fraud

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns that are raised by staff in connection with improprieties.

Your control environment

What we consider when we plan the audit

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Responsibilities of management

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Audit committee

As explained further in the Responsibilities of the Audit Committee slide, on page 5, the Audit Committee is responsible for:

- Reviewing the internal control and risk management systems (unless expressly addressed by separate board risk committee).
- Explaining what actions have been, or are being taken to remedy any significant failings or weaknesses.

As stakeholders tell us that they to wish to understand how external audit challenges and responds to the quality of an entity's control environment, we are seeking to enhance how we plan and report on the results of the audit in response. It is intended that going forward we will look to place an increased focus on how the control environment impacts the audit, from our initial risk assessment, to our testing approach and how we report on misstatements and control deficiencies.

Reliance on controls	In future, we will seek to explore the potential to rely on the most important controls, particularly IT controls, that are relevant to critical business processes. In accordance with forthcoming revisions to ISAs, we will assess inherent risk and control risk associated with accounting estimates, and seek to test controls relevant to key estimates.
Performance materiality	We set performance materiality as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality, with reference to factors such as the quality of the control environment and the historical error rate.

Our audit explained

We tailor our audit to your organisation

Identify changes in your business and environment → Determine materiality → Scoping → Significant risk assessment → Conclude on significant risk areas → Other findings → Our audit report

Identify changes in your business and environment

In our planning report we identified the key changes in your business and articulated how these impacted our audit approach.

We have not identified any further changes as a result of the covid-19 pandemic or subsequent to publishing our planning report.

Determine materiality

When planning our audit we set our materiality for the Authority audit at £1.68m (2018/19: £2.04m) based on approximately 2% of estimated gross expenditure. We updated our materiality based on year-end outturn to £2.26m (2018/19: £1.84m). We report to you in this paper all misstatements above £113k (2018/19: £93k).

Scoping

COVID-19 consequences have impacted our work. Details are included on pages 8 – 10. There have been no other changes to the scope of our work as set out in the audit plan which is carried out in accordance with the Code of Audit Practice and supporting auditor guidance notes issued by the NAO.

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report. No additional significant risks have been identified since our Audit Plan.

Conclude on significant risk areas

We draw to the Committee's attention our observations on the significant audit risks from the work so far performed. The Committee members must satisfy themselves that management's judgements are appropriate and will need to agree arrangements to consider any significant findings arising from audit work which is not yet complete.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. This set out on pages 17 and 18.

Our audit report

Based on the current status of our audit work, we envisage issuing an unmodified audit report and unmodified value for money conclusion.

We expect to include an "emphasis of matter" paragraph in relation to material uncertainties around the property valuation.

COVID-19 pandemic and its impact on our audit.

Requirements	CIPFA has issued guidance highlighting the importance of considering the impact of COVID-19 in preparation of the 2019/20 financial statements, including communicating risks and governance impacts in narrative reporting. This is consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of COVID-19 and related uncertainties, including their impact on resilience and going concern assessments. Entity-specific explanations of the current and expected effects of COVID-19 and the Authority's plans to mitigate those effects should be included in the narrative reporting (including where relevant the Annual Governance Statement), including in the discussion on Principal Risks and Uncertainties impacting an organisation. As well as the effects upon reserves, financial performance and financial position, examples of areas highlighted by CIPFA include the impact on service provision, changes to the workforce and how they are deployed, impacts upon the supply chain, cash flow management, and plans for recovery. Risks highlighted include those relating to subsidiaries and investments, capital programmes, and resilience of the community including partner organisations and charities.
Actions	A thorough assessment of the current and potential future effects of the COVID-19 pandemic is required including: • A detailed analysis across the Authority's operations, including on its income streams, supply chains and cost base, and the consequent impacts on financial position and reserves; • The economic scenario or scenarios assumed in making forecasts and on the sensitivities arising should other potential scenarios materialise (including different funding scenarios); • Any material uncertainties relating to the Authority's financial position, the financial sustainability of the Authority, and the potential requirement for a section 114 notice; and • The effect of events after the reporting date, including the nature of non-adjusting events and an estimate of their financial effect, where possible.

Impact on the Authority	Impact on annual report and financial statements	Impact on our audit
We have considered the key impacts on the business such as: • Interruptions to service provision • Supply chain disruptions • Unavailability of personnel • Reductions in income • The closure of facilities and premises	We have considered the impact of the outbreak on the annual report and financial statements, discussed further on the next slide including: • Principal risk disclosures • Impact on property, plant and equipment • Valuation of commercial or investment properties • Impact on pension fund investment measurement and impairment • Financial sustainability assessment • Events after the reporting period and relevant disclosures • Bad debts provision policy • Narrative reporting • Impairment of non-current assets • Allowance for expected credit losses	We have considered the impact on the audit including: • Resource planning • Timetable of the audit • Impact on our risk assessment • Logistics including meetings with entity personnel

	Potential Impact on annual report and financial statements	Audit response
Impact on property, plant and equipment	The Royal Institute of Chartered Surveyors has issued a practice alert, as a result of which valuers have identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. This has impacted the Authority and has required specific disclosure in the financial statements.	The Authority has considered its approach to the measurement of property, plant and equipment (PPE). Where property held at current value is based on market valuations the Authority considered with their valuers the impact that COVID-19 has had on current value. The Authority also considered whether there are any indications of impairment of assets requiring adjustment at 31 March 2020. We understand that the Authority is disclosing the material uncertainty in the updated accounts and this leads to an Emphasis of Matter in our audit opinion.
Impact on pension fund investment measurement	As a result of the COVID-19 pandemic pension fund investments have been subject to volatility.	We have engaged with the West Yorkshire Pension Fund auditor to not only gather information for year-end measurements but to also understand any estimation techniques and any changes to those techniques that may be needed to measure the financial instruments. Where such volatility exists it may mean that the inputs used in the fair value measurement may change and may require a change of measurement technique, and consideration of the level of uncertainty in valuations where there is significantly more estimation. At the date of this report, we have not concluded this matter with the Pension Fund auditor.
Expected credit losses	The Authority has considered the provision for credit losses for receivables, including for expected credit losses for assets accounted for under IFRS 9.	No issues in relation to this have arisen from our audit work.

	Potential Impact on annual report and financial statements	Audit response
COVID-19 related income received pre year end	• There was one main receipt of income related to COVID-19 that was received pre 31 March 2020: • **Covid-19 LA Support grant.** This was the first tranche of £1.6bn passed out to Local Authorities by MCHLG on March 27 2020. West Yorkshire Fire and Rescue received £436k. This grant was unringfenced and without conditions and therefore should be recognised in income with any unspent amounts carried in reserves.	• We note that after discussion and reference to guidance these have been treated correctly in the statement of accounts. • The remaining COVID related income receipts received after the year end will be considered as part of the 2020/21 audit.
Narrative and other reporting issues	The following areas need to be considered by local authorities as having being impacted on by the COVID-19 pandemic. • Narrative reporting as well as the usual reporting requirements will need to cover the effects of the pandemic on services, operations, performance, strategic direction, resources and financial sustainability. • Reporting judgements and estimation uncertainty, the Council will need to report the impact on material transactions including decisions made on the measurements of assets and liabilities	We note that the narrative report adequately discloses matters related to COVID-19, including risks, potential impacts and other issues. The report is compliant with the guidance in this area.

Significant risks
Dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations	Slide no.
Property Valuation	✗	DI	Satisfactory		12
Completeness of expenditure	✓	DI	Weakness identified	+	14
Management override of controls	✓	DI	Satisfactory		15

Overly prudent, likely to lead to future credit

Overly optimistic, likely to lead to future debit.

Controls approach adopted

- DI Assess design & implementation
- OE Test operating effectiveness of relevant controls
- S Involvement of IT specialists

Significant risks (continued)

Valuation of property assets

Risk identified

The Authority held £74.5m of property assets (land and buildings) at 31 March 2018 which increased to £79.5m as at 31 March 2019. This increase was due to additions in the year of £1.19m and net movement on revaluation and depreciation of £3.81m.

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. A full revaluation was undertaken in 2018/19 and we understand that management have completed a full revaluation of 20% of the assets and 80% of assets have had a desktop valuation as at 31 March 2020. The risk is therefore surrounding the valuation of property assets within the year-end accounts.

Deloitte response

- We 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 tested the design and implementation of key controls in place around the valuations process;
- We 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;
- We 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; and
- We had expected to review a sample of assets that were not revalued, however, management revalued all assets in the current year.

Deloitte view

Overall, we have concluded that the net book value of property assets is not materially misstated. The Authority's valuation assumptions are generally reasonable.

Significant risks (continued)

Valuation of property assets – Material Uncertainty due to COVID-19

Material Uncertainty due to COVID-19

The Authority's valuer has included disclosures in relation to COVID-19 in their report including the extracts below:

"The outbreak of the COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.
The current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.
Our valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review."

This is a common feature of valuation reports prepared to 31 March 2020.

Impact on Statement of Accounts

The Authority is required to disclose the existence of this material uncertainty in the Statement of Accounts. Management have incorporated this within their financial statements. We have discussed with management regarding expanding the disclosure provided within the accounts. We are awaiting an updated version of the accounts in order to check.

Impact on Audit Opinion

An "emphasis of matter" is required to be included in our audit opinion to draw attention to management's disclosure:

"*We draw attention to note x, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Authority's property portfolio. As noted by the Authority's external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the property portfolio at the balance sheet date. Our opinion is not modified in respect of this matter*."

Deloitte view

We have made a recommendation to management as part of our comments on the financial statements regarding their disclosure on COVID-19. We will review the changes when updated accounts are received.

Significant risks (continued)

Completeness of expenditure

Risk identified

Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. In line with last year, we have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure.

Given the Authority's current under spend 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 obtained an understanding of the design and implementation of the key controls in place in relation to recording of accruals including year-end creditor transactions and are currently resolving queries with management;
- We undertook further analytical procedures aimed at identifying distortion to the pattern of expenditure recorded, though owing to the unusual distortion caused by covid-19 this was not possible, and therefore additional substantive procedures were performed;
- We performed focused testing in relation to the completeness of expenditure by examining the application of cut off primarily through the focussed testing of post year end payments and invoices to ensure completeness of both accruals and expenditure balance and are awaiting the replies to some queries on our testing; and
- We reviewed and challenged the assumptions made in relation to year-end estimates and judgements to assess completeness of recorded expenditure.

Deloitte view

Our work in this area is in progress. We are awaiting resolution to our remaining queries on our sample testing. We will provide an oral update at the committee meeting.

Significant risks (continued)

Management override of controls

Risk identified

In accordance with ISA 240 (UK) 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 judgements 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 assets. These are inherently the areas in which management has the potential to use their judgement to influence the financial statements. Whilst not noted as a significant risk, the valuation of pensions is also a key judgement due to the nature of the balance and judgements involved.

Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- The Authority's results throughout the year did project both positive and negative divergences from budgets in operational areas. This was closely monitored and whilst some areas projected overspends, the underlying reasons were understood.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Journals

We have performed design and implementation testing of the controls in place for journal entries.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were 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. No issues were noted.

Accounting estimates

We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the areas more subject to estimation in the period were balanced and did not indicate a bias to achieve a particular result.

We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Deloitte view

We have not identified any significant bias in the key judgements made by management based on work performed.

We have not identified any instances of management override of controls in relation to the specific transactions tested based on work performed.

Conclusion on arrangements to secure economy, efficiency and effectiveness from the Authority's use of resources

Background

Under the National Audit Office's Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work. We note that the NAO guidance indicates a low likelihood that COVID-19 forms a risk area impacting the assessment of arrangements for 2019/20. Rather this will form part of the risk assessment and evaluation for 2020/21. The response to COVID-19 is described as an "emerging risk" in this guidance (rather than a significant risk) unless clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of COVID-19 during the 2019/20 financial year.

Our risk assessment

As part of our planning procedures we did not identify any significant risks or areas of focus in respect of the Authority's use of resources. As part of our year-end audit procedures we did not identify anything of significance and we did not identify any areas of risk from our review of post year-end events.

We have nothing to report in respect of this.

Deloitte view

Based on the current status of our audit work, we envisage issuing an unqualified "value for money conclusion".

The expected form of our conclusion is as follows:
On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2020 we are satisfied that, in all significant respects, West Yorkshire Fire and Rescue put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Your control environment and findings

Control insights and areas for management focus

Area of observation	Deloitte recommendation	Management response and remediation plan
Collection Fund	Management should review their accounting for the Collection Fund to ensure that the work papers and associated disclosure is in line with the CIPFA code.	It is managements intention to draft an early 2020/21 disclosure template and share this with the auditor to ensure compliance in advance of year end for 2020/21. Additional training to be taken within 2020/21.
Pensions	From our review of the GAD report on the Firefighters Pension Scheme and the draft financial statements we note that the information provided to GAD in relation to the lump sums was incorrectly analysed between the 1992 and 2015 schemes and that a lump sum that was paid in 19/20 was not recorded within the information provided to GAD. Management should re-examine the quality control procedures in respect of the provision of information to GAD.	A review of the quality controls procedure to take place with an additional member of the team reviewing. The lump sum in question was paid in 19/20 but was not expected to be paid until 2 April 2020 (information disclosed from West Yorkshire Pension Fund) and therefore was not included at the time of compiling information to the Governments Actuarial Department (GAD) which was submitted in February 2020. Subsequently, this was amended for payment on 31 March 2020.
Note 9 income classification	Management should review the groupings of their ledger to ensure that the mapping then directly links to the note disclosure and is code compliant.	Review of general ledger codes assigned to income is required. The totality of income is complete and correct, however, the categorization on some general ledger codes is inconsistent to the category of income required.
Expenditure control	Management should review the expenditure control to ensure that it appropriately identifies both creditors and accruals. Currently the control involves a review of the Vendor Invoice Management (VIM) system, which records invoices received but not posted to the ledger, and the posting of these as accruals, which is incorrect in line with IAS 37. The review of the accruals identified by the respective officers in charge of directorates / profit centre did not have a formal approval and there was no formal review of the March monitoring capital report which included these items. There should be a re-examination of the design of the control and review of the quality control procedures in respect of this.	The amounts disclosed overall in both the Balance Sheet and Creditors (note 26) are complete and correct in their totality, however, the presentation needs additional review to be fully compliant with IAS37.

Your control environment and findings (continued)

Control insights and areas for management focus

Area of observation	Deloitte recommendation	Management response and remediation plan
Assets Under Construction	We note that from our enquiries, management do not routinely review their assets under construction balance for indicators of impairment. We recommend that this review is completed annually to ensure that if an impairment is identified this is recorded within the general ledger throughout construction rather than on reclassification to operational property plant and equipment.	The Authority fully revalues any Assets Under Construction once they become fully operational. We will take guidance from our external valuer and impair prior to becoming fully operational if required on the basis of that guidance.
Related party forms	The related party forms require members to disclose any transactions between themselves and the Authority or any transactions between the Authority and a business controlled by themselves or a close relative. The related party forms should require members to disclose their interests rather than transactions, and then these disclosures used by the Authority in order to check for transactions.	Although in 2019/20 this would not have resulted in any overall change, an amendment to the form shall be made when disclosing related parties within the 2020/21 statement of accounts.
Service Level Agreement	As raised in the prior year, we note that as part of the renegotiation of the SLA that WYFRA did not incorporate the routine receiving of assurance from KMBC on the hosted IT systems. Formal annual statements of assurance over the hosted IT systems should be received to incorporate: cyber security, incident monitoring / response, starters / movers / leavers, user access reviews, change management and backups.	Whilst the 2020/21 Service Level Agreement does not expressly set out the assurance statements to be received as part of Schedule 6 of the SLA on a quarterly basis, the Authority is in receipt of aforementioned information on an annual basis. At the point of the new agreement being drafted, this will be expressed in the new contract.

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

Based on our work completed to date it is expected that our opinion on the financial statements will be unmodified.

Material uncertainty related to going concern

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

We include details on the emphasis of matter paragraph in relation to property valuations on page 13 of this report.

There are no other 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).

Based on our work to date, our conclusion on the Authority's arrangements is unmodified.

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.

We are awaiting an updated set of accounts to review, however, based on our work to date, our conclusion in this area is satisfactory.

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	The Narrative Report is expected to address (as relevant to the Authority): - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation - Future sustainability and risks to this posed by COVID-19.	We have assessed whether the information given in the Narrative Report meets the disclosure requirements set out in guidance, is misleading, or is inconsistent with other information from our audit. We note that management make good use of pictures and links throughout their narrative report. We have considered the sustainability narrative including the requirement to discuss and evaluate the impact of COVID-19 within this assessment. We have concluded satisfactorily on this matter. Our assessment of the impact of COVID-19 can be seen from pages 8 – 10. We are awaiting an updated version back from the Authority to check that it complied with all the relevant requirements.
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in guidance, is misleading, or is inconsistent with other information from our audit.

Maintaining audit quality

Responding to challenges in the current audit market

This is a time of intense scrutiny for our profession with questions over the role of auditors, market choice and the provision of non-audit services by an audit firm. We welcome the debate and are engaging fully with all parties who have an interest in the current audit market reform initiatives, so that our profession, our people, our clients and most importantly, the public interest, are served to the highest standards of audit quality and independence.

The role of audit	• Public confidence in audit has weakened over recent years and the expectation gap has widened with differences between what an audit does and what people think it should do (largely in areas of internal controls, fraud, front half assurance and long term viability) • Deloitte fully supports an independent review into the role of auditors • The Government's Brydon Review will consider UK audit standards and how audits should evolve
Would it be better to have audit only firms?	• Deloitte believes that multidisciplinary firms have more knowledge, greater access to technology and a deeper talent pool. The specialist input from industry, valuation, controls, pensions, cyber, solvency, IT and tax services are critical to an effective audit. • Our investment in audit innovation, training and technology is greater because of the multidisciplinary model
Is the current audit market uncompetitive?	• We recognise that the competition for large, complex clients is fierce, but we wholeheartedly support greater choice being available to stakeholders • There are barriers to entry in the listed market that are significant including the required global reach, unlimited liability, and the high cost of tendering • The audit profession has engaged with the Competition and Markets Authority with ideas on how to provide greater choice in the market, and responded to the CMA's suggested market remedies
Independence and conflicts from other services	• Legislation and the FRC's Ethical Standard restrict the services we may provide to audit clients • Deloitte invests heavily in systems, processes and people to check for potential conflicts • We have governance in place to assess any areas of potential conflict, including where required to protect the public interest • Fees for non-audit services to audit clients have fallen since 2008 (17% to 7.3% of firm revenue)
Deloitte	• Deloitte and Audit Service Line leadership are happy to meet the Board and management of our clients with respect to this important debate. We reaffirm our commitment to quality, independence and upholding the public interest • Our Impact Report and Transparency Report are available on our website https://www2.deloitte.com/uk/en/pages/about-deloitte-uk/articles/annual-reports.html • Our response to the latest AQR report is on slide 28.

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 Narrative Report.

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.

for and on behalf of Deloitte LLP

October 2020

Appendices

Audit adjustments
Unadjusted misstatements

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 ISAs (UK). Uncorrected misstatements decrease net assets by £0.616 million.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) reserves £m
Misstatements identified in prior year affecting current year				
Creditors	[1]	(0.294)		0.294
Misstatements identified in current year				
LGPS share	[2]	(0.423)	0.423	
Accruals	[3]	(0.193)	0.193	
Aggregation of misstatements individually < £113k				
Total		**(0.910)**	**0.616**	**0.294**

[1] Relates to an extrapolated under accrual for expenditure noted in our prior year audit which carries forward to the current year.

[2] AoN have used the wrong share of assets for WYFRA for the 31/3/20 accounting figures.

[3] Relates to over accrual for expenditure noted from two errors of £21k in our accruals testing.

Audit adjustments (continued)

Corrected misstatements

The following misstatements have been identified up to the date of this report which we understand have been corrected by management. We are awaiting an updated version of the financial statements to check these changes. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) reserves £m
Collection Fund prior year	[1]		0.189 (0.189)	
Collection Fund current year	[2]	0.058	(0.058) 0.002 (0.002)	
Note 9	[3]	0.564 (0.564)		
Surplus from collection fund	[4]	0.278		(0.278)
Total		**0.336**	**(0.058)**	**(0.278)**

[1] Management incorrectly amended the prior year collection fund figures in respect of the recording of the net debtor / net creditor position with the billing authority.

[2] Transposition error noted in the Collection Fund in respect of the Leeds Council return, and also correction in the current year of incorrect recording of the net debtor / net creditor position with the billing authority.

[3] Management have incorrectly analysed the disclosure within note 9 between customer and client receipts and government grants. This corrects the classification of income between these headings and also corrects the income reported in note 34.

[4] Correction to update for the errors notes in the collection fund.

Audit adjustments (continued)

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	Summary of disclosure requirement	Quantitative or qualitative consideration

We have raised some disclosure points for management to correct. We will review the updated version of the financial statements once these have been updated and report any non-trivial remaining deficiencies.

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 you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and 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 property valuations, completeness of expenditure and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance including the Head of Internal Audit.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

No significant concerns have been identified from our work.

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 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	The audit fee for 2019/20, in line with the scale fee provided PSAA, is £27,782 (2018/19: £37,782). Owing to errors in the Collection Fund, review of multiple versions of note 9, additional procedures in respect of accounting for creditors, and additional pensions work we have incurred unforeseen costs being incurred. We will seek to agree a variation to the fees, in accordance with the terms of the PSAA contract, to recover these additional costs. There have also been certain additional costs as a result of COVID-19. We are still working through the full implications of these and will provide management with an estimate of these costs in due course. No other non-audit fees have been charged by Deloitte in the period.
Non-audit services	In our opinion there are no inconsistencies between FRC's 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	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. We are not aware of any relationships which are required to be disclosed.

Our approach to quality

AQR team report and findings

Audit quality remains our number one priority and we have a relentless commitment to it. We continue to invest in and enhance our Audit Quality Monitoring and Measuring programme.

In July 2020 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2019/20 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

We are pleased with our results for the inspections of FTSE 350 entities achieving 90% assessed as good or needing limited improvement, which included some of our highest risk audits. Our objective is for 100% of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard. We are however, extremely disappointed one engagement received a rating of significant improvements required during the period. This is viewed very seriously within Deloitte and we have worked with the AQR to agree a comprehensive set of swift and significant firm wide actions.

We are also pleased to see the impact of our previous actions on prior year adjustments is reflected in the results of current year inspections with no findings in this areas. In addition the FRC identified good practice examples including in: risk assessment, group oversight, our comprehensive IFRS9 expected credit loss audit programme and our audit committee reporting.

Embedding a culture of challenge in our audit practice underpins the key pillars of our audit strategy. We invest continually in our firm wide processes and controls, which we seek to develop globally, to underpin consistency in delivering high quality audits whilst ensuring engagement teams exercise professional scepticism through robust challenge.

All the AQR public reports are available on its website.
https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports