



OFFICIAL

Abridged Performance Management Report

Audit Committee

Date: 27 July 2018

Agenda Item:

5

Submitted By: Chief Legal and Governance Officer

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

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: None

Annexes: Abridged Performance Management Report

1 Introduction

- 1.1 The Performance Management and Activity Report, which is presented to each 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 bi-monthly by Management Team and by the Full Authority at each meeting.
- 1.3 A traffic light system is used to provide a clear visual indicator of performance against each specific target and comparison is made with the same period the previous year to indicate whether performance has improved, remained the same or deteriorated.

2 Information

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

3 Financial Implications

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

4 Legal Implications

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

5 Human Resources and Diversity Implications

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

6 Health and Safety Implications

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

7 Service Plan Links

- 7.1 This report links to all the Service Plan priorities.

8 Conclusions

- 8.1 That Members note the report.

Performance Management and Activity Report (Abridged) 2017/18

Period covered: 1 April 2017 – 31 March 2018
Date Issued: 19 June 2018



Table of Contents

1.	Introduction/Summary	2
2.	Service Delivery Targets	3
3.	Service Delivery Indicators – Overview	4
4.	Service Delivery Indicators – WYFRS not achieving target	5
5.	Regulation of Investigatory Powers Act (RIPA) 2000	7

1. Introduction/Summary

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

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

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

All data, unless specified, is for the reporting period 1 April 2017 – 31 March 2018.

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

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

2. Service Delivery Targets

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

	Actual Data (2009/10)	Three Year Average Target (2014/17)	Actual Data to date (2016/17)	Actual Data to date (2017/18)	Performance Against Three Year Average (2017/18)	End of Year Projection (2017/18)
Arson	10897	5951	6246	6714	12.8%	6714
Actual Rescues	875	795	728	691	-13.1%	691
Total Activity	34270	21997	17932	22935	4.3%	22935
Dwelling Fires	1549	1222	1185	1094	-10.5%	1094
Non-Domestic Building Fires	513	451	506	392	-13.1%	392
Prevalence of False Alarms	16750	10513	10446	10317	-1.9%	10317
Fire-Related Injuries	270	218	215	193	-11.5%	193
Road Traffic Collisions	1060	629	579	599	-4.8%	599
Malicious False Alarms	713	336	347	377	12.2%	377

3. Service Delivery Indicators – Performance compared to previous year

Description	2017-18 To Date	Same Period 2016-17
Accidental Dwelling Fires (per 10,000 dwellings)	9.60	10.38
Number of deaths arising from accidental fires in dwellings (per 100,000 population)	0.53	0.26
Number of Fire-Related Deaths (per 100,000 population) arising from fires other than Accidental Dwelling Fires	0.22	0.14
Number of Injuries arising from accidental fires in dwellings (per 100,000 population)	5.22	6.32
(a) Number of Serious Injuries(per 100,000 population)	0.61	0.84
(b) Number of Slight Injuries (per 100,000 population)	4.60	5.48
The percentage of dwelling fires attended where there was a working smoke alarm which activated	56.7%	55.1%
The percentage of dwelling fires attended where a working smoke alarm was correctly fitted but did not activate	19.8%	18.4%
The percentage of dwelling fires attended where a smoke alarm, because it was faulty or incorrectly sited, did not activate	3.8%	4.9%
The percentage of dwelling fires attended where no smoke alarm was fitted	19.7%	21.6%
Number of calls to malicious false alarms (per 1000 population) – attended	0.17	0.15
False alarms caused by automatic fire detection equipment (per 1000 non-domestic properties)	36.83	40.75
False alarms caused by automatic fire detection equipment (per 1000 domestic properties)	3.69	4.16
Fires in non-domestic premises (per 1000 non-domestic premises)	4.85	6.40
Number of Primary Fires (per 100,000 population)	143.36	160.40
Number of Fire Casualties – excluding Precautionary Checks (per 100,000 population)	7.71	9.10
Arson Incidents – All Deliberate Fires (per 10,000 population)	29.43	27.58
Arson Incidents – Deliberate Primary Fires (per 10,000 population)	6.64	7.64
Arson Incidents – Deliberate Secondary Fires (per 10,000 population)	22.78	19.94

4. Service Delivery Indicators – WYFRS not achieving target

Description	Cumulative Year to Date Performance												Performance in 2016-17
	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	
Deaths from accidental dwelling fires	0.04 (1)	0.13 (3)	0.13 (3)	0.13 (3)	0.13 (3)	0.22 (5)	0.26 (6)	0.26 (6)	0.44 (10)	0.48 (11)	0.53 (12)	0.53 (12)	0.26 (6)
<p>Comments: The number of dwelling fires in 2017/18 stands at 1094. In the previous year there were 1185 dwelling fires. This is a positive result as it demonstrates that dwelling fires are continuing to fall. However, there has been 12 fatalities at dwelling fires in 2017/18 compared to 6 in 2016/17. Each fire fatality is investigated to establish the cause and the lifestyle factors that are evident such as smoking, poor mental health, poor household living conditions and living alone are all too often found to be evident. This justifies the decision to filter such risk factors to ensure our prevention resources are directed towards those with the greatest vulnerability. We also work with partner agencies to increase their awareness of the support we can provide to ensure people are safer in their homes, especially if people are known to other agencies as can be referred to us for safe and well visits.</p>													

Description	Cumulative Year to Date Performance												Performance in 2016-17
	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 Fire-Related Deaths arising from fires other than Accidental Dwelling Fires	0.00 (0)	0.00 (0)	0.00 (0)	0.00 (0)	0.00 (0)	0.04 (1)	0.13 (3)	0.13 (3)	0.18 (4)	0.18 (4)	0.22 (5)	0.22 (5)	0.14 (3)
<p>Comments: There have been 3 fire related fatalities in 2017/18 resulting from individual acts of suicide using fire as a cause. An individual from outside West Yorkshire was found in woodlands in Middleton, Leeds on 6 September 2017 and we have experienced 2 incidents where individuals have used petrol to set light to the passenger compartment of their own vehicles in Rippenden in October and Dewsbury on Christmas Eve. WYFRS has been working with the West Yorkshire Suicide Prevention Advisory Network and future staff training is planned to support staff and compliment the overall Safe and Well training programme. The training course is called safeTALK which is aimed at services who may come into contact with people who may be having thoughts of suicide and helps in identification of vulnerability, overcoming barriers of talking about suicide and connections for further specialist support.</p>													

Description	Cumulative Year to Date Performance												Performance in 2016-17
	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 calls to malicious false alarms attended	0.01 (21)	0.03 (59)	0.04 (85)	0.06 (115)	0.06 (138)	0.07 (166)	0.09 (199)	0.10 (237)	0.12 (282)	0.14 (310)	0.15 (353)	0.17 (377)	0.15 (347)
Comments: The number of Malicious false alarms for the year was 377 (just over 1 per day on average) and the figure does fall outside of the target set by 12.2%. The actual number increased from the previous year (347) by 30 calls. We continue to work with premises where we receive repeat malicious false alarms to educate people of the problems that responding to such calls has on our availability to respond to real incidents and our Control room staff do filter out a significant number through their training and experience. The numbers are low and so the performance figures can be sensitive on this target. If the baseline year (2009/10) is considered, there were 713 malicious false alarms recorded and so the overall direction has seen significant reductions in such calls.													

Description	Cumulative Year to Date Performance												Performance in 2016-17
	To 30 Apr	To 31 May	To 30 Jun	To 31 Jul	To 31 Aug	To 30 Sep	To 31 Oct	To 30 Nov	To 31 Dec	To 31 Jan	To 28 Feb	To 31 Mar	
Arson Incidents – All Deliberate Fires (per 10,000 population)	3.81 (869)	7.13 (1628)	9.90 (2258)	12.91 (2946)	15.83 (3612)	17.64 (4024)	20.55 (4689)	23.97 (5469)	25.52 (5822)	26.67 (6086)	28.01 (6391)	29.43 (6714)	27.58 (6246)
Comments: The increase in arson incidents in 2017/18 was mainly experienced due to a large number of secondary fires in the first quarter of the year. The arson figures fell back to normal levels for the remainder of the year (Q2-4). When primary fires alone are considered, the figure in 2017/18 (1516) has reduced compared to the previous year (1731) by some 12%. The significant proportion of deliberate fires are secondary 'nuisance' type fires which accounted for 78% of the recorded arson incidents in the reporting period. All operational and prevention staff will be given an arson reduction training module as part of the future Safe and Well training strategy and we will continue to work with our partners across the districts to highlight the impact of nuisance fires in addition to working with Schools, Businesses and home owners to deliver education and increase awareness of how to prevent deliberate fires from happening.													

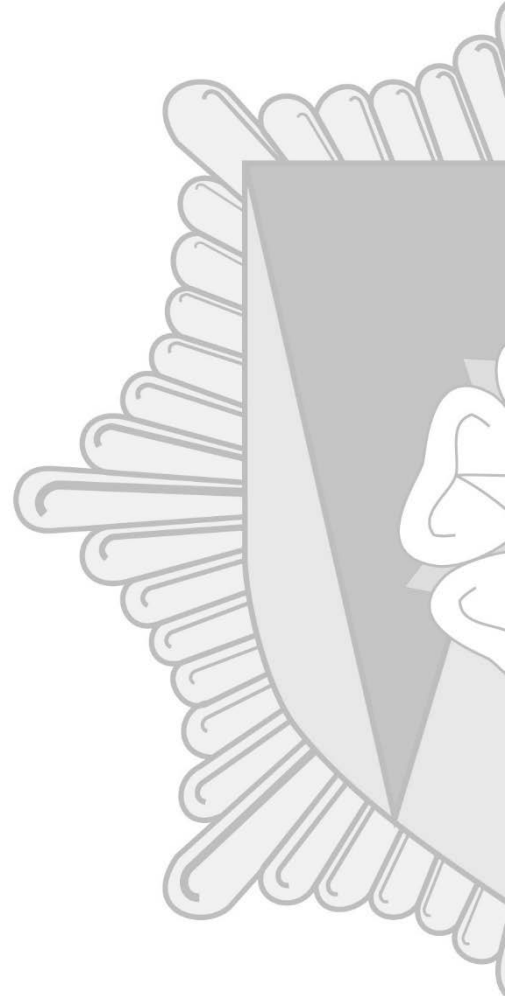
Description	Cumulative Year to Date Performance												Performance in 2016-17
	To 30 Apr	To 31 May	To 30 Jun	To 31 Jul	To 31 Aug	To 30 Sep	To 31 Oct	To 30 Nov	To 31 Dec	To 31 Jan	To 28 Feb	To 31 Mar	
Arson Incidents – Deliberate Secondary Fires (per 10,000 population)	3.17 (724)	5.82 (1328)	7.91 (1805)	10.32 (2354)	12.57 (2869)	13.86 (3162)	16.11 (3676)	18.94 (4322)	20.06 (4577)	20.86 (4759)	21.83 (4980)	22.78 (5198)	19.94 (4515)
Comments: A significant increase in arson incidents occurred in the first 3 months of 2017. Between 1 April 2017 - 30 June 2017 there were 1805 deliberate secondary fires compared with 1180 the previous year (this represents an increase of 53%). This increase in deliberate fires in the first quarter of the year was experienced across regional and national Fire and Rescue Services and it can be heavily influenced by the weather (dry April / May) and when the school Easter holidays fall. The majority of incidents attended in this category are nuisance fires such as rubbish, grass and small bonfires. It is worth noting that in the period from 1 July 2017 - 31 March 2018 (Quarters 2-4) we only experienced 58 more deliberate secondary fires compared to the same period in the previous year.													

5. Regulation of Investigatory Powers Act (RIPA) 2000

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

Period: 1 April 2017 to 31 March 2018	Applications	Authorisations	Rejections
Directed Surveillance	0	0	0
Covert Human Intelligence Sources	0	0	0
Disclosure of Communications Data	0	0	0

PREVENTING PROTECTING RESPONDING



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Risk Management Strategy Group - update

Audit Committee

Date: 27 July 2018

Agenda Item:

6

Submitted By: Director of Service Delivery

- Purpose** To report risk management activity and developments reported to Risk Management Strategy Group (RMSG) in June 2018 and highlight any future risks or risk related areas.
- Recommendations** That the Audit Committee note the report.
- Summary** The overall responsibility of the RMSG is to maintain the Authority's risk management capabilities and to develop strategies to effectively manage new and existing risks. The RMSG meet on a quarterly basis and the group is chaired by the Deputy Chief Fire Officer/Director of Service Delivery. The RMSG is one element that supports the Authority's Code of Corporate Governance in terms of risk management and internal control.

Local Government (Access to information) Act 1972

Exemption Category: None

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

Annexes: None

1 Introduction

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

2 Information

2.1 The Risk Management Strategy Group last met June 2018. The Audit Manager and the Risk and Insurance Manager from Kirklees Council attend RMSG meetings. The Audit Manager provides an update on recent internal audit activity. Councillor Ronald Grahame also attends the meetings.

2.2 Below is a summary of key areas:

- Between the March 2018 and June 2018 RMSG meetings, 23 risks have been reviewed by their respective owners.
- The risk associated with the Emergency Services Network (ESNI1.S) is a standing agenda item and therefore is reviewed/discussed at every RMSG meeting.
- A new risk (CBRN3.S) has been created that combines and replaces the two risks that relate to chemical, biological, radiological and nuclear hazards (CBRN1.S and CBRN2.S). This was a recommendation from a recent internal audit (Kirklees).
- The risk that relates to the General Data Protection Regulation (GDPR1.S) has reduced in score from a 'very high' to a 'medium' risk. This is as a result of the implementation of the necessary policies, procedures, systems and training, which were assessed by an internal audit (Kirklees) that concluded in a 'substantial assurance' opinion.

2.3 There are currently 53 risks split between the following categories. The table below shows movement over the past 12 months.

Risk Factor Score	September 2017	December 2017	March 2018	June 2018
Very High (15-25)	8	8	7	5
High (9-14)	17	17	19	19
Medium (4-8)	26	26	25	26
Low (1-3)	2	2	3	3
Total number of risks	53	53	54	53

The 5 'very high' risks are:

LRGG1.S - Loss or reduction in government grant.

WAFL1.S - Wide area flooding.

MTFA1.S - Responding to a Marauding Terrorist Firearms Attack.

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

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

3 Financial Implications

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

4 Legal implications

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

5 Human Resources and Diversity Implications

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

6 Health and Safety Implications

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

7 Service Plan Links

7.1 This report links to the strategic priority 'provide effective and ethical governance and achieve value for money', in terms of the management of risk and systems of internal control.

8 Conclusions

8.1 That the Audit Committee note the report.



OFFICIAL

Internal Audit Quarterly Report

Audit Committee

Date: 27 July 2018

Agenda Item:

7

Submitted By: Chief Finance and Procurement Officer

Purpose	To present the Internal Audit report (April to June 2018) to Members
Recommendations	That Members note the content of the report.
Summary	To provide a summary of the audit activity for the period April to June 2018 and to report the findings to the Committee.

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: None

Annexes: Internal Audit report April to June 2018

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 June 2018.
- 1.2 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
- 1.3 More details of how these classifications are measured are provided in the attached appendix.
- 1.4 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 Information

- 2.1 There have been two business risk audits one of which received substantial assurance and the other an adequate assurance. There is currently one audit that is in progress.
- 2.2 Internal audit continue to provide support to the Joint Command and Control project and the Emergency Services Mobile Communications Project (ESMCP).
- 2.3 Section 10 of the attached appendix compares current audit performance in the current financial year with the previous year.

3 Financial Implications

- 3.1 There are no financial implications associated with this report

4 Legal Implications

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

5 Human Resource and Diversity Implications

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

6 Health and Safety Implications

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

7 Conclusions

- 7.1 Members are asked to note the contents of this report.



INTERNAL AUDIT QUARTERLY REPORT

2018/19

April to June 2018

Simon Straker: Audit Manager

ABOUT THIS REPORT

This report contains information about the work of the Authority's Internal Audit provided by Kirklees Council. The 2018/19 Audit Plan as approved by this Committee earlier in the year is risk based and includes 19 pieces of work covering a variety of areas enabling an annual opinion to be formed on the Authority's governance, risk management and internal control arrangements.

For ease of reference the audits are categorised as follows:

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

Investigation summaries may be included as a separate appendix depending upon the findings.

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

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

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

The final section of the report concerns Audit Plan delivery.

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

1. **SUMMARY**

This report contains details both of audits in the 2017/18 Plan that were completed after the end of the year, together with those in progress from the current year's one. One final audit remains from last year concerning the Capital Plan but this has been deferred to avoid the closedown period of the Annual Accounts.

No particular concerns have arisen as a result of these audits, fuller details are shown below.

2. **SPECIAL INVESTIGATIONS & REVIEWS**

Additional Responsibility Allowances Policy

A review of compliance with the Policy as requested by management has commenced.

A brief has now been agreed with officers and the outcome, once finalised will be reported to the next meeting.

3. KEY FINANCIAL SYSTEMS

Risk	Findings	Audit Opinion
Chief Finance & Procurement Officer		
Bankers' Automated Clearing Service (BACS) Bureau	<p>Payroll and Creditors payments are effected by BACS under a SLA with Kirklees Council which has accreditation as a bureau enabling provision of this service. Accreditation requires a periodic internal audit of systems and processes.</p> <p>The audit found overall control to be satisfactory but there was a lack of clarity regarding business continuity arrangements and system access was in need of review to ensure it continues to be up to date and appropriate.</p> <p>Council management have agreed to take appropriate action to address these matters and ensure Authority payments continue to be made in a secure and robust environment.</p>	Adequate Assurance
Capital Plan Delivery (2017/18)	Audit scheduled shortly.	

4. OTHER FINANCIAL SYSTEMS & RISKS

None during this period.

5. LOCATION & DEPARTMENT AUDITS

None during this period.

6. BUSINESS RISK AUDITS

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

Risk	Findings	Audit Opinion
Chief Legal & Governance Officer		
<p>GDPR Preparedness (2017/18)</p>	<p>Prior to the EU Directive coming into force on 25 May, an audit was undertaken of the progress made to ensure the Authority’s compliance, assessed as a very high risk on the Corporate Risk Matrix.</p> <p>The work required for GDPR was identified at an early stage and an implementation plan included all key elements of the Information Commissioner’s Office best practice guidance.</p> <p>The Chief Legal & Governance Officer has been assigned the role of the Data Protection Officer.</p> <p>Considerable effort and resources were applied to meet the GDPR deadline, however the time taken to fill the Information Governance Manager position impacted on the timeline, in particular the data mapping exercise but the risk was clearly identified and progress reported to management regularly.</p> <p>The website and Firespace information needs to be reviewed and updated as required to avoid any ambiguity arising from staff and members of the public.</p>	<p>Substantial Assurance</p>

Director of Service Support

Cyber Security (2017/18)

Cyber security covers a wide span of activity, so for the purposes of this audit reference was made to the *Ten Steps to Cyber Security 2016*, produced by the National Cyber Security Centre (NCSC) as a benchmark of good practice for organisations to adopt. Cyber security is an area where it understandable for corporate management to presume control is satisfactory without evidence to the contrary, rather than seek proactive assurance. Various public and bodies and other organisations have suffered significant attacks in recent months and years affecting service delivery and damaging their reputation.

Overall, the Authority's arrangements were found to be robust and well managed with a new emphasis and priority attached to this important area latterly. Nevertheless, as with activities prone to rapid change and continuing threat, management need to remain proactive and measured within the available resources.

A number of areas were found to be in need of strengthening or review but IT management were already aware of the need to do so, including

- Cyber response and incident management, where policies are being developed
- System Monitoring, which is under review

An Action Plan has been agreed concerning addressing the areas for improvement.

Adequate Assurance

Director of Service Delivery

Commercial Premises Database (of potential hazards)

The database serves as an important safeguard to help protect firefighters from harm when attending an incident at such premises.

Audit in Progress

7. FOLLOW UP AUDITS

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

None during this period.

8. REVIEW OF KEY RECOMMENDATIONS

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

9. ADVICE, CONSULTANCY & OTHER WORK

System	Comments
Director of Service Delivery	
Joint Control & Command (JCC) Project	Continued support to the Project Board in progressing finalisation of the contract and concluding a negotiation of payments due to and receivable from the contractor.
Director of Service Support	
Emergency Services Mobile Communications Project (ESMCP)	Internal Audit has been requested to provide ongoing assurance about the financial probity and governance arising from the delivery of the project, both as regards WYFRS and within the Yorkshire & Humber region as a whole. WYFRS acts as custodian for the region of grant monies from the Home Office. The terms of reference of the former have been agreed by the Project Board and a review of grant receipt and accounting is in progress.

10 **AUDIT PLAN DELIVERY 2018/19**

Performance Indicators	16/17 Actual	17/18 Actual	18/19 Target	18/19 Actual
Audits completed within the planned time allowance	88%	67%	80%	100 %
Draft reports issued within 10 days of fieldwork completion	100%	92%	90%	100%
Client satisfaction in post audit questionnaires	100%	100%	90%	100%
Chargeable audit days	156	141+	160	26
QA compliance sample checks – percentage pass	100	100	100	100
Planned Audits Completed	17	16	19	0
Planned Audits in Progress	0	0		2
Planned Audits Outstanding				17
Unplanned Work Completed	2	2		1
Unplanned Work in Progress	0	0		0

2018/19 AUDIT PLAN

<u>Planned audits</u>	<u>Status</u>
<p><u>Key Financial Systems</u></p> <ul style="list-style-type: none"> • Payroll Key Controls • Creditor / Direct Debits Payments • Additional Responsibility Allowance Policy • Treasury Management • Debtors System <p><u>Other Systems</u></p> <ul style="list-style-type: none"> • Insurance Cover & Claims • Operational Competence & Other Mandatory Training <p><u>Business Risks & Controls</u></p> <ul style="list-style-type: none"> • Commercial Premises Risk Database • Industrial Dispute • Responding to a Marauding Terrorist Attack • Rise in National Threat Level • Failure to provide an Effective Control Function • Poor Data Quality • Incident Staff Fatality • Staff Safeguarding Issues • Loss of Key Staff <p><u>Corporate Governance</u></p> <ul style="list-style-type: none"> • Freedom of Information Compliance • National Fraud Initiative 2018/19 • Officer Delegation Scheme Compliance <p>Project Assurance</p> <ul style="list-style-type: none"> • ESMCP Grant Verification 	<p>WIP</p> <p>WIP</p> <p>WIP</p>
<u>Unplanned audits</u>	<u>Status</u>
None to date	



OFFICIAL

Internal Audit Annual Report 2017 - 18

Audit Committee

Date: 27 July 2018

Agenda Item:

8

Submitted By: Chief Finance and Procurement Officer

Purpose

To seek Members' endorsement of the Chief Finance and Procurement Officer's conclusion as to the effectiveness of the system of internal audit. To note the audit opinion on risk management and the internal control environment during 2017 – 18.

Recommendations

Members endorse the Chief Finance and Procurement Officer's conclusion as to the effectiveness of the system of internal audit. Members note the audit opinion on governance, risk management arrangements and the internal control environment in 2017 – 18 thereby providing assurance for the Annual Government Statement 2017 – 18.

Summary

The Chief Finance and Procurement Officer concludes the Authority's systems of internal audit are effective. This report concludes that the Authority's governance, risk management arrangements and internal control environment were effective and robust during the financial year to 31 March 2018.

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: Annual report of internal audit 2016 – 17 Annual Governance Statement
2016 – 17 Corporate Risk Matrix Internal Audit Plan 2017 – 18
Quarterly reports of Internal Audit 2017 - 18

Annexes: Annex 1 – WYFRS Internal Audit Charter and Strategy
Annex 2 – Summary of Audit Coverage 2017 – 18
Annex 3 – Internal Audit Plan 2018 - 19

1 Introduction

- 1.1 The Authority is required (by the Accounts & Audit Regulations 2015) to undertake an annual review of the effectiveness of its system of internal control which
- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - ensure that the financial and operational management of the Authority is effective; and
 - incorporates effective arrangements for the management of risk.
- and includes undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance.
- 1.2 An external assessment of compliance with the PSIAS was undertaken at the end of the year which resulted in a Generally Conforms (to the Standards) opinion, (the highest available). Coupled with the analysis of the performance of the internal audit function against its performance indicators and quality assurance process and delivery of the 2017/18 Audit Plan, the Chief Finance & Procurement Officer has used this data in formulating her assessment of the Authority's system of internal audit to conclude the degree of reliance can be placed on its work and opinion on the internal control environment.
- 1.3 In accordance with best practice the Audit Charter and Strategy has been reviewed annually to ensure it remains fit for purpose.
- 1.4 This report then provides an opinion on the adequacy and effectiveness of the Authority's governance, risk management system and internal control environment during the year, particularly in support of the Annual Governance Statement that accompanies the Annual Accounts.
- 1.5 The opinion is drawn from the matters included in the Quarterly Reports to the Committee during the year on the audit opinions reached on the level of assurance concerning each of the risk, system or process controls examined.
- 1.6 Each planned audit performed during the year concluded with at least an Adequate Assurance opinion, with exception to Income Collection which produced a Limited Assurance one. Over half of the audits concluded with a Substantial Assurance opinion, which is the highest available. An unplanned review of loss of earnings payments to a retained firefighter also produced a Limited Assurance opinion.

2 Information

Effectiveness of the System of Internal Audit

- 2.1 The Internal Audit function is included in the Financial Services Service Level Agreement with Kirklees Council which the Chief Finance & Procurement Officer has reviewed recently in conjunction with officers from the Council. The most recent benchmarking information from CIPFA showed internal audit operations have been at approximately the lower quartile of costs (based on £m gross expenditure) compared with Metropolitan and Unitary authorities, a position previously supported by data gathered by the previous Chief Finance & Procurement Officer from the other metropolitan fire and rescue authorities.
- 2.2 An external assessment of compliance with the PSIAS was undertaken earlier in the year by the Head of Audit at Wakefield MDC, the assessment concluded with a "Generally Conforms" to the Standards opinion, which is the highest of three.

- 2.3 As referred to above the Audit Charter & Strategy has been reviewed to ensure it continues to meet the needs of the Authority and a proposed revised version is shown as appendix 1 in accordance with the annual review process for approval.
- 2.4 A summary of the performance of Internal Audit in delivering the 2017/18 Plan as reported to the Audit Committee during the year is shown below:

Performance Indicators	17/18 Target	17/18 Actual
Audits completed within the planned time allowance	80%	78%
Draft reports issued within 10 days of fieldwork completion	90%	92%
Client satisfaction in returned post audit questionnaires	90%	100%
Chargeable audit days (cumulative)	160	151
QA compliance sample checks – pass rate	90%	100%
Planned Audits Completed	17	16
Unplanned Audits Completed		2

- 2.5 A summary of plan delivery itself is shown as appendix 2, together with the opinion reached for each audit.
- 2.6 A positive working relationship has continued with KPMG colleagues (the Authority's external auditor for 2017/18), to maximise the use of audit resources and ensure our mutual roles are fulfilled, albeit that the nature of the relationship has changed now. KPMG does not routinely place reliance on internal audit financial systems work due to a different approach to risk and materiality than their predecessor. The approach of the new contractor for 2018/19 onwards will be discussed together with the Chief Finance & Procurement Officer.
- 2.7 Members may wish to endorse the positive opinion of the system of internal audit reached by the Chief Finance & Procurement Officer.

3. Operational Information

- 3.1 The scope of activity is established by the Financial Procedure Rules, the Audit Charter & Strategy and statements of operating practice.
- 3.2 In line with the Audit Strategy, assurance about the governance, risk management and internal control environment is obtained by the maintenance and delivery of a risk based audit plan approved by Members. Planned work during 2017/18 targeted areas of significant risk and where most value could be added, particularly on wider business and governance controls.
- 3.3 Areas of significant risk are determined by the Authority through its risk management process and in particular the Corporate Risk Matrix. Review of this area accounted for approximately 50% of available audit resources, the remaining 50% continued to relate to the review of key financial systems and processes.

- 3.4 Each audit concludes with an opinion about the level of assurance derived on the adequacy and effectiveness of the system, process or location concerned at the time of the audit, based upon the management of risk and the adequacy and operation of financial and other controls. The approach involves the follow up of any activities about which less than "Adequate Assurance" is given, as a means of seeking to ensure that the work carried out by Internal Audit maximises the chances of improving the Authority's control environment.
- 3.5 The Audit Committee has previously agreed definitions of the different levels of assurance given and how these are derived from audit recommendations. Implementation of the agreed recommendations by management should provide for a satisfactory degree of control in all cases.
- 3.6 The outcome of individual audits is summarised quarterly and reported to the Audit Committee for consideration. These reports also include action taken by management regarding the implementation of any agreed key recommendations.

4. Summary of Audit Outcomes in 2017/18

- 4.1 The agreed Audit Plan for 2017/18 included 160 days of planned work in the following main areas:
- financial system and process audits,
 - main business and governance risks and controls,
 - follow up audits, and
 - ongoing project assurance to the Joint Command & Control and the Emergency Services Mobile Communication Project Boards

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

- 4.2 Key financial systems produced positive assurance opinions, apart from the review of the new income collection system provided by Kirklees Council, which is due to be followed up shortly.
- 4.3 The Authority's risk management arrangements have been considered in individual pieces of audit work, whereby management activity to address particular business risks, as recorded on the Corporate Risk Matrix, has been assessed. These audits all concluded with positive assurance opinions and conclusions that management controls to address the key risks to the Authority were robust and operating effectively. Where appropriate, management has agreed recommendations to further enhance the control environment.
- 4.4 Follow-up audits were carried out to assess the degree of implementation of recommendations after the original audits had produced Limited Assurance and this was found to be satisfactory, thus providing assurance that management are effective in implementing agreed actions.
- 4.5 As part of the continuing support to the Joint Command and Control Project with South Yorkshire FRA, Internal Audit has undertaken a number of pieces of assurance work linked mainly to payments due to the contractor. Processes to test and evidence satisfactory completion of tasks and delivery of functionality have been found to be robust. A similar approach has been agreed as regards the Mobile Services Communication Project.
- 4.6 In accordance with our commitment to provide help, assistance and add value, questions and issues raised by managers have been resolved, particularly in relation to advice/approval for authorisation of contracting matters, and to evaluation of potential suppliers. In addition, the Audit Plan is designed to be sufficiently flexible to accommodate any ad hoc requests for audit reviews.

5. Internal Audit in 2018/19

- 5.1 In 2018/19 Internal Audit will continue to strive to reliably achieve planned audit work and to address Authority priorities and activities that will add value for the organisation. Audit work in the coming year will continue to be mindful of the ongoing period of austerity across the public sector and the consequent increased risks, including fraud and corruption.
- 5.2 In addition, we will continue to develop the approach to organisational and business controls encompassed in the revised Audit Strategy to focus on areas of highest risk and thus to contribute to the level of assurance required by the Chief Fire Officer / Chief Executive, Chair of the Authority and Chief Finance & Procurement Officer in order to sign off the Annual Governance Statement.
- 5.3 Planned audit work built into the agreed 2018/19 Internal Audit Plan includes key financial control audits in relation to payroll, creditors, debtors and treasury management, review of controls to manage key business risks and follow up audits.
- 5.4 The summary Audit Plan for 2018/19 as approved at the last meeting of the Committee is attached for information at Appendix 3.

6 Financial Implications

- 6.1 There are no financial implications associated with this report

7 Legal Implications

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

8 Human Resource and Diversity Implications

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

9 Health and Safety Implications

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

10 Conclusions

- 10.1 This report has summarised the main activities of Internal Audit during 2017/18, detailed information on which has been provided to this Committee during the year.
- 10.2 Audit work during 2017/18 and the external PSIAS assessment provided sufficient evidence to demonstrate that overall the system of internal audit is effective and has been undertaken in compliance with the PSIAS.
- 10.3 A review of the Authority's framework of governance, risk management and control, and business systems controls, has provided sufficient evidence and assurance that each is robust and effective and that in the small number of occasions where it has been necessary, management have taken/agreed appropriate action to address weaknesses.
- 10.4 Overall, the Authority has a sound control environment and no items of significance have been identified that merit consideration for inclusion in the Annual Governance Statement for 2017/18.

Audit Charter & Strategy

WYFRA



INTERNAL AUDIT CHARTER & STRATEGY

June 2018

1. Introduction

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

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

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

2. The Purpose of the Charter

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

3. Definition of Internal Audit

The PSIAS definition of Internal Audit is:

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

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

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4. Accountability and Reporting Lines

Internal Audit will report to the Audit Committee

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

Annually on the overall achievement and assessment of the Authority's internal audit work programme, including an opinion on the assurance arrangements.

Annually on the overall risk environment and the overall planned work on assurance in the forthcoming year, plus any investigative and consultancy tasks. This will include an assessment on the availability of resources, and any impact this may have on the ability to assess the control environment.

As necessary on any matter impacting on the overall integrity of the Authority's control environment, where any significant risk or threat to the organisation identified through audit assurance work has not been adequately addressed by management, or on any operational matter that seriously impacts on the delivery or resourcing of the internal audit function.

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

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

5. Scope of Internal Audit

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

6. Responsibilities and Objectives of Internal Audit

The responsibilities and objectives of Internal Audit are as follows:

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

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

7. Organisational Independence of Internal Audit

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

Unrestricted access to all of the Authority's

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

As the Head of Audit & Risk, Kirklees Council has direct operational responsibility for the Insurance function and input into certain procurement functions, one of the Audit Managers will assume the lead for internal audit for the Authority and report directly to the Chief Finance & Procurement Officer. This arrangement helps maintain independence and avoid any conflicts of interest. With the exception of these

activities, the Internal Audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in processing functions or business activities.

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

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

8. Ethical Standards

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

Objectivity:

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

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

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

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

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

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

complying with the Bribery Act 2010

Confidentiality:

Internal Auditors must;

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

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

Integrity:

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

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

Competency:

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

- possessing the knowledge, skills and technical proficiency relevant to the performance of their duties;
- being skilled in dealing with people and communicating audit, risk management and related issues effectively;
- maintaining their technical competence through a programme of continuous professional development;
- exercising due professional care in performing their duties and;
- complying with all requirements of the PSIAS.

9. Relationships

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

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

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

10. Arrangements for Anti-Fraud and Anti-Corruption Work

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

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

Internal Audit advises the Chief Finance & Procurement Officer about the Corporate Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy, and provides guidance for managers and Members;

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

to contribute to the corporate counter fraud arrangements, and;

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

11. Authority of Internal Audit

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

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

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

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

12. Appropriate Resourcing of Internal Audit

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

The internal audit plan is based on a risk based assessment. The current Audit Strategy is to ensure that assurance coverage concentrates on those areas of highest risk in terms of potential exposure or likelihood of failure, covering both financial and other business risks and controls.

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

13. Assurances Provided to Outside Parties

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

14. Assurances Obtained from Outside Parties

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

15 Assessment of Internal Audit

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

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

16 Review

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

Annex 1.

Definitions alignment to the Public Sector Internal Audit Standards.

For the purposes of Internal Audit activity, the term;

'board' refers to the Audit Committee.

'senior management' refers to the Chief Executive, Directors, the Chief Finance & Procurement Officer, the Chief Legal & Governance Officer and the Chief Employment Services Officer.

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

Summary of Audit Coverage 2017/18

Audit	Report Status	Assurance Opinion
Financial Systems & Risks Income Collection Procurement Capital Plan Delivery	Finalised Cancelled by Management Scheduled	Limited
Other Systems & Risks Recruitment & Selection Cyber Security / Loss of Service Partnership Governance	Finalised Finalised Finalised	Adequate Adequate Substantial
Corporate Governance GDPR Compliance	Finalised	Substantial
Business Risk Management IRMP Delivery Major CBRNE Attack Asbestos Claim Future Governance Service Delivery Standards	Finalised Finalised Finalised Finalised Finalised	Adequate Substantial Substantial Substantial Substantial
Follow up Audits Payroll Processing Delta e-Procurement	Finalised Finalised	Adequate Substantial

Unplanned Audits Loss of Earnings Payments to a Retained Firefighter	Finalised	Limited
Project Risk Assurance Joint Command & Control Contract Emergency Services Mobile Communication	Ongoing Ongoing	

Internal Audit Plan 2018/19

Key Financial Systems

- Payroll Key Controls
- Creditor / Direct Debits Payments
- Additional Responsibility Allowance Payments
- Treasury Management
- Debtors System

Other Systems

- Insurance Cover & Claims
- Operational Competence & Other Mandatory Training

Business Risks & Controls

- Commercial Premises Risk Database
- Industrial Dispute
- Responding to a Marauding Terrorist Attack
- Rise in National Threat Level
- Failure to provide an Effective Control Function
- Poor Data Quality
- Incident Staff Fatality
- Staff Safeguarding Issues
- Loss of Key Staff

Corporate Governance

- Freedom of Information Compliance
- National Fraud Initiative 2018/19
- Officer Delegation Scheme Compliance

Follow Up Audits – as required

Contingency

- Joint Command & Control Project - Assurance to Board
- Emergency Services Mobile Communications Project – Assurance to Board

Total Days per SLA

160



OFFICIAL

Statement of Accounts and Financial outturn 2017 - 18

Audit Committee

Date: 27 July 2018

Agenda Item:

9

Submitted By: Chief Finance and Procurement Officer

Purpose

To report on the financial outturn for 2017 / 18.
To present the Statement of Accounts for approval following completion of the audit.
To report on the level of Members allowances in 2017 / 18.

Recommendations

That the revenue and capital outturn for 2017 / 18 be noted.
That Members approve the Statement of Accounts.
That the report on Members' allowances for 2017 / 18 be noted.

Summary

The report presents details of the Authority's financial outturn for 2017 / 18, Members' allowances and the formal Statement of Accounts following completion of the audit.

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: None

Annexes: Detailed capital outturn 2017 / 18
Statement of Accounts 2017 / 18

1 Introduction

The purpose of this report is to present a comprehensive review of the financial activity of the Authority for the financial year 2017/18 looking at the following areas.

Section 1 – Revenue Expenditure

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

Section 2 – Capital Expenditure Outturn

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

Section 3- Statement of Accounts

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

This section presents the Statement accounts 2017/18 for members' approval.

Section 4 – Members' Allowances Outturn

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

2 Information

Section 1- Revenue Expenditure

2.1 Revenue Outturn

Mid way through the financial year it became apparent that some of the assumptions underlying the calculation of the 2017/18 budget had changed which resulted in £550k being transferred to reserves before the end of the financial year. Also, in order to identify the fact that the fire fighters pay award had not been settled during the year an interim payment of 1% was paid, an additional 1% pay award was charged to 2017/18 to recognise the original offer by employers of 2%. This will be transferred from the contingency for pay and prices to the revenue account once the final settlement has been agreed.

The revenue budget under spend in 2017/18 was £257k which is summarised in the table below;

Budget Description	Outturn	Revised Budget	Variance
	£	£	£
	000's	000's	000's
Uniformed Staff	51,448	51,679	-231
Support Staff	8,835	9,000	-165
Other Employee Expenses	971	1,383	-412
Premises Expenses	3,872	3,583	289
Transport Costs	2,092	2,303	-211
Supplies and Services	4,904	4,629	275
Insurance	889	889	0
Lead Authority Charges	227	293	-66
Capital Financing Charges	6,918	6,918	0
Provision for Pay and Prices	1,362	1,362	0
Transfers to Reserves	550	0	550
TOTAL EXPENDITURE	82,068	82,039	29
TOTAL INCOME	-2,676	-2,390	-286
NET EXPENDITURE	79,392	79,649	-257

Uniformed Staff -£0.231m

This is the largest area of expenditure. The breakdown is as follows:

Whole-time Firefighters -£182k

The underspending in this budget is due to two factors:

- There has been an increase in the number of leavers in the year than was predicted in the original budget resulting in an underspend of £534k.
- This has been offset by a charge to the whole time firefighters budget of £352k which is a provision for the outstanding pay settlement in 2017/18 which was still to be finalised at the 31st March 2018

Retained firefighters -£24k

The underspend in 2017/18 is due to an under spend on payments in respect of turnouts and retaining fees which has been offset by a £11k charge for the pay award provision.

Control Staff -£25k

The underspend is due to lower allowances and pension contributions than was budgeted which has been offset by a £11k charge for the pay award provision.

Support Staff -£165k

This underspending is a result of a number of vacancies in support staff budgets. When a post becomes vacant from the date it becomes vacant to the date of employment can take several months.

Training Courses -£422k

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

Other Employee Expenses £10k

Expenditure in 2017/18 is in line with budget provision

Premises £289k

The overspend is due to over spending on property repairs of £375k which is combination of increase in the cost of labour and parts and an increase in inspections and compliance checks due to statutory regulations and revised health and safety legislation. This has been partly offset by a £123k under spend in property rates which is attributable to the reduction in the number of fire stations.

Transport -£211k

During 2017/18 there have been two large underspends of £118k in vehicle fuel which is due to the use of more efficient vehicles and £102k in vehicle leasing which represents a reduction in the Authority's fleet. There have also been under spends in tyre purchases and spare parts. There is also a cost of £180k included within transport related costs which is for the maintenance of our National Resilience vehicles, this is funded by government by the way of grant which is shown against our income budget.

Supplies and services £275k

The overspend in 2017/18 can be attributable to a number of factors, the most notable are

- a) The purchase of new improved female fire fighter uniforms
- b) Training equipment and improvement to facilities for the recruits course which commenced in January 2018.
- c) A provision of £189k for the amount owing for SAP licences for our existing HR system which is currently in dispute.

Lead Authority Charges -£66k

The under spending on lead authority charges which is in respect of service level agreements both with Kirklees Council for the provision of financial services and West Yorkshire Pension Fund for the administration of the pension schemes is due to an overprovision of budget in 2017/18.

Transfers to Reserves £550k

As explained earlier in the report £550k of realised budget under-spending was transferred to the contingency for pay and prices mid-way through the financial year.

Income -£286k

The Authority has generated additional income through a number of areas in fire safety including charges for persistent false alarms, fire reports and the primary authority scheme. The income also includes the government grant of £180k to fund the maintenance of the National Resilience vehicle costs as explained above in transport related expenses.

2.2 Revenue Balances

At 1 April 2017 the Authority had a balance on the general fund of £14.6m (excluding Earmarked Reserves) which has been accumulated through underspending in the previous years. The Authority had planned to use £0.953m of balances to fund the revenue budget but ultimately underspent the budget by £0.257m. In addition, in order to recognise a potential funding gap of the Emergency Services Mobile Communications Programme (ESMCP) after 2020, an earmarked reserve was established resulting in a transfer of £0.258m from the general fund reserve to the new ESCMCP earmarked reserve. A central government grant, namely the Business Rates Retention Autumn Statement grant was higher than that indicated by the five district councils in 2017/18, this additional income has subsequently been transferred from the General Fund to the Business Rates Appeals earmarked reserve to recognise that this funding may have to be repaid in the future.

These three adjustments mean the General Fund Reserve balance at the 31 March 2018 is £14.4m (excluding Earmarked Reserves).

Section 2 - Capital Expenditure Outturn

2.3 The Authority spent £6.57m on capital during 2017/18 out of an approved capital plan of £12.81m, details of expenditure by directorate is shown in the table below. The underspend is due to the timing of the capital schemes and the budget for schemes with committed expenditure will be slipped into 2018/19.

Directorate	Outturn £ 000's	Capital Plan 2017/18 £ 000's	Variance £ 000's
Property	1,473	2,242	-769
IRMP	779	3,675	-2,896
Information Communications and Technology	571	1,634	-1,063
Human Resources	79	223	-144
Transport	2,394	2,647	-253
Operations	750	1,783	-1,033
Fire Safety	462	500	-38
Finance	64	109	-45
TOTAL	6,572	12,813	-6,241

Of particular significance was:

1. The building of a new fire station at Shipley which replaces the former Idle and Shipley fire stations as part of the Authority's IRMP.
2. Refurbishment of the Fire Service Headquarters Training Facilities which included a new training tower, drill ground water supply and new facilities for the recruits training course.
3. The purchase of 6 fire appliances and 6 flood response vehicles
4. An update of the incident ground communications equipment and lance firefighting equipment.

Detailed expenditure on each scheme is shown in Appendix A

As in previous years the Authority was able to fund the capital plan without the need for any new long term borrowing.

Capital expenditure has been funded through three main sources as detailed below

a) Capital receipts £3.300m

The Authority sold three former fire stations at South Elmsall, Ossett and Haworth, surplus land at FSHQ and some old fire appliances generating £3.3m in capital receipts.

b) Capital Finance Reserve £0.756m

The capital finance reserve is an earmarked reserve that was created in January 2017 whose purpose is to manage variations in financing the capital plan. The underspending of £0.756m on capital financing charges in 2017/18 has been offset to the capital adjustment account rather than increasing the earmarked reserve. The effect of this will be to reduce the Authority's overall capital financing requirement in the longer term. This means that the Authority can make investments in capital in future years which is within its prudential indicator tolerances.

c) Internal borrowing £2.424m

A combination of healthy revenue balances, coupled with the timing of the pension top up grant payment left the Authority with significant cash balances during the year. This has meant that £2.424m of the capital plan has been funded by internal cash balances rather than taking out loans.

Section 3 - Statement of Accounts

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

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

As part of the Audit process the auditors review the Statement of Accounts and the working papers which support the accounts. The Auditors have identified some small adjustments relating to the presentation of data included in the notes within the statement of accounts which have been agreed and amended. These changes have had no impact on the bottom line of the key financial statements. An explanation of the changes is included within the ISA260 report which is the next item on the agenda.

The formal Statement of Accounts for 2017/18, which incorporates these changes, is attached as Appendix 1 to this report. The accounts are made up of five key statements, supported by a number of supporting notes which take up the majority of the document.

The key statements are:

- Expenditure and Funding Analysis
- 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 **Expenditure and Funding Analysis.** *(Page 32 to 33 of SOA)*

Purpose of this statement

This is a new statement which is included in public sector accounts for the first time in 2016/2017. The expenditure and funding analysis helps to explain the difference between the way information is reported during the year in the form of budget monitoring reports to directors and the statutory reporting format required for the final accounts which is shown in the comprehensive income and expenditure statement.

Financial Position

The statement analyses the deficit on the Comprehensive Income and Income Statement of £11.72m and reconciles it to the total closing general fund and earmarked balances on the Balance Sheet at the 31 March of £35.74m. This is reconciled by making adjustments that are included in the Comprehensive and Income Statement that are non-cash related, for example, IAS 19 pension liabilities, depreciation charges. This analysis is shown in note7 on page 58.

2.6 **Comprehensive Income and Expenditure Statement.** *(Page 34 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 change supports accountability and transparency as it reflects the way in which services operate and performance is managed.

The statement is split into two sections:

- The first section (deficit on the provision of services) reflects the full economic cost of providing the services of the authority, as a result of the provision of the service, by comparing the expenditure incurred with the income generated.
- The second section (other comprehensive income and expenditure) looks at changes which do not relate to the provision of the service, including changes in the value of its land and buildings and any actuarial gains and losses on pension assets and liabilities.

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

Financial Position

The statement shows that the overall expenditure for the year exceeded income by £11.72m (£14.45m in 2017/18). Once again the change is the impact actuarial gains on the Fire-fighters' pension scheme of £2.2m which means that the overall expenditure exceeded income by £9.5m. This figure represents the change in total reserves on the balance sheet between 31 March 2017 (-£1,318.4m) and 31 March 2018 (-£1,328.9m).

2.7 **Balance Sheet.** (*Page 36 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 2018 and the other four 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 snapshot 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 £1,327.9m at 31 March 2018 and that the total amount of reserves equals that amount.

Further analysis of the reserves shows that the Authority has useable reserves of £35.7m and negative unusable reserves of £1,363.7m.

The large deficit in the unusable reserves relates to the total future value of net liabilities in the Fire-fighters' Pension scheme which totals £1,393.5m. This represents the estimated lifetime cost of paying pensions to all existing employees and pensioners. These figures, which overshadow the rest of the balance sheet, overshadow the overall financial position of the Authority for two reasons:

1. Firstly, these are long term liabilities which will be payable over the life of all existing staff and pensioners and,
2. 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 £66m including useable reserves of £35.7m.

2.8 **Movement in Reserve Statement.** *(Page 35 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 2017/18. As previously explained, these are broken down between useable reserves and unusable reserves. The main difference between the two categories is that useable reserves are created by setting aside funds whilst unusable reserves are created by an accounting adjustment

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

Financial Position

Useable reserves have increased by £3.2m with a detailed analysis of the changes provided in note 27 (page 82) to the Statement of Accounts. During 2017/18, £550k was transferred to the reserve for pay and prices to reflect a projected under spend in 2017/18 and hence improve the quality of budget monitoring information.

Movements into and out of usable reserves are set out in note 28 (page 83) of the Statement of Accounts.

The deficit on unusable reserves has increased by £12.7m which is primarily as a result of an increase in the actuarial valuation of the future pension liabilities.

2.9 **Cash Flow Statement.** *(Page 38 of SOA)*

Purpose of the statement

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

The operating activities demonstrate how the income raised through government grant and council tax is used to fund service provision,

The investment activities include the extent to which the Authority has invested in new property and equipment as well as any income achieved from investing spare cash resources,

The financing activities show the Authority's financing decisions including borrowing activity and the repayment of existing loans.

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

Financial position

The statement shows that the Authority has seen a reduction in the amount of cash and cash equivalent at the end of the financial year. The principal reason for this is the use of internal revenue balances to fund capital expenditure and repay some outstanding loans.

The key items from the cash flow statement are

- net cash flows from operating activities £9.82m
- decrease in cash and cash equivalents of £0.28m

Section 4 - Members Allowances Outturn

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

	Basic Allowance	Special Responsibility Allowance	Expenses
Cllr Alice Smart	£489.51		
Cllr Angela Tait	£3,521.04	£971.04	£10.40
Cllr Anthony Wallis	£2,934.20	£2,925.26	
Cllr Bryan Smith	£3,521.04	£3,885.96	£351.00
Cllr Cahal Burke	£3,521.04		£81.90
Cllr Caroline Anderson	£3,521.04		£114.40
Cllr Chris Pillai	£3,521.04		£224.50
Cllr Christopher Townsley	£3,521.04	£971.04	£195.00
Cllr Darren O'Donovan	£3,521.04	£730.98	£56.55
Cllr Denise Ragan	£2,981.53		£19.50
Cllr Ghulam Hussain	£3,271.04	£971.04	£19.50
Cllr Joanne Dodds	£3,521.04	£3,885.96	
Cllr Judith Hughes	£3,521.04	£19,425.00	£240.20
Cllr Julie Heselwood	£539.51	£148.79	
Cllr Karen Renshaw	£3,521.04		£24.70
Cllr Lisa Holmes	£3,521.04		
Cllr Martyn Ward	£586.84		£105.95
Cllr Michael Pollard	£3,521.04		
Cllr Monica Graham	£3,521.04		£49.40
Cllr Peter Harrand	£3,521.04	£3,885.96	£484.90
Cllr Riaz Ahmed	£3,521.04		£46.80
Cllr Ron Grahame	£3,521.04	£3,885.96	£252.85
Cllr Salma Arif	£2,931.53		£94.25
Cllr Teresa Peart	£3,521.04	£730.98	
Cllr Tracy Austin	£3,521.04	£9,713.04	£274.95

3 Financial Implications

There are no financial implications associated with this report.

4 Legal Implications

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

5 Human Resource and Diversity Implications

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

6 Health and Safety Implications

There are no health and safety implications associated with this report

Appendix A

CAPITAL BUDGET MONITORING 2017/18 SUMMARY

Directorate	<u>2017/18</u> Capital Plan	<u>2017/18</u> Virement	<u>2017/18</u> Slippage	TOTAL Revised Capital Plan	Expenditure 2017/18	Balance Uncommitted
Property services	£1,800,000	£0	£442,000	£2,242,000	£1,473,486	£768,514
IRMP	£1,370,000	£0	£2,305,251	£3,675,251	£778,666	£2,896,585
Information technology	£1,193,000	£0	£440,800	£1,633,800	£571,212	£1,062,588
HR	£132,700	£0	£90,000	£222,700	£78,871	£143,829
Transport	£1,470,000	£0	£1,177,300	£2,647,300	£2,394,485	£252,815
Operations	£1,120,500	£0	£663,000	£1,783,500	£749,510	£1,033,990
Fire Safety & Community Relations	£500,000	£0	£0	£500,000	£462,210	£37,790
Finance	£60,400	£0	£48,500	£108,900	£63,967	£44,933
	£7,646,600	£0	£5,166,851	£12,813,451	£6,572,406	£6,241,045

PROPERTY

Committee Approval	Details of Scheme	Capital Plan	Virement	Slippage	Revised Capital Plan	Expt	Balance
	<u>Training Centre</u>						
F&R 21.04.17	Upgrade training fac - new steel training tower, fees, concrete surface replacement, installation of new water hydrant supply	£520,000			£400,000	£607,393	-£207,393
F&R 21.04.17	Training Centre - Internal conversion works		£40,000		£90,000	£3,011	£86,989
F&R 21.04.17	Training Centre - IT Suite heating, cooling and ventilation				£70,000	£3,011	£66,989
	<u>Oakroyd Hall</u>					£0	
	Internal and external decoration				£0	£0	£0
	Upgrade of ablutions				£0	£0	£0
	Installation of essential security systems including PAC access, CCTV, intruder alarms and fire detection				£0	£0	£0
	Boiler replacement				£0	£0	£0
	Installation of new roof				£0	£0	£0
	<u>Transport</u>				£0	£0	£0
	Internal Decoration				£0	£0	£0
	<u>SDC</u>					£0	
F&R 21.04.17	Carry out internal improvements to existing walls, floors and HQ Power Generation - electrical upgrade	£40,000	-£40,000		£0	£0	£0
					£0	£0	£0
	<u>SPECIFIC REFURBISHMENTS STATIONS 2017/18</u>					£0	
F&R 21.04.17	Carry out second phase of surface water drainage upgrade -	£20,000			£20,000	£13,633	£6,367
F&R 21.04.17	External decorations District Smoke Houses - Bingley	£50,000			£50,000	£0	£50,000
F&R 21.04.17	Major refurbishment - Wakefield	£560,000			£560,000	£5,768	£554,232
F&R 21.04.17	Refurbishment - Wetherby	£112,000			£112,000	£54,737	£57,263
F&R 21.04.17	Tarmac hard standing and Interceptors and Tanks - Silsden	£45,000			£45,000	£37,009	£7,991
F&R 21.04.17	Boiler replacement - Bradford	£50,000			£50,000	£3,542	£46,459
F&R 21.04.17	Roof replacements - Fairweather Green	£30,000			£30,000	£28,907	£1,093
	Upgrade to brick built towers including structural repairs and upgrade of existing electrical system - Meltham	£45,000			£45,000	£43,060	£1,940
F&R 21.04.17	Tarmac hard standing & Ablutions - Leeds	£75,000			£75,000	£52,127	£22,873
	<u>GENERAL</u>						
	Phased programme to install essential security systems including PAC access, CCTV monitoring and recording, intruder alarms and fire detection - Keighley, Bingley, Fairweather Green, Odsal,						
F&R 21.04.17	Halifax, Cleckheaton, Huddersfield, Meltham, Otley, Morley, SDC	£253,000			£253,000	£251,242	£1,758
	Boiler replacement				£0	£0	£0
	Roof replacements				£0	£0	£0
	Upgrade to brick built towers including structural repairs and upgrade of existing electrical system				£0	£0	£0
	External decorations - District Smoke Houses					£0	
	External decorations				£0	£0	£0
	Internal decorations				£0	£0	£0
	Tarmac hard standing				£0	£0	£0
	Electrical upgrades				£0	£0	£0
	Tarmac hard standing & Ablutions				£0	£0	£0
	Interceptors and Tanks				£0	£0	£0
	TOTAL CAPITAL PLAN 2017/18	£1,800,000	£0	£0	£1,800,000	£1,103,438	£696,562
	<u>SLIPPED SCHEMES</u>						
F&R 22.4.16	Training Centre boiler replacement	£0		£11,000	£11,000	£7,765	£3,235
MB 24.6.16	Training Centre window replacement, cladding and fascias	£0		£4,000	£4,000	£0	£4,000
MB 24.6.16	Upgrade main shower and washing facilities - Bingley	£0		£26,000	£26,000	£30,649	-£4,649
MB 24.6.16	Emergency generator - Slaithwaite	£0		£30,000	£30,000	£27,140	£2,860
MB 24.6.16	Roof replacement - Skelmanthorpe	£0		£2,000	£2,000	£0	£2,000
MB 24.6.16	Upgrade of washing and toilet facilities - Wetherby	£0		£33,000	£33,000	£35,070	-£2,070
MB 24.6.16	Upgrade of washing and toilet facilities - Garforth	£0		£40,000	£40,000	£41,779	-£1,779
MB.17.8.16	Mytholmroyd flood remediation and upgrade works following	£0		£70,000	£70,000	£29,834	£40,166
MB 24.6.16	Training towers & lightening surge protection systems	£0		£28,000	£28,000	£28,088	-£88
MB 24.6.16	Gym, external windows, doors, fascia boards - Rawdon	£0		£2,000	£2,000	£1,165	£835
MB 24.6.16	Upgrading of roofs/guttering/fascia boards - Otley	£0		£5,000	£5,000	£4,957	£43
MB 28.02.17	Asbestos Management to Upgrade Heating Systems	£0		£49,000	£49,000	£47,346	£1,654
F&R 29.11.13	MPTC Refurbishment	£0		£84,000	£84,000	£87,489	-£3,489
MB 20.09.16	Additional Security, CCTV and intruder alarms	£0		£58,000	£58,000	£0	£58,000
	TOTAL SLIPPED SCHEMES	£0	£0	£442,000	£442,000	£341,282	£100,718
	SCHEMES - NO APPROVAL					£28,765	-£28,765
	TOTAL CAPITAL	£1,800,000	£0	£442,000	£2,242,000	£1,473,485	£768,515

IRMP

Committee Approval	Details of Scheme	Capital Plan	Virement	Slippage	Revised Capital Plan	Expt	Balance
	Moor Allerton	£1,370,000			£1,370,000	£0	£1,370,000
TOTAL CAPITAL PLAN 2017/18		£1,370,000	£0	£0	£1,370,000	£0	£1,370,000
<u>SLIPPED SCHEMES</u>							
F&R 23.10.15	Shipley / Idle			£1,645,777	£1,645,777	£732,752	£913,025
F&R 24.1.14	Ossett			£659,474	£659,474	£44,458	£615,016
TOTAL SLIPPED SCHEMES		£0	£0	£2,305,251	£2,305,251	£777,210	£1,528,041
<u>SCHEMES -Retention Payments</u>							
F&R 30.11.12	Killingbeck				£0	-£6,744	£6,744
F&R 30.11.13	Carlton Road				£0	£8,200	-£8,200
TOTAL SCHEMES -Retention Payments		£0	£0	£0	£0	£1,456	-£1,456
TOTAL CAPITAL		£1,370,000	£0	£2,305,251	£3,675,251	£778,666	£2,896,585

ICT

Committee Approval	Details of Scheme	Capital Plan	Virement	Slippage	Revised Capital Plan	Expt	Balance
MB 23.05.17	Computer Hardware	£95,000	£15,000		£110,000	£112,516	£-2,516
Exec 23.03.17	Software Licences	£200,000			£200,000	£0	£200,000
F&R 14.07.17	VMWare Servers and Storage	£192,000			£192,000	£196,616	£-4,616
MB 23.05.17	Communications Test Equipment	£50,000			£50,000	£13,734	£36,266
MB 23.05.17	Replacement MDT's	£15,000	£-15,000		£0	£0	£0
	ICTSP10 Protection Database				£0	£0	£0
	ICTSP18 Bring Your Own Device Policy				£0	£0	£0
	ICTSP19 Transport Upgrade				£0	£0	£0
	ICTSP16 Equipment Management and RFID				£0	£0	£0
	ICTSP15 Hydrant Management				£0	£0	£0
	ICTSP13 ID Cards				£0	£0	£0
	ICTSP12 Thin Client				£0	£0	£0
	ICTSP23 Command Support				£0	£0	£0
	ICTSP9 Operational Risk Information				£0	£0	£0
	ICTSP7 Electronic Forms				£0	£0	£0
	ICTSP8 Paperless Meetings	£41,000			£41,000	£0	£41,000
	ICTSP2 Information Management Strategy	£10,000			£10,000	£0	£10,000
F&R 26.01.18	ICTSP4 System Security	£220,000			£220,000	£2,235	£217,765
	ICTSP3 HR & Rostering	£300,000			£300,000	£0	£300,000
	Asset Management Software	£40,000			£40,000	£0	£40,000
	Additional Hardware 17-18				£0	£0	£0
MB 25.07.17	ICT Hardware for Trainee Firefighters	£30,000			£30,000	£26,249	£3,751
	TOTAL CAPITAL PLAN 2017/18	£1,193,000	£0	£0	£1,193,000	£351,349	£841,651
	<u>SLIPPED SCHEMES</u>						
MB 27/4/15	Mobile Device Management Solution	£0		£62,000	£62,000	£64,150	£-2,150
F & R 14.10.16	New WAN (Enabling work)	£0		£45,800	£45,800	£19,972	£25,828
F & R 14.10.16	Networking Hardware	£0		£101,000	£101,000	£97,973	£3,027
F & R 14.10.16	Telephone Systems	£0		£69,000	£69,000	£4,996	£64,004
F&R 27.01.17	ITIL Service Management	£0		£9,400	£9,400	£0	£9,400
	Retained Pagers	£0		£153,600	£153,600	£0	£153,600
	TOTAL SLIPPED SCHEMES	£0	£0	£440,800	£440,800	£187,091	£253,709
	<u>Expenditure no approvals</u>						
	New WAN (enabling work) 15/16	£0			£0	£0	£0
	CRM Upgrade	£0			£0	£10,695	£-10,695
	MDT Replacement				£0	£22,077	£-22,077
	TOTAL EXPENDITURE NO APPROVAL	£0			£0	£32,772	£-32,772
	TOTAL CAPITAL	£1,193,000	£0	£440,800	£1,633,800	£571,212	£1,062,588

HUMAN RESOURCES

Committee Approval	Details of Scheme	Capital Plan	Virement	Slippage	Revised Capital Plan	Expt	Balance
F&R 21.04.17	Cycle to Work Scheme	£95,000			£95,000	£0	£95,000
	Casualty Care Training	£37,700			£37,700	£0	£37,700
TOTAL CAPITAL PLAN 2017/18		£132,700	£0	£0	£132,700	£0	£132,700
<u>SLIPPED SCHEMES</u>							
F&R 14.10.16	Station Based Fitness Equipment	£0		£90,000	£90,000	£78,871	£11,129
TOTAL SLIPPED SCHEMES		£0	£0	£90,000	£90,000	£78,871	£11,129
TOTAL CAPITAL		£132,700	£0	£90,000	£222,700	£78,871	£143,829

TRANSPORT

Committee Approval	Details of Scheme	Capital Plan	Virement	Slippage	Revised Capital Plan	Expt	Balance
F&R 21.04.17	Vehicle Replacement - Appliances	£1,470,000			£1,470,000	£1,398,674	£71,326
					£0	£0	£0
					£0	£0	£0
TOTAL CAPITAL PLAN 2017/18		£1,470,000	£0	£0	£1,470,000	£1,398,674	£71,326
<u>SLIPPED SCHEMES</u>							
F&R 22/04/16	POD Refurbishments	£0		£40,000	£40,000	£0	£40,000
F&R 22/04/16	Vehicle Replacement	£0		£930,000	£930,000	£822,378	£107,622
F&R 22/04/16	Flood Vehicles	£0		£139,000	£139,000	£154,358	-£15,358
F&R 12/7/13	Command Unit Lite (Grant funded)	£0		£56,000	£56,000	£0	£56,000
F&R 10/4/15	Vehicle Telematics	£0		£12,300	£12,300	£19,075	-£6,775
TOTAL SLIPPED SCHEMES		£0	£0	£1,177,300	£1,177,300	£995,811	£181,489
TOTAL CAPITAL		£1,470,000	£0	£1,177,300	£2,647,300	£2,394,485	£252,815

OPERATIONS

Committee Approval	Details of Scheme	Capital Plan	Virement	Slippage	Revised Capital Plan	Expt	Balance
MB 31.08.17	ULPP - Ultra Lightweight Portable Pumps	£45,000			£45,000	£0	£45,000
MB 27.06.17	Line Rescue	£12,000			£12,000	£0	£12,000
MB 27.06.17	Lay Flat Hose	£50,000			£50,000	£23,276	£26,724
MB 27.06.17	Gas Tight Suits	£14,000			£14,000	£0	£14,000
MB 27.06.17	Gas Detectors	£25,000			£25,000	£0	£25,000
	Water Rescue	£12,000			£12,000	£0	£12,000
	Satellite Communications	£12,500			£12,500	£0	£12,500
x	Hydrants	£450,000			£450,000	£225,931	£224,069
F&R 13.10.17	Incident Ground Communications Equipment	£500,000	£-215,000		£285,000	£286,747	£-1,747
F&R 26/01/18	RTC Jackets		£215,000		£215,000	£0	£215,000
TOTAL CAPITAL PLAN 2017/18		£1,120,500	£0	£0	£1,120,500	£535,954	£584,546
<u>SLIPPED SCHEMES</u>							
F&R 14.10.16	Flood Response - Boats/Sled/Ancillary Equipm	£0		£80,500	£80,500	£89,198	£-8,698
F&R 14.10.16	Flood Response - PPE	£0		£71,500	£71,500	£37,024	£34,476
F&R 14.10.16	Flood Response - Vehicle conversion/Uplift	£0		£19,000	£19,000	£10,029	£8,971
MB 23.01.17	Lance Firefighting Equipment	£0		£100,000	£100,000	£75,464	£24,536
	New Control Project Contingency	£0		£338,000	£338,000	£0	£338,000
	New Control Project (Premises costs)	£0		£54,000	£54,000	£0	£54,000
TOTAL SLIPPAGE		£0	£0	£663,000	£663,000	£211,714	£451,286
<u>Expenditure no approvals</u>							
	BA Compressor	£0			£0	£1,842	£-1,842
	Hydrants 16/17	£0			£0	£0	£0
	Flood Response - Communications	£0			£0	£0	£0
TOTAL SCHEMES - NO APPROVAL		£0			£0	£1,842	£-1,842
TOTAL CAPITAL		£1,120,500	£0	£663,000	£1,783,500	£749,510	£1,033,990

FIRE SAFETY

Committee Approval	Details of Scheme	Capital Plan	Virement	Slippage	Revised Capital Plan	Expt	Balance
	Home Fire Safety Checks	£500,000		£0	£500,000	£426,450	£73,550
TOTAL CAPITAL PLAN 2017/18		£500,000	£0	£0	£500,000	£426,450	£73,550
<u>SLIPPED SCHEMES</u>							
	Home Fire Safety Checks 16/17				£0	£35,760	£-35,760
					£0	£0	£0
TOTAL SLIPPAGE		£0	£0	£0	£0	£35,760	£-35,760
TOTAL CAPITAL		£500,000	£0	£0	£500,000	£462,210	£37,790

FINANCE

Committee Approval	Details of Scheme	Capital Plan	Virement	Slippage	Revised Capital Plan	Expt	Balance
MB 31.08.17	Photocopiers	£60,400			£60,400	£41,997	£18,403
TOTAL CAPITAL PLAN 2017/18		£60,400	£0	£0	£60,400	£41,997	£18,403
<u>SLIPPED SCHEMES</u>							
	Photocopiers	£0		£48,500	£48,500	£21,970	£26,530
TOTAL SLIPPAGE		£0	£0	£48,500	£48,500	£21,970	£26,530
TOTAL CAPITAL		£60,400	£0	£0	£108,900	£63,967	£44,933



Statement of Accounts 2017-2018 'draft'

Date Issued: tba



CONTENTS

	Page	Note
Narrative Report	3	
Annual Governance Statement	15	
Statement of Responsibilities	26	
Audit Opinion	28	
<u>Main Financial Statements</u>	32	
Expenditure and Funding Analysis	32	
Comprehensive Income and Expenditure	33	
Movement in Reserves Statement	35	
Balance Sheet	36	
Cash Flow Statement	38	
<u>Notes to Main Financial Statements</u>	39	
Accounting Policies	39	1
Accounting Standards not yet adopted	53	2
Critical Judgements in applying accounting policies	54	3
Assumptions about the future	55	4
Material Items of Income and Expenditure	56	5
Events after Balance Sheet Date	56	6
Note to the Expenditure and Funding Analysis	57	7
Expenditure and Income Analysed by Nature	59	8
Adjustments between Accounting and Funding Basis	60	9
Other Operating Expenditure	63	10
Financing and Investment Income and Expenditure	63	11
Taxation and non-specific grant income	63	12
Property, Plant and Equipment	64	13
Revaluations and Impairments	66	14
Intangible Assets	67	15
Assets held for Sale	67	16
Financial Instruments	69	17
Nature and Extent of Risks of Financial Instruments	73	18
Inventories	77	19
Short Term Debtors	78	20
Cash and Cash Equivalents	78	21
Cash Flow Statement - Operating Activities	79	22
Cash Flow Statement - Investing Activities	80	23
Cash Flow Statement - Financing Activities	80	24
Short Term Creditors	81	25
Provisions	81	26
Usable Reserves	83	27
Transfers to/from Earmarked Reserves	84	28
Unusable Reserves	86	29
Members' Allowances	91	30
Officers' Remunerations	92	31
External Audit Costs	93	32
Grant Income	94	33
Related Parties	94	34
Capital Expenditure and Capital Financing	96	35
Leases	97	36
Termination Benefits	98	37
Defined Benefit Pension Schemes	99	38
Contingent Liabilities	113	39
WYFRA Pension Account	115	
Glossary of Terms	119	

NARRATIVE REPORT

Narrative Report

Purpose

The purpose of this statement is to present a picture of the performance of West Yorkshire Fire and Rescue Authority for 2017/18. The statement fulfils two main purposes; firstly it demonstrates how the Authority continues to provide value for money by comparing its operational performance with its financial performance through performance management and secondly it provides an explanation of the key financial statements with a view to making them easier to understand.

Background

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

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

The Authority has seen significant reductions in its funding over the last 8 years which has resulted in a major restructure of service provision which, has seen the closure of 11 fire stations replaced by 7 new builds and a reduction in its establishment of over 200 whole-time firefighters.

Performance and Activity

In 2017/18 the service attended 20 fires requiring 6 fire appliances or more, 13 of these fires were at occupied premises, 5 were unoccupied permanently, 1 was under construction and the other, the occupancy wasn't known.

In terms of overall operational activity for 2017/18 the service responded to 22,445 incidents of which 10,444 proved to be false alarms, leaving 12,001 actual incidents.

NARRATIVE REPORT

An analysis of the actual incidents shows the service attended

- 3,268 property fires
- 6,127 other fires
- 571 road traffic collisions
- 89 flooding incidents
- 1946 other incidents including special service calls

During these incidents firefighters carried out 1,417 rescues, and dealt with 350 injuries.

In addition to the operational activity the service also provided a proactive fire safety and fire protection programme using both firefighters and specialist staff. 2017/18 saw the introduction of the Safer Communities Prevention Strategy where a new Safe and Well visit has replaced the previous Home Fire Safety Check. The Safe and Well visit is targeted towards those communities and individuals who are most vulnerable and is much broader than the former Home Fire Safety Check as it includes an assessment of the factors that create fire risk. Fire risk is often a direct result of specific lifestyle issues which include smoking, living alone, mobility issues, mental health, hoarding, poor housekeeping, misuse of alcohol and recreational drugs.

During 2017/18 fire crews and dedicated fire safety teams delivered:-

- 18,477 homes received safe and well visits
- 770 school visits
- 3,833 operational risk visits.

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

Tragically, despite the work of the service, there were 17 fire deaths in the year, an increase of 9 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 www.westyorksfire.gov.uk

Developments

In 2011/2012 the Fire Authority approved a rationalisation of service delivery which would involve the disposal of 11 older fire stations to be replaced by 7 new stations which will deliver ongoing revenue savings of over £31m per annum to manage the reductions in central government grant.

June 2017 saw the opening of a new fire station at Shipley which resulted in the closure of both Idle and Shipley fire stations. The Authority was able to agree a mutually beneficial land swap with Incommunities enabling the Authority to site the station in an optimum location and release land in Saltaire and Idle for community housing. The station build has been funded through the

NARRATIVE REPORT

Authority's capital plan using a combination of borrowing and capital receipts from the sale of land. A further significant development during the year has been the reintroduction of whole-time firefighter recruitment for the first time since 2009. The first recruit's course started in January 2018 and there are further courses in May and September 2018 and January 2019 resulting in the addition of 96 new fire fighters in West Yorkshire.

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 2017/18 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 reduction in grant of £7.9m by 2019/2020 with £3.3m lost in 2017/18. The Authority considered its budget options and approved a precept increase of 1.99% supported by a savings package totalling £1m.

Revenue Outturn

Revenue Outturn in 2017-18 was £77.392m a breakdown of which is given on P6. Mid way through the financial year it became apparent that some of the assumptions underlying the calculation of the 2017/18 budget had changed which resulted in £550k being transferred to reserves before the end of the financial year. Also, in order to identify the fact that the fire fighters pay award had not been settled during the year an interim payment of 1% was paid, an additional 1% pay award was charged to 2017/18 to recognise the original offer by employers of 2%. This will be transferred from the contingency for pay and prices to the revenue account once the final settlement has been agreed.

NARRATIVE REPORT

The revenue budget under spend in 2017/18 was £257k which is summarised in the table below;

Budget Description	Outturn	Revised Budget	Variance
	£	£	£
	000's	000's	000's
Uniformed Staff	51,448	51,679	-231
Support Staff	8,835	9,000	-165
Other Employee Expenses	971	1,383	-412
Premises Expenses	3,872	3,583	289
Transport Costs	2,092	2,303	-211
Supplies and Services	4,904	4,629	275
Insurance	889	889	0
Lead Authority Charges	227	293	-66
Capital Financing Charges	6,918	6,918	0
Provision for Pay and Prices	1,362	1,362	0
Transfers to Reserves	550	0	550
TOTAL EXPENDITURE	82,068	82,039	29
TOTAL INCOME	-2,676	-2,390	-286
NET EXPENDITURE	79,392	79,649	-257

Uniformed Staff -£0.231m

This is the largest area of expenditure. The breakdown is as follows:

Whole-time Firefighters -£182k

The underspending in this budget is due to two factors:

- There has been an increase in the number of leavers in the year than was predicted in the original budget.
- This has been offset by a charge to the whole time firefighters budget of £352k which is a provision for the outstanding pay settlement in 2017/18 which was still to be finalised at the 31st March 2018

Retained firefighters -£24k

The underspend in 2017/18 is due to an under spend on payments on turnouts and retaining fees which has been offset by a £11k charge for the pay award provision.

NARRATIVE REPORT

Control Staff -£25k

The underspend is due to lower allowances and pension contributions than was budgeted which has been offset by a £11k charge for the pay award provision.

Support Staff -£165k

This underspending is a result of a number of vacancies in support staff budgets. When a post becomes vacant from the date it becomes vacant to the date of employment can take several months.

Training Courses -£422k

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

Other Employee Expenses £10k

Expenditure in 2017/18 is in line with budget provision

Premises £289k

The overspend is due to over spending on property repairs of £375k which is combination of increase in the cost of labour and parts and an increase in inspections and compliance checks due to statutory regulations and revised health and safety legislation. This has been offset by a £123k under spend in property rates which is attributable to the reduction in the number of fire stations.

Transport -£211k

During 2017/18 there have been two large underspends of £118k in vehicle fuel which is due to the use of more efficient vehicles and £102k in vehicle leasing which represents a reduction in the Authority's fleet. There have also been under spends in tyre purchases and spare parts. There is also a cost of £180k included within transport related costs which is for the maintenance of our National Resilience vehicles, this is funded by government by the way of grant which is shown against our income budget.

Supplies and services £275k

The overspend in 2017/18 can be attributable to a number of factors, the most notable are

- a) The purchase of new improved female fire fighter uniforms
- b) Training equipment and improvement to facilities for the recruits course which commenced in January 2018.

NARRATIVE REPORT

- c) A provision of £189k for the amount owing for SAP licences for our existing HR system which is currently in dispute.

Lead Authority Charges -£66k

The under spending on lead authority charges which is in respect of service level agreements both with Kirklees Council for the provision of financial services and West Yorkshire Pension Fund for the administration of the pension schemes is due to an overprovision of budget in 2017/18.

Transfers to Reserves £550k

As explained earlier in the report £550k of realised budget under-spending was transferred to the contingency for pay and prices mid-way through the financial year.

Income -£286k

The Authority has generated additional income through a number of areas in fire safety including charges for persistent false alarms, fire reports and the primary authority scheme. The income also includes the government grant of £180k to fund the maintenance of the National Resilience vehicle costs as explained above.

General Fund Balances

At 1 April 2017 the Authority had a balance on the general fund of £14.6m (Excluding Earmarked Reserves) which has been accumulated through underspending in the previous years. The Authority had planned to use £0.953m of balances to fund the revenue budget but ultimately underspent the budget by £0.257m. In addition, in order to recognise a potential funding gap of the Emergency Services Mobile Communications Programme (ESMCP) after 2020, an earmarked reserve was established resulting in a transfer of £0.258m from the general fund reserve to the new ESCMCP earmarked reserve. A central government grant, namely the Business Rates Retention Autumn Statement grant was higher than that indicated by the five district councils in 2017/18, this additional income has subsequently been transferred from the General Fund to the Business Rates Appeals earmarked reserve to recognise that this funding may have to be repaid.

These three adjustments mean the General Fund Reserves balance at the 31 March 2018 is £14.4m (excluding Earmarked Reserves).

The Authority has calculated that it needs to maintain a minimum revenue balance of £5m to meet uninsured risks which are identified in the corporate risk register, which leaves useable balances of £9.4m.

The 2018/19 revenue budget and medium term financial plan will commit further use of balances to enable the Authority to fund the current recruitment programme, enable investments in property contract management, ICT improvements and a review of the retained duty system. The government announced in the March 2016 Budget that there would be a

NARRATIVE REPORT

review of the discount rate used to calculate the employers contribution for the fire fighters pension schemes which is due to take effect in 2018/19. The effect of this will be an increase in employers pension contribution costs which will be funded by the use of reserves, the results of this review are expected in summer 2018.

The Authority continues to face significant financial challenges as funding for public authorities continues to be reduced. The use of the general fund reserve will enable the Authority to achieve these financial challenges whilst recommencing recruitment of whole-time firefighters.

Details on all the Authority's reserves are detailed in Notes 27, 28 and 29 to the accounts.

Capital Expenditure Outturn

The Authority spent £6.57m on capital during 2017/18 out of an approved capital plan of £12.81m, details of expenditure by directorate is shown in the table below. The underspend is due to the timing of the capital schemes and the budget for schemes with committed expenditure will be slipped in to 2018/19.

Directorate	Outturn	Capital Plan 2017/18	Variance
	£	£	£
	000's	000's	000's
Property	1,473	2,242	-769
IRMP	779	3,675	-2,896
Information Communications and Technology	571	1,634	-1,063
Human Resources	79	223	-144
Transport	2,394	2,647	-253
Operations	750	1,783	-1,033
Fire Safety	462	500	-38
Finance	64	109	-45
TOTAL	6,572	12,813	-6,241

Of particular significance was:

1. The building of a new fire station at Shipley which replaces the former Idle and Shipley fire stations as part of the Authority's IRMP.
2. Refurbishment of the Fire Service Headquarters Training Facilities which included a new training tower, drill ground water supply and new facilities for the recruits training course.
3. The purchase of 6 fire appliances and 6 flood response vehicles
4. An update of the incident ground communications equipment and lance firefighting equipment.

NARRATIVE REPORT

This expenditure has been funded through three main sources as detailed below

Capital receipts	£3.300m
Capital Finance Reserve	£0.756m
Internal borrowing	£2.424m

Over the last 5 years the Authority has been using its capital investment plan as a means of generating long term revenue savings. In 2010/2011 and 2011/2012 the Authority approved capital investment of over £30m to replace 11 existing fire stations with 7 new build stations. These schemes have enabled the Authority to reduce the whole-time firefighter establishment by over 200 posts which will generate annual savings of over £6m per year. In addition, the land released from the old sites since 2014 has generated capital receipts of £4.21m which has been used to support the capital programme.

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

Expenditure and Funding Analysis

This is a new statement which was included in public sector accounts for the first time in 2016/2017. The expenditure and funding analysis helps to explain the difference between the way information is reported during the year in the form of budget monitoring reports to directors and the statutory reporting format required for the final accounts which is shown in the comprehensive income and expenditure statement. The bottom line on the expenditure and funding analysis shows that the general fund and other earmarked reserves at the end of 2017/18 total £35.74m.

Movement in Reserves Statement

This shows the movement in the year of the different reserves held by the Authority. These are broken down between useable reserves which are those which can be used to fund expenditure or reduce local taxation and unusable reserves which cannot. Examples of useable reserves are the General Fund Balance and the pension fund equalisation reserve; these are useable because

NARRATIVE REPORT

they have been created by setting aside funds. Example of unusable reserves include the pension reserve and the capital adjustment account, these are unusable because they are created by an accounting adjustments and not backed by funds. The total value of useable reserves has increased by £3.161m to £35.743m, whilst the deficit of unusable reserves has increased by £12.706m principally as a result of the future lifetime cost of the firefighter pension scheme.

Comprehensive Income and Expenditure Account

From 2016/17 local authorities were no longer required to report based on the service expenditure analysis in the Service Reporting Code of Practice (SeRCOP) but to report on the same basis as the Authority's budget and performance monitoring reports. This new format means that the service section of the comprehensive income and expenditure statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

However, this is perhaps the most misleading of the accounts because it does not show the cost to the tax payer of providing the service as its title might suggest. What this statement does show is the cost of providing services in the year in accordance with 'generally accepted accounting practices' which require the inclusion of a number of large transactions which do not involve the movement of cash. These include charges for depreciation and variations in the estimated future cost of pensions. As a result of these adjustments it is not possible to identify the cost of the service to the tax payer from this statement. Details of the cost of the service and how this is funded through grant and council tax is shown in the revenue outturn section of the report.

Balance Sheet

This statement shows the value of the Fire Authorities assets and liabilities on 31 March 2018 and includes the figures at 31 March 2017 for comparison. It then shows how the net assets are matched by the Authority's reserves (both useable and unusable). On examination, the Balance Sheet shows the Authority having net liabilities of £1.328m however this includes the liabilities under the unfunded Fire-Fighters pension schemes totalling £1.394bn 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 the whole of this liability in future years. If these are excluded from the balance sheet it shows net assets of £66m.

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

NARRATIVE REPORT

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.

The closing balance of cash of £4.149m can be seen on the Balance Sheet by deducting the bank overdraft in current liabilities of £0.470m from the cash and cash equivalents in current assets totalling £4.619m.

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 in note 38 to the statement of accounts.

Looking Forward

Local Government Finance Settlement

The Authority received details of the Local Government Finance Settlement covering the next 4 years spending review period on 9 February 2016 showing further grant loss of £3.3m in 2017/18 and an overall loss of £7.9m per year by 2019/2020. Along with the settlement was an offer from the Secretary of State enabling authorities to fix the 4-year settlement by agreeing to submit efficiency plans to meet the 4 year budget deficit which the Authority submitted and were duly approved.

As part of the Local Government Finance Settlement 2018/19, the government launched the Fair Funding Review whose aim is to address the relative needs and resources of the funding allocation to local government and the fire service. This will form the basis of the next spending review which will take effect from April 2020, the financial effect on fire and rescue services at the present time is unknown.

Pay Awards

The Government lifted the pay cap on public sector pay in autumn 2017 which means that employers are not limited to pay awards at 1%. There is increasing pressure from trade unions to increase pay by above inflation pay awards. The fire fighters pay increase is still in dispute and an interim 1% pay award was paid in December 2017, even though 2% was originally offered by the employers in summer 2017. If the final pay award is in excess of the 2% that is budgeted within the Medium Term Financial Plan, this will mean the Authority will need to identify revenue savings and/or the use of balances in the short term.

NARRATIVE REPORT

Recruitment

The reductions in public sector finance have meant that the Authority has not recruited whole-time firefighters since 2009. This was not sustainable in the longer term as the number of operational employees declined, so, the Authority approved a recruitment programme resulting in the appointment of 24 whole time firefighters in January 2018. A further three recruits courses of 24 per course are planned in 2018/19. In order to facilitate this investment in employees the Authority has committed to use £5.1m of balances over the next two years to fund the recruitment programme.

ICT Strategy

The Authority is in the process of implementing the IT strategy which will involve major capital investment in the IT infrastructure and a restructure of service delivery.

Fire and Rescue National Framework for England

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

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

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

Inspection

The Home Office as part of the reform agenda has introduced an inspection regime which will be carried out by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). There are three strands to the inspection namely, efficiency, effectiveness and people. The process will go live in June 18 and all 45 fire and rescue services in England will have been inspected by summer 2019. West Yorkshire Fire and Rescue were one of three authorities chosen to take part in a pilot inspection which was undertaken in May 2018. The authority will have its full inspection in the last tranche in spring 2019.

NARRATIVE REPORT

Summary

Once again the future of West Yorkshire Fire Authority will be challenging, however, the track record of the Authority over recent years, coupled with the stability offered by the 4 year settlement and the reintroduction of whole-time firefighter recruitment, suggest that the future may offer some optimism

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.

In publishing this statement the Authority fulfils the requirement under regulation 4(2) of the Accounts and Audit Regulations 2015, and accompanies the 2017/18 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 2018 and will remain in place up to the date of the approval of the statement of accounts.

The Governance Framework

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

ANNUAL GOVERNANCE STATEMENT

Strategic Objectives and the Service Planning Process

The Authority's Ambition, Aims and Priorities are set out in its 2015-2020 Service Plan. This plan is supported by the Integrated Risk Management Plan and the Medium Term Financial Plan, all of which are reviewed and approved annually by the Authority. All these plans are published on the website at www.westyorkshire.gov.uk. The Authority's Ambition, Aims and Priorities are:-

Ambition: 'Making West Yorkshire Safer':-

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

Priorities:

- Deliver a proactive community safety programme
- Deliver a professional and resilient emergency response service
- Provide a safe, skilled work force that serves the needs of a diverse community
- Provide effective and ethical governance and achieve value for money.

These objectives are set out in the Authority's Service Plan which is published on the Authority's website. These objectives form part of area plans, departmental plans and station plans. There is an on-going system of monitoring and reporting achievement of the 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 and is formally approved by the Authority at its Annual General Meeting. It

ANNUAL GOVERNANCE STATEMENT

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 4 times per year and an executive committee which deals with urgent business:-

ANNUAL GOVERNANCE STATEMENT

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 IT. 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 integrated Risk Management Planning, national resilience support arrangements and shared services.

Executive Committee

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

The terms of reference of all the Authority's committees are available on the Authority's 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
- Director of Service Support
- Deputy Chief Fire Officer / Director of Service Delivery
- Chief Legal and Governance Officer

ANNUAL GOVERNANCE STATEMENT

- Chief Finance and Procurement Officer
- Chief Employment Services Officer

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

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

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

Tri-service Collaboration Board.

The Policing and Crime Act 2017 placed a duty on Fire and Rescue Authorities to collaborate with the other emergency services to provide increased efficiency and improve service delivery. The tri-service collaboration board has been established with West Yorkshire Police and Yorkshire Ambulance Service to identify areas where this can be achieved. The Board consists of the key political leaders of the organisations including the Chairs of the Fire Authority and Yorkshire Ambulance Service and the Police and Crime Commissioner supported by members of senior management. In 2017, the Authority entered into a formal written agreement in accordance with the Act which formally regulates the relationship between the three parties.

These are the key elements which make up the Governance Framework. Other areas of governance including officer and member training and development, communication strategy and examples of the performance management. Structure is available on the Authority website.

4. Review of Effectiveness

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

ANNUAL GOVERNANCE STATEMENT

A self-assessment of our effectiveness:

- Integrated Risk Management Planning (IRMP)

The Authority is systematically reviewing the service it provides throughout the county through the IRMP process. This process aims to improve community safety and wellbeing and reduce the risk of fires in homes. The Authority maintains a community risk matrix which breaks down the county into different areas based on a risk categorisation from low to very high. This information allows the Authority to measure service delivery to make sure that it is in line with the level of risk. This information has informed the Risk Management Plans which have transformed service delivery over the last 6 years.

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

- Effective Performance Management

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

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

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

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

- Effective Financial Planning and Management

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

ANNUAL GOVERNANCE STATEMENT

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

The 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. The establishment of a new capital accountant post has seen the introduction of similar levels of detailed financial information for all capital schemes.

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

- Effective Arrangements for Accountability

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

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

- Internal Audit

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

The work of internal audit extends well beyond the normal probity audits and includes examination of the key financial systems as well as verification work on the Authority's business continuity plan. During 2017/18 the Internal Audit section provided an independent review role within the new command and control project implementation and overview to the Emergency Services Mobile Communications Project.

- Human Resources

Work has continued to align people policies and practice to business need. As well as updating core policies, a second full staff survey has been carried out. This has resulted in the refresh of the Authority's values and the introduction of a new behavioural framework designed to further improve staff engagement. Organisational development work will be undertaken over the next year to try to ensure that the values and behaviours are truly embedded in the organisation and form part of our leadership practice.

ANNUAL GOVERNANCE STATEMENT

Recruitment of whole-time firefighter's campaign commenced in February 2016 and culminated in over 6,000 applicants for some 70 posts that will be available during 2017/18. An extensive positive action campaign has ensured that there is real diversity amongst the applicants. Unfortunately, this diversity was not reflected in the final recruitment decisions with both female and BME applicants struggling with the testing requirements. A further review of those requirements has been undertaken in advance of the 2018/19 recruitment programme.

The Authority continues to prioritise the health and well-being of its staff. A 24 hour Employee Assistance Programme is in place to provide staff with an additional level of support. Sickness levels across the Authority remain low.

Summary

This process of self-assessment provides the Authority with the evidence to support Managements' conclusion that it is continuing to provide a high quality service with the resources available.

- Statement of Assurance

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

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

- Conclusion

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

- External Review

KPMG continue to provide an external review of systems and procedure as part of their role as the appointed external auditors to the Authority, they will continue to do so until the completion of the 2017/18 accounts. Following the Public Sector Audit Appointments tender process, Deloitte will become the Authority's external auditors from 1st April 2018.

ANNUAL GOVERNANCE STATEMENT

In addition The Policing and Crime Act 2017 included the establishment of a Fire Service Inspectorate which will perform independent reviews on all Fire and Rescue Services. The inspection will review the efficiency, effectiveness and people within the organisation. West Yorkshire is one of three fire services who have been chosen to pilot the new inspection regime which will commence in May 2018. The Authority's full inspection as part of the formal regime will take place in spring 2019.

- Compliance

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

- Significant Governance Issues

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

- Grant Loss

Whilst the Authority has agreed to accept the Governments offer of a four year funding settlement to 2019/20 as per the efficiency plan, there still remains a funding gap over the medium term. The current programme of station rationalisation will not deliver all the required savings and further interventions will need to be identified, as a result the Authority will be using reserves to support the revenue budget in the short term until these are realised.

The Government as part of the Local Government Finance Settlement 2018/19 commenced a review of how local government which includes fire and rescue services are funded. This Fair Funding Review will set new baseline funding allocations delivering an up to date assessment of their relative needs and resources. This means that the financial position of the Authority will remain unclear until this review has been completed.

This coupled with the potential impact of 'Brexit 'means that the Authority should be prepared for further financial restraint in the next spending review period.

- Assumptions Underpinning the Medium Term Financial Plan

The assumptions made in the medium term financial plan, particularly around savings, inflation, pay awards, employer pension contributions, income from council tax and business rates whilst based on the best information available, are subject to change from economic circumstances and public finances in general. This represents a potential risk to the Authority's Medium Term Financial Plan and any adverse effects will mean that the Authority will have to find further

ANNUAL GOVERNANCE STATEMENT

savings or use reserves. Budget monitoring and forecasting processes are in place which enables the Chief Finance and Procurement Officer to identify variations to assumptions and amend the Medium Term Financial Plan accordingly.

- Pay Increases

The removal of the public sector pay cap of 1% on public sector pay will cause increasing financial pressures for the fire authority. Although provision has been included within the Medium Term Financial Plan for 2% pay awards for both operational and non-operational staff for the next four years, this may be an underestimate. It is expected that Trade Unions will put pressure on employers to increase pay in line with current levels of inflation which currently exceed 2%.

Every additional 1% pay increase over that included within the Medium Term Financial Plan would cost the Authority £0.6m per annum which would have to be funded by identifying further efficiency savings.

- Policing and Crime Act 2017

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

- Summary

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

ANNUAL GOVERNANCE STATEMENT

John Roberts

Chief Fire Officer / Chief Executive

27th July 2018

Alison Wood

Chief Finance and Procurement Officer

27th July 2018

Cllr Judith Hughes

Chair, West Yorkshire Fire & Rescue Authority

27th July 2018

STATEMENT OF RESPONSIBILITIES

3. Statement of Responsibilities

1. 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.

2. 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 provision and detection of fraud and other irregularities.

3. Certificates

I certify that the financial statements set out on pages 32-125 present a true and fair view of the financial position of the West Yorkshire Fire and Rescue Authority as at 31 March 2018, and its income and expenditure for the year then ended.

STATEMENT OF RESPONSIBILITIES

A Wood CPFA
Chief Finance and Procurement Officer
Dated: 27th July 2018

Authority Approval of Accounts

Cllr R Grahame
Chair of Audit Committee
Dated: 27th July 2018

AUDIT OPINION

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of West Yorkshire Fire and Rescue Authority ('the Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Chief Finance and Procurement Officer is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

AUDIT OPINION

Chief Finance and Procurement Officer’s responsibilities

As explained more fully in the statement set out on page 26, the Chief Financial Officer is responsible for the preparation of the Authority’s financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor’s responsibilities

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

A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, West Yorkshire Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our

AUDIT OPINION

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether West Yorkshire Fire and Rescue Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether West Yorkshire Fire and Rescue Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

AUDIT OPINION

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the financial statements of West Yorkshire Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Robert Jones
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Manchester

27th July 2018

Notes to Main Financial Statements

Expenditure and Funding Analysis

This is a statement which was included in public sector accounts for the first time in 2016/17. The expenditure and funding analysis helps to explain the difference between the way information is reported during the year in the form of budget monitoring reports to directors and the statutory reporting format required for the final accounts which is shown in the comprehensive income and expenditure statement. The bottom line on the expenditure and funding analysis shows that the general fund and other earmarked reserves at the end of 2017/18 total £35.74m (2016/17 £33.0m).

2016/17

Expenditure and Funding Analysis 2016/17	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	20,355	17,837	38,192
Service Support	5,257	3,937	9,194
Employment Services	3,351	106	3,457
Legal and Governance	1,228	69	1,297
Finance and Procurement	599	66	665
Corporate Communications	118	16	134
Net Cost of Services	30,908	22,031	52,939
Other Income and Expenditure	-34,985	-3,506	-38,491
(Surplus) or deficit	-4,077	18,525	14,448
Opening General Fund Balance at 31 March 2016	28,957		
Surplus on General Fund in year	4,077		
Closing General Fund Balance (Including Earmarked reserves) at 31 March 2017	33,034		

Notes to Main Financial Statements

2017/18

Expenditure and Funding Analysis 2017/18	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	18,987	17,205	36,192
Service Support	5,942	2,778	8,720
Employment Services	6,120	146	6,266
Legal and Governance	971	91	1,062
Finance and Procurement	1,652	87	1,739
Corporate Communications	179	30	209
Net Cost of Services	33,851	20,337	54,188
Other Income and Expenditure	-37,012	-5,456	-42,468
Surplus or deficit	-3,161	14,881	11,720
Restated General Fund Balance as at 31st March 2017	32,582		
Surplus on General Fund in year	3,161		
Closing General Fund Balance (Including Earmarked reserves) at 31 March 2018	35,743		

Comprehensive Income and Expenditure Statement

From 2016/17 local authorities were no longer required to report based on the service expenditure analysis in the Service Reporting Code of Practice (SeRCOP) but to report on the same basis as the Authority's budget and performance monitoring reports. This format means that the service section of the comprehensive income and expenditure statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

However, this is perhaps the most misleading of the accounts because it does not show the cost to the tax payer of providing the service as its title might suggest. What this statement does show is the cost of providing services in the year in accordance with 'generally accepted accounting practices' which require the inclusion of a number of large transactions which do not involve the movement of cash. These include charges for depreciation and

Notes to Main Financial Statements

variations in the estimated future cost of pensions. As a result of these adjustments it is not possible to identify the cost of the service to the tax payer from this statement. Details of the cost of the service and how this is funded through grant and council tax is shown in the revenue outturn section of the report.

2017/18

2016/17				2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
40,625	-2,433	38,192	Service Delivery	38,647	-2,455	36,192
12,867	-3,673	9,194	Service Support	12,817	-4,097	8,720
3,557	-100	3,457	Employment Services	6,419	-153	6,266
1,308	-11	1,297	Legal and Governance	1,115	-53	1,062
687	-22	665	Finance and Procurement	1,788	-49	1,739
134	0	134	Corporate Communications	209	0	209
59,178	-6,239	52,939	Cost of Services	60,995	-6,807	54,188
3,002	-2,358	644	Other Operating Expenditure (Note 10)	2,838	-3,345	-507
42,186	-76	42,110	Financing and Investment Income & Expenditure (Note 11)	38,364	-80	38,284
0	-81,245	-81,245	Taxation and Non specific Grant Income (Note 12)	0	-80,245	-80,245
104,366	-89,919	14,448	Deficit on Provision of Services	102,197	-90,477	11,720
		-2,971	Unrealised Surplus or Deficit on revaluation of fixed assets			0
		222,373	Remeasurement of the net defined benefit liability			-2,175
			Other adjustments			
		219,402	Other Comprehensive Income and Expenditure			-2,175
		233,850	Total Comprehensive Income and Expenditure			9,545

Notes to Main Financial Statements

Movement in Reserves Statement

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

2016/17

Movement in Reserves during 2016/17	Note	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	TOTAL AUTHORITY RESERVES
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2016		28,957	0	0	28,957	-1,113,089	-1,084,132
Total Comprehensive Income & Expenditure		-14,448			-14,448	-219,402	-233,850
Adjustments between accounting basis & funding basis under regulations	9	18,525			18,525	-18,525	0
Increase/Decrease in 2016/17		4,077	0	0	4,077	-237,927	-233,850
Balance at 31 March 2017 carried forward		33,034	0	0	33,034	-1,351,016	-1,317,982

2017/18

Movement in Reserves during 2017/18	Note	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	TOTAL AUTHORITY RESERVES
		£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance 01 April 2017		32,582	0	0	32,582	-1,351,016	-1,318,434
Total Comprehensive Income & Expenditure		-11,720			-11,720	2,175	-9,545
Adjustments between accounting basis & funding basis under regulations	9	14,881			14,881	-14,881	0
Increase/Decrease in 2017/18		3,161	0	0	3,161	-12,706	-9,545
Balance at 31 March 2018 carried forward		35,743	0	0	35,743	-1,363,722	-1,327,979

An analysis of the reserves can be found in note 27, 28 and 29

Notes to Main Financial Statements

Balance Sheet

West Yorkshire Fire and Rescue Balance Sheet as at 31 March 2018

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

The first category of reserves are usable reserves; 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 are unusable reserves; those reserves 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 "Adjustmen between accounting basis and funding basis under regulations".

The short term creditors' and usable reserves' opening balances, as at 31st March 2017, have been adjusted to correct a prior period error. A historic creditor of £452k was classified incorrectly following the transition to the International Financial Reporting Standards for the preparation of the accounts. Although the error was not material, the balances were corrected as use of the Authority's reserves is a key factor in the strategic medium term financial planning process.

Notes to Main Financial Statements

31 March 2017 Restated £'000		Notes	31 March 2018 £'000
	Property, Plant and Equipment	13	
72,918	Other Land & Buildings		74,522
15,643	Vehicle, Plant & Equipment		16,367
4,224	Assets Under Construction		1,399
901	Intangible Assets	15	699
93,686	Long Term Assets		92,987
	Short Term Investments		11,000
4,965	Assets Held for Sale	16	0
826	Inventories	19	785
671	Short Term Debtors	20	17,023
15,754	Doubtful Debt provision	20	-3,154
-2,853	Cash and Cash Equivalents	21	4,619
4,820			
24,183	Current Assets		30,273
	Bank Overdraft	21	-470
-392	Short Term Borrowing		-778
-717	Short Term Creditors	25	-10,292
-8,854	Provisions (<1yr)	26	-493
-262			
-10,225	Current Liabilities		-12,033
	Long Term Borrowing		-45,604
-45,839	Capital Grants received in Advance		-22
-22	Net liability related to defined Benefit Pension Schemes	38	-1,393,580
-1,380,217			
-1,426,078	Long Term Liabilities		-1,439,206
-1,318,434	Net Assets		-1,327,979
	Usable Reserves	27	35,743
32,582	Unusable Reserves	29	-1,363,722
-1,351,016			
-1,318,434	Total Reserves		-1,327,979

Notes to Main Financial Statements

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

The closing balance of cash of £4.149m can be seen on the Balance Sheet by deducting the bank overdraft in current liabilities of £0.470m from the cash and cash equivalents in current assets totalling £4.619m.

2017/18

2016/17 £'000		Notes	2017/18 £'000
-14,448	Net surplus or (deficit) on the provision of services		-11,720
25,716	Adjustment to surplus or deficit on the provision of services for noncash movements	22	24,861
-2,304	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	-3,359
8,964	Net Cash flows from operating activities		9,782
-11,040	Net Cash flows from Investing Activities	23	-8,574
-2,936	Net Cash flows from Financing Activities	24	-1,487
-5,012	Net increase or (decrease) in cash and cash equivalents		-279
9,440	Cash and cash equivalents at the beginning of the reporting period	21	4,428
4,428	Cash and cash equivalents at the end of the reporting period		4,149

Notes to Main Financial Statements

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/2018 financial year and its position at the year end of 31 March 2018.

The Authority is required to prepare an annual Statement of the Financial Accounts as 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 2017/18 and the Service Reporting Code of Practice 2017/18. Supported by International Financial Reporting Standards (IFRS).

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

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

Fundamental Accounting Concepts

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

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

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

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

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

Accruals of Income and Expenditure

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

- Revenue from the provision of services is recognised when the Authority can measure reliably the completion of the transaction and it is probable that economic benefits associated with the transaction will flow to the Authority.
- 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.

Notes to Main Financial Statements

- 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.

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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 on a prudent basis determined 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

Notes to Main Financial Statements

adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(v) Employee Benefits

a. 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 reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b. 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.

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.

Notes to Main Financial Statements

c. Post-Employment 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 modified scheme either transferred to the scheme with no protection, have tapered protection or have full protection in the existing schemes as follows:

1992 Firefighters' Pension scheme

If a member at the 1/4/12 was within 10 years of the normal pension age, 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 as at specified date unique to the member.

2006 Firefighters' Pension scheme

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

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

Retained Modified Scheme

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

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.

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

Notes to Main Financial Statements

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

- The liabilities of the LGPS attributable to the Authority are included in the Balance Sheet on an actuarial basis using an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates and projections of expected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate of 2.6%.
- The assets of the LGPS attributable to the Authority are included in the Balance Sheet at their fair value.

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

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

Re-measurements comprising:

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

Notes to Main Financial Statements

- 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 2017/18 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 2017/18 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.

d. 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.

(vi) 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.

(vii) 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

Notes to Main Financial Statements

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

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

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

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

Notes to Main Financial Statements

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

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

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 CIES when it becomes receivable by the Authority.

Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

(x) 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 been 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.

Notes to Main Financial Statements

(xi) 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. Estimated lives for new intangible assets vary.

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.

(xii) Inventories and Long Term Contracts

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

(xiii) 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 2017/18.

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.

(xiv) Overheads and Support Services

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

(xv) Property, Plant and Equipment

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

Recognition

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

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

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

Notes to Main Financial Statements

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 – 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.

Property assets are formally valued every five years, with the last full valuation being as at 31 March 2015. Valuations are also carried out when there is a major natural disaster and/or there are major refurbishments.

In the years where no full valuation is completed, the property manager undertakes a desktop valuation to determine if the authority should make any adjustments to the property valuations.

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

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

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

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

Notes to Main Financial Statements

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

- Buildings 21-50 years
- Vehicles and operational equipment 5-12 years
- Fixtures and fittings 10 years
- Computer equipment 5 years

Estimated lives for all new appliances will be 12 years.

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

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

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

Notes to Main Financial Statements

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. The Authority does not componentise fire appliances because the component parts have the same useful life as the asset as a whole.

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.

(xvi) 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 2017/18 are shown in Note 5.

(xvii) 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

Notes to Main Financial Statements

obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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.

(xviii) Reserves

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

The balances on the following reserves: capital adjustment account, the financial instruments adjustment account, the revaluation reserve, the pension reserve, and the collection fund adjustment account cannot be used for future expenditure.

(xix) 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.

(xx) 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.

Notes to Main Financial Statements

(xxi) 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 or 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 2018.
- Provision for bad debts of Debtors in relation to council tax and business rates retention arrears as at 31 March 2018.
- 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.

Notes to Main Financial Statements

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The additional disclosures that will be required in the 2017/18 and 2018/19 financial statements in respect of accounting changes that are introduced in the 2017/18 code are:-

1) IFRS 9 Financial Instruments

The Authority will adopt IFRS9 Financial Instruments effective from 1st April 2018. The main changes include the reclassification of financial assets and the impairment of financial assets. Impairment may include expected lifetime credit losses if there is a significant increase in risk or a possible default event over the assets life.

The Authority does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. From the 1st April 2018 the authority irrevocably elects to present changes in the fair value of equity investments in other comprehensive income as permitted by the IFRS.

The Authority does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets such as bank deposit accounts and amounts held within the Debt Management Office (DMO).

2) Amendments in IAS 7 Statement of Cash Flows – Disclosure initiative.

These amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To fulfil this disclosure requirement, reconciliation between the opening and closing balances in the Balance sheet for liabilities arising from financing activities will be provided within the notes to the financial statements.

3) IFRS 15 Revenue from contracts with customers.

The Authority will adopt IFRS 15 Revenue from contracts with Customers effective from 1st April 2018. The standard has far more prescriptive requirements than the previous standard it replaces, as the Authority is required to recognise revenue in a manner that depicts the pattern of transfer of goods and services to customers. IFRS 15 applies to all contracts with customers excluding leases, Insurance contracts and financial instruments; Revenue from Council Tax & Non Domestic Rates is also outside the scope of the standard.

Notes to Main Financial Statements

The Authority does not expect the changes to have a material impact upon the financial statements as the Authority recognises revenue at the point when the control of the goods or services passes to the customer.

4) Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for unrealised losses.

A deferred tax asset is recognised for an unused loss carry forward or unused tax credit if it is probable the loss or credit carried forward can be offset against the future taxable profit. The carrying amount of the deferred tax asset is reviewed at the end of the reporting period and reduced according to whether it is probable that there will be sufficient taxable profit to allow the benefit of part or all of the deferred tax asset to be utilised. This will have no material impact upon the Authority.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, The Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Judgements made in the process of applying the Authority's accounting policies that have the most significant effect on the amounts recognised in the financial statements, eg:

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

Notes to Main Financial Statements

4. 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 2018 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.	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 £496k 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 economic climate the estimated collection fund balance may be more volatile.	As at the 31st March 2018 the provision for the non payment of council tax debtors is £3,154k (£2,853k 2016/17). This may rise due to the economic climate 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.	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 £6.85 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.
Arrears	At the 31 March 2018 the Authority had a balance of sundry debtors for £220k. 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 £78k as at the 31 March 2018. This is to be monitored and a provision would have to be funded from revenue reducing the level of general fund reserves.

Notes to Main Financial Statements

5. 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 2017/18 a credit of £20.7m has been recorded in the cost of services in the CIES (£25m 2016/17).

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

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for use by the Chief Finance and Procurement Officer on the 31st May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at the 31 March 2018, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

Notes to Main Financial Statements

7. 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.

2016/17

Adjustments from General Fund to arrive at Comprehensive Income & Expenditure Statement amounts	Adjustment for Capital Purposes (1)	Net Change for the Pensions Adjustments (2)	Other Differences (3)	Total Adjustments
	£'000	£'000	£'000	£'000
Service Delivery	3,542	14,295		17,837
Service Support	3,443	494		3,937
Employment Services		106		106
Legal and Governance		69		69
Finance and Procurement		66		66
Corporate Communications		16		16
Net Cost of Services	6,985	15,046	0	22,031
Other Operating expenditure - a	391		531	922
Finance and Investment income and expenditure - b	-4,427			-4,427
Taxation and non specific grant income and expenditure - c	-1			-1
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit	2,948	15,046	531	18,525

Notes to Main Financial Statements

2017/18

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	2,622	14,583		17,205
Service Support	2,166	612		2,778
Employment Services	8	138		146
Legal and Governance		91		91
Finance and Procurement	3	84		87
Corporate Communications		30		30
Net Cost of Services	4,799	15,538	0	20,337
Other Operating expenditure - a	-522		-16	-538
Finance and Investment income and expenditure - b	-4,127			-4,127
Taxation and non specific grant income and expenditure - c	-791			-791
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit	-641	15,538	-16	14,881

1. Adjustments for Capital Funding and Expenditure Purposes

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

- (a) Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- (b) Financing and Investment income and expenditure – the statutory charges for capital financing and other revenue contributions are deducted as these are not chargeable under generally accepted accounting practices

Notes to Main Financial Statements

- (c) 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.

8. Expenditure and Income Analysed by Nature

Expenditure/Income	2016/17 £'000	2017/18 £'000
Expenditure:		
Employees	37,912	40,800
Other service expenses	11,981	10,549
Support Services	3,488	3,630
Capital Charges	5,797	6,016
Disposal of Fixed Assets	3,002	2,838
Interest payments	42,186	38,364
Total Expenditure	104,366	102,197
Income:		
Government grants and contributions	-1,549	-2,058
Other Non Government Grants	-424	-382
Customer and Client Receipts	-1,015	-936
Internal Income	-3,251	-3,431
Fixed Assets Sales Proceeds	-2,358	-3,345
Interest Receivable and similar income	-76	-80
Taxation and Non Specific Grant Income	-81,245	-80,245
Total Income	-89,918	-90,477
Surplus or deficit on the Provision of Services	14,448	11,720

Notes to Main Financial Statements

9. Adjustments between Funding and Accounting Basis

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

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

General Fund Balance

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

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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

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

Notes to Main Financial Statements

2016/17	General Fund Balance	Capital Receipts Reserve	Capital Receipts Unapplied	TOTAL Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account					
Reversal of items debited or credited to the CIES					
Charges for depreciation and impairment of non current assets	7,401			7,401	-7,401
Revaluation losses on property, plant and equipment	-633			-633	633
Amortisation of intangible assets	217			217	-217
Capital grants and contributions	-1			-1	1
Revenue expenditure funded from capital under statue	684			684	-684
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,695			2,695	-2,695
Insertion of items not debited or credited to the CIES					
Statutory provision for the financing of capital investment	-4,427			-4,427	4,427
	5,936			5,936	-5,936
Adjustments involving the Capital Receipts Reserves					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	-2,304			-2,304	2,304
	-2,304			-2,304	2,304
Adjustments involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-62			-62	62
	-62			-62	62
Adjustments involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	59,221			59,221	-59,221
Employe'rs pension contributions and direct payments to pensioners payable in the year	-44,175			-44,175	44,175
	15,046			15,046	-15,046
Adjustments involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	-300			-300	300
	-300			-300	300
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	209			209	-209
	209			209	-209
Total Adjustments 2016/17	18,525			18,525	-18,525

Notes to Main Financial Statements

2017/18	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Receipts Unapplied £'000	TOTAL Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account					
Reversal of items debited or credited to the CIES					
Charges for depreciation and impairment of non current assets	4,581			4,581	-4,581
Revaluation losses on property, plant and equipment	0			0	0
Amortisation of intangible assets	218			218	-218
Capital grants and contributions	-791			-791	791
Revenue expenditure funded from capital under statue	462			462	-462
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,837			2,837	-2,837
Insertion of items not debited or credited to the CIES					
Statutory provision for the financing of capital investment	-4,127			-4,127	4,127
	3,180			3,180	-3,180
Adjustments involving the Capital Receipts Reserves					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	-3,359			-3,359	3,359
	-3,359			-3,359	3,359
Adjustments involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-62			-62	62
	-62			-62	62
Adjustments involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	61,122			61,122	-61,122
Employe'rs pension contributions and direct payments to pensioners payable in the year	-45,584			-45,584	45,584
	15,538			15,538	-15,538
Adjustments involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	-445			-445	445
	-445			-445	445
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	29			29	-29
	29			29	-29
Total Adjustments 2017/18	14,881			14,881	-14,881

Notes to Main Financial Statements

10. Other Operating Expenditure

2016/17 £'000		2017/18 £'000
3,002	Net Book value of non current assets	2,838
2,358	Sale Proceeds	3,345
644	(Gains)losses on the disposal of non current assets	-507

11. Financing and Investment Income and Expenditure

2016/17 £'000		2017/18 £'000
2,044	Interest Payable and similar charges	2,040
40,080	Pensions interest cost	36,262
0	Expected Return on pension assets	0
-76	Interest Receivable and similar income	-80
62	Income and expenditure in relation to investment properties and changes in fair value	62
42,110	TOTAL	38,284

Interest receivable and similar income represents the amount of interest earned on the Authority's revenue balances in 2017/18.

12. Taxation and Non Specific Grant Income

2016/17 £'000		2017/18 £'000
-37,669	Council Tax Income	-39,219
-7,455	Non Domestic rates	-6,846
-35,813	Non ring fenced Government Grants	-33,313
-308	Capital Grants and Contributions (1)	-867
-81,245	TOTAL	-80,245

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

Notes to Main Financial Statements

13. Property, Plant and Equipment

Movements 2016/17	Land & Buildings	Vehicles, Plant & Equipment	Assets under Construction	Surplus assets	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
1 April 2016	70,582	34,350	5,223	785	110,940
Additions	1,655	1,684	4,674	0	8,013
Acc Depreciation written off to Cost	-568	0	0	0	-568
Revaluation recognised in the Revaluation Reserve	2,971	0	0	0	2,971
Revaluation recognised in the Surplus/Deficit	-2,345	0	0	0	-2,345
De-recognition - Disposals	-931	-2,043	0	-635	-3,609
Derecognition - Other	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	-410	-114	0	-150	-674
Assets reclassified (to)/from Assets Under Construction	4,926	1,443	-6,369	0	0
Other movements in Cost or Valuation	0	-696	696	0	0
31 March 2017	75,880	34,624	4,224	0	114,728
Depreciation & Impairment					
1 April 2016	1,907	18,348	8	245	20,508
Depreciation charge	1,634	2,760	0	0	4,394
Acc Depreciation written off to Cost	-449	0	0	0	-449
Acc. Impairment written off to Cost	-119	0	0	0	-119
Derecognition - Disposals	-15	-2,013	0	-215	-2,243
Assets reclassified (to)/from Held for Sale	4	-114	-8	-30	-148
31 March 2017	2,962	18,981	0	0	21,943
Net Book Value					
31 March 2017	72,918	15,643	4,224	0	92,785
31 March 2016	68,675	16,002	5,215	540	90,432

Notes to Main Financial Statements

Movements 2017/18	Land & Buildings	Vehicles, Plant & Equipment	Assets under Construction	Surplus assets	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
1 April 2017	75,880	34,624	4,224	0	114,728
Additions	1,526	1,582	2,993	0	6,101
Acc Depreciation written off to Cost	0	0	0	0	0
Revaluation recognised in the Revaluation Reserve	0	0	0	0	0
Revaluation recognised in the Surplus/Deficit	0	0	0	0	0
De-recognition - Disposals	-2,006	-1,913	0	0	-3,919
Derecognition - Other	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0
Assets reclassified (to)/from Assets Under Construction	3,775	2,043	-5,818		0
Other movements in Cost or Valuation	0	0	0	0	0
31 March 2018	79,175	36,336	1,399	0	116,910
Depreciation & Impairment					
01-Apr-17	2,962	18,981	0	0	21,943
Depreciation charge	1,691	2,889	0	0	4,580
Acc Depreciation written off to Cost	0	0	0	0	0
Acc. Impairment written off to Cost	0	0	0	0	0
Derecognition - Disposals	0	-1,901	0	0	-1,901
Assets reclassified (to)/from Held for Sale	0	0	0	0	0
31 March 2018	4,653	19,969	0	0	24,622
Net Book Value					
31 March 2018	74,522	16,367	1,399	0	92,288
31 March 2017	72,918	15,643	4,224	0	92,785

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

Buildings - 21 to 50 years

Vehicle, Plant, Furniture & Equipment - 5 to 12 years.

Notes to Main Financial Statements

Capital Commitments

At 31 March 2018, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment, with outstanding commitments of £0.4m (£3.2m 31 March 2017).

The major commitments are:

IRMP New Fire Station Builds:	
	2017/18
Wakefield	£0.1m
Others:	
ICTSP4 System Security	£0.1m
Upgrade Training Facilities at HQ	£0.2m

14. Revaluations and Impairments

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

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

The Authority formally revalues land and buildings every five years with the last valuation carried out by Bruton Knowles at the 31 March 2015. There have been no revaluations or impairments in 2017/18.

2016/2017		2017/18
£'000		£'000
-2,345	Revaluation losses/Impairments Recognised in Surplus/Deficit	0
2,971	Revaluations/(Impairments) Recognised in Revaluation Reserve	0
626		0

Notes to Main Financial Statements

15. Intangible Assets

Software licences purchased in 2016/17 were included in intangible assets, however due to the change in accounting policy these are now classed as revenue expenditure.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £218k charged to revenue in 2017/18 was charged to the IT support cost centre and then absorbed as an overhead across all 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:

	2016/2017 Software Licences £'000	2017/2018 Software Licences £'000
Balance at start of year:		
Gross carrying amounts	2,169	1,814
Accumulated Amortisation	1,315	913
Net carrying amount at start of year	854	901
Purchases	293	16
Disposals	0	0
Amortisation for the period	-246	-218
Other movements	0	0
Net carrying amount at the end of year	901	699
Comprising:		
Gross Carrying Amounts	1,814	1,488
Accumulated Amortisation	913	789
	901	699

16. 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.

Notes to Main Financial Statements

- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

	Current		Non Current	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Balance outstanding at start of year	0	0	1,937	826
Assets newly classified as held for sale				
Property, Plant & Equipment	0	0	526	0
Revaluation Losses	0	0	0	0
Revaluation Gains	0	0	0	0
Other movements	0	0	-1,637	-826
Balance outstanding at year-end	0	0	826	0

There are no assets held for sale as at 31st March 2018.

Notes to Main Financial Statements

17. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	31-Mar-17 £'000	31-Mar-18 £'000	31-Mar-17 £'000	31-Mar-18 £'000
Investments				
Loans and receivables	0	0	7,123	12,619
Available for sale financial assets	0	0	2,647	2,977
Total Investments	0	0	9,770	15,596
Debtors				
Loans and receivables	0	0	3	10
Financial assets carried at contract amounts	0	0	1,029	812
Total Debtors	0	0	1,032	822
Borrowings				
Financial liabilities at amortised cost	45,839	45,604	235	274
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Borrowings	45,839	45,604	235	274
Other Long Term Liabilities				
Finance lease liabilities	0	0	0	0
Other Long Term Liabilities	0	0	0	0
Creditors				
Financial liabilities at amortised cost	0	0	482	504
Financial liabilities carried at contract amounts	0	0	2,206	2,680
Total Creditors	0	0	2,688	3,184

Notes to Main Financial Statements

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:

	<u>2016/17</u>					<u>2017/18</u>						
	Financial Liabilities measured at amortised cost	Financial Assets : Loans and Receivables		Financial Assets: Available for Sale	Cash and Cash equivalents	Total	Financial Liabilities measured at amortised cost	Financial Assets : Loans and Receivables		Financial Assets: Available for Sale	Cash and Cash equivalents	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	2,044					2,044	2,040					2,040
Losses on de-recognition	62					62	62					62
Total expense in surplus/deficit on the provision of services	2,106	0	0	0	2,106	2,106	2,102	0	0	0	0	2,102
Interest income			-20		-30	-50			-65			-65
Dividend Income				-26		-26				-14		-14
Gains on de-recognition												
Total income in surplus/deficit on the provision of services	0	-20	-26	-30	-76	-76	-65	-14	-14	-14	0	-79
Net gain/(loss) for the year	2,106	-20	-26	-30	2,030	2,030	2,102	-65	-14	0	0	2,023

Fair Value of Assets and Liabilities

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

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

Notes to Main Financial Statements

The fair values calculated are as follows:

	31-Mar-17		31-Mar-18			
	Carrying Amount	Fair Value			Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Liabilities	46,557	66,705			46,382	64,025
Long term Creditors	2,206	2,206			2,680	2,680
Short term Creditors						

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

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

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

This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

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

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

The above fair values are judged to be level 2 in the fair value hierarchy, using significant observable inputs.

Notes to Main Financial Statements

For short-term debtors and creditors, it is assumed that the carrying value will be a reasonable approximation of fair value.

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

	31-Mar-17		31-Mar-18			
	Carrying Amount	Fair Value			Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000
Loans and receivables	9,773	9,776			15,606	15,608
Long term debtors	1,029	1,029			812	812
Short term debtors						

Notes to Main Financial Statements

18. Nature and Extent of Risks arising from Financial Instruments

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

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

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

Kirklees Council manages the function on behalf of the Authority under the supervision of the Chief Financial & Procurement Officer and policies approved by Members in the annual treasury management strategy and the treasury management policy statement and practices.

Credit Risk

Investments and Cash

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

At the year end, the Authority held cash deposits at banks and other financial institutions of £4.6m (£4.8m 31st March 2017) had shares in Money Market Funds of £11.0m (£4.9m 31st March 2017) as well as some longer term and fixed term deposits. The Authority has instant access to the cash deposits and the shares in the Money Market Funds. The Authority did not make any investments longer than one year in 2017/18

Notes to Main Financial Statements

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

Credit rating	Short Term	
	31 March 2017 £'000	31 March 2018 £'000
F1/P1	6,000	1,025
F1+/P1	824	6
F1+/-	300	11,588
AA+	2,646	2,977
Total Investments	9,770	15,596

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 of irrecoverability applies to all of the Authority's deposits but there was no evidence at the 31st March that this was likely to crystallise.

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 2017 £'000	31 March 2018 £'000
Less than three months	53	85
Three to six months	12	17
Six months to one year	77	14
More than one year	0	48
	142	164

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.

Notes to Main Financial Statements

The maturity analysis of borrowing is shown below:

Liquidity Risk	31 March 2017 £'000	31 March 2018 £'000
Less than one year	235	274
Between one and two years	236	235
Between two and five years	431	1,432
Between five and ten years	5,735	5,500
Between ten years and fifteen years	3,500	3,000
More than fifteen years	33,937	33,437
	44,074	43,878
Uncertain date	2,000	2,000

The Authority has a £2 million “Lenders Option, Borrowers Option “(LOBO) loan where the lender has the option to propose an increase in the rate payable. The Authority will then have the option to accept the new rate or repay the loan without penalty. Due to low current interest rates, in the unlikely event that the lender exercises its option, the Authority is likely to repay the loan. The maturity date is therefore uncertain.

Market Risk

Interest Rate Risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of service or the

Notes to Main Financial Statements

Comprehensive Income & Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of service and affect the general fund balance.

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

The treasury management strategy is proactive, providing for the constant assessment of interest rate exposures and deciding whether new borrowing is at fixed or variable rates. This strategy also aims to mitigate the impact of interest rate risk by setting upper limits on its net exposure to fixed and variable interest rates. At the 31 March 2018, £43.9 million of borrowing was at fixed rates and 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 £219k resulting in a corresponding £219k decrease on Surplus or Deficit on the Provision of Services.

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate	-219
Impact on Surplus or Deficit on the Provision of Services	-219

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

As mentioned previously, the Authority also holds £2.0m of debt in the form of LOBO, which equates to 4.4% of its total borrowing. The LOBO agreement has a periodic option date on which the lender can opt to change the interest rate on a loan. If lenders exercise this option, then the Authority can either repay the loan (at no extra cost) or agree to the change of interest rate for the remaining term of the loan or until the lender chooses to exercise the option again. The Option cannot be exercised again until 2021/22.

The fair value of fixed rate borrowings would decrease by around £10.4 million if interest rates increased by 1%, and increase by the same figure if rates decreased by 1%.

Notes to Main Financial Statements

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.

19. Inventories

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

2016/17	Clothing & Uniforms £'000	Operational Equipment £'000	Petrol & Derv £'000	Vehicle Spares £'000	Total £'000
Balance Outstanding at start of year	77	351	63	144	635
Purchases	5	36			41
Recognised as an expense in the year				5	5
Balance Outstanding at year end	82	387	63	139	671

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

Notes to Main Financial Statements

20. Short Term Debtors

31 March 2017 £'000		31 March 2018 £'000
3,132	Central Government Bodies	4,030
11,642	Other Local Authorities	12,242
33	NHS Bodies	12
0	Public Corporations and trading funds	0
947	Other entities and individuals	739
15,754	Total Short Term Debtors	17,023

The Authority has made a provision for bad debts in 2017/18 of £3,154k (2016/17 £2,853k) which is due to the changes in the accounting for the Collection Fund and Business Rates Retention, whereby a provision is made for the Authority's proportion of council tax and business rate payers' bad debts.

21. Cash and Cash Equivalents

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

31 March 2017 £'000		31 March 2018 £'000
832	Bank current accounts	15
3,988	Instant Access interest accounts and Money Market Funds	4,604
-392	Bank Overdraft	-470
4,428	Total Cash and Cash Equivalents	4,149

Notes to Main Financial Statements

22. 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 2017 £'000		31 March 2018 £'000
4,423	Depreciation	4,628
2,670	Impairment and downward valuations	2,030
217	Amortisation	171
152	Increase/(decrease) in impairment for bad debts	301
625	Increase/(decrease) in creditors	820
473	(Increase)/decrease in debtors	450
-36	(Increase)/decrease in inventories	-114
15,046	Movement in pension liability	15,538
2,370	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	807
-224	Other non-cash items charged to the net surplus or deficit on the provision of services	230
25,716		24,861

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

31 March 2017 £'000		31 March 2018 £'000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
-2,304	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-3,359
0	Any other items for which the cash effects are investing or financing cash flows	0
-2,304		-3,359

Notes to Main Financial Statements

23. Cash Flow Statement - Investing Activities

31 March 2017 £'000		31 March 2018 £'000
-8,393	Purchase of property, plant and equipment, investment property and intangible assets	-5,898
-4,965	Purchase of short-term and long-term investments	-6,035
0	Other payments for investing activities	0
2,304	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,359
0	Proceeds from short-term and long-term investments	0
14	Other receipts from investing activities	0
-11,040	Net cash flows from investing activities	-8,574

24. Cash Flow Statement - Financing Activities

31 March 2017 £000		31 March 2018 £000
0	Cash receipts of short- and long-term borrowing	0
0	Other receipts from financing activities	0
0	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	0
-235	Repayments of short- and long-term borrowing	-196
-2,701	Other payments for financing activities	-1,291
-2,936	Net cash flows from financing activities	-1,487

Notes to Main Financial Statements

25. Short Term Creditors

The table below shows the amount of short term creditors as at the 31 March 2018:

31 March 2017 Restated £'000		31 March 2018 £'000
2,533	Central Government Bodies	3,085
5,419	Other Local Authorities	5,948
8	NHS Bodies	7
0	Public Corporations and trading funds	6
894	Other entities and individuals	1,246
8,854	Total Short Term Creditors	10,292

26. Provisions

	Outstanding Legal Cases £'000	Pensionable Pay £'000	SAP Licence Underpayment £'000	Other Provisions £'000	Holiday Pay £'000	Total £'000
Balance at 1 April 2017	179	28	0	21	34	262
Additional Provisions made in 2017/18		130	189			319
Amounts used in 2017/18		-54			-34	-88
Transfers out						
Balance at 31 March 2018	179	104	189	21	0	493

Notes to Main Financial Statements

The purpose and operation of the provisions are described below:

Outstanding Legal Cases

A former insurer for the Authority, Municipal Mutual Insurance (MMI) is running down its business, whilst paying agreed claims in full. MMI has, however, entered into a Scheme of Arrangement in cases of insolvency, which would involve a levy against claims and future payments.

Pensionable Pay

Following the High Court Decision in the Norman v Cheshire case, the Authority has approved that some allowances payable to firefighters will become pensionable. This resulted in an additional on-going annual employer pension cost of £118k, with £475k being owed in back pension payments. During 2017/18 £54k was paid in back pensionable pay employer contributions.

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.

Holiday Pay

The outstanding balance of £34k on this provision has been written back to the revenue account. This is because this provision is no longer required as no further payments will be made.

SAP Licence underpayment

The Authority is currently in dispute with SAP who provides 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.

Notes to Main Financial Statements

27. Usable Reserves

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

31 March 2017 Restated £'000		31 March 2018 £'000
14,627	General Fund	14,388
	Earmarked Reserves:	
27	Council Tax Reform	27
40	Body Bag Decontamination	40
10,473	Capital Finance Reserve	10,472
81	Leap Year Fund	121
563	Control Room	563
27	New Risks	0
202	Enhanced Logistics	202
329	Insurance Claims	406
798	Service Support	546
2,166	Pensions Equalisation	2,961
2,363	Reserve for Pay and Prices	4,627
863	Business Rate Appeals	1,101
23	Data Transparency	31
0	ESMCP	258
17,955	Total Earmarked Reserves	21,355
32,582	Total Useable Reserves	35,743

Note 28 gives an explanation of each reserve

Notes to Main Financial Statements

28. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans.

	Balance at 01/04/16	Transfers out 2016/17	Transfers in 2016/17	Balance at 31/03/17	Transfers out 2017/18	Transfers in 2017/18	Balance at 31/03/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserve:							
Council Tax Reform Credits	27			27			27
Body Bag decontamination	40			40			40
Property and Equipment	0			0			0
Leap Year Payments	41		40	81		40	121
Control Room	563			563			563
New Risks	27			27	-27		0
Enhanced Logistics	204	-2		202			202
Insurance Claims	329			329		77	406
Service Support Reserve	560		238	798	-252		546
Pension Equalisation Reserve	1,347		819	2,166		795	2,961
Reserve for pay and prices	1,883		480	2,363		2,264	4,627
Business Rate Appeals	630		233	863		238	1,101
Transparency	15		8	23		8	31
Capital Finance Reserve	0		10,473	10,473	-756	755	10,472
ESMCP	0		0	0		258	258
Total	5,666	-2	12,291	17,955	-1,035	4,435	21,355

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.

Leap Year

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

Control Room

This reserve holds the grant from Central Government for the purchase of a New Control System. West Yorkshire Fire and Rescue and South Yorkshire Fire and Rescue have jointly purchased the new system and the grant of £3.6million is for both Authorities. The system went live in November 2014 and it is expected that the remainder of the grant will be spent during 2018/19

Notes to Main Financial Statements

Capital Finance Reserve

This reserve is used to manage future variations in the cost of financing the capital plan.

New Risks

This is Central Government grant for the purchase of specific equipment. This reserve has been fully expended in 2017/18.

Enhanced Logistics

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

Insurance Claims

This reserve holds the income received from an insurance claim in 2013/14 and an amount put aside in 2014/15 for future resilience which will be utilised for any uninsured claims that the Authority may face in future years. An additional £77k was transferred to this reserve during 2017/18, which represents the underspend on the amount budgeted for uninsured insurance claims in 2017/18.

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 enable service developments that are not built within the current revenue budget. The restructure of the ICT department in 2017/18 resulted in redundancy payments of £251k. These were charged to this reserve.

Pensions Equalisation

This reserve enables the Authority to manage the cost of ill health retirements. Any budget under spending 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. £794k was transferred to this reserve during 2017/18.

Reserve for Pay and Prices

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

Notes to Main Financial Statements

Emergency Service Mobile Communications Programme (ESMCP)

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

Business Rate Appeals

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

Data Transparency

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

29. 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 2017 £'000		31 March 2018 £'000
9,592	Revaluation Reserve	7,388
20,807	Capital Adjustment Account	23,190
-749	Financial Instruments Adjustment Account	-687
-1,380,217	Pensions Reserve	-1,393,580
-171	Collection Fund Adjustment Account	274
-278	Accumulating Compensated Absences Adjustment Account	-307
-1,351,016	Total Unusable Reserves	-1,363,722

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

Notes to Main Financial Statements

- 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.

2016/17 £'000		2017/18 £'000
7,111	Balance at 1 April	9,592
-165	Difference between fair value depreciation and historical cost depreciation	-174
-325	Transfer to Capital Adjustment Account for disposed assets	-2,030
-490	Amount written off to the Capital Adjustment Account	-2,204
-789	Downward Revaluations	0
3,760	Upward Revaluations	0
9,592	Balance at 31 March	7,388

Capital Adjustment Account

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

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

Notes to Main Financial Statements

2016/17 £'000		2017/18 £'000
23,948	Balance as at 1 April	20,807
	Adjustment to Opening Balance	
23,948		20,807
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-4,423	- charges for depreciation and impairment of non current assets	-4,581
-2,978	- revaluation losses on property, plant and equipment	0
633	- revaluation gains on property, plant and equipment	0
-217	- amortisation of intangible assets	-218
-684	- revenue expenditure funded from capital under statute	-462
-2,370	- amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-807
-10,039		-6,068
165	Adjusting amounts written out of the Revaluation Reserve	174
-9,874	Net written out amount of the cost of non current assets consumed in the year	-5,894
	Capital financing applied in the year:	
2,304	- use of the Capital Receipts Reserve to finance new capital expenditure	3,359
2	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	791
4,427	- statutory provision for the financing of capital investment charged against the General Fund	4,127
6,733		8,277
20,807	Balance as at 31 March	23,190

Notes to Main Financial Statements

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.

As a result, the balance on the Account at 31 March 2018 will be charged to the General Fund in future years.

2016/17 £'000		2017/18 £'000
-810	Balance as at 1 April	-749
61	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
-749	Balance as at 31 March	-687

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

Notes to Main Financial Statements

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.

2016/17 £'000		2017/18 £'000
-1,142,798	Balance at 1 April	-1,380,217
-222,373	Re-measurements of the net defined liability/(asset)	2,175
-59,221	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-61,122
44,175	Employer's pensions contributions and direct payments to pensioners payable in the year	45,584
-1,380,217	Balance as at 31 March	-1,393,580

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.

2016/17 £'000		2017/18 £'000
-471	Balance at 1 April	-171
300	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	445
-171	Balance as at 31 March	274

Notes to Main Financial Statements

Accumulating Compensated Absences Adjustment Account

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

2016/17 £'000		2017/18 £'000
-69	Balance at 1 April	-278
69	Settlement or cancellation of accrual made at the end of the preceding year	278
0		0
-69	Amounts accrued at the end of the current year	-278
-209	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	-29
-278	Balance as at 31 March	-307

30. Members' Allowances

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

2016/17 £'000		2017/18 £'000
129	Allowances	132
7	Expenses	6
136		138

Notes to Main Financial Statements

31. Officers' Remunerations

The Remuneration paid to the Authority's senior employees is as follows:

<u>Post Holder Information</u>	<u>Year</u>	<u>Salary (including fees & allowances)</u>	<u>Bonuses</u>	<u>Expense Allowances</u>	<u>Benefits in Kind (lease car benchmark)</u>	<u>Total Remuneration excluding pensions contributions</u>	<u>Employer Pension Contributions</u>	<u>Total Remuneration including pensions contributions</u>
Chief Fire Officer / Chief Executive	2016/17	£135,695	£0	£1,038	£7,224	£143,957	£0	£143,957
	2016/17	£28,849	£0	£120	£6,520	£35,489	£4,125	£39,615
John Roberts	2017/18	£152,541	£0	£1,122	£6,520	£160,183	£21,813	£181,996
Director Of Service Delivery	2016/17	£128,667	£0	£1,277	£6,351	£136,295	£27,921	£164,216
	2017/18	£133,247	£0	£1,447	£6,351	£141,045	£28,915	£169,960
Director of Service Support (Note 1)	2016/17	£126,490	£0	£1,171	£6,351	£134,012	£27,448	£161,460
	2017/18	£60,183	£0	£1,003	£6,351	£67,537	£13,060	£80,597
	2017/18	£60,788	£0	£325	£6,345	£67,458	£13,191	£80,649
Chief Legal & Governance	2016/17	£72,833	£0	£314	£4,536	£77,683	£10,857	£88,540
	2017/18	£73,558	£0	£850	£4,536	£78,944	£13,353	£92,297
Chief Finance & Procurement Officer (Note 2)	2016/17	£59,992	£0	£377	£4,536	£64,905	£9,064	£73,969
	2017/18	£16,678	£0	£71	£4,536	£21,285	£2,902	£24,187
	2017/18	£55,118	£0	£149	£4,531	£59,798	£9,480	£69,278
Chief Employment Services Officer	2016/17	£75,701	£0	£346	£4,536	£80,583	£10,687	£91,270
	2017/18	£77,856	£0	£410	£4,536	£82,802	£13,391	£96,193

Notes

1. The Director of Service Support retired on the 2nd October 2017. The directorate was restructured and the new Director of Service was employed on a revised remuneration package.

2. The Chief Finance and Procurement Officer retired on 16th July 2017. The new Chief Finance and Procurement Officer was seconded to the post on a 12 month fixed term contract commencing 17th July 2017.

Notes to Main Financial Statements

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

Remuneration Band	Number of Employees 2016/17	Number of Employees 2017/18
£50,000 - £54,999	41	42
£55,000 - £59,999	13	12
£60,000 - £64,999	6	7
£65,000 - £69,999		1
£70,000 - £74,999		
£75,000 - £79,999	3	3
£80,000 - £84,999		
£85,000 - £89,999		
	63	65

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

32. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts by the Authority's external auditor.

2016/17 £'000		2017/18 £'000
36	Fees payable to KPMG LLP with regard to external audit services carried out by the appointed auditor	37
36		37

Notes to Main Financial Statements

33. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18

2016/17		2017/18
£'000		£'000
	Credited to Taxation and non specific Grant Income	
37,669	Council Tax Income	39,219
14,662	NNDR Top up Grant	15,785
7,455	District Council -Business Rates Retention	6,846
21,151	BBRS Revenue Support Grant	17,528
308	Capital Grant	867
81,245	Total	80,245
	Credited to Services	
1,438	New Dimension Programme	1,615
22	Small Business Rate Relief	0
8	Transparency Code set up	8
20	MTFA	28
477	Emergency Services Mobile Communications Programme	302
1,965	Total	1,953

34. 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

Notes to Main Financial Statements

of the transactions that the Authority has with other parties. Grants received from Central Government are set out in Note 12 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 2017/2018 is shown in Note 30. 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 2017/2018 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 2018 all returns were nil.

Entities Controlled or Significantly Influenced by the Authority

The Authority receives a number of financial services from Kirklees Council in the form of treasury management, insurance, payroll and management of the main banking arrangements. The Authority also receives a number of services from the council in respect of refuse collection, building maintenance and repair. The amounts paid to Kirklees Council in 2017/18 are detailed below:

2016/17 £'000		2017/18 £'000
177	Financial Support Services	182
6	Property Repairs	0
12	Capital Contracts	0
20	Refuse Collection	16
4	Other Services	7
219		205

New Control Project Collaboration

The Authority has a joint collaboration with South Yorkshire Fire & Rescue for the provision of a command and control system.

Notes to Main Financial Statements

35. 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.

	2016/17 £'000	2017/18 £'000
Opening Capital Financing Requirement	62,165	64,113
Adjustment to Opening Balance	0	0
Capital Investment		
Property, Plant and Equipment	7,704	6,094
Intangible Assets	293	16
Revenue Expenditure Funded from Capital under Statute	684	462
Sources of Finance		
Capital Receipts	-2,304	-3,359
Government Grants and Contributions	0	-790
Earmarked Reserve	-2	0
Sums set aside from revenue :		
MRP/loan fund principal	-4,427	-4,127
Closing Capital Financing Requirement	64,113	62,409
Explanation of Movement in Year		
Increase in underlying need to borrow (supported by Government financial assistance)	0	0
Increase in underlying need to borrow (unsupported by Government financial assistance)	1,948	-1,704
Assets acquired under Finance Lease	0	0
Increase/(decrease) in Capital Financing Requirement	1,948	-1,704

Notes to Main Financial Statements

36. 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 2017 £'000	31 March 2018 £'000
Not later than one year	220	141
Later than one year but not later than five years	598	687
Later than five years	-	-
	818	828

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

	2016/17 £'000	2017/18 £'000
Minimum lease payments	926	757
	926	757

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.

Notes to Main Financial Statements

37. Termination Benefits

The Authority terminated the contracts of three employees in 2017/18, as a result of the restructure of the ICT department.

Details of these payments by bands are detailed in the table below.

Exit package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £	2017/18 £
£0 - £20,000	-	-	2	1	2	1	15,423	9,253
£20,001 - £40,000	-	-	1	1	1	1	35,918	34,866
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,0001 +	-	-	-	1	-	1	-	207,327
TOTAL	-	-	3	3	3	3	51,341	251,446

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

This is summarised in the table below:

	2016/17 £	2017/18 £
Redundancy Costs	45,771	99,379
Enhanced Pension Costs	5,570	152,067
TOTAL	51,341	251,446

Notes to Main Financial Statements

38. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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 this scheme. It is a modified section of the 2006 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

Notes to Main Financial Statements

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.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Notes to Main Financial Statements

2016/17

Comprehensive Income & Expenditure Statement - 2016/17	Local Government Pension Scheme 2016/17	Firefighters 1992 (FPS) Pension Scheme 2016/17	Firefighters 2006 (NFPS) Pension Scheme 2016/17	Firefighters 2015 (FPS) Pension Scheme 2016/17	Firefighters Compensation Pension Scheme 2016/17	Total 2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
Service Cost Comprising:						
Current Service Cost	-1,699	-6,150	-240	-6,150	-340	-14,579
Cost covered by employee contributions		-1,960	-100	-2,520		-4,580
Past Service Cost	-6					-6
(Gain) Loss on curtailments						
Financing and Investment Income and Expenditure:						
Net Interest Expense	-590	-37,020	-1,170	-430	-870	-40,080
Total Post Employment Benefits charged to the surplus or deficit on the Provision of Services	-2,295	-45,130	-1,510	-9,100	-1,210	-59,245
Other Post employment Benefits charged to the Comprehensive Income and Expenditure Statement:						
Re-measurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in net interest)	7,957					7,957
Actuarial gains and losses arising on changes in demographic assumptions	2,113	14,890	60		1,160	18,223
Actuarial gains and losses underlying the present value of the retained settlement						
Actuarial gains and losses arising on changes in financial assumptions	-14,664	-214,820	-15,490	-7,430	-3,860	-256,264
Actuarial gains and losses due to liability experience	2,491	4,000	-10	830	400	7,711
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	-2,103	-195,930	-15,440	-6,600	-2,300	-222,373
TOTAL AMOUNT RECOGNISED	-4,398	-241,060	-16,950	-15,700	-3,510	-281,618

Notes to Main Financial Statements

2017/18

Comprehensive Income & Expenditure Statement - 2017/18	Local Government	Firefighters 1992 (FPS)	Firefighters 2006 (NFPS)	Firefighters 2015 (FPS)	Firefighters Compensation	Total 2017/18
	Pension Scheme	Pension Scheme	Pension Scheme	Pension Scheme	Pension Scheme	
	2017/18	2017/18	2017/18	2017/18	2017/18	
	£'000	£'000	£'000	£'000	£'000	
Service Cost Comprising:						
Current Service Cost	-2,208	-6,320	-200	-10,310	-330	-19,368
Cost covered by employee contributions		-1,550	-110	-2,770		-4,430
Past Service Cost	-182	-880				-1,062
(Gain) Loss on curtailments						
Financing and Investment Income and Expenditure:						
Net Interest Expense	-532	-32,910	-1,320	-790	-710	-36,262
Total Post Employment Benefits charged to the surplus or deficit on the Provision of Services	-2,922	-41,660	-1,630	-13,870	-1,040	-61,122
Other Post employment Benefits charged to the Comprehensive Income and Expenditure Statement:						
Re-measurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in net interest)	1,640					1,640
Actuarial gains and losses arising on changes in demographic assumptions		32,130	1,150	1,550	990	35,820
Actuarial gains and losses underlying the present value of the retained settlement						
Actuarial gains and losses arising on changes in financial assumptions	-1,526	-29,640	-3,800	-180	-220	-35,366
Actuarial gains and losses due to liability experience	-319	4,660	-1,890	130	-2,500	81
						0
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	-205	7,150	-4,540	1,500	-1,730	2,175
TOTAL AMOUNT RECOGNISED	-3,127	-34,510	-6,170	-12,370	-2,770	-58,947

Notes to Main Financial Statements

Movement in Reserves Statement 2016/17

Movement in Reserves Statement - 2016/17	Local Government Pension Scheme 2016/17 £'000	Firefighters 1992 (FPS) Pension Scheme 2016/17 £'000	Firefighters 2006 (NFPS) Pension Scheme 2016/17 £'000	Firefighters 2015 (FPS) Pension Scheme 2016/17 £'000	Firefighters Compensation Pension Scheme 2016/17 £'000	Total 2016/17 £'000
Reversal of net charges to the Surplus or Deficit for the provision of services for post employment benefits in accordance with the code	-2,295	-45,106	-1,510	-9,100	-1,210	-59,221
Actual amount charged to the General Fund Balance for pensions in the year: Employer's contributions	1,159	2,868	116	2,859	1,530	8,532
Transfers In Retirement benefits payable to pensioners		38,864	80	-2,939	-362	35,643
	-1,136	-3,374	-1,314	-9,180	-42	-15,046

Movement in Reserves Statement 2017/18

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

Notes to Main Financial Statements

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:

2016/17	Local Government Pension Scheme 2016/17 £'000	Firefighters 1992 (FPS) Pension Scheme 2016/17 £'000	Firefighters 2006 (NFPS) Pension Scheme 2016/17 £'000	Firefighters 2015 (FPS) Pension Scheme 2016/17 £'000	Firefighters Compensation Pension Scheme 2016/17 £'000	Total 2016/17 £'000
Present Value of the defined benefit obligation	84,425	1,258,810	49,630	23,430	27,190	1,443,485
Fair Value of plan assets	-63,268					-63,268
Sub total	21,157	1,258,810	49,630	23,430	27,190	1,380,217
Other movements in the liability (asset) if applicable				0	0	0
Net liability arising from defined benefit obligation	21,157	1,258,810	49,630	23,430	27,190	1,380,217

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 £1.55 million.

2017/18	Local Government Pension Scheme 2017/18 £'000	Firefighters 1992 (FPS) Pension Scheme 2017/18 £'000	Firefighters 2006 (NFPS) Pension Scheme 2017/18 £'000	Firefighters 2015 (FPS) Pension Scheme 2017/18 £'000	Firefighters Compensation Pension Scheme 2017/18 £'000	Total 2017/18 £'000
Present Value of the defined benefit obligation	89,528	1,250,540	55,660	35,800	28,750	1,460,278
Fair Value of plan assets	-66,698					-66,698
Sub total	22,830	1,250,540	55,660	35,800	28,750	1,393,580
Other movements in the liability (asset) if applicable				0	0	0
Net liability arising from defined benefit obligation	22,830	1,250,540	55,660	35,800	28,750	1,393,580

The cumulative amount of the remeasurement of the net defined liability recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2018 is a gain of £0.0022m (2016/17 loss £222.373m).

The net liability relating to the defined Benefit Pension Schemes recognised in the Balance Sheet at 31 March 2018 is -£1,393m, which is made up of scheme liabilities -£1,460m less scheme assets £66m (2016/17 -£1,380m).

Notes to Main Financial Statements

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 2018.

2016/17	Local	Firefighters	Firefighters	Firefighters	Firefighters	Total
	Government	1992 (FPS)	2006 (NFPS)	2015 (FPS)	Compensation	
	Pension	Pension	Pension	Pension	Pension	
	Scheme	Scheme	Scheme	Scheme	Scheme	
	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	54,047					54,047
Interest income	1,828					1,828
Re-measurement gain (loss):						
the return on plan assets, excluding the amount included in the net interest expense	7,957					7,957
other (if applicable)						
The effect of changes in foreign exchange rates						
Contributions from employers	1,159					1,159
Contributions from employees into the scheme	519					519
Benefits paid	-2,242					-2,242
Closing fair value of scheme assets	63,268	-	-	-	-	63,268

2017/18	Local	Firefighters	Firefighters	Firefighters	Firefighters	Total
	Government	1992 (FPS)	2006 (NFPS)	2015 (FPS)	Compensation	
	Pension	Pension	Pension	Pension	Pension	
	Scheme	Scheme	Scheme	Scheme	Scheme	
	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	63,268					63,268
Interest income	1,647					1,647
Re-measurement gain (loss):						
the return on plan assets, excluding the amount included in the net interest expense	1,640					1,640
other (if applicable)						
The effect of changes in foreign exchange rates						
Contributions from employers	1,454					1,454
Contributions from employees into the scheme	495					495
Benefits paid	-1,806					-1,806
Closing fair value of scheme assets	66,698	0	0	0	0	66,698

Notes to Main Financial Statements

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

2016/17	Local	Firefighters	Firefighters	Firefighters	Firefighters	Total
	Government	1992 (FPS)	2006 (NFPS)	2015 (FPS)	Firefighters	
	Pension	Pension	Pension	Pension	Compensation	
	Scheme	Scheme	Scheme	Scheme	Scheme	
2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at 1 April	-71,965	-1,059,510	-32,850	-7,670	-24,850	-1,196,845
Current Service Cost	-1,699	-6,150	-240	-6,150	-340	-14,579
Transfers In			-20	-60		-80
Interest Cost	-2,418	-37,020	-1,170	-430	-870	-41,908
Contributions from scheme participants	-519	-1,960	-100	-2,520		-5,099
Re-measurement gain (loss):						
actuarial (gains)/losses arising from changes in demographic assumptions	2,113	14,890	60		1,160	18,223
Actuarial gains and losses underlying the present value of the retained settlement						
actuarial (gains)/losses arising from changes in financial assumptions	-14,664	-214,820	-15,490	830	-3,860	-248,004
actuarial (gains)/losses on liabilities - experience	2,491	4,000	-10	-7,430	400	-549
Past Service Cost	-6					-6
Losses/(gains) on curtailments						
Liabilities assumed on entity combinations						
Benefits paid	2,242	41,760	190		1,170	45,362
Liabilities extinguished on settlements	0					
Closing Balance 31 March	-84,425	-1,258,810	-49,630	-23,430	-27,190	-1,443,485

2017/18	Local	Firefighters	Firefighters	Firefighters	Firefighters	Total
	Government	1992 (FPS)	2006 (NFPS)	2015 (FPS)	Firefighters	
	Pension	Pension	Pension	Pension	Compensation	
	Scheme	Scheme	Scheme	Scheme	Scheme	
2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at 1 April	-84,425	-1,258,810	-49,630	-23,430	-27,190	-1,443,485
Current Service Cost	-2,208	-6,320	-200	-10,310	-330	-19,368
Transfers In						0
Interest Cost	-2,179	-32,910	-1,320	-790	-710	-37,909
Contributions from scheme participants	-495	-1,550	-110	-2,770		-4,925
Re-measurement gain (loss):						0
actuarial (gains)/losses arising from changes in demographic assumptions		32,130	1,150	1,550	990	35,820
Actuarial gains and losses underlying the present value of the retained settlement						0
actuarial (gains)/losses arising from changes in financial assumptions	-1,526	-29,640	-3,800	-180	-220	-35,366
actuarial (gains)/losses on liabilities - experience	-319	4,660	-1,890	130	-2,500	81
Past Service Cost	-182	-880				-1,062
Losses/(gains) on curtailments						0
Liabilities assumed on entity combinations						0
Benefits paid	1,806	42,780	140		1,210	45,936
Liabilities extinguished on settlements						
Closing Balance 31 March	-89,528	-1,250,540	-55,660	-35,800	-28,750	-1,460,278

Notes to Main Financial Statements

Local Government Pension Scheme Assets comprised:

2016/17

	Fair Value of scheme assets 2016/17 £'000
Cash	172,298
Equity Instruments by Industry Type:	
Basic Materials	508,096
Total Financial Instruments	14,931
Consumer Goods	1,490,969
Consumer Services	904,368
Financials	2,225,597
Health Care	788,756
Industrials	1,138,425
Oil and Gas	665,821
Technology	385,950
Telecommunications	322,985
Utilities	295,073
	8,740,971
Bonds:	
Government Bond	1,212,644
Index Linked Bonds	656,523
Convertible Bonds	2,359
	1,871,526
Property:	
Property Unit Trusts	586,366
	586,366
Private Equity:	
Private Equity	659,799
Private Equity Infrastructure	289,850
	949,649
Other Investment Funds:	
Unit Trusts and Oeics	764,171
Hedge Funds	254,255
	1,018,426
Listed Alternatives:	
Listed Alternatives UK	189,406
	189,406
Direct Property	7,000
Total Assets	13,535,642

Notes to Main Financial Statements

2017/18

	Fair Value of scheme assets 2017/18 £'000
Cash	263,630
Equity Instruments by Industry Type:	
Basic Materials	238,566
Total Financial Instruments	0
Consumer Goods	1,445,017
Consumer Services	863,747
Financials	2,241,787
Health Care	768,581
Industrials	1,417,794
Oil and Gas	687,868
Technology	438,612
Telecommunications	276,243
Utilities	256,093
	8,634,309
Bonds:	
Government Bond	872,138
Index Linked Bonds	659,866
Convertible Bonds	2,383
Corporate bonds	502,630
	2,037,017
Property:	
Pool properties	606,445
	606,445
Private Equity:	
Private Equities	1,182,997
Private Equity Infrastructure	0
	1,182,997
Other Investment Funds:	
Unit Trusts and Oeics	185,904
Hedge Funds	644,161
	830,066
Listed Alternatives:	
Listed Alternatives UK	210,122
	210,122
Direct Property	7,250
Currencies	26,660
Total Assets	13,798,497

Notes to Main Financial Statements

Basis for Estimating Assets and Liabilities

The significant assumptions used by the actuary have been:

2016/17	Local Government Pension Scheme 2016/17	Firefighters 1992 (FPS) Pension Scheme 2016/17	Firefighters 2006 (NFPS) Pension Scheme 2016/17	Firefighters Compensation Pension Scheme 2016/17
Long term expected rate of return on assets in the scheme :				
	%			
Equity investments	*			
Bonds	*			
Other	*			

*Information can be obtained from www.wypf.gov.uk

Mortality assumptions :	Local Government Pension Scheme 2016/17 £'000	Firefighters 1992 (FPS) Pension Scheme 2016/17 £'000	Firefighters 2006 (NFPS) Pension Scheme 2016/17 £'000	Firefighters 2015 (FPS) Pension Scheme 2016/17 £'000	Firefighters Compensation Pension Scheme 2016/17 £'000
Longevity at 65 for current pensioners :					
- Men	22.1	22.4	22.4	22.4	22.4
- Women	25.2	22.4	22.4	22.4	22.4
Longevity at 65 for future pensioners :					
- Men	23.0	24.7	24.7	24.7	24.7
- Women	27.0	24.7	24.7	24.7	24.7
	%	%	%	%	%
Rate of inflation RPI	3.10	3.5	3.5	3.5	3.5
Rate of inflation CPI	2.00	2.35	2.35	2.35	2.35
Rate of increase in salaries	3.25	4.2	4.2	4.2	4.2
Rate of increase in pensions	2.00	2.35	2.35	2.35	2.35
Rate of increase to deferred pensions					
Rate for discounting scheme liabilities	2.60	2.65	2.65	2.65	2.65
Pensions account revaluation rate	2.00				
Take up option to convert annual pension into retirement lump sum.	75.0				

2017/18

2017/18	Local Government Pension Scheme 2017/18	Firefighters 1992 (FPS) Pension Scheme 2017/18	Firefighters 2006 (NFPS) Pension Scheme 2017/18	Firefighters Compensation Pension Scheme 2017/18
Long term expected rate of return on assets in the scheme :				
	%			
Equity investments	*			
Bonds	*			
Other	*			

Information can be obtained from www.wypf.gov.uk

Notes to Main Financial Statements

Mortality assumptions :	Local Government Pension Scheme 2017/18	Firefighters 1992 (FPS) Pension Scheme 2017/18	Firefighters 2006 (NFPS) Pension Scheme 2017/18	Firefighters 2015 (FPS) Pension Scheme 2017/18	Firefighters Compensation Pension Scheme 2017/18	
	£'000	£'000	£'000	£'000	£'000	
	Longevity at 65 for current pensioners :	22.1	21.9	21.9	21.9	21.9
	- Men	25.3	21.9	21.9	21.9	21.9
- Women						
Longevity at 65 for future pensioners :	23.1	23.9	23.9	23.9	23.9	
- Men	27.1	23.9	23.9	23.9	23.9	
- Women	%	%	%	%	%	
Rate of inflation RPI	3.20	3.45	3.45	3.45	3.45	
Rate of inflation CPI	2.10	2.3	2.3	2.3	2.3	
Rate of increase in salaries	3.35	4.3	4.3	4.3	4.3	
Rate of increase in pensions	2.10	2.3	2.3	2.3	2.3	
Rate of increase to deferred pensions						
Rate for discounting scheme liabilities	2.60	2.55	2.55	2.55	2.55	
Pensions account revaluation rate	2.10					
Take up option to convert annual pension into retirement lump sum.	75.0	75.0	75.0	75.0	75.0	

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

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)	86,400	-91,782
Rate of general increase in salaries (increase or decrease by 0.1%)	89,465	-88,707
Rate of increase in pensions (increase or decrease by 0.5%)	90,380	-87,808
Rate for discounting scheme liabilities (increase or decrease by 1.9%)	87,434	-90,765

Notes to Main Financial Statements

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)	31,000	-31,000
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%)	94,000	-94,000
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	-113,000	113,000

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%)	5,000	-5,000
Rate of increase in pensions (increase or decrease by 0.5%)	6,000	-6,000
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	-9,000	9,000

Notes to Main Financial Statements

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)	1,000	-1,000
Rate of general increase in salaries (increase or decrease by 0.5%)	3,000	-3,000
Rate of increase in pensions (increase or decrease by 0.5%)	3,000	-3,000
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	-6,000	6,000

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.

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

Notes to Main Financial Statements

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 2017/18 plus the remainder of the 2016/17 grant and any audit adjustments relating to 2015/16. The amount received in July 2017 was £32.0m which the Authority uses to manage its pension cash flows.

39. Contingent Liabilities

At 31 March 2018, the Authority has the following contingent liabilities where it is not possible to quantify the financial implications for the Authority:

1) Public liability claims relating to the period when the Authority's public liability insurers were Independent Insurers, which has gone out of business. The Authority is not aware of any such claims, but it has no insurance against them.

2) In November 2014 the Employment Appeal tribunal ruled that holiday pay should include non-guaranteed overtime. The backdated claims have, however, been limited with the tribunal ruling that workers can only make claims if less than three months since their last incorrect payment, although the claim can be backdated until such time as there is a three month break between underpayments. The Authority is currently assessing the potential impact and will report to the Human Resources Committee with details of the estimated liability.

3) The ruling in the Ville de Nivelles V Rudy Matzak case in February 2018 may have financial implications in the methodology in which we make payments for our retained duty system. The European Court Judge ruled that limitations imposed on Matzak by having to respond to the fire station within 8 minutes, limits his 'personal and social interests' and that his on call must be considered working time. A retained firefighter in West Yorkshire must be available to respond to an emergency call within a specified time. The judgement is currently being assessed by the Fire Legal Network with a view to seeking leading council opinion. Until the outcome of the opinion is reached the financial consequences cannot be quantified.

Notes to Main Financial Statements

4) Guaranteed minimum pension (GMP) is a portion of pension that was accrued by pension scheme members who were contracted out of the State second pension scheme prior to 6th April 1997. At the present there is an inequality of GMP benefits between male and female members. The government issued a consultation in November 2016 entitled 'Consultation on indexation and equalisation of GMP in public service pension schemes' the consultation response was issued in January 2018. HM Treasury are currently considering the responses in order to decide whether on a long term solution to GMP. Indexation and equalisation can be implemented. Until it is known how this solution will be achieved, the impact on pension liabilities is uncertain, however it is likely that it will trigger past service costs and the Actuaries' view that any further potential increase in liabilities be disclosed as a contingent liability at this time.

WYFRA PENSION ACCOUNT

West Yorkshire Fire and Rescue Authority Pension Account

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

The Firefighters' Pension Fund has the legal status of a pension fund which was established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006.

2016/17 £'000	Contributions Receivable	2017/18 £'000
	From employer	
-5,842	Normal	-5,420
-364	Ill Health	-403
-4,640	From members	-4,395
-10,846		-10,218
	Transfers in	
-80	Individual transfers in from other schemes	-19
	Benefits Payable	
34,019	Pensions	35,208
7,909	Lump Sums	7,883
	Payments to and on account leavers	
0	Individual transfers out to other schemes	0
31,002	Net amount payable for the year	32,854
-31,002	Top Up Grant payable by the Government	-32,854
0		0

Overview of the Pension Fund

	Net current assets and Liabilities	
2,640	Top Up Grant receivable from Government	3,574
-87	Pensionable Pay Creditor to Home Office	-54
	Contributions Holiday Debtor from Home Office	24
25	Employee paid but not due	12
-153	Pension payments due but not paid	-716
	Unpaid pension benefits	
-2,425	Cash (Overdrawn)	-2,840
0		0

WYFRA PENSION ACCOUNT

The Firefighters' Pension Account has the legal status of a pension fund which was established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006.

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 5 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 contribution owing for 6 years which has resulted in a total liability of £475k. The pension top up grant received from the Government will be reduced by £54k of contributions recovered in the year.

West Yorkshire Pension Fund 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.

WYFRA PENSION ACCOUNT

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by Central Government and are subject to revaluation by the Governments Actuary Department.

	2017/18 1992 (FPS)	2017/18 2006 (NFPS)	2017/18 2015 Scheme
Employer	21.70%	11.90%	14.30%
Employee	11% - 17%	8.5% - 12.5%	10% - 14.5%

Membership of the Pension Fund as at 31st March 2018 is as follows:

Category of Member	1992 (FPS)	2006 (NFPS)	2015 Scheme
Contributors	248	29	778
Deferred Pensioners	108	117	62
Pensioners	2315	38	1

The Pension Fund Statement does not take account of the liabilities for future retirement benefits; these are recognised in the main accounts of the Authority in Note 38 on defined benefit pension schemes.

Accounting Policies

The Pension Fund Accounts for the year ended 31st March 2018 are presented in the format as laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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

The 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.

WYFRA PENSION ACCOUNT

Current Assets

Debtors are raised for known contributions due at the 31 March 2018 and the top up grant due from Central Government.

Current Liabilities

Creditors are raised for employer and employee contributions received into the fund before the 31 March 2018.

Long Term Pension Obligations

Details of the Authority's long term pension obligations in respect of the Firefighters' Pension Scheme are in note 38 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 asset – this is 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 KPMG

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.

GLOSSARY OF TERMS

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.

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.

GLOSSARY OF TERMS

Defined Benefit Pension Scheme

Retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. Accounted for by recognising liabilities as benefits are earned (i.e. employees work qualifying years of service), and matching them with the organisation's attributable share of the scheme's investments.

Depreciation

The wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

De-recognition

The removal of financial assets that have previously been recognised in the balance sheet. A financial asset is de-recognised when the contractual rights to the cash flows from the financial asset have been expired or transferred.

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 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.

GLOSSARY OF TERMS

Funded Pension Scheme

A funded pension scheme is one in which the future liabilities for pension benefits are provided for by the accumulation of assets held externally to the employer's business. The Authority's employees, with the exception of firefighters, are covered by such a scheme, which is managed on its behalf by West Yorkshire Pension Fund.

Government Grants

Grants made by Central Government towards either revenue or capital expenditure to support the cost of the provision of the Authority's services. These grants may be given specifically towards the cost of a particular defined service or to support the general revenue spend of the Authority (known as Revenue Support Grant).

Impairment

This is a specific reduction on an authority's balance sheet that adjusts the value of the authority's assets. This would normally be to reflect the fall in economic prices or a reduction in the economic benefit of an asset.

Integrated Risk Management Plan (IRMP)

This is a strategy for managing risk within West Yorkshire. It leads to formulation of a strategic framework for managing community risk. The IRMP is underpinned by a suite of detailed risk indicators and demographic information which reflects key risks for both the community and firefighters.

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:

GLOSSARY OF TERMS

- Current liability – an amount which will become payable or could be called within the next accounting period.
- A deferred Liability – an amount which, by arrangement is payable beyond the next year at some point in the future, or to be paid off by an annual sum over a period of time.

Market Value

The monetary value of an asset determined by current market conditions.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted or misstated, could be expected to lead to distortion of the financial statements to a reader of the statements.

Minimum Revenue Provision (MRP)

Represents the statutory minimum amount that must be charged to revenue in each financial year to repay external borrowings.

Modern Equivalent Asset (MEA)

An asset which provides similar function and equivalent utility to the asset being valued, but which is of a current design and constructed or made using current materials and techniques.

National non-domestic rates (NNDR)

Business rates are the commonly used name of non-domestic rates, a tax on the occupation of non-domestic property.

Net Book Value

This is the gross cost of an asset adjusted for depreciation.

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.

GLOSSARY OF TERMS

Operational Assets

Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of services for which it has either a statutory or discretionary responsibility.

Past Service (Pensions) Costs

Past service costs are a non-periodic cost, arising from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. Discretionary benefits, particularly added years, awarded on early retirement are treated as past service costs.

Pensions Account Revaluation Rate

In a career average revalued earnings scheme each member builds up a pension based on their pensionable pay for that year. The pensions earned each year are added to the member's pension's account which is then adjusted for the cost of living CPI inflation. The pensions account revaluation rate assumptions is set to be equal to the CPI inflation assumption and is used to estimate the future value of the pension account.

Precept

This is a charge levied by a local authority which is collected on its behalf by another authority. It does this by adding the precept to its own Council Tax and paying over the appropriate cash collected.

Provision

An amount set aside to provide for a liability, which is likely to be incurred, but the exact amount and the date on which it will arise is uncertain.

Prudence

The concept that revenue is not anticipated but is recognised only when it is realised in the form of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Public Works Loan Board (PWLB)

This is a Central Government Agency which provides loans for one year and above to Authorities at interest rates only slightly higher than those at which the Government itself can borrow.

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.

GLOSSARY OF TERMS

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 replaced the previous Best Value Accounting Code of Practice (BVACOP). SeRCOP applies to all local authority services throughout the United Kingdom from 1 April 2014 for the preparation of Budgets, Performance Indicators and Statements of Accounts. 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 Service

A Wood CPFA
Chief Finance &
Procurement Officer

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OFFICIAL

External Audit Annual Report to those charged with governance 2017 - 18

Audit Committee

Date: 27 July 2018

Agenda Item:

10

Submitted By: Chief Finance and Procurement Officer

Purpose

To present the External Audit ISA2601 report, prepared by KPMG, following the audit of the Fire Authority 2017 – 18 Statement of Accounts.

Recommendations

1. That the Committee note the contents of the report and consider the recommendations which may be included within the report
2. Confirm that the Committee have considered the Letter of Representation to the Director of Audit at KPMG.

Summary

Following the completion of the audit of the Statement of Accounts, the Auditors present the Audit report to those charged with governance. Having considered this the Committee is asked to consider the Letter of Representation.

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer: Alison Wood, Chief Finance and Procurement Officer
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T: 01264 655711

Background papers open to inspection: Statement of Accounts 2017 - 18

Annexes: KPMG External Audit report 2017 – 18
Letter of Representation

1 Introduction

- 1.1 The Authority's accounts are subject to external Audit by KPMG. On completion of the Audit the External Auditor is required to present a report to those charged with governance (The Audit Committee) summarising the conclusions from their Audit work. Following the consideration of this report by the Audit Committee and the submission of a Letter of Representation by the Fire Authority, KPMG will issue an opinion on the accounts of the Fire Authority.

2 Information

2.1 Purpose of the Report

As detailed in the report itself, it is intended to fulfil three main purposes:

- summarise the findings of the 2017-18 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 2018 and its income and expenditure accounts for the year
- the financial position of the Fire-fighters' Pension Fund at 31 March 2018

2.3 Letter of Representation

Attached to this report is the Letter of Representation which has been signed by the Chief Finance and Procurement Officer. The purpose of this letter is to provide assurance to the External Auditor that the accounts have been prepared accurately and lawfully, taking account of all the relevant matters. Having considered the Annual Governance report and the Letter of Representation, the Committee are asked to approve the counter signature of the letter by the Chair of the Audit Committee.

3 Financial Implications

- 3.1 There are no financial implications associated with this report

4 Legal Implications

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

5 Human Resource and Diversity Implications

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

6 Health and Safety Implications

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

7 Conclusions

- 7.1 Members are asked to consider the letter of representation and note the external audit report and the recommendations included within the report.



External Audit ISA 260 Report 2017/18

**West Yorkshire Fire and
Rescue Authority**

—
July 2018

Summary for Audit Committee

This document summarises the key findings in relation to our 2017-18 external audit at West Yorkshire Fire and Rescue Authority ('the Authority').

This report covers both our on-site work which was completed in March and June to July 2018 on the Authority's significant risk areas, as well as other areas of your financial statements, and the control environment in place to support the production of timely and accurate financial statements.

Organisational control environment

We have identified no significant issues with the Authority's organisational environment and consider that the overall arrangements that have been put in place are reasonable.

Financial statements

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July 2018.

Based upon our initial assessment of risks to the financial statements (as reporting to you in our External Audit Plan 2017/18 and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 9):

- **Valuation of PPE** – 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 revaluation model which sees all land and buildings revalued every five years, which is in accordance with the Code. As a result of this however, individual assets may not be revalued for a maximum of four years. We considered the way in which the Authority gains assurance that the valuation of assets does not differ materially from their last valuation. We found the Authority was able to demonstrate there is no material difference through their annual impairment review of all properties and application of market indices to those assets which have not been subject to any enhancements since their last valuation.
- **Pensions Liabilities** – The valuation of the Authority's net pension liability, as calculated by its Actuaries, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We have reviewed the processes in place to ensure accuracy of data provided to the Actuaries for both LGPS and FFPS schemes and considered the assumptions used in determining the valuation. Overall we have been able to conclude the data is complete and accurate and the assumptions used by the Actuaries are reasonable.
- **Faster Close** – The timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We worked with the Authority to understand the steps being taken to meet these deadlines and the impact on our work. We are pleased to report that the Authority met the deadline for submission of the draft accounts

We have identified minor presentational audit adjustments during the audit, see Appendix 3 for details.

Based on our work, we have raised two recommendations. Details of our recommendations can be found in Appendix 1.

Summary for Audit Committee (cont.)

Value for money arrangements

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money opinion.

Completion

We are now in the completion stage of the audit and anticipate issuing our completion certificate on 31 July 2018 and Annual Audit letter by 31 August 2018. The following is still outstanding as at 11 July 2018:

- Finalising our work over Value for Money
- Finalising our work over the net pension liability (LGPS and FFPS)
- Finalising the pensions assumptions used by GAD.
- Finalising procedures regarding the allocation of pension fund assets.
- Final quality assurance review and accounts checking
- Final disclosure checks.

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.

Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help as we complete our work.

Section one

Control Environment



Organisational control environment

We have identified no significant issues with the Authority's organisational environment and consider that the overall arrangements that have been put in place are reasonable.

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

Key findings

We consider that your organisational controls are effective overall.

Aspect of controls	Assessment	Key
Organisational controls:		
Management's philosophy and operating style	3	1 Significant gaps in the control environment.
Culture of honesty and ethical behaviour	3	2 Deficiencies in respect of individual controls
Oversight by those charged with governance	3	3 Generally sound control environment.
Risk assessment process	3	
Communications	3	
Monitoring of controls	3	

An overhead photograph of four business professionals (three men and one woman) sitting around a white conference table. They are dressed in business attire (shirts, blouses, and jackets). Two laptops are open on the table. The scene is brightly lit, with shadows cast across the floor and table. A blue horizontal bar is overlaid across the middle of the image, containing the text.

Section two

Financial Statements

Accounts production and audit process

Audit standards (ISA 260) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

The Authority's overall process for the preparation of the financial statements is adequate.

The Authority has implemented the recommendation in our ISA 260 Report 2016/17.

Accounts practices and production process

The Authority incorporated a number of measures into its closedown plan to improve the project management of this complex process. Specifically, the Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to the year end in order to proactively address issues as they emerge.

We consider that the overall process for the preparation of your financial statements is adequate.

We also consider the Authority's accounting practices appropriate.

Going concern

The financial statements of the Authority have been prepared on a going concern basis. We confirm that we have identified no significant matters which would, in our view, affect the ability of the Authority to continue as a going concern.

Implementation of recommendations

We raised one recommendation in our ISA 260 Report 2016/17. The Authority has implemented the recommendation relating to the faster close down process in line with the timescales of the action plan.

Accounts production and audit process (cont.)

Completeness of draft accounts

We received a complete set of draft accounts on 30 May 2018, which was in advance of the statutory deadline.

Quality of supporting working papers

We issued our Accounts Audit Protocol to the Senior Finance Manager on 4 April 2018. This important document summarises the working papers and other evidence we require the Authority to provide to support our audit work. This helps the Authority to provide audit evidence in line with our expectations.

We worked with management to ensure that working paper requirements are understood and aligned to our expectations. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.

Response to audit queries

We are pleased to report that our agreed turnaround time for dealing with audit queries was achieved by Officers, including those who are not part of the finance team. As a result of this, we anticipate all of our audit work will be completed within the timescales expected with no outstanding queries.

Specific audit areas

We anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements by 31 July 2018. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.

For the year ending 31 March 2018, the Authority has reported a net deficit on the provision of services in the CIES of £11.7m. However, a £3.3m surplus was recognised in Useable Reserves and £0.24m deficit on the General Fund.

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and will have set out the findings arising from our work in our ISA 260 Report below.

01

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

02

Fraudulent revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2017-18* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Over the following pages we have set out our assessment of the specific significant risks we identified in relation to the audit of the Authority's financial statements.

Specific audit areas

Significant Audit Risks – Authority

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Risk:	Valuation of PPE <p>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 revaluation model in line with the Code which sees all land and buildings revalued at least every five years. However, as a result of this individual assets may not be revalued for four years until the next formal valuation. Valuations are carried out in year if there is a trigger for impairment, for example a natural disaster or conversely an increase in value due to a major refurbishment.</p> <p>This does create a risk, where a valuation has not taken place in year, that the carrying value of those assets differs materially from the year end fair value.</p>
Our assessment and work undertaken:	<p>We reviewed the approach that the Authority adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach.</p> <p>At the interim audit, we recommended the Authority improve how they demonstrate that there is no material change in the value of land and buildings since their last valuation. In some cases, buildings had not been revalued since the last formal valuation (31 March 2015) because there had been no trigger to do so. There is therefore a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In response, the Authority applied building cost (BCIS) indices as a proxy to estimate the change in value of buildings. There are no recognised market indices for land proposed by management, which was confirmed by the Authority’s External Valuer.</p> <p>We reviewed the Authority’s work that evidenced application of BCIS indices between latest revaluation date and the 31 March 2018 to determine whether this indicated fair values of the relevant asset population had moved materially over the period. Through their annual impairment review of all properties and application of these market indices, the Authority were able to demonstrate those assets were fairly stated.</p> <p>We have recommended the Authority formalises this approach into their year end valuation process each year (see page 21).</p> <p>We also assessed the controls around the identification of additions and disposals, substantively testing a sample of these, as these movements impact the overall value of PPE held.</p> <p>As a result of this work we determined that the assets are not materially misstated.</p>

Specific audit areas (cont.)

Significant Audit Risks – Authority (cont.)

Risk:

Pension Liabilities

The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of West Yorkshire Pension Fund (Local Government Pension Scheme) and Firefighter's Pension Scheme.

The valuation of the pension schemes rely on a number of assumptions, most notably around the actuarial assumptions and methodology which results in the Authority's overall valuation.

The West Yorkshire Pension Fund had its last triennial valuation completed as at 31 March 2016 and this forms an integral basis of the valuation as at 31 March 2018. The local government pension scheme assets were valued at £66.7m and the liabilities were valued at £89.5m as at 31 March 2018. Liabilities for the Fire Fighter's Pension Scheme at 31 March 2018 were £1,370.8m, this scheme is unfunded and therefore no assets are recognised.

There are financial and demographic assumptions used in the calculation of the Authority's valuations, such as the discount rate, inflation rates, mortality rates etc. The assumptions should reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year on year, and updated to reflect any changes where appropriate.

There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

Our assessment and work undertaken:

Firefighters Pensions (FFPS)

As part of our work we reviewed the processes and controls that the Authority has in place over the information sent to the Scheme Actuary, including the Authority's process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of the Scheme Actuary, Government Actuary Department (GAD).

Local Government Pensions (LGPS)

We liaised with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This included consideration of the process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of the Scheme Actuary, AON.

In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of pension assets. As part of our audit of the Pension Fund we gained assurance over the overall value of fund assets. Our testing over the assumptions and challenge of the inputs did not identify any issues.

FFPS and LGPS

We reviewed the appropriateness of the key assumptions included within the valuation and compared them to expected ranges and involved a KPMG Actuary to provide a specialist assessment of those assumptions. The output of this review is summarised on page 13. We also reviewed the methodology applied in the valuations by GAD and AON.

In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements.

Overall, we are assured the data submitted to the Actuaries is complete and accurate and the assumptions used by the Actuaries are reasonable. As a result, we have concluded that the net pension liability is not materially misstated.

Specific audit areas (cont.)

Significant Audit Risks – Authority (cont.)

Risk:

Faster Close

In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.

These changes represent a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years.

In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:

- Ensuring that any third parties involved in the production of the accounts (including external experts) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;
- Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;
- Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and
- Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.

In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.

There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority’s Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.

Our assessment and work undertaken:

We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking in order to ensure it met the revised deadlines. We also advanced audit work into the interim visit in order to streamline the year end audit work.

We received draft financial statements in advance of the statutory deadline of 31 May 2018. The quality of this draft was consistent with that of prior years and as a result a lower number of presentational adjustments were identified.

Further, all working papers and other supporting documentation were available at the start of the audit.

In a number of areas, notably around pensions and assets the Authority made use of estimates. In these areas we considered the assumptions used and challenged the robustness of those estimates. Overall we found the estimates used to be reasonable.

As a result of this work we determined that the faster close process was appropriately managed.

Judgements (cont.)

Subjective area **2017-18** **2016-17** **Commentary**

Valuation of pension assets and liabilities (local government pensions)

4 2

Local Government Pension Scheme

The Authority continues to use AON to provide actuarial valuations in relation to the assets and liabilities recognised as a result of participation in the Local Government Pension Scheme. Due to the overall value of the pension assets and liabilities, small movements in the assumptions can have a significant impact on the overall valuation.

The actual assumptions adopted by the actuary fell within our expected ranges as set out below:

Assumption	Actuary Value	KPMG central	Assessment
Discount rate	2.6%	2.51%	4
Pension Increase	2.10%	2.15%	3
Salary Growth	CP1 plus 1.3%	CPI plus 0% to 2.0%	3
Life expectancy			
Current male / female	23.1/ 27.1	23.5/25.4	2
Future male/female	22.1/ 25.3	22.1/23.9	

Roll forward of pensions assets (LGPS)

Our work has also considered the roll forward of the assets undertaken by the actuaries and the allocation of those assets to the Authority. We noted that, consistent with many pension funds given the faster close process of Local Government accounts, the actuaries have used estimated investment rates of returns for the last few months of 2017/18.

We are awaiting a response from the pension fund to determine whether there is a material difference in the estimated and actual investment returns.

Valuation of pension liabilities (Firefighters pensions)

Fire Fighters Pension Scheme

We shall report our review of the assumptions at the Audit Committee.

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements following approval of the Statement of Accounts by the Audit Committee on 27 July 2018.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 4) for this year's audit was set at £1.1 million. Audit differences below £0.05m are not considered significant.

We did not identify any material misstatements.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). We have set out details of significant presentational adjustments in Appendix 3. We understand that the Authority will be addressing these where the impact on the accounts is considered significant.

Annual governance statement

We have reviewed the Authority's 2017-18 Annual Governance Statement and confirmed that:

- It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Narrative report

We have reviewed the Authority's 2017-18 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2017-18 financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of West Yorkshire Fire and Rescue Authority for the year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and West Yorkshire Fire and Rescue Authority, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 6 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Chief Finance and Procurement Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017-18 financial statements.

Section three

Value for Money Arrangements



Specific value for money risk areas

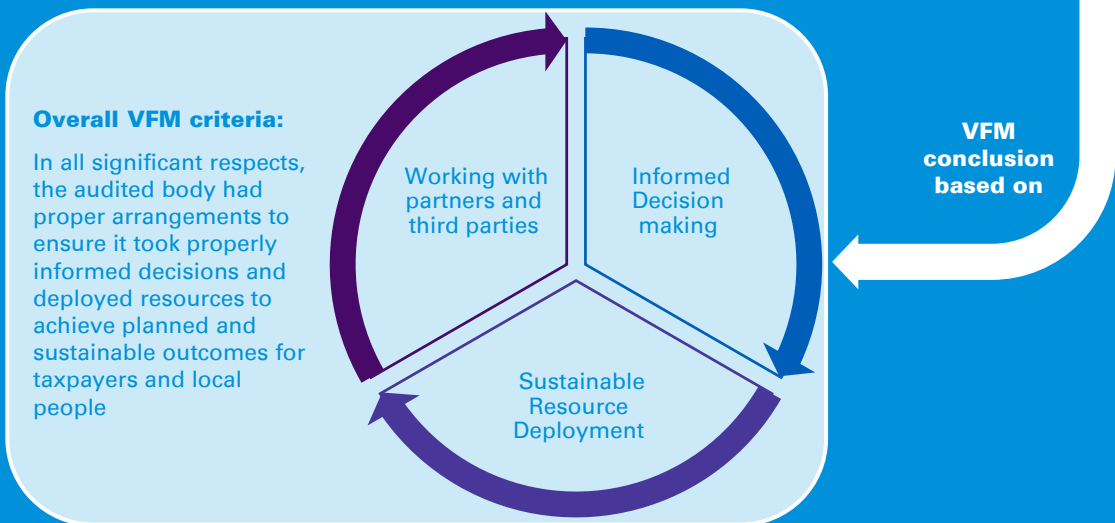
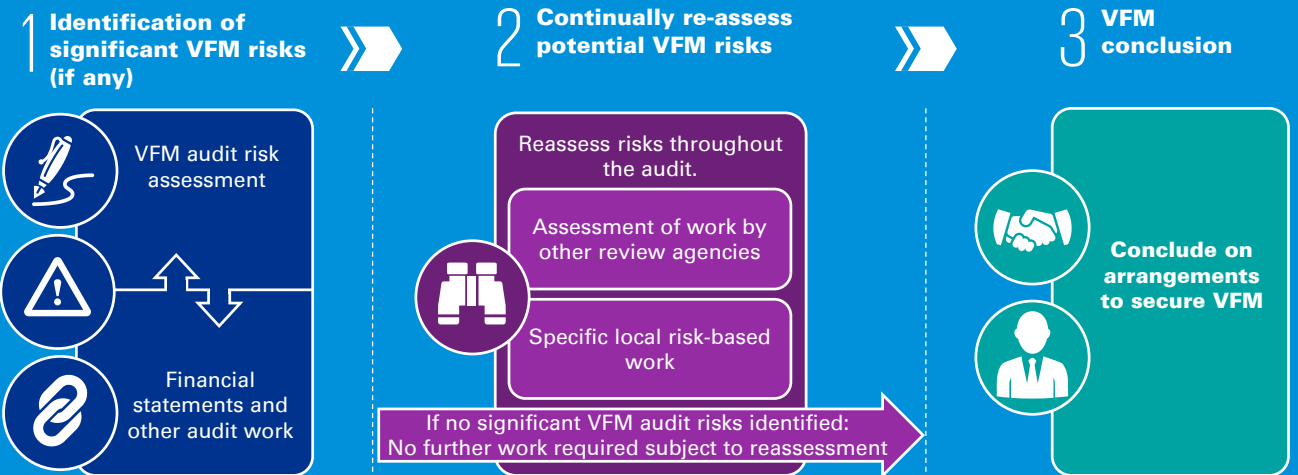
Our 2017-18 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



Specific value for money risk areas (cont.)

We have identified no significant VFM risks, as communicated to you in our 2017-18 External Audit Plan. We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements are adequate.

In consideration of the above, we have concluded that in 2017-18, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. In addition, there will be an overall reduction in grants from Central Government between 2010 and 2020 (£26.2m), as a result of the Local Government Spending Review, with £3.3m lost in 2017/18.

In order to maintain financial balance the Authority has been proactive in reviewing all parts of the service and has reorganised both operations and support staff to ensure that the service delivered has not been adversely affected.



Appendices



Key issues and recommendations

Our audit work on the Authority’s 2017-18 financial statements has identified one issue. We have listed this issue in this appendix together with our recommendations which we have agreed with Management. We have also included Management’s responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations.

We have given each recommendation a risk rating and agreed what action management will need to take.

Priority Rating for Recommendations

1	<p>Priority One: Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p> <p>Recommendations Raised: 0</p>	2	<p>Priority Two: Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> <p>Recommendations Raised: 2</p>	3	<p>Priority Three: Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> <p>Recommendations Raised: 0</p>
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No.	Risk	Issue & Recommendation	Management Response
1	2	<p>Evidence of approval for year end journals.</p> <p>Risk</p> <p>We are required to raise control risks within the current journal process. Controls over journals are particularly important as they can be used to override other controls within the organisation making it possible to manipulate accounting records and prepare fraudulent financial statements.</p> <p>Currently each person who has access can input journals without review. We were informed there are exceptions to this at the year end, when journals are reviewed. Rather than printing off the journals to check and sign, a quality review sheet was used for some journals. In 2017/18, this approach was not used consistently, apparently due to pressures on staff time. The Authority proposes in future to consistently evidence all the quality checks performed by recording evidence on the sign off sheet.</p> <p>Recommendation</p> <p>The Audit Committee should consider whether it has sufficient assurance over journal entries into the accounts.</p> <p>We recommend that the year end journals, as a minimum, are all subject to independent review using the quality review sheet. We also recommend that random independent verification of journals is carried out throughout the year.</p>	<p>Accepted</p> <p>Responsible Officer</p> <p>Senior Finance Manager</p> <p>Implementation Deadline</p> <p>31 March 2019</p>

Key issues and recommendations

Our audit work on the Authority’s 2017-18 financial statements has identified one issue. We have listed this issue in this appendix together with our recommendations which we have agreed with Management. We have also included Management’s responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations.

We have given each recommendation a risk rating and agreed what action management will need to take.

No.	Risk	Issue & Recommendation	Management Response
1	2	<p>Valuation of land and building not subject to revaluation in year</p> <p>Risk</p> <p>During the year we identified that the Authority’s process to identify potential changes in valuation of land and buildings was limited to where there had been a specific event, for example an enhancement or damage. Having identified valuation of land and buildings as a significant risk, we sought further assurance from the Authority that land and buildings that fell outside the triggers for valuation described above, were fairly stated as at 31 March 2018. There is risk where no formal consideration of changes in market value of land and buildings has taken place, that assets could be materially misstated.</p> <p>Recommendation</p> <p>We recommended the Authority must better demonstrate that there is no material change in the value of land and buildings since the last valuation. In some cases, buildings had not been valued since the last formal valuation (31 March 2015) because there had been no trigger to do so. The Authority therefore applied building cost indices as a proxy to estimate the increase in value of buildings. We were satisfied with this approach and as we concluded on page 9, no material change was identified. There are no recognised market indices for land, which was confirmed by the Authority’s External Valuer.</p> <p>We understand the Authority are moving to a rolling valuation programme, where by groups of assets will be revalued each year. We recommend the Authority formalise this, and the above approach, into their year end processes, and share these with their incoming auditors. This will provide assurance internally that the buildings are fairly stated at the year end. The Authority should seek advice, as they did in 2017-18, to determine whether there have been any significant increase in land values that could have a material impact on the value of land.</p>	<p>The Authority will adopt a rolling programme of assets valuations from 2018/19 onwards and will also apply the appropriate assessment for assets not valued in that year.</p> <p>Responsible Officer</p> <p>Senior Finance Manager</p> <p>Implementation Deadline</p> <p>31 March 2019</p>

Appendix 2:

Follow-up of prior year recommendations

The Authority has implemented the recommendations raised through our previous audit work.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2016/17.

Number of recommendations that were

Included in the original report	1
Implemented in year or superseded	1
Outstanding at the time of our interim audit	0

No.	Risk	Issue & Recommendation	Management Response	Status as at 10 July 2018
	2	<p>Working papers and preparation for early close down</p> <p>Risk</p> <p>Our <i>Accounts Audit Protocol</i>, issued in March 2017, sets out our working paper requirements for the audit which the Finance team followed to produce working papers.</p> <p>There is potential to save time for both the Finance staff and the auditors, making the process more efficient without affecting the quality of work performed.</p> <p>Recommendation</p> <p>Together we need to critically review the working papers requested and provided to streamline the closedown and audit processes.</p> <p>We will meet with Finance staff in October to review the 2016/17 audit and prepare an <i>Accounts Audit Protocol</i> for 2017/18.</p>	<p>Accepted</p> <p>Responsible Officer</p> <p>Emma Ayton – Senior Finance Manager</p> <p>Implementation Deadline</p> <p>31 December 2017 for initial review followed by implementation as part of 2017/18 closedown.</p>	<p>Implemented</p> <p>The working papers and supporting information required were available at the start of our audit.</p> <p>In addition, the working papers were comprehensive and of good quality.</p>

Appendix 3:

Audit differences

Presentational adjustments

We identified a number of presentational adjustments required to ensure that the Authority's financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code').

Whilst the majority of these adjustments were not significant, we identified two adjustments of a more significant nature and details of these are provided in the following table.

It is our understanding that these have been adjusted.

Table 5: Presentational adjustments

No.	Basis of audit differences
1	The duplicate column on the balance sheet and usable reserves note, showing prior year restated figures, is not required. The prior year restatement is not material, hence there is no requirement by IAS 8 to adjust the accounts. We requested instead that the double column should be removed and the prior year adjustment disclosed in a narrative note to the accounts.
2	The financial instrument disclosure required additional narratives to explain the fair value hierarchy.

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our *External Audit Plan 2017-18*, presented to you in January 2018, which is £1.1 million.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.05 million for the Authority.

If management had corrected material misstatements identified during the course of the audit, we would consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities. No material misstatements have been identified.

Appendix 5:

Required communications with the Audit Committee

We have provided below at-a-glance summary of the information we are required to report to you in writing by International Accounting Standards.

Required Communication	Commentary
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2018.
Adjusted audit differences	We have identified no adjusted audit differences as a result of our audit of the Authority's financial statements.
Unadjusted audit differences	We have identified no unadjusted audit differences as a result of our audit of the Authority's financial statements. This conclusion is subject to final checks around pensions valuations.
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We have set out our assessment of the Authority's internal control environment, including confirmation that there were no significant deficiencies identified, in Section one of this report (see page 4). We have identified deficiencies in internal control of a lesser magnitude than significant deficiencies and reported these in our recommendations section.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	We identified no actual or suspected fraud involving the Authority's Member or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements.
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	There are no modifications to our audit report.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.

Appendix 5:

Required communications with the Audit Committee (cont.)

Required Communication	Commentary
Other information	<p>No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement.</p> <p>These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements.</p>
Our declaration of independence and any breaches of independence	<p>No matters to report.</p> <p>The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.</p> <p>See Appendix 6 for further details.</p>
Accounting practices	<p>Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.</p> <p>We will set out our view of the assumptions used in valuing pension assets and liabilities in our final draft.</p>
Significant matters discussed or subject to correspondence with management	<p>There were no significant matters arising from the audit which were discussed, or subject to correspondence, with management.</p>



Declaration of independence

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF WEST YORKSHIRE FIRE AND RESCUE AUTHORITY

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

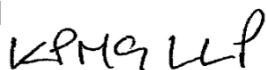
We are satisfied that our general procedures support our independence and objectivity.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.



KPMG LLP



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Appendix 7:

Audit fees

As communicated to you in our *External Audit Plan 2017-18*, our scale fee for the audit is £36,080 (£37,808 in 2016/17 which was made up of the planned audit fee of £36,080 and an additional fee of £1,000, agreed with the Authority and PSAA).

Component of the audit	2017-18 Planned Fee £	2016-17 Actual Fee £
Accounts opinion and value for money work		
PSAA Scale fee (West Yorkshire Fire and Rescue Authority)	36,080	36,080
Additional work to conclude our opinions	0	1,000
Total audit services	36,080	37,080

All fees quoted are exclusive of VAT.





The key contacts in relation to our audit are:

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Manager

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Rob Jones, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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CREATE: CRT086281A

(Letterhead of Client)

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE
United Kingdom

27 July 2018

Dear Mr. Jones

This representation letter is provided in connection with your audit of the financial statements of West Yorkshire Fire and Rescue Authority ("the Authority"), for the year ended 31 March 2018, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended;

and

- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

These financial statements comprise the Expenditure and Funding Analysis, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement the Balance Sheet, the Cash Flow Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and

- ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements

that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

- iii) The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- iv) The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- v) The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

- vi) The Authority confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
- vii) On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 27 July 2018.

Yours faithfully,

[Chair of the Audit Committee]
cc[Chief Financial Officer]
Optional cc: [Audit Committee]

Draft

Appendix to the Authority Representation Letter of West Yorkshire Fire and Rescue Authority: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.

- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.