West Yorkshire
Fire & Rescue Authority

OFFICIAL

Internal Audit Quarterly Review

Audit Committee

Date: 28 January 2022

Agenda Item: **6**

Submitted By: Chief Finance and Procurement Officer

Purpose To present the Internal Audit report October to December 2021

Recommendations That members note the content of the report

Summary To provide a summary of the audit activity for the period October to December 2021 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 Quarterly Report

1 Introduction

1.1 This Committee has the responsibility for monitoring the work of internal audit. In order to facilitate this, Internal Audit provide a quarterly report of its progress which includes a summary of the work completed and an assessment of the level of assurance provided by the systems examined. This report covers the period from October to December 2021.

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

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

In the period October to December, three audits have been completed all of which received a substantial assurance opinion. To date eight of the thirteen planned audits have been completed with the remaining five scheduled for the remaining quarter of 2021/22.

3 Financial Implications

There are no financial implications associated with this report

4 Legal Implications

The Monitoring 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 or diversity implications with this report.

6 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk))	No

7 Health, Safety and Wellbeing Implications

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

8 Environmental Implications

There are no environmental implications with this report.

9 Your Fire and Rescue Service Priorities

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

10 Conclusions

That members note the internal quarterly review report.

INTERNAL AUDIT QUARTERLY REPORT

2021/22

October to December 2021

ABOUT THIS REPORT

This report contains information about the work of the Authority's Internal Audit provided by Kirklees Council. The 2021/22 Audit Plan was approved by this Committee at the start of the year covering a variety of areas enabling an annual opinion to be formed on the Authority's governance, risk management and internal control arrangements.

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 of work completed during the third quarter of the current 2021/22 Audit Plan. To date eight of the thirteen planned audits have been undertaken with the remaining five scheduled for the final quarter. Two planned audits concerning the Finance Office were deferred at the request of the Chief Finance & Procurement Officer due to staffing issues arising from the departure of the Senior Manager.

Each of the three audits herein has produced a positive assurance opinion.

2. SPECIAL INVESTIGATIONS & REVIEWS

None during this time.

3. KEY FINANCIAL SYSTEMS & RISKS

None during this time.

4. OTHER FINANCIAL SYSTEMS & RISKS

System	Findings	Audit Opinion
Director of Service Support		
Stores	Audit testing provided assurance that sufficient and appropriate controls are in place in relation to stock, including the adequacy of security, control (additions and issues), accounting arrangements and the value for money of stock items held. The audit followed a recent consultancy review, that had resulted in a number of changes to previous processes, including revising stock holding levels of some items to ensure continuity of availability and reducing dependence on paper requisitioning and stock loans.	Substantial Assurance
Chief Employment Services Officer		
HR & Rostering IT Systems Implementation	Management Board suggested that a review of the implementation of these two IT applications per the IT Strategy would be a timely inclusion in the current Audit Plan. Data in both systems underpins transactions in the Payroll system. It was noted that a project implementation report was taken to the Change Management Board in October 2021. The report identified the several delays and staff changes during the lifetime of the project, resulting in the target completion deadline of July 2019[1] being extended to June 2021. Lessons learned have been identified within the report to inform future projects. Transition to the new applications went well, as comprehensive training was delivered and several clear guidance documents are available on Firehub along with a dedicated contact email address and a frequently asked questions for both systems.	Substantial Assurance

[1] ICT Strategy review July 2018

	Based on demonstrations of the systems during the audit, they both provide a much improved, automated process, allowing better management and monitoring information and have significantly reduced paper records and achieved efficiencies in resources, estimated in the Report to have an saving of £1m across various departments. The reporting function of both systems is impressive, allowing data analysis to be undertaken and giving clear up to date management information. Both systems are due an upgrade in 2022 which will provide additional functionality further improving the existing automated processes. An overview of application security confirmed user access rights allocated reflected an appropriate level of control. More detailed systems transaction testing will be undertaken during the forthcoming payroll audit review.	

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.

System	Findings	Audit Opinion
Director of Service Delivery		
Vehicle Accident Risk	A review of the arrangements for managing the high risk associated with vehicle accidents provided assurance that the mitigating controls are adequate and operating effectively. Enquiries with key officers and sample testing of associated records indicated that the arrangements generally accord to documented guidance and operational procedures. The small number of areas for improvement, such as the need for clarification of the licence checking policy, were only minor, on what is arguably the biggest corporate risk. An EMOC (Electronic Maintenance Of Competence) summary report confirmed that all 30 personnel across a sample of three stations (Bingley, Illingworth & Mirfield) were ERD (Emergency Response Driver) competent and had been signed off and up to date following assessment by the Driver Training Department.	Substantial Assurance

7. FOLLOW UP AUDITS

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

None during this period.

8. REVIEW OF KEY RECOMMENDATIONS & EXTENSIONS OF TIME TO IMPLEMENT

No key recommendations were outstanding, nor implementation times extended during this period.

9. ADVICE, CONSULTANCY & OTHER WORK

Internal Audit has been commissioned to provide assurance, oversight and challenge to the FSHQ Development Programme Board. Terms of reference has been agreed to review progress at each of the key milestones on a rolling basis to enable any timely remediation, particularly with external contractors.

10 AUDIT PLAN DELIVERY 2021/22

Performance Indicators	19/20 Actual	20/21 Revised Actual	21/22 Target	21/22 Actual
Audits completed within the planned time allowance	80%	80%	90%	67%
Draft reports issued within 10 days of fieldwork completion	90%	90%	90%	100%
Client satisfaction in post audit questionnaires	90%	90%	90%	n/a
Chargeable audit days	130*	110*	160	103
QA compliance sample checks – percentage pass	100	100	100	n/a
Planned Audits Completed	10	15	13	8
Planned Audits in Progress				0
Planned Audit Deferred				0
Planned Audits Postponed				0
Unplanned Work Completed				0
Unplanned Work in Progress				0

*Shortfall from 160 refunded, 80 days in total.

Deloitte.

West Yorkshire Fire & Rescue Service

West Yorkshire Fire and Rescue Authority

Report to the Audit Committee on the 2020/21 audit

Issued on 13 January 2022 for the meeting on 28 January 2022

Contents

Introduction

The key messages in this report

I have pleasure in presenting our update report to the Audit Committee of West Yorkshire Fire and Rescue Authority (the Authority) for the 2020/21 audit. The scope of our audit was set out within our planning report presented to the Committee in April 2021.

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

Status of our Statement of Accounts audit	As set out in our previous report to the Committee the completion of the audit is behind plan primarily subject to the late alteration of the audit schedule by management alongside delays in the delivery of the accounts and supporting working papers for the audit and errors identified following receipt of information following September 2021 onwards. • finalisation of reconciliation of audit adjustments; • finalisation of non-compliance with laws and regulations consultation; • concluding audit procedures; • review and receipt of updated financial statements; • completion of internal quality assurance procedures; • receipt of signed management representation letter; and • our review of events since 31 March 2021 through to signing. We will provide an oral update at the meeting.

Introduction

The key messages in this report (continued)

Status of our Value for Money audit	Our Value for Money work is on-going, and will be reported in our Auditor's Annual Report, which will be issued within the three month timeframe specified under the National Audit Office Auditor Guidance Note 3. To date we have not identified any risks of significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources. We have no matters to report by exception at this stage in our financial statement audit opinion. Our opinion will state that our Value for Money work is on-going.
Interactions with internal audit	We have held discussions with internal audit throughout the year and have also reviewed all reports which have been provided to the Audit Committee. We have not placed any reliance on the work of internal audit.

Update from our testing	• The key judgements in the audit process related to:
	  • valuation of properties; and
	  • completeness of expenditure.
	• From our work to date we have identified audit adjustments and control insights as set out on pages 11-24 and pages 29 – 32.

Narrative Report & Annual Governance Statement	• We have reviewed the Authority's Annual Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work. • The Annual Governance Statement complies with the Delivering Good Governance guidance issued by CIPFA/SOLACE. • We have suggested a number of minor changes to management for consideration.
Duties as public auditor	• We have not received any queries or objections from local electors this year. • We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.
Whole of Government Accounts	• The instructions for the WGA reporting has not been released yet, however, we expect that the Authority will not be a sampled component in the current year. • We are required to report our overall audit opinion and key issues from our audit to the National Audit Office following completion of the audit.

Paul Hewitson
Audit Lead

Our audit explained

We tailor our audit to your business and your strategy

Identify changes in your business and environment

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

Scoping

Our planning report set out the scoping of our audit in line with the Code of Audit Practice. We have completed our audit in line with our audit plan.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. These are set out on pages 11-24.

Determine materiality

When planning our audit we set our materiality at £1.81m based on forecast gross expenditure, excluding the impact of pensions and revaluation adjustments. We have updated this to reflect final figures and completed our audit to materiality of £2.04m, performance materiality of £1.53m and report to you in this paper all misstatements above £102k. By way of comparison the materiality, performance materiality and trivial threshold for 2020 were £2.12m, £1.70m and £106k respectively.

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report.

Conclude on significant risk areas

We draw to the Audit Committee's attention our conclusions on the significant audit risks. In particular the Audit Committee must satisfy themselves that management's judgements are appropriate.

Our audit report

We anticipate issuing an unmodified audit opinion.

Significant risks

Significant Audit Risk dashboard

Risk	Material	Fraud risk	Planned approach to controls	Level of management judgement	Expected to be included in our report to the Audit Committee	Slide no.
Property Valuation	✓	✗	DI	⚠	✓	7
Completeness of expenditure	✓	✓	DI	⚠	✓	8
Management Override of Controls	✓	✓	DI	⚠	✓	9

Low Level of Judgement ⚠

Medium Level of Judgement ⚠

High Level of Judgement ⚠

Controls approach adopted

Assess design & implementation DI

Significant risks (continued)

Risk 1 – Property Valuation

Risk identified	As set out in our planning report, the Authority held £79.5m of property assets (land and buildings) at 31 March 2019 which decreased to £76.4m as at 31 March 2020. As at 31 March 2021 this increased to £76.9m. The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. There is therefore a risk that the carrying value of assets not included in the authority's revaluation process in the current year materially differ from the year end fair value. A full revaluation was undertaken in 2018/19 and at the planning stage we understood from our discussions with management, that in line with the Authority's rolling programme, in the current year 20% of assets will be fully revalued with the remaining 80% subject to a desktop exercise. This is in line with approach undertaken at the year-end.
Our response	• We have examined the terms of engagement of the valuer, the instructions issued and the management controls within the Authority concerning the receipt, review and acceptance of the report; • We have tested the design and implementation of key controls in place around the valuations process; • We have used our valuation specialists, Deloitte Real Estate, to support our review and challenge of the appropriateness of the assumptions used in the year-end valuation of the Authority's Land and Buildings in line with ISA540 requirements; and • We have tested a sample of revalued assets and re-performed the calculation assessing whether the movement has been recorded through the correct line of the accounts.
Conclusions	As a result of our work we have identified one disclosure deficiency in respect of the valuation of Wakefield Fire Station, one error in relation to the application of componentisation of assets on the depreciation charges and 11 control insights. These are set out on pages 11 – 24 and page 29. Overall, we have concluded that the net book value of property assets is not materially misstated. The Authority's valuation assumptions are generally reasonable.

Significant risks (continued)

Risk 2 – Completeness of expenditure

Risk identified	Under UK auditing standards, there is a presumed risk of incorrect revenue recognition due to fraud. In line with last year, we have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure. In prior periods, we have identified improvements to be made in the control environment in respect of recording expenditure around year-end. We understand that the control environment has changed in the current period, however at the time of forming our audit plan, the year-end process has not yet operated and as such we continued to identify a fraud risk in respect of the under recording of expenditure. There is a risk that the Authority may materially misstate expenditure through manipulation of the accruals balance, including year-end transactions, in an attempt to move expenditure between years to report a more favourable year end position. The Authority does not have material provisions balances and based upon discussions to date we do not consider the completeness of provisions to fall within the scope of this risk.
Our response	Our work in this area has included the following: • We have obtained an understanding of the design and implementation of the key controls in place in relation to recording of accruals including year-end creditor transactions; • We have performed focused testing in relation to the completeness of expenditure by examining the application of cut off primarily through the focussed testing of accruals balance; and • We have reviewed and challenged the assumptions made in relation to year-end estimates and judgements to assess completeness of recorded expenditure.
Conclusions	We have identified control insights and an error as a result of our work. These are set out on pages 11 – 24 and page 29. Overall, we have concluded that the completeness of expenditure is not materially misstated.

Significant risks (continued)

Risk 3 – Management override of controls

Risk identified	In accordance with ISA 240 (UK) management override is a presumed significant risk for all audit engagements. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Authority's controls for specific transactions. The key judgments in the financial statements are those which we have selected to be the significant audit risks: completeness of expenditure and valuation of the Authority's estate. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements. Whilst not noted as a significant risk, the valuation of pensions is also a key judgement.
Our response	In considering the risk of management override, we have performed the following audit procedures that directly address this risk: • We have tested the design and implementation of key controls in place around journal entries and management judgments; • We have risk assessed journals and selected items for detailed testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest; • We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting; • We have reviewed accounting judgements for biases that could result in material misstatements due to fraud; • We have reviewed management estimates for biases that could result in material misstatements due to fraud and in line with ISA540 requirements; and • We have not become aware of any significant transactions that are outside of the normal course of business for the Authority, or that otherwise appear to be unusual, given our understanding of the entity and its environment.
Conclusions	We have raised some control insights as set out on pages 11 – 24. We have not identified any significant bias in the key judgements made by management based on work performed. We have not identified any instances of management override of controls in relation to the specific transactions tested based on the work performed.

Value for money

Our work is in progress and will be reported in our Auditor’s Annual Report

Value for Money requirements

We are required to consider the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03 (‘AGN03’), we are required to:

- Perform work to understand the Authority’s arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor’s Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

Status of our work

Our work is ongoing. Our Value for Money work will be reported in full in our Auditor’s Annual Report which is to be reported within a three month timeframe from the date of signing the financial statements. However under AGN03 we are required to undertake sufficient work to conclude that there are no matters which could have a material bearing upon our audit prior to signing the financial statements opinion. Accordingly this work must be substantially completed before the audit opinion can be signed. We have not identified to date any risks of significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources. We will provide a verbal update at the Audit Committee.

Control deficiencies and areas for management focus

We have included both findings from the current and prior year audit to provide the Committee with updates on recommendations made previously. Our recommendations have been split in to the following sections:

1) Recommendations made in previous years that have been addressed by management;
2) Recommendations made in previous years that have not yet been addressed by management or have been updated as a result of additional findings in the current year; and
3) New recommendations identified from our 2020/21 audit work.

Below are the recommendations made in previous years that have been addressed by management:

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan	2020/21 Management Update where appropriate
Service Level Agreement	2018/19	As raised in the 2018/19 audit, we note that as part of the renegotiation of the SLA that WYFRA did not incorporate the routine receiving of assurance from KMBC on the hosted IT systems. Formal annual statements of assurance over the hosted IT systems should be received to incorporate: cyber security, incident monitoring / response, starters / movers / leavers, user access reviews, change management and backups.	Whilst the 2020/21 Service Level Agreement does not expressly set out the assurance statements to be received as part of Schedule 6 of the SLA on a quarterly basis, the Authority is in receipt of aforementioned information on an annual basis. At the point of the new agreement being drafted, this will be expressed in the new contract.	Quarterly Assurance reports are included in the SLA for 2021/22.
Pensions	2019/20	From our review of the GAD report on the Firefighters Pension Scheme and the draft financial statements we note that the information provided to GAD in relation to the lump sums was incorrectly analysed between the 1992 and 2015 schemes and that a lump sum that was paid in 19/20 was not recorded within the information provided to GAD. Management should re-examine the quality control procedures in respect of the provision of information to GAD.	A review of the quality controls procedure to take place with an additional member of the team reviewing. The lump sum in question was paid in 19/20 but was not expected to be paid until 2 April 2020 (information disclosed from West Yorkshire Pension Fund) and therefore was not included at the time of compiling information to the Governments Actuarial Department (GAD) which was submitted in February 2020. Subsequently, this was amended for payment on 31 March 2020.	Training on pensions was provided to another member of the Finance team for the closure of accounts 20-21. The working papers were reviewed by the Senior Finance Manager. Additional training for members of the Finance team will be provided for the closure of accounts 21-22. Working papers will be reviewed by the Senior Finance Manager.

Your control environment and findings (continued)

Control deficiencies and areas for management focus (continued)

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan	2020/21 Management Update where appropriate
Assets Under Construction	2019/20	We note that from our enquiries, management do not routinely review their assets under construction balance for indicators of impairment. We recommend that this review is completed annually to ensure that if an impairment is identified this is recorded within the general ledger throughout construction rather than on reclassification to operational property plant and equipment.	The Authority fully revalues any Assets Under Construction once they become fully operational. We will take guidance from our external valuer and impair prior to becoming fully operational if required on the basis of that guidance.	Reviewed the code and sought technical advice from CIPFA. Assets under construction do not require valuation and are measured at historic cost. For the major rebuild of HQ a maximum guaranteed price will be provided by contractors in July 22.
Related party forms	2019/20	The related party forms require members to disclose any transactions between themselves and the Authority or any transactions between the Authority and a business controlled by themselves or a close relative. The related party forms should require members to disclose their interests rather than transactions, and then these disclosures used by the Authority in order to check for transactions.	Although in 2019/20 this would not have resulted in any overall change, an amendment to the form shall be made when disclosing related parties within the 2020/21 statement of accounts.	Related party forms were amended for 20-21.

Your control environment and findings (continued)

Control deficiencies and areas for management focus (continued)

Below and on the following pages are the recommendations identified in our previous audit work which have not yet been addressed by management, or which have been updated in the current period as a result of audit work in the current period:

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan	2020/21 Management Update where appropriate
Componentisation of Property, Plant and Equipment	2019/20	We note from review of the Property, Plant and Equipment that the componentisation of land and buildings has not been correctly applied. It is recommended that as part of the 2020/21 valuation review management adopt componentisation of land and buildings.	The Authority is reviewing this process and will liaise with the auditor during January 2021.	The componentisation assessment was undertaken for all assets. Only 3 assets were identified as exceeding the threshold for componentisation as per the accounting policy, An adjustment was not made for under depreciation as the amount was not material. A further working paper has been issued to support the assessment undertaken.
	Updated 2020/21	Management performed a componentisation assessment, however, this was only undertaken for 3 assets and no adjustments to depreciation were made as a result.		

Your control environment and findings (continued)

Control deficiencies and areas for management focus (continued)

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan	2020/21 Management Update where appropriate
Collection Fund	2019/20	Management should review their accounting for the Collection Fund to ensure that the work papers and associated disclosure is in line with the CIPFA code.	It is management's intention to draft an early 2020/21 disclosure template and share this with the auditor to ensure compliance in advance of year end for 2020/21. Additional training to be taken within 2020/21.	The proposed journals for the collection fund for 20-21 were provided to the Auditor in July 2020. Further amendments have been made to the working papers to correct the errors in 20-21. Training will be provided to members of the Finance Team for 21-22 and the quality check undertaken by the Senior Finance Manager.
	Updated 2020/21	A draft was not provided to the auditor in advance of preparing the financial statements. Further queries have been raised with the Authority in the current year in respect of the accounting of the Collection Fund. Further errors were also identified as set out on page 29 and 31. The full Council Tax and NNDR deficit has been accounted for against the Council Tax income balance with the relevant proportion for NNDR not being allocated to the NNDR income. Management should refresh their quality control procedures in respect of the accounting for the deficit for future years to ensure that the deficit is appropriately split between Council Tax and NNDR.		

Your control environment and findings (continued)

Control deficiencies and areas for management focus (continued)

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan	2020/21 Management Update where appropriate
Note 9 income classification	2019/20	Management should review the groupings of their ledger to ensure that the mapping then directly links to the note disclosure and is code compliant.	Review of general ledger codes assigned to income is required. The totality of income is complete and correct, however, the categorization on some general ledger codes is inconsistent to the category of income required.	The review of the income general ledger codes will be included in the action plan for the 21-22 closure of the accounts.

Your control environment and findings (continued)
Control deficiencies and areas for management focus (continued)

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan	2020/21 Management Update where appropriate
Expenditure control	2019/20	Management should review the expenditure control to ensure that it appropriately identifies both creditors and accruals. Currently the control involves a review of the Vendor Invoice Management (VIM) system, which records invoices received but not posted to the ledger, and the posting of these as accruals, which is incorrect in line with IAS 37. The review of the accruals identified by the respective officers in charge of directorates / profit centre did not have a formal approval and there was no formal review of the March monitoring capital report which included these items. There should be a re-examination of the design of the control and review of the quality control procedures in respect of this.	The amounts disclosed overall in both the Balance Sheet and Creditors (note 26) are complete and correct in their totality, however, the presentation needs additional review to be fully compliant with IAS37.	The working papers have been updated with reference to the code and the disclosure note is compliant with IAS 37. A formal review of accruals was undertaken at year end 20-21 which required sign off from budget holders.
	Updated 2020/21	<u>Account name</u> The account name is goods received invoice received clearing account. However the account is used for to record accruals (which would more properly be Goods Received Not Invoiced), the potentially misleading naming of this account could lead to error in posting to the ledger. Management should consider renaming the account to more closely align to its purpose to ensure that journals are not misposted to the account. <u>Account review</u> As a result of our testing we identified that the GRIR account was incorrectly capturing items which had been ordered but not received at the year end. This issue was identified by management who corrected the expenditure position by derecogonising the expenditure and creating a prepayment; thus grossing up the balance sheet by making a net entry that increased both other creditors and prepayments. Management should review their processes for utilizing the GRIR account and review and ensure that any corrective journals posted do not artificially inflate both assets and liabilities.		Account name GRIR - This is a balance sheet code which holds the following entries: 1) Goods Receipts (no invoices on SAP) - Credit entries 2) Invoice Receipts (no goods receipt on SAP) - Debit entries The balance sheet code has been reconciled throughout 21-22 to correct errors and chase up suppliers for outstanding invoices. Training has been given to departments as part of procurement workshops in September on goods receipting and corrections to orders. Further training is planned as part of closedown 21-22.

Your control environment and findings (continued)

Control deficiencies and areas for management focus (continued)

Below and on the following pages are the new recommendations identified from our 2020/21 audit work:

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Benevolent Funds	2020/21	From our cash testing, we have identified an account called the Benevolent Fund which is shown as being part of the Authority’s cash at year-end totaling £598.62, however, this is not recorded within the Authority’s cash balance. Management assert that this cash is part of the Firefighter’s Charity, however at the time of audit there was ambiguity surrounding the balance, which has now been resolved as part of the audit process. Management should review the benevolent fund balance and ensure that it is properly accounted for and that appropriate handovers are in place when key members of staff leave the Service.	The monies held in the Benevolent Fund account are as a result of fundraising for the Fire Fighter's charity and do not form part of the Authority's cash balance. Discussions are being held with the Fire Fighter's charity representative to ensure the monies are transferred appropriately.
ESMCP Terms and Conditions	2020/21	From our work in relation to grants received in advance, we identified that the accounting for the ESMCP grant was incorrect. We recommend that management should review their processes for accounting for grants received to ensure that this includes a review of the terms and conditions of the grant.	Processes and working papers to be updated for closure of accounts 21-22. Reviews to be undertaken by the Senior Finance Manager.

Your control environment and findings (continued)

Control deficiencies and areas for management focus (continued)

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Inventory note disclosure	2020/21	The inventory note disclosure was presented net rather than gross as a result of the information provided by stores. We recommend that management should ensure that a full description is provided to stores regarding the required information for the financial statements for future periods to ensure that the disclosure is compliant with accounting standards.	Management will liaise with Stores to ensure additional reports on stock issues and purchases are provided alongside the year end stock valuation to ensure the disclosure is compliant.
Information Security Policy update	2020/21	The Information Security Policy has not been reviewed and updated annually per the policy. The policy was last updated in April 2018. We understand that the updated policy has now been drafted and is awaiting final sign off before being issued. We recommend that a review of policies are completed in line with stated timeframe to ensure that they remain appropriate.	The information security policy has been reviewed and is awaiting final sign off by the Information Governance and Security Group on 22/02/22. Policies are currently being reviewed to ensure they are up to date and appropriate
Municipal Mutual Insurance (MMI) Provision	2020/21	The MMI provision has been incorrectly accounted in the current period with expenditure being recorded as general expenditure rather than recorded against the provision. Management should ensure that they record expenditure against provisions where they have been made, and also ensure that the appropriate level of handover of knowledge is provided to staff when roles / processes change.	The process for reviewing the MMI provision has been updated for the closure of accounts 21-22 and is documented in the working paper.

Your control environment and findings (continued)

Control deficiencies and areas for management focus (continued)

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Ordinary commuting mileage	2020/21	The Service has identified non-compliance with laws and regulations as a result of paying ordinary commuting mileage in the year. Management have engaged an expert to rectify this area for them. Management should review all future tax changes to ensure that the impact on the Service is understood, and where the guidance is complex, should seek guidance from experts to ensure that the Service is compliant with the relevant tax legislation.	The Authority's annual subscription to it's tax specialists includes access to help lines, where guidance is sought with regards to employment taxation and VAT queries.
Review of work	2020/21	It is stated within the starters payroll process that any of the three members of the payroll team could input the details of a new starter and another person would authorise. This means there is a risk that a junior team member could be asked to review the work of a higher ranked colleague. A junior member might not feel empowered to challenge the work of a more senior member. It is therefore recommended that the inputting of starters is completed by a junior team member and reviewed by a senior team member and that this is made clear in the process documentation.	The process will be updated as recommended.
Receipting of goods	2020/21	As a Covid-19 measure, there is a 48-72 hour ”quarantine” for incoming goods. Goods are only receipted onto the OPEX system after this period, not upon receipt when responsibility is accepted for the goods. This therefore increases the risk that goods received 48-72 hours prior to the year-end may not have been recorded in the ledger in he correct period. We recommend that management review processes for booking in goods to ensure that goods are recognized at a point that reflects the transfer of ownership.	This is no longer applicable.

Your control environment and findings (continued)

Control deficiencies and areas for management focus (continued)

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Journals	2020/21	Journal reconciliation Through our controls testing in relation to management override of controls, we identified that there is a monthly journal reconciliation performed by the Accounts Officer and then this is reviewed by the Senior Finance Manager. There is no evidence of this review. We recommend that a sign off as part of the review is implemented to evidence the review of the reconciliation. Journal review Through our controls testing we also identified that journals are authorized and approved by someone of similar level or seniority to the officer who raised the journal. We recommend that journals are reviewed by someone more senior than the preparer in all instances.	The monthly reconciliation and process for journal approval will be updated as recommended.

Your control environment and findings (continued)

Control deficiencies and areas for management focus (continued)

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Property, Plant and Equipment	2020/21	Fire Hydrants From our additions testing in respect of Property, Plant and Equipment we identified that management do not include on the Fixed Asset Register information in relation to the location or fire hydrants and instead include this as one line for the addition of all hydrants from that year. If hydrants were scrapped or required replacement or repair, it would not be possible to identify the cost of a specific hydrant on the Fixed Asset Register. The Fixed Asset Register should be updated to include greater detail in respect of the hydrants to enable recording of location and year hydrant placed in service. Assets Under Construction Through our reconciliation of the Assets Under Construction balance, we identified that management had derecognized the brought forward cost of Wakefield Fire Station and created a new code in the current year to accumulate further under construction costs and to indicate that the asset was then transferred to Operational Assets. This is an inefficient maintenance of the Fixed Asset Register and means that the Fixed Asset Register does not reconcile to the Financial Statement disclosure without further analysis. Management should review their usage of the Assets Under Construction balance and ensure that all additions to Assets Under Construction are recorded to an Asset Under Construction addition code, before then being recorded as a transfer.	Details of all the individual hydrants are held on the Water Office Database. A breakdown of the individual invoices for the capital scheme will be uploaded to Asset Manager. Assets Under Construction - Additions were added to AUC balance and then transferred out to operational assets. a further working paper will be provided to evidence this.

Your control environment and findings (continued)

Control deficiencies and areas for management focus (continued)

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Property, Plant and Equipment (continued)	2020/21	Depreciation From our depreciation testing we have identified that circa 20% of the cost of vehicles that are still in use are fully depreciated. This suggests that the accounting policy does not match the period of use of the asset. We recommend that a review of useful economic lives are completed to ensure that they appropriately reflect the usage of the assets. Replacement assets In the current period our testing of additions identified that some replacement assets do not have associated disposals as the original assets had been previously written off or removed from the Fixed Asset Register once they reached net nil book value. Management should ensure that assets are only written off when they are disposed of and for all replacement assets there should be a review to ensure an associated disposal, where appropriate, is recorded. Impairment Management do not consider annually if there are any impairment indicators which suggest an impairment review needs to be conducted. We recommend that management should review, and document, their considerations of the impairment indicators annually to determine if an impairment review should be undertaken.	There has been a delay in the vehicle replacement program due to Covid-19 and the vehicles can't be disposed of until they are replaced. Clarification is sought during the capital bids process whether the asset is replacing an existing asset or whether the asset is new. A detailed breakdown of the capital scheme including all invoices will be uploaded to asset manager. The recommendation to review and document considerations of impairment indicators will be incorporated into the 21-22 closure of accounts.

Your control environment and findings (continued)

Control deficiencies and areas for management focus (continued)

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Property, Plant and Equipment (continued)	2020/21	Land Registry The title numbers of assets as set out on the Service's website are not up to date and do not match up with the correct title deeds. We recommend that the website is updated to reflect the correct land registry title number. Notification of disposals Finance were not notified of the works carried out at Moortown Fire Station and were therefore unaware of the demolition and as a result no associated disposal was recorded within the financial statements. Management should ensure that a process is in place which captures the reporting of all disposals / demolitions and changes to estates to ensure that appropriate accounting can be conducted.	The recommendation to ensure the website is updated will be implemented. The identification of disposals, demolitions and changes will be identified and documented through consultation with the Property Services Team prior to instructing the external valuer in 21-22. This will be incorporated into future closedown planning arrangements.

Your control environment and findings (continued)

Control deficiencies and areas for management focus (continued)

Area of observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Property, Plant and Equipment Valuation Exercise	2020/21	<u>Asset split</u> Some instances were noted where the analysis within the Fixed Asset Register did not match the analysis in the valuation report. This could lead to error and inconsistency in accounting for valuations and increases the propensity of error. The Fixed Asset Register and valuation report split should be aligned to drive consistency and to increase transparency in accounting. <u>Information provided to the valuer</u> Through our controls work we have identified that Moortown Fire Station had been subject to external inspection in March 2021 and the valuer identified that the rear workshop and training tower had been demolished however there was no written evidence that this was not communicated to the valuer. We recommend that management ensure the valuer is provided with full written details of the changes to the estate and the associated impact on the floor area to ensure that the valuation is prepared on the correct basis. We also identified that management informed the valuer that there was surplus land at FHSQ and therefore the valuation was conducted on the incorrect basis. We recommend that management also ensure that they refresh their documentation of the current usage of all assets to ensure that the information provided to the valuer is correct.	A review will be undertaken to ensure the fixed asset register and valuation report align. The valuer will be provided with updated instructions to include details of any changes to the estate.

Our audit report

The form and content of our report

Here we discuss how the results of the audit impact on our audit report. An overview of our financial statement audit work will be included in our Auditor's Annual Report.

Our opinion on the financial statements

We anticipate issuing an unmodified audit opinion.

Emphasis of matter and other matter paragraphs

To date there are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

To date there are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.

In 2019/20, the revaluation reports of externally revalued assets included a material uncertainty paragraph regarding the potential impact of Covid-19 on asset valuations. Due to updated RICS guidance for 2020/21 which states that this is not relevant in the current period, we do not expect to make reference to this in our opinion as an Emphasis of Matter.

Value for Money reporting by exception

Our opinion will note that our Value for Money work is ongoing and will be reported in our Auditor's Annual Report.

We have no matters to date to report by exception in our financial statement audit opinion.

Irregularities and fraud

We will explain the extent to which we considered the audit to be capable of detecting irregularities, including fraud.

In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations. We will discuss the areas identified where fraud may occur and any identified key audit matters relating to fraud.

Recent changes to ISAs (UK) mean this requirement will apply to **all** entities for periods commencing on or after 15 December 2019.

We are finalising our internal consultation in relation to the identified non-compliance with laws and regulations.

Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement.

	Requirement	Deloitte response
Narrative Report	The Narrative Report is expected to address (as relevant to the Authority): • Organisational overview and external environment; • Governance; • Operational Model; • Risks and opportunities; • Strategy and resource allocation; • Performance; • Outlook; and • Basis of preparation	We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance. We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We have provided our comments to management and will review the updated accounts, when received, for any remaining non trivial items.
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. No issues were noted from our review.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Committee and the Authority discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Authority, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Audit Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Leeds| January 2022

Appendices

Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). Uncorrected misstatements increase the CIES by £0.397 million and decrease net assets by £0.944 million.

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) OCI/Equity £m	Associated control insight
Misstatements identified in current year					
Benevolent Fund	[1]	(0.001)	0.001		Page 17
Payables Accuracy	[2]	0.321	(0.321)		Page 16
Componentisation	[3]	0.187	(0.187)		Page 13
Ordinary commuting mileage	[4]	0.200	(0.200)		Page 19
MMI Provision	[5]	0.163	(0.163)		Page 18
Walker	[6]	0.150	(0.150)		N/A
Pension Fund	[7]	(0.816)	0.816		N/A
Misstatements identified in prior years					
	[8]	0.193	(0.740)	0.547	
Total		0.397	(0.944)	0.547	

Audit adjustments

Unadjusted misstatements (continued)

[1] From our cash testing we have identified the benevolent fund that could be the Service's cash. This adjustment reflects this as being cash.

[2] From our payables testing we identified that there was a duplication of an invoice, which we have extrapolated this error of £4,237 over the population. The adjustment listed here is a projected misstatement.

[3] Projected understatement of depreciation as a result of not applying componentisation.

[4] Projected downside scenario calculated by PS Tax in relation to non-compliance with laws and regulations.

[5] Factual overstatement of MMI provision as a result of accounting for the expenditure as general expenditure rather than against the provision.

[6] In July 2017 the Supreme Court handed down a judgement in the case of Walker v Innospec Ltd and others. The actuary has estimated that the impact would be less than 0.01% of liabilities and have made no allowance for this in the disclosures. The projected adjustment recognises this liability.

[7] There was a difference between the pension asset values provided to the Pension Fund for the purposes of calculating the IAS19 liability and the updated valuations obtained post year-end. This projected adjustment reflects the Service's share of this error.

[8] Errors identified in the prior year audit that affect the opening balances relate to extrapolated accruals error, McCloud adjustment for the LGPS scheme, error identified by the Pension Fund auditor in relation to private equity valuation and the application of componentisation on depreciation.

Audit adjustments

Adjusted misstatements

The following misstatements have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) OCI/Equity £m
Misstatements identified in current year				
Collection Fund	[1]	3.972 (3.972)		
Prepayments	[2]		0.309 (0.309)	
Collection Fund	[3]		0.655 (0.655)	
ESMCP Grant	[4]		(0.650) 0.650	
Short term investments	[5]		0.595 (0.595)	
Total		0.000	0.000	0.000

[1] The deficit in respect of Business Rates was incorrectly disclosed within Council Tax income of note 13 rather than under Non- Domestic Rates of the same note.

[2] From our journals testing we have identified that the debtors and creditors balance were overstated by £309k.

[3] Classification error between debtors and creditors.

[4] ESMCP Grant was incorrectly included in both debtors and creditors.

[5] Classification error between cash and short term investments.

Audit adjustments (continued)

Disclosures

Disclosure misstatements

We have provided comments on the financial statements to management and will review the updated accounts once received. We will provide a report to the Audit Committee on any remaining non-trivial disclosure deficiencies which we will request that you ask management to correct as required by ISAs (UK).

Disclosure	Summary of disclosure requirement
Wakefield Fire Station The disclosure in respect of the reduction in value for Wakefield Fire Station is disclosed as a revaluation loss rather than impairment. Given the nature of the spend that leads to the reduction in value this should be disclosed as an impairment.	Chapter 4 Non-Current Assets of the CIPFA Code sets out the disclosure requirements.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Authority and and our objectivity is not compromised.
Fees	Details of proposed fees for audit and non-audit services performed for the period have been presented separately on the following page
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Authority's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Authority, its officers and senior management and its affiliates, and have not supplied any services to other known connected parties.

Independence and fees (continued)

The professional fees expected to be charged by Deloitte LLP for the period from 1 April 2020 to 31 March 2021 are as follows:

	Current year £	Prior year £
Financial statement audit, including Whole of Government Accounts and procedures in respect of Value for Money assessment [1]	TBC	27,782
Additional fees* **	TBC	5,932
Total audit	TBC	33,714
Total fees	TBC	33,714

[1] In line with recent PSAA correspondence that scale fees should be negotiated by individual s151 officers based on the individual circumstances of each body. We are discussing with the Authority, the current fee level.

*We have agreed the additional audit fees to reflect the additional audit work that was required in respect of the 2019/20 audit of £5,932 with management. We are currently awaiting agreement from PSAA.

** As set out in our report to the Audit Committee in September 2021, the audit has taken longer to completed as a result of the late alteration to the audit schedule by management, delays in receipt of information and errors identified following receipt of the information from September 2021 onwards. As a result there will be additional fees in respect of the 2020/21 audit which we will seek to agree with management once these are more closely understood.

Our approach to quality

AQR team report and findings

Executing high quality audits remains our number one priority. We are committed to our critical public interest role and continue to embed our culture of quality and excellence into all of our people. This includes using new technology and tools to continue to transform our audit approach.

In July 2021 the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2020/21 cycle of reviews.

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

In that context, overall FRC inspection results, showing an improvement since last year from 76% to 79% of all inspections assessed as good or needing limited improvement, reflect the progress we are making. The overall profile of our ICAEW inspections and our internal inspection programme also show a similar overall improvement since last year.

The results for the inspections of FTSE 350 entities fell short of our overall scores, reflecting specific findings on those particular audits rather than issues pervasive across other audits. Our objective continues to be for all of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard.

We agree with and accept the FRC’s findings on the individual inspections. The FRC has recognised improvements following the actions and programmes for previous years and we welcome the good practice points raised, including in respect of impairment and revenue where individual findings continue to occur.

Overall, we are pleased that there have been no significant findings over our firm wide processes and controls over the last three inspection cycles in the areas subject to rotational review by the FRC. However, we are continually enhancing our processes and controls across our business and such changes will directly or indirectly affect audit quality.

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

Our approach to quality

AQR team report and findings

The AQR's 2020/21 Audit Quality Inspection Report on Deloitte LLP

"We reviewed 19 individual audits this year and assessed 15 (79%) as requiring no more than limited improvements. Of the 11 FTSE 350 audits we reviewed this year, we assessed eight (73%) as achieving this standard".

"Our key findings related primarily to the need to:

- Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets.
- Enhance the consistency of group audit teams' oversight of component audit teams.
- Strengthen the effectiveness and consistency of the testing of revenue."

"The firm has taken steps to address the key findings in our 2019/20 public report, with actions that included increasing the extent of consultations, and enhanced learning, coaching and support programmes.

We have identified improvements, for example, in the extent of challenge of management by audit teams in respect of the estimates used for model testing. This was identified as a key finding last year.

We also identified good practice in a number of areas of the audits we reviewed (including robust procedures relating to going concern and evidence to support the challenge of management in areas of key judgement) and in the firm-wide procedures (including establishing a centre of excellence focused on credit for banking audits to encourage the consistent application of the firm's methodology and guidance)."

Our approach to quality

AQR team report and findings

Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets

How we have addressed this area as a firm

To address this finding, we have done, or plan, the following:

- We refreshed our Impairment Centre of Excellence ("COE") to establish clear partner leadership and introduced frequent communication touchpoints to share best practice, hot topics and technical updates.
- We performed a risk focused strategic allocation of impairment specialists for a selection of December 2020 audit engagements, taking into account industry knowledge and experience. Going forward we will seek to involve the EQCR partner to determine whether the allocated specialist should have industry knowledge or whether generalist knowledge would provide an enhanced independent challenge to an industry focused engagement team.
- We will update our impairment guidance notes and consultation document to include specific risk criteria which require further discussion with a panel of specialists, including, but not limited to, where the audit team develop their own model or where cashflow forecasts extend beyond a commonly used period.
- The launch of the Digital Blueprint project management tool will assist teams in prioritising their time across all areas of the audit.
- We will hold workshops with our partners and directors to bring to life the common causes that have led to FRC findings and to ensure greater consistency in expectations in respect of the expected depth of review.
- We have introduced a new coaching program to support the development of primary reviewing skills and to identify any reviewing skills gaps which need addressing.
- To respond to the poor quality and untimely preparation of information by the company for audit, we expect, where appropriate, to increase the communication with management and those charged with governance so that there are clearer expectations in respect of the quality of information prepared for audit.
- We have updated our impairment template memo to reflect the most recent inspection findings we will develop additional training materials on hot topics and areas of regulatory focus, for example, guidance to assist in the challenge of cash flow assumptions and cost reduction initiatives.
- We also developed a new template to support teams in auditing accounting estimates in response to the requirements of ISA (UK) 540 revised 'Auditing Accounting Estimates & Related Disclosures'.

How we addressed this area in our audit

- We have considered the Authority's approach to asset valuations including impairments on page 7.

Our approach to quality

AQR team report and findings

Enhance the consistency of group audit teams' oversight of component audit teams

How we have addressed this area as a firm

To address this finding, we have done, or plan, the following:

- We have appointed a partner who, together with a number of experienced directors, will lead a series of coaching workshops where we will walk through and discuss good practice examples (including those noted from external reviews) of how audit teams have undertaken group audits together with examples of where pitfalls have been identified. Those workshops will be attended by engagement teams to ensure a range of audits are covered and that those teams can also take learnings to their other group audits.
- We will also refresh our practice aid to develop a reference point for those good practice examples and learnings from the inspection cycle that will be made available to all audit practitioners. We also intend, as part of identifying good practice examples, to share templates that audit teams can use to evidence the communications held throughout the audit process with component audit teams. This will help to demonstrate the required oversight and direction performed by the group audit team by evidencing in detail the interaction / challenge / resolution of issues with component teams.
- We issued a reminder of the EQCR requirements with respect to the need to hold discussions with Key Audit Partners of material subsidiaries in our January 2021 EQCR briefing which was delivered to all EQCR reviewers.
- We have regularly communicated the FRC findings, including those on group audits to the wider audit practice during the inspection cycle through our National Accounting & Audit digest emails to ensure that audit teams who might be affected by the findings are fully briefed.

How we addressed this area in our audit

- The audit of West Yorkshire Fire and Rescue does not involve a group team.
- We engage with the West Yorkshire Pension Fund auditors through our work and have conversations with them throughout the audit process.

Our approach to quality

AQR team report and findings

Strengthen the effectiveness and consistency of the testing of revenue

How we have addressed this area as a firm

To address this finding, we have done the following:

- We included a 'Substantive Analytical Review ("SAR") revenue deep dive' in our mandatory monthly professional training update in September 2020. This focused on appropriate planning, testing requirements including use of independent data sources and threshold calculations and how to avoid common pitfalls.
- Included a mandatory session on auditing revenue, which included the use of SAR within our Engagement Team Based Learning ("ETBL") coaching sessions for the 2020 programme. This focused teams on the overall approach taken in order to ensure that our teams understood transaction flows and that audit tests were designed appropriately.
- In late 2020 we updated the guidance given to consulted parties about how to respond to the consultations audit teams are required to undertake when using the audit regression software analysis to audit both revenue and cost of sales. This was to ensure that the consulted parties were being provided with all the relevant facts and circumstances when evaluating the appropriateness of using the software to assist us in performing substantive analytical procedures on both account balances in this way.
- We have held additional training sessions for our manager group which focused on reviewing skills with the aim of improving the quality of primary reviews undertaken. This will ensure appropriate focus is being placed on the review of areas where substantive analytical review is performed.

We also plan to do the following:

- For December 2021 year ends, we have introduced a new policy, which applies to listed and PIE entities in the UK and requires teams to identify and test the operating effectiveness of relevant controls for material revenue streams. Our main annual training ("TechEx"), includes a learning journey, comprised of various modules on internal controls, including a focus on the new policy as a hot topic, a deep dive session on revenue review controls, and a module on evaluating General IT Control deficiencies.
- The Deloitte Substantive Analytic Review Guide is also being updated to incorporate our learnings from these audit inspections.

How we addressed this area in our audit

We have reviewed our approach to testing revenue to ensure that it includes appropriate independent data sources and have also performed some substantive work.

Our other responsibilities explained

Fraud responsibilities and representations

Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the Audit Committee to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Authority.

We have also asked the Audit Committee to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Audit work performed:

In our planning we identified the risk of fraud in the completeness of expenditure and management override of controls as significant audit risks. Our work in respect of the significant audit risks, as outlined earlier is in progress. We will provide an update to the Committee when our work is complete.

During course of our audit, we have had discussions with management and those charged with governance.

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

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Concerns:

From our work to date we do not have anything to bring to the Audit Committee's attention.

West Yorkshire Fire & Rescue Service

2020/21 ANNUAL STATEMENT OF ACCOUNTS (DRAFT)

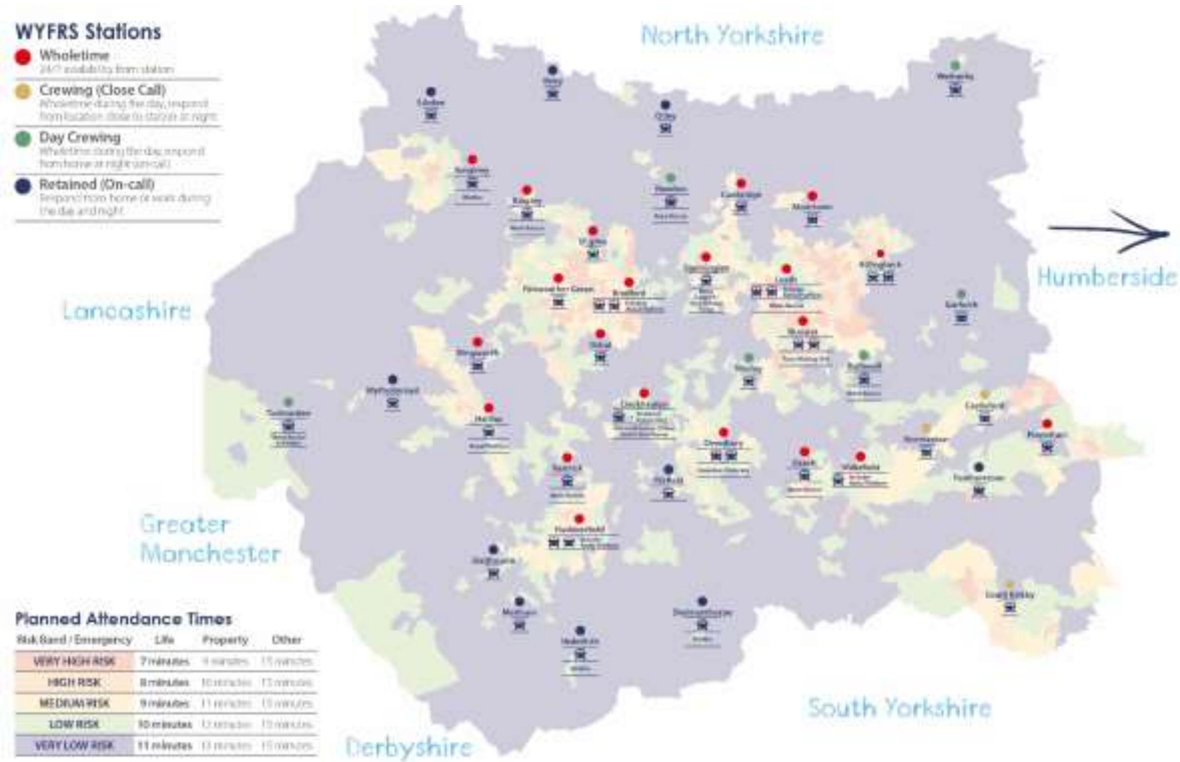
Narrative Report

Purpose

The purpose of this statement is to present a picture of the performance of West Yorkshire Fire and Rescue Authority for 2020/21. The statement fulfils two main purposes; firstly, it demonstrates how the Authority continues to provide value for money by comparing its operational performance with its financial performance through performance management and secondly it provides an explanation of the key financial statements with a view to making them easier to understand.

Background

West Yorkshire Fire and Rescue Authority is the 4th largest Metropolitan Fire and Rescue Authority in the country serving a population of over 2.2m residents covering an area of 800 square miles, made up of the metropolitan areas of Bradford, Calderdale, Kirklees, Leeds, and Wakefield. The area is diverse both in terms of topography and culture providing fire cover for the major cities of Leeds and Bradford as well as the ribbon valleys in the Holme and Calder Valley each providing differing challenges. The Authority has 40 fire stations, and these are operated by a combination of four separate crewing models; whole-time, close call, day crewing and retained. The distribution of these fire stations is shown in the map below.



The Fire Authority is governed by 22 local councillors who are nominated by the five District Councils with the Labour Party currently being the largest group. It is traditionally a low-cost organisation having the fourth lowest precept at Band D of all stand-alone fire and rescue authorities in England and Wales and is proud of its record as a high performing service.

The fire services activities are governed by the Home Office and our legislative responsibilities are set out in the Fire and Rescue Services Act 2004 and the Fire and Rescue Framework for England. The Authority as such has a number of statutory responsibilities, the most important being, promoting fire safety, emergency response and rescue and fire, petroleum, and explosives regulatory enforcement.

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

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

To achieve our ambition, the service will:

- Focus on risk and vulnerability
- Be part of our communities
- Work in partnership
- Be at our best and strive to improve
- Make a positive difference in everything we do
- Promote diversity and create an inclusive workplace

The Authority has seen significant reductions in its funding over the last 10 years which has resulted in a major restructure of service provision. The Authority has focused on aligning fire cover to risk and demand. This has involved the moving of fire station locations, reducing the number of fire engines, changing duty systems and support services. Since 2010 the number of fire stations has reduced by 8, fire engines by 16 and the number of whole-time and retained firefighters by nearly 500. The Fire Authority in 2020/21 had 40 fire stations, 46 fire engines and employed 884 whole-time operational firefighters.

Performance and Activity

In terms of overall operational activity for 2020/21 the service responded to 23,730 incidents, a slight increase of 1.60% from 2019/20, the following table details the type of incidents attended:

Incident Type	2019/20	2020/21	% Variance
Arson	5,474	5,647	3.16%
Actual Rescues	1,100	880	-20.00%
Dwelling Fires	1,137	1,066	-6.24%
Non-Domestic Building Fires	425	296	-30.35%
Prevalence of False Alarms	10,476	10,807	3.16%
Fire Related Injuries	174	153	-12.07%
Road Traffic Collisions	672	435	-35.27%
Malicious False Alarms	315	274	-13.02%
Other incidents not formally reported	3,584	4,172	16.41%
Total Incidents	**23,357**	**23,730**	**1.60%**

Narrative Report

The Authority provides a Safe and Well programme to improve the safety and wellbeing of people in their homes. This is focused on individuals who are most vulnerable from fire risk which could be due to factors such as smoking, living alone, mobility issues, mental health, hoarding, poor housekeeping, misuse of alcohol and recreational drugs. During these visits other risks facing the safety of the individual are also assessed which include slips, trips and falls.

During 2020/21 fire crews and dedicated fire safety teams delivered the following:

Visit Type	2019/20	2020/21	% Variance
Safe & Well Visits	15,528	5,768	-62.85%
School Visits	504	0	-100.00%
Operational Risk Visits	1,782	415	-76.71%
Total Visits	**17,814**	**6,183**	**-65.29%**

The service overcame the challenges posed by the COVID19 pandemic to continue delivering a proactive prevention campaign. To maintain the safety of staff and our communities, home visits were only provided to individuals who were most vulnerable to fire risk due to factors such as smoking, mobility issues and mental health. Telephone advice was provided to members of the public considered lower risk. Unfortunately, the Authority was unable to carry out any school visits during 2020/21 but this is expected to resume once lockdown restrictions are fully lifted.

In delivering the above activities, the Authority continues to work with partner organisations from all sectors of the community including other Emergency Services, Local Authorities, and the Voluntary Sector.

To support the wider response to the pandemic the service supported Local Authority partners, charities and health providers and undertook roles not traditionally linked with fire and rescue services. These activities can be seen in the table below.

Area / Organisation	Task	Total
Leeds Alternative Response Service Falls	Falls calls attended	65
Food Bank	Bags delivered	1,782
Pharmacy	Medicine drops	295
Local Authority	COVID19 tests delivered	1,600
Local Authority	COVID19 tests collected	365
Local Authority	PPE packages delivered	6
Local Authority	Lunches delivered	146
Local Authority	No child cold clothing collection	78
Local Authority	Leaflet drop	21,000
Charity	Xmas hampers delivered	78
	Total	**25,415**

Tragically, despite the work of the service, there were 9 fire deaths in the year, a decrease of 4 from the previous year, which demonstrates the importance of maintaining the focus on Fire Safety and Fire Protection.

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

In addition to the operational activity the service also provided a proactive Fire Safety and Fire Protection programme using both firefighters and specialist support staff. Our Fire Protection team has continued to work through the pandemic ensuring we continue to meet our statutory duties by responding to all Building Regulation consultations. With many premises impacted by lockdown the number of inspections our officers have carried out this year has been significantly lower than previous years. However, the role of Fire Protection is not only about carrying out inspections but supporting businesses and the communities we serve. Our officers have supported Local Authorities in many ways over the last year, some examples of this include ensuring buildings which have been repurposed for different uses to support the fight against the pandemic. Such usage includes buildings used as vaccinations centres and distributions hubs for those who are safe to use them. We have also worked with local businesses to support them in introducing new safe workplaces and safe environments for customers that do not impact on the fire safety arrangements of the premises.

This year in line with our own and Government's expectations we commenced reviewing the fire safety arrangements of all high-rise residential buildings in West Yorkshire. The building risk review programme is a significant piece of work which has continued during the pandemic and includes ensuring that every building is assessed for fire safety and that operational officers have the correct pre-planning arrangements should they need to attend an incident at the premises. The Government have provided a grant to each Fire & Rescue Service (FRS) this work was completed December 2021.

Key Achievements in 2020/21

Despite the pandemic, the Authority still had a number of achievements in 2020/21. The rebuild of Wakefield Fire Station was completed in October 2020, despite the limiting effects of social distancing bringing the scheme to a halt in the first period of 2020/21. To facilitate home working for non-operational employees, the Authority invested in laptops and software to enable remote working which included the introduction of Microsoft teams across the organisation. In Autumn 2020, Voice Over Internet Protocol (VOIP) was rolled out across the organisation at a faster pace than originally planned which enables employees to make voice calls over the internet rather than via a telephone line, further facilitating remote working.

To maintain consistent communications across the organisation during the pandemic, due to the suspension of face-to-face meetings and routine station visits to comply with social distancing requirements, the Authority issued daily staff bulletins and senior officers gave updates via podcasts. In addition, Let's Talk briefings were introduced in June 2020, which are quarterly meetings where communication is facilitated amongst senior officers and stations/departments via Microsoft teams. The sessions are interactive with employees encouraged to ask questions with senior officers providing information on subjects including sickness, COVID19 testing, working from home and the roll out of equipment.

In October 2020, Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) carried out a COVID19 inspection, which although was not graded did result in positive feedback for the service. The inspectorate concluded that the service had adapted and responded to the pandemic effectively by supporting other agencies, hospitals and care facilities in the sourcing and distribution of Personal, Protective Equipment (PPE), providing support to Yorkshire Ambulance Service, and offering wellbeing and flexible working arrangements for its staff. The report acknowledges the work the service had done to improve technology and communications across the organisation.

During 2020/21, there were 34 whole-time firefighter retirements and 4 new firefighter recruits which resulted in a whole-time strength of 884 at the 1st April 2021. In addition, the Authority recruited 27 retained firefighters to improve resilience at retained fire stations within West Yorkshire.

Organisational Strategy

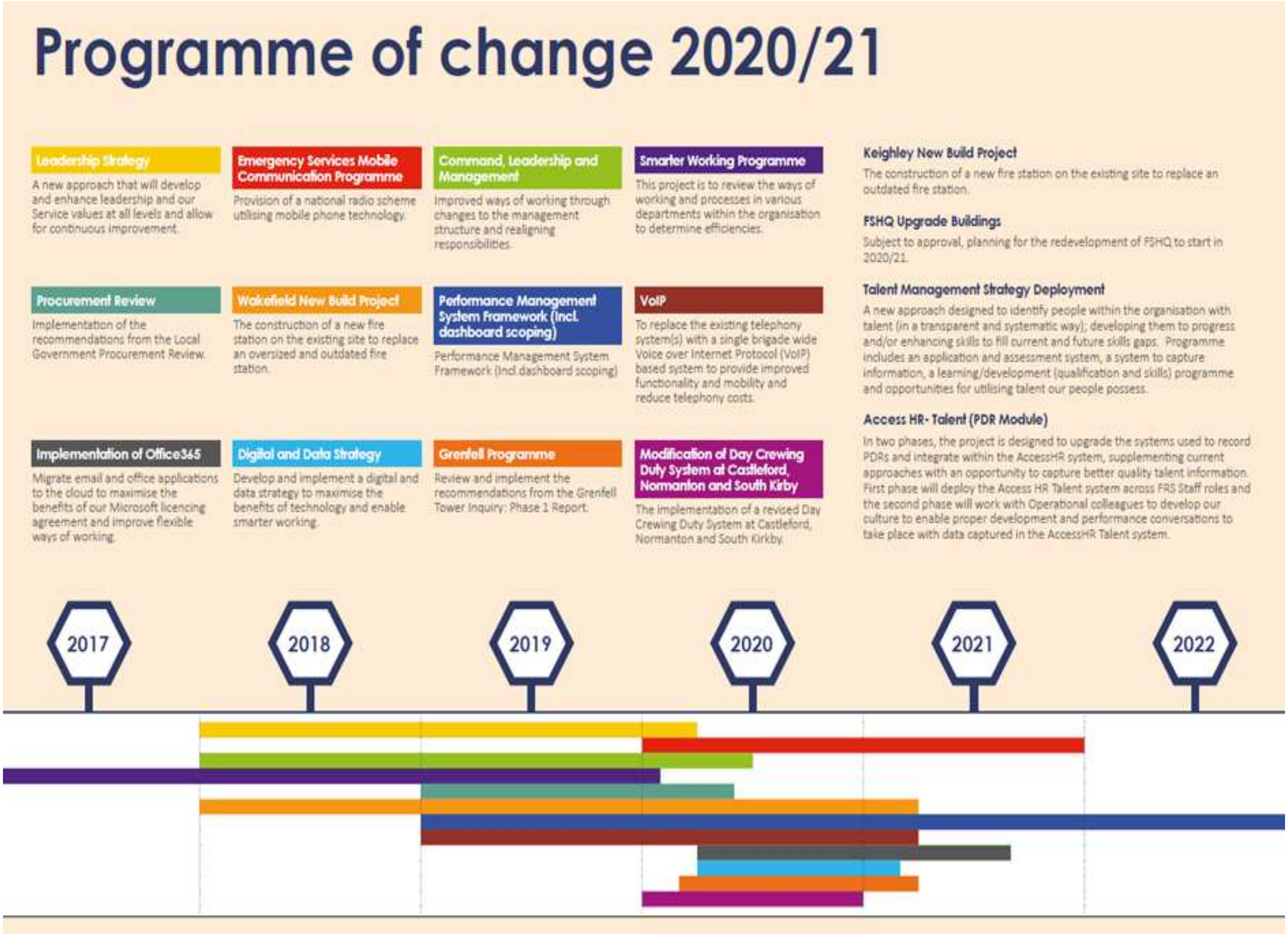
The Authority manages risk and allocates its resources using the Integrated Risk Management Plan (IRMP). Our priorities and the ways of achieving the IRMP are included in the document "Your Fire and Rescue Service 2020-2023".

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

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

The programme of change is monitored during the year and is updated annually. The progress of each project is reported to Full Authority Committee on a quarterly basis. The projects are initiated and developed in line with the organisational planning cycle, which is a framework which departments use to plan and build business cases which is linked to the key financial milestones during the year.

Below is a summary of the projects included within the programme of change for 2020/21 which includes a brief description of each project.



The costs associated with the programme of change and its implementation is funded by both revenue and capital resources which are included within the revenue budget and capital plan for 2020/21.

The table below shows the current progress of each project within the programme of change for 2020/21:

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Narrative Report

Project Initiative	Start Date	End Date	Original Project Completion Date	Current Status
Leadership Strategy	01/03/2018	31/03/2022	31/03/2021	On Track
Procurement Review	07/01/2019	31/05/2020		Completed
Implementation of Office 365	01/05/2020	31/03/2022		On Track
Emergency Service Mobile Communication Pr	12/02/2016	31/12/2026	31/12/2021	Behind Schedule
Wakefield New Build Project	01/01/2018	31/12/2020		Completed
Data & Digital Strategy	06/01/2020	31/07/2021		Completed
Performance Management System	01/04/2019	31/12/2022		On Track
Grenfell Programme	03/03/2020	03/03/2022		On Track
Smarter Working Programme	03/10/2017	31/07/2021	31/12/2019	Completed
Voice over Internet Protocol (VOIP)	01/01/2019	31/03/2021		Completed
Modification of Day Crewing systems at Castleford, Normanton & South Kirby Fire	01/04/2021	31/12/2021		Completed
Keighley New Build	31/07/2021	30/11/2023		On Track
FSHQ Upgrade Buildings	30/06/2021	31/12/2023		On Track
Talenet Management Strategy/Development	01/04/2021	31/03/2022		On Track
Access HR - Talent (PDR Module)	01/07/2020	31/03/2022		On Track

Although four projects were completed during 2020/21, the COVID19 pandemic required the Authority to reassess the completion dates of three projects:

- Leadership Strategy – The COVID19 pandemic has led to some delays in deployment of the learning programme. This involved a swathe of courses being cancelled in the early days of the pandemic and a shift to online learning. This has led to delays in completing the programme, but also led to a significant extension of an individuals' learning journey. To offset this, we will develop and deploy an extra module designed to reinforce learning points and embed learning from earlier modules. The programme will be approximately twelve months behind the original schedule with a view to the final consolidation modules being completed for the final group in early 2022.

- Emergency Services Mobile Communications Programme (ESMCP) – this is a national project across all three emergency services to replace the current Airwave communications system and its completion is dependent on decisions taken by Central Government. West Yorkshire has become one of five emergency services in England to become an assurance partner for the delivery of the programme, working closely with Central Government to shape the implementation of the system on behalf of the sector.

- The Smarter Working Programme was extended to incorporate other areas of service development and following the appointment of a dedicated smarter working programme manager in January 2021, smarter working is now recognised as business as usual.

- The Data and Digital Strategy review was completed by the 31st July 2021 and will be implemented over a number of years.

There are two projects that are yet to start, the new build of Keighley Fire Station and the re-development of the Fire Service Headquarters site. These projects will be monitored through Change Management Board and dates may be revised during the year.

COVID19 Pandemic

The ongoing COVID19 pandemic has influenced the way in which West Yorkshire Fire and Rescue is delivering its services. Although the service is responding to incidents in the usual manner, it has had to change the way it delivers "Safe and Well" visits and operational risk visits to commercial premises to adhere to social distancing requirements. For these areas of work, rather than make a physical visit to a domestic property ("Safe and Well") or a commercial premise (operational risk) the work is being conducted by a telephone call.

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

During 2020/21, the service supported Yorkshire Ambulance Service by providing drivers to transport patients and staff to other locations and the transportation of the deceased to mortuaries. The service has also over 450 employees who have volunteered to assist other organisations during the crisis which include the delivery of food and medicines to vulnerable people. These volunteers have provided over 10,000 of hours of their time, 7 days a week and recently have supported the NHS in the vaccination centres.

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

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

In 2020/21, the Authority received an additional £2.093m in COVID19 grant funding from Central Government, of which £1.355m is remaining as at the 31st March 2021. The Authority has used this grant primarily to fund overtime costs and the buy-back of annual leave associated with the pandemic (£0.570m) and has also purchased ICT equipment and PPE to support home working and to keep employees safe. Although this grant is not ring fenced it has been allocated to a separate earmarked reserve called COVID19 on the Balance Sheet.

Unfortunately, COVID19 has had a significant impact on the five District Councils' collection fund for Council Tax and Business rates. The Authority has a total estimated collection fund deficit of £2.21m (£1.281m Council Tax and £0.929m Business rates) for the next three financial years. The Government has passed legislation that enables Local Authorities to spread this deficit over three years and has introduced a tax income guarantee scheme which will fund 75% of irrecoverable losses from Council Tax and Business rates. Out of the £0.929m of the Business rates deficit, £0.697m is recoverable from the section 31 grant currently held by the five District Councils. The total amount of tax income guarantee grant to be received by the Authority is £0.922m which is being held in a separate earmarked reserve. The Authority has claimed £0.142m of income lost due to COVID19 from the Government's Sales, Fees and Charges (SFC) grant scheme during 2020/21 and will be receiving £1.177m of Local

Council Tax Support Grant in 2021/22 to compensate the Authority for the reduction in precept income because of a loss in the tax base of the five District Local Authorities.

The pandemic affected the delivery of the Authority's capital plan resulting in £4.259m of capital schemes having been slipped into 2021/22.

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 2020/21 despite facing a number of major challenges.

Local Government Finance Settlement

Due to the uncertainty surrounding Brexit, the planned Comprehensive Spending Review in Summer 2019, which would have delivered a multi-year funding settlement was postponed, instead the Authority received a one-year funding settlement. The core funding settlement was calculated by taking the prior year's settlement and uplifting it by the change in the small business non-domestic rating multiplier of 1.6%. This resulted in an additional £0.614m of income received from Revenue Support and Business Rates Top Up grant.

The Authority considered its budget options in February 2020 and approved a precept increase of 1.99% which was supported by budget savings and growth totalling £0.704m. The Authority set a balanced budget for 2020/21 meaning that planned expenditure was matched by funding without the need to use reserves.

Our funding in 2020/21 from Central and Local Government came from the following sources:

Funding Source	£000's
Revenue Support Grant	13,556
Business Rates Top Up	16,921
Pension Grant	4,286
Council Tax Precept	43,633
Local Business Rates	8,052
TIG	922
Collection Fund Surplus	107
Section 31 Grant	2,003
Total	**89,480**

*Collection Fund Surplus – This is the additional Income received by the Authority which exceeds the Council Tax Precept levied on the five billing Authorities in West Yorkshire.

Revenue Outturn

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

During the financial year it became apparent that some of the assumptions underlying the calculation of the 2020/21 revenue budget had changed which resulted in the transfer of £0.678m of underspends to contingencies during the year, which were approved at Finance and Resources Committee in October

2020 and February 2021. In addition, £4.259m of capital schemes were slipped at the same committees which were due to the effect of the pandemic on the delivery of the capital plan.

Details of net expenditure outturn for 2020/21 are shown in the table below:

Description	Revised Revenue Budget £000	Outturn £000	Variance £000
Employees			
Operational Staff	52,678	52,197	-481
Support Staff	10,413	10,272	-141
Pensions	2,000	1,487	-513
Training	685	687	2
Other Employee expenses	415	361	-54
Premises	4,778	4,636	-142
Transport	2,158	1,965	-193
Supplies and Services	5,504	5,114	-390
Contingency	3,561	0	-3,561
Support Services	326	308	-18
Capital Charges	8,150	8,150	-
Expenditure	**90,668**	**85,177**	**-5,491**
Income	**-3,044**	**-3,393**	**-349**
Net Cost of Service	**87,624**	**81,784**	**-5,840**
Movements within Unusable Reserves		5,051	
Increase in Earmarked Reserves		2,645	
Increase in General Fund		0	
Overall Financial Position		**89,480**	
Funding		**-89,480**	
Net Financial Position		**0**	

A brief explanation of the variances more than £0.250m against budget are as follows:

Employees – Operational Staff (£0.481m)

Most of the underspending on operational staff is due to the retirement of firefighters in advance of their expected retirement date. In addition, the cost of detached duty payments which were attributable to COVID19 were charged to the COVID19 grant as opposed to the revenue budget.

Pensions (£0.513m)
The cost of ill health pensions is chargeable against the Authority's revenue account. In order to ease any future increases in ill health pensions, the underspend on this budget is transferred to the pension equalisation reserve.

Supplies and Services (£0.390m)
The underspend on supplies and services is predominately due to reductions in costs as a direct result of the pandemic. This includes savings in conferences expenses and subsistence allowances, and savings on the purchase of equipment and clothing.

Contingency (£3.561m)
Both the employee and the general contingency budgets are held to manage any changes in expenditure and budget requirements during the year. There was no call upon the contingency budget during 2020/21.

Income (£0.349m)
The Authority received £0.772m in grants from Central Government to fund the costs associated from the Grenfell inquiry, as at the 31st March 2021 £0.248m of this grant was unspent which has been transferred to the Balance Sheet as a special creditor due to the conditions attached to the grant allocation.

In order to keep the capital financing requirement at an affordable level, the Authority has used the underspend on the revenue budget to make additional direct revenue contributions. The Authority has an ambitious capital plan over the next four years and by making additional contributions this will reduce the impact on the revenue budget over the longer term by reducing the capital financing requirement and underlying need to borrow. In addition, £2.00m of the revenue underspend has been transferred to the capital finance earmarked reserve to support the capital plan.

Movement to Reserves

Whilst the general fund shows a neutral position for the year after the movement to reserves at the end of the year, the Comprehensive Income and Expenditure Statement (CIES) indicates a cost of services of £61.773m. The CIES is prepared on a different basis to the general revenue fund, the CIES shows the accounting cost in the year in accordance with generally accepted accounting practices rather the amount funded from taxation. The CIES includes such expenses as depreciation and amounts to reflect pension costs which are not charged to Council Tax and are excluded from the general fund financial position.

The table below reconciles the revenue outturn to the CIES;

Total Net Expenditure in Outturn Report	**£000's** **81,784**
Adjustments	
Accumulated Absences	529
Capital items	-2,051
Grant Funded Activities	-1,094
Pension Costs	-17,395
Cost of Services CIES	**61,773**

General Fund Balances

The Authority's opening general fund balance at 1st April 2020 was £5.00m. This remained the same at 31st March 2021.

Description	Opening Balance 01/04/2020 £'000	Adjustment in year £'000	Revised Balance £'000	Movements 2020/21 £'000	Closing Balance 31/03/2021 £'000
General Fund	5,000	-	5,000	-	5,000
Earmarked Reserves	29,668	-	29,668	2,730	32,398
TOTAL	**34,668**	**-**	**34,668**	**2,730**	**37,398**

Earmarked Reserves

Members at the Finance and Resources Committee in February 2021 granted approval for the transfer of £1.5m from the pay and prices earmarked reserve to the capital finance reserve. The Authority has used its earmarked reserves to fund the costs associated with the lean working, procurement, and property reviews, the rebuild of Wakefield Fire Station, major property refurbishments and the purchase of vehicles and equipment for the Command and Leadership Management (CLM) project.

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

Capital Programme

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

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

The Authority spent £4.229m on capital during 2020/21 against an approved capital plan of £8.271m, details of expenditure by directorate is shown in the table below;

Directorate	Original Capital Plan 2020/21 £'000	Slippage 2019/20 £'000	Approved Virements and additions 2020/21 £'000	Revised Capital Plan £'000	Outturn 2020/21 £'000	Variance £'000
Property	2,160	791	-1,867	1,084	622	-462
IRMP	1,050	1,575	-	2,625	1,213	-1,412
Information Communications and Technology	2,417	932	-1,096	2,253	1,289	-964
Employment Services	102	0	18	120	41	-79
Transport	43	252	-153	142	180	38
Operations	1,108	1,582	-1,222	1,468	682	-786
Fire Safety	500	79	-	579	202	-377
Total	**7,380**	**5,211**	**-4,320**	**8,271**	**4,229**	**-4,042**

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

During 2020/21, capital expenditure of note, was incurred on;

- The completion of Wakefield Fire Station new build incurred expenditure of £1.214m. The station became operational in October 2020. This was funded from the capital finance earmarked reserve.
- The purchase of mobile phones and VOIP totalling £0.307m which improved communications across the organisation.
- Updates to computer network switches, virtual servers, and computer hardware totalling £0.591m.
- The purchase of Battery Powered Portable Pressure Ventilation fans costing £0.215m which are used by operational crews at incidents.
- This capital expenditure has been funded through the following sources as detailed below

Funding	£000's
Revenue Contributions	2,683
Earmarked Reserves	1,514
Capital Receipts	32
TOTAL	**4,229**

The capital expenditure incurred has been funded wholly by internal funds. The Authority has not taken out any new long term external borrowing since December 2011 which has saved the Authority an estimated £5.4m in interest charges over the period. The Authority uses its own internal cash to fund expenditure rather than taking out loans, cash flow is boosted in July each year following the receipt of Pension Top Up Grant from Central Government which totalled £31.9m in 2020/21.

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

Treasury Management

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

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

The Authority's total long-term debt outstanding as at the 31st March 2021 was £45.6m of which £43.6m was owed to the Public Works Loans Board and £2m in the form of a LOBO with Dexia.

The Authority earned £0.196m in income from its investments during 2020/21 (£0.307m 2019/20), the final balance of short term investments as at the 31st March 2021 was £20m (£20.0m 2019/20).

Explanation of the Financial Statements

Statement of Responsibilities

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

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

Core Financial Statements

1. **Movement in Reserves Statement**

This shows the movement in the year of the different reserves held by the Authority. These are broken down between Usable Reserves which are those which can be used to fund expenditure or reduce local taxation and Unusable Reserves which cannot. Examples of Usable Reserves are the general fund and the pension fund equalisation reserve; these are usable because they have been created by setting aside funds. Examples of Unusable Reserves include the pension reserve and the capital adjustment account, these are unusable because they are created by accounting adjustments and not backed by funds. The total value of Usable Reserves has increased by £2.730m to £37.398m whilst the deficit of Unusable Reserves has increased by £151.66m principally because of the future lifetime cost of the firefighter pension scheme.

2. **Comprehensive Income and Expenditure Account**

This shows the cost of providing the service in the year in accordance with International Financial Reporting Standards; however, this is different to the actual expenditure that is funded through Government Grants and Council Tax. This is because this statement includes several adjustments made in accordance with regulations, the largest relating to the long-term cost of unfunded pension schemes.

3. **Balance Sheet**

This statement shows the value of the Fire Authority's assets and liabilities on 31st March 2021 and includes the figures on 31st March 2020 for comparison. It then shows how the net assets are matched by the Authority's reserves (both usable and unusable). On examination, the Balance Sheet shows the Authority having net liabilities of £1,483m, however this includes the liabilities under the unfunded firefighters pension schemes totalling £1,563m which the Authority is required to include. These represent the total future lifetime cost of pension liabilities for all existing employees and pensioners.

However, these liabilities are met through contributions from the employer and the employees with the balance met through government grant. Consequently, the Authority will not be required to meet all this liability in future years. If these are excluded from the balance sheet it shows net assets of £80.63m

4. Cash Flow Statement

This statement shows the changes in cash and cash equivalents during the financial year. It is prepared by removing all the non-cash transactions from the income and expenditure account. It includes the income raised through Government Grants, Council Tax, Business rates, borrowing and fees and charges.

The statement is broken down into three sections the first showing day to day running of the service (operating activities) the second showing expenditure on capital schemes (investment activities) and finally changes in the level of borrowing and investment (financing activities). The closing balance of cash and cash equivalents was £16.53m.

5. Pension Fund Statement

This statement provides details of income and expenditure on firefighter pensions. There are currently four different pension schemes none of which are supported by an investment fund. Details of these schemes and the Local Government Pension Scheme (LGPS) can be found on pages 95-105.

Future Challenges and Corporate Risks

1. COVID19 Pandemic

The COVID19 pandemic will continue to affect the Authority for the foreseeable future, as explained earlier in the report this has resulted in a change to the ways of working for our support staff, but the financial effects could be far more reaching. Because the Authority receives half of its income from the precept which is collected by the District Councils on our behalf, the Authority will have to share any losses experienced on the collection fund. Although the Government has paid grants to Local Authorities to support the financial impact, this is not guaranteed over the longer term and the impact on tax base growth is uncertain.

2. Future Funding

A comprehensive spending review is to be undertaken by Central Government in Summer 2021, which will result in a multi-year spending settlement from April 2022. The LGA and the National Fire Chiefs Council with the support of the Home Office set up a comprehensive spending review team in Summer 2020 which produced a document called "The Fire Spending Proposal", which laid out a comprehensive argument for increased Government funding across the fire sector. The Fire Spending Proposal is to be updated with current data and be resubmitted to support the comprehensive spending review in the Summer.

There are several cost pressures that the Authority is facing:

- Although, the remedy for the age discrimination case of McCloud/Sargeant has been determined by Central Government, it still impacts on the Authority's longer term financial security. The costs associated with correcting the age discrimination are to be met by Government, but the past employer contribution costs relating to the remedy period that are owed by fire and rescue authorities will be recouped in the upcoming pension valuation to be

- undertaken by the Government Actuary Department (GAD). New employer contribution rates are expected to be implemented from April 2023, and if based on the last valuation in 2016

- where employer rates increased by an average 12.6%, this would increase ongoing revenue costs by £4m per annum.

- Following the Chancellors announcement in the Autumn budget that there would be a pay freeze for most public sector employees, no provision for a pay award was included in the 2021/22 revenue budget. However, there is pressure from trade unions for the national employers to give firefighters and support staff a pay award, which if approved, would mean the Authority will have to find from within existing budgets. To put this into financial context, for every 1% pay award paid, it costs an additional ongoing £0.550m per annum.

- There are other pressures facing the Authority, which include the outcomes of the Grenfell enquiry, the issues identified in the HMICFRS State of Fire report and the implementation of the Fire Reform Agenda. The Authority received £0.772m of grant in 2020/21 from Government to fund the building risk review and the implementation of recommendations from Phase 1 of the Grenfell enquiry, but this is not built into the Authority's base budget. Although this grant is welcomed, any spending commitments that extend beyond the grant provision will have to be met from within existing budgets.

A range of funding scenarios have been calculated and presented to Fire Authority members to show potential funding shortfalls from a 0%, 5% and 10% cut in Central Government funding from April 2022. These show that the Authority may need to find ongoing efficiency savings of £3.8m if a 10% cut to Central Government funding became a reality. The Authority has a strategy to use its earmarked reserves in the short term to fund any shortfall until efficiency plans can be implemented.

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

The Fire Authority approved a revenue budget in February 2021 which includes several service developments and savings to be implemented in 2021/22. Failure to deliver these may have an impact on the financial position of the Authority. The Authority plans to recruit both whole-time and retained firefighters during the year and following the first phase of the Grenfell enquiry a number of Fire Protection staff. Any delays in recruitment will result in budget savings but will have an impact on the delivery of service.

A change to the planned budgeted retirement dates of firefighters from that calculated in the revenue budget will affect the financial position, for example, if a firefighter decides not to retire on their due date, this will result in an added cost to the Authority. It is unknown what the impact will be on firefighter retirements from the McCloud/Sargeant case. If there is an increase in retirements, then this will place pressure on the Authority's firefighter recruitment programme.

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

Summary

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

The COVID19 pandemic has meant the Authority has had to adapt to new ways of working and has put in place a service recovery plan to address changes to the organisation. The pandemic has meant that there have been some temporary amendments to the procedures governing the Authority and these have been identified in the Annual Governance Statement.

Annual Governance Statement

Scope of Responsibility and code of Corporate Governance

Corporate governance is a phrase used to describe the systems and procedures that are in place to ensure that business is conducted in accordance with the law and proper standards, and that public money is properly accounted for and used economically, efficiently, and effectively.

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

The Authority has set out its arrangements for the governance of its affairs in its Constitution (a copy of this can be found at www.westyorksfire.gov.uk which includes the Authority's Code of Corporate Governance which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government (2016).

These core principles are:

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

In publishing this statement, the Authority fulfils the requirement under regulation 4(2) of the Accounts and Audit Regulations 2015 and accompanies the 2020/21 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.

Annual Governance Statement

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 31st March 2021 and will remain in place up to the date of the approval of the statement of accounts.

The Governance Framework

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

Strategic Objectives and the Service Planning Process

The Authority's ambition and priorities are set out in "Your Fire and Rescue Service 2020-2023". This document is the Authority's Integrated Risk Management Plan (IRMP) and is supported by the Workforce Plan and the Medium-Term Financial Plan, all of which are reviewed and approved annually by the Authority. These plans are published on the website at www.westyorksfire.gov.uk The Authority's ambition and priorities are:

Ambition: 'Making West Yorkshire Safer'

Priorities:

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

These objectives form part of area plans, departmental plans, and station plans. There is an 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 can 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 Management Board and is formally approved by the Authority at its Annual General Meeting. It is published on the website at www.westyorksfire.gov.uk and is included within the body of evidence which supports this statement. This document forms the basis of the Governance Framework and sets out the way the Authority is governed and is made up of the following documents:

- Authority Committee standing orders and procedures
- The roles and responsibilities of the executive officers
- Access to information rules
- Contract standing orders
- Financial procedure rules
- Anti-fraud and corruption strategy
- Code of corporate governance
- Members' code of conduct
- Officers' code of conduct
- Member v officer relations protocol
- Officers' employment rules
- Protocol regarding the use of Authority resources by Members
- Members' allowances
- Management structures
- Officer delegation scheme

- Complaints procedure
- Whistle blowing policy

<u>The Committee Structure</u>

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

The Authority has four standing committees each of which, along with the Authority, meet four times per year and an Executive Committee which deals with urgent business.

Human Resources Committee (11 Members)

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

Finance and Resources Committee (11 Members)

This committee is responsible for all issues relating to the Assets of the Authority. This includes Finance (including recommendation to the Authority in relation to the revenue budget, capital planning and precepts), Insurance, Treasury Management, buildings, land and property, and ICT. This committee receives regular reports on the financial performance of the Authority along with detailed updates on Treasury Management activity.

Audit Committee (6 Members)

This committee is established in accordance with CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities'. In addition to all matters relating to both internal and external audit, the committee is responsible for performance review, 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 (6 Members)

The Executive Committee deals with any urgent matters.

The terms of reference of all the Authority's committees are available on the Authority's website. All meetings are open to the public and wherever possible items are considered within the public sessions of the meetings. In addition, each committee is recorded and is available on the Authority's website for viewing (except for items under section 100A of the Local Government Act which are exempt from the public).

Copies of reports and minutes of all meetings are published on the Authority's website.

Annual Governance Statement

Management Structure

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

- Chief Executive/Chief Fire Officer
- Deputy Chief Fire Officer / Director of Service Delivery
- Director of Service Support
- 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. Elected members newly appointed to the Fire Authority are provided with an induction on finance and governance and their roles and responsibilities.

There are several working groups which meet on a quarterly basis which include representatives from departments across the service, these groups are: Environmental Working, Establishment Planning, Information Governance, Capital Management, Risk Management and Diversity and Inclusion.

Established Policies, Procedures and Regulations

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

Customer surveys are routinely carried out after attendance at incidents and school visits. Every year the Authority has an external assessment of its Customer Service Excellence standard, in 2020/21 the Authority attained full compliance against all 57 standards of which 25 achieved compliance plus.

Tri-service Collaboration Board

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

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. In addition, the Authority is subject to an independent inspection by Her Majesty's Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS). The results of the reviews are reported to the Authority through the committee structure.

A self-assessment of our effectiveness:

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

- Integrated Risk Management Planning (IRMP)

The Authority is systematically reviewing the service it provides throughout the county through the IRMP process. This process aims to improve community safety and wellbeing and reduce the risk of fires and other emergencies. The Authority maintains an Integrated Risk Management model which bands the county into groups from very low to very high based on underlying risk. This information allows the Authority to proportionately allocate resources and evaluate service delivery performance against the level of risk. This is a revised methodology which builds on the Risk Management process which has transformed service delivery over the last 10 years.

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

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

- Effective Performance Management

It is important that the Authority can 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 Community Safety Committee approves a set of district priority plans which set service delivery priorities for the coming year. Districts are also set a series of performance indicator targets for a variety of incident types that we attend. The methodology for setting the service delivery performance targets was approved by the Fire and Rescue Authority in December 2019. In 2020/21 local Station Action Plans were also produced and this allows local activity to be planned to support the priorities set within the district plans. The Performance Management framework was reviewed in 2020/21 to ensure that our data and intelligence can allow us to target the Authority's resources towards reducing risk across where the risk exists within the five districts.

Performance against the district priorities is monitored within each district and reports are produced for consideration at the Safer Communities Programme Board before being presented to the Community Safety Committee which meets on a quarterly basis. Members of the Community Safety

Committee are also encouraged to meet with their respective District Commander to discuss priorities, objectives within the local district priorities plan and performance targets.

It should be noted that the performance targets for 2021/22, which are ordinarily set using a rolling 3-year average methodology, will not include figures arising from the 2020/21 performance year. The Authority note that a number of reporting lines in respect of incidents were skewed because of the lockdown related to the pandemic, is has therefore been agreed that the year will be discounted in respect of informing the target setting process.

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

- Effective Financial Planning and Management

The Government's austerity measures have seen the Fire Authority lose £26m in government grant from the start of the spending review in 2011/12 to the end of 2020/21. The Authority has from the start taken a strategic approach to this grant loss matching changes to service delivery through the IRMP to the reducing resources. This planning coupled with significant capital investment has seen the construction of 7 new fire stations to replace 11 old fire stations delivering over £31m in ongoing revenue savings.

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

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

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

The Financial Management Code, a Chartered Institute for Public Finance and Accountancy (CIPFA) document, sets out the standards of financial management for Local Authorities which is designed to support good practice and to assist Local Authorities demonstrate their financial sustainability. The requirement is that this is fully implemented by Local Authorities including Fire and Rescue Services during 2021/22. The code is split into six overarching principles: leadership, accountability, transparency, standards, assurance, and sustainability which is then broken down into seventeen separate standards. Adherence to the code will be assessed during 2021/22 and if shortfalls are identified they will be addressed, and a solution will be implemented accordingly.

- Performance Management Framework

The Performance Management framework system describes how the service will report performance externally and within the service. It ensures that our staff and key stakeholders will have access to appropriate performance information to fulfil their duties, support sound evidence-led decision making which will lead to smarter working and improved evaluation. It operates a tiered approach which allows performance to be managed at organisational, functional, team and individual level.

An annual organisational planning day takes place every year where the planning cycle provides an indication of when activities should ideally happen as well as key milestone points.

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

- Effective Arrangements for Accountability

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

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

The Authority has a Service Improvement and Assurance Team (SIAT). The SIAT applies the Service Assurance Framework to provide high level assurance to Management Board and the Fire Authority through implementation of the service assurance process. Each team and department making up West Yorkshire Fire & Rescue Service (WYFRS) are required to complete a self-assessment which involves answering and providing evidence to a range of questions that include performance indicators, policy compliance, financial controls, elements contributing to operational effectiveness, internal and external audit review. This is then independently reviewed by the SIAT and reported to Management to enable them to make an informed judgement regarding the overall performance of WYFRS. This judgement is then summarised in the Annual Statement of Assurance which is published on the WYFRS website in accordance with the requirements of the National Fire and Rescue Framework.

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

In 2017 Her Majesty's Inspectorate of Constabulary extended its remit to include inspections of England's Fire and Rescue Services. The aim of HMICFRS is to monitor and report on the efficiency and effectiveness of FRSs with the aim of encouraging improvement. HMICFRS assesses services in 11 key areas and grades them from inadequate, requires improvement, good and up to outstanding. HMICFRS undertook its first inspection of WYFRS in June 2019. The inspection was focussed on efficiency, effectiveness and how well it looks after its people. The result of the WYFRS inspection was released in December 2019 and reported that the service was performing at a good standard in each of the 11 assessed areas.

Due to the COVID19 pandemic, the second round of inspections was postponed from Autumn 2020 and will now be undertaken in September 2021. Round two inspections will consider the direction of travel from the first inspection and will look for evidence of improvement from this first baseline assessment.

A separate non graded COVID19 inspection of all fire and rescue services was undertaken in Autumn 2020 which identified that overall fire and rescue services rose to the challenge of the pandemic.

- Internal Audit

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

The work of internal audit extends well beyond the normal probity audits and includes examination of the key financial systems as well as verification work on the Authority's business continuity plan.

The internal audit plan is approved initially by Management Board and then at Audit Committee in April. In this unprecedented year it was necessary to agree a revised Audit Plan during Summer 2020 in recognition of the impact of lockdown and subsequent restrictions on movement on the delivery of the original plan. All internal audit reports include an assessment of the internal controls and a prioritised action plan to address any areas needing improvement. If an internal audit receives a limited assurance a follow up audit is carried out within the next twelve months to ensure that actions have been implemented. The Internal Audit Annual Report is presented to Audit Committee which gives an overview on the effectiveness of internal audit and provides an opinion on governance, Risk Management the management of the internal control environment during the last financial year.

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

- Information Management Framework

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

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

The Information Governance and Security Group which is chaired by the Authority's Chief Employment Services Officer and supported by the Corporate Information Management Group meets quarterly and is attended by Senior Managers within the organisation. This group is responsible for setting and reviewing policies, standards, procedures, best practices, controls, risk management and ensure compliance with them.

Statement of Assurance

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

This Statement of Assurance provides assurance that WYFRA is providing an efficient, effective and value for money service to the community of West Yorkshire in its financial, governance and operational matters. The Statement of Assurance is published on the Authority's website which includes links to the key documents.

Conclusion

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

- External Review

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

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

- The audit of the financial statements 2020/21
- Reach a conclusion on the economy, efficiency, and effectiveness in the use of resources, the value for money (VFM) conclusion
- Review the Whole of Government Accounts return

A new Code of Audit Practice came into force on the 1st April 2020 which has introduced new extended reporting arrangements for Value for Money for financial statements from 2020/21. The new requirement requires auditors to structure their commentary on Value for Money arrangements under three specified reporting criteria: financial sustainability, governance and improving economy, efficiency, and effectiveness.

- Compliance

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

Significant Governance Issues

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

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

Review of Governance Issues Identified in the previous Annual Governance Statement

There remains uncertainty regarding Central Government funding, three scenarios were presented to the Fire Authority in February 2021 which were a 0%, 5% and 10% cut to funding from April 2022. A full comprehensive spending review is scheduled to commence in Summer 2021 which is expected to result in a multi-year funding deal from April 2022 onwards.

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

The Police and Crime Act 2017 imposes a statutory requirement on emergency services to collaborate to improve public safety and deliver better efficiency. The emergency services in West Yorkshire have established a joint body to review areas of collaboration this is yet to deliver any significant change. This process is dependent on the services agreeing joint priorities and delivering change with willing partners and thus continues to remain a significant governance issue.

The following significant issues identified in 2019/20 have been addressed during 2020/21:

COVID19 was identified as a significant governance issue in 2020/21, although the Authority has had to adopt new ways of working which include the conduct of committee meetings virtually and some non-operational staff working from home, this is now considered business as usual and thus not considered a significant governance issue.

The Authority introduced a new system to record the competence of operational staff during 2020/21, following implementation, this was subject to an internal audit which achieved substantial assurance. The audit concluded that the new system provided an effective mechanism to enable the Authority to gain the necessary assurance that operational training and assessments are being maintained in line with requirements.

The second HMICFRS inspection was due in Autumn 2020, which was a short turnaround from the Authority's first inspection. Due to the pandemic, this has been postponed to September 2021. This has meant that the Authority has been able to prepare and put in place an action plan to address the areas of improvement that were identified in the first report.

During 2020/21, lean working has been embedded and has resulted in the streamlining of some procedures and ways of working.

The implementation of the Performance Management framework has ensured that organisation planning is fully integrated within the organisation.

Significant Governance Issues 2021/22

Whilst no significant weaknesses have been identified as per the CIPFA guidance list, the following have been identified as potential issues for the forthcoming year:

- Election of the West Yorkshire Mayor

The residents of West Yorkshire will be invited to vote for a directly elected mayor of West Yorkshire on the 6th May, enabled by the Cities and Local Government Devolution Act 2016 which was announced in the March 2020 budget. The mayor will chair and lead the West Yorkshire Combined Authority and will subsume the office and powers of the West Yorkshire Police and Crime Commissioner. The governance impact on West Yorkshire Fire and Rescue has yet to be determined.

- Reforms to Fire and Rescue Services

The HMICRFS State of Fire and Rescue Reports, published in January 2020 and March 2021, made six national recommendations for reform to the fire and rescue service, which may have an impact on governance, these are:

1. Fire and rescue services should establish a common set of definitions and standards to cover key priority areas.
2. The sector should review and determine the role of the fire and rescue service and the role of its employees.
3. The sector should review how effectively pay and conditions are determined.
4. The Home Office should provide Chief Fire Officers with operational independence.
5. Introduction of a code of ethics.
6. The Home Office should address the deficit in the fire sector's national capacity and capability to support change.

The Home Office will be launching a consultative White Paper on fire reform in late 2021 which will be used to set out the reform agenda in further detail.

- Changes to Monitoring Officer Provision

From the 1st April the Authority's Monitoring Officer is to be provided through a Service Level Agreement with Calderdale Metropolitan Borough Council. The role of Monitoring Officer has previously been undertaken by the Chief Legal and Governance Officer, who was a direct employee of the Authority. Although no immediate governance issues have been identified from this change, the provision of the Monitoring Officer is now external to the organisation.

- Performance Management System

The Authority is currently developing a Performance Management System, this project is in its infancy and it due to be fully implemented within the next 24 months. This system will support the Performance Management Framework information by developing a suite of key performance indicators which will be monitored, analysed, reported, and reviewed at set intervals to inform decision making and deliver benefits to the organisation.

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 can continue to deliver a high-quality service whilst driving through major changes to the organisation, and that the systems are in place to further enhance our governance arrangements.

John Roberts

Chief Fire Officer / Chief Executive

Alison Wood

Chief Finance and Procurement Officer

Cllr O'Donovan

Chair West Yorkshire Fire & Rescue Authority

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance and Procurement Officer's Responsibilities

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

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

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

The Chief Finance and Procurement Officer has also:

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

Certificate
I certify that the financial statements set out on pages 37-110 present a true and fair view of the financial position of the West Yorkshire Fire and Rescue Authority as at 31st March 2021, and its income and expenditure for the year then ended.

Alison Wood CPFA

Chief Finance and Procurement Officer

Authority Approval of Accounts

Cllr K Renshaw

Chair of Audit Committee

Audit Opinion

(LEAVE INTENTIONALLY BANK)

Audit Opinion

(LEAVE INTENTIONALLY BANK)

Audit Opinion

(LEAVE INTENTIONALLY BANK)

Comprehensive Income and Expenditure Statement for the year ended 31st March 2021.

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

2019/20 Re-Stated				2020/21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
46,133	-2,974	43,159	Service Delivery	48,231	-4,973	43,258
11,537	-531	11,006	Service Support	11,870	-803	11,067
7,052	-537	6,515	Employment Services	4,627	-540	4,087
562	-27	535	Chief Fire Officer	618	-14	604
1,496	-11	1,485	Finance and Procurement	2,333	-6	2,327
401	-4	397	Corporate Communications	432	-2	430
67,181	**-4,084**	**63,097**	**Cost of Services**	**68,111**	**-6,338**	**61,773**
162	-70	92	Other Operating Expenditure (Note 11)	256	-32	224
38,674	-307	38,367	Financing and Investment Income & Expenditure (Note 12)	33,569	-196	33,373
-	-86,093	-86,093	Taxation and Non specific Grant Income (Note 13)	-	-84,296	-84,296
106,017	**-90,554**	**15,463**	**Deficit on Provision of Services**	**101,936**	**-90,862**	**11,074**
		1,308	Impairment losses on non-current assets charged to the revaluation reserve			56
		-110,821	Remeasurement of the net defined benefit liability			137,800
		-109,513	**Other Comprehensive Income and Expenditure**			**137,856**
		-94,050	**Total Comprehensive Income and Expenditure**			**148,930**

Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) is a supporting note to the CIES. The objective of the EFA is to demonstrate to the taxpayer how the funding available to West Yorkshire Fire Service (Government Grants, Council Tax Income in the form of Precepts, Business rates) for the year have been used in providing services in comparison with those resources consumed or earned by the Fire Service in accordance with Generally Accepted Accounting Practices (GAAP). The Analysis also shows how this expenditure is allocated for decision making purposes between the Fire Authority's management structure. A more detailed breakdown of the adjustments between funding and accounting basis is shown in note 10.

Expenditure and Funding Analysis 2020/21	Net Expenditure Chargeable to the General Fund £'000	Adjustments between Funding and Accounting Basis (Note10) £'000	Net Expenditure in the Comprehensive and Income Expenditure Statement (Note 9) £'000
Service Delivery	59,336	-16,078	43,258
Service Support	6,476	4,591	11,067
Employment Services	3,758	329	4,087
Chief Fire Officer	577	27	604
Finance and Procurement	12,816	-10,489	2,327
Corporate Communications	381	49	430
Net Cost of Services	**83,344**	**-21,571**	**61,773**
Other Income and Expenditure	-86,074	35,375	-50,699
Surplus on Provision of Services	**-2,730**	**13,804**	**11,074**
Opening General Fund Balance as at 31st March 2020	34,668		
Surplus on General Fund in year	2,730		
Closing General Fund Balance (Including Earmarked reserves) at 31 March 2021	**37,398**		

Expenditure and Funding Analysis 2019/20	Net Expenditure Chargeable to the General Fund £'000	Adjustments between Funding and Accounting Basis (Note10) £'000	Net Expenditure in the Comprehensive and Income Expenditure Statement (Note 9) £'000
Service Delivery	57,969	-14,810	43,159
Service Support	7,531	3,475	11,006
Employment Services	5,587	318	5,905
Chief Fire Officer	1,013	132	1,145
Finance and Procurement	13,735	-12,250	1,485
Corporate Communications	344	53	397
Net Cost of Services	**86,179**	**-23,082**	**63,097**
Other Income and Expenditure	-84,557	36,923	-47,634
Deficit on Provision of Services	**1,622**	**13,841**	**15,463**
Restated General Fund Balance as at 31st March 2019	36,290		
Deficit on General Fund in year	-1,622		
Closing General Fund Balance (Including Earmarked reserves) at 31 March 2020	**34,668**		

Movement in Reserves Statement

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

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

Movement in Reserves during 2020/21	Note	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	TOTAL AUTHORITY RESERVES £'000
Balance 01 April 2020		**34,668**	**-**	**-**	**34,668**	**-1,368,397**	**-1,333,729**
Total Comprehensive Income & Expenditure		-11,074	-	-	-11,074	-137,856	-148,930
Adjustments between accounting basis & funding basis under regulations	10	13,719	85	-	13,804	-13,804	-
Increase/Decrease in 2020/21		**2,645**	**85**	**-**	**2,730**	**-151,660**	**-148,930**
Balance at 31 March 2021 carried forward		**37,313**	**85**	**-**	**37,398**	**-1,520,057**	**-1,482,659**

Movement in Reserves during 2019/20	Note	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	TOTAL AUTHORITY RESERVES £'000
Restated Balance 01 April 2019		**36,290**	**-**	**-**	**36,290**	**-1,464,069**	**-1,427,779**
Total Comprehensive Income & Expenditure		-15,463	-	-	-15,463	109,513	94,050
Adjustments between accounting basis & funding basis under regulations	10	13,841	-	-	13,841	-13,841	-
Increase/Decrease in 2019/20		**-1,622**	**-**	**-**	**-1,622**	**95,672**	**94,050**
Balance at 31 March 2020 carried forward		**34,668**	**-**	**-**	**34,668**	**-1,368,397**	**-1,333,729**

Main Financial Statements

Balance Sheet as at 31st March 2021

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is Usable Reserves; that is those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2020 £'000		Notes	31 March 2021 £'000
94,386	Property, Plant and Equipment	14	92,508
409	Intangible Assets	16	290
94,795	**Long Term Assets**		**92,798**
20,000	Short Term Investments		20,000
685	Inventories	20	813
8,883	Short Term Debtors	21	10,955
11,112	Cash and Cash Equivalents	22	16,534
40,680	**Current Assets**		**48,302**
-669	Short Term Borrowing		-621
-10,812	Short Term Creditors	26	-13,648
-1,184	Provisions (<1yr)	27	-1,162
-12,665	**Current Liabilities**		**-15,431**
-45,173	Long Term Borrowing		-45,016
-22	Capital Grants received in Advance		-22
-1,411,344	Net liability related to defined Benefit Pension Schemes	39	-1,563,290
-1,456,539	**Long Term Liabilities**		**-1,608,328**
-1,333,729	**Net Liabilities**		**-1,482,659**
34,668	Usable Reserves	28	37,398
-1,368,397	Unusable Reserves	30	-1,520,057
-1,333,729	**Total Reserves**		**-1,482,659**

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.

2019/20 £'000		Notes	2020/21 £'000
-15,463	Net (deficit) on the provision of services		-11,074
28,959	Adjustment to deficit on the provision of services for non-cash movements	23	16,546
-70	Adjustment for items included in the net deficit on the provision of services that are investing and financing activities	23	-32
13,426	**Net Cash flows from operating activities**		**5,440**
-8,804	Net Cash flows from Investing Activities	24	-5,056
-6	Net Cash flows from Financing Activities	25	5,038
4,616	**Net increase or (decrease) in cash and cash equivalents**		**5,422**
6,496	Cash and cash equivalents at the beginning of the reporting period	22	11,112
11,112	**Cash and cash equivalents at the end of the reporting period**		**16,534**

Index to Notes

Contents

Notes to the Main Financial Statements

Note 1. Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/2021 financial year and its position at the year end of 31st March 2021. The Statement of Accounts are prepared on a going concern basis and the Chief Finance and Procurement Officer is unaware of any material uncertainties relating to the Authority's ability to continue as a going concern.

The Authority is required to prepare an annual Statement of the Financial Accounts as per the Accounts and Audit Regulations 2015. These regulations require the Financial Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in 2020/21 and the Service Reporting Code of Practice 2020/21. Supported by International Financial Reporting Standards (IFRS).

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

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

Fundamental Accounting Concepts

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

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

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

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

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

Accruals of Income and Expenditure

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

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

Notes to the Main Financial Statements

Cash and Cash Equivalents

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

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

Exceptional Items

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

Prior Period Adjustments

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

Charges to Revenue for Non-Current Assets

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

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

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

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

Employee Benefits

Benefits payable during employment

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

An accrual is made for the cost of holiday entitlements, accrued flexi time and time in lieu earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the deficit on the

Provision of Services but then removed from the account, matched by a corresponding adjustment to the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-Employment Benefits

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

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

The Authority participates in the following retirement schemes:

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

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

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

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

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

2006 Firefighters' Pension Scheme

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

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

Retained Modified Scheme

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

Firefighters' Compensation Scheme

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

Local Government Pension Scheme

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

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

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

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

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined liability (asset) which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

The 2020/21 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 2020/21 Code does not prescribe a specific accounting treatment for administration costs that are not deducted from the return on plan assets. The accounting treatment adopted by West Yorkshire Pension Fund is to deduct administration costs from the cost of services.

Discretionary Benefits

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

Pension Fund

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

Events After the Balance Sheet Date

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

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

Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

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

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

Available for Sale Assets

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

Government Grants and Contributions

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

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

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

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

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

Intangible Assets

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

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

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

Inventories and Long-Term Contracts

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

Leases

Finance Leases

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

Leases that do not meet the definition of finance leases are accounted for as operating leases. The Authority had no finance leases in 2020/21.

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.

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.

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 accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

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

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

Measurement

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

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

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

The Authority formally values via an external valuations team, 20% of its assets each year and for the remaining 80% that are not formally re-valued in year a desktop exercise is undertaken to assess their current value by the Authority's external valuer. This is determined and set out within the letter of engagement between the Authority and external valuer.

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

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

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

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

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

Impairment

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

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

Where identified, the impairment losses are accounted for by:

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

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

Depreciation

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

Land and Buildings:

- New Buildings and Refurbishments 21-50 years

Vehicles, Plant and Equipment:

- Fire Appliances 13 years
- Operational Equipment 5-13 years
- Fixtures and Fittings 10 years
- Computer Equipment 5 years

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

Componentisation

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

The asset life of any component will not exceed the timeframe set out underestimated asset lives and therefore not one component of an asset will ever be recognised as having an estimated life of greater than 50 years.

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. Amounts received under £10,000 are categorised as revenue receipts.

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

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

Notes to the Main Financial Statements

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 2020/21 are shown in Note 6.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Reserves

These are amounts set aside for purposes falling outside the definition of provisions. The Authority's reserves some of which can be used to support expenditure and others which have been established for other purposes. The General Fund Balance can be used to meet both capital and revenue expenditure, and a minimum level must be maintained for risk management purposes. For the Authority this is considered to be £5m. The Authority also has a number of earmarked reserves which are held for identified specific expenditure in the future. These are reviewed annually and those no longer required are transferred to the General Fund Balance.

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

Revenue Expenditure Funded from Capital under Statute

This represents expenditure which may properly be capitalised under statutory provisions, but which does not represent fixed assets. The expenditure is written off to revenue in the year it is incurred, and an adjustment is made on the statement of General Fund Balance for the same amount so that there is no impact on Council Tax. The Authority uses this approach for the installation of smoke and carbon monoxide alarms within premises.

Value Added Tax

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

Council Tax and Business Rates Income

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

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

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

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

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

- Debtors for the Authority's share of Council Tax and Business rates Retention arrears at 31st March 2021.
- Provision for impairments of debtors in relation to Council Tax and Business rates retention arrears as at 31st March 2021.
- Income in advance from Council Tax and Business rate payers who have paid their bills early.
- Creditor provision where the billing authorities have over-collected Council Tax and Business rates income in year compared to the value of amounts actually paid over to the Authority.
- Creditor provision for appeals by Business rate payers who disagree with the valuation of their premises for Business rates purposes.

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2020/21 Code.

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

Accounting changes that are introduced by the 2021/22 code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to the 1st April 2022.

These changes are not expected to have a material impact on the Statement of Accounts.

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

Note 3. Prior Period Adjustments

Prior period adjustments have been made to the Authority’s 2019/20 published Annual Statement of Accounts in relation to the following:

Comprehensive Income and Expenditure Statement

During 2020/21 the Authority re-structured its management reporting structure. The Legal & Governance directorate was re-configured to Chief Fire Officer with the only change in reporting concerning Corporate Services. This was previously part of Legal & Governance, but now reports under Employment Services. To aid the understanding of the accounts and to make information comparable, the Authority has re-calculated 2019/20 figures on the basis of the 2020/21 management reporting structure. The net effect of this on the cost of services is nil.

The changes have also been reflected in the other core notes and supporting statements to ensure information is relevant and comparable.

	Presentation as per 2019/20 Management Reporting Structure			Presentation of 2019/20 as per 2020/21 Management Reporting Structure		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Service Delivery	46,133	-2,974	43,159	46,133	-2,974	43,159
Service Support	11,537	-531	11,006	11,537	-531	11,006
Employment Services	6,440	-535	5,905	7,052	-537	6,515
Chief Fire Officer	-	-	-	562	-27	535
Legal & Governance	1,174	-29	1,145	-	-	-
Finance and Procurement	1,496	-11	1,485	1,496	-11	1,485
Corporate Communications	401	-4	397	401	-4	397
Cost of Services	**67,181**	**-4,084**	**63,097**	**67,181**	**-4,084**	**63,097**
Other Operating Expenditure (Note 10)	162	-70	92	162	-70	92
Financing and Investment Income and Expenditure (Note 11)	38,674	-307	38,367	38,674	-307	38,367
Taxation and Non Specific Grant Income (Note 12)	-	-86,093	-86,093	-	-86,093	-86,093
Deficit on Provision of Services	**106,017**	**-90,554**	**15,463**	**106,017**	**-90,554**	**15,463**
Impairment losses on non-current assets charged to the revaluation reserve			1,308			1,308
Actuarial (Gains)/Losses on Pension Assets/Liabilities			-110,821			-110,821
Other Comprehensive Income and Expenditure			**-109,513**			**-109,513**
Total Comprehensive Income and Expenditure			**-94,050**			**-94,050**

Inventories (Note 20)

The Authority has revisited the presentation of the inventory note to include the total value of purchases made and items that have been recognized as an expense in year. The opening and closing balances remain the same and there is no impact on the CIES and the reserves resulting from the restatement.

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

Presentation within 2020/21 Statement of Accounts					
Restated 2019/20	Clothing & £'000	Operational £'000	Petrol & £'000	Vehicle £'000	Total £'000
Balance Outstanding as at 1st April	**98**	**302**	**76**	**183**	**659**
Purchases	275	324	383	295	1,277
Recognised as an expense in the year	-240	-345	-399	-267	-1,251
Balance Outstanding as at 31st March	**133**	**281**	**60**	**211**	**685**

Note 4. Critical Judgements in Applying Accounting Policies

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

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

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

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

The items in the Authority's Balance Sheet at 31st March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect If actual results differs from Assumptions
Property, Plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance on individual assets. The current economic climate makes it uncertain if the Authority can sustain the current level of expenditure on repairs and maintenance which could bring into doubt useful lives assigned to the assets. Due to Covid19 elements of the capital plan have had to be ceased for a period of time and likewise the external valuer has issued material value uncertainty, which places less weight to market evidence.	If the useful lives of assets are reduced, depreciation increases and hence the carrying amount of the asset falls. It is estimated that the annual charge for depreciation would increase by £0.363m for every year that the useful lives have to be reduced.
Provisions	The Authority shares the collection fund surplus and deficits with the 5 district councils of West Yorkshire. Due the current the Covid19 pandemic the estimated collection fund balance may be more volatile.	As at the 31st March 2021 the provision for the non payment of council tax debtors and National Non Domestic Rates (NNDR) is £2.9m (£2.3m 2019/20). This may rise due to Covid19 because council tax payers maybe unable to pay council tax.
Pensions Liability	The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement and mortality ages and expected returns on investment funds. A firm of actuaries are appointed to provide the Authority with expert advice. Due to Covid19, the Authority instructed the pension fund to use actual investment returns rather than an estimate to obtain a more accurate position on the net liability.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £27.6 million. However, the assumptions interact in complex ways and changes to other estimates and actuarial assumptions may produce a different impact on the total liability.
Fair Value Measurements	At the 31 March 2021 the Authority had a balance of sundry debtors for £0.45m. Due to the low levels of bad debt the Authority does not have the need for a bad debt provision but due to the current economic climate this policy may be reviewed.	The amount of debt exceeding 3 months was £0.08m as at the 31 March 2021. This is to be monitored and a provision would have to be funded from revenue reducing the level of general fund reserves.

Note 6. Material Items of Income and Expense

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

There were no material items of income or expense not recognised within the CIES in 2020/21.

Note 7. Events after the Balance Sheet Date

The Draft Statement of Accounts were completed and available for use as authorised by the Chief Finance and Procurement Officer on the 21st July 2021. Where events taking place before this date provided information about conditions existing at the 31st March 2021, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.
There were no events taking place after the 31st March 2021 that need to be disclosed.

Note 8. Note to the Expenditure and Funding Analysis

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

Adjustments from General Fund to arrive at Comprehensive Income & Expenditure Statement amounts (2020/2021)	Adjustment for Capital Purposes (1) £'000	Net Change for the Pensions Adjustments (2) £'000	Other Differences (3) £'000	Total Adjustments £'000
Service Delivery	2,433	-18,511	-	-16,078
Service Support	3,258	604	731	4,593
Employment Services	17	312	-	329
Chief Fire Officer	-	27	-	27
Finance and Procurement	-10,615	124	-	-10,491
Corporate Communications	-	49	-	49
Net Cost of Services	**-4,907**	**-17,395**	**731**	**-21,571**
Other Operating expenditure - a	224	31,541	-	31,765
Finance and Investment income and expenditure - b	-	-	-61	-61
Taxation and non specific grant income and expenditure - c	-1,515	-	5,186	3,671
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit	**-6,198**	**14,146**	**5,856**	**13,804**

Adjustments from General Fund to arrive at Comprehensive Income & Expenditure Statement amounts (2019/2020)	Adjustment for Capital Purposes (1) £'000	Net Change for the Pensions Adjustments (2) £'000	Other Differences (3) £'000	Total Adjustments £'000
Service Delivery	3,849	-19,015	356	-14,810
Service Support	2,720	755	-	3,475
Employment Services	14	304	-	318
Chief Fire Officer	-	132	-	132
Finance and Procurement	-12,378	128	-	-12,250
Corporate Communications	-	53	-	53
Net Cost of Services	**-5,795**	**-17,643**	**356**	**-23,082**
Other Operating expenditure - a	92	-	-	92
Finance and Investment income and expenditure - b	-	36,615	-62	36,553
Taxation and non specific grant income and expenditure - c	-	-	278	278
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit	**-5,703**	**18,972**	**572**	**13,841**

(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:

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

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

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

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

- 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
- 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.

- Revenue expenditure funded from Capital under Statute
- Amounts by which officer remuneration charged to the CIES on an accruals basis is different from renumeration chargeable in the year in accordance with statutory requirements.
- Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year.
- Amount by which Council Tax and Business rates income credited to CIES is different from Council Tax and Business rates income calculated for the year.

Note 9. Expenditure and Income Analysed by Nature

Expenditure/Income	2019/20 £'000	2020/21 £'000
Expenditure:		
Employees	45,875	47,124
Other service expenses	12,436	12,491
Support Services	3,335	3,107
Capital Charges	5,535	5,389
Disposal of Fixed Assets	162	256
Interest payments	38,674	33,569
Total Expenditure	**106,017**	**101,936**
Income:		
Government grants and contributions	-2,502	-5,119
Customer and Client Receipts	-1,582	-1,219
Fixed Assets Sales Proceeds	-70	-32
Interest Receivable and similar income	-307	-196
Taxation and Non Specific Grant Income	-86,093	-84,296
Total Income	**-90,554**	**-90,862**
Deficit on the Provision of Services	**15,463**	**11,074**

Note 10. Adjustments between Funding and Accounting Basis

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

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

General Fund Balance

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

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

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The £85k at year end remaining in the reserve is from the sale of a registration plate donated to the Authority.

2020/21	General Fund Balance £'000	Capital Receipts Reserve £'000
Adjustments to revenue resources		
Pensions Costs (Transferred to (or from) the pension reserve)	14,146	-
Financial Instruments (Transferred to the accumulated financial Instruments adjustments account)	-62	-
Council Tax & NNDR (Transfers to or from the collection fund adjustment account)	5,185	-
Holiday Pay (Transferred to the accumulated absences reserve)	529	-
Reversal of Entries included in the surplus or deficit on the provision of Services in relation to the capital expenditure	6,172	-
Total adjustments to revenue reserve	**25,970**	**-**
Adjustments between capital & revenue resources		
Transfer of non current assets sale proceeds from revenue to the capital receipts reserve	-117	117
Statutory Provision for the repayment of debt (transfer to the capital adjustment account)	-2,041	-
Capital expenditure financed from Revenue balance (transfer to the capital adjustment account)	-10,093	-
Total adjustments between revenue & capital resources	**-12,251**	**117**
Adjustments to capital resources		
Use of the capital receipts reserve to finance capital expenditure	-	-32
Total Capital Resources	**-**	**-**
Total Adjustments 2020/21	**13,719**	**85**

2019/20	General Fund Balance £'000	Capital Receipts Reserve £'000
Adjustments to revenue resources		
Pensions Costs (Transferred to (or from) the pension reserve)	18,972	-
Financial Instruments (Transferred to the accumulated financial Instruments adjustments account)	-62	-
Council Tax & NNDR (Transfers to or from the collection fund adjustment account)	278	-
Holiday Pay (Transferred to the accumulated absences reserve)	3	-
Reversal of Entries included in the surplus or deficit on the provision of Services in relation to the capital expenditure	7,104	-
Total adjustments to revenue reserve	**26,295**	**-**
Adjustments between capital & revenue resources		
Transfer of non current assets sale proceeds from revenue to the capital receipts reserve	-70	70
Statutory Provision for the repayment of debt (transfer from the capital adjustment account)	-2,300	-
Capital expenditure financed from Revenue balance (transfer to the capital adjustment account)	-10,084	-
Total adjustments between revenue & capital resources	**-12,454**	**70**
Adjustments to capital resources		
Use of the capital receipts reserve to finance capital expenditure	-	-70
Total Capital Resources	**-**	**-70**
Total Adjustments 2019/20	**13,841**	**-**

Note 11. Other Operating Expenditure

2019/20 £'000		2020/21 £'000
162	Net Book value of non current assets	256
-70	Sale Proceeds	-32
92	**Losses on the disposal of non current assets**	**224**

Note 12. Financing and Investment Income & Expenditure

2019/20 £'000		2020/21 £'000
2,059	Interest Payable and similar charges	2,028
36,615	Pensions interest cost	31,541
-307	Interest Receivable and similar income	-196
38,367	**TOTAL**	**33,373**

Interest receivable and similar income represents the amount of interest earned on the Authority's revenue balances in 2020/21

Note 13. Taxation and Non-Specific Grant Income

2019/20 £'000		2020/21 £'000
-42,115	Council Tax Income	-42,528
-8,020	Non Domestic rates	-4,080
-35,958	Non ring fenced Government Grants	-37,688
-86,093	**TOTAL**	**-84,296**

Note 14. Property, Plant and Equipment

Movements 2020/21	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Assets under Construction £'000	Total £'000
Cost or Valuation				
1 April 2020	**76,495**	**36,921**	**2,161**	**115,577**
Additions	1,041	2,026	960	4,027
Accumulated Depreciation & Impairment write out to gross carrying amount	-1,965			-1,965
Revaluation recognised in the Revaluation Reserve	-56	-	-	-56
Revaluation recognised in the Deficit on the provision of services	-525	-	-	-525
De-recognition - Disposals	-168	-825	-	-993
Assets reclassified (to)/from Assets Under Construction	2,159	812	-2,971	-
31 March 2021	**76,981**	**38,934**	**150**	**116,065**
Depreciation & Impairment				
1 April 2020	**-83**	**-21,108**	**-**	**-21,191**
Depreciation charge	-2,005	-3,063	-	-5,068
Accumulated Depreciation write out to gross carrying amount	1,965	-	-	1,965
Derecognition - Disposals	17	720	-	737
31 March 2021	**-106**	**-23,451**	**-**	**-23,557**
Net Book Value 31 March 2021	76,875	15,483	150	92,508
31 March 2020	**76,412**	**15,813**	**2,161**	**94,386**

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

The following useful lives and depreciation rates have been used in the calculation of depreciation:
New Buildings and Refurbishments – 21-50 years
Fire Appliances – 13 years
Operational Equipment – 5-13 years.

Capital Commitments

At the 31st March 2021, the Authority has one contract for the construction or enhancement of property, plant and equipment in 2020/21 and future years. The major commitment as at the 31st March 2021 is;

- £0.148m in relation to the new Wakefield Station build. This is the final payment for the completion of the new Wakefield Fire Station which became operational in October 2020 and is included as an asset in the Balance Sheet.

Note 15. Revaluations and Impairments

As stated in Note 1 Accounting Policies, under Measurement, assets are carried on the Balance Sheet using the following measurement bases:

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

From 2018/19 WYFRS adopted a 5 year rolling programme. Avison Young (formally GVA), who are an external valuation team were commissioned on behalf of the Authority to carry out asset valuations. The valuations are in accordance with International Valuation Standards (IVS) and the requirements of the RICS Valuation – Global Standards 2020 (the Red Book). The assets were inspected in March 2021 by a RICS registered Valuer within the Valuation Consultancy Department

In 2020/21, 20% of Land & Building Assets were formally revalued and 80% were revalued as a desktop exercise in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

2019/20 £'000		2020/21 £'000
-1,407	Revaluation gains/(losses) recognised in deficit on provision of services	-525
-1,308	Revaluation gains / (Impairment losses) on non current asssets charged to the revaluation reserve	-56
-2,715		**-581**

Note 16. Intangible Assets

The carrying amount of Intangible assets are amortised on a straight-line basis. The amortisation of £0.119m charged to revenue in 2020/21 was charged to the ICT and then absorbed as an overhead across all of the service headings in the Net Expenditure of Services.

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

	2019/20 Software £'000	2020/21 Software £'000
Balance at start of year:		
Gross carrying amounts	1,433	1,028
Accumulated Amortisation	-896	-619
Net carrying amount at start of year	537	409
Purchases	27	-
Disposals	-432	-46
Amortisation for the period	-145	-119
Amortisation and Impairment Derecognition Disposals	422	46
Net carrying amount at the end of year	**409**	**290**
Comprising:		
Gross Carrying Amounts	1,028	982
Accumulated Amortisation	-619	-692
	409	**290**

As at the 31st March 2021 there were no capital commitments in relation to intangible assets.

Note 17. Assets Held for Sale

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

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

As at the 31st March 2021 WYFRS had no assets held for sale.

Note 18. Financial Instruments

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

Categories of Financial Instruments

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

Financial Assets

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Fair Value through profit or loss	-	-	-	-	4,717	5,082	581	525
Amortised Cost	-	-	-	-	26,395	31,452	-	-
Total Financial Assets	**-**	**-**	**-**	**-**	**31,112**	**36,534**	**581**	**525**

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

Financial Liabilities

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Fair Value through profit or loss	-	-	-	-	-	-	3,951	3,603
Amortised Cost	45,173	45,016	-	-	669	621	-	-
Total Financial Assets	**45,173**	**45,016**	**-**	**-**	**669**	**621**	**3,951**	**3,603**

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:

	2019/20 Surplus or deficit on the provision of services £'000	2020/21 Surplus or deficit on the provision of services £'000
Financial Liabilities measured at amortised cost	62	61
Total net gains	**62**	**61**
Interest revenue: Financial Assets measured at amortised cost	-307	-196
Interest Expense: Financial Liabilities measured at amortised cost	1,991	1,961
Total Interest expense	**1,684**	**1,765**
Fee expense: Financial liabilities that are not at fair value through profit or loss	7	5
Total Fee expense	**7**	**5**
Net gain	**1,753**	**1,831**

Fair Values of Financial Assets and Financial Liabilities

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

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

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

			2019/20	2020/21
	Input Level in fair value hierarchy	Valuation technique used to measure fair value	£'000	£'000
Financial Liabilities Financial Liabilities held at fair value through profit or loss				
Short Term Creditors	Level 1	Quoted prices (unadjusted) in active markets for identical liabilities	3,951	3,603
Total			**3,951**	**3,603**
Financial Assets Financial Assets held at fair value through profit or loss				
Money Market Funds	Level 2	Observable inputs	4,717	5,082
Short Term Debtors	Level 1	Quoted prices (unadjusted) in active markets for identical assets	581	525
Total			**5,298**	**5,607**

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

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

- no early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair values. The fair values calculated are as follows:

Financial Assets

	31 March 2020		31 March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Fixed Term investments	20,066	20,082	20,000	20,083
Cash and Cash Equivalents	6,329	6,548	11,607	11,609
Total	**26,395**	**26,630**	**31,607**	**31,692**

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

Financial Liabilities

	31 March 2020		31 March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Borrowings held at amortised cost				
PWLB	43,816	60,780	43,618	60,618
LOBO	2,026	2,879	2,025	3,292
Total	**45,842**	**63,659**	**45,643**	**63,910**

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

The value of Lenders option, Borrowers option loans (LOBO) have been increased by the value of the embedded options, based on the assumption that lenders will only exercise their options when market rates have been above the contracted loan rate. The next option date was May 2021 and this option was not exercised due to the currently lower interest rates available across the market.

The fair value of the borrowings is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2021) arising from a commitment to pay interest to lenders above current market rates. The above fair values are judged to be level 2 in the fair value hierarchy, using significant observable inputs.

Note 19. Nature and Extent of Risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments; and
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements. The Authority's overall risk management programme focuses on minimising any potential adverse effects on the resources available to fund services. The procedures are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code and investment guidance issued under the Act.

Kirklees Council manages the function on behalf of the Authority under the supervision of the Chief Finance & Procurement Officer and policies are approved by Members in the Annual Treasury Management Strategy and the Treasury Management Policy Statement and Practices. From the 1st August 2021 West Yorkshire Fire will undertake all of the Treasury Management function.

Credit Risk

Investments and Cash

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

At the year end the Authority held cash deposits at banks, in Money Market Funds and other financial institutions of £16.1m (£11.4m 31st March 2020) as well as some longer and fixed term deposits with banks and Local Authorities of £20.6m (£20.0m 31st March 2020). 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 2020/21.

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

This table does not include accrued interest or the bank account balances as at 31st March 2020 and 31st March 2021. These financial instruments are not considered significant in terms of credit risk. The Authority has determined that there is low risk associated with the default of the interest payment due on the investments and the Authority has the capacity to meet the contractual obligations to repay its overdraft.

Credit rating	Short Term 31 March 2020 £'000	31 March 2021 £'000
F1/P1	11,966	6,012
F1+/-	14,603	25,595
AA+	4,716	5,082
Total Investments	**31,285**	**36,689**

The variance between the total investments of £36.689m shown above and the Investments of £20.594m and Cash and Cash Equivalents of £15.94m on the balance sheet totaling £36.534m is due to the net effect of accrued interest on investments of £0.051m that has not yet been paid and the net position on the bank current accounts/overdraft position of £0.206m.

The Authority's maximum exposure to credit risk in relation to its investments in UK banks or building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk exists where the Authority may be unable to recover its short- term deposits and investments. However, there was no evidence at the 31st March 2021 that this was likely to occur.

Customers

The Authority does not allow credit for customers 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 2020 £'000	31 March 2021 £'000
Less than three months	51	37
Three to six months	20	26
Six months to one year	31	38
More than one year	31	-18
	133	**83**

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

Liquidity Risk

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

The maturity analysis of borrowing is shown below:

Liquidity Risk	31 March 2020 £'000	31 March 2021 £'000
Less than one year	4,620	3,760
Between one and two years	157	1,078
Between two and five years	4,078	3,750
Between five and ten years	4,000	3,750
Between ten years and fifteen years	2,210	2,850
More than fifteen years	32,728	31,588
	47,793	**46,776**
Uncertain date	**2,000**	**2,000**

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

The Authority has a £2 million "Lenders Option, Borrowers Option "(LOBO) loan from Dexia Credit Local which was taken out in 2006 for a period of 60 years. The terms of the loan states the lender has the option to increase the interest rate payable. The Authority has the option to accept the new rate or repay the loan without penalty. The option to increase the interest rate was not taken by Dexia.

Market Risk

	£'000
Increase in interest receivable on variable rate investments	-300
Impact on Surplus or Deficit on the Provision of Services	**-300**

Interest Rate Risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances makes it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The Treasury Management strategy is proactive, providing for the constant assessment of interest rate exposures and deciding whether new borrowing is at fixed or variable rates. This strategy also aims to mitigate the impact of interest rate risk by setting upper limits on its net exposure to fixed and variable interest rates.

At the 31st March 2021, £43.2m of borrowing through the PWLB was at fixed rates (£43.4m as at 31st March 2020). The interest rate on the £2m LOBO agreement is also currently fixed at 3.58%. The lender can exercise the option to increase this rate in May 2026. However, it should be noted the option to increase this rate has not been exercised since the loan was taken out in 2006.

The fair value of fixed rate borrowings would decrease by around £8.6m if interest rates increased by 1% and likewise increase by the same figure if interest rates decreased by 1%.

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would be an additional interest received of £0.310m resulting in a corresponding £0.310m decrease on Surplus or Deficit on the Provision of Services.

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

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

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

Note 20. Inventories

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

2020/21	Clothing & Uniforms £'000	Operational Equipment £'000	Petrol & Derv £'000	Vehicle Spares £'000	Total £'000
Balance Outstanding as at 1st April	**133**	**281**	**60**	**211**	**685**
Purchases	354	404	248	180	1,186
Recognised as an expense in the year	-285	-351	-236	-186	-1,058
Balance Outstanding as at 31st March	**202**	**334**	**72**	**205**	**813**

Restated 2019/20	Clothing & Uniforms £'000	Operational Equipment £'000	Petrol & Derv £'000	Vehicle Spares £'000	Total £'000
Balance Outstanding as at 1st April	**98**	**302**	**76**	**183**	**659**
Purchases	275	324	383	295	1,277
Recognised as an expense in the year	-240	-345	-399	-267	-1,251
Balance Outstanding as at 31st March	**133**	**281**	**60**	**211**	**685**

Note 21. Short Term Debtors

	31-Mar-20 £'000	31-Mar-21 £'000
Trade receivables	416	201
Prepayments	440	913
Other receivable amounts	4,020	6,427
Council Tax Debtors	5,199	5,555
Impairment allowance for doubtful debt	-2,085	-2,322
Business Rates Debtors	1,067	779
Impairment allowance for doubtful debt	-174	-598
Total	**8,883**	**10,955**

The Authority does not have a bad debt provision due to the low level of amounts written off in year which amounted to £1.5k in 2020/21, (£5k 2019/20). This is in relation to the non-payment of debtor invoices to customers which were not viable to pursue.

Note 22. Cash and Cash Equivalents

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

31 March 2020 £'000		31 March 2021 £'000
17	Short Term Deposits held at Banks	7
11,351	Instant Access interest accounts and Money Market Funds	16,740
-256	Bank Current Account	-213
11,112	**Total Cash and Cash Equivalents**	**16,534**

Note 23. Cash Flow Statement – Operating Activities

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

31 March 2020 £'000		31 March 2021 £'000
5,038	Depreciation	5,068
1,407	Impairment and downward valuations	525
145	Amortisation	119
1,614	Increase/(decrease) in creditors	-751
1,954	(Increase)/decrease in debtors	-2,545
-26	(Increase)/decrease in inventories	-128
18,972	Movement in pension liability	14,146
162	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	256
-307	Other non-cash items charged to the net surplus or deficit on the provision of services	-144
28,959		**16,546**

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

31 March 2020 £'000		31 March 2021 £'000
-70	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-32
-70		**-32**

Note 24. Cash Flow Statement – Investing Activities

31 March 2020 £'000		31 March 2021 £'000
-4,874	Purchase of property, plant and equipment, investment property and intangible assets	-5,088
-4,000	Purchase of short-term and long-term investments	0
70	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	32
-8,804	**Net cash flows from investing activities**	**-5,056**

Note 25. Cash Flow Statement – Financing Activities

31 March 2020 £000		31 March 2021 £000
-274	Repayments of short- and long-term borrowing	-196
268	Other payments for financing activities	5,234
-6	**Net cash flows from financing activities**	**5,038**

Note 26. Short Term Creditors

The table below shows the amount of short-term creditors as at the 31st March 2021:

	31 March 2020 £'000	31 March 2021 £'000
Trade payables	2,301	1,939
Other payables	5,288	3,845
Council Tax Creditors	3,112	4,444
Business Rates Creditors	111	3,420
Total	**10,812**	**13,648**

The increase in Council Tax and Business Rates creditors is due to the increase in the Authority's share of the collection fund deficit.

Note 27. Provisions

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

	Outstanding Legal Cases £'000	Pensionable Pay £'000	Other Provisions £'000	SAP Licence Underpayment £'000	NNDR Provision for Appeals £'000	Total £'000
Balance at 1 April 2020	**244**	**29**	**21**	**159**	**731**	**1,184**
Additional Provisions made in 2020/21	-	-	86	-	682	768
Amounts used in year	-	-7	-	-	-	-7
Transfers out - reversed unused		-10		-42	-731	-783
Balance at 31 March 2021	**244**	**12**	**107**	**117**	**682**	**1,162**

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. There were no payments in 2020/21.

Pensionable Pay

Following the High Court Decision in the Norman v Cheshire case, the Authority has approved that some allowances payable to Firefighters are pensionable. This resulted in an additional on-going annual employer pension cost of £0.118m, with £0.475m being owed in back pension payments. During 2020/21, £0.007m was due for pensionable pay employer contributions with the remaining £0.01m taken out to reflect the provision required as at 31st March 2021.

SAP License underpayment

The Authority is currently in dispute with SAP who provided software support for our HR system. Although the extent of the liability has been determined by the application of the Limitations Act, the date of settlement and the actual amount to be paid has yet to be agreed. This has therefore decreased the overall provision by £0.042m in 2020/21.

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. There were two new provisions included in 2020/21, one was for a disputed invoice with a supplier for telephony services and secondly for the additional cost relating to a more detailed external audit review for Value for Money, a new requirement for the audit of the 2020/21 accounts.

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

Note 28. Usable Reserves

Usable Reserves can be used to fund and support the Authority's expenditure in future years. Movements in the Authority's Usable Reserves are detailed in the Movement in Reserves Statement together with Note 29.

31 March 2020 £'000		31 March 2021 £'000
5,000	**General Fund**	**5,000**
	Earmarked Reserves:	
40	Body Bag Decontamination	40
1,114	Business Rate Appeals	1,114
16,154	Capital Finance Reserve	18,306
563	Control Room	563
27	Council Tax Reform	27
406	COVID19	1,355
46	Data Transparency	54
202	Enhanced Logistics	202
258	ESMCP	258
419	Insurance Claims	419
2,000	Medium Term Funding Impact	2,000
3,627	Pay and Prices	2,127
4,070	Pensions Equalisation	4,583
742	Service Support	343
-	Tax Income Guarantee	922
-	Capital Receipts Reserve	85
29,668	**Total Earmarked Reserves**	**32,398**
34,668	**Total Useable Reserves**	**37,398**

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

Note 29. Transfers to/from Earmarked Reserves

	Balance at 01/04/19 £'000	Transfers out 2019/20 £'000	Transfers in 2019/20 £'000	Balance at 31/03/20 £'000	Transfers out 2020/21 £'000	Transfers in 2020/21 £'000	Balance at 31/03/21 £'000
Earmarked Reserve:							
Body Bag decontamination	40	-	-	40	-	-	40
Business Rate Appeals	1,054	-	60	1,114	-	-	1,114
Capital Finance Reserve	17,354	-8,195	6,995	16,154	-1,348	3,500	18,306
Control Room	563	-	-	563	-	-	563
Council Tax Reform Credits	27	-	-	27	-	-	27
COVID19	-	-30	436	406	-1,144	2,093	1,355
Data Transparency	39	-	7	46	-	8	54
Enhanced logistics	202	-	-	202	-	-	202
ESMCP	258	-	-	258	-	-	258
Insurance Claims	418	-	1	419	-	-	419
Leap Year Fund	160	-160	-	-	-	-	-
Medium Term Funding Impact Reserve	2,000	-	-	2,000	-	-	2,000
Operational Equipment Reserve	388	-388	-	-	-	-	-
Pay and prices	4,627	-1,000	-	3,627	-1,500	-	2,127
Pension Equalisation	3,560	-	510	4,070	-	513	4,583
Service Support	483	-1,022	1,281	742	-399	-	343
Tax Income Guarantee	-	-	-	-	-	922	922
Capital Receipts Reserve	-	-	-	-		85	85
Total	**31,173**	**-10,795**	**9,290**	**29,668**	**-4,391**	**7,121**	**32,398**

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The purpose and operation of the reserves are described below:

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

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

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

Control Room
This reserve holds the grant from Central Government for the purchase of a New Control System. West Yorkshire Fire and Rescue and South Yorkshire Fire and Rescue have jointly purchased the new system and the grant of £3.6m is for both Authorities. The system went live in November 2014 and it is expected that the remainder of the grant will be spent during 2021/22.

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.

COVID19
To support the wider response to the pandemic the service has supported a number of activities and roles that are not traditionally linked with Fire and Rescue Services. The Government recognised the financial burden this imposed and provided grants to local authorities of which West Yorkshire

received £2.093m in 2020/21. During 2020/21 £1.144m of this had been spent. The net amount of £0.949m unspent in year and the £0.406m carried forward from 2019/20 totaling £1.355m will be used to support initiatives including flexible working arrangements, the buy back of annual leave and payment of overtime to cover leave cancelled due to the pandemic.

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

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.

Emergency Service Mobile Communications Program (ESMCP)
A new reserve was created in 2017/18 to recognise the potential risk of the ESMCP project not being funded after 2021, which is secured by Central Government to this date. The reserve was originally created by transferring £0.258m from the general fund to the new ESMCP reserve.

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.

Medium Term Funding Impact Reserve
There is uncertainty around future grant funding due to the Fair Funding Review and the Comprehensive Spending Review from April 2022 onwards. This reserve will in the short term mitigate the impact of a funding cut being higher than that forecast. Efficiencies can take a number of years to realise and this reserve will enable the Authority to manage the potential funding short fall.

Pay and Prices
This reserve will enable the Authority to manage expenditure increases in future years due to changes in pay awards and inflation. In 2020/21, £1.5m was transferred from Pay and Prices to the Capital Finance Reserve as agreed at Finance & Resources Committee in February 2021.

Pensions Equalisation
This reserve enables the Authority to manage the cost of ill health retirements. Any budget underspending on ill health retirements is 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.

Service Support
Due to the changing nature of the service, the Service Support Reserve was established to fund any expenditure that may be required to improve efficiency. The reserve has been utilised in 2020/21 to support the continuing workstreams within lean working, the procurement review, CLM and retirements.

Note 30. Unusable Reserves

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

31 March 2020 £'000		31 March 2021 £'000
10,767	Revaluation Reserve	10,427
33,000	Capital Adjustment Account	39,279
-563	Financial Instruments Adjustment Account	-502
-1,411,344	Pensions Reserve	-1,563,290
52	Collection Fund Adjustment Account	-5,133
-309	Accumulating Compensated Absences Adjustment Account	-838
-1,368,397	**Total Unusable Reserves**	**-1,520,057**

Revaluation Reserve

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

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

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

2019/20 £'000		2020/21 £'000
12,399	**Balance at 1 April**	**10,767**
-324	Difference between fair value depreciation and historical cost depreciation	-284
-324	**Amount written off to the Capital Adjustment Account**	**-284**
-1,457	Downward Revaluations	-364
149	Upward Revaluations	308
10,767	**Balance at 31 March**	**10,427**

Capital Adjustment Account

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

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

2019/20 £'000		2020/21 £'000
27,326	**Balance as at 1 April**	**33,000**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-5,037	Charges for depreciation and impairment of non current assets	-5,068
-1,457	Revaluation losses on property, plant and equipment	-742
50	Revaluation gains on property, plant and equipment	216
-145	Amortisation of intangible assets	-119
-353	Revenue expenditure funded from capital under statute	-202
-162	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	-256
-7,104		**-6,171**
324	Adjusting amounts written out of the Revaluation Reserve	284
-6,780	Net written out amount of the cost of non current assets consumed in the year	**-5,887**
	Capital financing applied in the year:	
70	Use of the Capital Receipts Reserve to finance new capital expenditure	32
950	Revenue Contributions to Capital outlay	950
11,434	Statutory and voluntary provision for the financing of capital investment charged against the General Fund	11,184
12,454		**12,166**
33,000	**Balance as at 31 March**	**39,279**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.
The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.
The charge to the CIES in year is highlighted by the movements in year within the below table.

2019/20 £'000		2020/21 £'000
-625	**Balance as at 1 April**	**-563**
62	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	61
-563	**Balance as at 31 March**	**-502**

Pensions Reserve

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

2019/20 £'000		2020/21 £'000
-1,503,193	**Balance at 1 April**	**-1,411,344**
110,821	Re-measurements of the net defined liability/(asset)	-137,800
-70,040	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	-63,064
51,068	Employer's pensions contributions and direct payments to pensioners payable in the year	48,918
-1,411,344	**Balance as at 31 March**	**-1,563,290**

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 Business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. There is a significant movement between the two financial years due to the large deficit positions created on the collection fund due to the economic hardship to ratepayers caused by COVID19.

2019/20 £'000		2020/21 £'000
330	**Balance at 1 April**	**52**
-278	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from	-5,185
52	**Balance as at 31 March**	**-5,133**

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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

The Accumulating Compensated Absences Adjustment Account increased in 2020/21 due to the large number of additional annual leave days remaining unused and flexi-time accrued as at 31st March 2021 due to the COVID19 pandemic. The Authority has a scheme to purchase up to 5 days of this leave.

2019/20 £'000		2020/21 £'000
-306	**Balance at 1 April**	**-309**
238	Settlement or cancellation of accrual made at the end of the preceding year	241
-238	Amounts accrued at the end of the current year	-770
-3	Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-
-309	**Balance as at 31 March**	**-838**

Note 31. Members' Allowances

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

2019/20 £'000		2020/21 £'000
138	Allowances	142
10	Expenses	1
148		**143**

Note 32. Officers' Remunerations

Post Holder Information	Year	Salary (including fees & allowances)	Bonuses	Expense Allowances	Benefits in Kind (lease car benchmark)	Total Remuneration excluding pensions contributions	Employer Pension Contributions	Total Remuneration including pensions contributions
Chief Fire Officer / Chief Exec (John Roberts)	2019/20	£166,254	-	£1,830	£6,670	£174,754	£47,728	£222,482
	2020/21	£169,502	-	£0	£7,523	£177,025	£48,916	£225,941
Director Of Service Delivery	2019/20	£141,316	-	£987	£6,662	£148,965	£52,541	£201,506
	2020/21	£144,076	-	£0	£6,662	£150,738	£53,580	£204,318
Director of Service Support	2019/20 (1)	£57,632	-	£363	£3,103	£61,098	£21,497	£82,595
	2019/20	£63,401	-	£463	£3,487	£67,351	£18,150	£85,501
	2020/21	£124,025	-	£105	£6,595	£130,725	£35,291	£166,016
Chief Legal & Governance Officer	2019/20	£76,758	-	£566	£4,612	£81,936	£13,895	£95,831
	2020/21 (2)	£65,487	-	£213	£2,529	£68,229	£7,653	£75,882
Chief Finance & Procurement Officer	2019/20	£86,569	-	£5,303	-	£91,872	£14,912	£106,784
	2020/21	£88,261	-	£5,218	-	£93,479	£15,212	£108,691
Chief Employment Services Officer	2019/20	£78,090	-	£449	£4,758	£83,297	£13,436	£96,733
	2019/20 (3)	£2,991	-	-	-	£2,991	£514	£3,505
	2020/21 (4)	£76,847	-	£437	£4,562	£81,846	£13,218	£95,064

Notes

(1) The Director of Service Support retired on the 20th September 2019, this post had been recruited to and commenced the role on the same day.

(2) The Chief Legal & Governance Officer retired in October 2020 and the Authority has entered into a service Level Agreement (SLA) with Calderdale Council which took effect on the 1st April 2021. Whilst vacant the role was performed by both the Director of Service Delivery and the Chief Employment Services Officer.

(3) An honorarium was paid equivalent to 0.2 FTE from the 1st October 2019 until 16th March 2020 as the main postholder was working reduced hours.

(4) In November 2020 the Chief Employment services Officer increased their hours to full time (37 hours per week).

Remuneration Band	Number of Employees 2019/20	Number of Employees 2020/21
£50,000 - £54,999	42	40
£55,000 - £59,999	18	32
£60,000 - £64,999	11	7
£65,000 - £69,999	8	7
£70,000 - £74,999	3	6
£75,000 - £79,999	-	2
£80,000 - £84,999	2	1
£85,000 - £89,999	-	-
	84	**95**

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

Note 33. External Audit Costs

2019/20 £'000		2020/21 £'000
38	Fees payable to Deloitte with regard to external audit services.	34
38		**34**

Note 34. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2020/21:

2019/20 £'000		2020/21 £'000
	Credited to Taxation and non specific Grant Income	
42,157	Council Tax Income	43,633
16,650	Business Rates Top Up Grant	16,921
-42	Collection Fund and NNDR Surplus / (Deficit)	-5,077
8,020	Business Rates Retention (Local Share)	8,052
1,683	Business Rates Reduction (Section 31 Grant)	2,003
-	Tax Income Guarantee	922
13,339	Revenue Support Grant	13,556
4,286	Pensions Grant	4,286
86,093	**Total**	**84,296**
	Credited to Services	
240	Apprenticeship Levy	169
436	COVID19	2,093
-	COVID19 LRF	96
1,465	New Dimension Programme	1,503
8	Transparency Code set up	8
29	Marauding Terrorist Firearms attack (MTFA)	29
346	Emergency Services Mobile Communications Programme (ESMCP)	555
-	Grenfell	199
-	Fire Protection (Building Risk Review)	325
-	Sales, Fees & Charges - Income Support	142
2,524	**Total**	**5,119**

Note 35. Related Parties

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

Central Government

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

Members

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

The total amount paid to members in the form of allowances for 2020/21 is shown in Note 31. Each of the elected members is required to declare details of all personal interests they have with the financial interests of the Authority including a nil return if there are no interests. For the financial year 2020/21 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 2021 all returns were nil.

Entities with Control or Significant Influence to the Authority.

The Authority receives a number of financial services from Kirklees Council in the form of treasury management, insurance, payroll and management of the main banking arrangements. The Authority also receives a number of services from the Council in respect of refuse collection, building maintenance and repair. The amounts paid to Kirklees Council in 2020/21 are detailed below

2019/20 £'000		2020/21 £'000
252	Financial Support Services	249
16	Refuse Collection	15
4	Other Services	7
272		**271**

Note 36. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below assets, 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.

	2019/20 £'000	2020/21 £'000
Opening Capital Financing Requirement	**57,500**	**51,027**
Capital Investment :		
Property, Plant and Equipment	5,601	4,027
Intangible Assets	27	-
Revenue Expenditure Funded from Capital under Statute	353	202
Sources of Finance :		
Capital Receipts	-70	-32
Sums set aside from revenue :		
Direct Revenue Contributions	-8,389	-8,819
MRP/loan fund principal	-3,995	-3,315
Closing Capital Financing Requirement	**51,027**	**43,090**
Explanation of Movement in Year :		
Decrease in underlying need to borrow (unsupported by Government financial assistance)	-6,473	-7,937
(Decrease) in Capital Financing Requirement	**-6,473**	**-7,937**

The Capital Financing and Service Support Reserves helped to fund £1.514m of capital expenditure in 2020/21 and transfers from the revenue underspend contributed towards funding £8.819m of direct revenue contributions.

Note 37. Leases

Authority as a lessee

Finance Lease

The Authority has no finance leases.

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 2020 £'000	31 March 2021 £'000
Not later than one year	485	707
Later than one year but not later than five years	920	1,333
	1,405	**2,040**

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

	2019/20 £'000	2020/21 £'000
Minimum lease payments	687	673
	687	**673**

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

Note 38. Termination Benefits

Within 2020/21 two employees had their contracts terminated due to retirement. The Chief Legal and Governance Officer retired in October 2020 and the Senior Technical Services Manager retired in March 2021.

Details of these payments are detailed below:

Exit package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20 £	2020/21 £	2019/20 £	2020/21 £	2019/20 £	2020/21 £	2019/20 £	2020/21 £
£0 - £20,000	14	-	2	-	16		33,002	-
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	1	-	1	-	73,687
£80,001 - £100,000	-	-	-	1	-	1	-	80,731
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,0001 +	-	-	-	-	-	-	-	-
TOTAL	**14**	**-**	**2**	**2**	**16**	**2**	**33,002**	**154,418**

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

This is summarised in the table below:

	2019/20 £	2020/21 £
Redundancy Costs	7,713	46,778
Enhanced Pension Costs	25,289	107,640
TOTAL	**33,002**	**154,418**

Note 39. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

I. The Local Government Pension Scheme (LGPS) is administered locally by West Yorkshire Pension Fund and is a funded defined benefit plan with benefits earned up to 31st March 2014 being linked to final salary, and those after 31st 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.
II. 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 1st July 2000 to 5th April 2006 are eligible to join under this scheme with different benefits. Employees are able to pay the historic contributions for the qualifying period.

Injury Allowance - The Firefighters' Compensation Scheme 2006

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

Transactions Relating to Retirement and Injury Benefits

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

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

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

In December 2018 the Government lost a Court of Appeal case (the McCloud/Sargeant judgement) which found that the transitional protection arrangements put in place for both Firefighters and Judges in regards to pension schemes were age discriminatory.

In July 2020 HM Treasury consulted on changes to the transitional arrangements to the 2015 schemes as a result of this judgment and, at the same time, an update on the Cost Control Element of the 2016 valuations was published. In this update, the Government announced that the pause should be lifted and the cost control element of the 2016 valuations could be completed. This update also set out that the McCloud costs would fall into the ‘member cost’ category of the cost control element of the valuations process. It is also noted that by taking into account the increased value as a result of the McCloud remedy, scheme cost control valuation outcomes will show greater costs than otherwise would have been expected.

HM Treasury will set out in the Directions how these costs should be taken into account. Government Actuary’s Department (GAD) will then be able to complete the 2016 valuation calculations and will liaise with scheme managers and Scheme Advisory Boards to agree the underlying valuation assumptions and corresponding results. This will confirm whether there is a breach of the cost control element of the 2016 valuation for each of the public service pension schemes and GAD expects that these results will be available by January 2022.

If a breach is confirmed, scheme benefits may be amended to rectify the breach, which would impact on the benefits to be valued for the 2020/21 Resource Accounts. If there is no breach, there would be no change to scheme benefits.

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

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

Comprehensive Income and Expenditure Statement

There has been no plan amendments, curtailments or settlements.

Comprehensive Income & Expenditure Statement - 2020/21	Local Government Pension Scheme 2020/21 £'000	Firefighters 1992 (FPS) Pension Scheme 2020/21 £'000	Firefighters 2006 (NFPS) Pension Scheme 2020/21 £'000	Firefighters 2015 (FPS) Pension Scheme 2020/21 £'000	Firefighters Compensation Pension Scheme 2020/21 £'000	Total 2020/21 £'000
Service Cost Comprising:						
Current Service Cost	-3,296	-1,410	-170	-21,790	-550	-27,216
Cost covered by employee contributions	-	-350	-90	-3,840	-	-4,280
Past Service Cost	-27	-	-	-	-	-27
Financing and Investment Income and Expenditure:						
Net Interest Expense	-781	-26,970	-1,240	-1,920	-630	-31,541
Total Post Employment Benefits charged	**-4,104**	**-28,730**	**-1,500**	**-27,550**	**-1,180**	**-63,064**
Return on plan assets (excluding the amount included in net interest)	13,701	-	-	-	-	13,701
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-	-	-
Actuarial gains and losses arising on changes in financial assumptions	-21,349	-115,460	-9,930	-14,500	-1,770	-163,009
Actuarial gains and losses due to liability experience	728	-8,000	-1,030	17,560	2,250	11,508
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	**-6,920**	**-123,460**	**-10,960**	**3,060**	**480**	**-137,800**
Total	**-11,024**	**-152,190**	**-12,460**	**-24,490**	**-700**	**-200,864**

Comprehensive Income & Expenditure Statement - 2019/20	Local Government Pension Scheme 2019/20 £'000	Firefighters 1992 (FPS) Pension Scheme 2019/20 £'000	Firefighters 2006 (NFPS) Pension Scheme 2019/20 £'000	Firefighters 2015 (FPS) Pension Scheme 2019/20 £'000	Firefighters Compensation Pension Scheme 2019/20 £'000	Total 2019/20 £'000
Service Cost Comprising:						
Current Service Cost	-3,344	-3,010	-240	-21,250	-460	-28,304
Cost covered by employee contributions	-	-620	-100	-3,560	-	-4,280
Past Service Cost	-221	-5,500	4,880	-	-	-841
Financing and Investment Income and Expenditure:						
Net Interest Expense	-695	-31,990	-1,590	-1,610	-730	-36,615
Total Post Employment Benefits charged	**-4,260**	**-41,120**	**2,950**	**-26,420**	**-1,190**	**-70,040**
Return on plan assets (excluding the amount included in net interest)	-5,471	-	-	-	-	-5,471
Actuarial gains and losses arising on changes in demographic assumptions	3,405	40,210	2,130	2,480	1,030	49,255
Actuarial gains and losses arising on changes in financial assumptions	1,992	54,370	5,230	3,060	570	65,222
Actuarial gains and losses due to liability experience	-2,215	5,710	-770	-1,210	300	1,815
Total Post Employment Benefits charged	**-2,289**	**100,290**	**6,590**	**4,330**	**1,900**	**110,821**
Total	**-6,549**	**59,170**	**9,540**	**-22,090**	**710**	**40,781**

Movement in Reserves Statement

Movement in Reserves Statement - 2020/21	Local Government Pension Scheme 2020/21 £'000	Firefighters 1992 (FPS) Pension Scheme 2020/21 £'000	Firefighters 2006 (NFPS) Pension Scheme 2020/21 £'000	Firefighters 2015 (FPS) Pension Scheme 2020/21 £'000	Firefighters Compensation Pension Scheme 2020/21 £'000	Total 2020/21 £'000
Reversal of net charges to the Surplus or Deficit for the provision of services for post employment benefits in accordance with the code	-4,104	-28,730	-1,500	-27,550	-1,180	-63,064
Employer's contributions payable to scheme	1,678	853	128	8,582	1,463	12,704
Retirement benefits payable to pensioners	-	41,228	74	-5,088	-	36,214
	-2,426	**13,351**	**-1,298**	**-24,056**	**283**	**-14,146**

Movement in Reserves Statement - 2019/20	Local Government Pension Scheme 2019/20 £'000	Firefighters 1992 (FPS) Pension Scheme 2019/20 £'000	Firefighters 2006 (NFPS) Pension Scheme 2019/20 £'000	Firefighters 2015 (FPS) Pension Scheme 2019/20 £'000	Firefighters Compensation Pension Scheme 2019/20 £'000	Total 2019/20 £'000
Reversal of net charges to the Surplus or Deficit for the provision of services for post employment benefits in accordance with the code	-4,260	-41,120	2,950	-26,420	-1,190	-70,040
Employer's contributions payable to scheme	1,558	1,571	147	7,998	1,453	12,727
Retirement benefits payable to pensioners	-	43,747	-65	-5,435	94	38,341
	-2,702	**4,198**	**3,032**	**-23,857**	**357**	**-18,972**

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:

2020/21	Local Government Pension Scheme 2020/21 £'000	Firefighters 1992 (FPS) Pension Scheme 2020/21 £'000	Firefighters 2006 (NFPS) Pension Scheme 2020/21 £'000	Firefighters 2015 (FPS) Pension Scheme 2020/21 £'000	Firefighters Compensation Pension Scheme 2020/21 £'000	Total 2020/21 £'000
Present Value of the defined benefit obligation	123,162	1,328,830	67,270	95,480	27,610	1,642,352
Fair Value of plan assets	-79,062	-	-	-	-	-79,062
Sub total	**44,100**	**1,328,830**	**67,270**	**95,480**	**27,610**	**1,563,290**
Other movements in the liability (asset) if applicable	-	-	-	-	-	-
Net liability arising from defined benefit obligation	**44,100**	**1,328,830**	**67,270**	**95,480**	**27,610**	**1,563,290**

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

2019/20	Local Government Pension Scheme 2019/20 £'000	Firefighters 1992 (FPS) Pension Scheme 2019/20 £'000	Firefighters 2006 (NFPS) Pension Scheme 2019/20 £'000	Firefighters 2015 (FPS) Pension Scheme 2019/20 £'000	Firefighters Compensation Pension Scheme 2019/20 £'000	Total 2019/20 £'000
Present Value of the defined benefit obligation	98,945	1,218,920	55,010	74,520	28,140	1,475,535
Fair Value of plan assets	-64,191	-	-	-	-	-64,191
Sub total	**34,754**	**1,218,920**	**55,010**	**74,520**	**28,140**	**1,411,344**
Other movements in the liability (asset) if applicable	-	-	-	-	-	-
Net liability arising from defined benefit obligation	**34,754**	**1,218,920**	**55,010**	**74,520**	**28,140**	**1,411,344**

The cumulative amount of the re-measurement of the net defined liability recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2021 is a reduction of £137.8m (2019/20 gain of £110.8m). The net liability relating to the defined Benefit Pension Schemes recognised in the Balance Sheet at 31st March 2021 is -£1,563.3m (2019/20 -£1,411.3m), which is made up of scheme liabilities totaling -£1,642.3m (2019/20 -£1,475.5m) less scheme assets £79.0m (2019/20 £64.2m).

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 31st March 2021.

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

2020/21	Local Government Pension Scheme 2020/21 £'000	Firefighters 1992 (FPS) Pension Scheme 2020/21 £'000	Firefighters 2006 (NFPS) Pension Scheme 2020/21 £'000	Firefighters 2015 (FPS) Pension Scheme 2020/21 £'000	Firefighters Compensation Pension Scheme 2020/21 £'000	Total 2020/21 £'000
Opening fair value of scheme assets	**64,191**					**64,191**
Interest income	1,473	-	-	-	-	1,473
Re-measurement gain (loss):						
The return on plan assets, excluding the amount included in the net interest expense	13,701	-	-	-	-	13,701
Contributions from employers	1,678	-	-	-	-	1,678
Contributions from employees into the scheme	614	-	-	-	-	614
Benefits paid	-2,595	-	-	-	-	-2,595
Closing fair value of scheme assets	**79,062**	**-**	**-**	**-**	**-**	**79,062**

2019/20	Local Government Pension Scheme 2019/20 £'000	Firefighters 1992 (FPS) Pension Scheme 2019/20 £'000	Firefighters 2006 (NFPS) Pension Scheme 2019/20 £'000	Firefighters 2015 (FPS) Pension Scheme 2019/20 £'000	Firefighters Compensation Pension Scheme 2019/20 £'000	Total 2019/20 £'000
Opening fair value of scheme assets	**69,070**	**-**	**-**	**-**	**-**	**69,070**
Interest income	1,646	-	-	-	-	1,646
Re-measurement gain (loss):						
The return on plan assets, excluding the amount included in the net interest expense	-5,471	-	-	-	-	-5,471
Contributions from employers	1,558	-	-	-	-	1,558
Contributions from employees into the scheme	569	-	-	-	-	569
Benefits paid	-3,181	-	-	-	-	-3,181
Closing fair value of scheme assets	**64,191**	**-**	**-**	**-**	**-**	**64,191**

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

2020/21	Local Government Pension Scheme 2020/21 £'000	Firefighters 1992 (FPS) Pension Scheme 2020/21 £'000	Firefighters 2006 (NFPS) Pension Scheme 2020/21 £'000	Firefighters 2015 (FPS) Pension Scheme 2020/21 £'000	Firefighters Compensation Pension Scheme 2020/21 £'000	Total 2020/21 £'000
Opening Balance at 1 April	**-98,945**	**-1,218,920**	**-55,010**	**-74,520**	**-28,140**	**-1,475,535**
Current Service Cost	-3,296	-1,410	-170	-21,790	-550	-27,216
Transfers In	-	-	-	-210	-	-210
Interest Cost	-2,254	-26,970	-1,240	-1,920	-630	-33,014
Contributions from scheme participants	-614	-350	-90	-3,840	-	-4,894
Re-measurement gain (loss):						
Actuarial (gains)/losses arising from changes in demographic assumptions						
Actuarial (gains)/losses arising from changes in financial assumptions	-21,349	-115,460	-9,930	-14,500	-1,770	-163,009
Actuarial (gains)/losses on liabilities - experience	728	-8,000	-1,030	17,560	2,250	11,508
Past Service Cost	-27	-	-	-	-	-27
Benefits paid	2,595	42,280	200	3,740	1,230	50,045
Closing Balance 31 March	**-123,162**	**-1,328,830**	**-67,270**	**-95,480**	**-27,610**	**-1,642,352**

2019/20	Local Government Pension Scheme 2019/20 £'000	Firefighters 1992 (FPS) Pension Scheme 2019/20 £'000	Firefighters 2006 (NFPS) Pension Scheme 2019/20 £'000	Firefighters 2015 (FPS) Pension Scheme 2019/20 £'000	Firefighters Compensation Pension Scheme 2019/20 £'000	Total 2019/20 £'000
Opening Balance at 1 April	**-98,833**	**-1,324,080**	**-64,730**	**-54,540**	**-30,080**	**-1,572,263**
Current Service Cost	-3,344	-3,010	-240	-21,250	-460	-28,304
Transfers In	-	-	-	-450	-	-450
Interest Cost	-2,341	-31,990	-1,590	-1,610	-730	-38,261
Contributions from scheme participants	-569	-620	-100	-3,560	-	-4,849
Re-measurement gain (loss):						
Actuarial (gains)/losses arising from changes in demographic assumptions	3,405	40,210	2,130	2,480	1,030	49,255
Actuarial (gains)/losses arising from changes in financial assumptions	1,992	54,370	5,230	3,060	570	65,222
Actuarial (gains)/losses on liabilities - experience	-2,215	5,710	-770	-1,210	300	1,815
Past Service Cost	-221	-5,500	4,880	-	-	-841
Benefits paid	3,181	45,990	180	2,560	1,230	53,141
Closing Balance 31 March	**-98,945**	**-1,218,920**	**-55,010**	**-74,520**	**-28,140**	**-1,475,535**

Local Government Pension Scheme Assets

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

The significant assumptions used by the actuary in 2020/21 have been:

2020/21	Local Government Pension Scheme 2020/21	Firefighters 1992 (FPS) Pension Scheme 2020/21	Firefighters 2006 (NFPS) Pension Scheme 2020/21	Firefighters Compensation Pension Scheme 2020/21
Long term expected rate of return on	%			
Equity investments	79.7			
Bonds	12.9			
Other	7.4			

Mortality assumptions :	Local Government Pension Scheme 2020/21	Firefighters 1992 (FPS) Pension Scheme 2020/21	Firefighters 2006 (NFPS) Pension Scheme 2020/21	Firefighters 2015 (FPS) Pension Scheme 2020/21	Firefighters Compensation Pension Scheme 2020/21
Longevity at 65 for current pensioners :					
- Men	21.9	21.4	21.4	21.4	21.4
- Women	24.7	21.4	21.4	21.4	21.4
Longevity at 65 for future pensioners :					
- Men	22.6	23.1	23.1	23.1	23.1
- Women	25.8	23.1	23.1	23.1	23.1
	%	%	%	%	%
Rate of inflation CPI	2.70	2.40	2.40	2.40	2.40
Rate of increase in salaries	3.95	4.15	4.15	4.15	4.15
Rate of increase in pensions	2.70	2.40	2.40	2.40	2.40
Rate for discounting scheme liabilities	2.10	2.00	2.00	2.00	2.00
Pensions account revaluation rate	2.70	4.15	4.15	4.15	4.15
Take up option to convert annual pension into retirement lump sum.	75%	25.00	17.50	25.00	17.50

The significant assumptions used by the Actuary in 2019/20 were:

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

Mortality assumptions :	Local Government Pension Scheme 2019/20	Firefighters 1992 (FPS) Pension Scheme 2019/20	Firefighters 2006 (NFPS) Pension Scheme 2019/20	Firefighters 2015 (FPS) Pension Scheme 2019/20	Firefighters Compensation Pension Scheme 2019/20
Longevity at 65 for current pensioners :					
- Men	21.80	21.30	21.30	21.30	21.30
- Women	24.60	21.30	21.30	21.30	21.30
Longevity at 65 for future pensioners :					
- Men	22.50	23.00	23.00	23.00	23.00
- Women	25.70	23.00	23.00	23.00	23.00
	%	%	%	%	%
Rate of inflation CPI	2.00	2.00	2.00	2.00	2.00
Rate of increase in salaries	3.25	4.00	4.00	4.00	4.00
Rate of increase in pensions	2.00	2.00	2.00	2.00	2.00
Rate for discounting scheme liabilities	2.30	2.25	2.25	2.25	2.25
Pensions account revaluation rate	2.00	4.00	4.00	4.00	4.00
Take up option to convert annual pension into retirement lump sum.	70 to 80 %	25.00	17.50	17.50	25.00

The 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)	118,391	-127,356
Rate of general increase in salaries (increase or decrease by 0.1%)	123,180	-122,444
Rate of increase in pensions (increase or decrease by 0.1%)	125,023	-120,601
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	120,233	-125,391

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)	49,000	-49,000
Rate of general increase in salaries (increase or decrease by 0.5%)	9,000	-9,000
Rate of increase in pensions (increase or decrease by 0.5%)	102,000	-102,000
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	-108,000	108,000

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)	2,000	-2,000
Rate of general increase in salaries (increase or decrease by 0.5%)	4,000	-4,000
Rate of increase in pensions (increase or decrease by 0.5%)	7,000	-7,000
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	-10,000	10,000

Firefighters Pension Scheme 2015

Firefighters Pension Scheme 2015	Impact on the Defined Benefit obligation in the scheme Increase in assumption £000's	Decrease in assumption £000's
Longevity (increase or decrease in 1 year)	3,000	-3,000
Rate of general increase in salaries (increase or decrease by 0.5%)	7,000	-7,000
Rate of increase in pensions (increase or decrease by 0.5%)	9,000	-9,000
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	-15,000	15,000

Asset and Liability Matching (ALM) Strategy

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

Impact on the Authority's Cash Flows:

Local Government Pension Scheme

The objectives of the scheme are to keep employers' contributions at a constant rate as possible. The Authority has agreed a strategy with the pension fund to achieve a funding level of 100% over the longer term. The management of the pension cash flows is set out in West Yorkshire Pension Fund's Funding Strategy Statement which identifies how employers pension liabilities are best met going forward, supports the regulatory requirement to maintain stable employer contribution rates and makes a prudent long-term view of funding those liabilities. Within 2021/22 the Authority expects to make contributions of £11.06m across all schemes.

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

Firefighters Pension Scheme 1992, 2006 & 2015

The Authority receives a top-up grant from Central Government which reimburses the cost of the Firefighters Pension Scheme 1992, the New Firefighters Pension Scheme 2006 and the 2015 Firefighters Pension Scheme. This grant is received in July which is based on 80% of the estimated pension's deficit for 2020/21 plus the remainder of the 2019/20 grant. The amount received in July 2020 was £31.3m which the Authority uses to manage its pension cash flows.

Note 40 Contingent Liabilities

At 31st March 2021, the Authority has the following contingent liabilities where it is not possible to quantify the financial implications for the Authority:

I. Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1st April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1st April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27th June 2019 the Supreme Court denied the Government's request for an appeal in the case.

On 16th July 2020, the Government published a consultation on the proposed remedy to be applied to Firefighters' Pension Schemes and LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8th October 2020 and HMT published their response to their consultation on 4th February 2021, confirming their approach to remedying age discrimination, in line with their proposals. The liability calculations have been updated to be in line with the agreed final remedy.

This is therefore now a contingent liability as the total liability is only known at the point individuals make a choice between the two schemes as part of the "better of either" remedy. The cost to the Authority of the remedy will be potentially increased employer firefighter pension contributions as the Government has confirmed that the cost to the fire and rescue services will be recouped via increased employer pension contributions from an actuarial review of the scheme by GAD. The results of which are expected to be implemented from the 1st April 2024.

Firefighters' Pension Schemes

The final remedy will apply to those members that were in active service on or prior to 31st March 2012 and on or after 1st April 2015. At retirement, these members will be given a choice in which scheme they wish to accrue benefits over the remedy period, 1st April 2015 to 31st March 2022. To make that choice all members will be automatically defaulted to the legacy scheme during the remedy period and the reformed scheme benefits kept as an underpin. From 1st April 2022, everyone is assumed to accrue benefits in the CARE scheme.

Given the uncertainty in how members' benefits will accrue over the remedy period, with elements such as future salary increases, preferences for early/late retirement over more pension then there are many assumptions that have to be made in order to determine which scheme the member will choose to accrue benefits in at retirement.

It is estimated that the present value of the benefits that would accrue over the remedy period under each member's legacy and the CARE scheme and determined that the member would choose the scheme that had the highest present value. Where retirement dates are different it is assumed that early retirement factors to the CARE benefits to bring in line with the assumed retirement age of the legacy scheme would occur. Where the member's legacy scheme retirement age is lower than 55 it is assumed that the member would remain in their legacy scheme. The effect of this adjustment to the McCloud allowance is a very slight reduction to the overall liability.

LGPS

The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned GAD to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts as at 31st March 2019. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD's report dated 10th June 2019.

Although GAD were asked to carry out their analysis on a "worst-case" basis, there are a number of other potential outcomes to the case which would potentially inflict less cost to the Employer. For example, the solution proposed by the Government would only apply the underpin to all members who were active on 31st March 2012. This would have less impact than GAD's scenario (which also includes any new joiners from 1st April 2012).

II. 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.

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.

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

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

West Yorkshire Fire and Rescue Authority Pension Fund

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

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

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

2019/20 £'000	Contributions Receivable	2020/21 £'000
	From employer	
-9,716	Normal	-9,563
-226	Ill Health	-237
-4,296	From members	-4,284
-14,238		**-14,084**
	Transfers in	
-544	Individual transfers in from other schemes	-217
	Benefits Payable	
38,927	Pensions	40,135
9,797	Lump Sums	5,846
	Payments to and on account leavers	
-	Individual transfers out to other schemes	240
33,942	**Net amount payable for the year**	**31,920**
-33,942	Top Up Grant payable by the Government	-31,920
-		**-**

The table below presents the net asset statement as at 31st March 2021.

2019/20 £'000	Net current assets and Liabilities	2020/21 £'000
3,153	Top Up Grant receivable from Government	3,725
-35	Pensionable Pay Creditor to Home Office	-7
-	Contributions Holiday Debtor from Home Office	-
-	Employee paid but not due	-
-740	Pension payments due but not paid	7
-	Unpaid pension benefits	-
-2,378	Cash (Overdrawn)	-3,725
-		**-**

Overview of the Pension Fund

The Pension Fund Statements have been compiled in accordance with the Code, as detailed in the accounting policies. The above statements do not take account of the liabilities for future retirement benefits, which are recognised in the main accounts of the Authority in note 38 on Defined Benefit Pension Schemes.

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

WYFRA Pension Account

There are three Pension Schemes currently administered by the Authority:

1. Firefighters Pension Scheme 1992 (FPS) operated under the Firefighters Pension Scheme (Amendment) (No 2) (England) Order 2006

2. New Firefighters Pension Scheme 2006 (NFPS) operated under the Firefighters Pension Scheme (England) Order 2006

3. The Firefighters Pension Scheme 2015 as set out in the Firefighters Pension Scheme (England) regulations 2014 (SI 2014/2848)

In addition to the three schemes above the Authority also operates a Retained Firefighters Modified Pension Scheme. This scheme was established in response to the settlement between the National Joint Council (NJC) for Local Authority Fire and Rescue Services and the Fire Brigades Union (FBU) in relation to the Part Time (Prevention of Less Favourable Treatment Regulations) 2000, reached in March 2011.

The Government during 2014/15 introduced the terms of the Retained Firefighters' Pension Settlement that offers pension entitlement for all employees who were employed as Retained Firefighters between 1st July and 5th April 2006 inclusive. The pension benefits are incorporated within the Pension Scheme 2006 (NFPS). It does not constitute a new scheme, rather a modified section of the NFPS with different benefits.

The pension schemes are unfunded meaning that there are no investment assets built up to meet the pension liabilities and cash has to be generated to meet actual payments as they fall due. Entrants to the service since 1st April 2015 are eligible to join the 2015 scheme, a new career average scheme with a normal retirement age of 60. Existing members were either transferred to the 2015 scheme on the 1st April 2015 or will transition to the 2015 scheme at a later date. This is referred to as tapered protection. In the case of Firefighters' who were within 10 years of retirement on 1st April 2012 will remain in either the 1992 (FPS) or the 2006 (NFPS), both of which are final salary schemes.

Pensionable Pay

Following the ruling under the Norman V Cheshire case, the Authority has agreed that some allowances payable to employees who meet pre-determined criteria are pensionable. The Authority has back-dated pension contributions owing for 6 years. This has resulted in a total liability of £0.475m. The Pension Top-up grant received from the Government will be reduced by £0.017m (shown in note 25 – Provisions) of contributions recovered in the year.

West Yorkshire Pension Fund (WYPF) administers and pays Firefighters' pensions on behalf of the Authority under the arrangement of a Service Level Agreement. The account is an unfunded pension scheme and has no investment assets to support its liabilities. It provides for the payment of defined retirement benefits to members, or their dependants, from firefighter and employer contributions during the year and the deficit is topped up annually by Central Government in the form of a grant. This means that the Pension Fund Account balances to nil.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Firefighters Pension Scheme (England) Order 2006. These require a Fire Authority to maintain a pension fund into which employee and employer contributions are paid and out of which pension payments to retirees are made. If the pension fund does not have enough funds to meet the cost of pensions in year, the amount required to meet the deficit is then paid by the Secretary of State to the Fire Authority in the form of a Central Government Top-up grant.

Employees' and employers' contribution levels are based on percentages of pensionable pay set nationally by Central Government and are subject to revaluation by the GAD.

These are detailed in the table below:

	2020/21 1992 (FPS)	2020/21 2006 (NFPS)	2020/21 2015 Scheme
Employer	37.30%	27.40%	28.80%
Employee	11%-17%	8.5%-12.5%	11%-14.5%

West Yorkshire Fire membership of the Pension Fund as at 31st March 2021 is as follows:

Category of Member	1992 (FPS)	2006 (NFPS)	2015 Scheme
Contributors	41	1	911
Deferred Pensioners	93	91	140
Pensioners	2,366	11	40

Accounting Policies

The Pension Fund Accounts for the year ended 31st March 2021 are presented in the format as laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 accrual's basis.

Benefits and Refunds
Benefits and Refunds are accounted for in the year in which they become due for payment.

Transfer Values
Transfer values are those sums paid to, or received from, other schemes, and the Firefighters' Pension Scheme outside England, for individuals, and relate to periods of previous pensionable employment. Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

Current Assets
Debtors are raised for known contributions due at the 31st March 2021 and the Top-up grant due from Central Government.

Current Liabilities
Creditors are raised for employer and employee contributions received into the Fund upto and including the 31st March 2021.

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 Assets – are consumed or will cease to have value within the next financial year
- Non–Current Asset – provide benefits to the organisation for a period of more than one year

Audit
An independent examination of the Authority's activities, either internally or externally by our appointed auditor Deloitte LLP.

Budget
A statement defining in financial terms the Authority's plans over a specified period. The budget is prepared as part of the process of setting the precept.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Adjustment Account
This account provides a balancing mechanism between the different rates at which assets are depreciated and financed.

Capital Financing Costs
Each service is charged with an annual capital charge to reflect the cost of fixed assets used in the provision of services.

Capital Financing Requirement
This measures the underlying need to borrow to finance capital expenditure.

Capital Receipts
These are the proceeds from the sale of capital assets and are treated in accordance with statutory provisions.

Commutation
This is where a member of the pension scheme gives up part of their pension in exchange for an immediate lump sum payment.

Consistency
The concept is that the accounting treatment of like items within an accounting period and from one period to the next is the same.

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 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.

Creditors
Amounts owed by the Authority for work done, goods received, or services rendered but for which payment has not been made at the balance sheet date.

Current Service (Pensions) Cost
The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to a pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is thus unaffected by whether any fund established to meet liabilities is in surplus or deficit.

Debtors
Amounts of money due to the Authority but are unpaid at the balance sheet date.

Depreciated Replacement Cost
A method of valuation based on the gross cost of replacing the asset/building less an allowance for depreciation.

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

Deferred Liabilities
These represent the outstanding obligations on finance leases.

Deferred Premiums and Discounts
These are payment penalties (premiums), or gains (discounts) incurred on certain loans that have been repaid prematurely. The premium or discount is equal to the present value of the difference between the remaining payments, which would have been made on the repaid loan, and the amount that could be received if the sum prematurely repaid was re-advanced at the current rate on a new loan for a period equal to the unexpired term of the original loan.

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 and Procurement Officer).

Expected Rate of Return on Assets (Pensions)
The expected return is a measure of the return on the investment assets held by the scheme for the year. It is not intended to reflect the actual realised return by the scheme, but a longer-term measure, based on the value of assets at the start of the year (taking into account movement in assets during the year) and an expected return factor.

Fair Value
This is the amount that an asset could be bought or sold for between parties; the current market value of an asset can be evidence that the assets have been valued fairly.

Financial Instruments
This is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another. The term covers both financial assets (e.g. loans receivable) and financial liabilities (e.g. borrowings).

Fixed Assets
Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

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:

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

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

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

Minimum Revenue Provision (MRP)
Represents the statutory minimum amount that must be charged to revenue in each financial year to repay external borrowings.

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

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

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

Net Current Replacement Cost
The cost of replacing or recreating an asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value
The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses of realising the asset.

Non-Distributed Costs
These are overheads from which no service now benefits. Costs that may be included are certain pension costs and expenditure on certain unused assets.

Non-Operational Assets
Fixed assets held by the Authority but not directly occupied, used, or consumed in the delivery of services. Examples of non-operational assets are assets that are surplus to requirements, pending sale or redevelopment.

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

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

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

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

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

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

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

Related Parties
Two or more parties are related parties when at any time during a financial period:

- one party has direct or indirect control of the other party: or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests: or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Reserves
A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Revaluation Reserve
This reserve recognises revaluation gains recognised since April 2007.

Revenue Expenditure
This is money spent on the day to day running costs of providing services. It is usually of a recurring nature and produces no permanent asset.

Service Reporting Code of Practice (SeRCOP)
SeRCOP is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. This is increasingly important as Transparency initiatives are expected to become more sophisticated and to evolve constantly.

Settlements and Curtailments (Pensions)
Settlements and curtailments are non-periodic costs. They are events that change the pension liabilities but are not normally covered by actuarial assumptions, for example a reduction in employees through a transfer or termination of an operation.

Tax Income Guarantee (TIG)
Due to COVID19 the Authority’s precept income has reduced due to deficits on council tax and business rates income. The TIG compensates for this by way of a Central Government grant which is allocated on the basis of 75% of those irrecoverable losses on both council tax and business rates income.

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.