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Our Reference
LS/MLJ/LM

Date
27 August 2021

Governance & Performance Working Group:
Cllr Evonne Williams
Cllr Stuart Swann
Cllr Jack Woolley
Cllr Kevin Gillott
Cllr Sue Burfoot

Dear Member

Derbyshire Fire & Rescue Authority Governance & Performance Working Group

Please attend the meeting of the Derbyshire Fire & Rescue Authority Governance & Performance Working Group, which will be held on **Monday 6 September 2021 at 1000 hours** in Room 18 at the Fire & Rescue Service Headquarters, Butterley Hall, Ripley, Derbyshire, DE5 3RS.

The agenda is set out below.

Yours sincerely

Gavin Tomlinson
Chief Fire Officer/Chief Executive

A G E N D A

1. Apologies

2. Declaration of Interests

3. Minutes of the Meeting held on 22 February 2021 (for matters arising)

4. Proposed Scrutiny Programme 2019-20 – Judi Beresford, Director of Corporate Services

5. Revised Key Performance Measures (KPM) and Targets 2021-22 – Carl Wilton, Data & Performance Manager

6. HMICFRS Update – Dean Gazzard, Group Manager Organisational Development

7. Draft 2020-21 Statement of Accounts – Mark Nash, Head of Corporate Financial Services

8. Update on External Audit Arrangements for 2020/2021 (verbal update) - Mark Nash, Head of Corporate Financial Services

9. Internal Audit Annual Report for 2020/2021 - Mandy Marples, Derby City Council, CMAP

10. Progress Report for 2021/2022 - Mandy Marples, Derby City Council, CMAP

11. Joint Working Arrangements Final Audit Report – Mandy Marples, Derby City Council, CMAP

12. Risk Management Final Audit Report - Mandy Marples, Derby City Council, CMAP

13. IT Business Continuity Final Audit Report - Mandy Marples, Derby City Council, CMAP

14. Quarter 1 Performance Summary – Rob Taylor, Deputy Chief Fire Officer

DERBYSHIRE FIRE & RESCUE AUTHORITY

GOVERNANCE AND PERFORMANCE WORKING GROUP
MINUTES OF THE MEETING HELD
22 FEBRUARY 2021

Present: Cllr Evonne Williams (Chair)
Cllr Clive Moesby
Cllr Stuart Brittain
Cllr Linda Chilton
DCFO Rick Roberts
DCS Judi Beresford
AM Clive Stanbrook
AM Roy Reynolds
Louise Taylor – Solicitor/Monitoring Officer
Simon Allsop – Director of Finance/Treasurer
Carl Wilton – Data & Performance Manager
Stephen Key - Systems & MI Developer
Mandy Marples (Derby City Council/CMAP)
Helen Henshaw (Ernst & Young LLP)
Hannah McDonald (Central Midlands
Fiona Cragg - Planning & Projects Officer
Leanne Mellors - PA to Principal Officer

Committee Clerk: Laura Slade

1. APOLOGIES

Cllr Sue Burfoot, AM Rob Taylor

2. DECLARATIONS OF INTEREST

None.

3. MINUTES OF THE MEETING HELD ON 9 NOVEMBER 2020

Members reviewed and signed off previous meeting minutes.

4. REVIEW OF ACCOUNTING POLICIES 202/2021

S Allsop presented the Accounting Policies 2020/2021, members noted these reviewed changes to 3.3 of the appendix, minimum revenue provision statutory charge to 40 years instead of the previous 25 years. The second change referred to the asset valuations and being reviewed more frequently. Changes made to this document were accepted by all members.

5. EXTERNAL AUDIT UPDATE

H Henshaw informed Members that the financial statement was signed last week, completing this audit. We are awaiting the annual audit letter which will be presented in the next meeting once reviewed with S Allsop. To bring this document to the Performance Working Group for consideration.

6. INTERNAL AUDIT PROGRESS REPORT

H McDonald presented the internal audit progress report which provided Members with information on how audit assignments were progressing.

Three completed assignments in full, with the remaining four in progress.

In reference to page 5 of the report, two assignments completed including treasury management and security awareness for cyber security, following suggestions recommended, these will start to be reported through our protective security group. Further updates will be provided to the GPWG when available.

Joint contract review number 9 is currently be addressed and data recovery number 5, action date will now be at the end of July 2021 allowing for an increase up to 12 weeks. Storage in the cloud being designed

In response to a question raised regarding insurance for data lost, S Allsop confirmed that the service has cyber insurance.

Regarding treasury management, more formal training will be taking place in the next financial year. Workforce planning documentation is being provided to Christian, the audit was completed recently and we are hoping for a quick turn around on this.

7. INTERNAL AUDIT PLAN 2021-22 & AUDIT CHARTER

M Marples presented appendix B, the internal audit plan for 2021-22 and the internal audit charter. These are to be reviewed and approved annually.

A risk based plan page 8 of the appendix is in consultation with management using the risk assessment model, the area for review has been agreed however the plan is to remain flexible to allow for emerging risks.

Recommendations agreed by members.

8. KEY SUBJECT MATTER – FIRE PENSIONS

J Beresford confirms that fire pensions continues to be a difficult and complex matter.

S Allsop provided Members with an update regarding the local and financial complications and not yet having an update or guidance with regards to the HMRC tax implications. The revenue period has been extended until October 2023. We have also taken legal advice on how to deal with this in the best way possible.

There is the potential for approximately 60 operational employees who could be impacted by this, we now have a transfer in policy and two other recruitment options to consider along with sourcing training courses to maintain skill gaps.

Members questioned a time scale for this. S Allsop explained that we still need the legislation to be passed first, however the original time scale was that everyone needs to migrate over to the 2015 scheme by 31 March 2022.

Further updates will be provided to the GPWG when available.

9. HMICFRS 2019 INSPECTION REPORT

J Beresford refers members to the action plan page 62 in the appendix. Following the HMI, how effective is the fire service we received a fantastic result but highlighted areas for improvement. Mobile tough books including up to date risk information have now been circulated to 47 of our appliances. eLearning online training is to be completed by all operational employees by August 2021.

The Risk Inspection programme has now been reviewed and we are making really good progress on the National Operational guidance and have issued risk cards.

C Stanbrook updated members that all fire services will be working to the same operational guidance when it comes to Operational incidents. With regards to the Fire Standards board, this is due for inspection and we are on top of this.

J Beresford updated members regarding Mobile data terminals, Systel needs upgrading, this is scheduled to take place in the near future.

With regards to collaboration, we have had progress on the joint fleet system. Community fire station with co-locations is ongoing and we are sharing operation training with NFRS. S Allsop updated members that a plan for collaborating police and fire Procurement and Stores departments are also in progress.

J Beresford updated members regarding looking after people, we received a really good report, recommendations included leadership development but we are confident that we have shown significant progress in this area ready for the next HMI inspection.

10. QUARTER 3 PERFORMANCE SUMMARY 2020/21

Members noted the highlights from the Quarter 3 performance for 2020/21. There has been an increase in accidental, dwelling fires nationally. These statistics decreased during summer and increased during winter. Related fatalities have also increased to five, therefore it is crucial that we focus on prevention here.

RTC statistics have decreased by 30% as influenced by lockdown. However suicide statistics have risen, we have approached mental health charities to assist with prevention methods moving forward.

C Stanbrook updated members on progress regarding safe guarding including a Youtube video that has been circulated widely titled ‘four minutes that could save your life’ There has also been a lot more focused prevention work amongst the smaller stations. On-call are also being well utilised to support this.

R Roberts updated members regarding Control. Mobilisation has improved by 7 seconds and RTC mobilisation has improved by 18 seconds.

Members requested for the statistics to be made public? Action for C Stanbrook to look into advertising publicity through a media approach. Action for C Wilton to extract key statistics to target specific high risk areas.

11. KEY PERFORMANCE MEASURES REVIEW AND TARGETS 2021/22

R Roberts updated members on the annual key performance measures to be monitored over the year for approval. It was identified that the last 12 months data would not be appropriate to use, therefore the previous year’s data would be used instead.

3.8 and 3.9 have had their target number increased as these have not yet been met. 3.12 fire safety target has also been increased. 3.15 response standards to life risk first appliance to arrive within 10 minutes, this is broadly achieved. The 2nd appliance to arrive within 13 minutes, so far this has never been achieved, putting a time on the arrival of the 2nd pump has provided no value to us organisationally. 3.16, the response time for a Control call being answered, we propose measuring this in line with the national standards.

Members are in support of this.

12. COVID-19 HIMICFRS INSPECTION UPDATE

J Beresford provided Members with an update on the recent HMICFRS inspection which focused on the Services’ approach to Covid-19. The National report HMI has now been released. Inspection findings are expected to form the home office report.

Members are happy with the information already provided.

ACTIONS

- C Stanbrook - to look into advertising statistics publicity through a media approach with regards to the Quarter 3 performance summary 2020/21.

- C Wilton - to extract key statistics targeting specific high risk areas with regards to the Quarter 3 performance summary 2020/21.

OPEN	ITEM 4 DECISION

GOVERNANCE & PERFORMANCE WORKING GROUP

6th SEPTEMBER 2021

REPORT OF DIRECTOR OF CORPORATE SERVICES

PROPOSED SCRUTINY PROGRAMME FOR THE GOVERNANCE AND PERFORMANCE WORKING GROUP 2021/22

1. Purpose of Report

1.1 To propose key subject matters for review by the Governance and Performance Working Group (GPWG) to support the Annual Governance Framework 2021/22.

2. Recommendations

2.1 To approve the key subject topics detailed below for review by GPWG during 2021/22.

3. Information and Analysis

The Fire & Rescue Authority Elected Members agreed to replace Portfolio Assurance Statements that underpinned the Annual Governance Statement with scrutiny by Members of specific areas at each GPWG meeting.

3.1 To continue with this theme, below are some proposed topics for scrutiny by Members in 2021/22:

- Workforce planning & pensions
- HMICFRS – progress and outcomes
- Commercial contracts – focus on value for money and the mobilising system
- The Risk Based Inspection Programme – changes to methodology and impact

4. Other Considerations

4.1 None.

This report has been consulted upon and approved by the following officers:
Strategic Leadership Team

Contact Officer:	Contact No:
Director Judi Beresford	01773 305305

OPEN	ITEM 5 INFORMATION

GOVERNANCE & PERFORMANCE WORKING GROUP

SEPTEMBER 2021

REPORT OF CHIEF FIRE OFFICER & CHIEF EXECUTIVE

REVISED KEY PERFORMANCE MEASURES (KPM) AND TARGETS 2021/22.

1. Purpose of Report

1.1 To inform GPWG Members of the revised targets for the suite of KPMs used to monitor Service performance for the period 2021/22 based upon the actual outturn data now available for 2020/21.

2. Recommendation(s)

2.1 Members to consider the report for submission to the September FRA meeting in order to agree to adopt the proposed KPM targets for 2021/22.

3. Information and Analysis

3.1 The KPM targets proposed for approval for the year 2021/22 are outlined in appendix 1 as highlighted.

3.2 The majority of the KPM targets were approved by Fire Authority in February 2021 based on estimates. The actual outturn data has now been confirmed, the outcome being that there are no changes to these targets.

3.3 The impacts of the Covid-19 pandemic on the outturn data for 2020/21 was considered as an influencing factor on some of the targets.

3.4 Targets for some KPMs were not available for proposal in February. A review of these KPM has been undertaken with the following recommended outcomes:

3.5 **KPM3.6 Site Specific Risk Information (SSRI) Full** – Following the review of all Site-Specific Risk Information (SSRI) locations within the county, the target is based on the total of those sites due for inspection in 2020/21 that were delayed by the pandemic plus sites coming due for inspection in 2021/22 (namely the level 5 sites last visited in 2020/21, the level 4 sites last visited in 2019/20 and the level 3 sites last visited in 2018/19).

3.6 **KPM6.2 to KPM6.6 – Service Financial KPM**: All financial KPM targets now ready for approval following budget confirmation.

4. Options Appraisal

4.1 Not applicable

5. Legal Considerations

5.1 The Local Government Act 1999 requires every best value authority to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

5.2 The monitoring of performance indicators and performance standards is one measure by which the Secretary of State can assess the economy, efficiency and effectiveness of an authority.

6. Financial Considerations

6.1 None; there are no additional costs to the Service regarding collation of data for and monitoring against the performance measures.

7. Inclusion and Equality Considerations

7.1 This report accords fully with the Corporate Services Equality Impact Assessment.

8. Further Considerations

8.1 None

This report has been consulted upon and approved by the following officers:
AM Stanbrook, AM Moreland, S Allsop, R McNamee, SLT

Contact Officer: Carl Wilton **Contact No:** 01773 305332

Derbyshire Fire and Rescue Service

Key Performance Measure Targets 2021/22

Community Safety – Prevention:

Measure Title	Measure Description	2020/21 Outturn	Target 2020/21	Target 2021/22	Direction of travel on previous year as at 31 Mar 2021	Lead	Notes
KPM1.1: Accidental Dwelling Fires	Number of accidental dwelling fire incidents attended	414	353	353	⇧	Service Delivery	2021/22 target based on 2019/20 outturn.
KPM1.2a: Fire Fatalities	Number of fatalities in accidental primary fires	5	0	0	⇧	Service Delivery	Aspirational 0 target.
KPM1.2b: Fire Casualties	Number of casualties in accidental primary fires *(excluding precautionary checks and first aid)*	47	32	32	⇧	Service Delivery	2021/22 target based on 2019/20 outturn.
KPM1.4: Deliberate Fires	Number of deliberate primary and secondary fires attended	785	872	872	⇩	Service Delivery	2021/22 target based on 2019/20 outturn
KPM1.13: Direct Engagement Conversion Rates (%)	Percentage of direct engagement activities resulting in a Safe and Well Check	15.3% *(Act.)*	31%	39%	⇩	Service Delivery	2% increase on best year (2019/20) outturn
KPM1.14: SWC Referral rate (%)	Percentage of Safe and Well Checks referred to other agencies	2.8%	10%	10%	⇩	Service Delivery	No change
KPM1.16: SWC delivered to vulnerable and targeted groups	Number of Safe and Well Checks delivered to vulnerable and targeted groups	4,669 *(Act.)*	10,500	13,500	⇩	Service Delivery	3,000 increase over 2 years. Target based on station, CSO and Handy Van activity.
KPM1.17: KSI in RTC	Number of people killed or seriously injured in RTCs attended by DFRS	74	83	83	⇩	Service Delivery	2021/22 target based on 2017/18 outturn
KPM8.1: Risk Reduction	The impact of FRS activities on community risk levels	✓	n/a	n/a	n/a	Service Delivery	Qualitative assurance measure based on risk reduction activities.

Community Safety – Protection

Measure Title	Measure Description	2020/21 Outturn	Target 2020/21	Target 2021/22	Direction of travel on previous year as at 31 Mar 2021	Lead	Notes
KPM2.3: False Alarms	Number of false alarms caused by automatic fire detection in non-domestic properties	302	397	397	⇩	Service Delivery	2021/22 target based on 2019/20 outturn.
KPM2.5: Fires in Non-Domestic Premises	The number of fires in non-domestic buildings	127	150	150	⇩	Service Delivery	2021/22 target based on 2019/20 outturn.
KPM2.7: FSO premises interacted with (%)	Percentage of Fire Safety Order (FSO) premises interacted with	11.3% *(Act.)*	12%	15%	⇩	Service Delivery	% increase to reflect increased Protection establishment.
KPM2.8: Audits triggered by RBIP	Number of Fire Safety audits completed by review date triggered by the RBIP	693 *(Act.)*	670	n/a	⇩	Service Delivery	Target to be agreed pending outcome of review
KPM2.9: SSRI lite	Number of lite Site Specific Risk Information (SSRI) completed	925 *(Act.)*	4344	4344	⇩	Service Delivery	No change

Operational Preparedness

Measure Title	Measure Description	2020/21 Outturn	Target 2020/21	Target 2021/22	Direction of travel on previous year as at 31 Mar 2021	Lead	Notes
KPM3.1: WDS Availability – Staffing (%)	Percentage availability of Wholetime/Day Crewed appliances (staffing)	99%	99%	99%	⇧	Service Delivery	No change.
KPM3.2: On-Call Availability – Staffing (%)	Percentage availability of On-Call appliances (staffing)	86%	82%	82%	⇧	Service Delivery	No change.
KPM3.3: WDS Core Competency (%)	Percentage of core competency (via assessment) measures performing on target for Wholetime/Day crew personnel.	100%	100%	100%	No change	Service Delivery	No change.
KPM3.4: On-Call Core Competency (%)	Percentage of core competency (via assessment) measures performing on target for On-Call personnel	100%	100%	100%	No change	Service Delivery	No change.

Measure Title	Measure Description	2020/21 Outturn	Target 2020/21	Target 2021/22	Direction of travel on previous year as at 31 Mar 2021	Lead	Notes
KPM3.5: Officer Core Competency (%)	Percentage of core competency (via assessment) measures performing on target for Officers	100%	100%	100%	No change	Service Delivery	No change.
KPM3.6: SSRI full	Number of full Site-Specific Risk Information (SSRI) completed	36	126	60	⇩	Service Delivery	New target

Incident Response

Measure Title	Measure Description	2020/21 Outturn	Target 2020/21	Target 2021/22	Direction of travel on previous year as at 31 Mar 2021	Lead	Notes
KPM4.1: Response Standards 1st pump (%)	Percentage of response standards met for life risk fire incidents – 1st pump	87.9%	80%	80%	⇧	Service Delivery	No change.
KPM5.1: Post contact satisfaction (%)	Percentage of respondents to post contact surveys who showed satisfaction with the Service	100%	98%	98%	No change	Service Delivery	No change.
KPM4.8: Call handling	Call handling times for P1 and P2 fires by Joint Control	89 seconds	n/a	89 seconds	⇩	Service Delivery	New KPM
KPM4.7: Mobilising system availability (%)	Percentage availability of the mobilising system	99%	99%	99%	⇧	Systems and Information	No change

Training Provision

Measure Title	Measure Description	2020/21 Outturn	Target 2020/21	Target 2021/22	Direction of travel on previous year as at 31 Mar 2021	Lead	Notes
KPM7.4: Course Attendance	Number of people taking up training courses provided	n/a	90%	90%	n/a	Service Delivery	No change

Corporate/Financial:

Measure Title	Measure Description	2020/21 Outturn	Target 2020/21	Target 2021/22	Direction of travel on previous year as at 31 Mar 2021	Lead	Notes
KPM5.2: Shifts lost to sickness (All staff)	Average working days/shifts lost to sickness absence by all staff	6.5	7.1	7.2	⇩	People & Org Development	Stretch target – average of the last 2 years.
KPM8.1: Operational workforce from under-represented groups	Percentage of operational workforce who are from under-represented groups	12%	N/A	14%	⇧	Community Safety & Central Policy	New KPM
KPM8.2: Operational workforce who are female	Percentage of operational workforce who are female	9%	N/A	11%	⇧	Community Safety & Central Policy	New KPM
KPM8.3: Recruitment – Positive Action	Percentage of wholetime recruits who engaged with Positive Action	25%	N/A	25%	N/A	Community Safety & Central Policy	New KPM
KPM5.5: CIPFA	Compliance with CIPFA code of Governance	100%	100%	100%	No change	Corporate Financial Services	No change.
KPM6.1: Financial Strategy	Achievement of medium-term financial strategy to deliver cost effective services	100%	100%	100%	No change	Corporate Financial Services	No change.
KPM6.2: Service Expenditure	Total Service expenditure per head of population	£36.25 *(Act.)*	£39.13	£39.47	⇧	Corporate Financial Services	
KPM6.3: Response Expenditure	Total cost of response per head of population	£21.59 *(Act.)*	£21.88	£22.23	⇧	Corporate Financial Services	
KPM6.4: Community Safety Expenditure	Total cost of community safety per head of population	£3.54 *(Act.)*	£3.85	£3.47	⇧	Corporate Financial Services	
KPM6.5: Non-Operational Expenditure	Total cost of non-operational expenditure per head of population	£11.12 *(Act.)*	£13.73	£13.77	⇧	Corporate Financial Services	
KPM6.6: Band D Council Tax charge	Cost of Service per band D dwelling council tax	£77.73 *(Act.)*	£77.73	£79.27	⇧	Corporate Financial Services	

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OPEN	ITEM 6 DECISION

GOVERNANCE & PERFORMANCE WORKING GROUP

6 SEPTEMBER 2021

REPORT OF GROUP MANAGER PEOPLE & ORGANISATIONAL DEVELOPMENT

KEY SUBJECT MATTERS FOR THE 2022 INSPECTION BY HER MAJESTIES INSPECTORATE of CONSTABULARIES FIRE AND RESCUE SERVICES (HMICFRS)

1. Purpose of Report

1.1 To provide an update and assurance to the Governance and Performance Working Group (GPWG) on preparatory work being undertaken in support of the 2022 HMICFRS inspection.

2. Recommendations

2.1 To note work being undertaken in preparation for the 2022 Inspection, providing assurance that the Service is as prepared as is reasonably practicable.

3. Information and Analysis

3.1 In 2019 Derbyshire Fire & Rescue Service (DFRS) had its first HMICFRS inspection and performance report, an overall summary of the findings of the report can be found attached as appendix A.

3.2 Since the publication of the report DFRS has worked hard to improve in the Areas for Improvement (AFIs) which were identified in the report, and to maintain a positive direction of travel in the areas which were identified as good and outstanding.

3.3 In 2022 DFRS will host their second full inspection by HMICFRS, with a performance report distributed at the end of the year. This will feed into the national ‘State of Fire’ report produced by Sir Thomas Winsor.

3.4 The preparatory work now being undertaken is aimed at providing assurance to the Fire and Rescue Authority (FRA) and DFRS Strategic Leadership Team (SLT) that the Service is prepared for the inspection and in the best position possible to meet the requirements of the 3 assessment areas contained within the inspection.

4. Other Considerations

4.1 None.

This report has been consulted upon and approved by the following officers:
Strategic Leadership Team

Contact Officer:	**Contact No:**
GM Dean Gazzard	07867373397

Appendix 6a

Overall summary

HMICFRS are pleased with the performance of Derbyshire Fire and Rescue Service (FRS) in keeping people safe and secure. But it needs to improve in some areas to give a consistently good service.

Derbyshire FRS is good at providing an effective service to the public. It is good at:

- preventing fires and other risks;
- protecting the public through fire regulation;
- responding to fires and other emergencies; and
- responding to national risks.

But it requires improvement in how it understands the risk of fire and other emergencies.

Derbyshire FRS is good in the efficiency of its services. We found it to be good at making the best use of resources. And it is good at making its services affordable now and in the future.

The service is good at looking after its people. It is outstanding at promoting the right values and culture. And it is good at getting the right people with the right skills and in how it ensures fairness and promotes diversity.

But it requires improvement to the way it manages performance and develops leaders.

Overall, we commend Derbyshire Fire and Rescue Service for its performance. This provides a good foundation for improvement in the year ahead.

A full copy of the report can be found at the following link;

https://www.justiceinspectorates.gov.uk/hmicfrs/wp-content/uploads/derbyshire-fire-and-rescue-service-report-2018-19.pdf

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OPEN	ITEM 7 DECISION

DERBYSHIRE FIRE & RESCUE AUTHORITY

SEPTEMBER 2021

REPORT OF DIRECTOR OF FINANCE/TREASURER

DRAFT STATEMENT OF ACCOUNTS 2020/21

1. Purpose of Report

1.1 To present to members on the Draft Statement of Accounts for 2020/21.

2. Recommendations

2.1 Members note the report.

3. Information and Analysis

Background

3.1 The Authority will normally publish the final accounts by 31st July in any financial year. Due to the ongoing impact of Covid 19 on available resources within public sector bodies and external auditors the government issued the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 which deferred the deadline for draft accounts until 31st July and final audited accounts till 30th September.

3.2 The amended regulations also changed the period for public inspection, now required to run for 30 days and commence no later than the 1st of August. The draft DFRS Statement of Accounts was signed by the Director of Finance on 30th July and has been available for inspection since the 31st of July.

3.3 These draft accounts will be examined by the authorities external auditors, Ernst & Young LLP, and once a final audit opinion has been received, the accounts will be presented to members for approval.

3.4 The timetable and expected completion date for the external audit has not yet been agreed.

Reporting Requirements

3.3 The draft accounts are no longer required to be approved before publication but have been presented for members for information.

4. Legal Considerations

4.1 The completion and inspection of the accounts is detailed within The Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021.

5. Other Considerations

5.1 None.

This report has been consulted upon and approved by the following officers:

Strategic Leadership Team

Contact Officer: Simon Allsop **Contact No:** 01773 305410

Background Papers:

None.

2020-21
STATEMENT OF ACCOUNTS

FOR THE DERBYSHIRE FIRE & RESCUE AUTHORITY

AND

THE DFRS & DPFP LLP GROUP

Table of Contents

1. Introduction

The purpose of the narrative report is to provide a summary of the most significant matters reported in the Financial Statements. It explains the purpose of the Financial Statements that follow, provides a summary of the Authority's financial activities during 2020/21, and its financial position as at 31st March 2021. It also looks to the future and considers the challenges faced by the Authority.

2. Background

Derbyshire Fire and Rescue Authority (DFRA) is responsible for the finances of Derbyshire Fire and Rescue Service (DFRS), with a net budget of £39.9m being approved by Fire Authority Members for 2020/21 (£37.9m for 2019/20). The Authority is responsible for providing fire and rescue services to a population of more than a million people in the City of Derby and the County of Derbyshire. In 2020/21 our Joint Control received in the region of 49,000 calls and the Authority responded to around 5,800 incidents. The Authority manages its affairs to ensure the economic, efficient and effective use of resources and to safeguard its assets. This remains vital if the Authority is to continue to deliver a high quality service to its communities. This responsibility is shared by all Members and Officers of the Authority under the leadership of the Fire Authority and the Chief Fire Officer / Chief Executive. The Joint Director of Finance / Treasurer for Derbyshire Fire and Rescue Service and Derbyshire Constabulary plays a pivotal role in ensuring financial stewardship.

The Authority continues to face significant financial uncertainty, through funding reductions in recent years, other economic challenges and, more recently, financial unpredictability as the devastating economic impact of Covid-19 on public finances plays out. The favourable 2020/21 outturn position reflects the Authority's comprehensive and timely approach to securing efficiencies. The Authority has been proactive in its approach to financial challenges, having secured savings of around £11.5m over the period 2011/12 to 2020/21. In 2020/21 savings of £0.4m were achieved through the Integrated Risk Management Plan, 'Our Plan (IRMP)' 2020-23. Performance against budget is monitored closely by the Authority and also by the Strategic Leadership Team, which consists of the Authority's senior officers.

3. The Financial Statements

This document contains the Authority's accounts for 2020/21 which have been prepared in accordance with the Accounts and Audit Regulations (2015) and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code') and the CIPFA Service Reporting Code of Practice 2020/21 (SeRCOP). The accounts present a true and fair view of the financial position and transactions of the Authority. Appropriate accounting policies have been applied consistently and prudent judgements and estimates have been made in compliance with the Code. The Authority keeps proper, up-to-date financial records, maintains effective internal control, risk management systems, and takes all reasonable steps to ensure the prevention and detection of fraud and other irregularities.

The following sections provide the reader with:

- An explanation of the accounting statements which follow;
- A review of the Authority's financial performance in 2020/21; and
- The Authority's financial position as at 31st March 2021.

A glossary of terms is provided on pages 93-96 of these accounts to assist the reader.

4. The 2020/21 Statements of Accounts

The main statements and their purpose within the accounts are the:

- **Statement of Responsibilities** – this sets out the responsibilities of the Authority and the Director of Finance/Treasurer for preparing the accounts;
- **Annual Governance Statement** – this sets out the framework within which financial control is managed and reviewed, and the main components of the system;
- **Movement in Reserves Statement** – this statement shows the movement in the year of the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves' (i.e. those reserves which are not backed by true cash and hold accounting adjustments only). The '(Surplus) or Deficit on the Provision of Services' line shows the true cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for council tax setting. The 'Net (Increase) / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority;

- **Comprehensive Income and Expenditure Statement** – 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;
- **Balance Sheet** - this summarises the financial position of the Authority as at 31st March 2021;
- **Cash Flow Statement** - this summarises the total external cash movements during the year for revenue and capital purposes;
- **Statement of Accounting Policies** – this explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts;
- **Notes to the Core Financial Statements** - this set of notes covers all the core financial statements and provides more information on particular items within the core financial statements;
- **Pension Fund** - Derbyshire County Council administers the Local Government Pension Fund. The Firefighters' Pension Schemes are administered by West Yorkshire Pension Fund. The Firefighters' Pension Schemes became funded schemes on 1st April 2006 whereby any surplus or deficit on the fund is 'topped up' by the government;
- **Auditor's Report to the Authority** – this is the report of the independent Auditor on the Statement of Accounts.

In December 2014 Members of Derbyshire Fire and Rescue Authority approved the creation of a Limited Liability Partnership (LLP) between the Fire and Rescue Service, the Office of the Police and Crime Commissioner for Derbyshire (OPCC), and Derbyshire Constabulary to oversee the construction and management of the Joint Police and Fire Headquarters and Joint Training Centre. This enabled the interests of both partners and their Management Board Members to be protected within a formal partnership agreement with equal voting rights. The Management Board of DPFP LLP comprises of eight Members in total; four from Derbyshire Fire and Rescue Service, one from Derbyshire Constabulary, and three from the OPCC. The Chair of Derbyshire Fire Authority and the Police and Crime Commissioner (PCC) (Elected Officials) alternate in sharing the roles of Chair and Vice Chair of the Board.

Group Accounts have been drawn up for DFRS and Derbyshire Police and Fire Partnership Limited Liability Partnership (DPFP LLP) to reflect the Joint Venture nature of the partnership, since both parties have contractually agreed to share control, with decisions requiring unanimous consent. Both have rights to the net assets of the arrangements. The group accounts have been drawn up using the equity method in line with the Code of Practice. The Group Accounts consist of a Balance Sheet, Comprehensive Income and Expenditure Statement, and a Movement in Reserves Statement with associated notes. Where statements and notes have not been shown for the Group it is because they are not materially different to the Single Entity Statement.

5. Spending and Funding

DFRA is a precepting Authority. This means a substantial part of the funds required to operate are generated from a direct charge on the council tax payer, and through non-domestic rates (business rates), the remainder coming from government grants and income generated by the Authority.

The Settlement Funding Assessment (provided by the government) for 2020/21 was £13.2m, an increase of £0.2m (1.5%) when compared to the 2019/20 allocation of £13.0m. The Fire Authority agreed a net budget of £39.9m for 2020/21 (£37.9m in 2019/20).

The Authority issued a precept on the City, District and Borough Councils amounting to £25.1m and recovered non-domestic rates (NDR) income of £10.0m, which includes Section 31 Government Grant. All amounts received are disclosed in the Comprehensive Income and Expenditure Statement. The Authority were part of the Derbyshire Business Rates Pool in 2020/21. The Authority also received pension grant funding of £1.9m in year.

Revenue Expenditure 2020/21

Revenue expenditure consists of the day-to-day running costs of the Authority, such as employee costs, premises and transport related costs, as well as any income generated. The 2020/21 outturn position is summarised below, being revenue expenditure of £44.6m against a budget of £43m, and income of £45.8m against a budget of £43.0m. Actual income and expenditure for the 2020/21 financial year is shown against the Authority's Approved Budget below. The underspend against the budget is £1.2m. The planned underspend reflects the Authority's long term approach to challenging our efficiency, to enable us to plan effectively to protect staff and services. This is in accordance with the Authority's Medium Term Financial Strategy. A favourable level of closing reserves remains essential in supporting the Authority's commitment to longer term planning, future development of the Service, and the continued protection of our communities.

Budget Management Statement

Actual 2019/20		**Approved Updated Budget 2020/21**	**Actual April 2020 - March 2021**	**Variance against Approved Budget**
£'000		**£'000**	**£'000**	**£'000**
29,885	Direct Employee Expenses (Note 1)	31,347	31,107	(240)
1,262	Indirect Employee Expenses (Note 2)	1,333	1,310	(23)
3,623	Premises Related (Note 3)	3,673	3,672	(1)
1,469	Transport Related (Note 4)	1,469	1,460	(9)
5,320	Supplies & Services (Note 5)	4,502	4,092	(410)
402	Capital Financing Costs	370	370	0
721	Minimum Revenue Provision (MRP)(Note 6)	679	403	(276)
1,740	Revenue Contributions to Capital (Note 7)	0	779	779
(424)	Trading Company Dividend	(378)	(390)	(12)
(717)	Contribution to/from Earmarked Reserve (Note 8)	(18)	1,828	1,846
43,281	**Subtotal Expenditure**	**42,977**	**44,631**	**1,654**
(24,247)	Precept	(25,100)	(25,100)	0
(4,171)	Revenue Support Grant	(4,239)	(4,239)	0
(9,954)	Non-Domestic Rates (Note 9)	(9,883)	(11,183)	(1,300)
(5,171)	Other Income (Note 10)	(3,755)	(5,314)	(1,559)
(43,543)	**Total Financing**	**(42,977)**	**(45,836)**	**(2,859)**
(262)	**Overall Total**	**0**	**(1,205)**	**(1,205)**

The main variations are considered below:

Note 1 - Direct Employee Expenses – *An overall underspend of £239,896 comprises of Admin, Professional, Technical and Clerical pay £482,398, Operational Employees £197,877 (overspend), Control Staff pay £117, and On Call £44,742 (overspend). The underspend represents 0.8% of the overall staffing budget. Increased spend experienced in March 2021 is attributable to an increase in fire related incidents, and a significant uplift to the number of Safe and Well Checks and Direct Engagement as the lockdown lifted. Further costs are attributable to the stoic efforts of staff volunteering to support communities at vaccine centres across Derbyshire. Covid-19 Emergency Grant funding of £287,421 has been recovered towards the staffing cost of heightened activity due to the Covid-19 pandemic.*

The budget is constructed to include a vacancy factor for anticipated turnover and the budgetary underspends at outturn are in addition to this allowance. Actual vacancies in established posts were 9.7FTE vacancies as at 31st March 2021.

Note 2 - Indirect Employee Expenses – *underspends of £25,036 are in relation to training budgets, which aligns with our steadfast commitment that classrooms (and class sizes) are Covid-19 secure, and our ongoing* *safeguarding of employees.* ***Relocation Expenses*** *underspends of some £9,400, and* ***Recruitment Advertising*** *underspends of £8,287 are also reported.*

Other - Pensions *– the net effect of DFRS Ill Health and Injury Allowance pension costs, which are not funded through Home Office grant, results in an adverse budget variance of £46,171.*

Note 3 - Premises Related – Repairs, Alterations and Maintenance of Buildings - *an overspend of £39,285 is due predominantly to the cost of retaining contractors during the first wave of the Covid-19 outbreak. Planned building maintenance underspends of £27,489 offset this one-off cost in part.*

Note 4 - Transport Related – Direct Transport Costs - *there has been a significant underspend of £113,123 in bulk fuel spend due to a reduced demand for fuel because of restricted vehicle movements throughout the Covid-19 pandemic. Additionally, the transport department has introduced greater competition when purchasing bulk fuel, and the Service has also taken full advantage of the gracious free fuel offer from BP filling station whereby 18,602 litres of free fuel was obtained, creating a saving of circa £24,200 on forecourt prices.*

Although ***Fleet Maintenance*** *costs have continued on a downward trend over recent years, an overspend of £64,512 is apparent at outturn. This is attributable to an unforeseen number of vehicle defects, especially with some older appliances.* ***Purchase of Vehicle Equipment*** *budget overspends of £43,619 reflect the purchase of aluminium portable ladders that were "end of useful life" and beyond the manufacturers recommended age of 18 years. Vehicle equipment and fleet maintenance overspends are funded by the savings identified in the purchase of bulk fuel.*

Transport Insurance *– an overspend of £35,178 reflects significant changes in the insurance market, specific to a reduction in capacity (the withdrawal of insurers) and increasing claims inflation. The increase is not directly associated with Derbyshire Fire Service's performance, but a general underwriting loss over the insurance industry. In fact, the closing position takes account of a low claims rebate for the amount of £12,090 received in year, which reflects the diligent efforts of staff.*

Note 5 - Supplies and Services – Equipment, Furniture and Materials *- underspends include* ***Smoke Alarms*** *£56,047 which are due to a reduced number of Safe and Well Checks and Direct Engagement during the various stages of lockdown, and* ***Operational Equipment Purchase*** *£42,503, primarily due to Covid-19 and Brexit related supply chain difficulties. Other budget underspends include* ***Community Safety Youth Programme Costs*** *£22,717,* ***Hydrant Maintenance*** *£21,607, and* ***General Office Equipment and Furnitur****e £15,984.*

Clothes, Uniforms and Laundry *– in March 2019 Members approved the continuation of collaborative arrangements involving Nottinghamshire Fire and Rescue Service (NFRS) and DFRS regarding the purchase of replacement structural personal protective equipment (PPE), with the majority of kit being purchased and distributed during the 2019/20 financial year. An underspend of £38,784 on* ***Uniform and Protective Clothing Repairs*** *directly correlates with this investment. The Joint PPE Reserve of £175,000, originally established to contribute towards the purchase of new kit, will remain in place to meet the cost of kitting out new recruits in 2021/22, as items of personal protective equipment are taken out of stock.*

Printing, Stationery and General Office Expenses *– includes printing, copy charges and stationery budget underspends amounting to some £59,843 and reflect the necessity of work from home arrangements over a prolonged period.*

External Audit Fee *– further to the dispute over substantial 'scale fee variations', the accounts reflect that provision has been made for 2019/20 and 2020/21 increases, which have been referred to the Public Sector Sustainability Association (PSSA). This amounts to £28,330 for each financial year. Corresponding underspends include* ***Marketing and Communication*** *£14,824, and* ***Medical Fees*** *£14,206.*

Communications and Computing *- underspends of £128,651 have been achieved by working closely with our suppliers. Using Trustmarque has enabled DFRS to manage our Microsoft Licensing Agreement effectively meaning that an overall reduction of £55,000 was achieved against budgeted costs. Where possible ICT software licences have been purchased on a three year basis as suppliers often provide a substantial discount for this commitment, for example Splunk £27,000, and Zerto £7,000. Additionally, frameworks have been utilised, such as purchasing VMware licences through the Police ICT Company, and savings of circa £41,000 have been made by working with and managing our suppliers.*

The Service continues to be dependent on ICT systems and solutions, and to assess its ICT infrastructure requirements in response to the pandemic and beyond, as the Agile Working Project evolves. Covid-19 related expenditure of circa £117,700 has been incurred in year. The full amount has been recovered through Covid-19 Emergency Grant funding, as reflected in the year end position.

Underspends of £38,548 reflect reduced ***Subsistence, Overnight Accommodation*** *and* ***Hospitality*** *expenditure, all of which are considered to be Covid-19 related.*

Miscellaneous Expenses *- overspends of £46,356 reflect the diligent efforts of the community safety team in respect of community work, including sprinkler match funding awards, and contributions to partnership initiatives such as the Adult Safeguarding Board, Vulnerable Adult Risk Management Multi Agency Group, Healthy Homes, the Derbyshire LGBT conference, and the Firestoppers initiative. A decision has been taken not to fund such items through the Protecting the Most Vulnerable Reserve, due to year end underspends. This will enable that the reserve remains buoyant for future community related initiatives. Corresponding underspends include* ***Members Expenses and Allowances*** *£12,982.*

Note 6 - Minimum Revenue Provision *- an underspend of £275,983 aligns with our approved Medium Term Financial Strategy, and our revised approach to capital financing.*

Note 7 - Revenue Contributions to Capital *– expenditure of £778,778 reflects the financing of the capital programme.*

Note 8 - Contribution to / from Earmarked Reserve *– a variance of £1,846,456 primarily comprises of the following:*

- ***Transfer to Reserves*** *- a variance of £789,155 and £123,456 illustrates the receipt of Covid-19 Emergency Grant Funding being taken to reserves. This is offset by the use of Covid-19 funding, being £316,550 at outturn;*

- ***Transfer to Reserves*** *– a variance of £1,202,460 reflects the transfer of 2020/21 Section 31 Grant. This funding will be received in financial year 2021/22 but relates to 2020/21 deficits;*

- ***Transfer to Reserves*** *- a contribution to reserves of £350,000 is in relation to the establishment of a* ***Water Rescue Equipment Reserve****, which will ensure fire fighter safety through the reassurance of appropriate equipment purchase, and a further £40,000 will enhance* ***Water Rescue Operational Training*** *aligned with the publication of the Department for Environment, Food and Rural Affairs (DEFRA) Flood Rescue Concept of Operations;*

- ***Transfers to Reserves*** *– a further transfer of £127,801 reflects an accrual for Tax Income Guarantee (TIG) government funding being taken to earmarked reserves;*

- ***Transfer to Reserves*** *- at the June 2020 Fire Authority, Members were informed of two additional grants awarded by the Home Office, namely for the* ***Building Risk Review Programme*** *£60,000, and the* ***Protection Uplift Programme*** *£72,849. Also, following the Grenfell Tower Enquiry Phase 1 Report, the Ministry of Housing, Communities and Local Government (MHCLG) issued a new* ***2020/21 Infrastructure Fund*** *of £81,885 to DFRS. Income amounting to £214,734 was taken to reserves accordingly, this is offset by the use of £25,186 in year;*

- ***Transfer from Reserves -*** *expenditure of £719,415 represents a transfer from the Capital Development Reserve which forms part of the financing of the 2020/21 capital programme.*

Note 9 – Non-Domestic Rates *- a variance of £1,202,460 reflects Section 31 government grant compensation relating to the expansion of rate reliefs for businesses, announced by the government in the Autumn Statement. This enables that the deficit will be met in year 2021/22. The remaining variance reflects Section 31 Business Rates Reliefs funding from the MHCLG being above budgeted levels.*

Note 10 - Other Income *- a variance of £1,127,345 arises through the receipt of Covid-19 Emergency Grant Funding for the amounts of £789,155 and £123,456, and Protection Grant Funding of £81,885, £72,849, and £60,000 received during the year 2020/21. This funding was taken to earmarked reserves. A further variance of £127,801 reflects the receipt of Tax Income Guarantee, subsequently taken to reserves, being compensation for 75% of irrecoverable council tax and business rates income from the government.*

Secondment Income *– income of £174,243 against a nil budget is specific to secondments, which include a control post secondment and two support personnel secondments.*

Local Authority and Partnership Income *– a variance of £63,074 is primarily due to a favourable Derbyshire Business Rates Pool Outturn position (estimated at this stage).*

Recovered Costs *– income of £39,982 reflects the reimbursement for Driver Assistance, and specifically the stoical efforts of our crews in assisting our blue light partners during the first outbreak of the pandemic.*

Insurance Income *– a variance of £39,959 relates in the main to the reimbursement for stolen items at Wirksworth Fire Station. It also reflects the recovery of the majority of stolen items in salvageable condition, and their being put back into service.*

Variances Year on Year

***Direct Employee Expenses** – increased year on year costs primarily reflect increased staffing numbers and heightened activity due to the Covid-19 pandemic. This includes the stoic efforts of DFRS staff in supporting our local communities by delivering prescriptions, driving ambulances, and volunteering to assist at vaccine centres across Derbyshire. A 2% pay award also applies.*

***Supplies & Services** – during 2019/20 the Service laid out a significant investment in the purchase of replacement structural personal protective equipment, amounting to circa £1m. Further, payments of some £312,000 were made to other Fire and Rescue Services for their assistance at Toddbrook Reservoir Dam, Whaley Bridge, for which DFRS and partners were locally and nationally applauded. A Bellwin Scheme claim was instigated and successfully carried out. Furthermore, an ICT budget overspend of £93,900 was largely attributable to the purchase of additional hardware to meet service requirements caused by Covid-19 with regards to the necessity for 'work from home' arrangements towards the end of the financial year.*

*Budget underspends in 2020/21, being primarily Covid-19 related, are outlined above and include **Smoke Alarms** £56,047, **Operational Equipment Purchase** £42,503, and **Community Safety Youth Programme Costs** £22,717.*

***Minimum Revenue Provision** – a reduced year on year charge aligns with our approved Medium Term Financial Strategy, and our revised approach to capital financing.*

***Revenue Contribution to Capital** - year on year variations reflect reduced capital programme expenditure during 2020/21 due to the Covid-19 pandemic, and a greater use of capital receipts to finance the programme.*

***Contributions to / from Earmarked Reserves** – in 2019/20 entries primarily reflected **Reserves Funding of the Capital Programme** £1.017m, and contributions of £500,000 to the **Capital Development Reserve** and £247,000 to the **Vehicle Replacement Fund**. A lower level of capital funding through earmarked reserves was required in 2020/21, and other transactions reflect in the main the transfer of discreet government grant funding being taken to earmarked reserves, such as Covid-19 Emergency Grant and other MHCLG and Home Office grants to support the protection pathway, as outlined above. Further, two additional earmarked reserves were established during 2020/21, being the **Water Rescue Equipment Reserve** of £350,000, and the **Water Rescue Training Reserve** of £40,000.*

***Precept** – reflects a 1.98% increase approved by Members in February 2020, alongside tax base increases, being an increase in collectable council tax due to property development across Derbyshire.*

***Other Income –** the Service received significant income in 2019/20, which included Police contributions of £722,600 towards capital works undertaken at a number of fire stations to include Shirebrook Fire Station, Bakewell Fire Station, and Ascot Drive Fire Station. A significantly reduced Police contribution in 2020/21 reflects that only one smaller co-location was completed during the year, at Long Eaton Fire Station. Furthermore, during 2019/20 income of £379,176 was recovered through the Bellwin Scheme (from MHCLG) and was in relation to the major incident at Toddbrook Reservoir Dam, Whaley Bridge.*

During 2020/21 the Service received significant government grant funding, the majority of which was taken to earmarked reserves. This is outlined in more detail in Section 8 of the narrative report.

Capital Expenditure 2020/21

Capital expenditure in the year amounted to £1.4m. This is a variance of £1.9m against the revised budget of £3.3m, comprising of Tri Control Project slippage of £1.0m, breathing apparatus slippage of £0.6m, building programme slippage of £0.2m, and technology projects slippage of £0.1m. The capital programme was funded as follows: £0.7m from revenue and reserves, £0.7m from capital receipts and £0.1m from capital contributions (co-location schemes).

Capital expenditure and financing is summarised in the table below:

2019/20	**Capital Expenditure**	**2020/21**
£'000		**£'000**
1,032	Building Projects	527
73	Technology Projects	317
1,018	Equipment	597
2,123	**Total**	**1,441**

2019/20	**Financing of Capital Expenditure**	**2020/21**
£'000		**£'000**
(1,017)	Revenue and Reserves	(719)
0	Capital Grant	0
(383)	Capital Receipts	(663)
(723)	Capital Contributions	(59)
0	Borrowing	0
0	Finance Leases	0
(2,123)	**Total Financing**	**(1,441)**

6. Borrowing

Total debt outstanding at 31st March 2021 was £8.0m, relating to borrowing that is owed to the Public Works Loan Board (PWLB) at fixed rates of interest. No new PWLB borrowing has been undertaken in the last eight years, and the Authority did not enter into any new finance leases in 2020/21.

7. Short Term Investments and Cash and Cash Equivalents

The Fire Authority holds £10.0m short term investments which represent short fixed-term deposits held with other local authorities as covered by the Treasury Management Strategy. Total interest for the year on investments was £0.011m. The average rate of interest for investments held during 2020/21 was 0.21% which is a decrease from 0.66% for 2019/20, however the risk rating is in the lowest rated category. The comparatively lower return reflects the policy of keeping investments short term to allow the Authority to fund capital schemes without the need to increase borrowing.

8. Reserves and Balances

At 31st March 2021 the Authority had uncommitted **General Reserves** of £1.9m (£1.9m as at 31st March 2020), a **Capital Development Reserve** of £1.7m (£1.9m as at 31st March 2020), **Revenue Earmarked Reserves** of £4.1m (£1.4m as at 31st March 2020), a **Tri Control and Emergency Services Network Reserve** of £1.3m (£1.3m as at 31st March 2020), a **Strategic Risk Reserve** of £2.1m (£1.6m as at 31st March 2020), and an **Invest to Save Reserve** of £0.4m (£0.4m as at 31st March 2020). The Authority also had **Capital Grants Unapplied** of £1.3m and a **Capital Receipts Reserve** of £1.1m**.** The total reserves balance at the end of the year stands at £13.9m of which £12.0m is committed. The reserves position is subject to regular comprehensive review. A full review of reserves was undertaken as part of the Medium Term Financial Strategy 2021/22 to 2024/25, Medium Term Financial Plan 2021/22 to 2024/25, and budget setting process, and was reported to and approved by the Fire Authority in February 2021.

The **Capital Development Reserve** supports our capital programme, the closing balance is £1.7m. Future capital grant awards and transformation funding opportunities remain uncertain. The reserve remains essential in supporting the Authority's commitment to longer term planning, and the future development of the Service. Revenue budget underspends of £0.5m have been transferred to this reserve accordingly.

The **Tri Control and Emergency Services Network (ESN) Reserve** provides for uncertainty around the Tri Control and Emergency Services Mobile Communications Programme (ESMCP), and emerging requirements. It builds capacity to support alternative mobilising systems if required, the replacement for Airwave (being ESN), and to meet other national resilience proposals.

Capital Grants Unapplied provide for the balance of the Resilience and Efficiency Grant, towards the Tri Control Project costs, and (the balance of) Home Office funding for the ESN project.

The **Strategic Risk Reserve** is set aside to support unplanned expenditure arising from a wide range of corporate risk and business continuity matters, encompassing items such as staffing (including resilience cover), major incidents (including environmental and large scale mobilisation), legal challenge, technology, security and asset management. Revenue budget underspends of £0.705m in 2020/21 have been transferred to this reserve accordingly. The Strategic Risk Reserve will be used to bridge any future funding shortfall, subject to the realisation of our latest IRMP ‘Our Plan (IRMP)’ 2020 - 2023 targeted savings.

The **Invest to Save Reserve** provides funding to deliver structural change and pump prime projects which require investment to deliver savings, and service delivery improvements, in the longer term.

The following are included within **Revenue Earmarked Reserves**:

Following the outbreak of Covid-19 the Home Office announced funding of some £3.7bn, in 3 tranches, to support local authorities. DFRS received the first tranche of funding in March 2020 for the amount of £0.158m. This amount was transferred to a newly established **Covid-19 Emergency Funding Reserve**.

The second tranche of funding, being £0.789m was subsequently received by the Authority during the year, with a further £0.123m being received just before the close of the financial year. The Service continues to monitor cost pressures resulting from the outbreak and its wide-ranging impact. The amount of £316,550 was used to fund Covid-19 related spend in year, leaving a balance of £0.754m to carry to year 2021/22.

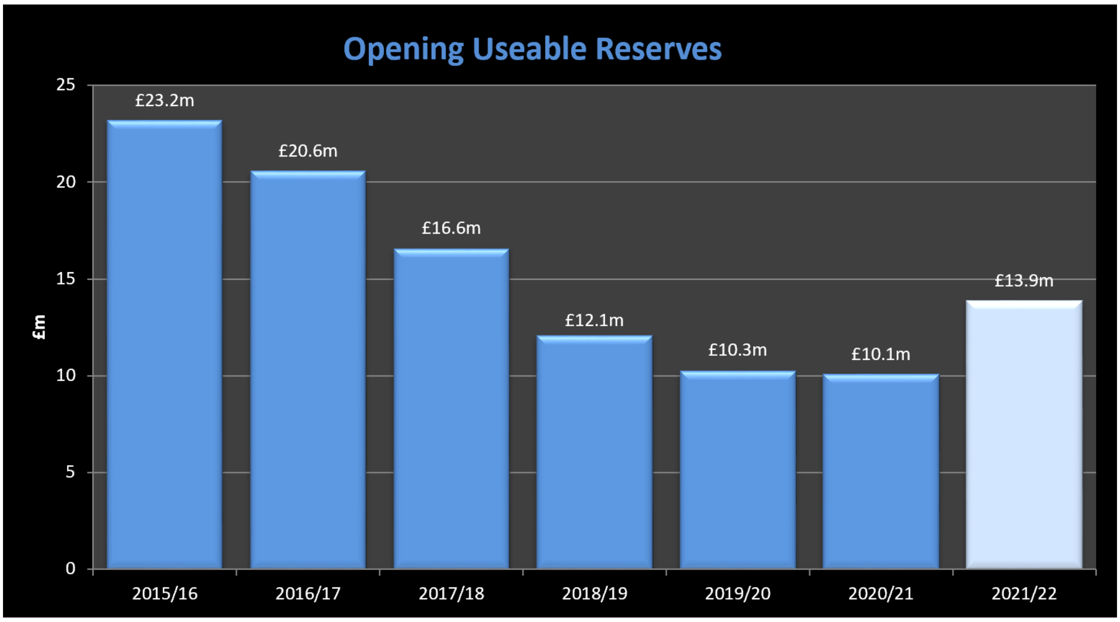
A new reserve of £1,202,460, the **Section 31 Grant Reserve,** reflects income due to the Authority from the government, which will meet irrecoverable business rates income losses associated with the expansion of business rate concessions.

Also, MHCLG have issued details of the Tax Income Guarantee compensation, being 75% of 2020/21 irrecoverable losses for council tax and the business rates scheme, as announced in the Spending Review. A new **Tax Income Guarantee Reserve** has been established accordingly for £127,801 which will be received by the Authority in 2021/22.

A further three new reserves record the receipt of ring-fenced grant funding, specifically the **Grenfell Infrastructure Grant Reserve** £81,885 (Home Office funding), the **Building Risk Grant Reserve** £60,000, and the **Protection Uplift Grant Reserve** £72,849 (both from MHCLG). A total of £25,186 was used to fund related expenditure during the year, with the remaining balances being £77,909, £56,010 and £55,629 respectively.

As part of the closedown process a further new reserve, the **Water Rescue Equipment Reserve** of £350,000 has been established. This significant investment in water rescue personal protective equipment, boats and other associated equipment over a number of years will ensure that firefighters have the appropriate equipment to undertake this specialist role in a safe and controlled manner.

Aligned with the **Water Rescue Equipment Reserve**, a new **Water Rescue Training Reserve** of £40,000 will enhance firefighter capabilities and safety, and accords with the DEFRA Flood Rescue Concept of Operations (FRCO), and the protection pathway.



An appropriate level of reserves remains essential in meeting the Authority's future financial challenges and will support the Authority's plans to deliver its services more efficiently to reflect the changing needs and demography of our community. This reflects the Authority's commitment to longer-term planning and is consistent with the current review of the Authority's capital programme. The ongoing pandemic and the advancing stages of the government's roadmap continues to affect the level of financial uncertainty for the Service, particularly as the resultant economic shock and its impact on public finances plays out. The Service has experienced significant collection fund deficits at year end and will work to closely monitor the future impact and, in particular, any adverse effect on the level of reserves held.

9. Pension Fund (IAS 19)

An independent actuary has assessed the liabilities for pension schemes in which the Authority participates, namely the Firefighters' Pension Schemes and the Local Government Pension Scheme. The Balance Sheet includes a pension liability of £559.6m (£491.2m in 2019/20), of which £536.1m (£478.6m in 2019/20) relates to the unfunded Firefighters' Pension Scheme**.** The inclusion of this amount is an indication that the Authority has not paid into a fund, nor set aside amounts to fully discharge expected future pension costs at current valuations. The accounts include the full pension liability, which is actually incurred over many years. It does not affect the Authority's ability to continue as a going concern as it refers to future liabilities which will be met by future contributions. A more detailed analysis of the Authority's pension liability can be found in Note 36.

10. Our Service Achievements

Service Key Achievements during 2020/21

During 2020/21, the Service is proud to say it delivered numerous key projects. They have been achieved through the dedication and hard work of personnel within the Service.

Below are just a few of our successes:

- supporting the wellbeing of our personnel and our communities throughout all stages of the Covid-19 pandemic (as endorsed by HMICFRS);
- providing enhanced support to our communities & our partners through additional activities during the onset of the pandemic, to include driving ambulances, providing DFRS personnel to drive patient transport vehicles to convey patients to and from hospitals, delivering pharmaceuticals and critical supplies to hospitals, GPs and vulnerable members of the community who were shielding, and more recently, our support with the vaccine roll out across Derbyshire;
- bolstering our protection resource, aligned with the Grenfell Report and HMICFRS findings;
- deliberate fires attended fell by 10% (90 incidents);
- overall attendances to false alarm incidents fell by 5% (111 incidents), the cumulative effect of which leave us 2nd in our family group;
- continuation of joint working specific to property, fleet, and prevention and inclusion activities;
- continued co-location of Police (and other partners) onto our fire stations.

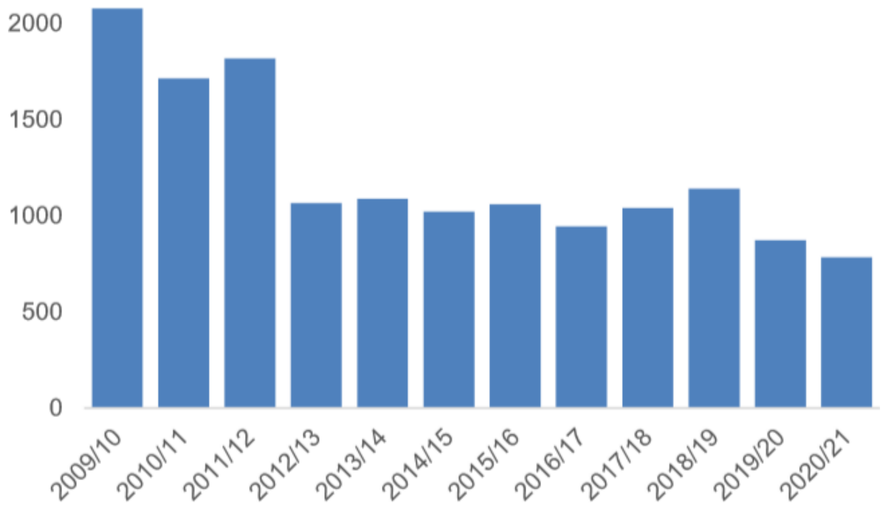
Our Performance

The Service monitors performance against its Key Performance Measures. These are reported to Members quarterly and align with our Integrated Risk Management Plan. Performance monitoring is captured through the service performance dashboards which provide 'live' data where possible, allowing Principal Officers, Strategic Leadership Team, Authority Members and Service Managers to make truly informed decisions. Examples are shown below.

Deliberate Fires Attended

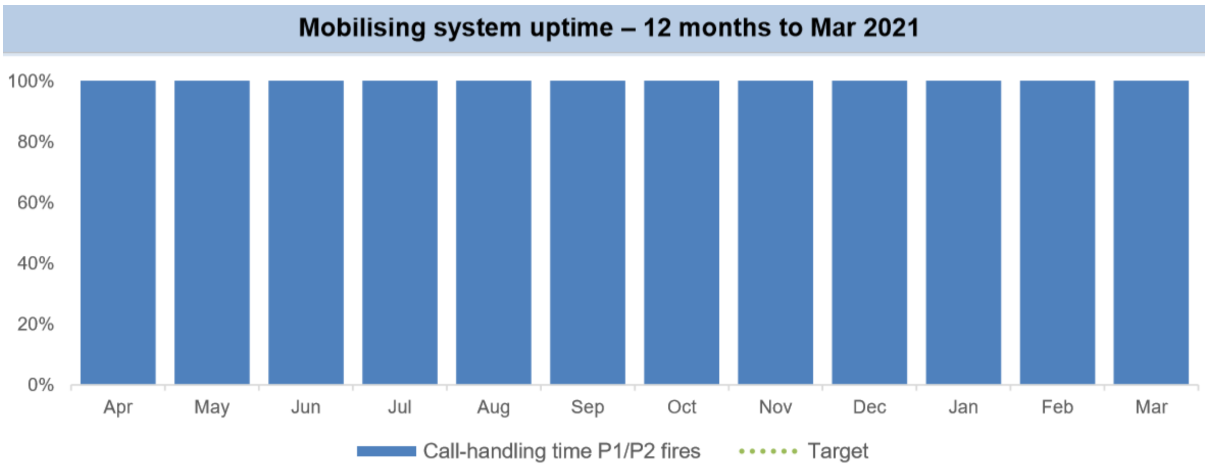
784 deliberate fires represent the lowest yearly total on record for this measure. This decline is reflected across each of the main property types, with outdoor fires declining by 24% when comparing 2020/21 against the average of the previous 5 years. This achievement shows the value of the prevention work that we undertake right across the Service, which includes working with partners and educational campaigns.

Deliberate Fires 2009/10 to 2020/21



Emergency Calls

Despite the impact of coronavirus related absence experienced in year, Joint Control achieved its best call handling annual performance to date. This target is for emergency calls answered within 7 seconds, with annual performance reaching 96.7% of calls being answered within this time, slightly in excess of the target of 96%.



Finance

Annual Budget **£39.9m**

Ongoing Savings **£11.5m** 2011-21

Our Fleet

40 Fire appliances

12 Special appliances

Our People

DFRS employs a total of **875** people

Joint Control Staff **36**

Wholetime Firefighters **364**

On-Call Firefighters **290**

Support Staff **185**

12% Of our operational workforce are from under-represented groups

8% Of our operational workforce are female (above the national average)

Derbyshire Fire & Rescue Service

Making Derbyshire Safer Together

Our Year 2020/21

Making Derbyshire Safer Together

Figures are rounded up/down

Covid Activity

Supporting The Community Response

50 Vaccine Centre Volunteers

Set up and decommissioned **13** Lateral Flow Testing sites across Derbyshire

332 Face fit tests carried out for the NHS/partner agencies

5 Training videos to support our colleagues fit and wear PPE safely

67 Covid related risk assessments along with **18** risk cards produced, or advised on

23,000 Pharmacy deliveries

87% Of staff felt supported by the Service during Covid-19

Incidents

5,800 Incidents attended

6% Reduction on 2019/20

3 School fires

Assisted other agencies on **200** occassions

680 Over-border mobilisations

Nearly doubled against 5 year average

5 Fatalities in accidental dwelling fires

410 Accidental dwelling fires

51% Caused by cooking

17% Increase

780 Deliberate fires

Lowest on record

438 RTCs

14 Killed and **60** seriously injured (RTCs)

62 Animal rescues

50 Incidents relating to flooding and water

Protection Activity: Protecting Derbyshire

799 Fire Safety Audits of which **162** were unsatisfactory and made safer

3 Prosecution convictions

922 SSRI undertaken

1,595 Consultations

1,114 Protection advice given

302 False alarms attended

Collaboration

Joint Fire Control

1 Police Partner Agency - SV2 at Buxton

Sharing **8** sites with EMAS

NHS East Midlands Ambulance Service NHS Trust

Sharing **6** sites with Police

Joint Working

Fleet Team

Assets Team

Prevention and Inclusion strategy

Awards

2020 ENGAGE AWARDS

2020 Engage Awards

Best Employee Wellbeing Strategy

2020 enei Awards

LGBT+ & Allies Network – *Highly Commended*

2020 enei AWARDS

2020 Women in the Fire Service Awards

WFS

Woman Firefighter Rising Star - *Winner*

'Bright Light' *Runner-Up*

Social Reach

Local fire stations

26 Facebook accounts

12 Instagram accounts

39 Twitter accounts

@DerbshireFRS accounts

		Increase on previous year
Posts:	**6,294**	**82%**
Traffic:	**85,848**	**94%**
Engagement:	**189,455**	**87%**
Followers:	**53,192**	**14%**

Prevention Activity: Protecting You

1,114 Adults and Children at Risk referrals

ADVICE

HELP

15 Safeguarding Adult and Children referrals

1,289 EMAS referrals triaged

560 Telephone Safe and Well Checks undertaken

104 Adults at Risk received befriending calls

"Hi, how are you?"

9200 Direct engagements

15% Resulting in Safe and Well checks

4700 Safe and Well checks

Schools Fire Safety Online Package shared with **308** schools

FireStoppers. launched

LGBT+ & Inclusivity

Reverse Mentoring nationally recognised

216 People attended online Positive Action recruitment sessions

Delivered LGBT+ online conferences to **150** people

LGBT+ & Allies Employee Network

11. Future Outlook

The Authority has set a balanced budget for 2021/22 and our Integrated Risk Management Plan 'Our Plan (IRMP)' 2020 - 2023 sets out the Service's priorities for the next three years. In updating its Medium Term Financial Strategy, the Authority continues to monitor and assess the sensitivities and impact of proposed changes in funding mechanisms, national and regional projects, and opportunities for partnership working. The Authority continues to plan for challenges presented through the substantial economic impact of the Covid-19 pandemic, local government reform, other local and national initiatives, business rates reform, the localisation of council tax, the implications of the Emergency Services Mobile Communications Programme, changes in pension related legislation, leaving the European Union (EU), uncertainty over future capital funding, sources of funding, and funding formulas for the Fire and Rescue Service.

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

In June 2019 DFRS welcomed its first inspection conducted by Her Majesty's Inspectorate. The focus was on the service provided to the public and the way in which our resources are used according to risk. There are three 'pillars' to the inspection – namely 'effectiveness, efficiency and people'. The inspection considered the manner and means by which the Service delivers its activities across a range of activities targeting prevention, protection, and its response to fire and other emergencies. It also assessed how well the people who work for the Service are supported and trained.

Fire Authority Members gave approval for the Chief Fire Officer / Chief Executive to develop an Action Plan to ensure the continuing progress of the Service toward the next HMICFRS inspection, and noted the positive findings following the HMICFRS inspection of the Service in summer 2019.

In August 2020, HMICFRS were commissioned by the Home Secretary to inspect how DFRS were responding to the Covid-19 pandemic. The report positively outlined additional support given to the community of Derbyshire during the first phase of the pandemic. This support included driving ambulances and delivering food. Firefighters also helped deliver pharmaceuticals to hospitals, GP surgeries and people who were shielding. The report observed that resources were well managed, with the Service's financial position being largely unaffected, communications with staff throughout were comprehensive, including on issues relating to staff wellbeing, and that the Service is continuing to use our on call workforce more effectively to provide community-focused activity, such as support to the ambulance service.

DFRS will now determine how it will adopt, for the longer term, the new and innovative ways of working introduced during the pandemic, to secure lasting improvements.

Collaboration

The Policing and Crime Act 2017 places a duty to collaborate on the Police, Fire and Ambulance Services. Collaboration should improve public safety, efficiency and effectiveness, providing better outcomes for communities.

We work in collaboration with a range of partners, most notably Derbyshire Constabulary with whom we now share a modern headquarters building and a state of the art joint training centre. We are also in the process of sharing operational buildings throughout Derbyshire, all of which are managed by a Joint Head of Strategic Assets and Property Team. We also share a Joint Director of Finance / Treasurer and the joint work of the Police and Fire Prevention Team further enhance our ability to improve community safety.

DFRA, in conjunction with Nottinghamshire Fire and Rescue Authority, approved the provision of a Joint Control function in December 2018, under Section 16 of the Fire and Rescue Services Act. As a result of this decision, NFRS control staff were TUPE'd over to DFRS during 2019/20, prior to restructure. This collaborative project has secured annual savings in the region of £0.30m for DFRS in 2020/21 on an ongoing basis.

The Authority remains committed to support joint and collaborative workings with colleagues across the region and has played a prominent part in the Tri Service Control Programme, as well as other regional initiatives to include cross-border workings and the dog unit.

We are committed to further explore collaboration and partnership opportunities throughout the life of 'Our Plan (IRMP)' 2020-2023 and beyond.

Covid-19

The United Kingdom began to feel the most substantial impacts of the worldwide Covid-19 pandemic in March 2020. DFRS moved swiftly to develop and, following the governments advice, introduced a number of planned service changes to ensure continuity of essential emergency service provision whilst safeguarding both the public and staff and preventing the continued spread of the virus. The changes made, significantly affected the activities undertaken by the Authority and the structure of service delivery in operational areas. Responding to the threat of Covid-19 dominated the Service during the end of the 2019/20 financial year and throughout 2020/21. At every stage DFRS has followed the government's guidelines and timetables.

In the initial lock down stage all but essential Prevention and Protection activity was ceased. Interaction with individuals and visits to premises were only carried out where there was considered to be a risk of death or serious injury. Operational response was limited to essential activities only and non-essential staff were prevented from visiting stations to further protect crew members from potential exposure. Support staff and all other officers within the headquarters were enabled to work from home and continue to do so as per the current government advice.

In response to the contagious nature of the virus and the initial estimates of a potential 30 – 50% reduction in staff availability the Service further restructured Operational Response. DFRS introduced an 'island model' creating 4 self-contained districts. This preventative measure would restrict the widespread cross contamination of personal in the event of any outbreak.

This was a fast evolving situation as conditions across the world developed daily and more information became available. The Service used daily Gold (strategic) meetings to assess developing conditions and direct service changes. Tactical support was provided via the Silver group of all department heads. Further liaison with other district partners to provide coordinated responses including Police, Local Authorities and NHS takes place through the Strategic and Tactical Command Groups (SCG, TCG) and the Local Resilience Forum (LRF). During this time DFRS has been able to support other public sector organisations and vulnerable members of the community through additional activities. These include making available the joint training centre as a centralised district personal protective equipment hub, delivering medical supplies, providing drivers for East Midland Ambulance Service (EMAS) assisting in surge testing and vaccinations.

Whilst there has understandably been some disruption to non-essential work the successful adoption of remote working and virtual meetings has allowed most support areas to continue and develop new ways of working. The Service has successfully negotiated these critical times and avoided shortages of personal protective equipment or cash flow issues. The Service did not furlough any staff as a public body and instead any displaced staff were redeployed within the Service or to assist the community and LRF support activities.

Summer Months

Thankfully DFRS has not experienced the initial estimates of 30 – 50% staff reductions and sickness and infection remains low. During 2020/21 the Service has developed plans to 'return to normal' in line with the gradual relaxing Covid control measure by the government. The summer months allowed the Service to consider a staged return to normality and partial re-occupancy of DFRS headquarters. During these months the Service resumed aspects of training and community work, whilst ensuring compliance with social distancing, appropriate personal protective equipment and relevant risk assessments. At each stage the Service reviewed the approach and was prepared to pause or roll back as required.

New procedures where introduced to ensure the headquarters building is 'Covid Secure' and a safe working environment for staff. These included reduced occupancy (30% max), one way systems, and enhanced cleaning and rota systems. A partial return to work had begun during September prior to the upturn in Covid-19 cases over the winter.

Unfortunately, the emergence of Covid-19 variants and additional spikes in infections has meant the Service has not rolled back all Covid-19 measures and continues to work in a remote way as the risk of infection remains high.

A full roll back of all Covid-19 response actions has not yet been implemented but the Service continues to closely monitor the national and local position. Weekly 'Gold' and 'TCG' meetings have been re-introduced as the situation evolves and the Service remains ready to respond immediately to any changing requirements.

Finance

The government provided several tranches of additional non ring-fenced funding of which DFRS has received a total of £1.07m. The first tranche of funding (£0.16m) was received in March of the 2019/20 financial year and the remaining £0.91m has been received during the 2020/21 year. The Service has and continues to use this funding to provide additional personal protective equipment for our front line staff, additional ICT to enable effective remote working, and to fund the additional costs of response when needed to cover Covid related sickness or periods of required isolation. The additional funding has also enabled the additional community support activities for medical deliveries, driving for EMAS, testing and vaccination support.

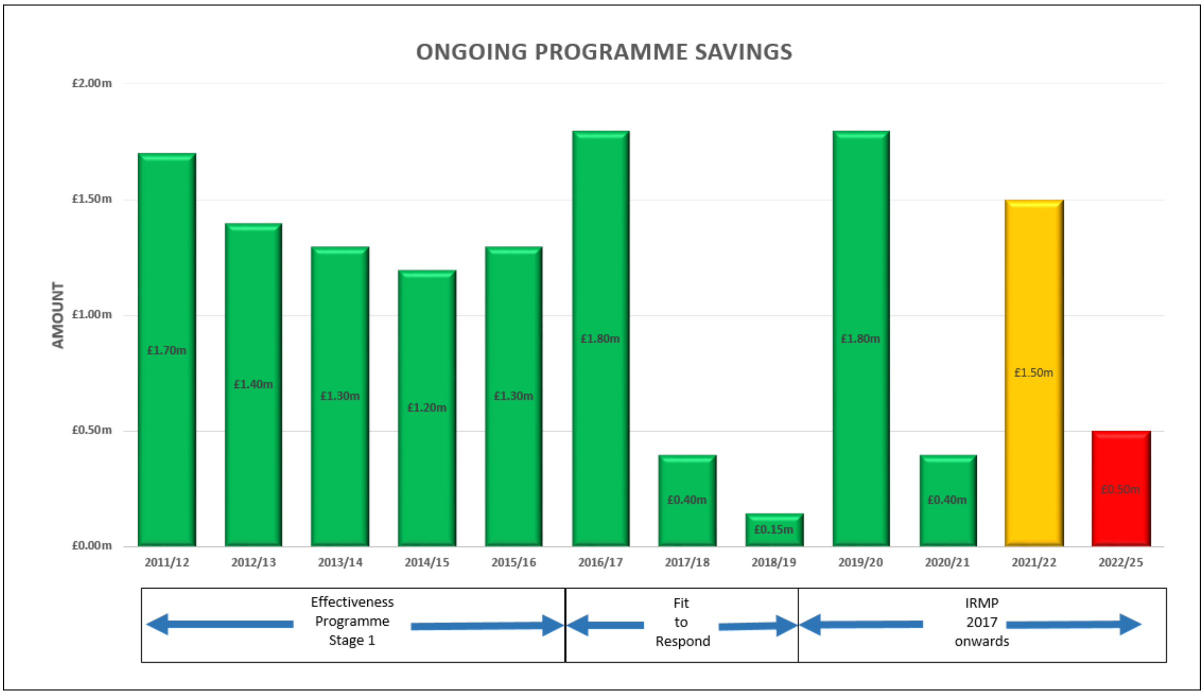
The effect on future finances is currently unknown as the Covid-19 outbreak adds further uncertainty to the public sector finance picture. DFRS is funded through direct government support of the Revenue Support Grant and also by significant local taxation. The government has provided considerable financial support during the crisis but how this will affect future funding allocations is unknown. Similarly, both council tax and business rates income are likely to be significantly impacted as households and businesses struggle to recover from the financial impact of repeated periods of lockdown. During 2020/21 the Services council tax and business rate income was reduced by £1.5m, compensation income of £1.3m was received by DFRS and is contained within earmarked reserves. The Service continues to monitor this evolving situation with our Local Authority neighbours (responsible for administering collection of council tax and business rates).

Reductions in local tax income are being considered in preparation for the DFRS 2023 – 2026 Medium Term Financial Strategy. A number of best/worst case variations are modelled including potential support from central government to compensate for lost income, however the picture remains unclear. More certainty will be available following the chancellors budget statement and the Spending Review expected later in the year.

The Service will use its reserves, including the additional government funding where necessary, to mitigate the impact of funding restrictions in the short term. However, a significant reduction in Revenue Support Grant, council tax or NDR income would not be sustainable for the Service.

In Summary

The Authority anticipates a budget shortfall of around £0.5m over the period 2022/23 through to 2024/25, as set out in more detail in our Medium Term Financial Plan. This is kept under continual review. Significant savings successfully delivered so far demonstrate the Service's determined efforts to address the challenge of greater uncertainty and, more recently, the heightened financial risk associated with the Covid-19 pandemic, alongside financial restraint and reform. A summary of savings achieved to date and the savings target is shown in the following graph.



DFRS experienced significant financial challenge resulting from the global financial crisis when, from its peak in February 2008 to its lowest point in March 2019, GDP shrank by 6.9%. Early reports following the Covid-19 outbreak outline an unprecedented contraction three times the size, with economists suggesting that the country would plunge into a deep recession. Economic recovery will likely be a drawn out affair, as restrictions are only lifted gradually and businesses and consumers continue to exercise caution. Covid-19 has caused unparalleled economic turmoil, the effect of which is likely to scar the UK economy for years to come.

The Authority is aware of the risk of a shrinking economy on its financial sustainability, although the ongoing impact to the Service cannot be quantified at the current time. The Authority will continue to assess and monitor the impact of this, and other financial challenges, and take necessary steps to continue to protect the communities of Derbyshire and its most highly vulnerable residents.

Derbyshire Fire and Rescue Service continues to be diligent in its alignment of operational delivery, strategic financial planning, and financial governance in order to best serve the needs of our changing communities.

Signed:
Simon Allsop
Director of Finance/Treasurer to Derbyshire Fire and Rescue Authority
Date 30 July 2021

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs.

The Authority has determined that the Director of Finance/Treasurer is the officer that:

- manages its affairs to secure economic, efficient and effective use of resources and safeguards its assets;

- approves the Statement of Accounts.

The Director of Finance/Treasurer's Responsibilities

The Director of Finance/Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom*. The Statement is required to present fairly, the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2021.

In preparing this Statement of Accounts, the Director of Finance/Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Director of Finance/Treasurer has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of Derbyshire Fire and Rescue Authority at 31st March 2021 and its income and expenditure for the year ended 31st March 2021.

Signed:
Simon Allsop
Director of Finance/Treasurer to Derbyshire Fire and Rescue Authority
Date: 30 July 2021

DERBYSHIRE FIRE AND RESCUE AUTHORITY

ANNUAL GOVERNANCE STATEMENT 2020-2021

Scope of Responsibility

Derbyshire Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted an updated Code of Corporate Governance, which is consistent with the principles of the **CIPFA/SOLACE** Framework.
***"Delivering Good Governance in Local Government*.**"

Included within the Code are the following core principles: -

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

2. Ensuring openness and comprehensive stakeholder engagement.

3. Defining outcomes in terms of sustainable economic, social, and environmental benefits.

4. Determining the interventions necessary to optimise the achievement of the intended outcomes.

5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

6. Managing risks and performance through robust internal control and strong public financial management.

7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

(A copy of the code, setting out the core and supporting principles, what the Authority commits itself to do and how it will do this can be found on our website at:
https://www.derbys-fire.gov.uk/about-us/governance
This statement explains how the Authority has complied with the code and also meets the requirements of regulation 6(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The Governance Framework primarily includes systems and processes and culture and values by which the Authority directs and controls its activities and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically.

The Governance Framework has been in place at the Authority for the year ended 31 March 2021 and up to the date of approval of the 2020/21 Statement of Accounts.

The Governance Framework

The key elements of the Authority's Governance Framework include:

a) The Members' Handbook which includes key documents such as the Standing Orders, Scheme of Delegation, Code of Corporate Governance, and the Members' Code of Conduct which form part of the Authority's Constitution which sets out the Authority's powers, services and the procedures to be followed to ensure that decisions made by the Authority are transparent and properly accounted for.

b) The Authority operates a Working Group structure aligned to strategic objectives, with agreed Terms of Reference:

- **Governance and Performance Working Group** (GPWG) which provides scrutiny as to the adequacy and effectiveness of the Authority's internal and external audit service and risk management arrangements, and which operates in line with the core functions identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.
- **Members' Standards Committee** – to provide advice and training for Members and Co-opted members regarding matters relating to the Members' Code of Conduct and ethics.
- **Inclusion and Equality Forum** - to monitor and constructively challenge performance, progress against objectives in the Diversity & Inclusion Strategy and associated Fire and Rescue Service Equality Framework.
- **Local Pension Board** - as required under The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015, was formed in 2015 to oversee

compliance in the operation of the Firefighters' Pension Schemes (FPS). The Board usually meets quarterly but due to Covid restrictions and more frequent informal meetings with the Board Chair due to specific FPS workstream demands, the Board formally met twice during 2020/21.

The Board's governance oversight during 2020/21 concentrated on two major workstreams.

Firstly, the contract for FPS Pension Administration in respect of the Tri-Service Boards was transferred from Leicestershire County Council to West Yorkshire Pension Fund (WYPF). This followed a lengthy formal procurement process and close working between the two Administrators and three fire and rescue authorities for a prolonged period to ensure a seamless, effective and wholly accurate implementation and transfer of service. The Board was appraised of progress and provided with evidence of assurance in respect of contract negotiations and implementation activities throughout the process. This was provided both via formal Board meetings and regular informal meetings between the Board Chair and advisers. The service transferred successfully to WYPF on 1 December 2020.

The main emphasis of FPS governance during 2020/21 has been in relation to the national Sargeant/McCloud Transitional Protection Employment Tribunal outcome and the subsequent requirement for an effective remedy to implement the Judgment.

The Board's Chair has held frequent discussions with the Board's advisers throughout the year to ensure Derbyshire Fire & Rescue Service (the Service) can enable the effective delivery of a risk-mitigated remedy, particularly with respect to those FPS members in "Immediate Detriment". Board members and advisers have been attendees on many national groups created to support or lobby government in its design of a remedy. The Board has been a key contributor to these national meetings and has provided detailed written formal responses to government proposals, identifying gaps, and recommending potential solutions.

c) The Governance and Performance Working Group (GPWG), as well as the Authority itself, received regular reports on the Service's performance arrangements. Annual Performance and engaging easy to read Quarterly Performance Reports are published on our website and shared through social media channels.

d) An approved Corporate Risk Register is reviewed at GPWG, which monitors risk and makes recommendations to the Authority when necessary.

e) An approved '***Local Code of Corporate Governance***' in accordance with the CIPFA/SOLACE Framework for Corporate Governance.

f) The designation of the Chief Fire Officer as Chief Executive responsible to the Authority for all Fire and Rescue matters.

g) The designation of the Deputy Chief Fire Officer (DCFO) responsible on behalf of the Chief Fire Officer/Chief Executive for ensuring that Health and Safety is adopted within the strategic management and decision making processes of the Service.

h) The designation of the Solicitor as Monitoring Officer with the requirement to report to the full Authority if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration.

i) The designation of the Joint Director of Finance and Business Services responsible for ensuring lawfulness and financial prudence of decision making. The joint role and financial management arrangements align with requirements set out in CIPFAs Statement on the Role of the Chief Financial Officer in Local Government.

j) The designation of the Director of Corporate Services responsible for ensuring future resilience of decision making, assurance and day to day running of the Service in the event of a major incident.

k) Clear management structure within the Service. The Strategic Leadership Team (SLT) is responsible for determining policy, monitoring performance and developing service plans in line with the Authority's overall strategic objectives and is assisted in this process by the Service Management Team (SMT).

l) Financial Planning process which includes the Medium Term Financial Strategy and Plan. Compliance with data transparency requirements, including publication of all key documents, meeting agendas and minutes, the Pay Policy Statement, and a publication scheme on the internet.

m) In accordance with the Service Planning Cycle "Our Plan" (also known as Integrated Risk Management Plan (IRMP)) for 2020/23 is a three year plan linked to financial planning.

n) "Our Plan" (IRMP) 2020/23 takes account of the requirements of the 2018 Fire and Rescue National Framework for England, providing an assessment of the risks facing our communities and personnel, and the measures taken to mitigate those risks. Our Plan (IRMP) describes our aims, priorities, equality objectives and values, setting out our ambitions and how we will deliver them in the medium term. The current plan covering 2020-2023 can be found on our website at: https://www.derbys-fire.gov.uk/about-us/corporate-plans

o) The Annual Action Plan details the work to be carried out to deliver the strategy set out in "Our Plan". The current plan covering 2020/21 was approved this year and can be found on our website at:

https://www.derbys-fire.gov.uk/about-us/corporate-plans

p) Staff are informed of the Whistleblowing Policy which is available on the internal intranet and also published on the external website together with well-publicised arrangements for dealing with complaints. There were no whistleblowing complaints received in this reporting period, but the Service recorded nine complaints from members of the public for this reporting period. The majority of complaints resulted in corrective action and information sharing between departments for service improvement.

q) A Joint Police and Collaboration Board was established as a primary forum for consideration of collaboration opportunities and any strategic issues in relation to the Derbyshire Emergency Services Collaboration (DESC) between the Police and Crime Commissioner for Derbyshire, the Chief Constable and the Derbyshire Fire and Rescue Authority.

r) Staff at all levels within the Service have been actively engaged and consulted with during 2020/21 in the form of Monthly WebEx sessions with the DCFO and DoCS, a Virtual Engagement Forum with CFO and SLT. SLT Station and Department meetings have taken place both virtually and in person according to government guidelines relating to COVID-19. The outcomes have been considered and areas included in portfolio action plans to ensure areas raised by staff are included in the future development of the Service.

s) Member Development Days during 2020/21 included updates and plans on the following topics:

- Finance
- Assets Strategy
- Fleet Strategy
- Water Rescue
- Action Plan on Grenfell Tower Inquiry recommendations
- Protection
- New Station Builds and Co-locations
- Year 2 Action Plan
- HMICFRS Inspection Action Plan
- HMICFRS Covid Inspection Outcomes

As part of the workforce planning, investment has been made in the training and development of our senior leaders. Chief Fire Officer Tomlinson is undertaking the National Leadership Centre Programme which brings together a selection of the UK's most senior leaders from across the spectrum of the public services for a 12 month development programme.

Through a Member 'Buddy' system each Authority Member and the Police and Crime Commissioner (PCC) is partnered with a member of the Strategic Leadership Team (SLT) for knowledge sharing and informal discussion on the work of the Service.

t) The DCFO chairs the Health and Safety Committee and ensures the Service has robust internal controls, including appropriate targets to measure its performance and systems for review and learning, which in turn sets a positive safety culture.

u) An approved Treasury Management Strategy and Prudential Indicators.

v) An approved Derbyshire Fire and Rescue Authority Performance and Risk Framework supported by the Performance and Risk Framework Policy.

w) A Protective Marking Scheme (based upon the Her Majesty's Government Security Policy Framework 2018).

x) Awards received by DFRS:

- 2020 Engage Awards – Best Employee Wellbeing Strategy
- 2020 ENEI Awards – LGBT+ & Allies Network – Highly Commended
- Women in the Fire Service (WFS) Awards 2020 - Woman Firefighter Rising Star
- Women in the Fire Service (WFS) Awards 2020 – 'Bright Light' runner up

y) A joint Property department for Derbyshire Police (DP) and the Service was approved and started in early 2020. A subsequent restructure was started but could not be completed due to the impact of the Covid pandemic. Until recently five of the new posts have had to remain vacant but this is now being addressed.

z) Consultation took place on our Council Tax Precept for 2021/22. The responses were considered by the Authority when deciding on the Precept in February 2021.

aa) In line with legislative requirements, the Service published its Gender Pay Gap Report by 31 March 2021.

bb) A comprehensive suite of strategies and policies are in place and are regularly reviewed.

cc) The Service's Programme Board provides oversight across service wide projects and corporate programmes of work chaired by the DCFO.

ee) A Communication Strategy and Consultation Strategy are in place for employees and stakeholders.

ff) A Statement of Assurance and Annual Report (Our Year) set out the Authority's priorities and show how the Authority spent money on achieving these during the last financial year.

Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. Each year the Monitoring Officer produces an annual report to the Authority commenting on aspects of governance and assurance on decision-making and legal and ethical issues. The review of effectiveness is informed by the work of the GPWG within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Auditors annual report, and also comments made by the External Auditors and other review agencies and inspectorates.

In maintaining and reviewing The Effectiveness of The Authority's Governance Arrangements the following have been considered: -

- Integrated Risk Management Plan named 'Our Plan 2020-2023'

- A revised Annual Service Plan has been agreed for 2020/21, providing clarity, on our priorities set out in Our Plan, and sets out the projects and actions that will be delivered, developed, or reviewed during the coming year against each of our priorities. This is supported by Portfolio Delivery Plans and area and local performance groups to ensure performance targets are met.

- A comprehensive service review process is in place, comprising external views in the form of HMICFRS inspection recommendations, peer assessment reports, Operational Assurance review, external audit reviews, internal audit reviews and internal reviews undertaken by our own staff.

- In October 2020 inspectors from HMICFRS carried out a Covid-19 inspection of the Service at the request of the Home Secretary as part of a national Covid-19 Inspection Programme to see how fire and rescue services were responding to the Covid-19 pandemic. The inspection focused on preparedness, how the statutory functions of prevention, protection and response were being carried out, staff health, safety and wellbeing, how fire and rescue services have worked with partners, use of resources, governance and looking to the future.

  The Service received a positive Covid-19 inspection report from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), acknowledging the increased availability of On-Call firefighters, the improved response times, the prioritisation of staff wellbeing and the additional support given to the community during the first phase of the Covid-19 pandemic.

- GPWG has continued its scrutiny reviews for the period 2020-21 as follows:

  - Collaboration projects
  - HMICFRS Inspections
  - Actions on HMICFRS Recommendations
  - Procurement of HR/Payroll System
  - Review of Service Contracts
  - Workforce Planning
  - Recovery from the Covid-19 pandemic
  - Corporate Risk

- The Standards Committee has met on three occasions since the last Annual General Meeting. It has considered the proposals for the future safeguarding of conduct for the elected members with training and/or updates being provided to Members at each meeting. The Standards Committee has reviewed the Members' Code of Conduct but there have been no complaints against Members and the Standards Committee has not had to consider any complaints of breaches of the Members' Code of Conduct.

- In 2020/21 one case was successfully prosecuted with costs awarded. A further case was successfully prosecuted in April 2021. As a result of fire investigations and routine Fire Safety Audits there are currently five cases being prosecuted and several cases are being considered for prosecution under the Regulatory Reform (Fire Safety) Order 2005.

- A Risk Management Strategy and performance framework ensures that risks to the Service's objectives are identified and appropriately managed.

- Comprehensive Business Continuity arrangements are in place and tested on a regular basis. Following recommendations from the internal audit, arrangements have been put in place for a new business continuity online exercise register which allows for remote auditing and shared learning Service wide together with a new Business Continuity e-learning platform.

- An Operational Assurance Team undertake a programme of Service wide station assurance visits to identify areas for improvement. These are tracked through to completion with improvements being publicised through a regular newsletter, thus enhancing operational preparedness, operational response, and operational learning.

- Central Midlands Audit Partnership are the appointed Internal Auditor. They have reached the overall opinion that there is a 'Satisfactory System of Governance, Risk and Internal Control'. Findings indicate that controls are satisfactory, although some enhancements are recommended. The Audit Plan for the period 2020/21 covered:

    - Main Accounting System
    - FireView
    - Business Continuity
    - Treasury Management
    - Payroll
    - Data Recovery Capabilities
    - Data Quality & Performance Management
    - Joint Contracts Review

  - Corporate Credit Cards
  - Workforce Planning*
  - Risk Management*
  - Joint Working Arrangement*
  - IT Business Continuity*

    *note carried forward from 2020-21 to 2021-22

- Ernst & Young LLP are the appointed External Auditor. We await an audit opinion for the period 2020/21. Ernst & Young LLP's external Audit Plan summarises their initial assessment of the key risks driving the development of an effective audit for the Authority and outlines their planned audit strategy in response to those risks.

The effectiveness of the Governance Framework is considered throughout the year by SLT, GPWG and the Authority. Much of this is discharged through internal reports such as the quarterly Financial Accounts and the quarterly Performance Reports as well as the work of Internal and External Audit. Any significant issues are captured via the Risk Management System and considered by the Authority where appropriate. All reports can be viewed on our website: https://www.derbys-fire.gov.uk

Significant Governance Issues and Risks

Authority Meetings

Following Government guidelines during the Covid-19 pandemic, the Authority meeting on 26 March 2020 was cancelled. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 came into force on 4th April 2020. The Authority's Annual General Meeting on 18 June 2020 was postponed to 24 September 2020. The Authority meetings from 23 July 2020 were held remotely by video conferencing and full Authority meetings were live streamed. In accordance with the provisions of the Authority's Constitution any decisions made using the delegated powers of the Chief Fire Officer/Chief Executive under section 3 of the Scheme of Delegation were reported to the next appropriate and available meeting. Prior to making the decisions the Chief Fire Officer/Chief Executive consulted with the Chair and Vice Chair of the Authority in accordance with the Scheme of Delegation.

With the removal of the ability for Members to attend Authority meetings remotely after 7 May 2021 but with Covid-19 restrictions still in force until 19 July 2021, the Authority's Annual General Meeting has been moved to 22 July 2021.

Consultation

The Service consulted with the public during the financial year 2020/21 relating to the Council Tax Precept. Engagement with community groups took place virtually.

Corporate Risk

Following the internal audit for Corporate Risk, a new Corporate Risk Register was introduced and reported to GPWG by the Director of Corporate Services, who will monitor and make recommendations to the Fire Authority where necessary.

Covid-19

The effect of Covid 19 was most significantly felt by the service towards the end on 2019/20 and into 2020/21. The service moved swiftly to develop and, following the Governments advice, introduced several service changes to ensure continuity of essential emergency service provision whilst safeguarding both the public and staff. Stakeholder engagement took place virtually where possible, and a review of these alternative communication methods will be carried out. The changes made, significantly affected the activities undertaken by the Authority and the structure of service delivery in operational areas.

The swift response helped to minimise the impact of the virus on services. The additional costs incurred relating to investment in PPE, ICT and cleaning material were all contained within the additional Covid support grant received from the Government. The Service was further able to use the additional funding for wider community support including Pharmacy deliveries, driving for EMAS, vaccination centres and surge testing. The service is now looking to recovery and a return to normal in line with the government's road map and timetable.

A Covid review team was set up to meet daily to ensure consistency in our covid response. This team dealt with the Service's test and trace system, personal risk assessments and exceptional circumstances, the lateral flow test roll out and communication to the workforce on Covid. A subgroup of the Health and safety Committee was set up, made up of a member of Safety and Risk Management, Service Delivery, Corporate Services, People and Wellbeing and a member of the representative body. It met weekly to oversee safety implications and impacts of Covid, and all risk assessments for Covid were discussed at this meeting. Risk assessments were written for all aspects of work carried out during Covid, along with the production of risk cards which presented information in an aide memoir format. The full health and Safety committee continued to meet quarterly to deal with statutory and moral duties of the Service.

Finance

The Medium Term Financial Plan (MTFP) outlines the assumptions, including pay and inflation increases, growth and savings, contained within budget estimates. The most significant financial impact of the virus will be on future income and government funding. At present the longer effect on future NNDR and Council Tax income is unknown. Sensitivity analysis and scenario planning are being used to plot the potential impacts on the services future MTFP.

The government has provided significant funding to combat the virus and support individuals, businesses, and front-line services. It is estimated the impact on the services Council Tax and NNDR income for 2020/21 is over £1m, which will be compensated for through additional grant funding. However, the level of ongoing government support and the effect of any potential measures introduced to help fund the national Covid 19 bill are currently unknown. Further uncertainty remains as the service awaits the fair funding review and the retained business rate review. Both of these areas have the potential to significantly affect the future financial position of the service.

Financial Code

The Chartered Institute of Public Finance and Accountancy (CIPFA) published The Financial Management Code (FM Code) in October 2019. The FM Code provides guidance for good and sustainable financial management in public sector organisations, giving assurance that authorities are managing resources effectively. Compliance with the code is required in 2021/22.

The FM Code requires organisations to demonstrate that the processes they have in place satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable. It identifies risks to financial sustainability and introduces a framework of assurance. The framework builds on elements of other CIPFA codes, such as The Prudential Code for Capital Finance, the Treasury Management in the Public Sector Code of Practice and the Code of Practice on Local Authority Accounting in the United Kingdom.

A review of current established processes against the FM code principles resulted in the services scoring well and the majority of elements identified as ‘Green’. Where improvements can be made to other areas the service will put in place plans to fill any gaps.

HMICFRS

Preparations now underway to prepare for the next HMICFRS inspection scheduled for Spring 2022. This includes a gap analysis against the HMICFRS judgement criteria and the new approved Fire Standards. This will be monitored through the SLT and SMT.

Action Plans

Work has been undertaken in relation to recommendations highlighted by incident debriefs and independent reviews and inquiries such as: the Kerslake Report, which was an independent review into the preparedness for, and emergency response to, the Manchester Arena attack on 22nd May 2017; and the Grenfell Tower Inquiry Phase 1 Report into the fire at Grenfell Tower on 14 June 2017. The independent reports identified several major areas for learning and made recommendations for Emergency Services and for multi-agency working.

Pension Remedy implications

With regard to the Transitional Protections Pensions Claims and ‘Immediate Detriment’ claims, discussions are due to take place about a framework to resolve all retrospective and prospective immediate detriment cases. With pressure to remedy cases swiftly at a local level it may be necessary to make a decision on prospective immediate detriment cases. Consideration will be given to resolution of these cases, having regard to the risks and the framework principles once agreed, with a view to ensuring that those cases that can be remedied quickly will be done so fairly and in a consistent way.

Improvement Areas

Whilst no significant governance issues were identified, the following new areas for improvement, are listed below.

HR System
M365 System
Business Continuity
FRA paperless and M365 (virtual)

We continue to proactively identify collaborative opportunities with the Police, Fire, and other bodies. This financial year has been a challenge to expand collaboration opportunities due to the Covid-19 Government restrictions and additional challenges faced by our partners.

Corporate Action Plans and gap analysis now underway for the approved Fire Standards for Response Driving; Operational Competence; Operational Learning; Operational Preparedness and Code of Ethics.

Conclusion

Based on the review of the sources of assurance set out in this statement, we are satisfied that Derbyshire Fire and Rescue Authority and Derbyshire Fire and Rescue Service has in place a satisfactory system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Annual Governance Statement is therefore recommended to the Authority for approval.

Signed:

Councillor Trevor Ainsworth - Chair of Derbyshire Fire & Rescue Authority

Signed:

Gavin Tomlinson – Chief Fire Officer / Chief Executive of Derbyshire Fire & Rescue Service

DFRS Single Entity Comprehensive Income and Expenditure Statement

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. The Authority raises 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				2020/21	
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
38,387		38,387	Employees	38,830		38,830
3,623		3,623	Premises	3,673		3,673
1,469		1,469	Transport	1,460		1,460
5,274		5,274	Supplies and Services	4,014		4,014
4,440		4,440	Other	2,859		2,859
	(3,657)	(3,657)	Income		(3,819)	(3,819)
53,193	**(3,657)**	**49,536**	**Cost of Services**	**50,836**	**(3,819)**	**47,017**
		(263)	Other operating expenditure (Note 11)			(79)
		13,082	Financing and investment income (Note 12)			11,419
		(50,054)	Taxation and non-specific grant incomes (Note 13)			(47,391)
		12,301	**(Surplus)/Deficit on provision of services**			**10,966**
		(39,962)	Remeasurement of the net defined benefit liability / (asset)			57,689
		(1,840)	(Surplus) or deficit on revaluation of PP&E			(180)
		(41,802)	**Other Comprehensive Income and Expenditure**			**57,509**
		(29,501)	**Total Comprehensive Income and Expenditure**			**68,475**

DFRS Single Entity Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services 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 purposes. The Net (Increase)/ Decrease before Transfers to Earmarked Reserves shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Movement in Reserves during 2020/21	**General Fund Balance £000**	**Earmarked General Reserves £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance as at 31 March 2020 brought forward	**(1,900)**	**(6,553)**	**(337)**	**(1,269)**	**(10,062)**	**426,027**	**415,965**
(Surplus) or Deficit on provision of services	10,966	0	0	0	10,966	0	**10,966**
Other Comprehensive Income and Expenditure	0	0	0	**0**	0	57,507	**57,507**
Total Comprehensive Income and Expenditure	**10,966**	**0**	**0**	**0**	**10,966**	**57,507**	**68,473**
Adjustments between accounting basis & funding basis under regulations (Note 9)	(13,999)	0	(765)	0	(14,764)	14,764	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(3,033)**	**0**	**(765)**	**0**	**(3,798)**	**72,271**	**68,473**
Transfers to/(from) Earmarked Reserves (Note 10)	3,033	(3,033)	0	**0**	0	0	**0**
(Increase)/Decrease in Year	**0**	**(3,033)**	**(765)**	**0**	**(3,798)**	**72,271**	**68,473**
Balance as at 31 March 2021 carried forward	**(1,900)**	**(9,588)**	**(1,102)**	**(1,270)**	**(13,860)**	**498,298**	**484,438**

Movement in Reserves during 2019/20	**General Fund Balance £000**	**Earmarked General Reserves £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance as at 31 March 2019 brought forward	**(1,900)**	**(7,131)**	**0**	**(1,270)**	**(10,301)**	**455,767**	**445,466**
(Surplus) or Deficit on provision of services	12,301	0	0	0	12,301	0	**12,301**
Other Comprehensive Income and Expenditure	0	0	0	**0**	0	(41,802)	(41,802)
Total Comprehensive Income and Expenditure	**12,301**	**0**	**0**	**0**	**12,301**	**(41,802)**	**(29,501)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	(11,725)	0	(337)	0	(12,062)	12,062	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**576**	**0**	**(337)**	**0**	**239**	**(29,740)**	**(29,501)**
Transfers to/(from) Earmarked Reserves (Note 10)	(576)	576	0	**0**	0	0	0
(Increase)/Decrease in Year	**0**	**576**	**(337)**	**0**	**239**	**(29,740)**	**(29,501)**
Balance as at 31 March 2020 carried forward	**(1,900)**	**(6,553)**	**(337)**	**(1,269)**	**(10,062)**	**426,027**	**415,965**

DFRS Single Entity Balance Sheet

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

31st March 2020 £000		Note	31st March 2021 £000
57,483	Property, Plant and Equipment	14	55,769
0	Investment Property	15	0
924	Intangible Assets	16	801
146	Long Term Debtors	19	99
12,605	Investment in Joint Venture	33	12,605
71,158	**Non- Current Assets**		**69,274**
3,500	Short Term Investments	17	10,000
3,021	Assets Held for Sale	21	2,350
287	Inventories	18	567
9,826	Short Term Debtors	19	6,925
1,426	Cash & Cash Equivalents	20	480
18,060	**Current Assets**		**20,322**
(679)	Short Term Borrowing	17	(679)
(4,912)	Short Term Creditors	22	(5,975)
(432)	Short Term Provisions	24	(523)
(6,023)	**Current Liabilities**		**(7,177)**
0	Long Term Provisions	24	0
(7,973)	Long Term Borrowing	17	(7,294)
(491,187)	Net Pension Fund Liability	25	(559,563)
(499,160)	**Non- Current Liabilities**		**(566,857)**
(415,965)	**Net Assets**		**(484,438)**
10,062	Usable Reserves	10	13,860
(426,027)	Unusable Reserves	25	(498,298)
(415,965)	**Total Reserves**		**(484,438)**

Signed:

Simon Allsop
Director of Finance/Treasurer to Derbyshire Fire and Rescue Authority
Date 30th July 2021

DFRS Single Entity Cash Flow Statement

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

2019/20 £000		2020/21 £000
12,301	**(Surplus)/Deficit on provision of services**	10,966
(11,161)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(18,640)
1,144	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,817
2,284	**Net Cash Flows From Operating Activities (Note 26)**	**(5,857)**
(2,021)	Investing Activities (Note 27)	6,124
721	Financing Activities (Note 28)	679
984	**Net (increase) or decrease in cash and cash equivalents**	946
2,410	Cash and cash equivalents at the beginning of the reporting period	1,426
1,426	**Cash and cash equivalents at the end of the reporting period (Note 20)**	**480**

The DFRS & DPFP LLP Group Financial Statements

The Group Accounts incorporate the activities of the DPFP LLP which is a joint venture with Derbyshire Police used to provide both organisations with a joint headquarters and joint training centre. DFRS currently has a 42.84% share of the net assets of the DPFP LLP (42.84% in 2019/20). The Group Accounts are limited to the Comprehensive Income and Expenditure Statement, Balance Sheet and Movement in Reserves Statement. The Group Accounts have been produced using the equity method to reflect the nature of the partnership.

DFRS & DPFP LLP Group Comprehensive Income and Expenditure Statement

This statement shows the Group position in accordance with generally accepted accounting practices.

	2019/20				2020/21	
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
38,387		38,387	Employees	38,830		38,830
3,623		3,623	Premises	3,673		3,673
1,469		1,469	Transport	1,460		1,460
5,274		5,274	Supplies and Services	4,014		4,014
4,440		4,440	Other	2,859		2,859
	(3,657)	(3,657)	Income		(3,819)	(3,819)
53,193	**(3,657)**	**49,536**	**Cost of Services**	**50,836**	**(3,819)**	**47,017**
		(263)	Other operating expenditure (Note 11)			(79)
		13,082	Financing and investment income (Note 12)			11,419
		(50,054)	Taxation and non-specific grant incomes (Note 13)			(47,391)
		12,301	**(Surplus)/Deficit on provision of services**			**10,966**
		(39,962)	Remeasurement of the net defined benefit liability / (asset)			57,689
		(1,840)	(Surplus) or deficit on revaluation of PP&E			(180)
		(41,802)	**Other Comprehensive Income and Expenditure**			**57,509**
		(29,501)	**Total Comprehensive Income and Expenditure**			**68,475**

DFRS & DPFP LLP Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the DFRS & DPFP LLP Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services shows the true economic cost of providing the Group'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 purposes. The Net (Increase)/ Decrease before Transfers to Earmarked Reserves shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

Movement in Reserves during 2020/21	**General Fund Balance £000**	**Earmarked General Reserves £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance as at 31 March 2020 brought forward	**(1,937)**	**(6,555)**	**(337)**	**(1,270)**	**(10,099)**	**426,589**	**416,490**
(Surplus) or Deficit on provision of services	10,966	0	0	0	10,966	0	**10,966**
Other Comprehensive Income and Expenditure	0		0	**0**	0	57,507	57,507
Total Comprehensive Income and Expenditure	**10,966**	**0**	**0**	**0**	**10,966**	**57,507**	**68,473**
Adjustments between accounting basis & funding basis under regulations (Note 9)	(13,999)	0	(765)	0	(14,764)	14,764	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(3,033)**	**0**	**(765)**	**0**	**(3,798)**	**72,271**	**68,473**
Transfers to/(from) Earmarked Reserves (Note 10)	3,033	(3,033)	0	**0**	0	0	0
(Increase)/Decrease in Year	**0**	**(3,033)**	**(765)**	**0**	**(3,798)**	**72,271**	**68,473**
Balance as at 31 March 2021 carried forward	**(1,937)**	**(9,588)**	**(1,102)**	**(1,270)**	**(13,897)**	**498,860**	**484,963**

Movement in Reserves during 2019/20	**General Fund Balance £000**	**Earmarked General Reserves £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance as at 31 March 2019 brought forward	**(1,937)**	**(7,131)**	**0**	**(1,270)**	**(10,338)**	**456,329**	**445,991**
(Surplus) or Deficit on provision of services	12,301	0	0	0	12,301	0	**12,301**
Other Comprehensive Income and Expenditure	0	0	0	**0**	0	(41,802)	(41,802)
Total Comprehensive Income and Expenditure	**12,301**	**0**	**0**	**0**	**12,301**	**(41,802)**	**(29,501)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	(11,725)	0	(337)	0	(12,062)	12,062	(0)
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**576**	**0**	**(337)**	**0**	**239**	**(29,740)**	**(29,501)**
Transfers to/(from) Earmarked Reserves (Note 10)	(576)	576	0	**0**	0	0	0
(Increase)/Decrease in Year	**0**	**576**	**(337)**	**0**	**239**	**(29,740)**	**(29,501)**
Balance as at 31 March 2020 carried forward	**(1,937)**	**(6,555)**	**(337)**	**(1,270)**	**(10,099)**	**426,589**	**416,490**

DFRS & DPFP LLP Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group 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 Group 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'.

31st March 2020 £000		Note	31st March 2021 £000
57,483	Property, Plant and Equipment	14	55,769
0	Investment Property	15	0
924	Intangible Assets	16	801
146	Long Term Debtors	19	99
12,080	Investment in Joint Venture	33	12,080
70,633	**Non- Current Assets**		**68,749**
3,500	Short Term Investments	17	10,000
3,021	Assets Held for Sale	21	2,350
287	Inventories	18	567
9,826	Short Term Debtors	19	6,925
1,426	Cash & Cash Equivalents	20	480
18,060	**Current Assets**		**20,322**
(679)	Short Term Borrowing	17	(679)
(4,912)	Short Term Creditors	22	(5,975)
(432)	Short Term Provisions	24	(523)
(6,023)	**Current Liabilities**		**(7,177)**
0	Long Term Provisions	24	0
(7,973)	Long Term Borrowing	17	(7,294)
(491,187)	Net Pension Fund Liability	25	(559,563)
(499,160)	**Non- Current Liabilities**		**(566,857)**
(416,490)	**Net Assets**		**(484,963)**
10,099	Usable Reserves	10	13,897
(426,589)	Unusable Reserves	25	(498,860)
(416,490)	**Total Reserves**		**(484,963)**

Signed:

Simon Allsop
Director of Finance/Treasurer to Derbyshire Fire and Rescue Authority

Date 30 July 2021

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

DFRS Single Entity Expenditure and Funding Analysis

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund Balance	**Adjustment between Funding & Accounting Basis**	**Net Expenditure in the Comprehensive Income & Expenditure Statement**		**Net Expenditure Chargeable to the General Fund Balance**	**Adjustment between Funding & Accounting Basis**	**Net Expenditure in the Comprehensive Income & Expenditure Statement**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
41,036	(2,649)	38,387	Employees	39,157	(327)	38,830
3,623	0	3,623	Premises	3,673	0	3,673
1,469	0	1,469	Transport	1,460	0	1,460
5,274	0	5,274	Supplies & Services	4,014	0	4,014
46	4,394	4,440	Other	79	2,781	2,860
(3,657)	0	(3,657)	Income	(3,820)	0	(3,820)
47,791	**1,745**	**49,536**	**Net Cost of Services**	**44,563**	**2,454**	**47,017**
0	(263)	(263)	Other Operating Expenditure	0	(79)	(79)
2,799	10,283	13,082	Financing & Investment Income	1,541	9,878	11,419
(50,014)	(40)	(50,054)	Taxation & Non Specific Grants	(49,137)	1,746	(47,391)
(47,215)	**9,980**	**(37,235)**	**Other Income & Expenditure**	**(47,596)**	**11,545**	**(36,051)**
576	**11,725**	**12,301**	**(Surplus) / Deficit**	**(3,033)**	**13,999**	**10,966**
(9,031)			**Opening General Fund Balance**	**(8,455)**		
576			(Plus)/less (surplus)/deficit on GF	(3,033)		
(8,455)			**Closing General Fund Balance**	**(11,488)**		

2020/21				
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (note 1)**	**Net change for Pensions Adjustments (note 2)**	**Other Differences (note 3)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Employees	0	(372)	45	(327)
Premises	0	0	0	
Transport	0	0	0	0
Supplies and Services	0	0	0	0
Other	2,781	0	0	2,781
Income	0	0	0	0
Net Cost of Services	**2,781**	**(372)**	**45**	**2,454**
Other operating expenditure (Note 11)	(79)	0	0	(79)
Financing and investment income (Note 12)	(1,182)	11,060	0	9,878
Taxation and non-specific grant income (Note 13)	0	0	1,746	1,746
Other income and expenditure	**(1,261)**	**11,060**	**1,746**	**11,545**
(Surplus) or Deficit	**1,520**	**10,688**	**1,791**	**13,999**

2019/20				
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (note 1)**	**Net change for Pensions Adjustments (note 2)**	**Other Differences (note 3)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Employees	0	(2,649)	0	(2,649)
Premises	0	0	0	0
Transport	0	0	0	0
Supplies and Services	0	0	0	0
Other	4,394	0	0	4,394
Income	0	0	0	0
Net Cost of Services	**4,394**	**(2,649)**	**0**	**1,745**
Other operating expenditure (Note 11)	(263)	0	0	(263)
Financing and investment income (Note 12)	(2,461)	12,744	0	10,283
Taxation and non-specific grant income (Note 13)	0	0	(40)	(40)
Other income and expenditure	**(2,724)**	**12,744**	**(40)**	**9,980**
(Surplus) or Deficit	**1,670**	**10,095**	**(40)**	**11,725**

Adjustments for Capital Purposes

1) Adjustment for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and 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 i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
   - Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

2) Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

   - For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
   - For financing and investment income and expenditure –- the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other Differences

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

   - The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the collection fund.

2. Accounting Policies

These accounting policies were approved by the Governance and Performance Working Group on 22nd February 2021.

A) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its financial position at the year end of 31st March 2021. The Authority is required to prepare an annual Statement of Accounts

by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 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.

All figures in the Statement have been rounded to the nearest £1,000, which may result in some rounding errors.

B) Accruals of Income and Expenditure

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

- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;

- supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. An exception is now made to this for the payment of overtime and payments made in arrears to on-call staff. These payments are now recognised in the years they are paid rather than the year the work was carried out;

- interest receivable on investments and payable on borrowings 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 goods or services are supplied to or by the Fire Authority in the financial year, but payment does not occur until a later financial year, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

C) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

D) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct 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.

Changes in accounting policies are only made when required by proper accounting practices, or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a material change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

E) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current 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 losses can be written off;

- revaluation gains reversing previous losses charged to the Comprehensive Income and Expenditure Statement;

- amortisation of intangible non-current 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 Minimum Revenue Provision contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.This charge is calculated as follows:

- capital expenditure financed by borrowing before 2008, MRP will be recognised on a straight line over 15 years;

- capital expenditure incurred after 1st April 2008 financed by unsupported borrowing, excluding finance leases, the MRP policy will use the Asset Life Method i.e. MRP will be an annual charge based on the estimated life of the assets. The provision is set aside in the year following the capital expenditure;

- for any finance leases, the MRP will be the equal to the element of the actual finance lease repayment that reduces the ongoing balance sheet liability i.e. the principal element of the charge or repayment, in line with government guidance.

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

F) Council Tax and Non-Domestic Rates (NDR)

Billing authorities act as agents, collecting council tax and non-domestic rates on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

G) Employee Benefits

Benefits Payable during Employment

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

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off 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 wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy, and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

Employees of the Authority are members of four separate pension schemes with defined benefits related to pay and service. The schemes are as follows:

Uniformed Firefighters – Original 1992 Scheme

On 1st April 2006 the Firefighters' Pension Scheme was changed to a scheme funded by central government (currently the Home Office). The pension costs charged to the Authority's accounts in respect of scheme members are equal to the contributions paid to the Pension Fund for these employees. The 1992 scheme was only open to those firefighters currently in the scheme as at 31st March 2006 and the employers contribution was higher than for the new Firefighters Pension Scheme. All contributions are made into a Pension Fund and equally the payments to pensioners are paid out of the same fund. This is then balanced by a contribution to or from the fund by the government each year.

Uniformed Firefighters – 2006 Scheme

On 1st April 2006 a new Firefighters' Pension Scheme was established for new firefighters, on-call firefighters and for uniformed employees carrying out operational duties in the old pension scheme who wished to transfer to the new scheme. This scheme is also funded by central government and operates in exactly the same way as the old scheme except for the reduced level of contribution from employees and employers which reflects the different conditions and benefits of the new scheme. The Firefighters Pension Scheme (England) (Amendment) Order 2014 introduced a new modified version of the 2006 Scheme which was available to individuals who were employed as on-call firefighters during the period 1st July 2000 to 5th April 2006. The modified version of the scheme has different benefits to the main 2006 scheme.

Uniformed Firefighters – 2015 Scheme

The Firefighters Pension Scheme 2015 came into effect on 1st April 2015. As part of central government pension reform across the public sector, the Firefighters' Pension Scheme (2015) was created which extended the normal pension age to 60 and changed from a "final salary" to a "career average" scheme as part of a suite of initiatives to make fire pensions more financially sustainable. To support those closer to retirement and, therefore less able to alter their financial retirement planning, firefighters within 10-14 years of their normal pension age were wholly or partially protected from transferring to the 2015 scheme.

Other Employees

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, administered by Derbyshire County Council. The pension costs that are charged to the Authority's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. This scheme is, however, funded.

Pension costs are included in the accounts to meet the requirements of IAS 19 (Employee Benefits) which requires the Authority to see beyond its commitment to pay contributions to the Pension Fund 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.

H) <u>The Local Government Pension Scheme (LGPS)</u>

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- the liabilities of the Derbyshire Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit method - i.e. 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, etc., and projections of future earnings for current employees;

- liabilities are discounted to their value at current prices, based on a discount rate that reflects the time value of money and the characteristics of the liability, determined by the Scheme Actuary each year end;

- the assets of Derbyshire Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

    - quoted securities - current bid price;
    - unquoted securities - professional estimate;
    - unitised securities - current bid price;
    - property - market value.

- The change in the net pensions liability is analysed into the following components:

    - Service cost comprising:

        - 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 services for which the employees worked;

        - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or 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 benefit 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 benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:

    - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the pensions reserve as other comprehensive income and expenditure;

    - 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 Derbyshire Pension Fund - 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 pensions reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has 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.

I) <u>Events after the Balance Sheet Date</u>

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.

J) <u>Financial Instruments</u>

Financial Liabilities (including Creditors and Borrowing Costs).

Financial liabilities are initially measured at fair value and are 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.

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 according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement where applicable. 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 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 the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. 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 Adjustments Account in the Movement in Reserves Statement.

Financial Assets (including Debtors).

These are assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables 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. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service or Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. It is policy to charge 12 months interest to each financial year. Outstanding interest is not accrued to the total of the loan.

K) <u>Government Grants and Contributions</u>

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised immediately in the Comprehensive Income and Expenditure Statement 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, or 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 has been 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.

L) <u>Intangible Assets</u>

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost and carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation and impairment losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

M) <u>Interest in Companies and Other Entities</u>

The Authority has material interests in a joint venture which requires it to prepare group accounts. The joint venture is with Derbyshire Police and Crime Commissioner, Derbyshire Police and Fire Partnership Limited Liability Partnership. In the Authority's own single-entity accounts, the interest in the joint venture is recorded as a financial asset at cost less any provision for impairment.

N) <u>Inventories and Long Term Contracts</u>

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on goods or services transferred to the service recipient during the financial year.

O) <u>Investment Property</u>

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Investment properties were revalued during the year by a suitably qualified Royal Institution of Chartered Surveyors (RICS) Chartered Surveyor.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

P) <u>Leases</u>

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. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability;

- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from 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 not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Q) Overheads and Support Services

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

R) Property, Plant and Equipment

Non-current assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The Authority has a de-minimus level for capital spend of £10,000, so expenditure below this level will not be recorded as capital spend.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Authority does not own any Heritage Assets.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- 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.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- investment properties and assets surplus to requirements - fair value;
- infrastructure, community assets, specialist operational properties and assets under construction - depreciated historical cost;
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), the depreciated historical cost basis is used as a proxy for fair value.

Assets included on the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Land and building values used in the Accounts are based on a valuation carried out by a suitably qualified RICS Chartered Surveyor on a rolling programme. The most significant properties, by value, are valued on a rolling two year programme. Lower valued properties are valued on a four year rolling programme. Valuations are in accordance with guidance from the Royal Institution of Chartered Surveyors and from the Chartered Institute of Public Finance and Accountancy.

Asset values are included in the Asset Register at their component levels. The Authority has a de-minimus threshold for componentisation, which is a net book value (current valuation less depreciation) of £200,000. Below this amount individual assets will be disregarded for componentisation purposes. An example of componentisation might be that a fire station could be listed as land, station building, training block, breathing apparatus training buildings etc. Components could also take the form of the roof, fixtures and fittings, lift or windows should their value exceed the de-minimus level.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for:

- 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(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year end 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 impairment losses are identified, they are accounted for:

- 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(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;

- vehicles - straight-line allocation over the estimated life of the vehicle;

- plant and equipment (for capitalised finance leases) - over the life of the finance lease;

- IT equipment - straight-line over 5 years;

- furniture - straight-line over 10 years;

- infrastructure - straight-line allocation dependent upon asset life.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

It is the Authority's policy not to charge depreciation in the year of acquisition but a full year's charge is made in the final year.

S) <u>Disposals and Non-current Assets Held for Sale</u>

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on 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 recoverable amount at the date of the decision not to sell, and 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or Assets Held for Sale) 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. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal are categorised as capital receipts.

Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current 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.

T) <u>Provisions</u>

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably will require settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or payment of compensation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet with any excess balance adjusted in the appropriate service line. Furthermore, estimated outstanding settlements are reviewed annually at the end of each financial year and the provision may then be either increased or decreased based upon the most current information with the appropriate adjusting entry processed back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

U) <u>Contingent Liabilities</u>

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 also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

V) <u>Contingent Assets</u>

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 where it is probable that there will be an inflow of economic benefits or service potential.

W) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be charged against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

X) VAT

VAT paid is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT received is excluded from income.

Y) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Z) Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability; or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 - unobservable inputs for the asset or liability.

3. Accounting Standards Issued but not Yet Adopted

The Code of Practice requires the disclosure of the impact of an accounting change arising from a new accounting standard which has been issued but not adopted by the Code of Practice for the relevant financial year.

This applies to the adoption of the following new or amended standards which are anticipated to be listed within the 2020/21 Code:

- 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 IFRS9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

None of these changes would impact significantly on the Authority's accounts for 2020/21.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 2, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision.

5. Material Differences Between Restated 2019/20 Accounts and those Published in the 2020/21 Financial Statements

There are no material restatements contained within the accounts.

6. 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	Description of uncertainty	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.5m for every year that useful lives had to be reduced.
Pension Liability	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 ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. A sensitivity analysis showing the impacts of changes in the discount rates used is included in note 36.
Impairment of Debtors	The debtors figure included in the accounts for council tax and NDR includes an estimation for bad debts. The bad debt calculation is completed by each billing authority (7 Districts, 1 Borough plus the City Council) and returned to DFRS.	A bad debt provision of £1.4m is included in the 2020/21 year end balance. Variation in actual recovery would affect the final collection fund surplus/deficit position. This in turn would impact on future year's budgets when recognised in line with statutory requirements.

7. Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance / Treasurer on 30th July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8a. Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows	2019/20 £000	2020/21 £000
Expenditure		
Employee benefits expenses	38,387	38,830
Other services expenses	23,452	18,842
Depreciation, amortisation, impairment	4,098	4,223
Interest payments	402	370
Precepts and levies	0	0
Gain/(Loss) on the disposal of assets	(263)	(79)
Total expenditure	**66,076**	**62,186**
Income		
Fees, charges and other service income	(2,847)	(2,328)
Interest and investment income	(63)	(11)
Income from council tax, non-domestic rates, district rate income	(34,119)	(34,536)
Government grants and contributions	(16,746)	(14,345)
Total income	**(53,775)**	**(51,220)**
(Surplus) or Deficit on the Provision of Services	**12,301**	**10,966**

8b. Revenue from Contracts with Service Recipients

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:

2019/20 £000		2020/21 £000
(2,406)	Revenue from contracts with service recipients	(1,888)
0	Impairment of receivables or contract assets	0
(2,406)	**Total Included in Comprehensive Income and Expenditure Statement**	**(1,888)**

Amounts included in the Balance Sheet for contracts with service recipients:

31st March 2020 £000		31st March 2021 £000
(576)	Receivables which are included in debtors	(263)

9. Adjustments between Accounting Basis and Funding Basis under Regulations

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

	2019/20			2020/21		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants unapplied £000	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants unapplied £000
Adjustments primarily involving the CAA						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(3,658)	0	0	(3,783)	0	0
Revaluation losses on property, plant & equipment	(295)			1,442		
Movements in fair value of investment properties	0			0		
Amortisation of intangible assets	(441)			(440)		
Capital grants and contributions applied						
Revenue expenditure funded from capital under statute						
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the I&E	(457)			(1,348)		
Subtotal	**(4,851)**	**0**	**0**	**(4,129)**	**0**	**0**
Insertion of items not debited or credited to I&E						
Statutory provision for the financing of capital investment	721			403		
Capital expenditure charged against general fund balances	1,740			779		
Subtotal	**2,461**	**0**	**0**	**1,182**	**0**	**0**

Adjustments primarily involving the capital grants unapplied account						
Capital grants and contributions unapplied credited to I&E	0		0			
Application of grants to capital financing transferred to CAA	0		0			
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**
Adjustments primarily involving the capital receipts reserve						
Transfer of cash sale proceeds credited as part of gain / loss on disposal of asset to I&E	720	(720)		1,427	(1,427)	
Use of the capital receipts reserve to finance new capital expenditure		383			662	
Subtotal	**720**	**(337)**	**0**	**1,427**	**(765)**	**0**
Adjustments primarily involving the financial instruments adjustment account	**0**	**0**	**0**	**0**	**0**	**0**
Adjustments primarily involving the pensions reserve						
Reversal of items relating to retirement benefits Dr or Cr to I&E	(27,348)			(25,737)		
Employers contributions and direct payments to pensioners payable in year	17,253			15,049		
Subtotal	**(10,095)**	**0**	**0**	**(10,688)**	**0**	**0**
Adjustments primarily involving the collection fund adjustment account						
Amount by which council tax and NDR income credited to the I&E is different from council tax and NDR income calculated for the year in accordance with statutory requirements	**40**			**(1,746)**		
Adjustments primarily involving the accumulated absences account						
accumulated absences - reverse last year's balance	252			252		
accumulated absences - new year	(252)			(296)		
Amount by which officer remuneration charged to the I&E on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**0**	**0**	**0**	**(45)**	**0**	**0**
Total adjustments	**(11,725)**	**(337)**	**0**	**(13,999)**	**(765)**	**0**

10. Movements in Earmarked Reserves

This note sets out the amounts set aside in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to fund expenditure in 2020/21.

	Balance at 31st March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31st March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31st March 2021 £000
Earmarked Reserves*	3,884	(1,938)	1,321	3,267	(1,061)	3,567	5,773
Invest To Save Reserve	316	0	40	356	0	40	396
Strategic Risk Reserve	1,642	0	0	1,642	(876)	1,363	2,129
TriControl and ESN Reserve	1,290	0	0	1,290	0	0	1,290
Total Earmarked Reserves	**7,132**	**(1,938)**	**1,361**	**6,555**	**(1,937)**	**4,970**	**9,588**
Capital Grants Unapplied	1,270	0	0	1,270	0	0	1,270
Capital Receipts Reserve	0	0	337	337	(662)	1,427	1,102
General Fund	1,900	0	0	1,900	0	0	1,900
Total Useable Reserves	**10,302**	**(1,938)**	**1,698**	**10,062**	**(2,599)**	**6,397**	**13,860**
Group Useable Reserves	**10,338**			**10,099**			**13,897**

*Included in earmarked reserves is £1.2m Section 31 Government Grant, being compensation for Covid-19 related extended business rate concessions, and £127,801 of Tax Income Guarantee funding (for both council tax and NDR deficits compensated at 75%). Due to the effect of the pandemic on Council Tax and NDR receipts the Authority has a significant collection fund deficit (£1.5m) as at March 2021, which due to statutory collection fund accounting will be recognised in future years. These amounts are committed for use in 2021/22 to partially offset the recognition of the collection fund deficit.

The capital receipts reserve may only be used to fund capital expenditure or repay debt.

2019/20 £000		**2020/21 £000**
0	Balance at start of the year	337
685	Cash sale proceeds on the disposal of premises assets	1,370
35	Cash sale proceeds on the disposal of vehicular assets	57
(383)	Use of capital receipts to fund capital programme expenditure	(662)
337	**Balance at the end of the year**	1,102

11. Other Operating Expenditure

2019/20 £000		**2020/21 £000**
457	Carrying amount of non-current assets	1,348
(720)	Proceeds from sale of non-current assets	(1,427)
(263)	**(Gains)/losses on the disposal of non-current assets**	**(79)**

12. Financing and Investment Income and Expenditure

2019/20 £000		2020/21 £000
402	Interest payable and similar charges	370
12,744	Pensions interest cost and expected return on pensions assets	11,060
(64)	Interest receivable and similar income	(11)
13,082	**Total**	**11,419**

13. Taxation and Non Specific Grant Incomes

2019/20 £000		2020/21 £000
(24,198)	Council tax income	(23,612)
(9,920)	Non-domestic rates	(10,924)
(6,046)	Non ring-fenced government grants	(6,114)
(9,890)	Pension top-up grant	(6,741)
(50,054)	**Total**	**(47,391)**

14. Property, Plant and Equipment

Movements on Balances

Movements in 2020/21

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1st April 2020	**49,102**	**25,932**	**4,325**	**154**	**79,513**
Additions	429	596		99	1,124
Revaluation increases / (decreases) recognised in the Revaluation Reserve	125		55		180
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	1,442				1,442
De-recognition – disposals		(45)	(690)		(735)
Re classification – (tfr to/from Inv Props, AUC and Surplus)					0
Assets reclassified – from Assets Under Construction	92			(92)	0
Other movements in cost or valuation	(1,871)				(1,871)
At 31st March 2021	**49,319**	**26,483**	**3,690**	**161**	**79,653**
Accumulated Depreciation and Impairment					
At 1st April 2020	**(4,769)**	**(17,204)**	**(57)**	**0**	**(22,030)**
Re classification – (tfr to/from Inv Props, AUC and Surplus)					0
Depreciation charge	(2,280)	(1,547)	44	0	(3,783)
Depreciation written out to the Revaluation Reserve	1,870				1,870
Depreciation written out to the Surplus / Deficit on the Provision of Services					0
Impairment losses recognised in the Surplus / Deficit on the Provision of Services					0
De-recognition – disposals		46	13		59
At 31st March 2021	**(5,179)**	**(18,705)**	**0**	**0**	**(23,884)**
Net Book Value					
At 31st March 2020	**44,333**	**8,728**	**4,268**	**154**	**57,483**
At 31st March 2021	**44,140**	**7,778**	**3,690**	**161**	**55,769**

Movements on Balances

Movements in 2019/2020

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1st April 2019	**52,013**	**27,288**	**0**	**49**	**79,350**
Adjustment to opening balances (Note 1)	0	(2,127)			(2,127)
Additions	878	1,018		154	2,050
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,129	(73)	78		1,134
Revaluations increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	383	(5)	(173)		205
De-recognition – disposals	(670)	(150)			(820)
Re classification – (tfr to/from Inv Props, AUC and Surplus)	(3,285)	(19)	4,420		1,116
Assets reclassified – from Assets Under Construction	49			(49)	0
Other movements in cost or valuation	(1,394)				(1,394)
At 31st March 2020	**49,102**	**25,932**	**4,325**	**154**	**79,513**
Accumulated Depreciation and Impairment					
At 1st April 2019	**(5,007)**	**(17,956)**			**(22,963)**
Adjustments to opening balances (Note 1)	0	2,127			2,127
Re classification – (tfr to/from Inv Props, AUC and Surplus)	627		(627)		0
Depreciation charge	(2,012)	(1,589)	(57)		(3,658)
Depreciation written out to the Revaluation Reserve		79	627		706
Depreciation written out to the Surplus / Deficit on the Provision of Services	1,393				1,393
Impairment losses recognised in the Surplus / Deficit on the Provision of Services					0
De-recognition – disposals	230	133			363
At 31st March 2020	**(4,769)**	**(17,204)**	**(57)**	**0**	**(22,030)**
Net Book Value					
At 31st March 2019	**47,006**	**9,332**	**0**	**49**	**56,387**
At 31st March 2020	**44,333**	**8,728**	**4,268**	**154**	**57,483**

Note 1 - the opening balances for cost and accumulated depreciation have each been restated to correct a historic error within land and buildings. There is no overall change in the net book value of non-current assets.

Capital Commitments

As at 31st March 2021, the Authority has entered into a number of contracts for the purchase, construction or enhancement of property, plant and equipment in 2020/21 and future years, budgeted to cost £0.884m. Similar commitments at 31 March 2020 were £0.353m.

The largest elements being £0.570m for new breathing apparatus, including telemetry, £0.121m for the construction of the new Fire Station at Glossop, £0.059m for the construction of co-location accommodation at Ascot Drive & Alfreton Fire Stations, £0.017m for separate male & female changing facilities, £0.026m for the Emergency Services Network (ESN) project, and £0.087m for replacement vehicles.

Revaluations

The DFRS portfolio has been reassessed and the cycle of valuations has been adjusted from the previous 5 year rolling programme. The larger fire stations (predominantly wholetime, day crewing and wholetime/on-call) will be valued on a 2 year rolling program and the smaller (on-call and day staffing) fire stations will be valued on a 4 year rolling cycle. This will ensure that no valuation is more than 3 years old and approximately 45% by value of the PPE operational property portfolio is valued every year.

Fair Value valuations are required under the Code of Practice for investment properties, assets held for sale and surplus properties; these were undertaken as at 31st March 2021.

All valuations are carried out by Carolyn Lucas MRICS, a chartered surveyor working on behalf of Ad Rem Property. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The outbreak of Covid-19 has affected all financial markets and created an unprecedented set of circumstances. In the current situation less weight can be placed on previous market evidence for comparison purposes. The valuations included in this statement therefore carry a higher degree of uncertainty than would normally be the case.

15. Investment Properties

During 2019/20 the Authority's remaining investment property, the amenity land around the houses and fire station at Glossop, was reclassified as a surplus asset. The residential houses located adjacent to Glossop and Matlock Fire Stations previously classified as property, plant and equipment have also been reclassified as surplus assets.

No items of income or expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

The following table summarises the movement in the fair value of investment properties over the year:

2019/20 £000		**2020/21 £000**
1,800	Balance at start of the year	0
0	Net gains/(losses) from fair value adjustments	0
(1,800)	Reclassification to surplus / assets held for sale	0
0	Transfer fire station houses to property, plant & equipment	0
0	Balance at the end of the year	**0**

16. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include only purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful life assigned to the software suites used by the Authority is five years.

The carrying amount of intangible assets is amortised on a straight-line basis. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading; therefore the amortisation of £440,294 charged to revenue in 2020/21 was absorbed as an overhead across all the service headings in the Cost of Services.

The movement on intangible asset balances during the year is as follows:

	2019/20 £000	**2020/21 £000**
Balance at start of year:		
- Gross carrying amounts	3,510	3,583
- Accumulated amortisation	(2,218)	(2,659)
Net carrying amount at start of year	**1,292**	**924**
Additions:		
- Purchases	73	317
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0
Amortisation for the period	(441)	(440)
Net carrying amount at end of year (Note 1)	**924**	**801**
Comprising:		
Gross carrying amounts	3,583	3,900
Accumulated amortisation	(2,659)	(3,099)
Net carrying amount at end of year	**924**	**801**

Note 1
£0.286m of the net carrying amount relates to the East Midlands Tri Control System joint project, which will be amortised over the next year.
£0.231m of the net carrying amount relates to the Human Resources replacement system which will be completed next year.

17. Financial Instruments

Categories of Financial Instruments

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

	Long-Term		Short-Term	
	31st March 2020 £000	31st March 2021 £000	31st March 2020 £000	31st March 2021 £000
Investments				
Loans and receivables	0	0	3,500	10,000
Total Investments	**0**	**0**	**3,500**	**10,000**
Cash				
Cash and cash equivalents	0	0	1,426	480
Total included in Debtors	**0**	**0**	**1,426**	**480**
Debtors				
Financial assets carried at contract amounts	0	0	2,520	2,269
Total included in Debtors	**0**		**2,520**	**2,269**
Borrowings				
Financial liabilities at amortised cost	(7,973)	(7,294)	(679)	(679)
Total included in borrowings	**(7,973)**	**(7,294)**	**(679)**	**(679)**
Creditors				
Financial liabilities carried at contract amounts	0	0	(2,139)	(2,336)
Total creditors	**0**	**0**	**(2,139)**	**(2,336)**

The only gains and losses linked to financial instruments are income receivable from short term investments and interest payable on Public Work Loan Board (PWLB) loans. Quantitative disclosures have been included on the face of the Income and Expenditure Statement. The analysis of financial instruments above includes amounts relating to non-statutory debtor and creditor balances due in less than one year.

Income, Expense, Gains and Losses

	2019/20			2020/21		
	Financial Liabilities: measured at amortised cost £000	**Financial Assets: Loans and receivables £000**	**Total £000**	**Financial Liabilities: measured at amortised cost £000**	**Financial Assets: Loans and receivables £000**	**Total £000**
Interest expense	402	0	402	370	0	370
Total expense in Surplus or (Deficit) on the Provision of Services	**402**	**0**	**402**	**370**	**0**	**370**
Interest income	0	(63)	(63)	0	(11)	(11)
Total income in (Surplus) or Deficit on the Provision of Services	**0**	**(63)**	**(63)**			
Net gain/(loss) for the year	**402**	**(63)**	**338**	**370**	**(11)**	**359**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried 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.

The fair values of loans, provided by the Public Works Loans Board, are as follows:

	31st March 2020		31st March 2021	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial liabilities	(8,652)	(10,896)	(7,973)	(8,452)

Short term debtors and creditors and cash is carried at cost as this is a fair approximation of their value.

18. Inventories

31st March 2020 £000		31st March 2021 £000
278	Balance outstanding at start of year	287
184	Purchases	519
(175)	Recognised as an expense in year	(239)
0	Written off balances	0
287	**Balance outstanding at end of year**	**567**

19. Debtors

31st March 2020 £'000	**Short Term Debtors**	31st March 2021 £'000
4,593	Central Government	1,890
3,488	Other Local Authorities	3,113
0	NHS	40
1,745	Other Entities and Individuals	1,882
9,826		**6,925**
	Long Term Debtors	
146	Other Entities and Individuals	**99**

20. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

31st March 2020 £000		31st March 2021 £000
1	Cash held by the Authority	1
1,425	Bank current accounts	479
1,426	**Total**	**480**

21. Assets Held For Sale

2019/20 £000		2020/21 £000
2,836	Balance at start of the year	3,021
(499)	Net gains/losses from fair value adjustments	0
684	Assets reclassified as held for sale (from Land & Buildings)	0
0	Assets sold in year	(671)
3,021	**Balance at the end of the year**	2,350

The one asset held for sale is the former headquarters site in Littleover, Derby. The site has been re-marketed and the sale is expected to be completed within the next 12 months. During 2020/21 three houses in Turnpike Close, Matlock, one house in Whitfield Park, Glossop and six small fleet vehicles were sold. These assets were classified as assets held for sale at 31 March 2020.

Assets in this category are revalued immediately before reclassification and are carried at the lower of this amount and fair value, less disposal costs. Fair value is the open market value including alternative uses.

The profit or loss arising on the disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Comprehensive Income and Expenditure Statement as a gain or loss on disposal. Where a non-current asset is sold the amount is credited to income and then transferred to usable capital receipts in the Balance Sheet where it is available to fund new capital expenditure.

Depreciation is not charged on assets held for sale.

22. Creditors

31st March 2020 £'000		31st March 2021 £'000
(1,626)	Central Government	(885)
(2,205)	Other Local Authorities	(3,792)
(6)	NHS	(9)
(1,075)	Other Entities and Individuals	(1,289)
(4,912)	**Total**	**(5,975)**

23. Contingent Liabilities

No significant contingent liabilities have been identified at the Balance Sheet date.

24. Provisions

	External Audit 'Scale Fee Variations' £000	Business Rates Appeals £000	Total £000
Balance at 1st April 2020	0	(432)	(432)
Additional provisions made in 2020/21	(57)	(34)	(91)
Provision utilised in 2020/21	0	0	0
Balance at 31st March 2021	(57)	(466)	(523)

Provision for External Audit 'Scale Fee Variations'
This was established in 2020/21 to provide for external audit disputed fee increases, specific to the 2019/20 and 2020/21 financial year.

Provision for Business Rates Appeals
This was established during 2013/14 at the introduction of the Business Rate Retention Scheme. The provision covers potential successful appeals against rateable values as advised each year billing authorities.

25. Unusable Reserves

31st March 2020 £000		31st March 2021 £000
(13,272)	Revaluation reserve	(12,487)
(51,933)	Capital adjustment account	(50,613)
491,187	Pensions reserve	559,563
(206)	Collection fund adjustment account	1,540
251	Accumulated absences account	295
426,027	Total unusable reserves	**498,298**
562	LLP revaluation reserve	562

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:

- revalued 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 1st 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
(12,030)	**Balance at 1st April**	**(13,272)**
(1,840)	Downward (Upward) revaluation of assets	(180)
597	Difference between fair value depreciation and historical cost depreciation	681
0	Accumulated gains on assets sold	284
(13,272)	**Balance at 31st March**	**(12,487)**
562	LLP revaluation reserve (group accounts)	562

Capital Adjustment Account

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

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The account also contains revaluation gains accumulated on property, plant, and equipment before 1st April 2007, the date that the revaluation reserve was created to hold such gains.

Capital Adjustment Account

2019/20 £000		2020/21 £000
(53,341)	**Balance at 1st April**	**(51,933)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
3,658	Charges for depreciation and impairment of non-current assets	3,783
295	Revaluation losses / (gains) on property, plant, and equipment	(1,442)
441	Amortisation of intangible assets	440
457	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,348
4,850	**Subtotal**	**4,129**
(597)	Adjusting amounts written out of the revaluation reserve	(681)
0	Accumulated gains on assets sold written out of the revaluation reserve	(284)
4,252	**Net written out amount of the cost of non-current assets consumed in the year**	**3,164**
	Capital financing applied in the year:	
(383)	Use of the capital receipts reserve to finance new capital expenditure	(662)
0	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0
(721)	Statutory provision for the financing of capital investment charged against the General Fund (MRP)	(403)
(1,740)	Capital expenditure charged against the General Fund	(779)
(2,844)	**Subtotal**	(1,844)
(51,933)	**Balance at 31st March**	**(50,613)**

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 that benefits earned are 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.

Pension Reserve

2019/20 £000		2020/21 £000
521,054	**Balance at 1st April**	**491,187**
(39,962)	Remeasurements of the net defined benefit liability/(asset)	57,688
27,348	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	25,737
(17,253)	Employers pension contributions and direct payments to pensioners payable in the year	(15,049)
491,187	**Balance at 31st March**	**559,563**

Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and non-domestic rates income (NDR) in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. DFRS was part of the Derbyshire Business Rates Pool in 2020/21. The collection fund adjustment account includes both council tax and NDR adjustments.

2019/20 £000		2020/21 £000
(166)	**Balance at 1st April**	**(206)**
(40)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	1,746
(206)	**Balance at 31st March**	**1,540**

Accumulated Absences Account

The accumulated absences 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.

2019/20 £000		2020/21 £000
251	**Balance at 1st April**	251
0	Amount by which 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	45
251	**Balance at 31st March**	**295**

26. Cash Flow Statement - Operating Activities

The cash flows for operating activities includes the following items:

2019/20 £000		2020/21 £000
(84)	Interest Received	(11)
402	Interest Paid	370
318		**359**

The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements:

2019/20 £000		2020/21 £000
(3,658)	Depreciation	(3,783)
(295)	Impairment and revaluations	1,442
(441)	Amortisation	(440)
17	(Increase)/decrease in creditors	(1,064)
2,928	Increase/(decrease) in debtors	(2,948)
9	Increase/(decrease) in inventories	280
(10,094)	Movement in pension liability	(10,688)
830	Contributions (to)/from provisions	(91)
(457)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(1,348)
(11,161)		**(18,640)**

The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities:

2019/20 £000		2020/21 £000
424	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	390
720	Proceeds from the sale of property, plant, and equipment	1,427
1,144		**1,817**

27. Cash Flow Statement - Investing Activities

2019/20 £000		2020/21 £000
2,123	Purchase of property, plant and equipment, investment property and intangible assets	1,441
35,000	Purchase of short term and long term investments	55,000
(720)	Proceeds from sale of property, plant and equipment	(1,427)
(38,000)	Proceeds from short term and long term investments	(48,500)
(424)	Other receipts from investing activities	(390)
(2,021)	**Net cash flows from investing activities**	**6,124**

28. Cash Flow Statement - Financing Activities

2019/20 £000		2020/21 £000
42	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
679	Repayments of short and long term borrowing	679
721	**Net cash flows from financing activities**	**679**

29. Members' Allowances

The Authority paid the following amounts to Members of the Authority during the year. Details of Members' allowances are published in accordance with requirements, on the Authority's website.

2019/20 £000		2020/21 £000
81	Allowances	82
4	Expenses	0
85	**Total**	**82**

30. Officers' Remuneration

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts (bands with no employees in either year have been excluded):

Remuneration Band £	2019/20 Number of Employees	2020/21 Number of Employees
50,000 – 54,999	17	15
55,000 – 59,999	17	25
60,000 – 64,999	3	6
65,000 – 69,999	8	7
70,000 – 74,999	2	2
75,000 – 79,999	1	0
80,000 – 84,999	1	2
85,000 – 89,999	0	2
105,000 – 109,999	1	0
130,000 – 134,999	0	1
140,000 – 144,999	1	0
155,000 – 159,999	0	1
	51	**61**

This table includes the senior employees listed in the tables that follow.

Disclosure of Remuneration for Senior Employees

The following table provides details on senior officers' emoluments greater than £50,000 in 2020/21.

Post holder information (Post title)	Salary, Fees and Allowances £	Expense Allowances £	Pension contributions £	Total including Pension £
Chief Fire Officer and Chief Executive - Gavin Tomlinson	157,111	231	45,248	**202,590**
Deputy Chief Fire Officer	133,664	231	49,675	**183,570**
Director of Corporate Services (Note 1)	83,998	5,534	11,928	**101,460**
Area Manager – Community Safety & Central Policy (Note 2)	80,165	5,081	22,746	**107,992**
Area Manager – Service Delivery Support (Note 3)	80,165	3,299	22,746	**106,210**
Area Manager – Service Delivery (Note 4)	80,165	231	22,746	**103,142**
Solicitor/Monitoring Officer	63,579	5,374	9,028	**77,981**

Note 1 - the post holder became Director of Corporate Officer Services from 6th April 2020, prior to this the post holder was Area Manager – People & Organisational Development from 1st April 2020 until 5th April 2020.

Note 2 - the post holder became Area Manager – Community Safety & Central Policy from 1st February 2021, prior to this the post holder was Area Manager – Community Safety from 1st November 2020 to 31st January 2021 and prior to this the post holder was Area Manager – Operational Training, Policy & Assurance from 1st April 2020 to 31st October 2020.

Note 3 - the post holder became Area Manager – Service Delivery Support from 1st February 2021, prior this the post holder was Area Manager - Operational Training, Policy & Assurance from 1st November 2020 to 31st January 2021 and prior to this the post holder was Area Manager – Community Safety from 1st April 2020 to 31st October 2020.

Note 4 - the post holder became Area Manager – Service Delivery from 1st September 2020, prior to this the post holder was Area Manager – Response from 1st April 2020 to 31st August 2020.

The following table provides details on senior officers' emoluments greater than £50,000 in 2019/20.

Post holder information (Post title)	Salary, Fees and Allowances £	Expense Allowances £	Pension contributions £	Total including Pension £
Chief Fire Officer and Chief Executive (Note 1)	144,069	210	41,390	185,669
Chief Fire Officer and Chief Executive (Note 2)	66,739	-	24,777	91,516
Deputy Chief Fire Officer (Note 3)	109,077	210	30,501	139,789
Area Manager – People & Organisational Development	66,697	5,396	8,804	80,897
Area Manager - Community Safety (Note 4)	68,087	3,013	18,465	89,565
Area Manager - Operational Training, Policy & Assurance (Note 5)	72,388	4,399	18,465	95,252
Area Manager – Response (Note 6)	79,991	210	18,465	98,667
Area Manager – Response (Note 7)	59,272	159	17,070	76,502
Director of Finance (Note 8)	23,750	2,980	3,135	28,865
Solicitor/Monitoring Officer	62,332	5,191	8,228	75,751

Note 1 - the post holder became the Chief Fire Officer / Chief Executive from 6th September 2019, prior to this the post holder was the Deputy Chief Fire Officer from 1st April 2019 until 5th September 2019.

Note 2 - the previous post holder retired on 5th September 2019.

Note 3 - the post holder became Deputy Chief Fire Officer from 6th September 2019, prior this the post holder was Area Manager - Operational Training, Policy & Assurance from 1st May 2019 to 5th September 2019, prior to this the post holder was Area Manager Collaboration & Projects from 1st April 2019 to 30th April 2019.

Note 4 - the post holder became Area Manager - Community Safety from 3rd January 2020, prior to this the post holder was not a member of SLT.

Note 5 - this post holder became Area Manager - Operational Training, Policy & Assurance from 6th September 2019, prior to this the post holder was not a member of SLT.

Note 6 - the post holder became Area Manager - Response from 3rd January 2020, prior to this the post holder was Area Manager - Community Safety from the 1st April 2019 to the 2nd January 2020.

Note 7 - the previous post holder retired on 2nd January 2020.

Note 8 - the post of Director of Finance. /Treasurer transferred to Derbyshire Constabulary on 1st July 2019 as part of collaborative working arrangements, remaining a member of Derbyshire Fire & Rescue Services Strategic Leadership Team. Derbyshire Fire & Rescue Service make a payment to Derbyshire Constabulary for services provided. In 2019/20 further payments of £24,250 were made for this post covering July 2019 – March 2020.

The numbers of exit packages with total cost per band are set out in the table. There were no compulsory redundancies during 2019/20 or 2020/21.

Exit Package Cost Band (including special payments)	**Number of Other Departures Agreed**		**Total Number of Exit Packages by Cost Band**		**Total Cost of all Exit Packages in each Band**	
	2019/20	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
£0 - £20,000	0	1	0	1	£0	£10,000
£20,001 - £40,000	1	0	1	0	£27,528	£0
Total Cost Included in Comprehensive Income and Expenditure Statement	**1**	**1**	**1**	**1**	**£27,528**	**£10,000**

The total cost in the table above includes £10,000 for exit packages that have been charged to the Authority's Comprehensive income and Expenditure Statement in the current year.

Further information is provided in Note 36 Termination Benefits.

31. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts.

2019/20		**2020/21**
£000		**£000**
25	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	25
0	Audit overrun costs 2018/19 and provision established for 'scale fee variations'	63
25	**Total**	**88**

32. Grant Income

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

2019/20 £000	Credited to Services	2020/21 £000
158	Ministry of Housing Communities & Local Government – Covid-19 Emergency Funding	913
210	Ministry of Housing Communities & Local Government – FireLink Grant	223
0	Home Office – Grenfell Infrastructure	82
0	Ministry of Housing Communities & Local Government – Protection Uplift Grant	73
0	Ministry of Housing Communities & Local Government – Business Risk Review Grant	60
8	Ministry of Housing Communities & Local Government - Transparency Code - New Burdens	8
5	Ministry of Housing Communities & Local Government - New Dimensions	5
0	National Lottery Fund – Grant for Marina Water Safety Project	2
3	Derbyshire County Council - Contribution to Young Driver Education Package	1
376	Ministry of Housing Communities & Local Government – Belwin Claim	0
53	Notts Fire and Rescue Service - Emergency Services Network (ESN) Grant Funding	0
12	Derbyshire County Council – Portable Misting System	0
6	Other Smaller Grants	0
831	**Total**	**1,367**

33. 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 operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has effective control 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 (e.g. council tax bills, housing benefits). Grants received from government departments as at 31st March 2021 are set out in the subjective analysis in Note 8a Expenditure and Income Analysed by Nature.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. During 2020/21 the Authority was made up of 12 Members from Derbyshire County Council and 4 Members from Derby City Council. During the financial year 2020/21 the following transactions were entered into between Derbyshire County Council - expenditure of £0.2m (of which £130,642 was unpaid as at 31st March 2021) and income of £600 (of which none was owing as at 31st March 2021). During 2020/21 the following transactions were entered into between the Authority and Derby City Council - expenditure of £0.3m (of which none was unpaid as at 31st March 2021).

Other payments are illustrated below and comprise predominantly of business rate charges, plus other contracted services.

Organisation	**Payments £**	**Receipts £**	**Outstanding £**
Amber Valley Borough Council	143,255		
Bolsover District Council	73,591		
Chesterfield Borough Council	197,747		
Derby City Council	320,917		
Derbyshire Dales District Council	79,741		
Derbyshire County Council	243,409	(600)	(130,642)
Derbyshire Police & Crime Commissioner	246,298	(486,420)	(44,095)
DPFP LLP	1,006,874		
Erewash Borough Council	139,008		
High Peak Borough Council	207,505		
Local Government Association	18,936		
South Derbyshire District Council	115,109		
Total	**2,792,390**	**(487,020)**	**(174,737)**

Officers

During the financial year 2020/21 no officers had an interest in an organisation that would have a potential to control or influence the Authority or be controlled or influenced by the Authority.

Entities Controlled or Significantly Influenced by the Authority

In December 2014 Members of Derbyshire Fire and Rescue Authority approved the creation of a Limited Liability Partnership (LLP) between the Fire and Rescue Service, the Office of the Police and Crime Commissioner (OPCC) and Derbyshire Constabulary which oversaw the delivery of the Joint Police and Fire Headquarters and Joint Training Centre projects. This enabled the interests of both partners and their Management Board Members to be protected within a formal partnership agreement with equal voting rights. The Management Board of DPFP LLP comprises eight Members in total; four from Derbyshire Fire and Rescue Service, one from Derbyshire Constabulary, and three from the OPCC. The Chair of Derbyshire Fire Authority and the PCC (Elected Officials) alternate in sharing the roles of Chair and Vice Chair of the Board. Investment in the DPFP LLP amounted to £12.605m as at 31st March 2021 which relates to the Derbyshire Fire and Rescue Service share of the joint headquarters and joint training centre.

During 2020/21 payments totalling £1.007m (£0.998m in 2019/20) where due to the LLP for rental, license and service charges. At 31st March the redistribution of £0.390m (£0.424m in 2019/20) year end profit from the LLP remained outstanding.

34. Capital Expenditure and Capital Financing

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

2019/20 £000		2020/21 £000
9,415	**Opening capital financing requirement**	**8,694**
	Capital investment	
2,050	Property, plant, and equipment	1,124
73	Intangible assets	317
	Sources of finance	
(383)	Capital receipts	(662)
	Sums set aside from revenue	
(1,740)	Direct revenue contributions	(779)
(721)	MRP inc finance lease repayments	(403)
8,694	**Closing capital financing requirement**	**8,291**
(721)	**Movements in year**	**(403)**
	Explanation of movements in year	
(679)	MRP provision in year	(403)
(42)	Assets acquired under finance leases/ (finance leases repaid)	0
(721)	**Increase/(decrease) in capital financing requirement**	**(403)**

35. Leases

Authority as Lessee

Finance Leases

The Authority has acquired a number of its fleet of vehicles under finance leases. The assets acquired under these leases are carried as vehicles, plant, and equipment in the Balance Sheet at the following net amounts:

2019/20 £000		2020/21 £000
1,316	Vehicles, plant, furniture, and equipment	941
1,316	**Total**	**941**

These assets have previously been directly acquired and no further finance lease liability exists.

Operating Leases

The Authority utilises a number of vehicles under operating lease arrangements, which typically have a life of five years and there are two property rents in place for the new joint HQ and training centre at Ripley until 2040.

The future minimum lease payments due under non-cancellable leases in future years are:

2019/20 £000		2020/21 £000
551	Not later than one year	439
1,429	Later than one year and not later than five years	1,304
4,714	Later than five years	4,473
6,694	Total	**6,216**

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
496	Minimum lease payments	543
496	Total	**543**

36. Termination Benefits

Termination benefits are payable as a result of either the Fire & Rescue Authorities decision to terminate an employee’s employment before normal retirement age, or an employee’s decision to accept voluntary redundancy in exchange for those benefits. Voluntary early retirement does not represent a termination benefit, being instead a "post- employment benefit".

The Authority terminated one contract during 2020/21 (one in 2019/20), the number and cost of exit packages are disclosed in Note 30 Officers Remuneration.

37. 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 employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes, both of which are defined benefit schemes:

- The Local Government Pension Scheme (LGPS), for administrative, support and control employees, is administered locally by Derbyshire County Council. This is a funded defined benefits scheme based since 1 April 2014 on ‘Career Average Revaluated Earnings’ (CARE), meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

- The Firefighters’ Pension Scheme (FPS). This is split into four parts.

    - The 1992 Firefighters Pension Scheme, which has been closed to new entrants since 6th April 2006. Its members are wholetime firefighters.

    - The 2006 Firefighters Pension Scheme, which has been closed to new entrants from 1st April 2015. Its members are both on call and wholetime firefighters.

    - The Modified Pension Scheme, which was a special pension scheme made available to on call firefighters who were active after 1st July 2000, following a legal decision relating to the Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000. It will not receive any new members.

    - The 2015 Firefighters Pension Scheme, which is currently open for new members and has received some transfers from the other schemes if certain criteria is met. Its members are both on call and wholetime firefighters.

  All these schemes are unfunded schemes, meaning that there are no investment assets to meet the cost of pension liabilities and cash has to be generated to meet pension payments as they fall due. The cost of the scheme is met with contributions paid by employees and the Authority, with any deficit in the funding required being met by a grant from the Home Office. The scheme is administered on behalf of Derbyshire Fire and Rescue Service by West Yorkshire Pension Fund. Further details on these schemes can be found in Note 2 - Accounting Policies.

The Authority also participates in the Firefighters' Compensation Scheme. The Firefighters' Compensation Scheme (England) Order 2006 makes provision for the payment of pensions, allowances and gratuities to and in respect of persons who die or are permanently disabled as a result of an injury sustained or disease contracted while employed by a Fire and Rescue Authority. The level of benefits payable is dependent on the salary, service and the degree of disablement of the member at the time the injury is incurred. Therefore the level of long term benefits payable can be both material and volatile. For this reason the Compensation Scheme is treated as an unfunded defined benefit scheme, and accounted for under International Accounting Standard 19 (IAS 19), in the same manner as for the Firefighters' Pension Schemes. The cost of the Compensation Scheme is met by the Authority.

The numerical entries below that refer to the FPS are for all schemes combined unless otherwise stated.
The principal risks to the Authority of the schemes are the longevity assumptions, statutory changes to the schemes, structural changes to the schemes (i.e. large-scale withdrawals from the schemes), changes to inflation, bond yields and the performance of the equity investments held by the schemes. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment 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. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Significant factors affecting the 2020/21 Pension Statements

McCloud Impact

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK government requested leave to appeal to the Supreme Court, but this was denied at the end of June 2019.

In July 2020, the government published a consultation on proposed remedies for pension schemes to remove age discrimination relating to the McCloud/Sargeant case. The actuaries for the Firefighters Pension Schemes and the LGPS have provided estimates of the impact of this consultation and these estimates are included in this Statement of Accounts.

GMP Impact

Guaranteed Minimum Pension (GMP) was accrued by members of the Local Government Pension Scheme between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number or reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of Derbyshire Pension Fund for financial reporting purposes. These estimate are included in the pension liabilities in the Statement of Accounts.

Comprehensive Income and Expenditure Statement

Cost of Services	Local Government Pension Scheme 2019/20 £000	Local Government Pension Scheme 2020/21 £000	Firefighters' Pension Scheme 2019/20 £000	Firefighters' Pension Scheme 2020/21 £000
Service cost comprising:				
- Current service costs	(2,738)	(2,107)	(10,470)	(10,630)
- Past service costs	174	0	250	(20)
- (Gain)/loss on settlements	0	0	0	0
Financing and Investment Income and Expenditure				
- Net interest expense	(484)	(300)	(12,260)	(10,760)
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**(3,048)**	**(2,407)**	**(22,480)**	**(21,410)**
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets (excluding the amount included in the net interest expense)	(2,825)	6,306	0	0
- Actuarial gains and losses arising on changes in demographic assumptions	2,007	(920)	15,780	0
- Actuarial gains and losses arising on changes in financial assumptions	6,152	(15,435)	12,340	(51,630)
- Changes in assumptions underlying the present value of the retained settlement	0	0	0	0
- Other (experience)	3,408	450	3,100	3,540
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	**5,694**	**(12,006)**	**8,740**	**(69,500)**

The Authority is required to disclose if there are possible obligations which may require payment or a transfer of economic value.

Movement in Reserves Statement

- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	3,048	2,407	22,480	21,410
Actual amount charged against the General Fund Balance for pensions in the year:				
- employers' contributions payable to scheme	(983)	(1,089)	(4,186)	(4,395)

The Firefighter Pension Scheme has no assets.

Pension Assets and Liabilities Recognised in the Balance

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

	Funded Liabilities: Local Government Pension Scheme 2019/20 £000	Funded Liabilities: Local Government Pension Scheme 2020/21 £000	Unfunded Liabilities: Firefighter Pension Scheme 2019/20 £000	Unfunded Liabilities: Firefighter Pension Scheme 2020/21 £000
Present value of the defined benefit obligation	46,105	64,819	478,630	536,090
Fair value of plan assets	(33,548)	(41,345)	0	0
Subtotal	12,557	23,474	478,630	536,090
Other movements in the liability (asset)	0	0	0	0
Net liability arising from defined benefit obligation	**12,557**	**23,474**	**478,630**	**536,090**

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Funded Liabilities: Local Government Pension Scheme	
	2019/20	**2020/21**
	£000	**£000**
Opening fair value of scheme assets	**35,038**	**33,548**
Interest income	848	779
Remeasurement gain/(loss)		
- The return on plan assets, excluding the amount included in the net interest expense	(2,825)	6,306
- Other		
The effect of changes in foreign exchange rates		
Contributions from employer	983	1,089
Contributions from employees into the scheme	431	449
Benefits paid	(927)	(826)
Closing fair value of scheme assets	**33,548**	**41,345**

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Firefighter Pension Scheme	
	2019/20	**2020/21**	**2019/20**	**2020/21**
	£000	**£000**	**£000**	**£000**
Opening balance at 1st April	**54,272**	**46,105**	**501,820**	**478,630**
Current service cost	2,738	2,107	10,470	10,630
Interest cost	1,332	1,079	12,260	10,760
Contributions by scheme participants	431	449	1,820	1,920
Remeasurements (gains) and losses:				
- Actuarial (gains)/losses arising from changes in demographic assumptions	(2,007)	920	(15,780)	0
- Actuarial (gains)/losses arising from changes in financial assumptions	(6,152)	15,435	(12,340)	51,630
- Changes in assumptions underlying the present value of the retained settlement	0	0	0	0
- Other (Experience gains/losses)	(3,408)	(450)	(3,100)	(3,540)
Past service costs	(174)	0	(250)	20
Losses/(gains) on curtailment	0	0	0	0
Liabilities assumed on entity combinations	0	0	0	0
Benefits paid	(927)	(826)	(16,270)	(13,960)
Liabilities extinguished on settlements	0	0	0	0
Closing balance at 31st March	**46,105**	**64,819**	**478,630**	**536,090**

Breakdown of Firefighters' Pension Scheme Transactions and Liabilities by Scheme

Transactions Relating to Post-employment Benefits

Comprehensive Income and Expenditure Statement	**1992 Scheme**		**2006 Scheme**		**2015 Scheme**		**Injury Benefit Scheme**		**Total**	
Cost of Services	**2019/20 £000**	**2020/21 £000**	**2019/20 £000**	**2020/21 £000**	**2019/20 £000**	**2020/21 £000**	**2019/20 £000**	**2020/21 £000**	**2019/20 £000**	**2020/21 £000**
Service cost comprising:										
- Current service costs	(980)	(520)	(180)	(150)	(9,120)	(9,720)	(190)	(240)	(10,470)	(10,630)
- Past service costs	(1,750)	0	2,070	0	(70)	(20)	0	0	250	(20)
- (Gain)/loss on settlements	0	0	0	0	0	0	0	0	0	0
Financing and Investment Income and Expenditure										
- Net interest expense	(10,410)	(8,910)	(840)	(710)	(720)	(890)	(290)	(250)	(12,260)	(10,760)
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**(13,140)**	**(9,430)**	**1,050**	**(860)**	**(9,910)**	**(10,630)**	**(480)**	**(490)**	**(22,480)**	**(21,410)**
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement										
Remeasurement of the net defined benefit liability comprising:										
- Return on plan assets (excluding the amount included in the net interest expense)	0	0	0	0	0	0	0	0	0	0
- Actuarial gains and losses arising on changes in demographic assumptions	13,030	0	1,190	0	1,120	0	440	0	15,780	0
- Actuarial gains and losses arising on changes in financial assumptions	9,400	(38,680)	1,310	(5,270)	1,400	(6,970)	230	(710)	12,340	(51,630)
- Changes in assumptions underlying the present value of the retained settlement	0	0	0	0	0	0	0	0	0	0
- Other (experience)	4,730	(5,820)	(1,100)	860	(520)	7,780	(10)	720	3,100	3,540
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	**14,020**	**(53,930)**	**2,450**	**(5,270)**	**(7,910)**	**(9,820)**	**180**	**(480)**	**8,740**	**(69,500)**

Movement in Reserves Statement	**1992 Scheme**		**2006 Scheme**		**2015 Scheme**		**Injury Benefit Scheme**		**Total**	
	2019/20	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	13,140	9,430	(1,050)	860	9,910	10,630	480	490	22,480	21,410
Actual amount charged against the General Fund Balance for pensions in the year:										
- employers' contributions payable to scheme	556	349	105	94	3,525	3,952	0	0	4,186	4,395

Pension Assets & Liabilities Recognised in the Balance Sheet

	1992 Scheme		**2006 Scheme**		**2015 Scheme**		**Injury Benefit Scheme**		**Total**	
	2019/20	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Present value of the defined benefit obligation	402,010	443,090	31,520	36,710	33,700	45,230	11,400	11,060	478,630	536,090
Fair value of plan assets	0	0	0	0	0	0	0	0	0	0
Sub-total	402,010	443,090	31,520	36,710	33,700	45,230	11,400	11,060	478,630	536,090
Other movements in the liability (asset)	0	0	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	**402,010**	**443,090**	**31,520**	**36,710**	**33,700**	**45,230**	**11,400**	**11,060**	**478,630**	**536,090**

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

	1992 Scheme		2006 Scheme		2015 Scheme		Injury Benefit Scheme		Total	
	2019/20	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Opening balance at 1st April	**431,170**	**402,010**	**34,090**	**31,520**	**24,260**	**33,700**	**12,300**	**11,400**	**501,820**	**478,630**
Current service cost	980	520	180	150	9,120	9,720	190	240	10,470	10,630
Interest cost	10,410	8,910	840	710	720	890	290	250	12,260	10,760
Contributions by scheme participants	220	140	40	30	1,560	1,750	0	0	1,820	1,920
Remeasurements (gains) and losses:										
- Actuarial (gains)/losses arising from changes in demographic assumptions	(13,030)	0	(1,190)	0	(1,120)	0	(440)	0	(15,780)	0
- Actuarial (gains)/losses arising from changes in financial assumptions	(9,400)	38,680	(1,310)	5,270	(1,400)	6,970	(230)	710	(12,340)	51,630
- Changes in assumptions underlying the present value of the retained settlement	0	0	0	0	0	0	0	0	0	0
- Other (experience gains/losses)	(4,730)	5,820	1,100	(860)	520	(7,780)	10	(720)	(3,100)	(3,540)
Past service costs	1,750	0	(2,070)	0	0	0	0	0	(320)	0
Transfers in	0	0	0	0	70	20	0	0	70	20
Losses/(gains) on curtailment	0	0	0	0	0	0	0	0	0	0
Liabilities assumed on entity combinations	0	0	0	0	0	0	0	0	0	0
Benefits paid	(15,360)	(12,990)	(160)	(110)	(30)	(40)	(720)	(820)	(16,270)	(13,960)
Liabilities extinguished on settlements	0	0	0	0	0	0	0	0	0	0
Closing balance at 31st March	**402,010**	**443,090**	**31,520**	**36,710**	**33,700**	**45,230**	**11,400**	**11,060**	**478,630**	**536,090**

The Local Government Pension Scheme's assets consist of the following categories, by amount and by proportion of the total assets held:

	31st March 2020 £000	31st March 2020 %	31st March 2021 £000	31st March 2021 %
Equity investments				
- Consumer	915	3	700	2
- Manufacturing	523	2	407	1
- Energy and utilities	246	1	149	0
- Financial institutions	369	1	313	1
- Health and care	528	2	367	1
- Information technology	786	2	567	1
- Other	2,781	8	8,314	20
Subtotal equity instruments	**6,148**	**19**	**10,817**	**26**
Bonds				
- Corporate	4,245	13	5,378	13
- Government	3,333	10	3,485	8
- Other	840	3	740	2
Subtotal bonds	**8,418**	**26**	**9,603**	**23**
Property				
- UK	2,948	9	3,140	8
- Overseas	0	0	0	0
Subtotal property	**2,948**	**9**	**3,140**	**8**
Private Equity	**1,119**	**3**	**1,535**	**4**
Investment Funds and Unit Trusts				
- Equities	10,290	31	11,058	27
- Bonds	0	0	0	0
- Infrastructure	2,486	7	2,564	6
Subtotal - investment funds and unit trusts	**12,776**	**38**	**13,622**	**33**
Cash and cash equivalents	**2,139**	**6**	**2,628**	**6**
Total assets	**33,548**	**100**	**41,345**	**100**

All scheme assets have quoted prices in active markets with the exception of the following:

Type	31st March 2020 £000	31st March 2021 £000
Bonds – Corporate	4,245	5,378
Private Equity	722	911
Property – UK	2,948	3,140
Investment Funds – Equities	0	0
Investment Funds – Infrastructure	1,925	1,962
Cash and Cash Equivalents	2,139	2,628
Total quoted prices not in active markets	**11,979**	**14,019**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Firefighter Pension Scheme has been independently assessed by the Government Actuary Department (GAD), and the Local Government Pension Scheme has been independently assessed by Hymans Robertson. Estimates for both funds have been based on the latest full valuation of the scheme as at 31st March 2019. The significant assumptions used by the actuary have been:

Mortality assumptions	**Local Government Pension Scheme**		**Firefighter Pension Scheme**	
	2019/20 (yrs)	**2020/21 (yrs)**	**2019/20 (yrs)**	**2020/21 (yrs)**
Longevity at 65 for current pensioners:				
- Men	21.6	21.3	21.3	21.4
- Women	23.7	23.9	21.3	21.4
Longevity at 65 for future pensioners:				
- Men	22.6	22.5	23.0	23.1
- Women	25.1	25.8	23.0	23.1

Other Actuarial Assumptions	**Local Government Pension Scheme**		**Firefighter Pension Scheme**	
	2019/20 %	**2020/21 %**	**2019/20 %**	**2020/21 %**
Rate of CPI inflation	1.8	2.8	2.00	2.40
Rate of increase in salaries	2.5	3.5	4.00	4.15
Rate of increase in salaries – short term	N/A	N/A	N/A	N/A
Rate of increase in pensions	1.8	2.8	2.00	2.40
Rate for discounting scheme liabilities	2.3	2.05	2.25	2.00
CARE revaluation rate			4.00	4.15

All firefighter schemes have the same mortality and actuarial assumptions.

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 assumption analysed changes while all the other 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.

Impact on the Defined Benefit Obligation in the Pension Schemes 2020/21

	Local Government Pension Scheme		**Firefighter Pension Scheme**	
	Increase in Assumption £000	**Decrease in Assumption £000**	**Increase in Assumption £000**	**Decrease in Assumption £000**
Longevity (increase or decrease in 1 year)	N/a	N/a	18,000	(18,000)
Rate of increase in salaries (increase or decrease by 0.5%/yr)	960	(960)	8,000	(8,000)
Rate of increase in pensions (increase or decrease by 0.5%/yr)	6,598	(6,598)	43,000	(43,000)
Rate for discounting scheme liabilities (increase or decrease by 0.5%/yr)	(7,730)	(7,730)	(49,000)	49,000

Impact on the Authority's Cash Flows

The defined benefit liability shows the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £559.6m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, however statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The net liability on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The aims of the Fund are to keep employer contribution rates as constant as possible. Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The last actuarial valuation of the Fund was carried out as at 31st March 2019 and set contributions for the period from 1 April 2020 to 31st March 2023. There are no minimum funding requirements in the LGPS but the long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities.
- Finance is only required to be raised to cover firefighter pensions when the pensions are actually paid, and any shortfalls are currently met by the Home Office. Any short term cash flow requirements are actively managed by Corporate Financial Services.
- Finance is only required to be raised to cover the costs of the firefighters' compensation scheme when the pensions are actually paid, and these costs are included in the Authority's annual budget. The amount spent in 2020/21 was £823k (2019/20, £768k).

Firefighters' Pension Fund Accounts

Fund Account 2019/20 Total £000		Fund Account 2020/21 Total £000
	Contributions receivable:	
	Fire Authority	
(4,186)	- contributions in relation to pensionable pay	(4,395)
(300)	- Ill Health Pensions	(370)
(1,825)	Firefighters' contributions	(1,925)
(6,311)		**(6,690)**
(65)	**Transfers in from other authorities**	(22)
(6,376)	**Total income to the fund**	**(6,712)**
	Benefits payable	
11,936	- pensions	12,319
4,282	- commutations and lump sum retirement benefits	1,133
0	- lump sum death benefits	
0	- Gad vs Milne backdated payments	
	Payments to and on account of leavers	
48	- transfers out to other schemes	
16,266	**Total spending by the fund**	**13,452**
9,890	**Net amount payable for the year**	**6,740**
(5,873)	Top-up grant received from the government	(6,712)
0	Gad V Milne additional grant received from government	0
4,017	**Balance of top-up grant for the year receivable from /(payable to) the Home Office**	**28**

Net Assets Statement

2019/20 £000		2020/21 £000
	Current assets	
956	Payments in advance	952
4,017	Top-up receivable from the government	28
	Current liabilities	
0	Unpaid pension benefits	0
(4,973)	Amount owing to General Fund	(980)
0	**Net Current Assets**	**0**

38. 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.
- 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.

Risk management is carried under policies approved by the Authority in the annual Treasury Management Strategy (TMS). The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Treasury Management Strategy, which provides strict criteria for placing investments with financial institutions. The latest Treasury Management Strategy was approved by Fire Authority on 11 February 2021 and can be found on the Authority's website. The key issues within the strategy were:

- The Authorised Limit for 2020/21 was set at £11.41m. This is the maximum limit of external borrowings or other long term liabilities such as finance leases.
- The Operational Boundary for 2020/21 was set at £10.81m. This is the expected maximum level of debt and other long term liabilities during the year.
- The maximum proportions of fixed and variable interest rate exposure were set at 100% and 40% respectively.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors regarding inclusion and equality. Individual credit limits are set in accordance with internal ratings in accordance with parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments in banks and 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 individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31st March 2021 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on recent experience of default.

	Amount at 31st March 2021 £000	Historical experience of default	Estimated Maximum Exposure to Credit Risk 31st March 2021 £000
Deposits with Banks and Financial Institutions	10,480	0.00%	0
Customers	421	0.03%	0

The Authority allows 30 days credit for customers. The age analysis of the customer balance is shown below:

2019/20 £000		2020/21 £000
198.8	Not yet due*	401.9
26.9	Less than three months	18.9
0.4	Three to six months	0.0
0.0	Six months to one year	0.1
0.0	More than one year	0.0
226.1	**Total**	**420.9**

**£135k of the amount owed by customers at 31st March 2021 relates to repayment of employee pension contributions as a result of the Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000. Some of the staff affected are repaying their contributions over ten years via direct debit. This note has treated these amounts outstanding as 'not yet due.' Should an employee default on the repayment the appropriate entry to the pension scheme will also be reversed, so there is no risk to the Authority from these amounts.*

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is as follows:

2019/20 £000		2020/21 £000
(679)	Less than one year	(679)
(679)	Between one and two years	(679)
(2,930)	Between two and five years	(2,930)
(4,364)	More than five years	(3,685)
(8,652)	**Total**	**(7,973)**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. 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 or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or 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 Services or Other Comprehensive Income and Expenditure. 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 Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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. The Authority held no variable rate loans during 2020/21. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be reviewed to limit exposure to losses.

There is an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31st March 2021, if interest rates had been 1% higher with all other variables held constant, the financial impact would be:

Impact of interest rate changes	**£000**
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	100
Impact on Surplus or Deficit on the Provision of Services	**100**
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	**100**
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income and Expenditure)	1,915

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

Foreign Exchange Risk

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

Independent Auditor's Report to the Members of Derbyshire Fire Authority

Glossary of Terms used in the Statement of Accounts

The definitions within the glossary are designed to give the user an understanding of the technical terminology contained in the Statement of Accounts.

Accounting Policies
These are a set of rules and codes of practice used when preparing the Accounts.

Accrual
A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods supplied and received or works done but for which payment has not been received or made by the end of the period.

Actuarial Gain or Loss
The change in actuarial deficits or surpluses that arise because either events have not coincided with the actuarial assumptions made for the last valuation (experienced gains or losses), or because the actuarial assumptions have changed.

Actuarial Valuation
A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a Pension Fund.

Amortisation
This is the amount set aside to pay for the loss in value of intangible assets.

Budget
This is a statement of the Authority's (financial) plans for a specified period of time. A budget is prepared and approved by the Authority prior to the start of the financial year. The Authority's budget is prepared on an outturn basis, which means that increases for pay and prices during the financial year are contained within the total budget figure.

Business Rates Baseline
Determined for individual authorities at the outset of the business rates retention scheme by dividing the *local share* of the *Estimated Business Rates Aggregate* between billing authorities on the basis of their proportionate share.

Call Off Contract
The Authority tenders for the supply of contracts.

Capital Expenditure
This is expenditure on new assets or on the enhancement of existing assets so as to prolong their useful life or enhance market value.

Capital Financing Requirement (CFR)
The capital financing requirement represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. It measures the Authority's underlying need to borrow for a capital purpose.

Capital Grant
Grant from Central Government used to finance specific schemes in the capital programme. Where capital grants are receivable, these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grants are received.

Capital Grants Unapplied
The Grants as described above which have yet to be used to finance capital expenditure.

Capital Receipts
Proceeds from the sale of an asset which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government. They cannot be used to finance normal day to day revenue spending.

Chartered Institute of Public Finance and Accountancy (CIPFA)
The principal accountancy body dealing with local government finance.

CIES
Comprehensive Income and Expenditure Statement

Componentisation
The separation of an asset into identifiable and significant components that have differing useful lives. This is so that components of an asset that have a shorter life than the asset itself are depreciated separately to ensure that the annual charge to revenue fully reflects the use of the asset.

Consumption of Economic Benefits (CEB)
Impairment caused by either physical damage, or deterioration in the quality of the service provided by the asset. Impairment caused by a general fall in prices is referred to as No CEB.

Corporate & Democratic Core
The costs associated with corporate policy making and Member based activities, together with costs relating to corporate management, public accountability and treasury management.

Creditor
An amount owed by the Authority for work done, goods received, or services rendered but for which payment has not been made as at the date of the Balance Sheet.

Current Service Cost (Pensions)
This measures the increase in the present value of pension liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in the financial year, earning service that will eventually entitle them to the receipt of a lump sum and pension when they retire.

Current Value
Current value is the value that assets and liabilities can be measured if they were sold or settled at the current date.

Debtor
A sum of money due to the Authority in the relevant financial year but not received as at the Balance Sheet date.

Depreciation
The measure of the consumption or other reduction in the useful economic life of a non-current asset whether arising from use, passage of time or obsolescence through technological or other changes.

Discretionary Added Years
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

DPFP
Derbyshire Police and Fire Partnership (Limited Liability Partnership), a legal entity established to manage the build of the new joint headquarters.

Earmarked Reserves
These reserves represent monies set aside that can only be used for the specific purpose for which they were established.

Emoluments
All taxable sums paid to or received by an employee including the value of any none cash benefits received.

Financial Year
The period covered by a set of financial accounts. The Authority's financial year commences 1st April and finishes 31st March the following year.

General Fund
This reserve is to provide for unexpected expenditure that cannot be managed within existing budgets.

Government Grants Deferred
The balance of grants applied to the financing of non-current assets awaiting amortisation to the Income and Expenditure Statement to match depreciation on relevant assets.

Impairment
A reduction in the value of a non-current asset below the amount included on the Balance Sheet.

Imprest Account
Cash held locally to pay for small or urgent items.

Intangible Non-Current Assets
Assets which are not physical such as software licences.

International Financial Reporting Standards (IFRS)
These standards are developed by the International Accounting Standards Board (IASB) and regulate the preparation and presentation of Financial Statements. Any material departures from these Standards would be disclosed in the Notes to the Accounts. International Financial Reporting Standards are new standards developed by the IASB.

International Accounting Standards Board (IASB)
The International Accounting Standards Board (IASB) is an independent, privately-funded accounting standard-setter based in London with representatives from several counties in the world. The IASB as the successor to the IASC adopted existing International Accounting Standards (IAS's), many of which have been revised.

International Accounting Standard
International Accounting Standards (IAS) were issued by the Board of the International Accounting Standards Committee (IASC).The IASC was the predecessor to the IASB.

Joint Venture
Arrangement under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint venturers have rights to the net assets of the arrangement

Limited Liability Partnership (LLP)
A legal business entity whereby the partners have limited liabilities.

Minimum Revenue Provision (MRP)
The statutory minimum amount which an Authority is required to charge to revenue on an annual basis as a provision to redeem debt.

Net Book Value
The amount at which non-current assets are included in the Balance Sheet.

Operating Lease
Agreement whereby ownership of the asset remains with the lessor and an annual rental is charged to the Income and Expenditure Statement.

Operational Assets
Non-current assets held, occupied, or utilised by the Authority in the direct delivery of those services for which it has statutory responsibility.

Past Service Cost (Pensions)
These costs represent the increase in liabilities arising from decisions taken in the current year to improve retirement benefits, but whose financial effect is derived from years of service earned in earlier years.

PP&E
DFRS property, plant and equipment.

Precept
This is a levy, which the Authority makes through the council tax to pay for services.

Provision
A liability or loss which is likely or certain to be incurred but where the date and cost are uncertain.

Provision for Credit Liabilities
The provision for credit liabilities represents sums set aside for the repayment of Public Work Loans Board (PWLB) debt and forms part of the capital financing reserve.

Public Works Loans Board (PWLB)
A Government Agency that provides longer term loans to Local Authorities at advantageous interest rates.

Remuneration
Reward for employment in the form of pay, salary, or wage, including allowances, benefits (such as company car, medical plan, and pension plan), bonuses, cash incentives, and monetary value of non-cash incentives.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revaluation Reserve
Amount arising from the revaluation of assets; the difference between the former book value of assets on the balance sheet and the present (re-valued) book value of the asset.

Reserve
An amount set aside for specific or general purpose.

Revenue Expenditure
The day to day running costs incurred by the Authority in providing services.

Revenue Financing
Resources provided from the Authority's revenue budget to finance the cost of capital projects.

Revenue Support Grant (RSG)
Grant provided by Central Government, through the Office of the Deputy Prime Minister, to all Local Authorities, distributed according to a pre-determined formula. An Authority's Revenue Support Grant amount plus the *local share* of *Estimated Business Rates Aggregate* will together comprise its Settlement Funding Assessment.

Settlement Funding Assessment
Part of the local government finance settlement in England. It determines the distribution of revenue raised from business rates and the distribution of Revenue Support Grant.

Tangible Non-Current Assets
These are assets which are physical such as buildings or land with an expected life of multiple years.

Transfer of Undertakings (Protection of Employment) Regulations – TUPE
Relevant to any redundancy decisions where a business or part of it is transferred from one owner or another.

Unusable Reserves
These are reserves resulting from the interaction of legislation and proper accounting practices. These reserves are not resource backed and cannot be used for any other purpose.

Usable Reserves
These are held as a working balance or for a specific future purpose.

CMAP central midlands audit partnership

Derbyshire Fire & Rescue –

Internal Audit Annual Report 2020-21

Governance & Performance Working Group: 6 Sept 2020

Report Produced: 30 June 2021

Derbyshire Fire & Rescue Service

Contents

Our Vision

To bring about improvements in the control, governance and risk management arrangements of our Partners by providing cost effective, high quality internal audit services.

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CMAP central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

Introduction

Why an Audit Opinion is required

The Public Sector Internal Audit Standards (PSIAS) states:

> **Public sector requirement**
>
> The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
>
> The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
>
> The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 2450 Overall Opinions

In this instance, the Chief Audit Executive is Mandy Marples, Audit Manager.

With regard to overall opinions, CIPFA's Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards 2019 Edition (issued February 2019) also states:

"The Public Sector Requirement in PSIAS 2450 requires that the Chief Audit Executive must provide an annual report to the board timed to support the annual governance statement. This must include:

- *an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework – i.e. the control environment*
- *a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance providers)*
- *a statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.*

The annual opinion should be guided by the CIPFA Framework Delivering Good Governance in Local Government.

The annual report should also include:

- *disclosure of any qualifications to that opinion, together with the reasons for the qualification*
- *disclosure of any impairments ('in fact or appearance') or restriction in scope*
- *a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets*
- *any issues the Chief Audit Executive judges particularly relevant to the preparation of the annual governance statement*
- *progress against any improvement plans resulting from QAIP external assessment.*

In the context of the PSIAS, 'opinion' means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined. Internal audit will word its opinion appropriately if it cannot give reasonable assurance (e.g. because of limitations to the scope of, or adverse findings arising from, its work)."

How an Audit Opinion is Formed

Internal Audit's risk-based plan must take into account the requirement to produce an annual internal audit opinion. Accordingly, the Audit Plan must incorporate sufficient work to enable the Audit Manager to give an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Internal Audit must therefore have sufficient resources to deliver the Audit Plan.

Possible Overall Opinions

The Audit Manager's opinion relative to the organisation as a whole could fall into one of the following 3 categories:

- **Inadequate System of Governance, Risk and Internal Control** – Findings indicate significant weaknesses and the need for urgent remedial action. Where corrective action has not yet started, the current remedial action is not, at the time of the audit, sufficient or sufficiently progressing to address the severity of the control weaknesses identified.
- **Adequate System of Governance, Risk and Internal Control Subject to Reservations** – A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given.
- **Satisfactory System of Governance, Risk and Internal Control** - Findings indicate that on the whole, arrangements are satisfactory, although some enhancements may have been recommended.

Quality Assurance and Improvement Programme

A quality assurance and improvement programme (QAIP) is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

Public Sector Internal Audit Standards state:

Public sector requirement

The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 1320 Reporting on the Quality Assurance and Improvement Programme

Public Sector Internal Audit Standard 1312 also requires that:

"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation."

Assessments are based on the following 3 ratings:

- **Generally Conforms** - means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.
- **Partially Conforms** - means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- **Does Not Conform** - means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

An external quality assessment of the internal auditing activities of CMAP was undertaken during the period February – April 2017 and identified some opportunities for further improvement and development. The consultant provided an update position on our overall conformance with the Standards in September 2017 and re-assessed our conformance as follows:

	Number of standards	Generally Conforms	Partially Conforms	Does Not Conform
Code of Ethics	4	4	0	0
Attribute Standards	19	19	0	0
Performance Standards	33	33	0	0

As required, we have also undertaken a self-assessment against the Standards in April 2021 using the tool specifically developed by the Institute of Internal Auditors (IIA) for this purpose. As such, CMAP has identified a number of actions for improvement some of which listed in the **Error! Reference source not found.** section to the rear of this report.

In November 2020 we also undertook a self-assessment of our conformance against the Practice Guide - Demonstrating the Core Principles for the Professional Practice of Internal Auditing. The IIA's self-assessment tool was used once again. The resulting **Error! Reference source not found.** is at the end of this report.

We have determined that CMAP **Generally Conforms** ' to the Standards. 'Generally Conforms' means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

Audit Opinion 2020-21

Based on the work undertaken during the year, I have reached the overall opinion that there is a **Satisfactory System of Governance, Risk and Internal Control** - Findings indicate that on the whole, controls are satisfactory, although some enhancements may have been recommended.

In forming this opinion, I am satisfied that no conflicts of interest have occurred which would have any bearing on my independence or objectivity. Also, my organisational independence and objectivity has not been subject to any impairment in fact or appearance; nor has the scope of our work been restricted in any way.

I have arrived at this opinion having regard to the following:

- The level of coverage provided by Internal Audit was considered adequate.

  Note: The completion of the key areas of 2020-21 audit work was not significantly disrupted by the COVID-19 pandemic. Those audit reviews that were an essential component to inform the annual opinion were either completed or sufficiently completed to enable the overall opinion to be determined.

- Work has been planned and performed to obtain sufficient information and explanation considered necessary to provide evidence to give reasonable assurance that the organisation's control environment is operating effectively.
- We place reliance on other assurance providers who contribute to the overall assurance framework. We have also considered the findings from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Service COVID 19 inspection carried out in October 2020 to see how the Service was responding to the pandemic. The Inspection's findings were positive, acknowledging the Service's performance and contribution to the community.
- Our organisational independence and objectivity has not been subject to any impairment in fact or appearance; nor has the scope of our work been restricted in any way.
- Our insight gained from our interactions with Senior Management and the Governance & Performance Working Group.
- The changing risk environment within the Service has been taken into account during the 2020-21 financial year. Key features include;

  Collaboration - The Service continues to explore the opportunities for collaboration. A Joint Property department with Derbyshire Police began in 2020 but the required restructure was delayed because of the pandemic.

  Remote Working – The Service successfully rolled out remote working and most support services continued with minimal disruption. Key financial processes and governance arrangements were able to continue and the accounts were produced in accordance with the timetable.

Information Technology (IT) – Internal Audit's work continues to identify areas of limited assurance within IT. COVID-19 brought new risks to the Service and IT successfully rolled out remote working at pace to enable the Service to respond successfully to the challenging circumstances. However, it continued to face other ongoing risks. We completed audits of Cyber Security and Data Recovery which were both awarded Limited Assurance. Both reports highlighted a number of weaknesses in these areas.

Internal Audit also reviewed the Service's arrangements for Security Awareness as a consultancy review as the Service had yet to implement a comprehensive cyber security awareness programme. A number of high-level actions were suggested that we would expect to see as the foundational components to a successful security awareness program. Once the fundamentals have been implemented, a further review of security awareness will be conducted.

A review of IT Business Continuity has also been carried out but has not yet been completed. IT related business continuity and disaster recovery plans traditionally have a strong emphasis on data-centre/infrastructure related events and disasters, but the COVID-19 pandemic highlighted the risks such an incident can have on the availability of critical IT support personnel who are required to support the availability and reliability of business-critical IT systems and processes. This review therefore primarily focused on the risks associated with losing critical IT support personnel in the short or long term and measures to keep the impact down to an acceptable level through appropriate contingency planning and testing.

Workforce Planning – A review of Workforce Planning has also been carried out but has not yet been completed. The Service's ability to plan effectively for the future is essential, particularly with the potential workforce disruption that may be caused with changes to pension regulations.

- No adverse implications for the organisation's Annual Governance Statement have been identified from any of the work that Internal Audit has undertaken in 2020-21.

Internal Audit Work to Support The Opinion

- The 2020-21 Internal Audit Plan, approved by the Governance & Audit Board, 11th March 2020, was informed by internal audit's own assessment of risk and materiality in addition to consultation with Senior Management to ensure it aligned to the organisation's key risks and objectives.

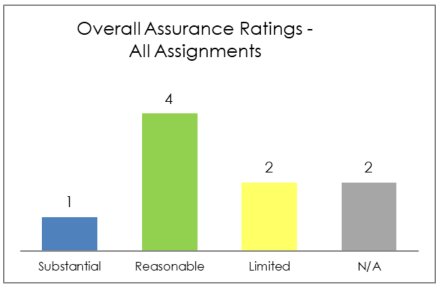
  Note: The impact of the COVID-19 pandemic on the 2020-21 governance, risk and control environment has been considered and has been reflected in the 2020-21 internal audit plan which was reviewed on an on-going basis to reflect the risks faced by the Council.

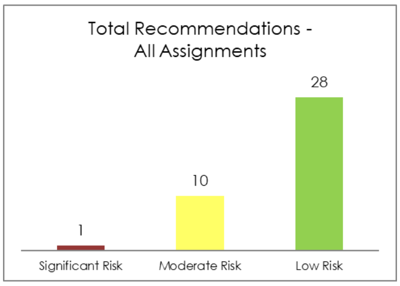
The following tables summarise the 2020-21 Audit Plan assignments and their outcomes as well as those assignments from the 2019-20 Audit Plan which were still ongoing in 2020-21.

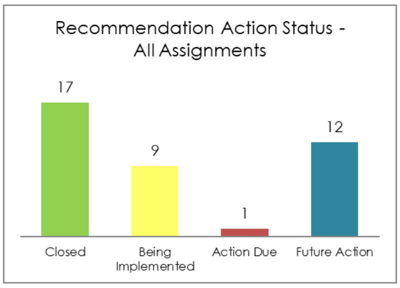
2020-21 Jobs	Status	% Complete	Assurance Rating
Treasury Management	Final Report	100%	Substantial
Risk Management 20-21	Final Report	100%	Reasonable
Workforce Planning	In Progress	75%	
Joint Working Arrangements	Final Report	100%	Reasonable
Data Recovery Capabilities	Final Report	100%	Limited
Security Awareness	Final Report	100%	N/A
IT Business Continuity	Draft Report	90%	
B/Fwd Jobs	**Status**	**% Complete**	**Assurance Rating**
Joint Assets	Final Report	100%	N/A
Cyber Security	Final Report	100%	Limited
Data Quality & Performance Management	Final Report	100%	Reasonable
Business Continuity	Final Report	100%	Reasonable

The internal audit work we have carried out during the year has demonstrated that in general there is a sound governance framework in place, risks are being managed and the controls put in place to mitigate those risks are working in practice. Where weaknesses have been identified, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

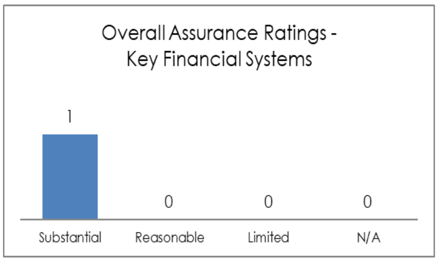
- Of the 9 completed assignments, 1 attracted a Substantial overall assurance rating; 4 a Reasonable assurance rating; 2 a Limited assurance rating and 2 were consultancy type work that did not arrive at an assurance rating. From the completed assignments a total of 39 recommendations were made; 28 of these were considered to present a low risk; 10 were considered to present a moderate risk; 1 a significant risk recommendations and no critical risk recommendations were made. Another 2 assignments have been substantially completed but haven't yet been finalised.

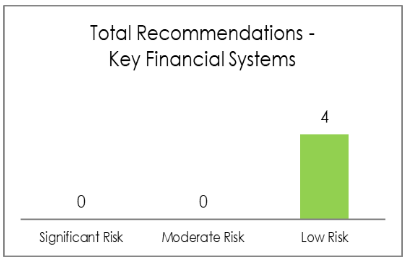


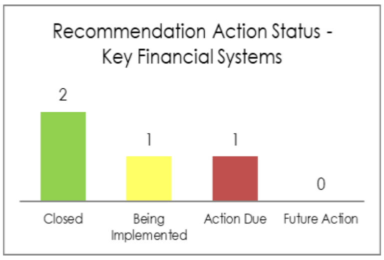




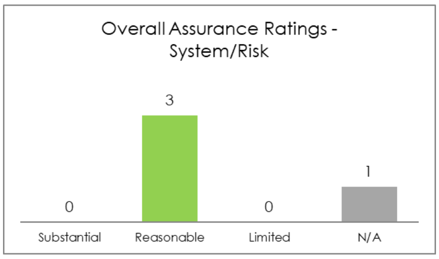
- The **Key Financial System** audit undertaken in 2020-21, attracted a Substantial overall assurance rating and identified 4 low risk recommendations.

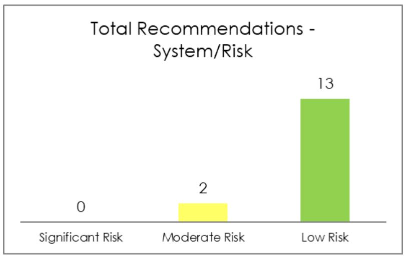


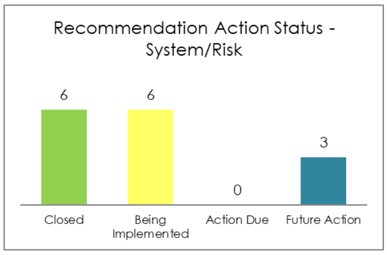




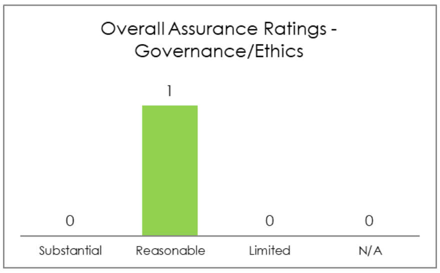
- Of the 5 **System/Risk** assignments undertaken in 2020-21, 4 have been finalised. The Data Quality & Performance Management, Risk Management and the Business Continuity audit were finalised and attracted a Reasonable overall assurance rating. These audits raised 2 moderate risk recommendation and 13 low risk recommendations. The review of Joint Assets was a consultancy piece of work that did not result in an overall assurance rating or any formal recommendations to monitor. The Workforce Planning audit has yet to be completed.

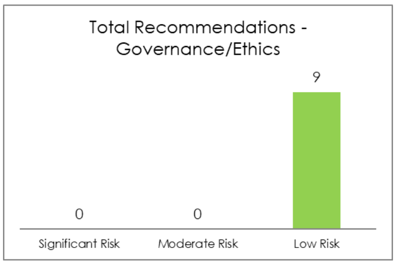


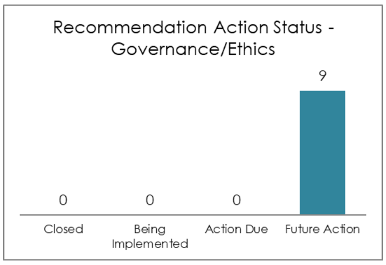




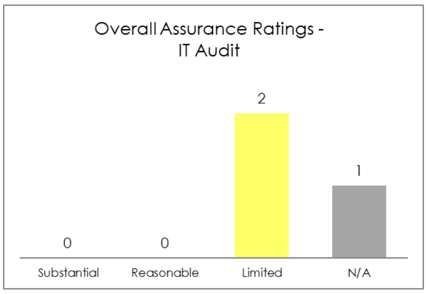
- The **Governance/Ethics** audit of Joint Working Arrangements was finalised during 2020-21 and attracted a Reasonable overall assurance rating. The review resulted in 9 recommendations, all of which were considered a low risk.

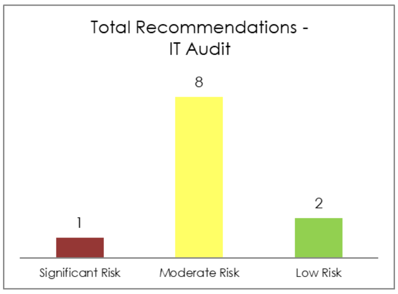


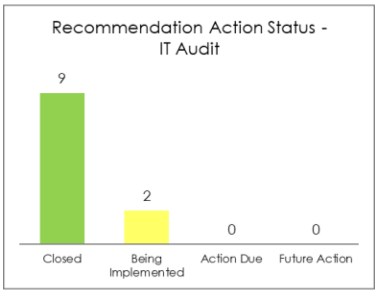




- 3 of the 4 **IT Audits** were finalised in 2020-21. Both the Cyber Security and Data Recovery Capabilities audits attracted an overall assurance rating of Limited raising 11 recommendations; 1 of which was considered a significant risk, 8 were considered a moderate risk and 2 a low risk. The significant risk issue related to the lack of Air Gapped backup for production servers and all backups were written to network attached storage devices attached to the production network infrastructure, in the same physical locations. This recommendation has a revised action date of the end of December 2021. The Security Awareness audit was a consultancy review and as such did attract an assurance rating. The IT Business Continuity Audit has yet to be finalised.







This opinion is provided with the following caveats:

- The opinion does not imply that Internal Audit has reviewed all risks, controls and governance arrangements relating to the organisation. The opinion is substantially derived from the conduct of risk-based audit work and as such, it is only one component that is taken into account when producing the organisation's Annual Governance Statement.
- No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
- Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised.

Audit Coverage

Assurances Provided

The following table seeks to summarise the extent of audit coverage provided to Derbyshire Fire & Rescue Service during 2020-21 and the assurance ratings associated with each audit assignment.

Summary of Audit Plan 2020-21 Results (incl. Jobs B/Fwd)	Type of Review						
	Key Financial System	System/ Risk	Governance /Ethics	IT Audit	Anti-Fraud	Procurement /Contract	Totals
Not Yet Complete		1		1			2
Substantial	1						1
Reasonable		3	1				4
Limited				2			2
No							
N/A		1		1			2
	1	**5**	**1**	**4**			**11**

Assurance Ratings Explained

Substantial - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

N/A – The type of work undertaken did not allow us to reach a conclusion on the adequacy of the overall level of internal control.

These assurance ratings are determined using our bespoke modelling technique which takes into account the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks.

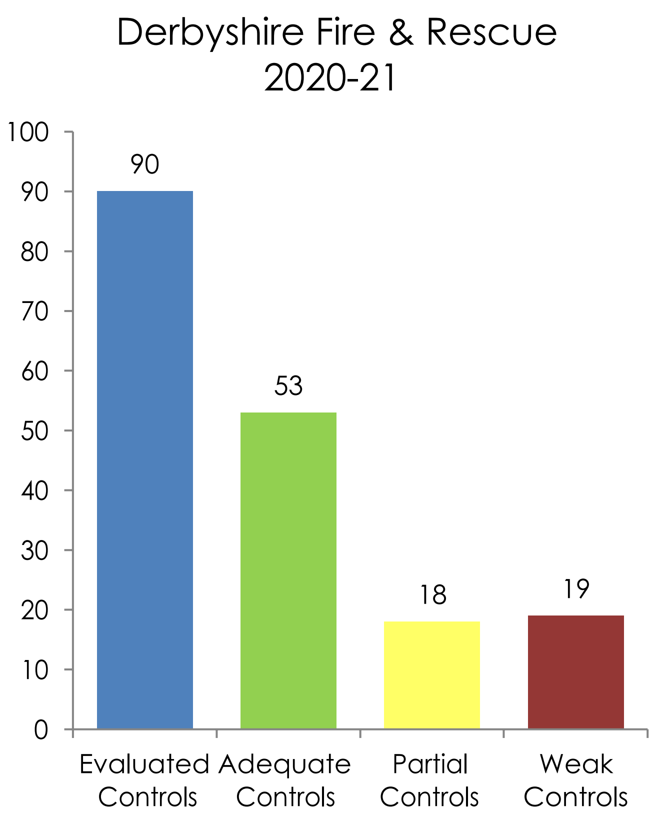
Derbyshire Fire & Rescue – Internal Audit Annual Report 2020-21

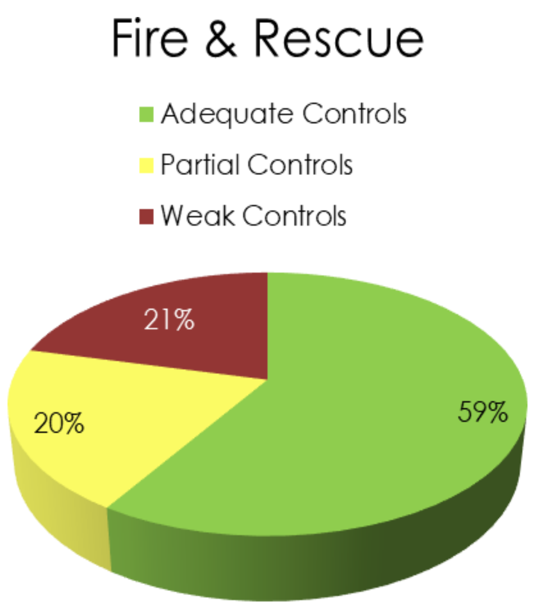
Audit Plan Assignments 2020-21

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	% Recs Closed
Treasury Management	Substantial				4	50%
Risk Management 2020-21	Reasonable			1	2	
Workforce Planning						n/a
Joint Assets	N/A					n/a
Data Quality & Performance Management	Reasonable			1	4	40%
Business Continuity	Reasonable				7	57%
Joint Working Arrangements	Reasonable				9	
Data Recovery Capabilities	Limited		1	3	2	67%
Security Awareness	N/A					n/a
IT Business Continuity						n/a
Cyber Security	Limited			5		100%
TOTALS			**1**	**10**	**28**	**44%**

Internal Controls Examined

For those audits finalised during 2020-21, we established the following information about the controls examined:





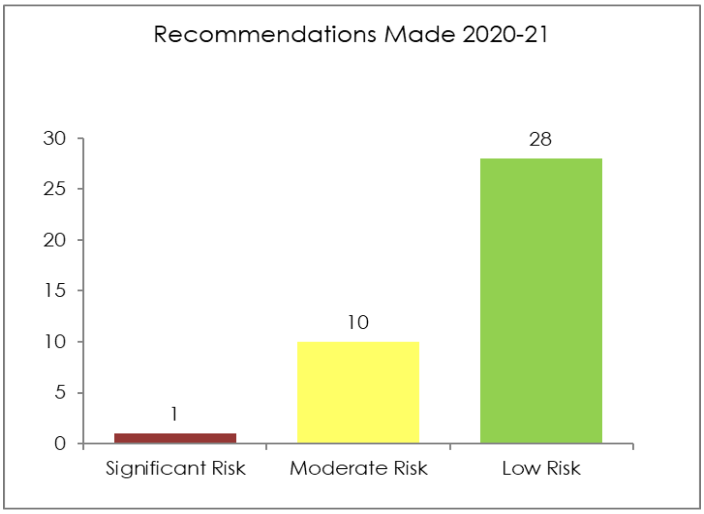
Recommendations Made

The control weaknesses identified above resulted in 39 recommendations which suggested actions for control improvements. The following table and charts show where the recommendations came from, how the recommendations were risk rated and the current status of all recommendations made in 2020-21:

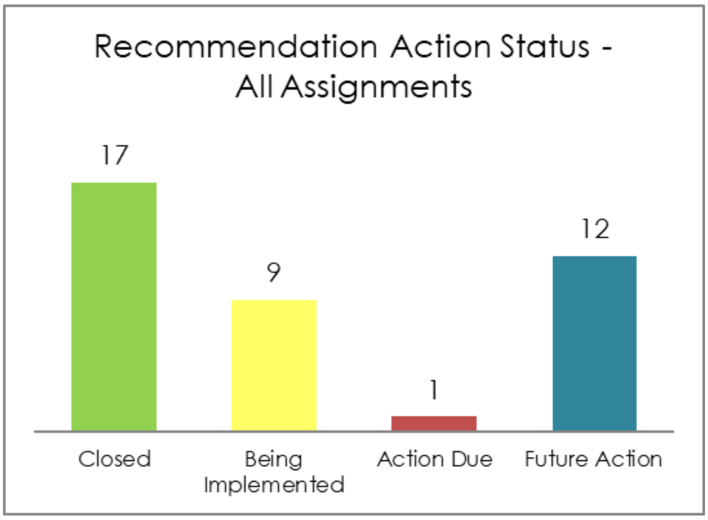
Audit Assignments Completed in Period	Type of Review	Recommendations Status			
		Total Closed	Action Due	Being Implemented	Future Action
Treasury Management	Key Financial System	2	1	1	
Risk Management 2020-21	System/Risk				3
Workforce Planning	System/Risk				
Joint Assets	System/Risk				
Data Quality & Performance Management	System/Risk	2		3	
Business Continuity	System/Risk	4		3	
Joint Working Arrangements	Governance/Ethics				9
Data Recovery Capabilities	IT Audit	4		2	
Security Awareness	IT Audit				
IT Business Continuity	IT Audit				
Cyber Security	IT Audit	5			
TOTALS		**17**	**1**	**9**	**12**

Recommendations Summary

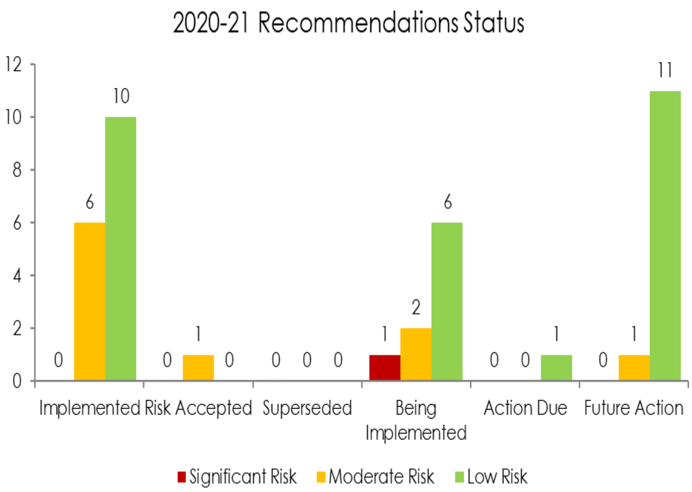
These 39 ecommendations have resulted from the 7 audit assigments finalised either during 2020-21 or finalised in the time following the year-end. 72% of all recommendations made were considered to present a low risk, 26% a moderate risk and 2% a significant risk.



Of the 39 recommendations made, 44% have been closed, 23% have passed their original action date and a revised target has been set, 2% have passed their original action date but we have not yet received information regarding the status of management's action. The remaining 31% have an agreed original action date set in the future.



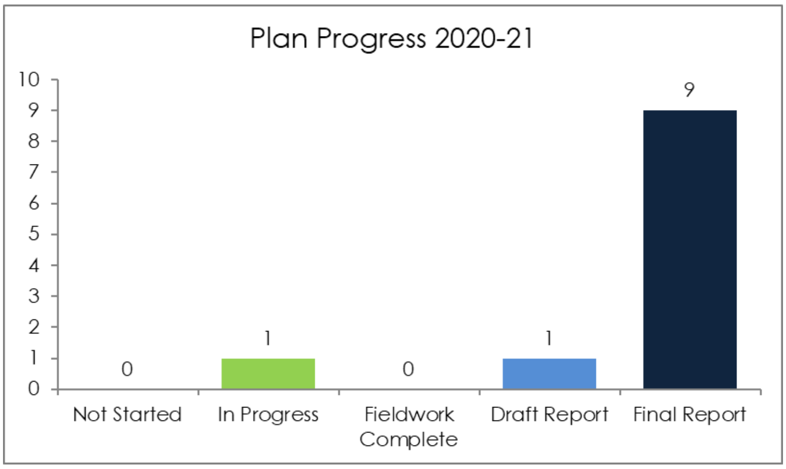
It is pleasing to note that 6 of the moderate risk recommendations raised have been addressed to our satisfaction, as have 10 of the low risk recommendations. We will continue to monitor all recommendations not yet addressed and will bring those moderate risk recommendations that remain outstanding to the attention of the Governance & Performance Working Group throughout the coming year.



Performance Measures

4 customer satisfaction surveys have been returned. Surveys contain 11 questions regarding the audit service provided and asked managers to score each on a scale of 1-5 (1=Very Poor, 2=Poor, 3=Fair, 4=Good, 5=Excellent). From the customer satisfaction returns received, the overall average score out of 55 was 49.

As at 31 March 2021 we estimate that we had completed 80% of the revised Audit Plan against a target of 90%. This target makes no allowance for the impact of the pandemic on both the Service and on CMAP. Our progress with certain audit assignments has been impacted by Covid-19. The chart shows the current progress on 2020-21 audits as at the date of this report.



QAIP – Improvement Plan

ACTIONS
1. We could seek feedback from Audit Committees & Senior Management on whether the Audit Plan focuses on the things that matter to the organisation and whether our opinion and recommendations are valued and help the organisation or we could seek a formal endorsement from Audit Committee and Client Lead Officer of the Audit Plan and our Opinion when reporting to Committee.
2. We should continue to heighten our profile by building on the relationship management already established with each partner organisation. i.e. Regular meetings with senior management combined with a regular on-site presence. Note under the current circumstances (Covid pandemic) this needs to be through regular contact via virtual meetings.
3. We should map competency levels of staff over the various audit disciplines (e.g. contract, IT, probity, investigations etc.) that we can link to audit engagements to demonstrate that the staff assigned are appropriate.
4. We should continue to promote a culture of continuous improvement which considers the needs of individuals by: • staff completing the AMS in respect of any training received, • undertaking GPCs in accordance with the hosts requirements and • producing a Training & Development Plan.
5. Our opinion statements should explicitly state whether there are any perceived conflicts of interest with any other assurance providers which the CAE is relying upon when forming an opinion.
6. We should ask staff to complete a Personal Development Plan and then produce a Training & Development Plan for the Team.
7. We should aim to increase our knowledge around the use of data analytics and other CAATs and identify the benefits it could bring to the audit processes.
8. To ensure that audit engagements are supported by appropriate tools, we need to develop a strategy for the use of data analytics.
9. Complete this self–assessment annually and produce a revised QAIP and Action Plan for reporting to all necessary parties.
10. To demonstrate stakeholder engagement with the process, we should ensure that the QAIP Action Plan is a standard agenda item on both the CMAP Operational Group and at Audit Section meetings.
11. To demonstrate each work programme has been appropriately approved, we should continue to develop the controls/risk/tests selection from a searchable database in the AMS (which will automatically generate the control evaluation) which incorporates attributes for each control (such as risk type, control type) so we can better demonstrate our coverage and the scrutiny and approval of that coverage by audit management. We should continue to gather control/risk/test data from existing audits ready for import into the database.

12. CMAP needs to explore potential external assessors that can deliver the appropriate level of validation required and that understand the partnership ethos/approach.
13. We should continue to develop the process for incorporating other assurance information into our overall risk assessment process and our overall opinion and how the other assurance provider information we gather can be used to demonstrate the overall Assurance 'map' for each organisation.
14. We should ensure that our Audit Manual is complete, up-to-date, readily available and used by all audit staff.
15. To support the improvement of the organisation's governance framework, we should undertake consultancy work to facilitate the self-assessment of the effectiveness of the Audit Committee at all partner organisations.
16. We should consider how we could systematically evaluate the potential for the occurrence of fraud at each partner organisation and how each organisation manages fraud risk.

IIA Core Principles Action Plan

Principle 1. Demonstrates integrity

Standards series: 1000 – Purpose, Authority, and Responsibility; 1300 – Quality Assurance and Improvement Programme; 2000 – Managing the Internal Audit Activity

Corrective action plan

To demonstrate continuous improvement, we could:

- *include a section on ethics (with a scenario) in our CMAP staff induction process.*
- *Add "and integrity" to our Customer Satisfaction Survey Q5.*
- *Include ethics on the agenda for team meetings.*

Principle 2. Demonstrates competence and due professional care

Standards series: 1200 – Proficiency and Due Professional Care; 2000 – Managing the Internal Audit Activity; 2200 – Engagement Planning; 2300 – Performing the Engagement; 2600 – Communicating the Acceptance of Risks

Corrective action plan

To demonstrate continuous improvement, we should complete the actions 3, 4 & 6 included in our QAIP Action Plan, which all relate to staff competencies and training and development.

Need to better analyse our training hours across the team in order to demonstrate CPE/training skills attained.

Need to further develop the Auditor Competencies analysis to demonstrate the matching of assignments to skills.

Need to develop the variable enquiry page in the Windows 10 Audit Management System for the recommendation reports already developed for South Derbyshire.

Principle 3. Is objective and free from undue influence (independent)

Standards series: 1000 – Purpose, Authority, and Responsibility; 1100 – Independence and Objectivity; 2000 – Managing the Internal Audit Activity

Corrective action plan

The different responsibilities of the Host authority and the Operational Board towards the CAEs regarding their appointment / removal and appraisal could be better defined.

We should debate the principle of private sessions between Audit Committees and CAEs at the Operational Board.

Principle 4. Aligns with the strategies, objectives, and risks of the organisation

Standards series: 2000 – Managing the Internal Audit Activity; 2200 – Engagement Planning

Corrective action plan

We should enquire how other audit partnerships demonstrate how they conform with these principles/ standards.

Principle 5. Is appropriately positioned and adequately resourced

Standards series: 1000 – Purpose, Authority, and Responsibility; 1100 – Independence and Objectivity; 1200 – Proficiency and Due Professional Care; 2000 – Managing the Internal Audit Activity

Corrective action plan

We should consider the benefits of measuring the % plan available for management requests.

Principle 6. Demonstrates quality and continuous improvement

Standards series: 1300 – Quality Assurance and Improvement Programme; 2000 - Managing the Internal Audit Activity

Corrective action plan

We could formally compare annual self-assessments to highlight the actions taken and the overall improvements made.

Progress against the QAIP Action Plan should be monitored and periodically reported to the Operational Board. Supporting evidence should be retained.

We should analyse and report on the balanced scorecards for 2019-20 & 2020-21.

Principle 7. Communicates effectively

Standards series: 1300 – Quality Assurance and Improvement Programme; 2000 – Managing the Internal Audit Activity; 2200 – Engagement Planning; 2300 – Performing the Engagement; 2400 – Communicating Results; 2600 – Communicating the Acceptance of Risks

Corrective action plan

We should consider the benefits of producing promotional information on our work, potentially utilising more modern communication methods.

Principle 8. Provides risk-based assurance

Standards series: 2000 – Managing the Internal Audit Activity; 2100 – Nature of Work; 2200 – Engagement Planning; 2400 – Communicating Results; 2600 – Communicating the Acceptance of Risks

Corrective action plan

We should explore how we can utilise the Controls database to link audit results back to organisational risks.

Undertake further work to facilitate the improvement of each organisations risk management framework.

Continue to develop the Assurance Mapping information for organisations to adopt.

Principle 9. Is insightful, proactive, and future-focused

Standards series: 2000 – Managing the Internal Audit Activity; 2100 – Nature of Work

Corrective action plan

We should consider formally asking our various "Boards" whether they consider us to be insightful, proactive, and future-focused.

We should consider how we can increase the use of data analytics across a wider variety of audit engagements.

Our development of the Controls database should enable a greater analysis of the type of risks identified by our work.

We should consider adopting control maturity models to further explain to provide perspective on the adequacy and scalability of current controls. *We should consider recording emerging risks in the engagement risk assessment document.*
Principle 10. Promotes organisational improvement **Standards series:** 1000 – Purpose, Authority, and Responsibility; 2000 – Managing the Internal Audit Activity; 2100 – Nature of Work; 2500 – Monitoring Progress; 2600 – Communicating the Acceptance of Risks
Corrective action plan *We should consider monitoring and reporting upon the % of recommendations implemented within the original agreed timescales, then those within 3 months, 6 months, 12 months, greater than 12 months.* *We should consider how we could identify best practice information to share across different business units/partners.* *We should consider whether we can identify cost savings from our work.* *We should consider whether a measurement of consultancy work would be beneficial.*

Back to agenda

CMAP central midlands audit partnership

Derbyshire Fire & Rescue Service – Progress Report

Governance & Performance Working Group: 06 Sept 2021

Derbyshire
Fire & Rescue Service

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Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

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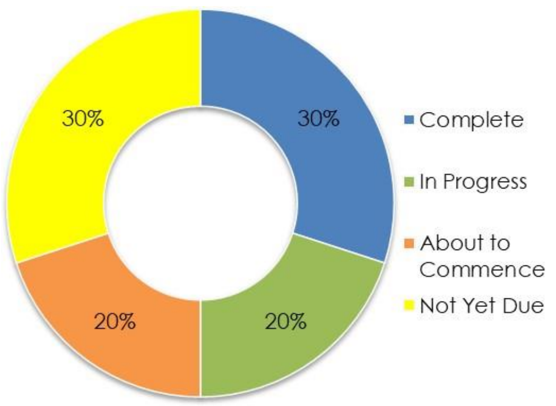
CMAP central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

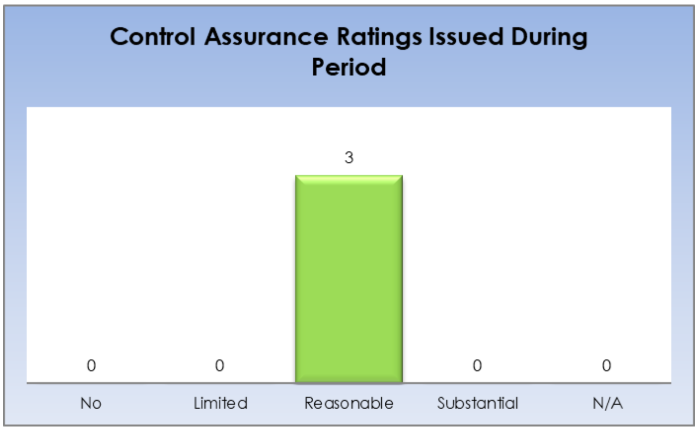
Derbyshire Fire & Rescue – Audit Progress Report

AUDIT DASHBOARD

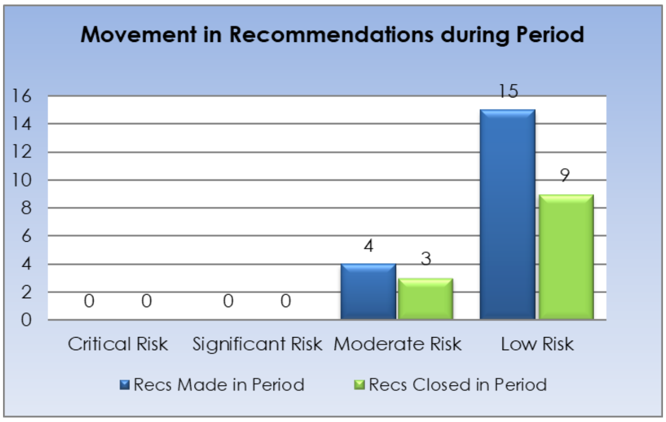
Plan Progress



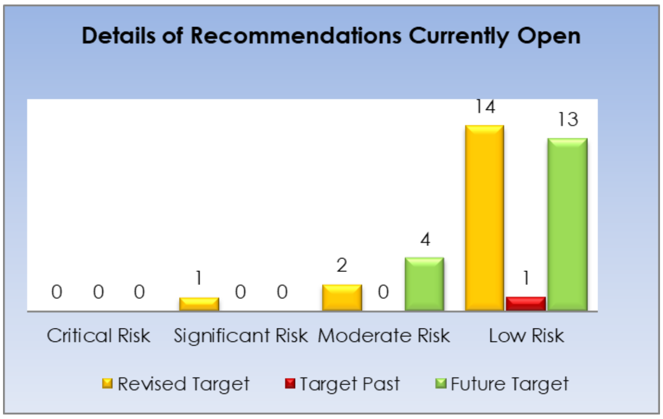
Assurance Rating



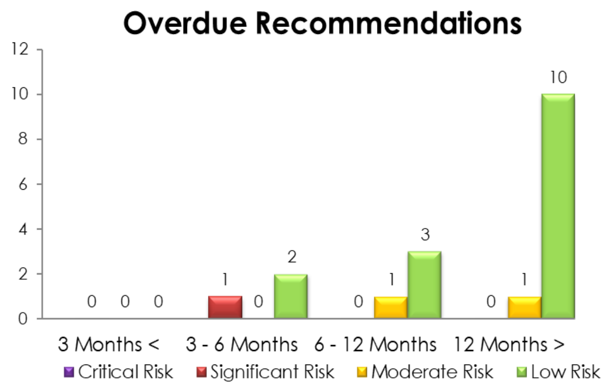
Recommendations



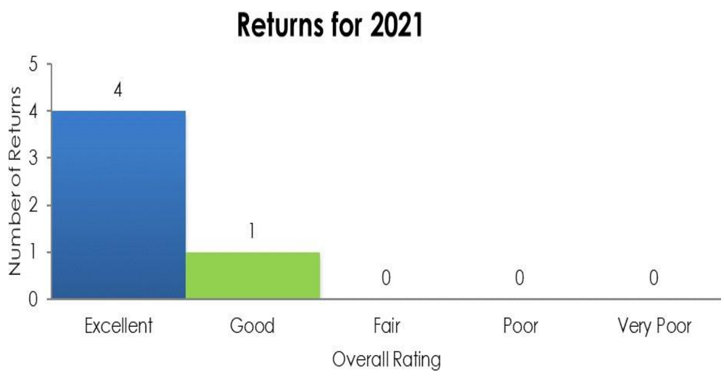
Recommendations



Recommendations



Customer Satisfaction



AUDIT PLAN

Progress on Audit Assignments

The following table provides the Governance & Performance Working Group with information on how audit assignments were progressing as of 12 August 2021.

2021-22 Jobs	Status	% Complete	Assurance Rating
On-Call Allowances	In Progress	75%	
Procurement	Allocated	0%	
IT - Security Awareness	Not Allocated	0%	
IT - Homeworking Key Controls	Not Allocated	0%	
Collaborative Agreements	Allocated	5%	
Fleet Management	Not Allocated	0%	

B/Fwd Jobs	Status	% Complete	Assurance Rating
Risk Management	Final Report	100%	Reasonable
Joint Working Arrangements	Final Report	100%	Reasonable
Workforce Planning	In Progress	90%	
IT Business Continuity	Final Report	100%	Reasonable

Audit Plan Changes

The Budget Management and Payroll Allowances Audits have been combined and are being considered in one audit of On-Call Allowances. The Head of Corporate Financial Services agreed this change.

AUDIT COVERAGE

Completed Audit Assignments

Between 3 February 2021 and 12 August 2021, the following audit assignments have been finalised since the last progress update was given to the Governance & Performance Working Group.

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Risk Management 2020-21	Reasonable	0	0	1	2	0%
Joint Working Arrangements	Reasonable	0	0	0	9	0%
IT Business Continuity	Reasonable	0	0	3	4	29%
TOTALS		0	0	4	15	11%

Risk Management 20-21

Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Risk Management Framework content meets the requirements set out in best practice.	12	6	5	1
The Risk Register's content and layout complies with both the Risk Management framework and best practice.	8	7	0	1
TOTALS	**20**	**13**	**5**	**2**

Summary of Weakness	Risk Rating	Agreed Action Date
There were some ambiguities within the Service Procedures as to how employees would meet their risk management duties.	Low Risk	30/09/2021
Risk management information was not accessible to all employees.	Low Risk	30/09/2021
There was insufficient identification and documentation of the corporate risks faced.	Moderate Risk	30/09/2021

Joint Working Arrangements

Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Procedures around the payment and raising of invoices are robust and suitably controlled.	5	4	1	0
Recharges are accurate, can be substantiated and the process for arriving at the recharge values is reasonable and consistently applied.	4	3	1	0
The LLP's VAT return is completed accurately, promptly and in line with HMRC deadlines.	6	5	1	0
Robust procedures are in place to produce the LLP's annual accounts.	5	2	1	2
The LLP is appropriately managed in accordance with the requirements set out in the Partnership Agreement.	6	3	2	1
TOTALS	**26**	**17**	**6**	**3**

Summary of Weakness	Risk Rating	Agreed Action Date
The Derbyshire Police and Fire Partnership LLP was not recognised as a separate limited company within the procedures for paying supplier invoices.	Low Risk	31/12/2021
Errors in raising purchase orders and paying invoices resulted in more recharges than was necessary.	Low Risk	31/12/2021
The VAT Return Procedure did not distinguish between DFRS and the LLP and there was no procedural guidance for completing the Construction Industry Scheme return or the Partnership Tax return.	Low Risk	31/12/2021
There were no documented procedures covering the production of the LLP's annual accounts.	Low Risk	31/12/2021
Bank reconciliations for the LLP had not been performed on a timely basis and had not been reviewed by a second officer. In addition, there was no evidence to demonstrate the working papers used to support the production of the LLP's annual accounts had been subject to review and scrutiny to ensure their accuracy.	Low Risk	30/04/2022
There were anomalies within the presentation of the notes to the 2019/20 accounts in relation to the previous year's figures and dates and their	Low Risk	30/04/2022

representation in the balance sheet. There was also no evidence to confirm that the LLP's accounts had been reviewed and scrutinised as to their accuracy prior to their approval and sign-off.		
The frequency with which Management Board meetings should occur differed between key governance documents.	Low Risk	31/12/2021
The Partnership Agreement was out of date and referred to management arrangements that were no longer in operation.	Low Risk	31/12/2021
The Management Board were not regularly monitoring the LLP's financial position.	Low Risk	30/09/2021

IT Business Continuity

Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Ensure that an IT Service continuity management plan exists, is comprehensive, and that key employees are aware of their roles in the event of a disaster or disruptive event.	15	8	0	7
Ensure that management has defined, documented and implemented a comprehensive Knowledge Management (KM) system to support the IT Business Continuity Plan.	1	0	0	1
Ensure that management has defined, documented and implemented a skills matrix to support the knowledge management requirements and business continuity objectives.	2	0	0	2
TOTALS	**18**	**8**	**0**	**10**

Summary of Weakness	Risk Rating	Agreed Action Date
SharePoint permissions on the ICT Service Delivery – Business Continuity Plan document did not grant access to all users with responsibilities defined within the Plan. Other edit/write level privileges also did not appear to be appropriate.	Low Risk	Complete
There was no formal requirement for officers with business continuity roles and responsibilities defined within the ICT Service Delivery Business Continuity Plan to ensure they had a current copy of the Plan available at a secured, offsite location (i.e. hard copy, desktop version). Furthermore, not every Business Continuity Coordinator and Deputy was listed as a 'hard copy holder'.	Low Risk	Complete

The ICT Service Delivery – Business Continuity Plan had not been formally reviewed or updated in the previous 12 months, as per the requirement in the Plan's review period.	Low Risk	30/09/2021
Central storage of team documentation for standard operating procedures and development work, as required in the 'Unavailability of employees' risk event containment measures, was not being adhered to in a reliable manner, and was not specific enough to identify the required content and locations.	Moderate Risk	30/06/2022
The unavailability of employees' scenario, such as losing critical IT support personnel in the short or long term, was not adequately addressed in the current scope of business continuity plan testing.	Moderate Risk	31/03/2022
There was no central knowledge management system in place for the IT Service Delivery team. Furthermore, fundamental IT documentation required to assist Business Continuity Plan objectives either did not exist or was not being maintained.	Moderate Risk	30/06/2022
The latest version of a Skills Matrix for the IT Service Delivery team was not comprehensive as it; • was software/manufacturer orientated (as opposed to critical activity oriented), • did not include any form of scoring, • did not cover all staff, and had not been subject to an annual review within the past 12 months.	Low Risk	30/11/2021

RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open		
			Action Due	Being Implemented	Future Action
16-May-18	Joint Contracts Review	Reasonable	0	1	0
29-Apr-19	Main Accounting System	Reasonable	0	3	0
21-Oct-19	Fireview	Reasonable	0	3	0
31-Jan-20	Corporate Credit Cards	Substantial	0	4	0
10-Jun-20	Business Continuity	Reasonable	0	3	0
08-Jun-20	Data Recovery Capabilities	Limited	0	2	0
04-Dec-20	Treasury Management	Substantial	1	1	0
14-Apr-21	Risk Management 2020-21	Reasonable	0	0	3
18-Jun-21	Joint Working Arrangements	Reasonable	0	0	9
11-Aug-21	IT Business Continuity	Reasonable	0	0	5
		TOTALS	**1**	**17**	**17**

Action Due = The agreed actions are due, but Internal Audit has been unable to ascertain any progress information from the responsible officer.

Being Implemented = The original action date has now passed and the agreed actions have yet to be completed. Internal Audit has obtained status update comments from the responsible officer and a revised action date.

Future Action = The agreed actions are not yet due, so Internal Audit has not followed the matter up.

Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Joint Contracts Review	0	0	0	0	0	1
Main Accounting System	0	0	0	0	0	3
Fireview	0	0	0	0	0	3
Corporate Credit Cards	0	0	0	0	1	3
Business Continuity	0	0	0	0	0	3
Data Recovery Capabilities	0	0	0	1	1	0
Treasury Management	0	0	1	0	0	1
TOTALS	**0**	**0**	**1**	**1**	**2**	**14**

Derbyshire Fire & Rescue – Audit Progress Report

Highlighted Recommendations

The following recommendations have not yet been implemented and are detailed for the Performance & Governance Working Group's scrutiny.

Being Implemented Recommendations

Corporate Credit Cards	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
Two card holders had not signed to confirm they agreed to the usage and terms and conditions of the corporate cards and one other card holder had not attended a fraud briefing and awareness session. We recommend that all card holders are asked to read and sign the credit card agreement, and attend a fraud awareness and briefing session to help to evidence awareness and understanding of appropriate use of the card, safeguarding of the card, and associated terms and conditions.	Moderate Risk
Management Response/Action Details	Action Date
We need to brief one officer as all other card holders had been briefed as the cards were issued to them.	31/03/2020
Status Update Comments	Revised Date
Management requested additional time to implement the agreed actions due to the COVID-19 crisis and its impact on workloads, resources and priorities. Management are reviewing the use of procurement and corporate cards in its entirety, the final stage of which will be issuing new cards to card holders. Management had developed one policy re card usage during Out of County incidents and some cards which were no longer required had been removed. Management explained that the remaining actions would see a new Service Procedure documented for the Corporate account, new cards for cardholders on that account, requisite training and some specific procedure documents for individual supplies.	30/09/2021

Derbyshire Fire & Rescue – Audit Progress Report

Data Recovery Capabilities	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
The Service was only storing 8 weeks of backups for critical systems, which could leave them susceptible to data recoverability risks if they were subject to a serious 'delayed payload' malware/ransomware 'time bomb' attack. We recommend that Management conducts a formal risk assessment of their current backup strategy to determine whether the existing arrangements would be effective for recoverability purposes in the event of a major 'delayed payload' malware/ransomware 'time bomb' attack, and put forward a business case for any adjustments required to increase their data recovery ability.	Moderate Risk
Management Response/Action Details	Action Date
A review of what is backed up for critical systems (over 8 weeks) will be completed. This will include classifying what is critical and what space it takes. Examine possibilities of moving to 12 weeks for systems. A few systems do have more long-term back-up once a month which are then kept for a year. These will be reviewed and confirmed and added into the back-up documentation. Possibilities need to include the requirements for more storage. Overall procedure will be taken to the Senior Management Team for approval.	31/12/2020
Status Update Comments	Revised Date
An update was provided by the ICT Service Delivery Manager to inform that additional storage has been created to allow for an increase in backup lengths to 12 weeks. The service are also in the process of designing "immutable storage" to keep backups safe in the cloud that cannot be altered – to protect against malware.	31/03/2022

Data Recovery Capabilities	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
There was no Air Gapped backup source for production servers, and all backups were written to network attached storage devices attached to the production network infrastructure, in the same physical locations. We recommend that Management performs a formal risk assessment on the appropriateness of the current backup design, and considers at least one Air Gapped recovery source for critical system backups e.g. Cloud, Tape in an offsite vault.	Significant Risk
Management Response/Action Details	Action Date
This requires a detailed cost/options appraisal. Including a review of requirements and to establish which systems/data the organisation (not ICT) considers critical. Once an understanding of these requirements is achieved either an "Air Gapped" or alternate solution will be put in place for the critical systems or the risk accepted (including reasons why).	31/12/2020
Status Update Comments	Revised Date
The Head of Systems & Information provided a progress update for the recommendation that included investigating the use of immutable storage in the backup system. Whilst these investigations take place, and upgrade work is planned, a revised action date was provided.	31/03/2022

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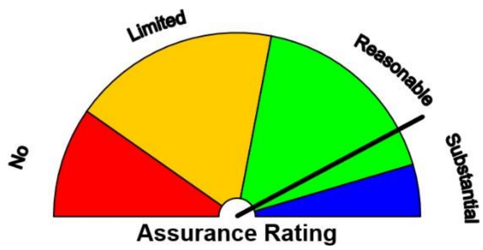
central midlands audit partnership

Derbyshire Fire & Rescue - Joint Working Arrangements

Final Audit Report



Our Vision

To bring about improvements in the control, governance and risk management arrangements of our Partners by providing cost effective, high quality internal audit services.

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CMAP central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

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1 Executive Summary

1.1 Scope of Audit

1.1.1 This audit focused on the Limited Liability Partnership (LLP) between Derbyshire Fire and Rescue Services (DFRS) and Derbyshire Police to ensure there was proper governance and oversight of the financial activities of the LLP in place.

1.1.2 It should be noted that DFRS are the accountable body for LLP.

1.2 Summary of Audit Findings

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
Procedures around the payment and raising of invoices are robust and suitably controlled.	5	4	1	0
Recharges are accurate, can be substantiated and the process for arriving at the recharge values is reasonable and consistently applied.	4	3	1	0
The LLP's VAT return is completed accurately, promptly and in line with HMRC deadlines.	6	5	1	0
Robust procedures are in place to produce the LLP's annual accounts.	5	2	1	2
The LLP is appropriately managed in accordance with the requirements set out in the Partnership Agreement.	6	3	2	1
TOTALS	**26**	**17**	**6**	**3**

1.2.1 The following issues were considered to be the key control weaknesses:

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	Low Risk	The Derbyshire Police and Fire Partnership LLP was not recognised as a separate limited company within the procedures for paying supplier invoices.	31/12/2021
2	Low Risk	Errors in raising purchase orders and paying invoices resulted in more recharges than was necessary.	31/12/2021
3	Low Risk	The VAT Return Procedure did not distinguish between DFRS and the LLP and there was no procedural guidance for completing the Construction Industry Scheme return or the Partnership Tax return.	31/12/2021
4	Low Risk	There were no documented procedures covering the production of the LLP's annual accounts.	31/12/2021
5	Low Risk	Bank reconciliations for the LLP had not been performed on a timely basis and had not been reviewed by a second officer. In addition, there was no evidence to demonstrate the working papers used to support the production of the LLP's annual accounts had been subject to review and scrutiny to ensure their accuracy.	30/04/2022
6	Low Risk	There were anomalies within the presentation of the notes to the 2019/20 accounts in relation to the previous year's figures and dates and their representation in the balance sheet. There was also no evidence to confirm that the LLP's accounts had been reviewed and scrutinised as to their accuracy prior to their approval and sign-off.	30/04/2022
7	Low Risk	The frequency with which Management Board meetings should occur differed	31/12/2021

		between key governance documents.	
8	Low Risk	The Partnership Agreement was out of date and referred to management arrangements that were no longer in operation.	31/12/2021
9	Low Risk	The Management Board were not regularly monitoring the LLP's financial position.	30/09/2021

1.2.2 This report focuses on the weaknesses in the Organisation's systems of control that were highlighted by this audit and recommends what Audit considers to be appropriate control improvements. This report contains 9 recommendations. All 9 are considered a low risk.

1.3 Summary of Control Assurance Provided

1.3.1 **Reasonable –** There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

1.4 Distribution & Communication

1.4.1 The draft version of the report was issued to Mark Nash, Head of Corporate Financial Services for comment. A copy was also issued to Simon Allsop, Joint Director of Finance & Business Services for information.

This final version will be issued to Simon Allsop, Joint Director of Finance & Business Services with copies to:

- Gavin Tomlinson, Chief Fire Officer / Chief Executive.
- Mark Nash, Head of Corporate Financial Services.

This report was produced by Lynne Parkin, Principal Auditor and reviewed by Mandy Marples, Audit Manager. Any enquiry concerning the content of this report or associated issues may be made to Lynne Parkin, Principal Auditor on 01332 643258.

2 Positive Assurance

2.1.1 We attempted to establish whether the organisation's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

2.2 Invoicing

- We confirmed that the initial process to set up a new supplier for the LLP was undertaken by officers in the Procurement Team. As part of the initial set up process, various checks were undertaken, for example, checks on terms and conditions and compliance with equal opportunities. The next stage of the set-up process was undertaken by the Finance and Tax Manager and the Finance Team who carried out further checks on such information as the VAT registration number, company registration number and bank account details. Once complete, the Finance and Tax Manager input the supplier bank account details into the system and once all checks had been completed, activated the supplier to complete the set-up process. Email notification was returned to the Procurement Team and the Requisitioner advising that the supplier had been activated in order that a purchase order could be raised. We were supplied with a DPFP (Derbyshire Police and Fire Partnership) LLP company headed "*Request for a New Supplier or Contractor"* standard template to evidence DPFP LLP being recognised as a separate company in this regard.
- We confirmed that written procedures included guidance on the checks that were required to be undertaken, prior to an invoice being paid. Specifically, the "*Checklist for invoice processing on LLP"* included the following checks:
    - Who the invoice was addressed to?
    - Was there a purchase order number it can be matched to?
    - Check the bank account details
    - Check the VAT number
    - Check the Company number
    - Check the coding/cost centres
    - Check the net, VAT and gross figures.

  In terms of the process to approve invoices to be paid, we were provided with evidence to support a change in process which meant that only invoices over £50k would be subject to a manual approval process (approval by both the Joint Director of Finance and Business Services and the Chief Finance Officer for Derbyshire Police and Crime Commissioner as members of the LLP Board). Invoices below this threshold were processed and approved by the designated Budget Manager in line with the finance system workflow process.
- We confirmed that procedures were in place to support the process of raising invoices to customers of the LLP. The process was principally the same whether raising an invoice for the Fire Service or the LLP with the procedures covering both organisations. However, it should be noted that where there was a minor difference to the process in respect of the LLP, this had been highlighted appropriately within the narrative provided.
- We confirmed that debtor invoices were raised following receipt of a completed LLP templated "*Sales Invoice Request Form"*. As the LLP operated principally as a landlord function, its only two customers were Derbyshire Fire and Rescue Service and Derbyshire Police as its tenants, who operated out of the Joint Headquarters and utilised the Joint Training Centre. Invoices were raised on a quarterly basis by the Finance Team, following calculation of the charges and request being received from the Head of Corporate Financial Services. The invoice charges related to the rental, licence and service charges for both tenants use of both buildings and the schedule of charges was supplied to the Finance Team, along with the request to raise the invoices, in support of the debt being raised.

2.3 Recharges

- We confirmed that the recharge calculations were supported by appropriate working papers to justify the proposed amounts to be charged. The recharge calculations were verified against spreadsheet calculations which were further supported by copies of invoices showing the costs that had been incurred. This allowed for a robust review of the recharge calculation to be performed as having sight of source documentation such as invoices, facilitated queries to be raised regarding as to with whom the true cost of the invoices actually lay with, i.e. Police, Fire or LLP.

- Through discussion with the Finance and Tax Manager, and evidence provided to us, we confirmed that recharges from Derbyshire Police to the LLP were subject to scrutiny and challenge prior to their acceptance. We were informed that an initial meeting was held between the Finance and Tax Manager from the Fire Service and Finance Officers from the Police to discuss the recharges. This initial meeting was usually held in September and took the format of a general discussion on the proposed recharges from the first six months of the year. This was followed up with recharge calculations and working papers being sent to the Finance and Tax Manager when a more detailed review of the calculations was undertaken. Email evidence was made available to us demonstrating queries being raised in relation to various costs including proposed recharges that were being made to the LLP but which were actual charges specific to the Police. Once the Finance and Tax Manager was satisfied that the queries had been resolved, the recharges were accepted for payment.
- Recharge values were in excess of the £50k threshold and therefore subject to the manual approval process (approval by both the Joint Director of Finance and Business Services and the Chief Finance Officer for Derbyshire Police and Crime Commissioner as members of the LLP Board). Evidence was supplied to us to demonstrate both these officers had approved the payment of the recharge invoices that had been received.

2.4 VAT/Tax Returns

- We confirmed that the Finance and Tax Manager was the officer responsible for completing the LLP's tax returns. This included returns for Value Added Tax (VAT), Construction Industry Scheme (CIS) and the Partnership Tax Return (PTR).
- We were provided with copies of the LLP's VAT return for quarter two, ending September 2020, the Partnership Tax return for tax year ended 5th April 2019 and the latest CIS return for period ending 5th October 2020. We confirmed that all three returns had been prepared and made in advance of the respective deadlines set by HMRC.
- Working papers were made available to us in support of the figures entered in the quarter 2 VAT return. Likewise, working papers were also provided to us in support of the figures used in the Partnership Tax return for tax year ending 5th April 2019 and the CIS return for period end 5th October 2020. The supporting information provided to us was comprehensive in its content and provided documentary evidence to support the figures used in each of the three returns.
- Through discussion with the Head of Corporate Financial Services and the Finance and Tax Manager, we confirmed that both these officers had individual online access to submit the LLP's VAT and CIS returns. The Finance and Tax Manager was the primary officer responsible for undertaking these tasks whilst the Head of Corporate Financial Services had access in the event of the afore mentioned officers' absence. Access was gained via the HMRC Government Gateway Portal with a two-layer authentication password system being in place. The arrangements for the Partnership Tax return were different in that this was submitted to HMRC by an external firm of accountants who had specialist software to undertake the submission.
- We confirmed that records were maintained in respect of the submission of the LLP's various tax returns to HMRC. In respect of both the VAT and CIS returns, screen prints were saved showing the figures that had been entered with a receipt being saved to evidence successful submission. With respect to the Partnership Tax Return, it was common practice for email confirmation to be received from the external accountants once they had submitted the return on behalf of the LLP.

2.5 Account Production and Reporting

- The DPFP LLP annual accounts were produced by the Head of Corporate Financial Services. This officer met the required CCAB (Consultative Committee of Accountancy Bodies) qualification and had extensive experience in producing annual accounts from this and other previous roles.

- We confirmed that working papers were available to support the figures and information used in the production of the LLP's annual accounts. These were in the form of screen prints as well as copies of transactions from the financial system to evidence the data being extracted at source and used to produce the accounts.

2.6 Governance of the LLP

- We confirmed that the Partnership Agreement and the Meetings and General Protocols document both gave consistent direction on the quorum for Management Board meetings, that being, 4 Board Members (of which 2 should be from each Member organisation). However, we identified that the officers listed as members of the Management Board differed between the Partnership Agreement and the Corporate Governance Framework with the latter providing a more extensive list of members than the Partnership Agreement.

  Through review of minutes from the Management Board meeting of 8th September 2020, we confirmed that the Board had recognised an issue with membership and quoracy and had taken appropriate action to rectify it for future meetings.
- We found that the LLP had in place several governance documents which set out the role and responsibilities of its Management Board in leading the partnership, setting strategy and monitoring performance. In addition to the Partnership Agreement, other governance documents included the following:
  - Corporate Governance Framework
  - Code of Corporate Governance
  - Scheme of Corporate Governance
  - Scheme of Delegation
- We confirmed that the Management Board of the LLP had approved the annual accounts of the DPFP LLP for the financial year 2019/20 at their meeting on 2nd June 2020. The approval had been formally recorded in the minutes from that meeting.

3 Control Weaknesses & Recommendations

3.1 Invoicing

3.1.1 We expected that procedural guidance would be in place to support the payment of invoices to suppliers of the LLP.

We confirmed, through discussion with the Head of Corporate Financial Services and the Finance and Tax Manager, that the procedures relating to the payment of invoices to suppliers of the LLP, were the same as the procedures for paying invoices to suppliers of the Fire Service. One difference was referred to which was the need to change the client on the financial system from the Fire Service to the LLP in order that the payment was made from the correct account. We were supplied with documented procedures that had been established by the Finance Section providing guidance on both the payment of invoices with a purchase order raised and those without (such as utilities). As these procedures were generic and not specific to the LLP, we were also supplied with a documented "*Checklist for invoice processing on LLP*" which had been produced to serve as a prompt/reminder when paying LLP suppliers. As such, we were assured that appropriate documentary procedures were in place to support the process of paying invoices for the LLP. However, whilst we acknowledge the uniform procedures being in place, we consider it appropriate for the guidance on the payment of invoices to formally identify the LLP as a separate entity from the Fire Service and to refer to the aforementioned checklist for further reference when paying LLP supplier invoices.

If the DPFP LLP is not recognised as a separate limited company within the procedures for paying invoices, there is a risk that officers may incorrectly pay invoices from the Fire Service which should be from the LLP and vice versa. This could result in both entities accounts containing errors. There is also a risk that not formally recognising the LLP as a separate company may raise questions from HM Revenue and Customs and risk an investigation into the entity's trading arrangements.

Recommendation 1	Summary Response
Risk Rating: Low Risk	**Responsible Officer:** Mark Nash
Summary of Weakness: The Derbyshire Police and Fire Partnership LLP was not recognised as a separate limited company within the procedures for paying supplier invoices.	**Issue Accepted**
Suggested Actions: We recommend that the existing procedures on processing invoices are amended to formally identify the Derbyshire Police and Fire Partnership LLP as a separate entity when processing invoices for payment. This would serve to ensure that the LLP is recognised as a separate limited company without the need to have a separate set of guidance documents when the process to be followed is the same.	**Agreed Actions:** Existing procedures will be amended to make specific reference to the LLP **Implementation Date:** 31/12/2021

3.2 Recharges

3.2.1 We expected that the procedure and rational used to calculate and account for recharges would have been formally recorded.

Through discussion with both the Corporate Finance Manager and Operational Management Accountant at Derbyshire Constabulary, we established the process in place for calculating the recharges to be made to the LLP. This was performed by undertaking a review of the spend on the ledger against each property reference and conducting an analysis to determine whether the costs were attributable to the LLP as the landlord, or the police as the tenant. This process involved review of source documents, such as the invoice as a means of establishing and confirming who the true cost lay with. Where a LLP cost was identified, this was included on the recharge schedule which was then subject to review by the Finance and Tax Manager at the Fire Service. Where miscoding's and errors had occurred, it was considered that this was more of an issue for educating officers and suppliers in recognising the LLP as a separate trading company.

Information was supplied to us in support of the recent recharge schedule for the first six months of the year and the evidence provided supported the notion of a need to educate officers when raising orders and paying invoices, for example, invoices addressed to DPFP LLP that had been paid by the police, invoices addressed to and paid by the police which should have been paid by the LLP as a landlord cost. Whilst there was no perfect solution to this issue as the process will always, to some extent, be prone to human error, there was some potential gains to be had for the Fire Service and police to work together and proactively educate officers internal to both organisations as well as external suppliers. It was considered that working together to raise awareness of the LLP's landlord role and function as well as educating suppliers who were perhaps even less aware of the LLP's role relating to the Headquarters and Joint Training Centre buildings, could assist in minimising the need for recharges to be made.

If the DPFP LLP is not recognised as a separate limited company for which purchase orders are raised and invoices correctly paid, there is a risk that the LLP may not be viewed as trading independently. This could result in a risk of investigation by HM Revenue and Customs into the entity's trading arrangements. This could result in a financial cost, reputational damage and negative publicity.

Recommendation 2	Summary Response
Risk Rating: Low Risk	**Responsible Officer:** Mark Nash
Summary of Weakness: Errors in raising purchase orders and paying invoices resulted in more recharges than was necessary.	**Issue Accepted**
Suggested Actions: We recommend that the Fire Service and Police work together to establish guidance which can be distributed to officers at both services. This could be used to raise awareness of the LLP's landlord function for the Headquarters and Joint Training Centre. The guidance could indicate and give examples of typical landlord costs and/or to look out for common suppliers that the LLP uses or has used, in order that officers can utilise the guidance, raise orders and pay invoices by recognising the true responsibility for the cost from the outset. Whilst it's also important to educate suppliers, if internal officers can be educated first and foremost to raise orders on the LLP correctly, the need to educate suppliers should lessen.	**Agreed Actions:** Produce a simple guide for DFRS and DP on the landlord function and appropriate charging. **Implementation Date:** 31/12/2021

3.3 VAT/Tax Returns

3.3.1 We expected that procedural guidance would have been developed to accompany the process of creating and compiling the VAT return.

We obtained a copy of the procedures for completing the LLP's VAT return. These had been established to provide guidance for officers completing the VAT return in the absence of the Finance and Tax Manager. However, we noted that the procedures were specific to DFRS, recording the respective VAT number and that returns were completed on a monthly basis. In comparison, whilst the process for completing the return was the same, the LLP's VAT return was completed quarterly, and had its own, separate VAT number. Although the LLP was a separate entity from DFRS, this had not been formally acknowledged and recorded within the procedures. It should also be noted that there were no procedures in place for completing the CIS return or the Partnership Tax return. Reliance was instead currently placed on the supporting working papers and return template to provide sufficient guidance as to their completion.

If procedures regarding tax returns, relating specifically to the LLP are not established, there is a risk, in the absence of key officers that these returns may contain errors, may not be submitted on time or their completion may be overlooked completely. This may result in a fine from HM Revenue and Customs (HMRC).

Recommendation 3	Summary Response
Risk Rating: Low Risk **Summary of Weakness:** The VAT Return Procedure did not distinguish between DFRS and the LLP and there was no procedural guidance for completing the Construction Industry Scheme return or the Partnership Tax return.	**Responsible Officer:** Mark Nash **Issue Accepted**
Suggested Actions: We recommend that the existing VAT Return Procedure is amended to include the process for the LLP. We would also recommend that procedures are established to cover the CIS return and the Partnership Tax return to provide guidance to officers, should it be needed, if a long-term absence of key officers were to occur.	**Agreed Actions:** Existing procedures will be amended to make specific reference to the LLP **Implementation Date:** 31/12/2021

3.4 Account Production and Reporting

3.4.1 We expected that documented guidance would have been established in respect of the production of the LLP's annual accounts.

We found that there were no documented procedures to support the production of the LLP's annual accounts. However, the accounts were not considered to be complex with regard to their content and the working papers provided reliable guidance as to where figures had been generated from. Whilst acknowledging this, there may be some tasks involved in the completion of the accounts which may not be revealed within the working papers. As such, we feel it would be appropriate for management to consider establishing guidance procedures, to ensure the complete process in producing the LLP's accounts has been captured and is available for future reference.

In the absence of key officers, if there are no documented procedures pertaining to the LLP's annual accounts, there is a risk that a crucial part of the process may be delayed or omitted and not completed at all. For example, if the LLP failed to file its accounts with Companies House on time, a statutory requirement and a criminal offence under the Companies Act 2006, there is a risk of a fine being imposed, as well the negative publicity and reputational damage that would be associated with such a failure.

Recommendation 4	Summary Response
Risk Rating: Low Risk **Summary of Weakness:** There were no documented procedures covering the production of the LLP's annual accounts.	**Responsible Officer:** Mark Nash **Issue Accepted**
Suggested Actions: We recommend that management consider establishing documented procedural guidance to support the production of the LLP's annual accounts. The procedures should capture the complete process, including filing the accounts at Companies House.	**Agreed Actions:** Key elements of the LLP accounts preparation, which differ from LA accounts, will be consolidated into a single document. **Implementation Date:** 31/12/2021

3.4.2 We expected that reconciliations of key areas within the annual accounts would be performed and evidenced on a regular basis.

We confirmed that reconciliations on the LLP's bank account were completed on a monthly basis. However, we noted that the reconciliations had not always been completed in a timely manner with April and May being dated 30 June 2020 and months July to September being dated 10 November 2020. We also noted that the reconciliations had not been annotated by a second officer who had reviewed and verified the accuracy of the reconciliation. Whilst acknowledging the simplicity of the accounts and that no reconciling items were identified in any of the months mentioned, we would still advocate that completed reconciliations were reviewed by a second officer and the evidence of the review was formally recorded.

In respect of other key balance sheet figures, checks were also undertaken on the year-end balances for Fixed Assets, Debtors and Creditors, etc. Due to the simplistic nature of the accounts, formal reconciliation was not always necessary in these areas as efforts were made to ensure transactions occurred in year, thereby reducing the need for a reconciliation to be undertaken. The working papers to support the production of the annual accounts provided evidence to demonstrate the checks that had taken place on the key balance sheet figures and we would propose that any review and scrutiny of the draft annual accounts also included a review of the working papers to ensure that the checks on key balances that had been performed were accurate and correct.

If bank reconciliations and working papers are not subject to review by an officer who is independent of their production, there is a risk that errors could exist, which may not be identified for correction and which therefore could be used in the production of the accounts. Therefore, there is a risk that inaccurate accounts could be filed at Companies House which could lead to reputational damage for both the Fire Service and the Police.

Recommendation 5	Summary Response
Risk Rating: Low Risk	**Responsible Officer:** Mark Nash
Summary of Weakness: Bank reconciliations for the LLP had not been performed on a timely basis and had not been reviewed by a second officer. In addition, there was no evidence to demonstrate the working papers used to support the production of the LLP's annual accounts had been subject to review and scrutiny to ensure their accuracy.	**Issue Accepted**
Suggested Actions: We recommend that bank reconciliations are undertaken promptly following the month end and are reviewed by a second officer to ensure its accuracy. Furthermore, a review of the LLP's draft annual accounts should also include scrutiny and sign off the contents of the working papers. This would serve to ensure that the year-end checks undertaken on key balances and that have been documented in the working papers, are accurate and provide a true record in support of the information used to produce the accounts. The review should be undertaken by an officer who is independent of producing the working papers and the annual accounts. Evidence of the review should be retained on file to demonstrate it having taken place.	**Agreed Actions:** Bank reconciliations are back to being completed regularly and will continue. Year-end working papers will also be reviewed by a second officer. **Implementation Date:** 30/04/2022

3.4.3 We expected that the LLP's annual accounts would be subject to independent review and scrutiny to ensure their accuracy and completeness, prior to their approval and sign off.

Whilst the LLP was entitled to exemption from its accounts being audited, in accordance with the Companies Act 2006, we sought to ensure that the accounts were still subject to appropriate review, to ensure their accuracy, prior to their approval and sign off. Through discussion with the Head of Corporate Financial Services, we understood that External Audit had undertaken a very light touch review as part of their audit on the Fire Service's group accounts. It was also considered that the Joint Director of Finance and Business Services and the Chief Finance Officer for Derbyshire Police and Crime Commissioner scrutinised the accounts, although it was not clear as to the degree of scrutiny being undertaken. Internal Audit therefore undertook a superficial review of the LLP accounts for 2019/20 that had been filed at Companies House. In so doing we identified some anomalies within the presentation of the notes to the accounts, primarily in relation to previous year's figures and dates and their representation in the balance sheet.

If the LLP's accounts are not subject to review by an officer who is independent of their production, there is a risk that errors could exist in the accounts which may not be identified for correction. Therefore, there is a risk that inaccurate accounts could be filed at Companies House.

Recommendation 6	Summary Response
Risk Rating: Low Risk	**Responsible Officer:** Mark Nash
Summary of Weakness: There were anomalies within the presentation of the notes to the 2019/20 accounts in relation to the previous year's figures and dates and their representation in the balance sheet. There was also no evidence to confirm that the LLP's accounts had been reviewed and scrutinised as to their accuracy prior to their approval and sign-off.	**Issue Accepted**
Suggested Actions: We recommend that the LLP accounts are properly scrutinised prior to their approval and sign-off by the LLP Board. The review should be undertaken by an appropriately qualified officer who is independent of the process to produce the accounts. This process should involve checking that the content of the accounts and notes are accurate and agree to the source information in the working papers. Evidence of the review should be retained on file along with the accounts and supporting working papers.	**Agreed Actions:** The accounts will be reviewed in line with the working papers from recommendation 5. **Implementation Date:** 30/04/2022

3.5 Governance of the LLP

3.5.1 We expected that the Management Board would meet in accordance with the timeframe stipulated in the Partnership Agreement.

We confirmed that meetings of the DPFP LLP Management Board appeared to be held in accordance with the frequency set out in the Partnership Agreement that being "*such reasonable period as the Members shall require or Meetings of the Members shall be held at least three times per calendar year*". We found that meetings had been held in June and September 2020 and we were informed that a third had taken place in November, albeit at the time of audit in December, these minutes had not yet been approved and so were not available. However, in addition to the Partnership Agreement, we were also provided with copies of other documents relating to the governance arrangements of the LLP, one being the Corporate Governance Framework document, effective from 4 December 2014, when the Partnership Agreement first came into force. Section 1.4.2.2 stated that "*The Board meets at least quarterly*". Appendix B to the Corporate Governance Framework related to Meetings and General Protocols and the meeting frequency set out in this document was "*Meetings of the Management Board shall be held at least three times per calendar year*". As such, whilst we were assured that the Management Board of the LLP was meeting on a regular basis, the stipulated frequency with which those meetings should occur was contradictory between the LLP's governance documents.

If contradictory information is contained within the documents relating to the LLP's governance arrangements, there is a risk of confusion of improper governance practices being followed which could impact on the effective operation of the LLP. This could result in reputational damage for the LLP and consequently its members.

Recommendation 7	Summary Response
Risk Rating: Low Risk	**Responsible Officer:** Mark Nash
Summary of Weakness: The frequency with which Management Board meetings should occur differed between key governance documents.	**Issue Accepted**
Suggested Actions: We recommend that the LLP reviews its governance documents to ensure their	**Agreed Actions:** The governance documents will be reviewed to ensure consistency and so that they are fit

content remains relevant, fit for purpose and that governance information contained therein is consistent within each document.	for purpose for current LLP operations. **Implementation Date:** 31/12/2021

3.5.2 We expected that, in accordance with Section 14.3 of the Partnership Agreement, an Operational Board would have been established to which day to day operation of the LLP's activities would have been delegated.

We found that although the Operational Board had been set up during the implementation of the projects to build the Joint Headquarters and Joint Training Centre buildings, it was no longer in existence as these projects had been completed. As such, the Operational Board no longer met. The Partnership Agreement had not been amended to remove the requirement for an Operational Board.

If the Partnership Agreement is out of date and reflects management arrangements which are no longer relevant, there is a risk of confusion over what is expected of partners and how the LLP is to be managed and run. This could result in inadequate management practices being followed which could impact on the effective operation of the LLP.

Recommendation 8	Summary Response
Risk Rating: Low Risk	**Responsible Officer:** Mark Nash
Summary of Weakness: The Partnership Agreement was out of date and referred to management arrangements that were no longer in operation.	**Issue Accepted**
Suggested Actions: We recommend that the Management Board of the LLP considers reviewing the Partnership Agreement to ensure its content is accurate and reflects the current operational and management arrangements that the LLP should be working to in accordance with the LLP's landlord function and responsibilities. Where arrangements have become out of date and/or no longer needed, the Partnership Agreement should be amended to reflect this.	**Agreed Actions:** The governance documents will be reviewed to ensure consistency and so that they are fit for purpose for current LLP operations. **Implementation Date:** 31/12/2021

3.5.3 We expected that the Management Board would regularly monitor the LLP's financial position.

We reviewed minutes from the Management Board meetings which took place during June and September 2020. We could find no evidence that the Board were actively monitoring the LLP's financial position on a regular basis as part of those meetings.

If the Management Board do not regularly monitor the LLP's finances as part of its regime of budgetary control, there is a risk that it is not complying with DFRS Financial Regulations, which the Management Board agreed to adopt. This could result in an increased risk of financial issues not being identified or highlighted with the Board in a timely manner. This could result in negative publicity and reputational damage for the LLP and its members.

Recommendation 9	Summary Response
Risk Rating: Low Risk	**Responsible Officer:** Mark Nash
Summary of Weakness: The Management Board were not regularly monitoring the LLP's financial position.	**Issue Accepted**
Suggested Actions: We recommend that the Management Board receive regular financial reports which allow them to monitor the LLP's financial position. Resulting discussions on the LLP's financial position should be formally recorded in the minutes from the Management Board meetings.	**Agreed Actions:** Financial monitoring will be regularly presented to the board in line with the revised governance arrangements. **Implementation Date:** 30/09/2021

The central midlands audit partnership was formed to provide shared internal audit services to local authorities in the region. CMAP currently provides audit services to three District Councils, a Unitary Council, a Housing ALMO and a Fire Authority and welcomes further public sector partners or clients from within the region.

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Derbyshire Fire & Rescue - Risk Management

Final Audit Report

Providing Excellent Audit Services in the Public Sector

April 2021

Our Vision

To bring about improvements in the control, governance and risk management arrangements of our Partners by providing cost effective, high quality internal audit services.

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Providing Excellent Audit Services in the Public Sector

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1 Executive Summary

1.1 Scope of Audit

1.1.1 This audit focused on Derbyshire Fire & Rescue Services' newly revised approach to corporate risk management implemented in September 2020. The main area for review was the corporate risk management framework (policy, strategy and architecture) and the respective risk register.

1.2 Summary of Audit Findings

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
The Risk Management Framework content meets the requirements set out in best practice.	12	6	5	1
The Risk Register's content and layout complies with both the Risk Management framework and best practice.	8	7	0	1
TOTALS	**20**	**13**	**5**	**2**

1.2.1 The following issues were considered to be the key control weaknesses:

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	Low Risk	There were some ambiguities within the Service Procedures as to how employees would meet their risk management duties.	30 September 2021
2	Low Risk	Risk management information was not accessible to all employees.	30 September 2021
3	Moderate Risk	There was insufficient identification and documentation of the corporate risks faced.	30 September 2021

1.2.2 This report focuses on the weaknesses in the Organisation's systems of control that were highlighted by this audit and recommends what Audit considers to be appropriate control improvements. This report contains 3 recommendations, 2 are considered a low risk and 1 a moderate risk. Another 3 minor risk issues have been highlighted for management's consideration.

1.3 Summary of Control Assurance Provided

1.3.1 **Reasonable -** There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

1.4 Distribution & Communication

1.4.1 The draft report was issued to Dean Gazzard, Group Manager and Fiona Cragg, Planning & Projects Officer for comment. A copy was also issued to Simon Allsop, Joint Director of Finance & Business Services for information.

This final version will be issued to Gavin Tomlinson, Chief Fire Officer & Chief Executive with copies to:

- Simon Allsop, Joint Director of Finance & Business Services
- Judi Beresford, Director of Corporate Services.
- Mark Nash, Head of Corporate Financial Services.
- Dean Gazzard, Group Manager

- Fiona Cragg, Planning & Projects Officer

This report was produced by Chris Salt, Senior Auditor and reviewed by Hannah McDonald, Group Auditor and Mandy Marples, Audit Manager. Any enquiry concerning the content of this report or associated issues may be made to Chris Salt, Senior Auditor on 01332 647828.

2 Positive Assurance

2.1.1 We attempted to establish whether the organisation's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

2.2 Risk Management Framework

- The risk management framework comprised of two documents; the 'Service Procedure – Corporate Risk Management' and 'Service Procedure – Corporate Overview'. Both documents had been subject to recent review and were dated September 2020.
- The Service Procedure - Corporate Risk Management contained the information required of a risk management strategy by setting out a structured and coherent approach to managing risk. It built in a process for regularly updating and reviewing the assessment based on new developments or actions taken.
- The Service Procedure – Corporate Risk Management stated that the Director of Corporate Services reports directly to the Deputy Chief Fire Officer on matters relating to corporate risk management and oversaw the maintenance of the risk register.
- The Service Procedure – Corporate Risk Management also outlined that it was the responsibility of the Strategic Leadership Team (SLT) to identify new and emerging risks, and that Risk Owners had a responsibility to manage the risk through its life cycle. This helped to ensure accountability for risk management throughout the organisation.
- The Service Procedure – Corporate Risk Management described the organisation's risk appetite ethos as being "proportionate, rational and well-intentioned" and to be an opportunity where the overall benefits exceed the risk.
- The draft Annual Governance Statement recognised risk management to be part of the wider governance approach which demonstrated that the importance of risk management was recognised in the larger context of good corporate governance.

2.3 Risk Register

- There was a risk management process in place which complied with the corporate risk methodology, as set out in the service procedures.
- There was a corporate risk register in place and the risks documented within it linked to the strategic direction of the organisation.
- The corporate risk register contained named officers responsible for each risk and for the mitigating controls. All of the corporate risks on the register had control measures in place.
- The risks recorded on the corporate risk register had actions recorded against them, indicating that activities had been undertaken to mitigate against the risk.
- The risks recorded on the corporate risk register contained residual scores and were tracked each month through review and discussion by the Service Management Team (SMT).

3 Minor Risk Issues

3.1.1 During the course of this audit, we have identified control issues which are considered to pose only a minor risk to the Organisation. As such, we have not raised formal recommendations for management to respond to and we do not intend to formally follow up any of these issues. Management is at liberty to take whatever action it deems necessary to mitigate the following minor risks:

3.2 Risk Management Framework

- We found that the Service Procedure - Corporate Risk Management stated that: *'The Director of Corporate Services reports directly to the Deputy Chief Fire Officer on matters relating to corporate risk management and oversees the maintenance of the risk register'*, however, it did not make clear that although the practical duties for risk management can be delegated, responsibility for preparing for these risks ultimately fell to the Chief Officer. Therefore, the Chief Officers' responsibility for risk management was not defined within the risk management documents supplied.

  If the responsibilities for risk management are not clearly defined within the risk management documents, there is a risk of a lack of ownership for actions and decisions taken in respect of risk management, which could potentially impact on service delivery.

  We suggest that the Service Procedure - Corporate Risk Management is amended to include a paragraph advising that overall responsibility for risk management lies with the Chief Fire Officer & Chief Executive.

- We found that the communication and escalation lines between all the parties responsible for risk management were not depicted by an organisational chart. We also found that the Governance & Performance Working Group's responsibilities for risk management were not set out within the risk management service procedures ('Service Procedure – Corporate Risk Management' and 'Service Procedure – Corporate Overview').

  If it is unclear who is accountable for the decision-making and overview processes at respective staffing levels, there is a risk that decisions will be made at the wrong level, be subject to unnecessary challenge, or will not be made at all. This could lead to resource wastage, project delays and bad publicity.

  We suggest that the risk management service procedures ('Service Procedure – Corporate Risk Management' and 'Service Procedure – Corporate Overview') are amended to include the risk management responsibilities of the Governance & Performance Working Group and that an organisational chart is developed which clearly depicts the lines of communication and escalation for risk management.

- We found that there was a lack of version control on the Terms of Reference for the Governance & Performance Working Group.

  If there is no way of determining when a policy document was created, officers and Members cannot be sure if they are using the correct version and may be following out of date procedures, potentially resulting in loss of resources and incorrect actions being taken.

  We suggest that the Terms of Reference for the Governance & Performance Working Group are amended to include a creation date or other form of version control.

4 Control Weaknesses & Recommendations

4.1 Risk Management Framework

4.1.1 We expected that the Risk Management Policy would have identified key employees and their responsibilities with regards to risk management.

We found that the service procedure documents ('Service Procedure – Corporate Risk Management' and 'Service Procedure – Corporate Overview') set out the expected responsibilities of employees, however, it was not always clear how they were to address those responsibilities in line with corporate expectations. For example, do certain risk types such as fraud have to be communicated to any key officers? Or do high scoring risks need to be escalated to senior managers in keeping with the organisations risk appetite? Do these communications need to be made within a certain amount of time?

If there are no clearly defined protocols to give direction for employees to meet expected risk management responsibilities, there is a risk that this will create an inconsistency of approach resulting in a wasting of resources or even exceeding the organisation's risk appetite.

Recommendation 1	Summary Response
Risk Rating: Low Risk	**Responsible Officer:** GM Dean Gazzard
Summary of Weakness: There were some ambiguities within the Service Procedures as to how employees would meet their risk management duties.	**Issue Accepted**
Suggested Actions: We recommend that the risk management procedure documents ('Service Procedure – Corporate Risk Management' and 'Service Procedure – Corporate Overview') are reviewed and revised to provide clarity to ensure corporate expectation of employee responsibilities for risk management is met.	**Agreed Actions:** A review of both Service Procedures will take place following the introduction of the Department Risk Register which will sit within the Corporate Risk Register currently on FireView and will enable Department Risks to be escalated to Corporate and vice versa with appropriate Scrutiny. **Implementation Date:** 30 September 2021

4.1.2 We expected that risk management information would be accessible to employees.

We noted that the Corporate Overview Site on the intranet provided a central repository of corporate risk information across the Service with access restricted to key personnel. However, that restriction appeared to impair the "generic responsibility on all employees to highlight risks that they identify or those that they believe are not adequately dealt with" as set out in the Service Procedure – Corporate Risk Management.

If employees do not understand or know the risk management process, there is a risk that they will apply it differently to that intended, incorrectly or not at all, undermining the rest of the organisation's risk management efforts. This could result in a false sense of assurance and subsequent resources loss and reputational damage.

Recommendation 2	Summary Response
Risk Rating: Low Risk	**Responsible Officer:** GM Dean Gazzard
Summary of Weakness: Risk management information was not accessible to all employees.	**Issue Accepted**
Suggested Actions: We recommend extending read only rights of the central repository to all employees so that they can comply with the employee responsibilities as set out in the Service Procedure – Corporate Risk Management.	**Agreed Actions:** This is something we need to investigate to ensure the right levels of read only can be established. Currently we have no appetite for all staff to see everything in the Risk Register due to some sensitivities (For example – strike action corporate risk – mitigation for this would be of a sensitive nature for authorised access only)

	Implementation Date: 30 September 2021

4.2 Risk Register

4.2.1 We expected that the organisation would have identified the corporate risks they faced.

We found that the corporate risk register contained four risks. Three related to service delivery and one related to finance. We considered whether that was an accurate reflection of the risk environment in which the Service operated, and concluded that there were other areas of risk that were absent from the corporate risk register concerning, but not limited to, legislation, transformation, information management and governance. For example, a significant cyber-attack could cripple the Service operationally and financially and should be considered.

If risks are not identified and documented on the corporate risk register, then they cannot be effectively managed increasing the likelihood of negative consequence, such as loss of resources.

Recommendation 3	Summary Response
Risk Rating: Moderate Risk	**Responsible Officer:** GM Dean Gazzard
Summary of Weakness: There was insufficient identification and documentation of the corporate risks faced.	**Issue Accepted**
Suggested Actions: We recommend reviewing the corporate risk register against current objectives and business plans to ensure that the risk register more accurately reflects the current risk environment. The corporate risk register should also be considered against the other risk registers in place to ensure that any corporate impact that may arise from them is captured on the corporate risk register.	**Agreed Actions:** A review will be taking place over the next few months to identify department risks and register them on the Corporate Overview Site. The Service Procedures under review will also outline the process for the consideration of all risks and how to escalate them accordingly. **Implementation Date:** 30 September 2021

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Derbyshire Fire & Rescue - IT Business Continuity

Final Audit Report

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1 Executive Summary

1.1 Scope of Audit

1.1.1 The audit focused on the IT Service Delivery team's business continuity plans. IT related business continuity and disaster recovery plans traditionally have a strong emphasis on data-centre/infrastructure related events and disasters, and more recently cyber-security incidents such as Ransomware attacks. However, the COVID-19 pandemic highlighted the risks such an incident can have on the availability of critical IT support personnel who are required to support the availability and reliability of business-critical IT systems and processes. This review therefore primarily focused on the 'non-hardware' aspects of an effective continuity plan, to ensure risks associated with losing critical IT support personnel in the short or long term had been appropriately considered and measures introduced to keep the impact down to an acceptable level through appropriate contingency planning and testing.

1.2 Summary of Audit Findings

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
Ensure that an IT Service continuity management plan exists, is comprehensive, and that key employees are aware of their roles in the event of a disaster or disruptive event.	15	8	0	7
Ensure that management has defined, documented and implemented a comprehensive Knowledge Management (KM) system to support the IT Business Continuity Plan.	1	0	0	1
Ensure that management has defined, documented and implemented a skills matrix to support the knowledge management requirements and business continuity objectives.	2	0	0	2
TOTALS	**18**	**8**	**0**	**10**

1.2.1 The following issues were considered to be the key control weaknesses:

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	Low Risk	SharePoint permissions on the ICT Service Delivery – Business Continuity Plan document did not grant access to all users with responsibilities defined within the Plan. Other edit/write level privileges also did not appear to be appropriate.	Complete
2	Low Risk	There was no formal requirement for officers with business continuity roles and responsibilities defined within the ICT Service delivery Business Continuity Plan to ensure they had a current copy of the Plan available at a secured, offsite location (i.e. hard copy, desktop version). Furthermore, not every Business Continuity Coordinator and Deputy was listed as a 'hard copy holder'.	Complete
3	Low Risk	The ICT Service Delivery – Business Continuity Plan had not been formally reviewed or updated in the previous 12 months, as per the requirement in the Plan's review period.	30/09/2021
4	Moderate Risk	Central storage of team documentation for standard operating procedures and development work, as required in the 'Unavailability of employees' risk event containment measures, was not being adhered to in a reliable manner, and was not specific enough to identify the required content and locations.	30/06/2022

5	Moderate Risk	The unavailability of employees' scenario, such as losing critical IT support personnel in the short or long term, was not adequately addressed in the current scope of business continuity plan testing.	31/03/2022
6	Moderate Risk	There was no central knowledge management system in place for the IT Service Delivery team. Furthermore, fundamental IT documentation required to assist Business Continuity Plan objectives either did not exist or was not being maintained.	30/06/2022
7	Low Risk	The latest version of a Skills Matrix for the IT Service Delivery team was not comprehensive as it; • was software/manufacturer orientated (as opposed to critical activity oriented), • did not include any form of scoring, • did not cover all staff, and had not been subject to an annual review within the past 12 months.	30/11/2021

1.2.2 This report focuses on the weaknesses in the Service's systems of control that were highlighted by this audit and recommends what Audit considers to be appropriate control improvements. This report contains 7 recommendations, 4 are considered a low risk and 3 a moderate risk. Another 1 minor risk issue has been highlighted for management's consideration.

1.3 Summary of Control Assurance Provided

1.3.1 **Reasonable -** There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

1.4 Distribution & Communication

1.4.1 The draft report was issued to Nigel Glossop, Head of Systems & Information for comment. A copy was also issued to Simon Allsop, Joint Director of Finance & Business Services and Judi Beresford, Director of Corporate Services, for information

This final version has been issued to Gavin Tomlinson, Chief Fire Officer with copies to:

- Simon Allsop, Joint Director of Finance & Business Services.
- Judi Beresford, Director of Corporate Services
- Mark Nash, Head of Corporate Financial Services.
- Nigel Glossop, Head of Systems & Information.
- Marcus Boyce, ICT Service Delivery Manager.

This report was produced by Paul Needham, Principal IT Auditor, Hannah McDonald, Group Auditor and Mandy Marples, Audit Manager. Any enquiry concerning the content of this report or associated issues may be made to Paul Needham, Principal IT Auditor on (01332) 643291.

2 Positive Assurance

2.1.1 We attempted to establish whether the Service's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

2.2 IT Business Continuity Plan (BCP)

- The IT Service Delivery team had documented a comprehensive BCP (Business Continuity Plan), which covered a variety of risk scenarios, including specific recovery and containment measures for the loss of IT service delivery support personnel, which was a key focus of the audit.
- Roles and responsibilities for the ICT Service Delivery team were clearly defined in the latest version of the Plan. The responsibilities assigned were appropriate based on their position within the section, such as the owner of the Plan being assigned to the ICT Service Delivery Manager.
- The current version of the Plan also contained emergency contact details for all users with roles and responsibilities who would need to be notified in the event of a disaster/disruptive event. This included both internal BCP co-ordinators, decision makers, and the full ICT Service Delivery team. Furthermore, contact details for 3rd party suppliers were also detailed in the Plan.
- The Plan document was hosted on the Service's Fireview system, which was based upon the SharePoint platform. We verified that the SharePoint documents were subject to regular backup routines, which would allow restoration of the Plan document in case of hardware failure, or accidental amendment or deletion of the file by end users.
- The latest version of the Plan document included detailed criteria for determining whether a disruptive situation constituted a disaster, and corresponding procedures for declaring the situation, and therefore invoking the Plan. The document also defined who had authority to invoke the Plan, and a review of the documents 'incident log' for recent BCP events (including the COVID-19 pandemic) showed the Plan was only being invoked or containment actions initiated by officers who were recorded on the authorised list.
- The current version of the Plan included a number of 'unavailability of employees' risk scenarios. A review of the documented containment actions, recovery tasks and team responsibilities detailed against these scenarios were detailed enough so that they should assist in providing acceptable ICT service delivery levels following such an event occurring.
- The latest version of the Plan accurately defined the Service critical IT systems, storage servers and records that were necessary for delivering the ICT Service delivery function. This would help in both risk assessment exercises, and for prioritising restore efforts in a major infrastructure/data centre related event.
- The Plan adequately defined recovery time objectives (RTOs) for all critical activities, such as supporting the network infrastructure, including supporting the platform which hosted the mobilisation system, Systel (most 'business critical' IT system in use by DFRS).

3 Minor Risk Issues

3.1.1 During the course of this audit, we have identified a control issue which is considered to pose only a minor risk to the Service. As such, we have not raised a formal recommendation for management to respond to and we do not intend to formally follow up this issue. Management is at liberty to take whatever action it deems necessary to mitigate the following minor risk:

3.2 IT Business Continuity Plan (BCP)

- The 'unavailability of employees' section of the Plan (***Appendix A – Local Recovery Plan***) did not cover all reasonably anticipated scenarios, such as rogue/disgruntled staff and collusion, unacceptable performance levels of existing or new recruits, strike action, or a reduction in budget/staff downsizing.

  There is a risk that failing to consider all reasonably anticipated disaster/disruptive scenarios in an IT Business Continuity Plan, can lead to increased recovery times in the event of a disruptive event, and unacceptable service levels which could impact all aspects of the business which depend on reliable IT system availability and performance.

  We suggest that management considers including these scenarios on the next review of the Plan, to help identify measures to minimise the impact were such disruptive events to occur.

4 Control Weaknesses & Recommendations

4.1 IT Business Continuity Plan (BCP)

4.1.1 We expected that the ICT Service Delivery Business Continuity Plan (BCP) document would be accessible to all personnel with roles and responsibilities for the maintenance, co-ordination or execution of the Plan.

We found that whilst there was a comprehensive ICT Service Delivery BCP document stored on the Service's Fireview system, the permissions set at the document level were not appropriate as they did not grant access to a number of officers detailed in Section 7 (BCP Co-ordinators and Deputy's), Section 9 (Authority to invoke the Plan) and Section 10 (Business Continuity Team) of the document.

Furthermore, other officers who had been granted access to the document, had been granted permissions to edit the file, even though they did not appear to have any direct responsibility for the ICT Service Delivery Plan, and therefore read-only permissions would likely have been a more appropriate setting.

There is a risk that without granting appropriate access permissions on the document to all relevant personnel, there is an increased likelihood that disruptive or disastrous incidents may not be effectively managed, affecting service delivery and systems availability.

Recommendation 1	Summary Response
Risk Rating: Low Risk	**Responsible Officer:** Nigel Glossop
Summary of Weakness: SharePoint permissions on the ICT Service Delivery – Business Continuity Plan document did not grant access to all users with responsibilities defined within the Plan. Other edit/write level privileges also did not appear to be appropriate.	**Issue Accepted**
Suggested Actions: We recommend that management reviews the current access control permissions to the ICT Service Delivery – Business Continuity Plan document on Fireview, and makes the necessary amendments to grant or reduce access accordingly.	**Agreed Actions:** Access to the BCP has been reviewed. Staff with responsibilities in the plan can now all access it. Other access has been removed. **Implementation Date:** Complete

4.1.2 We expected that copies of the ICT Service Delivery BCP document would be maintained at secure, offsite locations, and accessible to all relevant personnel.

We found that there was no formal statement within the BCP document itself that specified all officers with roles and responsibilities have a personal responsibility for ensuring they had a copy of the latest version of the Plan available at a secured, offsite location, for situations whereby the central copy hosted on the Service's Fireview system may not be accessible. This would often include a hard copy, or a desktop copy for when the network was not accessible, or even uploaded onto secure cloud-storage, etc.

Furthermore, the officers who were listed in the latest version of the Plan as 'hard copy holders' were not representative of the full business continuity team, co-ordinators, or those with authority to invoke the Plan. At minimum, those with a higher degree of responsibility in the plan should ensure they have a copy available at all times 'offsite', and management should ensure the officers have to acknowledge their compliance to this requirement, e.g. physical signature or email acknowledgement.

There is a risk that in scenarios whereby the network or Fireview is not accessible, failing to ensure all relevant personnel have a current copy of the BCP available at a secured, offsite location could lead to delays in invoking the Plan and delivering ICT services to an acceptable level during disruptive incidents, which could impact business critical services.

Recommendation 2	Summary Response
Risk Rating: Low Risk	**Responsible Officer:** Nigel Glossop
Summary of Weakness: There was no formal requirement for officers with business continuity roles and responsibilities defined within the ICT Service delivery Business Continuity Plan to ensure they had a current copy of the Plan available at a secured, offsite location (i.e. hard copy, desktop version). Furthermore, not every Business Continuity Coordinator and Deputy was listed as a 'hard copy holder'.	**Issue Accepted**
Suggested Actions: We recommend that management formally defines, documents and implements a procedure to ensure all officers with business continuity roles and responsibilities defined in the current version of the Plan, have a personal responsibility to ensure they have a hard copy or offline version of the Plan accessible in situations where Fireview is not available. Spot checks should be introduced to ensure officers are adhering to the requirement.	**Agreed Actions:** The business continuity coordinator and deputies (6 in total) have been requested to keep an offsite copy of the plan (either hard copy or electronically). When the plan is updated these staff will be asked to update their hard copy accordingly. The business continuity coordinator and deputies will annually be asked to confirm they have a copy of the plan. **Implementation Date:** Complete

4.1.3 We expected that the IT Service Delivery BCP documents would be reviewed and updated at least annually, or in line with service policy.

We found that the ICT Service Delivery BCP had not been formally reviewed in line with the annual requirement documented on page 13 within the 'Document Control' section of the Plan. The current version of the Plan represented 25th of March 2020.

It was noted during a meeting on the 11th May 2021 that the Incident Log within the document was being actively updated with actions taken to comply with the Plan, such as invoking sections of the Plan in line with the COVID-19 pandemic.

Some of the sections in an IT related BCP that could become outdated and therefore need to be regularly reviewed and updated would include:

- Roles & Responsibilities
- Emergency Contact Details
- Supplier Contact Details
- Critical Systems & Locations
- File Storage Paths
- BCP Testing Scopes
- Local Recovery Plan Details

There is a risk that without annual review of the ICT Service Delivery BCP, critical information may become outdated and inaccurate, which could impact the team's ability to continue to deliver IT support services to an acceptable level during a disruptive incident, such as loss of specialist IT support personnel.

Recommendation 3	Summary Response
Risk Rating: Low Risk	**Responsible Officer: Marcus Boyce**
Summary of Weakness: The ICT Service Delivery – Business Continuity Plan had not been formally reviewed or updated in the previous 12 months, as per the requirement in the Plan's review period.	**Issue Accepted**
Suggested Actions: We recommend that management schedules a formal review of the Plan and makes any	**Agreed Actions:** The BCP will be reviewed and updated by 30th Sep 21. The document will be updated

necessary changes or additions to the document. The annual review process should include updating the master copy on Fireview, and ensuring all relevant personnel replace their hard copies or offsite copies with the latest version.	in Fireview and the business continuity coordinator and deputies will be requested to keep an offsite copy. **Implementation Date:** 30th September 2021

4.1.4 We expected that the ICT service delivery department would be complying with any 'ongoing' containment measures or requirements documented against each risk scenario addressed in the BCP.

We found that there was a recurring requirement to minimise the various 'unavailability of employees' scenarios documented in Appendix A of the BCP, to store 'departmental work' in dedicated folders on the G:\ drive file server, or within Fireview. However, when we requested specific detail on where such directories were located, and the specifics on what 'departmental work' management expected to be stored, we found that there were no dedicated folders created on either system.

Best practice would suggest a BCP should be detailed enough to specify exactly where such files can be accessed, such as hyperlinks, which would be helpful in an emergency situation so not to impact recovery time objectives. Management should then introduce spot checks to ensure the required departmental documents are being stored in the correct locations and maintained in line with the requirements of the Plan.

There is an increased risk that failing to adhere to the ongoing requirements of the BCP around storing departmental documentation in dedicated shared folders, could worsen the impact of staff unavailability events, affecting the recommencement of effective service levels.

Recommendation 4	Summary Response
Risk Rating: Moderate Risk	**Responsible Officer:** Marcus Boyce
Summary of Weakness: Central storage of team documentation for standard operating procedures and development work, as required in the 'Unavailability of employees' risk event containment measures, was not being adhered to in a reliable manner, and was not specific enough to identify the required content and locations.	**Issue Accepted**
Suggested Actions: We recommend that management formally define, document and implement a dedicated filing structure for storing the documentation requirements expected to satisfy the containment measures defined against the 'unavailability of employees' scenario.	**Agreed Actions:** A review of the team documentation in place will be undertaken. Appropriate documentation will be put in place in a dedicated filing structure. This will only be at a high level that would enable someone to pick up and support systems in a business continuity situation. This process will commence in Oct 21 and aim to be completed by Jun 22. **Implementation Date:** 30/06/2022

4.1.5 We expected that all disaster/disruptive scenarios documented in the IT Service Delivery BCP would be tested regularly.

We found that whilst some scenarios in the BCP were being tested regularly, such as tabletop exercises for cyber security incidents, other disaster/disruptive scenarios including the unavailability of critical IT support personnel were not included in annual BCP testing plans.

The scope of annual BCP testing should ideally include some coverage of all the various scenarios listed in the business continuity scenario planning section (***Appendix A***). Specific to the unavailability of employee's scenario, testing should focus on critical IT support roles and personnel as a priority, as their unavailability is likely to cause the greatest impact to the team and subsequently the business. Key IT personnel in an IT service delivery team would typically be identified by:

- Those with the greatest legacy knowledge of critical IT applications, infrastructure and processes (long term service, etc).

- Those whose access permissions demonstrate they have administrator responsibility across a large proportion of critical applications, servers, databases and infrastructure devices.
- Those who would be required to help recover services from a major disaster scenario (e.g. major infrastructure failure/site loss).
- Those who would be required to manage, contain or recover from major cyber security incident (e.g. ransomware attack).
- Those with 'administrator' or 'manager' in their job title, e.g. database administrator, network manager, system administrator, etc.

Once key roles have been identified, testing the unavailability of critical IT support personnel scenarios would traditionally centre around the 'day to day tasks' of these key personnel and encourage knowledge transfer, e.g. a database administrator (DBA). The primary DBA should be required to document standard operating procedures for their daily duties, and the testing would involve a colleague trying to accomplish the same tasks based on the standard operating procedure documentation, which would then be enhanced or updated accordingly based on the success of the tests. Such testing can often identify issues with single points of failure in terms of administrative and access permissions to all systems under their support remit, which should also be resolved for support and continuity purposes.

On top of 'day to day' tasks, it would also be useful to include some degree of testing and knowledge transfer on the disaster recovery process, for example:

- Creating a new server
- Installing the database server platform
- Configuring settings
- Restore databases from backup
- Scheduling new backups and other maintenance jobs
- Installing the applications which connect to the database(s)
- Setting the connections between the applications and the databases
- Performing the necessary regression testing to ensure the applications are functional.

There is a risk that failing to include the unavailability of key IT support personnel scenario in annual BCP testing exercises, means there are no assurances that mitigations and countermeasures in place to contain such an incident will be effective when required, in order to provide an acceptable level of IT service delivery and support to the business.

Recommendation 5	Summary Response
Risk Rating: Moderate Risk	**Responsible Officer:** Marcus Boyce
Summary of Weakness: The unavailability of employees' scenario, such as losing critical IT support personnel in the short or long term, was not adequately addressed in the current scope of business continuity plan testing.	**Issue Accepted**
Suggested Actions: We recommend that management ensures the testing of the Business Continuity Plan incorporates some degree of testing against the loss of key IT support personnel scenario.	**Agreed Actions:** Within a small team the unavailability of employees is always going to cause problems. BCP testing will look at how such issues would be addressed. **Implementation Date:** 31/03/2022

4.2 IT Service Delivery Knowledge Management System (KMS)

4.2.1 We expected that the Service would have defined, documented and implemented a knowledge management system based on a formal set of requirements.

We found that the Service had not formally defined, documented or implemented a knowledge management system for the IT service delivery team. Whilst there was some evidence of good practice in terms of shared knowledge based documents spread across multiple locations (e.g. 3rd party technical support contract database, asset management listings, backup schedules, etc), other expected areas of IT support documentation were either not available or it was accepted by IT management that the documentation was not current, and not being accurately maintained by the team.

There was also no over-arching policy or set of documented requirements that defined specifically what officers in IT or elsewhere should be capturing in terms of knowledge base documents for the areas and systems they support.

Although specific to each IT team and company, generally knowledge management systems for an ICT service delivery section should, at minimum, capture the following categories of design/administrative documentation:

- Data Centre Infrastructure – covering both HQ and Disaster Recovery site(s).
- Core Networking (Routers, Switches, Load Balancers, Firewalls, VPN)
- Virtualisation Infrastructure (Hosts, Storage, v-Networking, Clusters, High Availability components)
- Data Management (Storage Area Network, Network Attached Storage, Backup Infrastructure and procedures, Offsite Storage)
- Security Infrastructure (Firewalls, Intrusion Detection Systems, Proxies, Web Application Firewalls, Anti-Virus management servers, Active Directory, Email Filters, Endpoint Security tools, Mobile Device Management applications, etc).
- Business Applications and Databases

Examples of information commonly captured against these categories would include brand, model, function, architecture and configuration diagrams (what connects to where), software versions, firmware versions, procurement date, implementation date, end of support dates, technical support contacts, warranty information, standard operating procedures, problem management (common errors & fixes), backup/HA details, administrative connections and interfaces, etc.

There is an increased risk that lack of centrally accessible knowledge management documentation can lead to unacceptable service levels when key support personnel are unavailable, such as during a national pandemic. Furthermore, there is an increased risk of losing valuable knowledge of the IT infrastructure, processes and applications when personnel retire or leave the service, which could also impact service delivery and resolving incidents and service outages.

Recommendation 6	Summary Response
Risk Rating: Moderate Risk	**Responsible Officer:** Marcus Boyce
Summary of Weakness: There was no central knowledge management system in place for the IT Service Delivery team. Furthermore, fundamental IT documentation required to assist Business Continuity Plan objectives either did not exist or was not being maintained.	**Issue Accepted**
Suggested Actions: We recommend that management formally defines the requirements of a knowledge management system, and looks to document and implement a centralised system of knowledge articles based on those requirements.	**Agreed Actions:** A review of the team documentation in place will be undertaken. Appropriate documentation will be put in place in a dedicated filing structure. This will only be at a high level that would enable someone to pick up and support systems in a business continuity situation. A knowledge management system will be investigated. With knowledge articles on key systems/skills will be placed in it. This process will commence in Oct 21 and aim to be completed by Jun 22. **Implementation Date:** 30/06/2022

4.3 IT Service Delivery Skills Matrix (SM)

4.3.1 We expected that a comprehensive skills matrix for the IT service delivery team would exist and be reviewed and updated on an annual basis.

We found that the last version of a skills matrix for the IT Service Delivery section was produced in September 2019, and was created to help identify possible joint working or knowledge sharing opportunities between the Service's IT section and the equivalent team at Derbyshire Police.

The document provided by the Head of Systems & Information on the 11th May 2021 raised a number of concerns against what would be considered a comprehensive skills matrix for an IT Service Delivery section:

- There was no form of scoring personnel against critical activities/critical skills.
- The listings seemed to be software/manufacturer orientated, as opposed to focused on critical activities/skills.
- Not every member of the IT service delivery team was included in the review (e.g. 2nd Line ICT Support Engineer was not detailed).
- The skills matrix had not been subject to annual review.
- Specialist roles were not included, e.g. Cyber Security.

Knowledge management systems and skills matrixes support one another. The knowledge management system creates a platform for documentation, exchanging and improving shared knowledge within an IT service delivery section. This could include infrastructure diagrams, down to standard operational procedures for more specialised roles such as Database or Network Administrators. Whereas the skills matrix helps identify the fundamental skills which are key to supporting business critical systems and processes. By identifying the fundamental skills, this should identify opportunities and areas whereby fundamental knowledge should be captured, documented and shared between multiple officers, to promote the team's ability to compensate for staff absences and unavailability scenarios, such as during a pandemic.

There is a risk that failing to document a skills matrix for the IT service delivery team, can mean fundamental skills necessary to support business critical IT systems can be overlooked in knowledge management efforts, knowledge transfer and documentation requirements. This could increase the impact on staff unavailability scenarios, leading to unacceptable performance levels, prolonged system outages, and even an inability to react and contain other risks such as cyber security attacks.

Recommendation 7	Summary Response
Risk Rating: Low Risk	**Responsible Officer:** Nigel Glossop
Summary of Weakness: The latest version of a Skills Matrix for the IT Service Delivery team was not comprehensive as it; • was software/manufacturer orientated (as opposed to critical activity oriented), • did not include any form of scoring, • did not cover all staff, • and had not been subject to an annual review within the past 12 months.	**Issue Accepted**
Suggested Actions: We recommend that management formally defines, documents and implements a more comprehensive skills matrix program for the IT service delivery section, which includes an annual review process.	**Agreed Actions:** The existing skills matrix will be reviewed and updated. It will be extended to include activities and scoring. This will then be done on an annual basis. **Implementation Date:** 30/11/2021

The central midlands audit partnership was formed to provide shared internal audit services to local authorities in the region. CMAP currently provides audit services to three District Councils, a Unitary Council, a Housing ALMO and a Fire Authority and welcomes further public sector partners or clients from within the region.

CMAP central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

Back to agenda

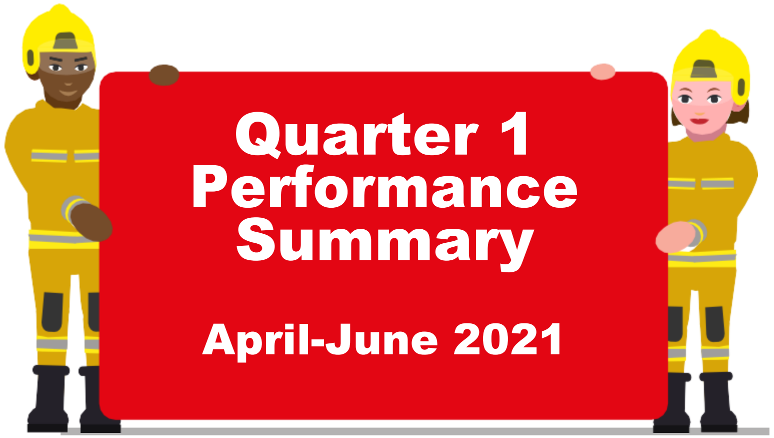
Incident Activity

1,900 Incidents attended between April and June 2021

13% increase on last year

Fire incidents have risen by **14%**

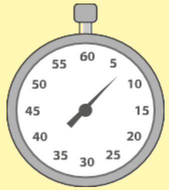
Derbyshire
Fire & Rescue Service
Making Derbyshire Safer Together



Incident Response

10,000 Emergency calls were handled by Joint Control with an average call handling time of

90 seconds



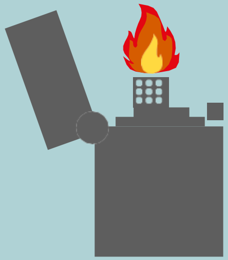
First pumps arrived at **80%** of life-risk fires within **10** minutes of being mobilised

On-Call appliance availability was **82%** while Wholetime pumps were available more than **99%** of the time

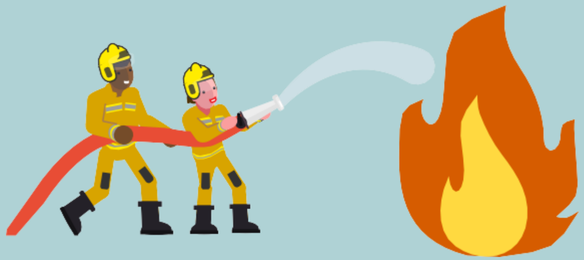
Deliberate Fires

406 deliberate fires is the highest quarter 1 total in a decade.

54% of these fires took place in April



Nottingham Road and Belper both recorded their highest quarterly total for deliberate fires.



Immediate action was taken by crews, CSOs and partner agencies in response to these fires which led to a reduction in incident numbers.

Accidental Dwelling Fires

112 accidental dwelling fires attended, a slight increase on the average for quarter 1

1 accidental fire fatality

8 people hospitalised with accidental fire injuries

Accidental Secondary Fires

these fell by **19%**

but are still **38%** above the average

Customer Satisfaction

100% of respondents to our customer satisfaction surveys were satisfied with DFRS

Protection

In Q1 we attended

39 fires in non-domestic properties, just less than the 5 year average.

We interacted with

3.1% of our commercial premises

including **309** fire safety audits

and **586** SSRI lite visits

Prevention Activity

The Service has undertaken

5,40 **1,600** direct engagement activities converting into SWCs equating

to a conversion rate of **29%**

In total **3,261** SWC have been conducted

As of 10 August we have visited

96% of our very high risk properties

In Q1 we fitted **2,023** smoke alarms in people's homes

RTCs

2 people killed and a further

17 seriously injured in RTCs attended by DFRS