West Yorkshire Fire & Rescue Service

STATEMENT OF ACCOUNTS 2009/2010

G Maren CPFA
Chief Finance Officer

Date Issued:

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EXPLANATORY FOREWORD

Introduction

I am pleased to introduce the Authority's Statement of Accounts for 2009/2010. These accounts demonstrate the financial performance for the year and the financial position at the end of the year for West Yorkshire Fire and Rescue Authority.

Where possible, to facilitate understanding, technical accounting terms have been explained either in the main text or in the glossary at the back of this publication.

The Document is broken down into a number of sections the details of which are outlined below:-

Statement of Responsibilities

This section sets out the responsibilities of the Authority and the Chief Financial Officer with regards to the preparation of the statement of accounts.

The Annual Governance Statement

Sets out the framework within which overall governance and internal control are managed and reviewed within the Authority. This is a particularly important part of the document as it provides assurance that the Authorities business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for, economically, efficiently and effectively.

Main Financial Statements

There are 5 key financial statements which make up the statement of accounts all of which are linked and together provide details of the Authority's financial performance for the financial year 2009/2010 along with a summary of the Authority's financial position at 31 March 2010. An explanation of the purpose of each of them is provided below.

- **Income and Expenditure Account**
  This statement identifies the net cost of the services provided during the financial year and shows how it has been financed from government grants, national non domestic rates and from local tax payers through the council tax.

- **Statement of Movement in General Fund Balance**
  This statement shows the surplus or deficit on the Income and Expenditure account adjusted for items of expenditure not required in determining the Authority's council tax impact.

- **Statement of Total Recognised Gains and Losses**
  This statement identifies what the total change in the net worth of the Authority has been over the year and reports on the major gains and losses.

- **Balance Sheet**
  The balance sheet summarises the financial position of the Authority at the 31 March 2010 and compares it with the position at 31 March 2009. The balance sheet is prepared by taking the position at 31 March 2009 and adjusting it for the transactions which are shown in the previous three statements. The difference between this balance sheet and the previous three statements is that it shows the financial position on the 31 March rather than summarising the transactions that have taken place during the year.

- **Cash Flow Statement**
  The final statement is the cash flow statement which tracks the movement of cash within the financial year. A large number of the transactions included within the accounts are purely accounting transactions which do not involve the movement of cash. The purpose of this statement is to remove all these transactions to show how the money raised through taxation is actually spent.

The accounts have been prepared in accordance with accounting principles set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice) published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is a Statement of Recommended Practice (SORP). Each of the main accounting statements contains an explanatory note covering the purpose of the account, together with detailed notes explaining key items.

Impact of the Economic Climate

The last 12 months has seen unprecedented turbulence in the global economic climate which resulted in the major banking institutions declaring record losses and requiring the government to provide financial support. The ongoing effect of this has been a loss of confidence in the banking sector and a record fall in both interest rates and property values coupled with a rise in unemployment. The overall impact of the economic downturn has impacted on the Authority in 4 key areas

- Treasury management - During the year as the scale of the crises unravelled the Authority continually reviewed its treasury management strategy to guarantee the security of its investments and later to take advantage of the low interest rates when borrowing. Whilst the Authority has seen a fall in investment income in the year this has been offset by savings in borrowing costs.

- Property values - In terms of property, the Authority values its properties formally every 5 years, a full valuation was carried out at 31 March 2010. As a result of this valuation property values were reduced by £18.3m in the accounts. This was due to a fall in prices and not due to the consumption of economic benefit.

- Future Funding – The indications are that the money Government has invested in propping up the economy will result in future cuts in public spending. Whilst the Government has announced its intention to honour the 2010/2011 revenue support grant settlement, indications are that there will be significant reductions in funding in 2011/2012 and future years. This Authority is already preparing for the potential loss of grant by carrying out a fundamental review of 5 key areas of the service through the Integrated Risk Management Planning process and is confident it will be able to meet the future challenge.

- Operational demands - Finally the people likely to be most effected by the economic downturn will be those within the communities identified as most at risk from fire. The Authority will continue to work hard with partners to protect these groups most at risk.

Accounting Changes

In recent years the Chartered Institute of Public Finance and Accountancy (CIPFA) has been updating local authority accounting practice to comply with generally accepted accounting practices in the private and other sectors. The only significant change in 2009/2010 relating to the Authority is the inclusion of the transactions relating to the council tax collection fund for the 5 district councils in the Income and expenditure account.

It is interesting to note that the 2009/2010 Accounts will be the last accounts which are prepared under the UK GAAP (General Accepted Accounting Practice) basis of accounting, with effect from 2010/2011 the accounts will have to be prepared in line with International Financial Reporting Standards (IFRS). This process will involve the current year's accounts being restated and preparation and training for this change has been taking place throughout the year.

Review of 2009/2010

2009/2010 has been a busy year for West Yorkshire Fire and Rescue Authority which has seen significant changes to the way staffing levels on Fire Stations is maintained by the introduction of the operational support pool. In addition there was detailed preparation for changes in the method of service provision at a number of stations. The Authority once again completed over 60,000 home fire safety checks within the year and a reduction in the number of accidental fires, deaths and injuries ahead of target. The 2008/2009 use of resources score which formed part of the Comprehensive Area Assessment Process placed the Authority as the highest performing local and public authority in the region and amongst the highest performing Fire and Rescue Authorities in the country.

In financial terms 2009/2010 was the second year of the three year financial settlement by Central Government which provided the Authority with a 2% increase in revenue support grant. The Authority approved a revenue budget of £92.1m which after the programmed use of £1.2m of revenue balances delivered a record low precept increase of 2.9% a cash increase of £1.47 per year at band D.

A summary of the revenue budget is provided below.

	£000s
Fire safety and community relations	5,446
Operational response	65,990
Human resources	8,111
Corporate resources	10,807
Contingency for pay and prices	1,787
Budget Requirement	92,141
Funded by -	
Revenue Support Grant	10,571
Non Domestic Rates	45,797
Surplus from Billing Authorities' Collection Funds	55
Revenue balances	1,200
Precept	34,518
	92,141

Capital Planning

The Authority approved a three year capital plan of £37.5m with expenditure of £14m planned for 2009/2010. The major schemes in the plan included the completion of Safety Central project and the rationalisation of fire cover in North Wakefield which will involve the construction of two new fire stations and the major rebuilding of a further fire station.

2009/2010 Capital Outturn Position

During the year the original plan of £14m was increased to £19.2m to incorporate schemes which had been approved in 2008/2009 but not completed in the year. Actual capital expenditure during the year totalled £12.3m which represents 64% of the revised capital plan. The capital expenditure has been funded by £11.0m of borrowing and £1.3m of central Government capital grants. Once again the Authority encountered difficulties with the major schemes in North Wakefield but successfully purchased the required land within the year and it is anticipated that major construction will commence in late 2010/2011.

Major schemes completed in the year included:

- Construction of the Urban Search and Rescue facility at Birkenshaw
- Completion of the Training Centre refurbishment

Revenue Outturn

In 2009/2010 the Authority under spent compared to its budget by £0.7m which represents 0.8% of the approved revenue budget. The largest area of under spending was on the pay budgets with the accumulated effect of increased retirements, reduced retained call outs, suspension of recruitment, low health retirements and lower than budget pay awards delivering the lions share of the under spending.

The overall impact of the under spending was that the Authority used £524k of its balances to support the budget leaving the balance at £6.8m at 31 March 2010.

The Authority needs to maintain a minimum revenue balance of £1.8m to meet any unforeseen strategic, operational or financial event the Authority may face which leaves £5.0m available to support future budget proposals.

Overall Financial Health

An examination of the balance sheet shows that the Authority has a negative net worth of £992m, which is a result of the required inclusion of future pension liabilities of £1,029m. Under pension funding arrangements these liabilities are met directly by central government which means they will not fall on the Fire Authority.

Conclusion

The Authority continues to be successful in managing its finances and continues to provide a first class service whilst maintaining a sound financial base. The Authority is aware that it will be under increasing pressure to reduce costs over the next few years but is confident that the planning work that has already put it in a strong position to face the challenges ahead.

I would like to thank staff for their hard work, commitment and conscientiousness throughout the year in maintaining the financial systems and records, and reporting to management and the Fire Authority.

G Maren, CPFA
Chief Finance Officer

STATEMENT OF RESPONSIBILITIES & CERTIFICATES

The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer 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 Code of Practice").

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

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

The Chief Finance Officer has also:

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

Certificates

I certify that this Statement of Accounts presents a true and fair view of the financial position of the West Yorkshire Fire and Rescue Authority at 31 March 2010, and its income and expenditure for the year then ended.

G Maren, CPFA 10 September 2010

Chief Finance Officer

I certify that this Statement of Accounts was approved by the Audit Committee at its meeting on 18 June 2010.

Cllr David Ridgway
Chair, Audit Committee 10 September 2010

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

1.1 The Annual Governance Statement is a formal statement that recognises records and publishes the formal procedures for governance within West Yorkshire Fire Authority and reports on their effectiveness and any significant issues arising.

1.2 In providing the service the Authority is responsible for ensuring that all its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, economically, efficiently and effectively. The Authority has a duty to achieve best value in the way it functions and ensure that arrangements are in place to secure continuous improvement in all areas of service provision. 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 make arrangements for the management of risk.

1.3 West Yorkshire Fire and Rescue Authority sets out the arrangements for the governance of its affairs in its constitution (a copy of this can be found at www.westyorksfire.gov.uk). Included within the constitution is the Authority's Code of Corporate Governance which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. This constitution is reviewed annually by the Fire Authority.

1.4 The purpose of this statement is to explain how the Authority has complied with the Code and meets the requirements of regulation4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.

2. CODE OF CORPORATE GOVERNANCE

2.1 Corporate Governance is the system by which local government directs and controls their functions and relate to their communities. The general public have a right to expect the highest standards of conduct from its community leaders and institutions in the delivery of public services. The West Yorkshire Fire and Rescue Authority code identifies the three core principles which underpin good Corporate Governance in the delivery of the service which are

- Openness and inclusivity
- Accountability
- Integrity

2.2 It then relates these principles to the 5 key dimensions of the service and provides specific guidance of how they should be applied to each of them.

The 5 key dimension of service provision are

- Community focus
- Service delivery arrangements
- Structures and processes
- Risk management and internal control
- Standards of conduct

ANNUAL GOVERNANCE STATEMENT

Cipfa \ Solace have set out the 6 key principles of good governance and the table below shows how the Authority's key dimensions link to the 6 fundamental principles through the basic elements of its management and policy framework.

WYFRA Key Dimensions

Community focus

Service Delivery arrangements

Structures and processes

Risk Management and internal control

Standards of conduct

Delivery partners within LAAs for 5 constituent districts
District based management structure

IRMP consultation

IRMP including risk reduction strategy

Three year corporate plan

Best Value Reviews

Performance management framework

Annual improvement plan

Corporate health improvement plan.

Authority Constitution

Authority Committee structure

Standards Committee

Management Structures

Internal audit

Internal control

Business continuity plan

Risk Management Working Group

Staff appraisal and training

Member development and training

Member champions for key areas

Member and Officers code of conduct

Members/Officer relation protocol

Member and senior officer register of interest

External audit and CPA

Publication of audit reports on the internet

CIPFA Solace Fundamental Principles

Focussing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area

Members and officer working together to achieve a common purpose with clearly defined functions

Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Developing the capacity and capability of members and officers to be effective

Engaging with local people and other stakeholders to ensure robust accountability

3. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

3.1 The governance framework comprises of the systems and process, and cultures and values, by which the Authority is directed and controlled and its activities through which it accounts to and engages with and leads 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.

3.2 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 only therefore provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing 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.

3.3 The governance framework has been in place at West Yorkshire Fire Authority for the year ending 31 March 2010 and remains in place up to the date of the approval of the statement of accounts.

4. THE GOVERNANCE FRAMEWORK

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

4.1 Strategic Objectives and the Corporate Planning Process

The Authority's ambition is 'Making West Yorkshire Safer' and it strives to deliver this by achieving its aim which is to

'Provide an Excellent Fire and Rescue Service that works in partnership with others to reduce death, injury and economic loss due to fire and other emergencies'

To deliver this the Authority has established 4 key strategic objectives
- Deliver a professional and resilient emergency response service
- Deliver proactive fire and community safety and well being programme
- Provide a competent skilled, safe and diverse workforce
- Provide effective efficient and economic governance and resource management

These objectives are set out in the Authority's corporate plan which is then cascaded to departmental plans and ultimately station plans. There is an ongoing system of monitoring and reporting achievement of the Authority against its corporate aims. Reports on progress against the corporate plan are considered by each meeting of the Audit Committee and the Management Team. Copies of the plan are distributed to all fire stations and departments of the Authority. In addition it is available on the internet along with copies of the reports on progress against corporate aims. The Authority is currently in the process of replacing the corporate plan with a new service plan. The new plan will incorporate the Integrated Risk Management Plan to provide a more coordinated and focused plan against which service delivery can be measured.

4.2 The Internal Control Environment

It is accepted that the Authority cannot eliminate all risks of failure to achieving its aims and objectives, and the purpose of the system of internal control is to manage risk to a reasonable level. The system of internal control within West Yorkshire Fire Authority is an ongoing process designed to identify the risks and to evaluate what impact failure would have on the organisation. Once identified the Authority where possible eliminates the risks and if this is not possible establishes procedures to manage the risks effectively, efficiently and economically.

4.3 The Constitution

The Authority has a written constitution which is published on its internet site and is included within the body of evidence which supports this statement. This document forms the basis of the Governance Framework and sets out the way the Authority is governed and is made up the following documents :-

Authority Committee Standing orders and procedures
Access to information rules
Contract standing orders
Financial Procedure Rules
Anti fraud and corruption strategy
Code of corporate governance
Members code of conduct
Officers code of conduct
Member\ officer relations protocol
Officers employment rules
Members allowances
Management structures
Officer delegation scheme
Complaints procedure
Whistle blowing policy

The constitution is kept under constant review by the Clerk to the Authority and is formally reviewed by the Full Authority at the Annual General Meeting.

4.4 The Committee Structure

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

The Authority has three standing committees each of which along with the Authority meet 5 times per year :-

Personnel and Training (12 members)
This committee deals with all issues relating to the employment of staff including conditions of service, industrial relations, equal opportunities and training.

Finance and Resources (12 members)
This committee is responsible for all issues relating to the Assets of the Authority. This includes

Finance (including recommendation to the Authority in relation to the revenue budget and precepts), Insurance, Buildings land and property, purchasing and supplies and data protection and computer development.

Audit Committee. (6 members)
This committee was established in accordance with Cipfa guidance 'Audit Committees – Practical Guidance for Local Authorities.' In addition to all matters relating to both internal and external audit the committee is responsible for performance review and risk management and business continuity. The independent chair of the Standards Committee also attends the Audit Committee as an observer.

Standards Committee (9 members including 3 independent)
The Standards Committee which was established in accordance with the requirements of the Local Government Act 2000.

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

The terms of reference of all the Authority's committees are available on the Authority's web site. All meetings are open to the general public and wherever possible items are considered within the public sessions of the meetings. Copies of reports and minutes of all meetings are published on the Authority's web site.

4.5 Management Structure

The Authority has a Corporate Management Board made up of the Chief Executive\ Chief Fire Officer, three Service Directors, the Director of Corporate Resources and the Chief Finance Officer which meets monthly. This is supported by a management team which in addition to the Board includes senior officers from both the operational and non operational sides of the Authority.

There is a close interaction between management and elected members based around a formal briefing process prior to each committee. In addition Management provide additional briefings when required by elected members or when key issues are being addressed e.g. revenue budget and IRMP

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

These are the key elements which make up the Governance Framework. Other areas including officer and member training and development, communication strategy and examples of the performance management structure are provided in the supporting evidence.

5. 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. The review of effectiveness is informed by the work of the Management Board and other senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorate.

The process of review has been carried out throughout the financial year by the following:

The Authority and its Committees
Management review
Internal audit
External bodies

5.1 The Authority and Its Committees

5.1.1 The Audit Committee

The Audit Committee forms part of the review of effectiveness by reviewing performance in the following areas:-

Audit

The committee receives quarterly reports on the activity of internal audit including details of the levels of assurance offered by systems on each audit. The committee approves the Audit Plan following recommendation from the Management Board and considers the Annual Report of Internal Audit. The Committee endorsed the assurance of the Chief Finance Officer that the system of internal audit during the year was found to be effective as required under Regulation 6 of the Accounts & Audit(Amendment)(England) Regulations.

The committee receives all reports of the Authority's external Auditors prior to them being presented to the full Authority including the annual audit and inspection letter. Both the external Auditor and the internal audit manager are invited to attend the Audit Committee to present to report to the committee. The committee also approves both the annual statement of accounts as well as the Statement of Internal Control \ Annual Governance Statement.

Performance Management

The committee considers detailed reports on performance management at each of its meetings along with reports on progress against the Authorities improvement plan.

Best Value

The committee receives reports on all best value reviews carried out by the Authority. These reviews have resulted in significant changes in the establishment of the organisation and contributed to the £14m of efficiency savings the Authority has delivered over the last 3 years.

Risk Management and Business Continuity Planning

The committee approves and monitors the Authority's risk management and business continuity plan. The Authority is proud of the work it has done in this area with its risk management matrix being recommended to other authorities by the Local Government Association as best practice. The work done in this area has contributed to the Authority's excellent record on liability claims which has resulted in significant savings in insurance premiums.

Committee and Member Development

During the year the Committee has received two training sessions involving the Audit Commission on the roles and responsibility of the Committee. In addition Chair of the Committee has attended training sessions on International Financial Reporting Standards and the Operation of the Audit Committee.

5.1.2 The Standards Committee

The purpose of the Committee is to promote and maintain high standards of conduct by the Elected and Co opted members of the Authority. The Monitoring Officer monitors and reviews the Authority's Code of Conduct for members as well as considering guidance from the Standards Board on matters relating to the conduct of members.

5.1.3 The Full Authority

The Full Authority reviews the constitution of the Authority annually at the annual general meeting. It considers the minutes of meetings of all other committees and receives a report on performance against the Authority's key targets at each of its meetings.

5.2 Management Structures

Included within the day to day management of the organization are a number of key systems designed to review the effectiveness of systems

5.2.1 Performance Management

There is a comprehensive system of performance management and review embedded within the Authority management structure. This system breaks down the Authority's key objectives to Directorate and ultimately station level providing targets for performance. Reports on performance are provided at all levels with summaries published on the intranet. Reports on performance are considered by the management team, management board and the Audit Committee.

5.2.2 Performance Improvement

Following the external review as part of the Comprehensive Performance Assessment Process a number of areas for improvement were identified. Progress against these areas is constantly monitored with reports on progress being presented to both management and the Authority through the Audit Committee.

5.2.3 Risk Management and Business Continuity Planning

The corporate risk management group chaired by the Deputy Chief and attended by the Chair of the Authority has continued to meet quarterly to consider and update the Authority's risk matrix which is a document in which all the perceived risks to the Authority are listed. This document prioritizes risks in order of severity and identifies controls for minimizing risks effectively, economically and efficiently. The risk matrix is approved by the Audit Committee.

The Authority has also prepared a detailed business continuity plan which has been tested by means of a table top exercise within the financial year.

5.2.4 Financial Management

The Chief Finance Officer and his team ensure that the Authority approves realistic and affordable revenue and capital budgets. The Authority approves a three year medium term financial plan for both revenue and capital expenditure which links to the corporate plan. These are supported by a effective expenditure monitoring systems providing information to all levels of the organization from cost centre managers through to the Finance and Resources Committee.

5.2.5 Integrated Risk Management Planning (IRMP)

The Authority is systematically reviewing the service it provides through out the county through the IRMP process. This process aims to improve community safety and reduce the risk of fires in homes. Whilst the process has always been based on risk information development work started in 2009/2010 will deliver a comprehensive risk analysis of the county during the coming year which will enable the Authority to develop a ground breaking risk based approach the resource allocation. Community safety work remains one of the fundamental planks of the IRMP process and is one of the key tools for reducing fire deaths and injuries; once again in 2009/2010 the Authority completed over

60,000 home fire safety checks.

5.2.6 Human Resources

The Authority has a full range of robust policies and procedures to underpin the conduct of staff from Discipline through Performance Plan, Annual Performance Development Reviews, Absence Management procedures to Flexible Working practices. The Authority provides excellent and regular training on the 'cradle to grave' principle, with a 13 week initial firefighter trainee course (both whole time and retained duty system staff) to pre retirement courses. Considerable work has been undertaken to underpin regional training and development, with various courses and Assessment & Development Centres now shared across the region. To ensure fairness and equality in the recruitment and progression the Authority has fully adopted the National Firefighter Recruitment System, IPDS and the Assessment & Development systems.

The Authorities pro-active Occupational Health and Safety Unit has produced policies that have reducing the ill-health retirements to levels well below those required by CLG or achieved in other FRAs. The Unit is also very successful in reducing the accident and injuries with a continued downward trend in the number and severity.

Following an independent review The Authority' has been confirmed level 5 for the Equality Standard for Local Government, and will be assessed against the excellence standard for the bespoke Fire and Rescue Equality standard in Autumn 2010. The Authority remains the highest ranking Fire Authority and the highest ranking West Yorkshire Local Authority in the Stonewall index.

5.2.7 Internal Audit

The Authority procures the internal audit service under a service level agreement from Kirklees MC. The service operates to the CIPFA Code of Practice for Internal Audit in Local Government and with its scope of activity set out in the Authority's Financial Procedure rules.

The majority of the work of internal audit related to a review of key financial systems and processes plus a review of a broad range of business and governance controls. The Annual Report of Internal Audit was presented to the Audit Committee in June 2010 and concluded that audit work during the year provided assurance that there were no major concerns regarding the Authority's control environment and that key controls were effective and robust. Copies of this report along with the quarterly activity report can be found on the Authority's web site. At the beginning of 2009/2010 the Authority adopted a more risk based approach to internal Audit Planning with 10% of the Audit resources committed to verifying the business continuity plan.

5.4 External review

The Principal Body for external review of the organisation is the Audit Commission which in addition to carrying out the audit of accounts also carried out the comprehensive performance assessment review of the Authority. The Authority received an unqualified opinion on the statement of accounts in 2008/2009 and anticipates a similar outcome to the current financial year.

In terms of CAA the Authority received excellent results with a score of 3 against all the criteria.

Other external assessors include the Rospa review of Health and Safety which awarded the Authority the gold award. Investors in People and Charter Mark including 5 areas of best practice.

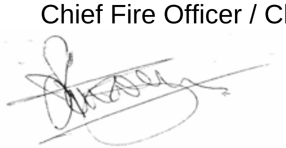
6. SIGNIFICANT GOVERNANCE ISSUES

- The primary issue facing the Authority is the impact of the national economic situation will have on public expenditure and specifically The Local Government Finance Settlement. There is little doubt that the Authority will face significant reductions in revenue support grant over the next three years which will have a direct impact on service delivery. The Authority took the decision in December 2009 to suspend fire fighter recruitment and does not anticipate any further recruitment over the next three year. The Challenge facing the Authority is to restructure service delivery to maintain the current service standards with significantly less resources. Whilst management are preparing plans to deliver these changes implementation will require support from the Fire Authority and the cooperation of the trade unions.
- The second issue is carried forward from previous years and relates to the Authority's environmental footprint. The Authority has a responsibility to safeguard the environment and to protect both the community and the natural environment we serve. The Authority's environmental working group continues to implement new energy efficiency measures and the weekly monitoring of energy consumption is now embedded. However environmental sustainability remains a long term priority and will remain a major governance issue for a number of years.
- The final issue relates to data quality and data security. Any future changes to the method or level of service delivery will have to be based on detailed risk information if the resources are to be directed into the areas of greatest need. This will only be possible if we can be confident that the data being used is accurate and secure. The Authority has invested significantly in improving data quality and security in recent years but must continue to extend data security.

We propose, over the coming year, to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Simon Pilling
Chief Fire Officer / Chief Executive June 2010



Signed

Cllr David Ridgway
Chair, West Yorkshire Fire & Rescue Authority June 2010

Signed

Geoffrey Maren
Chief Finance Officer June 2010

STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Authority's transactions for the 2009/10 financial year and its position at the year end of 31 March 2010.

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2009. The Code has been approved as a Statement of Recommended Practice (SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.
The accounts also comply with the Best Value Accounting Code of Practice (BVACoP). This Code establishes proper practice with regard to consistent financial reporting.
The following accounting concepts have been applied and policies adopted in preparing the financial accounts:

FUNDAMENTAL ACCOUNTING CONCEPTS

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

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

(iii) The accounts have been prepared on a going concern basis, that is on the assumption that the authority will continue in operational existence for the foreseeable future.

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

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

ACCOUNTING POLICIES

Contingent Assets and Liabilities

Any contingent assets and liabilities are not recognised in the accounting statements, but are disclosed by way of notes.

Revenue Expenditure funded from Capital under Statute

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

Redemption of Debt

The Authority has taken out long-term loans of variable duration, to finance the purchase of fixed assets. Provision for the redemption of debt is made on the basis of an annual amount equivalent to 4% of debt outstanding. This is the minimum revenue provision required by the Local Government and Housing Act 1989 and appears as a charge in the statement of movement on the general fund. The Authority also repays a voluntary amount of debt outstanding which is in excess of the statutory level of MRP.

Events after the Balance Sheet Date

Any material events after the balance sheet date which provide additional evidence relating to conditions existing at the balance sheet date, or indicate that application of the going concern concept is not appropriate, have been included in the accounts. Any material events after the balance sheet date which relate to conditions which did not exist at the balance sheet date have been disclosed on a separate note to the accounts.
Events after the balance sheet date are reflected up to the 10th September 2010 when the Statement of Accounts are authorised for use.

Exceptional Items, Extraordinary Items and Prior Year Adjustments

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

Any extraordinary items are disclosed on the face of the Income and Expenditure Account, after dealing with all the items within the ordinary activities of the authority, and are explained fully in the notes.

Material prior year adjustments arising from changes in accounting policies or from the correction of fundamental errors have been accounted for by restating the comparative figures in the financial statements and notes. The cumulative effect of any adjustments is noted at the foot of the Statement of Total Recognised Gains and Losses, if appropriate.

Financial Instruments

<u>Financial Liabilities</u>

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all the borrowings of the Authority, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Income and Expenditure Account 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 Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading losses over the life of the replacement loan and gains over a similar period up to a maximum of ten years. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

<u>Financial Assets</u>

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. All investments are presented in the Balance Sheet as the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year specified in the contract.

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 Income and Expenditure Account.

Any gains/losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

The Authority has no Available-for-Sale Assets.

Grants and Contributions

Revenue grants and contributions are credited to income in the same period in which the related expenditure was charged. Where the acquisition of an asset is financed either wholly or in part by a grant or contribution, the amount is credited initially to the Grants Deferred Account and written off in the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

Leases

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased items transfer to the Authority. Rental payments are apportioned between the finance charge and the reduction of the outstanding lease obligation (deferred liability). Fixed assets recognised under finance leases are accounted for using the policies applied to Tangible Fixed Assets.

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rental payments under operating leases are charged to revenue on a straight line basis over the term of the lease.

Any rental income received from the Authority acting as a lessor is recognised on a straight line basis over the period of the lease.

Overheads

In accordance with current CIPFA guidelines, the costs of support services are recovered from users either by charges under service level agreements or by cost apportionments (based on staff numbers or actual expenditure incurred). The costs of the corporate and democratic core and non distributed costs are allocated to a separate objective expenditure and are not apportioned to services.

Retirement Benefits

Accounting for retirement benefits is carried out in line with Financial Reporting Standard 17 (FRS17). FRS17 requires an authority to see beyond its commitment to pay contributions to pension funds and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. Inclusion of the attributable share of the fund assets and liabilities does not mean that legal title or obligation has passed to the employer. Instead it represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit via reduced contributions from a surplus in the scheme.

FRS17 only applies to defined benefit schemes, that is those where retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits.

The Authority participates in four different retirement benefit schemes which meet the needs of uniformed and non-uniformed employees and which provide members with defined benefits related to pay and service. The schemes are as follows:

a) Uniformed Firefighters

Uniformed Firefighters may be members of either the 1992 Firefighters' Pensions Schemes (FPS) or the 2006 (New) Firefighters' Pensions Schemes (NFPS). These schemes are unfunded, which means they have no investment assets to cover their liabilities, and cash has to be generated to meet actual payments as they fall due. On 1 April 2006 new arrangements came into being for funding and accounting for the Firefighters Schemes. Previously the Authority's revenue account was used to receive employee contributions and to pay former employees on a 'pay-as-you-go' basis. Central Government funding was received as part of the general formula grant to support payment of pensions. From 1 April 2006 the Authority has set up a Firefighters' Pensions Fund from which pension payments are made and into which all contributions (employees and employers) are received. The fund is topped up as necessary by specific government grant.

Uniformed Firefighters are also entitled to injury awards and injury awards payable on death (to their dependants) irrespective of whether the firefighter is a member of the Firefighters' Pension Schemes. From 1 April 2006 all such injury awards paid under the new Firefighters' Compensation Scheme (FCS) must be paid from the Authority's revenue account.

b) Other Employees

Other employees, subject to certain qualifying criteria, are eligible to join the West Yorkshire Pension Fund, which is part of the national Local Government Pension Scheme (LGPS). This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

FRS17 requires the following:

- the recognition of the net asset/ liability and a pensions reserve in the Balance Sheet;
- current service (pensions) cost, past service costs, gains and losses on settlements and curtailments to be charged in the Net Cost of Services section of the Income and Expenditure Account;
- interest cost (pensions) and expected return on assets to be charged in the Net Operating Expenditure section of the Income and Expenditure Account;
- reconciling entries in the Statement of Movement on the General Fund Balance which ensures that FRS17 remains neutral in terms of its impact on Council Tax levels;
- actuarial gains and losses between years being recognised in the Statement of Total Recognised Gains and Losses.

The attributable assets of the LGPS have been measured at fair value. These valuations are either objective (requiring reference to published market information) or based on the opinion of an expert valuer. Assets include current assets, such as debtors and cash, as well as the investment portfolio.

Liabilities largely comprise benefits promised under the formal terms of the pension schemes, but also include any discretionary benefits offered. The attributable liabilities of each scheme have been measured on an actuarial basis using the projected unit method. This method examines all the benefits for pensioners and deferred pensioners, and their dependents and the accrued benefits for current members of the scheme, making allowance for projected scheme member earnings. The valuation has been carried out by an actuary, in accordance with Guidance Note GN26 issued by the Faculty and Institute of Actuaries. Scheme liabilities have been discounted at a rate that reflects the time value of money and the characteristics of the liability. For the 2009/10 accounts, a rate of 6.1% has been used, based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities.

The actuarial gains and losses, arising where actual events have not coincided with the actuarial assumptions made for the last valuation or where the actuarial assumptions have been changed, have been taken into account in the pension liability.

The current service cost has been based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date. Employee contributions during the period have been set off against the current service cost. Discretionary benefits, particularly added years, awarded on early retirement have been treated as past service costs. Where settlements or curtailments have arisen, a calculation has been carried out of the net pension asset/ liability before and after the event to determine the net movement attributable to the changes arising from the settlement or curtailment.

Interest cost was based on the discount rate mentioned above and the present value of scheme liabilities at the beginning of the period, reflecting any changes in the liabilities during the year. Actuarial advice was sought in setting expected rates of return on assets.

Explanations of many of the above terms can be found in the glossary.

Reserves

These are amounts set aside for purposes falling outside the definition of provisions. The Authority has both Capital and Revenue Reserves, some of which can be used to support expenditure and others which have been established for other purposes. The Usable Capital Receipts Reserve can be used to meet expenditure designated as expenditure for capital purposes and the General Fund Balance can be used to meet both capital and revenue expenditure

Revaluation Reserve

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

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

Stocks and Work in Progress

Stocks are shown in the Balance Sheet at the lower of cost and net realisable value.

Tangible Fixed Assets

Recognition and Measurement -
All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised provided that the asset yields benefits to the Authority for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged directly to service revenue accounts.

Property assets are formally re-valued every five years. A full valuation of all property assets was carried out on the 31 March 2010. Valuations are carried out on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). The valuation was undertaken on our behalf by Jared Thompson of GVA Grimley using the RICS valuation standards. Assets are classified into the groupings required by the Code of Practice, and are valued in the Balance Sheet on the following bases:

- Operational assets – depreciated replacement cost with the exception of FSHQ (excluding the Urban Search & Rescue building and the smoke house) which has been valued at existing use value.
- Assets that are surplus to requirements - market value
- Fixed assets under construction - historic cost

As part of the valuation, an opinion was also given on the alternative use values of the properties having regard to their location and planning policy.

Depreciation - Depreciation is provided for on all fixed assets with a determinable finite life except for freehold land and assets under construction. Assets are depreciated on the brought forward net book value. Estimated lives for new assets vary but are mainly as follows:

1. Buildings	50 years
2. Vehicles and operational equipment	10 years
3. Computer equipment	5 years

Impairment - Assets are reviewed each financial year to assess if impairment has occurred. Where impairment is identified as part of the annual review or the five yearly formal valuation process, it is accounted for as follows :-

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the revaluation reserve with any excess charged to the relevant service account.

Where the impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the revaluation reserve for that asset, an amount up to the value of the loss is transferred from the revaluation reserve to the capital adjustment account

- revaluation gains are also depreciated with an amount equal to the difference between current value depreciated 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.

Disposals - Any income (capital receipts) from the disposal of fixed assets is accounted for on an accruals basis and credited to the Income Expenditure account if the receipt is lower than £10,000. Any capital receipts in excess of £10,000 are credited to the usable capital receipts reserve.

Charges to Revenue for the Use of Fixed Assets - Revenue Accounts are charged with depreciation and where required, any related impairment loss, for all fixed assets used in the provision of services. Surplus assets held for disposal also incur these charges and are shown within Non Distributed Costs.

The written off value of disposals is not a charge against council tax.

All expenditure on repairs and maintenance relating to fixed assets are charged to the appropriate service revenue account.

Finance costs, including interest payable, are charged to the Net Operating Costs section of the Income and Expenditure Account.

The balance is amortised to the service revenue account.

Intangible Assets

Expenditure on the acquisition of the intangible assets is capitalised, brought onto the balance sheet at cost and amortised over the period benefit is received. Estimated lives for new intangible assets vary. The Authority's intangible assets are software and associated licences. Where the period of the licence is known the actual length is used as its useful life. Where this is not known, a life of five years is assumed.

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

Value Added Tax

Value Added Tax is included in the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure as appropriate.

Changes to Accounting Policy

Council Tax Income (England)

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax. In its capacity as a billing authority an authority acts as an agent : it collects and distributes council tax on behalf of the major preceptors and itself.

Up to 2008/09, the SORP required by Council Tax income included in the Income and Expenditure Account of major precepting authorities to be the amount that under regulation was paid from the Billing Authorities' Collection Funds to the major preceptor. From the year commencing 1st April 2009, the council tax included shall be the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund will be taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and major preceptors who share the risks and rewards that the amount of council tax could be more or less than predicted. The effect of any bad debts written off or impairment provision are also shared proportionately. From the year commencing 1st April 2009, there is a debtor/creditor position between the billing authority and each major preceptor since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed during the last financial year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employers in the year.

2008/09 **Net** Expenditure £000s	2008/09 Restated £000's		2009/10 **Gross** Expenditure £000s	2009/10 **Gross** Income £000s	2009/10 **Net** Expenditure £000s	Notes
8,190	8,190	Community Fire Safety	8,530	-322	8,208	
66,846	66,846	Firefighting & Rescue Operations	67,186	-2,611	64,575	
-121	-121	Fire Service Emergency Planning and Civil Defence	0	0	0	
393	393	Corporate and Democratic Core	476	-2	474	
9,292	9,292	Non Distributed Costs	17,872	0	17,872	
84,600	84,600	Net Cost of Services			91,129	
1,938	1,938	Interest payable or similar charges			1,908	
-238	-238	Interest income			-16	
51,227	51,227	Pensions interest cost and expected return on pensions assets			48,506	*21*
137,527	137,527	**Net Operating Expenditure**			141,527	
-6,753	-6,753	Revenue Support Grant			-10,571	
-48,513	-48,513	Contribution from Non-Domestic Rate Pool			-45,797	
-33,230	-33,230	Precepts			-34,518	*5*
-193	83	Surplus from Billing Authorities' Collection Funds			-60	*6*
48,838	49,114	**Deficit for the year**			50,581	

Non distributed costs includes the impairment of assets which are charged in the net cost of service

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise precepts on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned

The General Fund Balance compares the Authority spending against the precepts that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

2008/09 £000s	2008/09 Restated £000's		2009/10 £000s
-48,838	-49,114	Deficit for the year on the Income and Expenditure Account by statutory and proper practices	-50,581
49,819	50,095	Net additional amount required to be credited to the General Fund Balance for the year (detailed below)	50,057
981	981	**Decrease in General Fund Balance for the Year**	-524
6,346	6,346	General Fund Balance brought forward	7,327
7,327	7,327	**General Fund Balance carried forward**	6,803

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Details of the net additional amount required to be credited to the General Fund Balance for the year are set out below.

2008/09 £000s	2008/09 Restated £000s		2009/10 £000s
		Items required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
-14,938	-14,938	Depreciation and impairment	-22,962
0		Grants deferred amortisation	499
-1,073	-1,073	Revenue Expenditure Funded from Capital under Statute	-989
4	4	Net (loss) gain on sale of fixed assets	24
49	49	Premium Adjustments	49
-72,740	-72,740	Net charges made for retirement benefits in accordance with FRS17	-67,430
0	-276	Collection fund account adjustment	5
-88,698	-88,974		-90,804
		Items required by statute to be included when determining the Movement on the General Fund Balance for the year	
1,650	1,650	Statutory provision for the repayment of debt	2,082
36,331	36,331	Employer's contributions payable to the Pensions Account	37,680
37,981	37,981		39,762
		Transfers to or from the General Fund Balance	
898	898	Voluntary Revenue Provision for the repayment of debt	985
-49,819	-50,095	**Net additional amount required to be credited to the General Fund Balance for the Year**	-50,057

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the recognised gains and losses of the Authority during the period and identifies those which have and have not been recognised in the Income and Expenditure Account. The Statement separates the movements between capital and revenue reserves.

2008/09 £000s	2008/09 Restated £000s		2009/10 £000s	Notes
48,838	49,114	Deficit on the Income and Expenditure Account for the year	50,581	
-2,127	-2,127	Gain arising on revaluation of fixed assets	-6,692	
-82,456	-82,456	Actuarial gains/losses(-) on pension fund assets and liabilities	289,830	*21*
81	81	Adjustment to FRS17 opening balance LGPS scheme	80	
0	-253	Collection fund adjustment	-23	
-35,664	-35,641	**Total recognised gains(-) and losses for the year**	333,776	

BALANCE SHEET

The Balance Sheet shows the financial position of the Authority at 31 March 2010 and summarises its assets, liabilities and fund balances at that date.

31 March 2009	31 March 2009 Restated		31 March 2010		
			£000s	£000s	Notes
£000s	£000's		£000s	£000s	Notes
		Fixed Assets			*9-13*
269	269	Intangible Assets		489	
		Tangible Assets			
81,788	81,788	Operational		81,754	
11,480	11,480	Non-operational		6,335	
93,537	93,537	**Total Long Term Assets**		88,578	
		Current Assets			
610	610	Stocks	486		
2,901	6,380	Debtors & Prepayments	5,700		
0	-1,387	Council Tax Doubtful Debt Provision	-927		
8,658	8,658	Cash in Hand and Bank	10,252	15,511	
105,706	107,798			104,089	
		Current Liabilities			
-6,600	-6,600	Short Term Borrowing	-9,185		*32*
-4,448	-6,563	Creditors	-6,875		
-203	-203	Bank Overdraft	-32	-16,092	
94,455	94,432	**Total Assets Less Current Liabilities**		87,997	
-43,057	-43,057	Long Term Borrowing		-50,337	*32*
-338	-338	Government Grants Deferred		-839	
-433	-433	Long term liabilities Deferred Liabilities		-333	
-709,218	-709,218	Net Liability related to Defined Benefit Pension Scheme		-1,028,878	
-658,591	-658,614	**Total Assets Less Liabilities**		-992,390	
42,282	42,282	Capital Adjustment Account		21,983	
-1,152	-1,152	Financial Instruments Adjustment Account		-1,103	
2,170	2,170	Revaluation Reserve		8,800	
-709,218	-709,218	Pensions Reserve		-1,028,878	*21*
0	-23	Collection Fund Adjustment Account		5	
7,327	7,327	General Fund Balance		6,803	
-658,591	-658,614	**Net Worth**		-992,390	

These financial statements replace the unaudited financial statements authorised at the Audit Committee on the 18th June 2010. CHIEF FINANCE OFFICER:-

CASH FLOW STATEMENT

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

2008/09 £000s	2008/09 Restated £000s		2009/10 £000s	Notes
		Revenue Activities		
		Cash Outflows		
-66,167	-66,167	Cash paid to and on behalf of employees	-67,264	
-20,539	-20,263	Other operating cash payments	-20,133	
-86,706	-86,430	**Total Payments**	-87,397	
		Cash Inflows		
33,230	33,230	Council Tax Receipts	34,518	
193	-83	Surplus from Billing Authorities' Collection Funds	60	
6,753	6,753	Revenue Support Grant	10,571	
48,513	48,513	NNDR from National Pool	45,797	
2,041	2,041	Government grants	2,205	*22*
839	839	Cash received for goods and services	-887	
257	257	Other operating cash receipts	393	
91,826	91,550	**Total Receipts**	92,657	
5,120	5,120	**Net Cash Inflow from Revenue Activities**	5,260	*23*
		Returns on Investments and Servicing of Finance		
		Cash Outflows		
-1,887	-1,887	Interest paid	-1,883	
-27	-27	Interest element of finance lease rental	-20	
		Cash Inflows		
242	242	Interest received	16	
-1,672	-1,672	**Net Cash Outflow from Investments and Servicing of Finance**	-1,887	

CASH FLOW STATEMENT

2008/09 £000s	2008/09 Restated £000s		2009/10 £000s	Notes
		Capital Activities		
		Cash Outflows		
-10,585	-10,585	Purchase of fixed assets	-12,370	
-180	-180	Other capital cash payments	10	
		Cash Inflows		
0	0	Sale of fixed assets		
0	0	Capital Grants	987	
-10,765	-10,765	**Net Cash Outflow from Capital Activities**	-11,373	
-7,317	-7,317	**Net Cash Outflow before Financing**	-8,000	*24*
		Management of Liquid Resources		
0	0	**Net increase(-)/decrease in short term deposits**	0	
		Financing		
		Cash Outflows		
-326	-326	Repayments of long term loans	-1,235	
-95	-95	Capital Element of Finance Lease	-100	
6,600	6,600	Net increase(-)/decrease in temporary loans	1,600	
		Cash Inflows		
5,600	5,600	New long term loans	9,500	
11,779	11,779	**Net Cash Inflow from Financing**	9,765	*25*
4,462	4,462	**Increase/Decrease(-) in Cash**	1,765	*27*

Prior Period Adjustment

2008/9 Council Tax

The SORP requires that this change in accounting policy be treated as a prior period adjustment. This has had an impact on the comparative figures for the Income & Expenditure Account, the Statement of Movement on the General Fund Balance and the Balance sheet as detailed below

	Published I&E Account 2008/9 £000	Restated Comparatives 2008/09 £000	Difference £000
Surplus from Billing Authorities Collection Funds	-193	83	276

	Published SMGFB 2008/9 £000	Restated SMGFB 2008/09 £000	Difference £000
Net additional amount required to be credited to the general fund balance for the year	-49,819	-50,095	-276

	Published Balance Sheet 2008/9 £000	Restated Balance Sheet 2008/09 £000	Difference £000
Current Assets			
Debtors	2,901	6,380	3,479
Council Tax Doubtful Debt Provision	0	-1,387	-1,387
Current Liabilities			
Creditors	-4,448	-6,563	-2,115
			-23
Equity			
Collection Fund Adjustment Account	0	-23	-23

1. Members' Allowances

The Accounting Code of Practice requires the disclosure of the total amount of Members' Allowances paid. The Authority has 22 elected members from the 5 districts of West Yorkshire. Their expenses claimed in 2009/10 were:-

2008/09 £000s		2009/10 £000s
156	Total amount of members' allowances paid	154

2. <u>Remuneration of Employees</u>

The Accounts and Audit (Amendment No 2) (England) Regulations 2009 require the Authority to disclose the number of staff receiving payments including taxable benefits of more than £50,000 per relevant financial year.

The number of employees including senior employees whose remuneration, excluding employers pension contributions, was £50,000 or more in bands of £5,000 were:

2008/09 Number of Employees	Remuneration Band	2009/10 Number of Employees
3	£50,000 - £54,999	10
13	£55,000 - £59,999	9
4	£60,000 - £64,999	2
1	£65,000 - £69,999	1
1	£70,000 - £74,999	3
1	£75,000 - £79,999	1
0	£80,000 - £84,999	0
2	£85,000 - £89,999	0
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,000	1
1	£110,000 - £114,999	0
1	£115,000 - £119,999	0
1	£120,000 - £124,999	3
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £139,999	0
1	£140,000 - £144,999	0
0	£145,000 - £149,999	1

The Account and Audit (Amendment No 2) (England) Regulations 2009 require the disclosure of the remuneration of the senior employees of the Authority. The following table sets out the remuneration disclosures for senior employees whose salary is less than £150,000 but equal to or more than £50,000 per year.

2009/10

Post Holder Information	Salary (including fees & allowances	Expense Allowances	Benefits in Kind (lease car benchmark)	Total Remuneration excluding pensions contributions 2009/10	Employer Pension Contributions	Total Remuneration including pensions contributions 2009/10
CFO / CE	£147,706	£1,321	£7,091*	£156,118	£31,461	£187,579
DCFO	£123,763	£1,228	£5,224*	£130,215	£26,362	£156,577
DFSCR	£121,594	£652	£5,224*	£127,470	£25,900	£153,370
DHR	£120,424	£845	£5,224*	£126,493	£25,650	£152,143
DCR	£105,734	£422	£4,440	£110,596	£18,568	£129,164
CFO	£79,143	£241	£3,731	£83,115	£14,182	£97,297

* Notes
The vehicles provided to senior fire officers are for operational purposes and consequently do not have a taxable benefit. In the interest of transparency the amount included in this and the following table are the cost to the Fire Authority of these vehicles

Key

CFO / CE	-	Chief Fire Officer / Chief Executive
DCFO	-	Director of Operations / Deputy Chief Fire Officer
DFSCR	-	Director of Fire Safety & Community Relations
DHR	-	Director of Human Resources
DCR	-	Clerk to the Authority
CFO	-	Chief Finance Officer

NOTES TO THE MAIN FINANCIAL STATEMENTS

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year for the financial year 2008/09 for comparative purposes.

Post Holder Information	Notes	Salary (including fees & allowances	Expenses Allowances	Benefits in Kind (lease care benchmark)	Total Remuneration excluding pensions contributions 2008/09	Employer Pension Contributions	Total Remuneration including pension contributions 2008/09
CFO / CE	a	£61,842	£452	£2,612*	£64,906	£31,461	£96,367
CFO / CE	b	£85,101	£532	£3,667*	£89,300	£20,164	£109,464
DCFO	c	£51,369	£498	£2,009*	£53,876	£8,904	£62,780
DCFO	d	£28,001	£210	£1,288*	£29,499	£7,242	£36,741
DFSCR		£119,446	£566	£5,224*	£125,236	£25,442	£150, 678
DHR		£115,986	£730	£5,224*	£121,940	£24,705	£146,645
DCR		£104,397	£299	£3,731	£108,427	£17,148	£125,575
CFO		£78,143	£181	£3,731	£82,055	£13,101	£95,156

Note a
The Chief Fire Officer retired on the 8th September 2008
Note b
The current Deputy Chief Fire Officer was promoted to Chief Fire Officer on the 8th September 2008
Note c
The current Deputy Chief Fire Officer employment expenses prior to his promotion on the 8th September 2008
Note d
The replacement Deputy Chief Fire Officer commenced employment on the 1st January 2009

Key

CFO / CE	-	Chief Fire Officer / Chief Executive
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DFSCR	-	Director of Fire Safety & Community Relations
DHR	-	Director of Human Resources
DCR	-	Clerk to the Authority
CFO	-	Chief Finance Officer

3. Related Party Transactions

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 stakeholders 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 transact freely with the Authority. Kirklees Metropolitan Council provides the Authority with the following support services, under a Service Level Agreement:

2008/09 £000s		2009/10 £000s
205	Financial Support Services	205
96	Cleaning Services	104
75	Property Repairs	107
15	Refuse Collection	15
206	Other Services	84
597	Total	515

4. Disclosure of Audit Costs

The Authority incurred the following fees relating to external audit and inspection -

2008/09 £000s		2009/10 £000s
86	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	82
0	Fees payable to the Audit Commission for the certification of grant claims	0
86	Total	82

5. Summary of Precepts Receivable

2008/09 £000s		2009/10 £000s
7,173	Bradford	7,430
3,176	Calderdale	3,334
6,249	Kirklees	6,523
11,640	Leeds	12,091
4,992	Wakefield	5,140
33,230	Total	34,518

6. Surplus from Billing Authorities' Collection Funds

As explained in the statement of accounting policies, there has been a requirement from the 1 April 2009 that the amount of council tax included in the I & E account for the year shall be the accrued income for the year.

The amount of collection fund surplus actually paid to the Authority in 2009/10 was £0.055m, £0.005m has also been credited to the I&E for the Authority's share of the surplus from previous years as required by statute.

7. Summary of Capital Expenditure and Sources of Finance

The Authority incurred capital expenditure in the year and funded it as follows:

2008/09 £000s		2009/10 £000s
	Capital Expenditure	
10,563	Fixed Assets	11,325
1,073	Revenue Expenditure funded from capital under statute	989
11,636		12,314
	Sources of Finance	
11,298	Borrowing	10,979
0	Capital receipts	0
338	Capital Grants	1,335
11,636		12,314

8. Capital Commitments

The Authority has an approved capital programme for 2009/10 of £14.0m. The following is committed expenditure against that plan as at 31st March 2010.

Property	£0.555m
Vehicles	£0.700m
Information Technology	£0.250m
	£1.505m

9. Fixed Asset Valuation

The freehold and leasehold properties of the Authority were formally re-valued as at 31 March 2010. This valuation was carried out by Jared Thompson (MRICS) of GVA Grimley on the under-mentioned bases in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. The valuations were prepared on the following assumptions:

- that no potentially deleterious material was used in the construction of the assets and that none has subsequently been incorporated;
- that the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register;
- that the use and occupation of the properties are both lawful;
- the properties, where necessary, comply with the Disability Discrimination Act
- that mains services are connected and that the properties are satisfactorily maintained
- that inspection of those parts which have not been inspected would not cause the Valuer to alter the opinion of value; and
- that the land and properties are not contaminated.

No mining subsidence reports were commissioned as part of the revaluation exercise. Fixed plant and machinery is included in the valuation of the buildings.

Properties regarded by the Authority as operational are valued on the basis of open market value or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Properties regarded by the Authority as Surplus Assets were valued on the basis of open market value. The formal valuation of all the Authority's assets as at 31 March 2010 has resulted in impairment due to a fall in prices of £18.3m.

10. Movement in Tangible Fixed Assets 2009/10

	Operational Assets		Non-Operational Assets		
	Land & Buildings	Vehicles, Plant & Equipment	Assets under Construction	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s
Cost or Valuation					
1 April 2009	88,630	22,397	6,654	7,107	124,788
Adjustment to opening balance	-15,912		2	-2,214	-18,124
1 April 2009	72,718	22,397	6,656	4,893	106,664
Additions	3,702	2,801	4,446		10,949
Disposals		-2,601			-2,601
Reclassifications	5,232	1,035	-6,267		0
Revaluations	-10,372			-3,393	-13,765
31 March 2010	71,280	23,632	4,835	1,500	101,247
Depreciation & Impairment					
1 April 2009	15,912	13,326	69	2,214	31,521
Adjustment to opening balance	-15,912	0	0	-2,214	-18,126
1 April 2009	0	13,326	69	0	13,395
Charge for year	2,018	2,427		39	4,484
Impairments					
Disposals		-2,595			-2,595
Reclassifications	69	0	-69		
Revaluations	-2087	0	0	-39	-2126
31 March 2010	0	13,158	0	0	13,158
Net Book Value					
1 April 2009	72,718	9,071	6,587	4,892	93,269
31 March 2010	71,280	10,474	4,835	1,500	88,089

The adjustment to the opening balances for 2009/10 was to align the cost and the depreciation of fixed assets to reflect the balances in our internal asset management system.

11. Movement in Intangible Assets 2009/10

	Software Licences £000s
Cost or Valuation	
1 April 2009	1,150
Additions	376
Disposals	-601
31 March 2010	925
Depreciation & Impairment	
1 April 2009	881
Charge for year	156
Disposals	-601
31 March 2010	436
Net Book Value	
1 April 2009	269
31 March 2010	489

12. Information on Assets

The Authority owned the following operational fixed assets:

31 March 2009		31 March 2010
	Buildings	
1	Headquarters	1
1	Training Centre	1
1	Mobilising and Control Centre	1
1	Workshop	1
48	Fire Stations	48
1	Houses	1
	Vehicles	
77	Pumping and Special Appliances	74
2	Cars and Vans	2

The Authority uses a number of Pumping and Special Appliances which are on operating leases. Under this method of financing the asset is not owned by the Authority and therefore does not appear within the above table.

13. Revenue Expenditure funded from capital under statute

The Authority is treating expenditure on the supply and fitting of smoke alarms as revenue expenditure funded from capital under statute.

2008/09 £000s		2009/10 £000s
0	Balance as at 1 April 2009	0
1,073	Expenditure in year	989
0	Grant received	0
-1,073	Amounts written off during the year	-989
0	Balance as at 31 March 2009	0

14. Finance & Operating Leases

The Authority has acquired certain fire appliances under finance leases. The rental payable in 2009/10 was £0.122 million (2008/09 £0.123 million), with £0.22 million finance costs charged to the Income and Expenditure Account and £0.100 million relating to the write-down of obligations to the lessor (Deferred Liability).

The following values of assets are held under finance leases by the Authority, accounted for as part of Tangible Fixed Assets:

2008/09 £000s		2009/10 £000s
	Cost or Valuation	
920	01 April 2009	920
0	Disposals	0
920	31 March 2010	920
	Depreciation	
356	01 April 2009	487
131	Charge for year	100
0	Disposals	0
487	31 March 2010	587
	Net Book Value	
564	01 April 2009	433
433	31 March 2010	333

Outstanding obligations to make payments under these leases (excluding finance costs) at 31 March 2010 are as follows:

	£000s
Obligations payable in 2010/11	106
Obligations payable between 2011/12 to 2014/15	227
Obligations payable 2015/16 onwards	0
Total liability at 31 March 2010	333

The Authority also uses vehicles financed under terms of an operating lease. The amount paid under these arrangements in 2009/10 was £0.741 million (2008/09 £0.868 million). The Authority is committed at 31 March 2010 to making payments of £0.690 million in 2010/11, comprising the following elements:

	£000s
Leases expiring in 2009/10	131
Leases expiring between 2010/11 to 2013/14	559
Leases expiring 2014/15 onwards	0
	690

In addition, rental income of £0.208 million was received in 2009/10 (2008/09 £0.183 million), mainly from the leasing of space on telephone masts and other structures to telecommunications companies.

15. Insurance

The Authority has not set up an Insurance Fund. The main risks that have not been insured, and where no provisions exist, are possible claims for Third Party Asbestos, Professional Indemnity and Pollution.

16. Summary of Movement on Reserves

1 April 2009 £000s	1 April 2009 (Restated) £000s		Net Movement in Year £000s	31 March 2010 £000s	Main Purpose of Reserve
42,282	42,282	Capital Adjustment Account	-20,299	21,983	Stores of capital resources set aside to meet past expenditure
2,170	2,170	Revaluation Reserve	6,630	8,800	A reserve which holds the gains and losses on the revaluation of assets
-1,152	-1,152	Financial Instruments Adjustment Account	49	-1,103	Shows the gains or losses on the value of financial instruments
-709,218	-709,218	FRS17 Pensions Reserve	-319,660	-1,028,878	Balancing account to allow inclusion of Pensions Liability in Balance Sheet –Note 25
0	-23	Collection Fund Adjustment Account	28	5	Reserve that shows the cumulative surplus of deficit on the collection fund
7,327	7,327	General Fund Balance	-524	6,803	Resources available to meet future running costs for General Fund services – see Movement on the General Fund Balance
-658,591	-658,614		-333,776	-992,390	

The fundamental principle of capital accounting is that accounting for fixed assets is separated from accounting for their financing by the utilisation of two reserves:

1. The revaluation reserve which records unrealised gains arising from the 1 April 2007 from holding fixed assets
2. The capital adjustment account which provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system. The balance is not available to meet expenditure whether it is revenue or capital.

17. Revaluation Reserve

The balance on this account represents the amounts arising from the revaluation of fixed assets.

2008/09		2009/10
£000s		£000s
0	Balance as at 1 April 2009	-2,170
-2,127	Revaluation Gains	-6,692
-43	Difference between Current Value and Historic Cost Depreciation	62
-2,170	Balance as at 31 March 2010	-8,800

18. Capital Adjustment Account

2008/09		**2009/10**
£000s		£000s
-55,784	Balance as at 1 April 2009	-42,282
5,894	Amount Charged as Depreciation	4,632
9,087	Amount Charged as Impairment	18,330
0	Government Grant Deferred	-499
-1,650	Minimum Revenue Provision	-2,083
-898	Voluntary set aside from revenue in excess of MRP	-985
0	Capital Receipts Applied	0
1,073	Revenue Expenditure Funded from Capital Under Statute	989
61	Disposal of assets	-23
-65	Difference between current value depreciation and historic cost depreciation	-62
-42,282	Balance as at 31 March 2010	-21,983

19. Contingent Liabilities

The Authority has the following contingent liabilities where it is not possible to quantify the financial implications for the Authority:-

i) a claim for pension rights by employees formerly working less than 15 hours per week.
ii) public liability claims relating to the period when the Authority's public liability insurers were Independent Insurance, which has gone out of business. The Authority is not aware of any such claims, but it has no insurance against them.
iii) Part time workers (less favourable treatment) – a claim for retained firefighters entitlement to join the pension scheme would have a maximum cost to the Authority of £0.12 million

In addition to the above, a former insurer for the Authority, Municipal Mutual Insurance (MMI) is running down its business, whilst paying agreed claims in full. MMI has, however, entered into a Scheme of Arrangement in case of insolvency, which would involve a levy against claims paid and future payments. In the unlikelihood that the Scheme comes into effect, the Authority may be liable to claw back of up to £0.703 million.

PENSIONS AND RETAINED

20. FRS17 Pensions Reserve

The FRS17 Pensions Reserve below shows the movement in the reserve in relation to all four retirement benefits schemes the Authority participates in:

- 1992 Firefighters' Pension Scheme (FPS)
- 2006 (New) Firefighters' Pension Scheme (NFPS)
- Firefighters' Compensation Scheme (FCS)
- Local Government Pension Scheme (LGPS)

21. Retirement Benefits

As part of the terms and conditions of employment of its employees, the Authority offers retirement benefits. The Authority participates in four retirement benefits schemes, as detailed in the Accounting Policies.

Assets and Liabilities in Relation to Retirement Benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against local tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year:

	FPS		NFPS		FCS		LGPS	
	£000's 2008/9	£000's 2009/10	£000's 2008/9	£000's 2009/10	£000's 2008/9	£000's 2009/10	£000's 2008/9	£000's 2009/10
Income & Expenditure Account								
Net Cost of Services:								
- current service cost	-18,610	-16,050	-1,310	-1,760	0	0	-1,487	-1,112
- past service costs	0	0	0	0	0	0	-106	-2
Net Operating Expenditure :								
- interest cost	-49,510	-46,170	-170	-280	-990	-990	-2,827	-2,801
- expected return on scheme assets	0	0	0	0	0	0	2,270	1,735
Net Charge to Income & Expenditure Account	-68,120	-62,220	-1,480	-2,040	-990	-990	-2,150	-2,180
Statement of Movement on the General Fund Balance :								
- Reversal of net charges made for retirement benefits in accordance with FRS17	-68,120	-62,220	-1,480	-2,040	-990	-990	-2,150	-2,180
Actual amount charged against the General Fund balance for pensions in the year :								
- employers contributions payable to scheme	8,870	8,902	488	791	0	0	1,381	1,483
- retirement benefits payable to pensioners	33,990	34,900	0	0	960	1,250	1,213	1,416

In addition to the recognised gains and losses included in the Income & Expenditure Account, actuarial gains and losses of £289.8m were included in the Statement of Total Recognised Gains and Losses.

(a) Reconciliation of present value to the scheme liabilities :

	Funded Liabilities Government Pension Scheme **LGPS £000's**		**FPS £000's**		Unfunded Liabilities Fire Pension Scheme **NFPS £000's**		**FCS £000's**	
	2008/9	2009/10	2008/9	2009/10	2008/9	2009/10	2008/9	2009/10
1 April	-45,959	-39,343	-725,150	-678,390	-1,770	-3,170	-14,710	-14,970
Current Service Cost	-1,487	-1,112	-18,610	-16,050	-1,310	-1,760	0	0
Interest Cost	-2,827	-2,801	-49,510	-46,170	-170	-280	-990	-990
Contributions paid by scheme participants	-497	-563						
Actuarial Gains & Losses	10,320	-20,488	80,890	-266,940	80	-6,250	-150	-4,190
Benefits Paid	1,213	1,462	33,990	34,900	0		960	1,250
Past Service Costs	-106	-2	0	0	0		-80	0
31 March	-39,343	-62,847	-678,390	-972,650	-3,170	-11,460	-14,970	-18,900

The underlying assets and liabilities for retirement benefits attributable to the Authority are as follows:

Reconciliation of Fair Value of the Scheme Assets

	LGPS £000's	
	2008/9	2009/10
1 April	32,324	26,575
Expected rate of return	2,270	1,735
Actuarial Gains & Losses	-8,684	8,038
Employer Contributions	1,381	1,483
Contributions by scheme participants	497	563
Benefits	-1,213	-1,415
31 March	26,575	36,979

West Yorkshire Fire and Rescue Authority employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2010.

The actual return on scheme assets in the year was £37.0m (2008/09 : £26.6m)

Scheme History

	2005/6	2006/7 As restated	2007/8 As restated	2008/9	2009/10
	£000s	£000s	£000s	£000s	£000s
Present value of liabilities :					
- Local Government Pension Scheme	40,972	41,466	45,959	39,343	62,847
- Fire Pension Scheme					
- FPS	848,040	829,340	725,150	678,390	972,650
- NFPS	0	200	1,770	3,170	11,460
- FCS	0	14,580	14,710	14,970	18,900
Fair Value of assets in the Local Government Pension Scheme	-30,347	-32,963	-32,324	-26,574	-36,979
-Adjustment to FRS17 opening balance LGPS scheme				-81	
	858,665	852,623	755,265	709,218	1,028,878
Surplus/Deficit in the scheme :					
- Local Government Scheme	10,625	8,503	13,635	12,769	25,868
-Adjustment to FRS17 opening balance LGPS scheme				-81	
- Fire Pension Scheme					
- FPS	848,040	829,340	725,150	678,390	972,650
- NFPS	0	200	1,770	3,170	11,460
- FCS	0	14,580	14,710	14,970	18,900
TOTAL	858,665	852,623	755,265	709,218	1,028,878

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £1,029m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover fire pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2010 is £1.483m. Expected contributions for the Fire Pension Scheme in the year to 31 March 2010 are £9.7m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fire Scheme has been assessed by the Government's Actuarial Department and the Local Government Pension Scheme has been assessed by Hewitts, an independent firm of actuaries.

The principal assumptions used by the actuary have been:

	FPS £000's		**NFPS £000's**		**FCS £000's**		**LGPS £000's**	
	2008/9	2009/10	2008/9	2009/10	2008/9	2009/10	2008/9	2009/10
Long term expected rate of return on assets in the scheme :								
Equity investments							7.50	7.50
Bonds							4.00	4.60
Other							6.00	6.10
Mortality assumptions : Longevity at 65 for current pensioners :								
- Men	23.1	23.3	23.1	23.3	23.1	23.3	23.3	21.8
- Women	24.7	25.2	24.7	25.2	24.7	25.2	21.3	25.4
Longevity at 65 for future pensioners :								
- Men	25.8	26.2	25.8	26.2	25.8	26.2	21.3	24.1
- Women	27.4	28.0	27.4	28.0	27.4	28.0	20.3	27.9
Rate of inflation	3	3.9	3	3.9	3.	3.9	3.3	3.9
Rate of increase in salaries	4.5	5.4	4.5	5.4	4.5	5.4	5.05	5.65
Rate of increase in pensions	3	3.9	3.	3.9	3.	3.9	3.3	3.9
Rate of discounting scheme liabilities	6.9	5.8	6.9	5.8	6.9	5.8	7.1	5.5
Take up option to convert annual pension into retirement lump sum	-	-	50	90	-	-	50	50

The Firefighters' Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's asset s consist of the following categories, by proportion of the total assets held:

	31 March 09 %	31 March 10 %
Equity investments	62.00	70.60
Bonds	18.30	16.00
Other Assets	19.70	13.40

History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	2005/6	2006/7 As restated	2007/8 As restated	2008/9	2009/10
	%	%	%	%	%
Differences between the expected and actual return on assets	14.6	1.1	9.6	32.7	21.7
Experience gains and losses on liabilities	2.3	0	0.9	0	0.6

(a) Events after the balance sheet date which require additional notes but no amendments to the accounts.

Under Financial Reporting Standard 21 (FRS21) the Authority is required to add notes to the accounts for items which have been announced after the date of the balance sheet which would have had an impact on it. There have been two such changes which require additional notes.

1. Changes to Indexation of Public Service Pensions
2. Entitlement for Retained Firefighters to join the pension scheme (which is detailed in note 19)

In the budget on 22 June 2010 the Chancellor announced that the government will adopt the Consumer Price Index (CPI) instead of the Retail Price Index for the indexation of public sector pensions.

The principal difference between the two indexes is that the RPI includes mortgage interest rates, council tax and other housing costs which are excluded from the CPI. Consequently with interest rates currently at a record low you would anticipate a much higher growth in the RPI in future than the CPI. This change will have a significant impact on the future cost pension schemes delivering a significant reduction in future liabilities, which has been estimated could be up to £100m.

22. Analysis of Government Grants Received

2008/09 £000s		2009/10 £000s
134	Community Fire Safety	18
506	National Co-ordination Centre	501
871	New Dimension Programme	1,078
530	Regional Control Centre	608
2,041		2,205

23. Reconciliation of Net Deficit on the Income and Expenditure Account to Revenue Activities Cash Flow

This reconciliation identifies items included within the revenue accounts that do not result in cash flows under the revenue activities in the statement.

2008/09	2008/09		2009/10
£000s	Restated		£000s
-48,838	-49,114	Deficit for the year	-50,581
1,672	1672	Interest	1,887
		Non-Cash transactions	
72,740	72,740	Net charges made for retirement benefits in accordance with FRS17	67,430
-36,331	-36,331	Employers' contributions payable to the Pensions Account	-37,680
14,938	14,938	Depreciation and impairment	22,962
1,073	1,073	Revenue Expenditure Funded from Capital Under Statute	0
0	0	Government Grant Amortisation	-499
0	276	Council Tax Adjustment	28
-		Adjustment to first opening balance	-80
5,254	5,254		3,467
		Items on an accruals basis	
-173	-173	Decrease in Stock	124
531	531	Increase in Revenue Debtors	-421
-492	-492	Increase/Decrease(-) in Revenue Creditors	2,090
5,120	5,120,	Net cash inflow from revenue activities	5,260

24. Reconciliation of Net Cashflow to Movement in Net Debt

2008/09 £000s				2009/10 £000s
4,462	Decrease in cash in the period			1,765
-6,600	Cash used to reduced resources			-1,600
326	Cash used to repay debt			1,235
95	Cash used to repay leasing obligations			100
0	Increase in short term deposits			0
-5600	New loans			-9,500
-7,317	Change in net debt			-8,000
-34,318	Net debt as at beginning of period			-41,635
-41,635	Net debt as at end of period			-49,635
		1 April 2009 £000s	31 March 2010 £000s	Change 2009/10 £000s
4,484	Cash in Hand and Bank	8,658	10,252	1,594
-21	Bank Overdraft	-202	-32	170
-5,601	Long Term Borrowing	-43,058	-50,337	-7,279
-6,274	Short Term Borrowing	-6,600	-9,185	-2,585
0	Increase in short term deposits	0	0	0
95	Deferred Liabilities	-433	-333	100
0	Investments	0	0	0
-7,317		-41,635	-49,635	-8,000

25. Analysis of Changes in Financing

Change 2008/09 £000s		1 April 2009 £000s	31 March 2010 £000s	Change 2009/10 £000s
-4,366	Long Term Borrowing	-41,823	-50,337	-8,514
	Short Term Borrowing: -			
-908	Long term loans with less than 12 months to maturity	-1,234	-985	249
-6,600	Temporary loans	-6,600	-8,200	-1600
95	Deferred Liability	-433	-333	100
-11,779		-50,090	-59,855	-9,765

26. Liquid Resources

As at 31 March 2010, there were £1.64m of short term investments (£0.18m at 31 March 2009) which are held as cash.

27. Analysis of Changes in Cash

Change 2008/09 £000s		1 April 2009 £000s	31 March 2010 £000s	Change 2009/10 £000s
4,484	Cash in Hand and Bank	8,658	10,252	1,594
-22	Bank Overdraft	-203	-32	171
4,462		8,455	10,220	1,765

28. Regional Management Board (RMB)

The Yorkshire and Humberside Regional Management Board (RMB) is a joint committee set up by the four Fire Authorities in the region (North, South and West Yorkshire, and Humberside). It is responsible for carrying forward six strategic tasks on behalf of all four Authorities - resilience, common services, regional control rooms, procurement, training and personnel management. Its role is still developing and the four Authorities have agreed to bear their own costs of contributing to its development, other than any significant additional expenditure specifically incurred. The latter is to be shared pro rata to the Council Tax base. No such additional expenditure arose during 2009/10 and all RMB - related transactions appear within the accounts of the individual constituent Authority. The cost to West Yorkshire FRA in 2009/10 totalled £0.057m. A set of memorandum accounts have been prepared for the Board, bringing together qualifying income and expenditure on RMB activities. These are available separately.

29. Disclosure of 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 other financial market movements.

The Authority's overall risk management programme focuses on minimising any potential adverse effects on the resources available to fund services. Risk management is carried out by the Chief Finance Officer. In particular, on treasury management, guidance is provided by specialist staff at Kirklees Council who manage the function on behalf of the authority under policies approved by Members in the annual treasury management strategy and the treasury management policy statement and practices.

30. Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

31 March 2009			31 March 2010	
Long-Term	Current		Long-Term	Current
£000s	£000s		£000s	£000s
		Financial liabilities at amortised cost		
41,823	7,835	Loans outstanding	50,337	9,185
	203	Bank Overdraft		32
		Trade Payable		2,259
41,823	8,038		50,337	11,476
		Financial assets		
0	131	Loans and receivables	0	1,640
	8,658	Cash in hand and at Bank		10,252
		Trade Receivable		268
0	8,789		0	12,160

The loans payable and receivable are included within creditors and debtors and were not disclosed separately in 2008/9.
The amounts shown under Financial Assets include cash held in deposit accounts.
The Authority has not pledged any collateral for liabilities or received any pledge of collateral on its investments.

31. Financial Instrument gains and losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total
2008/2009	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	£000s
Interest expense	-1,888	0	0	-1,888
Losses on derecognition	-49	0	0	-49
Interest payable and similar charges	**-1,937**	**0**	**0**	**-1,937**
Interest Income	0	224	14	238
Interest and investment income	**0**	**224**	**14**	**238**
Net gain/loss(-)for the year ending 31 March 2009	**-1,937**	**224**	**14**	**-1,699**
2009/2010				
Interest expense	-1,884	0	0	-1,884
Losses on de-recognition	-49			-49
Interest payable and similar charges	**-1,933**	**0**	**0**	**-1,933**
Interest Income	0	12	14	26
Interest and investment income	**0**	**12**	**14**	**26**
Net gain/loss(-)for the year ending 31 March 2010	**-1,933**	**12**	**14**	**-1,907**

32. Fair Value of assets and liabilities carried at amortised cost

Financial liabilities and assets represented by loans and receivables 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 for financial liabilities are as follows:

31 March 2009			31 March 2010	
Carrying amount	Fair value		Carrying amount	Fair value
£000s	£000s		£000s	£000s
		Financial liabilities		
41,057	43,635	PWLB	48,337	49,476
2,000	1,775	LOBOs	2,000	1,726
43,057	45,410	Long Term Borrowing	50,337	51,202
6,600	6,600	Short Term Borrowing	9,185	9,185
49,657	52,010	.	59,522	60,387

This calculation is based on interest rates quoted for long term loans at 31 March by the Public Works Loan Board for the early repayment of loans. Liabilities, such as short-term trade payables and interest, have been excluded from the table as it is assumed that the carrying value will be a reasonable approximation of fair value.

The fair value of PWLB liabilities is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount the Authority would have to pay if the lender requested or agreed to early repayment of the loans. The opposite is true for the LOBO where the interest rate of the loan is lower than current market rates and the Authority would therefore receive a discount if the lender requested or agreed to early repayment of the loan.

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

33. Disclosure of 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 other financial market movements.

The Authority's overall risk management programme focuses on minimising any potential adverse effects on the resources available to fund services. Procedures for risk management on treasury management are set out in the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code and investment guidance issued under the Act. Kirklees Council manages the function on behalf of the Authority under supervision by the Chief Finance Officer and policies approved by Members in the annual treasury management strategy and the treasury management policy statement and practices.

Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and other financial institutions unless they are rated by one of the main credit rating companies with a minimum rating of F1+/F1 (Fitch) and P-1 (Moody's), or are a building society with assets of more than £1 billion. The Authority has a policy of not lending more than £1.5 million of its surplus balances to any counterparty and of not making commitments longer than one year.

Deposits at 31 March 2010 were as follows:

Type of Asset	£000s	Credit Rating		Sovereign Rating	
		Short term	Long term	Country	Rating
Bank Deposit Account	987	F1+/P1	AA-/AA3	UK	AAA
Bank Deposit Account	365	F1+/P1	AA-/AA3	Spain	AAA
Money Market Fund	288	F1+/P1	AAA/AAA	UK	AAA
	1,640				

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non performance by any of its counterparties.

Debtors

In respect of trade debtors, wherever possible, the Authority has a policy of charging in advance, although in practice this is limited to the provision of training. The majority of debtor income is from charges for the provision of special services such as lift rescues. In these cases it is not possible to invoice in advance or indeed carry out credit checks prior to the provision of the service.

Liquidity risk

The Authority actively manages its cash flow requirements to ensure that cash is available as needed. As well as keeping some investments in instant access deposits accounts, the Authority has ready access to borrowings from the money markets and the Public Works Loan Board. Because of this, there is no significant risk that it will be unable to raise finance to meet its commitments. Instead, the risk is that the Authority will be bound to replenish its borrowings at less favourable rates or, alternatively, liquidate its investments at more favourable rates. The borrowing strategy aims to ensure that the loan repayment profile is even with no more than 10% of loans due to mature in any one year. The maturity analysis of borrowing is shown below:

31 March 2009 £000s		31 March 2010 £000s
7,835	Less than one year	9,185
985	Between 1 and 2 years	485
2,056	Between 2 and 5 years	4,306
2,677	Between 5 and 10 years	9,677
667	Between 10 and 15 years	432
33,438	More than 15 years	33,437
2,000	Variable (LOBOs)	2,000
49,658		59,522

Market risk

Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure account will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the Income and Expenditure Account 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 Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments are posted to the Income and Expenditure Account and affect the General Fund Balance £ for £.

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

The treasury management strategy is proactive, providing for the constant assessment of interest rate exposures and deciding whether new borrowing taken out is fixed or variable.

As at 31 March 2010, the Authority held £11.6 million (£2.1million at 31 March 2009) in variable rate debt. If interest rates had been 1% higher or lower with all other variables held constant, there would be an impact on Income and Expenditure of £0.116 million. Similarly, the Authority holds £2.0 million of debt in the form of LOBOs (Lender Option, Borrower Option), which equates to 3.4% of its total borrowing. LOBO agreements have periodic option dates on which lenders can opt to change the interest rate on a loan. If lenders exercise their option then the Authority can either repay the loan (at no extra cost) or agree to the change of interest rate for the remaining term of the loan or until the lender chooses to exercise the option again. LOBO debt is not exposed to variable rates through lender options until 2011/12.

The fair value of fixed rate debt would decrease by around £6.2million (£6.1 million at 31 March 2009) if interest rates increased by 1%, and increase by the same figure if rates decreased by 1%.

Price Risk

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

FIREFIGHTERS' PENSION FUND

The Authority administers and pays firefighters' pensions, and is required to manage a Firefighters' Pension Fund Account. The fund provides for the payment of defined retirement benefits to members, or their dependants, from firefighters' and employer contributions. The fund is topped up and balanced to nil as necessary by government grant if contributions are insufficient to meet the cost of retirement benefits.

The Firefighters' Pension Fund has the legal status of a pension fund (albeit there is no investment of surplus funds) and as such the Authority is obliged to include the fund in the Statement of Accounts.

Pension Fund

2008/09 £000s		2009/10 £000s	2009/10 £000s
	Contributions receivable		
	From employer		
-9,358	Normal	-9,148	
-128	Ill Health retirements	-152	
-4,958	From members	-4,915	-14,215
	Transfers in		
-465	Individual transfers in from other schemes		-490
	Benefits payable		
21,535	Pensions		24,137
11,694	Lump sum retirement benefits		11,149
	Payments to and on account leavers		
	Individual transfers out to other schemes		171
18,320	**Sub-total: Net amount payable for the year**		20,752
-18,320	Top-up grant receivable from sponsoring department		-20,752
0			0

Net Assets Statement

31 Mar 2009 £000s		31 Mar 2010 £000s
	Net current assets and liabilities	
7,973	Pension top-up grant receivable from sponsoring department	8,201
162	Employee paid but not due	149
-411	Pension payments due but not paid	-591
-	Unpaid pension benefits	
-7,724	Cash overdrawn	-7,759
0	**Net assets of the scheme**	0

The Pension Fund statements have been compiled in accordance with the SORP, as detailed in the Accounting Policies. The above statements do not take account of the liabilities for future retirement benefits, which are recognised in the main accounts of the Authority.

Accounting Policies

The principal accounting policies are as follows:

Accruals

The accounts have been prepared on an accruals basis.

Contributions

Contributions represent the total amounts receivable from the Authority and the pensionable employees. The employer's contributions are made at rates determined by the Government Actuaries Department, at a nationally applied rate of 21.3% for the 1992 Firefighters' pension Scheme (11.0% for employees' contributions), and 11.0% for the 2006 Firefighters' Pension Scheme (8.5% for employees' contributions).

In addition to these contribution payments, the Authority is also required to make payments into the Pension Fund in respect of ill-health retirements, when they are granted.

No provision is made in the accounts for employees' and employer's contributions relating to sums due on pay awards not yet settled.

Benefits and refunds

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

Transfer values

Transfer values are those sums paid to, or received from, other pension schemes, and the Firefighters' Pension Scheme outside England, for individuals, and relate to periods of previous pensionable employment.

Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

GLOSSARY OF TERMS

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Budget

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

Capital Expenditure

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

Capital Adjustment Account

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

Capital Receipts

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

Contingent Liability

A possible obligation which exists at the balance sheet date, whose existence will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a liability is accrued in the financial statements. If, however a loss cannot be accurately estimated or its occurrence is not considered sufficiently probable to accrue it, the obligation is disclosed in a note to the balance sheet. Examples of contingent liabilities include legal claims pending settlement.

Corporate and Democratic Core

The Corporate and Democratic Core is concerned with the costs of corporate policy making and all member-based activities, together with costs that relate to the general running of the Authority including those relating to corporate management, public accountability and treasury management.

Creditors

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

Debtors

Sums of money due to the Authority but unpaid at the balance sheet date.

Current Service (Pensions) Cost

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

Deferred Liabilities

These represent the outstanding obligations on finance leases.

Deferred Premiums and Discounts

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

Defined Benefit Pension Scheme

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

Depreciation

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

De-recognition

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

Expected Rate of Return on Assets (Pensions)

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

Fixed Assets

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

Funded Pension Scheme

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

Impairment

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

Intangible Assets

These are non-financial fixed assets that do not have a physical substance but are identifiable and utilised by the Authority through legal or custody rights.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of scheme liabilities because the benefits are one period closer to settlement.

Leasing

A method of financing capital expenditure which allows the Authority to use, but not own an asset. A third party (the lessor) purchases the asset on behalf of the Authority (the lessee) which then pays the lessor a rental over the life of the asset.

A finance lease substantially transfers the risks and rewards of ownership of a fixed asset to the lessee. An operating lease is any lease other than a finance lease.

Minimum Revenue Provision (MRP)

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

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

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

Non-Distributed Costs

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

Non-Operational Assets

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

Operational Assets

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

Past Service (Pensions) Costs

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

Precept

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

Public Works Loan Board (PWLB)

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

Related Parties

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

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

Reserves

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

Revenue Expenditure

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

Settlements and Curtailments (Pensions)

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

Unfunded Pension Scheme

An unfunded pension scheme is one in which liabilities for pension benefits are charged to the employer's revenue account in the year in which they arise and are not financed from investments held. The Authority operates such a scheme for its firefighters.

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