WEST YORKSHIRE FIRE AUTHORITY

STATEMENT OF ACCOUNTS 2004/2005

R Hewitson, CPFA
Director of Finance
PO Box 243
Civic Centre I
Huddersfield
HD1 2YU

Independent Auditor's Report to West Yorkshire Fire Authority

I have audited the statement of accounts on pages 8 to 33 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 8 to 12.

This report is made solely to West Yorkshire Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditor/s

As described on page 4 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my/our profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on page 5 to 7 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion the statement of accounts presents fairly the financial position of West Yorkshire Fire Authority Council as at 31 March 2005 and its income and expenditure for the year then ended.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature: Ivan McConnell Date: 21 September 2005

Ivan McConnell

District Auditor

Kernel House, Killingbeck Drive, Killingbeck, Leeds LS14 6UF
T 0113 251 7130 **F** 0113 251 7131 www.audit-commission.gov.uk

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EXPLANATORY FOREWORD

Introduction
I am pleased to introduce the Authority's Statement of Accounts for 2004/05. These accounts demonstrate the Authority's financial performance for the year ended 31 March 2005, and 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. Each of the main accounting statements contains an explanatory note covering the purpose of the account, together with detailed notes explaining key items.

The accounts were affected by the following changes to this year's Code of Practice:

- a strengthening of the Code of Practice's provisions in relation to accounting for leases in line with SSAP21 "Accounting for Leases and Hire Purchase Contracts" and FRS5 "Reporting the Substance of Transactions".
- the adoption of FRS10 "Goodwill and Intangible Assets".
- the renaming of the Fixed Asset Restatement Reserve and Capital Financing Reserve to Fixed Asset Restatement Account and Capital Financing Account.
- a change to the discount rate used to calculate pension liabilities.

Prior year adjustments have been carried out to figures for 2003/04, in order to bring the accounts into line for the first two changes.

Financial Performance
When the Revenue Budget for 2004/05 was approved the Authority had again received the minimum increase in central government financial support, and was under pressure to keep precept increases in single figures under threat of capping. Following the resolution of the firefighters' pay dispute and the initial costs of implementing the modernisation agenda, the Authority was facing a 10.5% increase in precept. However, the receipt of £1.2 million in transitional funding, enabled the Authority to limit the increase to 7.9%.

The approved Revenue Budget was as follows:

	£000s
Service Standstill	**84,718**
Less use of balances	**0**
Budget Requirement	**84,718**
Funded by -	
Revenue Support Grant	**38,038**
Non Domestic Rates	**20,234**
Surplus from Billing Authorities' Collection Funds	**56**
Precept	**26,390**
	84,718

The Authority's actual revenue expenditure for 2004/05 was £83.821 million. During the year, the Authority made good progress with the modernisation agenda, and greater efficiency savings than expected have been delivered. This has contributed to the £0.897 million underspending against the original budget.

EXPLANATORY FOREWORD

In February 2004, the Authority approved a Capital Budget of £7.309 million for 2004/05. This included a provision of £2.870 million for the building of a replacement fire station in Bradford. Unfortunately, works on this and other schemes were delayed, resulting in actual capital expenditure for the year of £3.660 million:

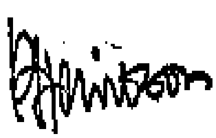
	£000s
Refurbishment of existing properties	**837**
Works on replacement fire stations	**711**
Information Technology and Communications	**480**
Vehicles	**1,359**
Operational Equipment	**273**
	3,660

Although the balance sheet shows a negative net worth for the Authority due to the effects of accounting for retirement benefits, the Authority's financial position remains healthy because of the statutory arrangements for funding pensions deficits. As at 31 March 2005, the Authority's General Fund Balance amounted to £2.023 million. In the light of possible strategic, operational and financial risks that the Authority faces, it is considered that £1.2 million is the minimum balance needed. In addition, the Authority has a reserve, earmarked for certain types of pension expenditure, standing at £1.9 million at 31 March 2005.

Long-term liabilities as at 31 March 2005, excluding those relating to pensions, were £20.933 million, of which £20.153 million related to long-term borrowing. All the Authority's long-term loans are with the Public Work Loans Board. During the year new loans totalling £2.750 million were taken, with £1.271 million repaid.

Conclusion
The Authority continues to be successful in managing its finances and has maintained a sound financial base from which it can meet increasing demands and future developments.

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 members.



R Hewitson, CPFA
Director of Finance

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 Director of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance 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 Director of Finance 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 Director of Finance 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 fairly the financial position of the West Yorkshire Fire Authority at 31 March 2005, and its income and expenditure for the year then ended.

R Hewitson, CPFA 17 June 2005
Director of Finance

I certify that this Statement of Accounts was approved by the Authority at its meeting on 24 June 2005.

Councillor R Light
Chair, West Yorkshire Fire Authority 24 June 2005

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Scope of Responsibility

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

In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only 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 of those risks being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place for the year ended 31 March 2005 and up to the date of approval of the Annual Report and Accounts.

The Internal Control Environment

The key elements of the internal control environment include:

- Corporate objectives and policies set by the Authority, and Officers under delegated authority, in accordance with
- Operational policies and statements, included recently in the Constitution, such as the Terms of Reference, Standing Orders, Financial Procedure Rules and in other sources, particularly Human Resource Management (for example recruitment & selection)
- Revenue and Capital budgets and effective budget monitoring, with risk and business planning controls related to major developments and changes to activity
- a comprehensive methodology to identify corporate risks
- a corporate and directorate based performance setting and monitoring system, linked to individual performance appraisal and assessment.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Review of Effectiveness

The Authority has responsibility for conducting at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

Directors are responsible for effective performance management of the Authority, and for achieving compliance with financial and other targets and objectives set by the Authority.

The Authority's Internal Audit function reports to the Finance and Best Value Committee who oversee its work. Internal Audit comments directly to Directors and Service Managers on its findings. Other internal review and inspection agencies also monitor performance, policy and legislative compliance.

The Finance and Best Value Committee also considers the advice of the external auditor and other review agencies.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Finance and Best Value Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Internal Control Issues

The Authority currently faces a number of major challenges if it is to continue to build upon the considerable progress made in responding positively to the Government's modernising and reform agenda. In this Statement, we have decided to comment upon those issues which are within the remit of the Authority's responsibilities that will need to be addressed to ensure progress is maintained.

Corporate risk management is a key element of CPA and the good governance of the Authority. Overall arrangements are not yet embedded fully, particularly to ensure each aspect of the process is linked together to ensure the whole functions effectively.

The Authority was among one of the first to establish a Risk Management Strategy in 2003. The Strategy establishes roles and responsibilities, prescribes the methodology to be used and documenting and reporting arrangements. Considerable progress has been achieved in the intervening period. Risk Registers have been produced in a timely manner and in the prescribed format to identify the main risks facing the Authority and the controls to manage these effectively. Sufficient evidence exists for the Authority to be assured that control arrangements described in respect of the major risks are adequate and effective and there are plans to further improve their robustness.

However, the Management Board was concerned that the initial impetus behind the introduction of risk management planning may not have been maintained and was keen to reinforce the role of the Risk Management Strategy Group.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

In order to do this, the Board has reviewed the role of the Risk Management Strategy Group which is now chaired by the Deputy Chief Fire Officer. The Group will focus on each directorate taking actions to drive down risks within that directorate and to put in place policies and procedures to deal with the consequences of the risk being realised. In addition the remit of the Group has been extended to include Business Continuity Management. Finally, the Management Board will review the corporate risk register quarterly to monitor progress in the implementation of policies and procedures and their impact on the overall risk.

Preparations for CPA have highlighted that scope exists to develop further the current arrangements for **performance management** to ensure the delivery of the Authority's objectives. In particular, to ensure adequate and demonstrable linkage between all aspects of the system, including the attainment of targets through the BVPI process, which in turn is underpinned by the performance management of individual personnel.

The Authority plans to make the necessary improvement by developing and documenting a framework to facilitate corporate monitoring and overview of the progress of the various constituents of this aspect of its activities.

The efficient and effective use of its assets is a natural pre-requisite to the achievement of the Authority’s key objectives as set out in the Corporate Plan. Whilst we are confident that the operational arrangements are adequate and work effectively, we recognise that the Authority as yet does not have an integrated and comprehensive **Asset Management Strategy** which is contained in a single document and demonstrate this happens.

Therefore, in 2005/06 the development, implementation and monitoring of such a Strategy will be a priority for the Management Board.

Finally, the Authority's commitment to good governance has been exemplified and further enhanced by the formal adoption of a Constitution that consolidates the various aspects of the internal control environment.

Philip Toase
Chief Fire Officer/ Chief Executive

Councillor Robert Light
Chair, West Yorkshire Fire Authority

ACCOUNTING POLICIES

ACCRUALS OF INCOME AND EXPENDITURE
Revenue transactions are accounted for in the year in which they arise by the creation of debtors and creditors.

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

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 Consolidated Revenue Account if that 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 Consolidated Revenue 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.

GRANTS AND CONTRIBUTIONS
Revenue grants and contributions are credited to income in the same period in which the related expenditure was charged. All grants and contributions are accounted for on an accruals basis.

INTANGIBLE ASSETS
From 1 April 2004, the Authority has to account for fixed assets in line with FRS10 "Goodwill and Intangible Assets". Expenditure on the acquisition of the intangible assets (software licences) are capitalised on an accruals basis in the accounts. These assets are brought onto the balance sheet at cost and are being amortised over the period benefit is received, usually five years. Straight-line amortisation has been adopted and it is assumed that residual value is insignificant or nil. Intangible assets are reviewed annually for impairment.

Any income derived from the sale of intangible assets is accounted for on an accruals basis and is credited to Usable Capital Receipts Reserve.

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. An amount equal to the amortisation charges and relevant impairment losses included in revenue accounts is credited to the Asset Management Revenue Account.

INVESTMENTS
Investments are shown in the Consolidated Balance Sheet at cost.

LEASES
Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding lease obligation (deferred liability) with the finance charge being allocated and charged to revenue over the term of the lease.

Rental payments under operating leases are charged to revenue on a straight line basis over the term of the lease.

ACCOUNTING POLICIES

OVERHEADS
In accordance with current CIPFA guidelines, the cost of support services are recovered from users by cost apportionment (based on employees or usage).

PENSIONS
Accounting for pensions 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 pension schemes, that is those where retirement benefits are determined independently of any investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. Defined contribution pension schemes, that is where an employer pays fixed amounts into the scheme and has no obligation to pay further amounts if the scheme does not have sufficient assets to pay employee benefits, are accounted for by charging employer contributions to revenue as they become payable.

The Authority participates in two different pension 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:

Uniformed Fire-fighters
This scheme is unfunded, which means it has no investment assets to cover its liabilities, and cash has to be generated to meet actual pensions payments as they fall due.

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 Consolidated Balance Sheet;
- current service (pensions) cost, past service costs, gains and losses on settlements and curtailments charged in the Net Cost of Services section of the Consolidated Revenue Account;
- interest cost (pensions) and expected return on assets charged in the Net Operating Expenditure section of the Consolidated Revenue Account;
- reconciling entries in the Consolidated Revenue Account (contribution from pensions reserve) which ensures that FRS17 remains neutral in terms of its impact on levels of local taxation.

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 of 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 dependent 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.

In assessing liabilities for retirement benefits at 31 March 2004 for the 2003/04 Statement of Accounts, the actuary was required by the Code of Practice to use a discount rate of 3.5% real (6.1% actual). For 2004/05, a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities has to be used. The actuary has advised that a rate of 5.9% is appropriate. Application of this rate has resulted in an increase in liabilities of £123.9 million, adjusted for by an increase in actuarial losses recognised for the year in the Statement of Total Movement in Reserves.

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 pensions 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. 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.

POST BALANCE SHEET EVENTS

Any material post balance sheet events 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 post balance sheet events which relate to conditions which did not exist at the balance sheet date have been disclosed on a separate note to the accounts.

REPURCHASE OF BORROWING

As the repurchase of borrowing has been coupled with a restructuring of borrowing with substantially the same overall economic effect, gains or losses are recognised in the Consolidated Revenue Account over the life of the replacement borrowing.

ACCOUNTING POLICIES

RESERVES
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 Fixed Asset Restatement Account, Capital Financing Account and the FRS17 Pensions Reserve cannot be called upon to support spending. The Usable Capital Receipts Reserve can be used to meet expenditure designated as expenditure for capital purposes. An Earmarked Reserve has been set up specifically to support pensions expenditure, whilst the General Fund Balance can be used to meet both capital and revenue expenditure.

STOCKS
Stocks are shown in the Consolidated 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 on an accruals basis in the accounts. Expenditure on tangible 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 revalued every five years. The most recent valuation was carried out as at 31 March 2005. 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). 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 - the lower of net current replacement cost and net realisable value in existing use
- Assets that are surplus to requirements - market value
- Fixed assets under construction - historic cost

Depreciation and Impairment
Depreciation is provided for on all fixed assets except for freehold land and non-operational properties. Assets are depreciated on a straight-line basis over their estimated useful lives. Residual values are taken into account in the calculation of depreciation, where appropriate. Estimated lives for new assets vary but are mainly as follows:

- Buildings 50 years
- Vehicles and operational equipment 10 years
- Computer equipment 5 years

Assets have been reviewed for any material impairment loss. Those arising as a result of a consumption of economic benefits have been recognised in service revenue accounts and the Asset Management Revenue Account. Other impairments reflecting a general movement in prices are recognised in the Fixed Asset Restatement Account.

Disposals
Income (capital receipts) from the disposal of fixed assets is accounted for on an accruals basis and credited to the Usable Capital Receipts Reserve. Upon disposal, the net book value of the asset disposed of is written off against the Fixed Asset Restatement Account.

ACCOUNTING POLICIES

Charges to Revenue for the Use of Fixed Assets
Revenue Accounts are charged with a capital charge and where required, any related impairment loss, for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The notional rate of interest for 2004/05 was 3.5%.

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with capital and impairment charges to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

Amounts set aside from revenue for the repayment of external loans and to finance capital expenditure are disclosed separately as appropriations, on the face of the Consolidated Revenue Account, below net operating expenditure.

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.

CONSOLIDATED REVENUE ACCOUNT

This records the cost for the year of the services for which the Authority is responsible and shows how the expenditure was financed.

2003/04				2004/05	
Net Exp £000s	Net Exp £000s Restated		Gross Exp £000s	Gross Income £000s	Net Exp £000s
4,666	4,666	Community Fire Safety	5,611	642	4,969
68,346	68,304	Firefighting & Rescue Operations	76,964	1,674	75,290
-26	-26	Fire Service Emergency Planning and Civil Defence	111	167	-56
338	338	Corporate and Democratic Core	371	14	357
32	32	Non Distributed Costs	160	0	160
73,356	73,314	Net Cost of Service	83,217	2,497	80,720
-764	-756	Asset Management Revenue Account	*note 2*		-448
60	60	Losses on the repurchase of borrowing			59
-21	-21	Interest and investment income			-95
28,473	28,473	Pensions interest cost and expected return on pensions assets	*note 6*		33,338
101,104	101,070	Net Operating Expenditure			113,574
586	586	Transfer to the Earmarked Reserve	*note 27*		474
-456	-422	Transfer from the Capital Financing Account	*note 7*		-831
-21,258	-21,258	Contribution from the FRS17 Pensions Reserve	*Note 6*		-29,396
79,976	79,976	Amount to be met from government grants and taxpayers			83,821
-35,187	-35,187	Revenue Support Grant			-38,038
-21,114	-21,114	Contribution from Non-Domestic Rate Pool			-20,234
-24,344	-24,344	Precept	*Note 11*		-26,390
-38	-38	Surplus from Billing Authorities' Collection Funds	*Note 10*		-56
707	707	Net Surplus for the year			897
419	419	General Fund Balance B/Fwd			1,126
1,126	1,126	General Fund Balance C/Fwd			2,023

CONSOLIDATED BALANCE SHEET

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

31 March 2004 £000s	31 March 2004 £000s Restated			31 March 2005 £000s	31 March 2005 £000s
		Fixed Assets	*note 13-18*		
0	56	Intangible Assets			106
		Tangible Assets			
50,814	51,678	Operational			84,093
4,177	4,177	Non-operational			8,080
54,991	55,911	**Total Long Term Assets**			92,279
		Current Assets			
402	402	Stocks		386	
907	873	Debtors & Prepayments		1,131	
2,825	2,825	Investments		2,149	
22	22	Cash in Hand and Bank		51	3,717
59,147	60,033				95,996
		Current Liabilities			
-3,696	-3,696	Short Term Borrowing	*note 19*	-1,821	
-5,260	-5,260	Creditors		-5,365	
-93	-93	Bank Overdraft		0	-7,186
50,098	50,984	**Total Assets Less Current Liabilities**			88,810
-18,674	-18,674	Long Term Borrowing	*note 19*		-20,153
0	-852	Deferred Liabilities	*note 3*		-780
-516,224	-516,224	Net Liability related to Defined Benefit Pension Scheme	*note 21*		-701,386
-484,800	-484,766	**Total Assets Less Liabilities**			-633,509
34,592	34,592	Fixed Asset Restatement Account	*note 24*		70,154
-4,684	-4,650	Capital Financing Account	*note 25*		-4,796
-1,492	-1,492	Deferred Premiums	*note 20*		-1,433
456	456	Usable Capital Receipts Reserve	*note 26*		0
0	0	Capital Grants Unapplied			29
-516,224	-516,224	FRS17 Pensions Reserve	*note 28*		-701,386
1,426	1,426	Earmarked Reserve	*note 27*		1,900
1,126	1,126	General Fund Balance			2,023
-484,800	-484,766	**Total Net Worth**			-633,509

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

This 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 Consolidated Revenue Account. The Statement separates the movements between capital and revenue reserves.

2003/04 £000's		2004/05 £000's	Notes
	Movement in Revenue Resources		
707	General Fund surplus	897	
586	Earmarked Pension Reserve surplus	474	*27*
-21,258	Movement on FRS17 Pensions Reserve	-29,396	*28*
-82,253	Actuarial Losses Relating to Pensions	-155,766	*28*
-102,218	Total Decrease in Revenue Resources	-183,791	
	Movement in Realised Capital Resources		
0	Decrease in Usable Capital Receipts	-456	*26*
0	Increase in Unapplied Capital Grants	29	
0	Total Decrease in Realised Capital Resources	-427	
	Movement in Unrealised Value of Fixed Assets		
-264	Gains on Revaluation of Fixed Assets	35,748	*24*
-264	Total Unrealised Increase in Fixed Assets	35,748	
	Value of Assets Sold, Decommissioned or Realised		
-112	Fixed Assets	-186	*24*
-112	Total Value of Assets Disposed of	-186	
	Movement in Amounts to be used to Finance Capital Investment		
-422	Movement in Capital Financing Account	-146	*25*
-422	Total Decrease in Amounts Set Aside to Finance Capital Investment	-146	
60	Movement in Deferred Premiums	59	
60	Total Increase in Deferred Premiums	59	
-102,956	Total Recognised Gains and Losses	-148,743	

CASH FLOW STATEMENT

This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

		2004/05 £000s	2003/04 £000s Restated	2003/04 £000s
Revenue Activities				
Cash Outflows				
Cash paid to and on behalf of employees		**-73,331**	**-68,142**	**-68,142**
Other operating cash payments		**-15,115**	**-13,811**	**-13,927**
Total Payments		**-88,446**	**-81,953**	**-82,069**
Cash Inflows				
Precepts		**26,390**	**24,343**	**24,343**
Surplus from Billing Authorities' Collection Funds		**56**	**38**	**38**
Revenue Support Grant		**38,038**	**35,187**	**35,187**
NNDR from National Pool		**20,234**	**21,114**	**21,114**
Government grants	*note 30*	**2,158**	**261**	**324**
Cash received for goods and services		**318**	**277**	**277**
Other operating cash receipts		**5,751**	**5,492**	**5,429**
Total Receipts		**92,945**	**86,712**	**86,712**
Net Cash Inflow from Revenue Activities	*note 31*	**4,499**	**4,759**	**4,643**
Returns on Investments and Servicing of Finance				
Cash Outflows				
Interest paid		**-1,312**	**-1,167**	**-1,167**
Interest element of finance lease rental		**-62**	**-78**	**-30**
Cash Inflows				
Interest received		**96**	**21**	**21**
Net Cash Outflow from Investments and Servicing of Finance		**-1,278**	**-1,224**	**-1,176**

CASH FLOW STATEMENT

		2004/05 £000s	2003/04 £000s Restated	2003/04 £000s
Capital Activities				
Cash Outflows				
Purchase of fixed assets		-3,566	-2,721	-2,721
Cash Inflows				
Sale of fixed assets		229	0	0
Capital Grants		29	0	0
Net Cash Outflow from Capital Activities		-3,308	-2,721	-2,721
Net Cash Inflow/ Outflow (-) before Financing	*note 32*	-87	814	746
Management of Liquid Resources				
Net increase(-)/decrease in short term deposits	*note 32*	677	-2,825	-2,825
Financing				
Cash Outflows				
Repayments of long term loans		-1,271	-775	-775
Capital Element of Finance Lease		-72	-68	0
Cash Inflows				
New long term loans		2,750	2,500	2,500
Net increase in temporary loans		-1,875	400	400
Net Cash Outflow from Financing	*note 34*	-468	2,057	2,125
Increase in Cash	*note 35*	122	46	46

NOTES TO THE ACCOUNTING STATEMENTS

1. Prior Year Adjustments

A prior period adjustment has been required following the adoption of Financial Reporting Standard 10 on “Goodwill and Intangible Assets” by the Code of Practice. This has meant that non-financial fixed assets that do not have a physical substance but are identifiable and utilised by the Authority through legal rights (software licences) are now classed on the Balance Sheet as intangible assets. As a result, tangible assets of £0.056 million have been reclassified as intangible as at 1 April 2004.

Following the strengthening of the Code of Practice’s provisions in relation to accounting for leases, a review has been carried out and it has been found to be appropriate to treat leases taken in 2003/04 as finance leases rather than operating leases. This has meant the recognition of both an asset and liability on the Balance Sheet, together with minor restatements to the Consolidated Revenue Account, Cash Flow Statement and certain notes.

In addition, errors were found in the 2003/04 published figures for government grants received, and these have been restated in the Cash Flow Statement and also note 30.

2. Asset Management Revenue Account

The revenue accounts of the Authority are charged with capital charges for all fixed assets used in the delivery of services. So that these charges do not impact upon the level of precepts, they are reversed out of the Consolidated Revenue Account by way of a credit to the Asset Management Revenue Account. The account is charged with actual financing costs incurred during the year.

	2004/05 £000s	2003/04 £000s Restated	2003/04 £000s
Income:			
Capital Charges	**-4,689**	**-4,539**	**-4,523**
Expenditure:			
Provision for Depreciation	**2,853**	**2,560**	**2,560**
External Interest Charges	**1,317**	**1,168**	**1,168**
Finance Lease Interest	**71**	**55**	**31**
	-448	**-756**	**-764**

3. Finance and Operating Leases

The Authority makes use of vehicles financed by both finance and operating leases. The outstanding contractual lease commitments are as follows:

	£000s
Outstanding Finance Lease Obligations:	
2005/06	79
2006/07 to 2009/10	369
2010/11 onwards	332
Total liability at 31 March 2005	780
Operating Lease commitments for 2005/06:	
Leases expiring 2005/06	0
Leases expiring 2006/07 to 2009/10	190
Leases expiring 2010/11 onwards	320
	510

4. Members' Allowances

The Accounting Code of Practice requires the disclosure of the total amount of Members' Allowances paid.

	2004/05 £000s	2003/04 £000s
Total amount of members' allowances paid	110	101

5. Remuneration of Employees

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more was as follows:

	Number of Employees	
Remuneration Band (£)	2004/05	2003/04
50,000 - 59,999	3	1
60,000 - 69,999	1	0
70,000 - 79,999	1	1
80,000 - 89,999	0	3
90,000 - 99,999	2	0
100,000 - 109,999	0	1
110,000 - 120,000	1	0

6. Pensions

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

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 of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the year:

	2004/05		2003/04	
	Fire-fighters £000s	LGPS £000s	Fire-fighters £000s	LGPS £000s
Current Service Cost	17,470	888	11,980	655
Curtailment	160	0	0	32
Interest Cost	33,160	1,653	28,190	1,441
Expected Return on Assets	0	-1,475	0	-1,158
Movement on Pensions Reserve	-28,980	-416	-20,930	-328
Employer's contributions paid to schemes	21,810	650	19,240	642

Note 21 details the assumptions made in estimating the figures included in this note. Note 28 details the estimates made in preparing figures for previous years that have had to be revised (e.g. the expected return on investments).

7. Transfer from Capital Financing Account

The Authority is required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculating the provision is defined by statute. In addition, the Authority has voluntarily set aside amounts from revenue.

The difference between the amount charged to service revenue accounts as a depreciation charge for fixed assets, and the amount set aside for the repayment of external debt has been transferred to the Capital Financing Account.

	2004/05 £000s	2003/04 £000s Restated	2003/04 £000s
Amount charged as Depreciation	-2,853	-2,560	-2,560
Minimum Revenue Provision	1,033	1,007	1,007
Voluntary set aside from revenue in excess of Minimum Revenue Provision	919	1,097	1,097
Principal element of Finance Lease	70	34	0
Total	-831	-422	-456

8. Section 5 Local Government Act 1986

The following expenditure on publicity was incurred under the terms of Section 5 of the Local Government Act 1986.

	2004/05 £000s	2003/04 £000s
Staff Advertising	51	36
General Advertising	20	28
Publicity - Fire Safety	36	31
Other Publicity	0	1
Total	107	96

9. Disclosure of Audit Costs

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

	2004/05 £000s	2003/04 £000s
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	36	55
Fees payable to the Audit Commission for the certification of grant claims	0	1
Fees payable in respect of other services provided by the appointed auditor	22	23
Total	58	79

The fees payable in respect of other services provided by the appointed auditor apply to a verification of modernisation study being carried out.

10. Surplus from Billing Authorities' Collection Funds

Billing authorities are required to estimate any surplus or deficit for the financial year on their Collection Funds relating to Council Tax. Any such estimated surplus or deficit is shared between the billing authority and the major precepting authorities in the following year. The sum of £0.056 million taken into the accounts in 2004/05 relates to the Authority's share of the billing authorities' estimated Collection Funds' surpluses for 2003/04. Any difference between the estimate and the actual for 2003/04 has been taken into account in the estimate for 2005/06.

The apportionment between the billing authorities and the precepting authorities is based on the relative proportions of the billing authorities' demands and the precepts for the financial year preceding that in which the transfer of an estimated surplus or deficit is made.

11. Summary of Precepts Receivable

	2004/05 £000s	2003/04 £000s
Bradford	**5,669**	**5,204**
Calderdale	**2,541**	**2,331**
Kirklees	**4,928**	**4,559**
Leeds	**9,236**	**8,543**
Wakefield	**4,016**	**3,707**
Total	**26,390**	**24,344**

12. 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's Director of Finance is also Director of Finance to the Authority and the Council provides the Authority with the following support services, under a Service Level Agreement:

	2004/05 £000s	2003/04 £000s
Financial Support Services	**202**	**197**
Cleaning Services	**70**	**42**
Other Services	**29**	**44**

As at 31 March 2005, no amounts were owing to the Council (£194,000 at 31 March 2004).

The Authority made payments of £0.9 million to West Yorkshire Pension Fund during the year. At 31 March 2005 an amount of £0.14 million (£0.13 million at 31 March 2004) was owed to the Pension Fund in respect of the Local Government Scheme.

13. Capital Expenditure and Sources of Finance

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

	2004/05 £000s	2003/04 £000s
Fixed Assets	3,660	2,886
Financed by		
Borrowing	2,975	2,721
Capital receipts	685	0
Other	0	165
Total	3,660	2,886

As at 31 March 2005, the Authority had major contractual commitments totalling £0.377 million with regard to capital expenditure. These commitments consist of £0.152 million for an Appliance Bay Extension at Featherstone Fire Station and £0.225 million for design fees at the new Bradford Fire Station.

14. Movement in Intangible Assets 2004/05

	Software Licences £000s
Cost or Valuation	
31 March 2004	0
Prior year adjustment	71
Opening balance restated	71
Additions	65
31 March 2005	136
Depreciation & Impairment	
31 March 2004	0
Prior year adjustment	15
1 April 2004	15
Charge for year	15
31 March 2005	30
Net Book Value	
1 April 2004	56
31 March 2005	106

15. Movement in Tangible Fixed Assets 2004/05

	Operational Assets		Non-Operational Assets		
	Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Assets under Construction £000s	Surplus Assets £000s	Total £000s
Cost or Valuation					
31 March 2004	48,794	14,570	392	3,785	67,541
Prior year adjustment	0	849	0	0	849
1 April 2004	48,794	15,419	392	3,785	68,390
Additions	836	2,047	711	0	3,594
Revaluations & Adjustments	32,556	0	-184	3,376	35,748
Disposals	-110	-761	0	0	-871
31 March 2005	82,076	16,705	919	7,161	106,861
Depreciation & Impairment					
31 March 2004	5,773	6,777	0	0	12,550
Prior year adjustment	0	-16	0	0	-16
1 April 2004	5,773	6,761	0	0	12,534
Charge for year	1,155	1,684	0	0	2,839
Disposals	-14	-671	0	0	-685
31 March 2005	6,914	7,774	0	0	14,688
Net Book Value					
1 April 2004	43,021	8,658	392	3,785	55,856
31 March 2005	75,162	8,931	919	7,161	92,173

16. Assets held under Finance Leases

The following values of vehicles are held under finance leases, accounted for as part of Tangible Fixed Assets.

	31 March 2005 £000s	31 March 2004 £000s Restated	31 March 2004 £000s
Gross Book Value	952	1,283	363
Less Accumulated Depreciation	-124	-348	-348
Net Book Value	828	935	15

17. Information on Assets

The Authority owned the following fixed assets:

	31 March 2005	31 March 2004 Restated	31 March 2004
Buildings			
Headquarters	1	1	1
Training Centre	1	1	1
Mobilising and Control Centre	1	1	1
Workshop	1	1	1
Fire Stations	49	49	49
Houses	1	7	7
Vehicles			
Pumping and Special Appliances	61	59	50
Cars and Vans	61	80	80

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.

18. Fixed Asset Valuation

The freehold and leasehold properties of the Authority were formally revalued as at 31 March 2005.

The most recent formal valuation was carried out by M Riordan MRICS, Team Leader, District Valuer Services (Leeds) on the undermentioned 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;
- 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 were valued on the basis of open market value for existing use 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 non-operational were valued on the basis of open market value.

19. Borrowing

The analysis below shows the Authority's borrowing by maturity period.

	31 March 2005 £000s	31 March 2004 £000s
Long Term Borrowing		
Between 1 and 2 years	1,021	1,021
Between 2 and 5 years	2,971	3,062
Between 5 and 10 years	4,449	4,649
Between 10 and 15 years	3,649	3,649
More than 15 years	8,063	6,293
	20,153	18,674
Short Term Borrowing		
Long term borrowing with less than 12 months to mature	1,021	1,021
Temporary loans	800	2,675
	1,821	3,696
Total Borrowing	21,974	22,370

All long term borrowing is from the Public Works Loan Board.

20. Deferred Premiums

In accordance with the Code of Practice, premiums arising on the early settlement of borrowing, coupled with a refinancing with substantially the same overall economic effect, are being written off to revenue over the life of the replacement borrowing.

21. Disclosure of Net Pensions Liability

Note 6 details the Authority's participation in two pension schemes. The underlying assets and liabilities for retirement benefits attributable to the Authority are as follows:

	Firefighters' Pension Scheme		LGPS		Total	
	31 March 2005 £'000s	31 March 2004 £'000s	31 March 2005 £'000s	31 March 2004 £'000s	31 March 2005 £'000s	31 March 2004 £'000s
Estimated liabilities in schemes	-690,500	-512,220	-35,282	-25,542	-725,782	-537,762
Estimated assets in schemes	0	0	24,396	21,538	24,396	21,538
Net liability	-690,500	-512,220	-10,886	-4,004	-701,386	-516,224

The liabilities show the underlying commitments that the Authority has in the long-term to pay retirement benefits. The total liability of £701.4 million has a substantial impact on the net worth of the Authority, resulting in a negative overall balance of £633.5 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the LGPS 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-fighters' pensions when the pensions are actually paid.

Liabilities have been assessed for the LGPS following the approach set out by CIPFA. The assumptions are based on those adopted during the latest full actuarial valuation of the West Yorkshire Pension Fund at 31 March 2004. W Mercer, an independent firm of actuaries, has undertaken this work.

Liabilities for the Fire-fighters' Pension Scheme have been arrived at using the approach set out in the joint Government Actuary's Department (GAD) / CIPFA paper 'Assessment of Pension Liabilities for Disclosure for the Year 2004/05', as realised in the GAD model, in order to satisfy the disclosure requirements of the Statement of Recommended Practice.

The main assumptions used in the calculations are:

	Firefighters' Pension Scheme		LGPS	
	2004/05	2003/04	2004/05	2003/04
	%	%	%	%
Rate of inflation	2.9	2.9	2.9	2.8
Rate of increase in salaries	4.4	4.4	4.65	4.3
Rate of increase in pensions	2.9	2.9	2.9	2.8
Rate for discounting scheme liabilities	5.4	6.5	5.4	6.3

The Firefighters' Pension Scheme has no assets to cover its liabilities. Assets in the LGPS are valued at fair value and consist of the following categories, by proportion: -

	31 March 2005		31 March 2004	
	Category	Expected Return	Category	Expected Return
	%	%	%	%
Equity investments	74.9	7.5	74.0	7.5
Government bonds	10.6	4.7	7.6	4.7
Other bonds	2.0	5.4	6.1	5.5
Property	5.3	6.5	5.1	6.5
Other	7.2	4.8	7.2	4.0
	100.0		100.0	

22. 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.

23. Contingent Liabilities

The Authority has the following contingent liabilities:-

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) a claim by a former employee for latent injury which, if successful, could give rise to a material uninsured loss

It is not possible to quantify the financial implications of these for the Authority.

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 clawback of up to £701,053 plus an additional £40,000 for claims outstanding.

24. Fixed Asset Restatement Account

The balance on this account principally represents the amounts arising from the revaluation of fixed assets. The account is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on revaluations carried out during the year.

	2004/05	2003/04
	£000s	£000s
Balance as at 1 April	**34,592**	**34,968**
Revaluations and Adjustments	**35,748**	**-264**
Disposals	**-186**	**-112**
Balance as at 31 March	**70,154**	**34,592**

The balance is not available to meet expenditure whether it is revenue or capital.

25. Capital Financing Account

The account contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

	2004/05 £000s	2003/04 £000s Restated	2003/04 £000s
Balance as at 1 April	-4,650	-4,228	-4,228
Appropriations	-831	-422	-456
Capital Receipts Applied	685	0	0
Balance as at 31 March	-4,796	-4,650	-4,684

The account is in debit due to the cumulative effects of amounts being provided for depreciation being greater than amounts charged to revenue to repay external loans. The balance is not available to meet expenditure whether it is revenue or capital.

26. Usable Capital Receipts Reserve

The reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

	2004/05 £000s	2003/04 £000s
Balance as at 1 April	456	456
Capital Receipts in Year	229	0
Financing of Capital	-685	0
Balance as at 31 March	0	456

27. Earmarked Reserve - Pensions

This reserve was established to meet any unexpected variations in retirement numbers and in transfer values.

	2004/05 £000s	2003/04 £000s
Balance as at 1 April	1,426	840
Movement in year	474	586
Balance as at 31 March	1,900	1,426

28. FRS17 Pensions Reserve

The movement in the FRS17 Pensions Reserve is as follows:

	2004/05			2003/04		
	Fire Fighters' Pension Scheme £000s	LGPS £000s	Total £000s	Fire Fighters' Pension Scheme £000s	LGPS £000s	Total £000s
Balance as at 1 April	-512,220	-4,004	-516,224	-406,210	-6,503	-412,713
Pension cost payable to Pension Fund	21,810	650	22,460	19,240	642	19,882
Actuarial gain/ loss (-)	-149,300	-6,466	-155,766	-85,080	2,827	-82,253
Reversal of FRS17 entries	-50,790	-1,066	-51,856	-40,170	-970	-41,140
Balance as at 31 March	-690,500	-10,886	-701,386	-512,220	-4,004	-516,224

The actuarial gains / losses can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March:

	Firefighters' Pension Scheme			
	31 March 2005		31 March 2004	
	£000s	%	£000s	%
Differences between actuarial assumptions about liabilities and actual experience	1,380	0.2	-11,090	-2.2
Changes in assumptions underlying the present value of pension liabilities	-150,680	-21.8	-73,990	-14.4

	LGPS			
	31 March 2005		31 March 2004	
	£000s	%	£000s	%
Differences between the expected and actual return on assets	1,297	5.3	2,827	13.1
Differences between actuarial assumptions about liabilities and actual experience	-1,608	4.6	0	0
Changes in assumptions underlying the present value of pension liabilities	-6,155	17.4	0	0

It should be noted that actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

29. Introduction of the Euro

Until a decision is made as to whether the United Kingdom should adopt the Euro, any expenditure on Euro activities is being absorbed within expenditure incurred on other strategic planning analyses, within existing budgetary provision.

30. Analysis of Government Grants Received

	2004/05 £000s	2003/04 £000s Restated	2003/04 £000s
Civil Defence	68	55	55
Arson Reduction	130	7	27
Innovation Funding	135	135	135
Regeneration 2000	184	64	107
Mass Decontamination Training	151	0	0
Smoke Alarms	278	0	0
Transitional Funding	1,212	0	0
	2,158	261	324

Figures for 2003/04 have been restated to correct errors in the amounts of grants received.

31. Reconciliation of Net Movement on Consolidated Revenue 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.

	2004/05 £000s	2003/04 £000s Restated	2003/04 £000s
Surplus for the year	897	707	707
Interest	1,278	1,224	1,176
<u>Non-Cash transactions</u>			
Revenue Provision	2,021	2,138	2,104
Reserves used in year	474	586	586
Premiums	59	60	60
	4,729	4,715	4,633
<u>Items on an accruals basis</u>			
Increase(-)/Decrease in Stock	16	-1	-1
Increase(-)/Decrease in Revenue Debtors	-258	177	143
Increase/Decrease(-) in Revenue Creditors	12	-132	-132
Net cash inflow from revenue activities	4,499	4,759	4,643

32. Reconciliation of Net Cashflow to Movement in Net Debt

	2004/05 £000s	2003/04 £000s
Increase in cash in the period	122	46
Cash used to increase liquid resources	-677	2,825
Cash used to repay debt	3,146	775
Cash used to repay leasing obligations	72	68
New loans	-2,750	-2,900
Change in net debt	-87	814
Deferred Liability	0	-920
Net debt as at beginning of period	-20,468	-20,362
Net debt as at end of period	-20,555	-20,468

Analysis of changes in Net Debt

	31 March 2005 £000s	1 April 2004 £000s	Change 2004/05 £000s	Change 2003/04 £000s
Cash in Hand	51	22	29	-55
Bank Overdraft	0	-93	93	101
Long Term Borrowing	-20,153	-18,674	-1,479	-1,434
Short Term Borrowing	-1,821	-3,696	1,875	-691
Deferred Liabilities	-780	-852	72	68
Investments	2,148	2,825	-677	2,825
	-20,555	-20,468	-87	814

33. Liquid Resources

As at 31 March 2005, £2.148 million (£2.825 million at 31 March 2004) of short term investments were held. These consisted of short term approved investments made with banks, building societies and other local authorities. All were repayable within 12 months.

34. Analysis of Changes in Financing

	31 March 2005 £000s	1 April 2004 £000s	Change 2004/05 £000s	Change 2003/04 £000s
Long Term Borrowing	-20,153	-18,674	1,479	1,434
Short Term Borrowing: -				
Long term loans with less than 12 months to maturity	-1,021	-1,021	0	291
Temporary loans	-800	-2,675	-1,875	400
Deferred Liability	-780	-852	-72	-68
	-22,754	-23,222	-468	2,057

35. Analysis of Changes in Cash

	31 March 2005 £000s	1 April 2004 £000s	Change 2004/05 £000s	Change 2003/04 £000s
Cash in Hand	51	22	29	-55
Bank Overdraft	0	-93	93	101
	51	-71	122	46

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.

Asset Management Revenue Account
The revenue accounts of the Authority are charged with capital charges for all fixed assets used in the delivery of services. So that these charges do not impact upon the level of local taxation, they are reversed out of the Consolidated Revenue Account, by way of a credit to the Asset Management Revenue Account. The account is charged with actual financing costs incurred during the year.

Capital Charge
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. The charge covers an annual provision for depreciation plus a capital financing charge determined by applying a specified rate of interest to net asset values.

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 Financing 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.

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
These are payment penalties incurred on certain loans that have been repaid prematurely. The premium 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.

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 Asset Restatement Account
This provides the matching entry when fixed assets are restated, either through revaluation or disposal.

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.

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.

Provisions
These are liabilities of uncertain timing or amount.

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

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.