WEST YORKSHIRE FIRE AND RESCUE AUTHORITY

STATEMENT OF ACCOUNTS 2005/2006

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Introduction
I am pleased to introduce the Authority's Statement of Accounts for 2005/06. These accounts demonstrate the Authority's financial performance for the year ended 31 March 2006, 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 (SORP). Each of the main accounting statements contains an explanatory note covering the purpose of the account, together with detailed notes explaining key items.

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.

There was no significant impact on these accounts from changes to the 2005 SORP. However, there has been a material change in terms of the estimation technique used to calculate depreciation. In previous years, assets did not attract depreciation in the year of acquisition and the year of disposal. This has been changed from 1 April 2005 and it is estimated that this has led to an additional depreciation charge in 2005/06 of £0.216 million.

A prior year adjustment has been done in order to take account of certain investments reclassified as bank deposits. This has moved £0.834 million from "Investments" to "Cash in Hand and at Bank" on the Balance Sheet and changed corresponding figures in the Cash Flow Statement.

Financial Performance
When the Revenue Budget for 2005/06 was approved, the Authority was under pressure to keep precept increases to around 5% or face the threat of capping. The Authority's general grant entitlement provided an increase of 2.5%. After allowing for increased investment in Community Fire Safety, a small number of other service developments and receipt of additional grant for the Home Fire Risk Check Initiative, the Authority had to find savings through the modernisation programme and the pension scheme, in order to keep the precept increase to 5%.

The approved Revenue Budget was as follows:

	£000s
Service Standstill	**90,258**
Less proposed savings and additional grant monies net of service developments	**1,883**
Less use of balances	**300**
Budget Requirement	**88,075**
Funded by -	
Revenue Support Grant	**35,574**
Non Domestic Rates	**24,214**
Surplus from Billing Authorities' Collection Funds	**152**
Precept	**28,135**
	88,075

EXPLANATORY FOREWORD

The Authority's actual revenue expenditure for 2005/06 was £88.214 million which was reduced to £86.314 million following a contribution of £1.9 million from the earmarked pensions' reserve. This contribution was possible because of the introduction of a new pensions account, as from 2006/07, which changes the way in which pensions are funded. The overall result was that the Authority added £1.761 million to General Fund Balances at the year end.

In February 2005, the Authority approved a Capital Budget of £9.853 million for 2005/06. This included a provision of £4.193 million for the building of a replacement fire station in Bradford and a further £1.252 million on vehicle replacement. Actual capital expenditure for the year was £7.277 million:

	£000s
Refurbishment of existing properties	**1,561**
Works on replacement fire stations	**1,752**
Information Technology and Communications	**973**
Vehicles	**1,106**
Operational Equipment	**1,885**
	7,277

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 2006, the Authority's General Fund Balance amounted to £3.784 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.

Long-term liabilities as at 31 March 2006, excluding those relating to pensions, were £23.958 million, of which £23.257 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 £6.395 million were taken, with £3.391 million repaid. Short-term borrowing increased by £2.700 million during the year to £4.521 million.

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.

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 fairly the financial position of the West Yorkshire Fire and Rescue Authority at 31 March 2006, and its income and expenditure for the year then ended.

G Maren, CPFA 22 June 2006
Chief Finance Officer

I certify that this Statement of Accounts was approved by the Authority at its meeting on 30 June 2006.

G. J. Brewer

Chair, West Yorkshire Fire and Rescue Authority 30 June 2006

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

The Internal Control Environment

The Authority's internal control environment is made up of a number of systems, procedures and policies which are designed to allow the Authority to achieve its overall objective of Making West Yorkshire Safer whilst at the same time protecting its assets and delivering value for money.

The key systems which are in place to provide this environment include:

1. The Corporate Plan which incorporates the Authority's corporate objectives which are linked to the revenue budget and capital plan.

2. The Written Constitution of the Authority which includes:
   - Authority and committee standing orders and terms of reference
   - Contract standing orders and financial procedures
   - Protocols for the conduct of members and officers of the authority, member/officer relations and officer employment rules
   - Management structures
   - Officer delegation schemes
   - Complaints procedures
   - Whistle-blowing procedures.
   - Anti fraud and corruption strategy

3. A comprehensive intranet based performance management system which can be accessed by all employees of the Authority.

4. An integrated business continuity and risk management system which is linked to the revenue budget process.

5. An effective financial monitoring process which reports regularly to the Management Board and the Finance and Best Value Committee on the key financial areas of revenue and capital expenditure monitoring, treasury management and internal audit.

6. The integrated risk management process where over a number of years the Authority will systematically review the delivery of service throughout the region.

7. Robust human resource policies which support the Human Resources strategy of the Authority including:
   - Absence and attendance policy
   - Training and development
   - Job evaluation policy
   - Race equality scheme supported by equality impact assessment procedures
   - A comprehensive equalities and fairness policy covering race, gender, disability, religion and belief, and sexual orientation
   - Local conditions of service including flexible working
   - Bullying and harassment policy
   - Occupational health and safety policies.

Review of Effectiveness

The Authority has a responsibility to review the effectiveness of its internal control systems at least annually. Where in previous years this review was limited to the work of the Audit Commission and the Authority's management and internal audit, the introduction of Comprehensive Performance Assessment (CPA) to fire authorities in 2005/2006 has added a further more comprehensive dimension to this review.

The Authority and its Management Board welcomed the challenge of CPA as a means of measuring performance and identifying areas where performance could be improved. Whilst the Authority achieved an overall classification of 'good', the review identified areas of weakness which the Authority will address as part of its overall improvement plan.

The Authority is in process of implementing a revised management structure to improve the overall management of the organisation. This includes the creation of the Chief Executive's Strategy Group consisting of the directors, the statutory officers and leading members of the Authority. This group allows leading members to review the performance of senior management and be involved in the early development of policy.

Within the financial year, the Authority fully implemented the first two years of Integrated Risk Management Plan and obtained approval for the year 3 plan following a comprehensive consultation process. The first two years of the plan have delivered cashable savings of over £7 million with no reduction in the level of service. The majority of these savings have been redirected into other areas of service, and as a result of this and other initiatives, the Authority carried out 55,000 home fire safety checks in 2005/2006 and installed over 80,000 smoke alarms in vulnerable properties.

Through the successful management of the human resource policies, the Authority has achieved reductions in the number of accidents and near misses at work, continued to reduce sickness levels, which are now close to the lowest in the country, and reduced the number of ill health retirements to the lowest level for over 10 years. In addition through the approved self assessment scheme the Authority became one of the first fire authorities to achieve level 3 of the Equality Standard for Local Government. This level was subsequently endorsed by the Audit Commission.

The Authority identified three internal control issues as part of the 2004/2005 statement, two of which, corporate risk management and performance management, have already been the subject of review and now form part of the internal control environment. The review of the third area which is asset management strategy will be completed as part of the CPA improvement plan. In addition, the first two areas will also be subject to further review as part of the CPA improvement plan.

The Authority worked successfully in partnership with the Police, Local Authorities and voluntary bodies to reduce arson and improve fire safety within West Yorkshire. This proved particularly successful with the Arson Task Force in Leeds and the work with the Local Area Agreement (LAA) in Bradford.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

<u>Significant Internal Control Issues</u>

The Authority continues to face a number of major challenges as it continues to build upon the progress it has made in responding positively to the Government modernisation agenda. In addition, the Authority faces further challenges in meeting the Government's Public Service Agreement targets in 2006/2007 and future years.

The second phase of CPA, which will review **operational assurance, use of resources and direction of travel,** provides the authority with an opportunity to further review the effectiveness of its systems as well as the front line service provision in 2006/2007. In addition the Authority is committed to implement the recommendations included within the 2005/2006 CPA improvement plan.

The Authority also intends to extend its partnership work including involvement with Bradford, Leeds, Wakefield and Kirklees LAA's.

Philip Toase
Chief Fire Officer/ Chief Executive

Chair, West Yorkshire Fire and Rescue Authority

STATEMENT OF ACCOUNTING POLICIES

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2005. 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.

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 date when the Statement of Accounts were authorised for issue.

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 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 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. 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. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Intangible Assets
Expenditure on the acquisition of the intangible assets (software licences) are capitalised, brought onto the balance sheet at cost and are being amortised over the period benefit is received. Straight-line amortisation has been adopted 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. 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
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, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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 time spent or usage). The costs of the corporate and democratic core and of non distributed costs are allocated to a separate objective expenditure and are not apportioned to services.

STATEMENT OF ACCOUNTING POLICIES

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 the 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 to be charged in the Net Cost of Services section of the Consolidated Revenue Account;
- interest cost (pensions) and expected return on assets to be charged in the Net Operating Expenditure section of the Consolidated Revenue Account;
- reconciling entries in the Consolidated Revenue Account (contributions to or from the Pensions Reserve) 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 Movement in Reserves.

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 2005/06 accounts, a rate of 4.9% 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 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. 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.

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.

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 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 and Work in Progress
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 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.

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 2005/06 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.

2004/05	2005/06

Net Exp £000s			Gross Exp £000s	Gross Income £000s	Net Exp £000s
4,969	Community Fire Safety		6,390	702	5,688
75,290	Firefighting & Rescue Operations		86,560	1,462	85,098
-56	Fire Service Emergency Planning and Civil Defence		217	2	215
357	Corporate and Democratic Core		404	2	402
160	Non Distributed Costs	*note 1*	0	648	-648
80,720	Net Cost of Service		93,571	2,816	90,755
128	Non Operational Assets				250
-576	Asset Management Revenue Account	*note 2*			-1,856
59	Losses on the repurchase of borrowing				57
-95	Interest and investment income				-165
33,338	Pensions interest cost and expected return on pensions assets	*note 5*			37,529
113,574	Net Operating Expenditure				126,570
474	Transfer from the Earmarked Reserve	*note 27*			-1,900
-831	Transfer from the Capital Financing Account	*note 3*			-1,603
-29,396	Contribution from the FRS17 Pensions Reserve	*Note 5*			-36,753
83,821	Amount to be met from government grants and taxpayers				86,314
-38,038	Revenue Support Grant				-35,574
-20,234	Contribution from Non-Domestic Rate Pool				-24,214
-26,390	Precept	*Note 10*			-28,135
-56	Surplus from Billing Authorities' Collection Funds	*Note 9*			-152
897	Net Surplus for the year				1,761
1,126	General Fund Balance B/Fwd				2,023
2,023	General Fund Balance C/Fwd				3,784

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 2005			31 March 2006	
£000s	£000s		£000s	£000s
Original	Restated			

		Fixed Assets	*note 13-17*		
106	106	Intangible Assets			534
		Tangible Assets			
84,093	84,093	Operational			82,800
8,080	8,080	Non-operational			10,851
92,279	92,279	**Total Long Term Assets**			94,185
		Current Assets			
386	386	Stocks		429	
1,131	1,131	Debtors & Prepayments		2,626	
2,149	1,315	Investments		2,500	
51	885	Cash in Hand and Bank		553	6,108
95,996	95,996				100,293
		Current Liabilities			
-1,821	-1,821	Short Term Borrowing	*note 18*	-4,521	
-5,365	-5,365	Creditors		-6,505	-11,026
88,810	88,810	**Total Assets Less Current Liabilities**			89,267
-20,153	-20,153	Long Term Borrowing	*note 18*		-23,257
-780	-780	Deferred Liabilities			-701
-701,386	-701,386	Net Liability related to Defined Benefit Pension Scheme	*note 21*		-858,665
-633,509	-633,509	**Total Assets Less Liabilities**			-793,356
70,154	70,154	Fixed Asset Restatement Account	*note 24*		68,753
-4,796	-4,796	Capital Financing Account	*note 25*		-6,356
-1,433	-1,433	Deferred Premiums	*note 19*		-1,372
0	0	Usable Capital Receipts Reserve	*note 26*		0
0	0	Government Grants Deferred			500
29	29	Capital Grants Unapplied			0
-701,386	-701,386	FRS17 Pensions Reserve	*note 28*		-858,665
1,900	1,900	Earmarked Reserve	*note 27*		0
2,023	2,023	General Fund Balance			3,784
-633,509	-633,509	**Total Net Worth**			-793,356

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.

2004/05		2005/06	
£000's		£000's	Notes

	Movement in Revenue Resources		
897	**General Fund surplus**	1,761	
474	**Movement on Earmarked Pension Reserve**	-1,900	*27*
-29,396	**Movement on FRS17 Pensions Reserve**	-36,753	*28*
-155,766	**Actuarial Losses Relating to Pensions**	-120,526	*28*
-183,791	**Total Decrease in Revenue Resources**	-157,418	
	Movement in Realised Capital Resources		
-456	**Decrease in Usable Capital Receipts**	0	*26*
29	**Increase/decrease(-) in Unapplied Capital Grants**	-29	
-427	**Total Decrease in Realised Capital Resources**	-29	
	Movement in Unrealised Value of Fixed Assets		
35,748	**Gains/losses(-) on Revaluation of Fixed Assets**	-1,338	*24*
35,748	**Total Unrealised Increase in Fixed Assets**	-1,338	
	Value of Assets Sold, Decommissioned or Realised		
-186	**Fixed Assets**	-63	*24*
-186	**Total Value of Assets Disposed of**	-63	
	Movement in Amounts to be used to Finance Capital Investment		
0	**Movement on Grants Deferred Account**	500	
-146	**Movement in Capital Financing Account**	-1,560	*25*
-146	**Total Decrease in Amounts Set Aside to Finance Capital Investment**	-1,060	
59	**Total Decrease in Deferred Premiums**	61	
-148,743	**Total Recognised Gains and Losses**	-159,847	

CASH FLOW STATEMENT

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

	2005/06	2004/05	
	£000s	£000s	£000s
		Restated	Original
Revenue Activities			

Cash Outflows				
Cash paid to and on behalf of employees		-78,351	-73,331	-73,331
Other operating cash payments		-15,409	-15,115	-15,115
Total Payments		-93,760	-88,446	-88,446
Cash Inflows				
Precepts		28,135	26,390	26,390
Surplus from Billing Authorities' Collection Funds		152	56	56
Revenue Support Grant		35,574	38,038	38,038
NNDR from National Pool		24,214	20,234	20,234
Government grants	*note 30*	2,275	2,158	2,158
Cash received for goods and services		538	318	318
Other operating cash receipts		5,951	5,751	5,751
Total Receipts		96,839	92,945	92,945
Net Cash Inflow from Revenue Activities	*note 31*	3,079	4,499	4,499
Returns on Investments and Servicing of Finance				
Cash Outflows				
Interest paid		-1,365	-1,312	-1,312
Interest element of finance lease rental		-91	-62	-62
Cash Inflows				
Interest received		161	96	96
Net Cash Outflow from Investments and Servicing of Finance		-1,295	-1,278	-1,278

CASH FLOW STATEMENT

	2005/06	2004/05	
	£000s	£000s	£000s
		Restated	Original
Capital Activities			
Cash Outflows			
Purchase of fixed assets	-6,980	-3,566	-3,566

Cash Inflows				
Sale of fixed assets		**43**	**229**	**229**
Capital Grants		**278**	**29**	**29**
Discounts on early repayment of loans		**3**	**0**	**0**
Net Cash Outflow from Capital Activities		**-6,656**	**-3,308**	**-3,308**
Net Cash Outflow before Financing	*note 32*	**-4,872**	**-87**	**-87**
Management of Liquid Resources				
Net increase in short term deposits	*note 32*	**-1,185**	**1,511**	**677**
Financing				
Cash Outflows				
Repayments of long term loans		**-3,391**	**-1,271**	**-1,271**
Capital Element of Finance Lease		**-78**	**-72**	**-72**
Cash Inflows				
New long term loans		**6,395**	**2,750**	**2,750**
Net decrease in temporary loans		**2,800**	**-1,875**	**-1,875**
Net Cash Outflow/ Inflow (-) from Financing	*note 34*	**5,726**	**-468**	**-468**
Increase/ Decease (-) in Cash	*note 35*	**-331**	**956**	**122**

NOTES TO THE ACCOUNTING STATEMENTS

1. Exceptional Item

Changes to the Local Government Pension Scheme due to take effect on 1 April 2006 have been taken into account as an adjusting post Balance Sheet Event (the changes were known before the Balance Sheet date). The changes allow members to take a higher lump sum than the standard basis by commuting part of their pension. The effect of the change in 2005/06 is a £0.653 million credit to Non-distributed Costs and a compensating debit to Movement on the Pensions Reserve.

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.

	2005/06 £000s	2004/05 £000s
Income:		
Capital Charges	-7,229	-4,817
Transfer from Grants Deferred Account	-84	0
Expenditure:		
Provision for Depreciation	3,970	2,853
External Interest Charges	1,439	1,317
Finance Lease Interest	48	71
	-1,856	-576

3. 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 so that redemption of debt is kept in line with asset life.

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.

	2005/06 £000s	2004/05 £000s
Amount charged as Depreciation		-2,853
Minimum Revenue Provision	1,106	1,033
Voluntary set aside from revenue in excess of Minimum Revenue Provision	1,099	919
Principal element of Finance Lease	78	
Write Down of Capital Grant	84	0
Total	-1,603	-831

NOTES TO THE ACCOUNTING STATEMENTS

4. 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 (£)	2005/06	2004/05
50,000 - 59,999	6	3
60,000 - 69,999	0	1
70,000 - 79,999	0	1

80,000 - 89,999	1	0
90,000 - 99,999	2	2
100,000 - 109,999	1	0
110,000 - 120,000	1	1

5. 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:

	2005/06		2004/05	
	Fire-fighters £000s	LGPS £000s	Fire-fighters £000s	LGPS £000s
Current Service Cost	23,650	1,009	17,470	888
Past Service Cost/ Gain (-)	0	-653	160	0
Curtailment	0	5	0	0
Interest Cost	37,280	1,908	33,160	1,653
Expected Return on Assets	0	-1,659	0	-1,475
Movement on Pensions Reserve	-36,900	147	-28,980	-416
Employer's contributions paid to schemes	24,030	757	21,810	650

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).

6. Members' Allowances

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

	2005/06 £000s	2004/05 £000s
Total amount of members' allowances paid	118	110

7. 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.

	2005/06	2004/05
	£000s	£000s
Staff Advertising	53	51
General Advertising	23	20
Publicity - Fire Safety	34	36
Total	110	107

8. Local Authority (Goods and Services Act) 1970

The Authority is empowered by this Act to provide goods and services to other public bodies. Expenditure and income relating to this work were as follows:

	2005/06		2004/05	
	Exp	Inc	Exp	Inc
	£000s	£000s	£000s	£000s
Administrative, professional or technical services	101	111	27	34

9. 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 £0.152 million taken into the accounts in 2005/06 relates to the Authority's share of the billing authorities' estimated Collection Funds' surpluses for 2004/05. Any difference between the estimate and the actual for 2004/05 has been taken into account in the estimate for 2006/07.

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.

NOTES TO THE ACCOUNTING STATEMENTS

10. Summary of Precepts Receivable

	2005/06	2004/05
	£000s	£000s
Bradford	6,019	5,669
Calderdale	2,677	2,541
Kirklees	5,294	4,928
Leeds	9,893	9,236
Wakefield	4,252	4,016
Total	28,135	26,390

11. Disclosure of Audit Costs

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

	2005/06 £000s	2004/05 £000s
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	50	36
Fees payable to the Audit Commission for the certification of grant claims	1	0
Fees payable in respect of other services provided by the appointed auditor	0	22
Total	51	58

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 was also Director of Finance to the Authority up to the 24th June 2005. The Council provides the Authority with the following support services, under a Service Level Agreement:

	2005/06 £000s	2004/05 £000s
Financial Support Services	196	202
Cleaning Services	67	70
Property Repairs	43	8
Refuse Collection	12	11
Other Services	13	10
Total	331	301

As at 31 March 2006, £0.039 million was owed to the Council (nil at 31 March 2005).

The Authority made payments of £1.0 million to West Yorkshire Pension Fund during the year. At 31 March 2006 an amount of £0.09 million (£0.14 million at 31 March 2005) was owed to the Pension Fund in respect of the Local Government Scheme.

13. Movement in Tangible Fixed Assets 2005/06

	Operational Assets		Non-Operational Assets		
	Land & Buildings	Vehicles, Plant & Equipment	Assets under Construction	Surplus Assets	Total

	£000s	£000s	£000s	£000s	£000s
<u>Cost or Valuation</u>					
31 March 2005	76,313	16,705	919	7,161	101,098
1 April 2005	76,313	16,705	919	7,161	101,098
Additions	1,309	2,890	2,004	571	6,773
Revaluations & Adjustments	-1,274	-259	-259	455	-1,337
Disposals	0	-505	0	0	-506
31 March 2006	76,348	18,831	2,664	8,187	106,028
<u>Depreciation & Impairment</u>					
1 April 2005	1,152	7,774	0	0	8,926
Charge for year	1,905	1,990	0	0	3,895
Disposals	0	-442	0	0	-442
31 March 2006	3,057	9,322	0	0	12,379
<u>Net Book Value</u>					
1 April 2005	75,218	8,931	862	7,161	92,172
31 March 2006	73,291	9,509	2,664	8,187	93,649

As highlighted in the Explanatory Foreword there has been a material change in terms of the estimation technique used to calculate depreciation. In previous years, assets did not attract depreciation in the year of acquisition and the year of disposal. This has been changed from 1 April 2005 and it is estimated that this has led to an additional depreciation charge in 2005/06 of £0.167 million.

NOTES TO THE ACCOUNTING STATEMENTS

14. Movement in Intangible Assets 2005/06

	Software Licences £000s
<u>Cost or Valuation</u>	
1 April 2005	136
Additions	504
31 March 2006	640
<u>Depreciation & Impairment</u>	
1 April 2005	30
Charge for year	76

31 March 2006	**106**
<u>Net Book Value</u>	
1 April 2005	**106**
31 March 2006	**534**

As highlighted in the Explanatory Foreword there has been a material change in terms of the estimation technique used to calculate depreciation. In previous years, assets did not attract depreciation in the year of acquisition and the year of disposal. This has been changed from 1 April 2005 and it is estimated that this has led to an additional depreciation charge in 2005/06 of £0.049 million.

15. Capital Expenditure and Sources of Finance

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

	2005/06 £000s	2004/05 £000s
Fixed Assets	7,277	3,660
<u>Financed by</u>		
Borrowing	6,649	2,975
Capital receipts	43	685
Capital Grants	585	0
Total	7,277	3,660

As at 31 March 2006, the Authority had major contractual commitments totalling £4.053 million with regard to capital expenditure. These commitments consist of £2.392 million for the construction contract of a new Bradford Fire Station (due to be completed October 2006) and £1.661 million for the construction contract of a new gymnasium at Fire Headquarters (due to be completed February 2007).

NOTES TO THE ACCOUNTING STATEMENTS

16. Information on Assets

The Authority owned the following operational fixed assets:

	31 March 2006	31 March 2005
<u>Buildings</u>		
Headquarters	1	1
Training Centre	1	1
Mobilising and Control Centre	1	1
Workshop	1	1
Fire Stations	48	49
Houses	1	1
<u>Vehicles</u>		

Pumping and Special Appliances	70	61
Cars and Vans	47	61

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.

17. 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.

NOTES TO THE ACCOUNTING STATEMENTS

18. Borrowing

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

	31 March 2006 £000s	31 March 2005 £000s
<u>Long Term Borrowing</u>		
Between 1 and 2 years	921	1,021
Between 2 and 5 years	2,582	2,971
Between 5 and 10 years	4,139	4,449
Between 10 and 15 years	3,954	3,649
More than 15 years	11,661	8,063
	23,257	20,153

Short Term Borrowing		
Long term borrowing with less than 12 months to mature	**921**	**1,021**
Temporary loans	**3,600**	**800**
	4,521	**1,821**
Total Borrowing	**27,778**	**21,974**

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

19. 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.

20. Finance and Operating Leases

The Authority has acquired certain fire appliances under finance leases. The rental payable in 2005/06 was £0.126 million (2004/05 £0.141 million), charged to the Consolidated Revenue Account as £0.048 million finance costs (debited to the Asset Management Revenue Account) and £0.078 million relating to the write-down of obligations to the lessor (debited as part of the appropriation to Capital Financing Account).

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

NOTES TO THE ACCOUNTING STATEMENTS

	2005/06 £000s	2004/05 £000s
Cost or Valuation		
1 April	**952**	**1,283**
Disposals	**0**	**-331**
31 March	**952**	**952**
Depreciation		
1 April	**124**	**348**
Charge for year	**92**	**92**
Disposals	**0**	**-316**
31 March	**216**	**124**
Net Book Value		

1 April	828	935
31 March	736	828

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2006 are as follows:

	£000s
Obligations payable in 2006/07	84
Obligations payable between 2007/08 to 2010/11	390
Obligations payable 2011/12 onwards	227
Total liability at 31 March 2006	701

The Authority also uses vehicles financed under terms of an operating lease. The amount paid under these arrangements in 2005/06 was £0.870 million (2004/05 £0.903 million). The Authority is committed at 31 March 2006 to making payments of £0.784 million in 2006/07, comprising the following elements:

	£000s
Leases expiring in 2006/07	88
Leases expiring between 2007/08 to 2010/11	474
Leases expiring 2011/12 onwards	222
	784

In addition, rental income of £0.211 million was received in 2005/06 (2004/05 £0.194 million), mainly from the leasing of space on masts and other structures to telecommunication companies.

NOTES TO THE ACCOUNTING STATEMENTS

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 2006 £'000s	31 March 2005 £'000s	31 March 2006 £'000s	31 March 2005 £'000s	31 March 2006 £'000s	31 March 2005 £'000s
Estimated liabilities in schemes	-848,040	-690,500	-40,972	-35,282	-889,012	-725,782
Estimated assets in schemes	0	0	30,347	24,396	30,347	24,396
Net liability	-848,040	-690,500	-10,625	-10,886	-858,665	-701,386

The liabilities show the underlying commitments that the Authority has in the long-term to pay retirement benefits. The total liability of £858.7 million has a substantial impact on the net worth of the Authority, resulting in a negative overall balance of £793.4 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 2005/06', 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	
	2005/06	2004/05	2005/06	2004/05
	%	%	%	%
Rate of inflation	3.2	2.9	2.9	2.9
Rate of increase in salaries	4.7	4.4	4.65	4.65
Rate of increase in pensions	3.2	2.9	2.9	2.9
Rate for discounting scheme liabilities	4.9	5.4	4.9	5.4

NOTES TO THE ACCOUNTING STATEMENTS

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 2006		31 March 2005	
	Category	Expected Return	Category	Expected Return
	%	%	%	%
Equity investments	73.9	7.0	74.9	7.5
Government bonds	6.9	4.3	10.6	4.7
Other bonds	4.8	4.9	2.0	5.4
Property	5.1	6.0	5.3	6.5
Cash/ Liquidity	6.2	4.5	7.2	4.8
Other	3.1	7.0	0.0	0.0
	100		100	

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 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) a further contingent liability of around £0.170 million is required for ill health retirement transfers into the new pension fund in 2005/06. As part of the transition to the new pensions account participating Fire Authorities were required to contribute the equivalent of a years annual pensionable pay for each scheme member retiring through ill health in 2005/06.

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 £0.651 million.

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.

	2005/06 £000s	2004/05 £000s
Balance as at 1 April	**70,154**	**34,592**
Revaluations and Adjustments	**-1,338**	**35,748**
Disposals	**-63**	**-186**
Balance as at 31 March	**68,753**	**70,154**

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.

	2005/06	2004/05
	£000s	£000s
Balance as at 1 April	-4,796	-4,650
Appropriations	-1,603	-831
Capital Receipts Applied	43	685
Balance as at 31 March	-6,356	-4,796

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.

	2005/06	2004/05
	£000s	£000s
Balance as at 1 April	0	456
Capital Receipts in Year	43	229
Financing of Capital	-43	-685
Balance as at 31 March	0	0

NOTES TO THE ACCOUNTING STATEMENTS

27. Earmarked Reserve - Pensions

This reserve was established to meet any unexpected variations in retirement numbers and in transfer values. The new pensions account as detailed in note 38 means that there is no longer a need for a pensions reserve, as such the reserve on the balance has been transferred to the general fund.

	2005/06	2004/05
	£000s	£000s
Balance as at 1 April	1,900	1,426
Movement in year	-1,900	474
Balance as at 31 March	0	1,900

28. FRS17 Pensions Reserve

The movement in the FRS17 Pensions Reserve is as follows:

	2005/06	2004/05

	Fire Fighters' Pension Scheme £000s	LGPS £000s	Total £000s	Fire Fighters' Pension Scheme £000s	LGPS £000s	Total £000s
Balance as at 1 April	-690,500	-10,886	-701,386	-512,220	-4,004	-516,224
Pension cost payable to Pension Fund	24,030	757	24,787	21,810	650	22,460
Actuarial gain/ loss (-)	-120,640	114	-120,526	-149,300	-6,466	-155,766
Reversal of FRS17 entries	-60,930	-610	-61,540	-50,790	-1,066	-51,856
Balance as at 31 March	-848,040	-10,625	-858,665	-690,500	-10,886	-701,386

NOTES TO THE ACCOUNTING STATEMENTS

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

	31 March 2003		31 March 2004		31 March 2005		31 March 2006	
	LGPS		LGPS		LGPS		LGPS	
	£'000s	%	£'000s	%	£'000s	%	£'000s	%
Difference between the expected and actual return on assets	-6,031	-34.5	2,827	13.1	1,297	5.3	4,431	14.6
Differences between actuarial assumptions about liabilities and actual experience	0	0	0	0	-1,608	-4.6	-949	-2.3
Changes in assumptions underlying the present value of pension liabilities	0	0	0	0	-6,155	-17.4	-3,368	-8.2
	-6,031	-34.5	2,827	13.1	-6,466	-18.3	114	-0.3

	31 March 2003 Firefighters		31 March 2004 Firefighters		31 March 2005 Firefighters		31 March 2006 Firefighters	
	£'000s	%	£'000s	%	£'000s	%	£'000s	%
Differences between actuarial assumptions about liabilities and actual experience	**-20,510**	**-5.0**	**-11,090**	**-2.2**	**1,380**	**0.2**	**-2,120**	**-0.2**
Changes in assumptions underlying the present value of pension liabilities	**0**	**0**	**-73,990**	**-14.4**	**-150,680**	**-21.8**	**-118,520**	**-14.0**
	-20,510	**-5.0**	**-85,080**	**-16.6**	**-149,300**	**-21.6**	**-120,640**	**-14.2**

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 will be affected by uncertainties within a range of possible values.

NOTES TO THE ACCOUNTING STATEMENTS

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

	2005/06	2004/05
	£000s	£000s
Civil Defence	10	68
Arson Reduction	115	130
Innovation Funding	80	135
Regeneration 2000	0	184
Mass Decontamination Training	631	151
National Co-ordination Centre	1,232	0
Regional Control Centre	207	0
Smoke Alarms	0	278
Transitional Funding	0	1,212
	2,275	2,158

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.

	2005/06 £000s	2004/05 £000s Restated
Surplus for the year	1,761	897
Interest	1,295	1,278
Capital Element of Finance Lease	78	69
Non-Cash transactions		
Revenue Provision	2,205	1,952
Reserves used in year	-1,900	474
Premiums	57	59
	3,496	4,729
Items on an accruals basis		
Increase(-)/Decrease in Stock	-43	16
Increase(-)/Decrease in Revenue Debtors	-1,494	-258
Increase/Decrease(-) in Revenue Creditors	1,120	12
Net cash inflow from revenue activities	3,079	4,499

32. Reconciliation of Net Cashflow to Movement in Net Debt

	2005/06 £000s	2004/05 £000s Restated
Decrease in cash in the period	-331	956
Cash used to increase liquid resources	1,185	-1,511
Cash used to repay debt	591	3,146
Cash used to repay leasing obligations	78	72
New loans	-6,395	-2,750
Change in net debt	-4,872	-87
Net debt as at beginning of period	20,555	-20,468
Net debt as at end of period	25,426	-20,555

Analysis of changes in Net Debt

	31 March 2006 £000s	1 April 2005 £000s Restated	Change 2005/06 £000s	Change 2004/05 £000s Restated
Cash in Hand and bank	553	884	-331	956
Bank Overdraft	0	0	0	0
Long Term Borrowing	-23,257	-20,153	-3,104	-1,479
Short Term Borrowing	-4,521	-1,821	-2,700	1,875
Deferred Liabilities	-701	-780	79	72
Investments	2,500	1,315	1,185	-1,511
	-25,426	-20,555	-4,871	-87

33. Liquid Resources

As at 31 March 2006, £2.500 million (£1.315 million at 31 March 2005) 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.

NOTES TO THE ACCOUNTING STATEMENTS

34. Analysis of Changes in Financing

	31 March 2006 £000s	1 April 2005 £000s	Change 2005/06 £000s	Change 2004/05 £000s
Long Term Borrowing	-23,257	-20,153	-3,104	-1,479
Short Term Borrowing: -				
Long term loans with less than 12 months to maturity	-921	-1,021	100	0
Temporary loans	-3,600	-800	-2,800	187,575
Deferred Liability	-701	-780	78	72
	-28,479	-22,754	-5,726	468

35. Analysis of Changes in Cash

	31 March 2006 £000s	1 April 2005 £000s	Change 2005/06 £000s	Change 2004/05 £000s

		Restated		Restated
Cash in hand and bank	**553**	**884**	**-331**	**956**

36. 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 2005/06 and all RMB - related transactions appear within the accounts of the individual constituent Authority. Net expenditure across the four authorities for 2005/06 was £0.112 million with £0.053 being financed by West Yorkshire Fire and Rescue Authority. A set of memorandum accounts have been prepared for the Board, bringing together qualifying income and expenditure on RMB activities. These are available separately.

37. Events after the Balance Sheet Date

These accounts were authorised for issue on the date the Chief Finance Officer signed the final version – see the Statement of Responsibilities and Certificate on page 4. There were two material events occurring between the Balance Sheet date and the date when the accounts were authorised for issue, that in note Note 1 on page 18 and that explained below:

The change in the financial arrangements for firefighter pensions as of the 1 April 2006, detailed below, means that the earmarked pension reserve became redundant. As such the reserve of £1.9 million was transferred to the revenue account.

As of 1 April 2006 new financial arrangements for firefighters pensions have come into effect. Fire and Rescue Authorities will continue to administer and pay firefighter pensions, as well as any future pensions for new entrants but this will now be from a separate local firefighters' pension account.

Employee contributions and a new employer's contribution will be paid into the pensions account from which pension payments will be paid. The account will be topped up by Government if the contributions are insufficient to meet the cost of pension payments. Any surplus on the account will be recouped by Government.

The impact of these new arrangements on the 2005/06 accounts is that the Authority no longer need to set aside an earmarked pension reserve. This has resulted in the transfer of the balance on the reserve of £1.9 million to the general fund.

The Authority's minimum revenue balance now includes an element for unforeseen pensions expenditure.

38. Prior Year Adjustment

A prior year adjustment has been done in order to take account of certain investments reclassified as bank deposits. This has moved £0.834 million from "Investments" to "Cash in Hand and at Bank" on the Balance Sheet and changed corresponding figures in the Cash Flow Statement.

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.