WEST YORKSHIRE FIRE AND RESCUE AUTHORITY

STATEMENT OF ACCOUNTS 2006/2007

G Maren, CPFA
Chief Finance Officer
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Independent auditor's report to West Yorkshire Fire and Rescue Authority

Opinion on the financial statements

I have audited the financial statements and the Fire-fighters' pension fund accounting statements of West Yorkshire Fire and Rescue Authority for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Explanatory Foreword, Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes. The Fire-fighters pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and Fire-fighters pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to West Yorkshire Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements including the Fire-fighters pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements and the Fire-fighters pension fund accounting statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of the Fire-fighters' pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'the statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations' issued in 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, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) 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 judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority'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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

- In my opinion:
  the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended; and
- the Fire-fighters' pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the Fire-fighters' pension fund during the year ended 31 March 2007, and the amount and disposition of the fund's assets and liabilities as at 31 March 2007, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Paul Lundy
District Auditor
Audit Commission
Kernel House
Killingbeck Drive
Killingbeck
Leeds LS14 6UF

28 September 2007

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, West Yorkshire Fire and Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Paul Lundy
District Auditor
Audit Commission
Kernel House
Killingbeck Drive
Killingbeck
Leeds LS14 6UF

28 September 2007

audit commission

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 in October 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

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.

Paul Lundy
District Auditor
Audit Commission
Kernel House
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28 September 2007

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EXPLANATORY FOREWORD

Introduction
I am pleased to introduce the Authority's Statement of Accounts for 2006/07. These accounts demonstrate the Authority's financial performance for the year ended 31 March 2007, 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.

The 2006 SORP included the following substantive changes:

- The removal of the requirement to make a capital financing charge on assets used in the provision of service.
- Changes to the Authority's single entity statement of accounts comprising the replacement of the Consolidated Revenue Account and Statement of Total Movement on Reserves with an Income and Expenditure Account, Statement of Movement on the General Fund Balance and Statement of Total Recognised Gains and Losses.
- A new statement and disclosure requirements for the Firefighters' Pension Fund.

As such, the 2006/07 Statement of Accounts require the performance statements in the 2005/06 accounts to be restated to follow the new format. These are detailed in Note 1 to the notes of the Main Financial Statements. In addition, the Authority changed its accounting policy with regards to the writing down of smoke alarms, detailed in Note 13.

Financial Performance
When the Revenue Budget for 2006/07 was approved, the Authority was under pressure to keep precept increases to around 5% or face the threat of capping. After taking account of grant losses of £1.5 million arising from changes in the funding of firefighters' pensions and increases in pay and prices, the Authority's standstill budget stood at £84.4 million, £2.1 million higher than a budget based on a 5% precept increase. However, by the careful management of expenditure, identification of savings and use of balances, the Authority did manage to keep the increase to 5%.

The approved Revenue Budget was as follows:

	£000s
Service Standstill	84,438
Less proposed savings and capitalisation of smoke alarms	1,388
Less use of balances	750
Budget Requirement	82,300
Funded by -	
Revenue Support Grant	8,434
Non Domestic Rates	43,690
Surplus from Billing Authorities' Collection Funds	313
Precept	29,863
	82,300

EXPLANATORY FOREWORD

In 2006/07 the Authority underspent compared to its budget by £2.2 million. The underspending largely occurred within the employee budgets, and principally arose from the increase in the number of firefighter retirements and the delays in filling support staff vacancies following the corporate restructure. As a result of the underspending, the Authority's General Fund Balances increased to £5.2 million at the year end. In the light of possible strategic, operational and financial risks that the Authority faces, it is considered that £1.6 million is the minimum balance needed.

In February 2006, the Authority also approved a Capital Budget of £10.9 million for 2006/07. This included a provision of £3.0 million for the replacement fire station at Bradford, £1.8 million on new training centre facilities, £0.8 million on the provision and installation of smoke alarms, and a further £0.8 million on vehicle replacement. Actual capital expenditure for the year was £9.6 million:

	£000s
Refurbishment of existing properties	1,469
New build fire station and training block	4,661
Information Technology and Communications	813
Vehicles	867
Operational Equipment	1,778
	9,588

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.

Long-term liabilities as at 31 March 2007, excluding those relating to pensions, were £31.0 million, of which £30.2 million related to long-term borrowing. During the year, new loans totalling £21.8 million were taken, with £15.3 million repaid. Short-term borrowing decreased by £2.1 million during the year to £2.4 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 2007, and its income and expenditure for the year then ended.

G Maren, CPFA 8 June 2007
Chief Finance Officer

I certify that this Statement of Accounts was approved by the Audit Committee at its meeting on 22 June 2007.

Cllr Philip Booth
Chair, Audit Committee 22 June 2007

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Scope of Responsibility

West Yorkshire Fire and Rescue Authority is responsible for ensuring that its business is conducted lawfully, and, that the proper safeguards are in place to ensure that the its resources are properly accounted for and used economically, efficiently and effectively. In addition, the Authority also has a duty under the Local Government Act 1999 to secure continuous improvement in the way the service is provided to secure best value.

In discharging these responsibilities the Authority must ensure that there are sound systems of internal control in place to facilitate the effective exercise of its duties and provide arrangements for the management of risk.

The Purpose of the System of Internal Control

Whist it is acknowledged that it is not possible to eliminate all risk, the system of internal control is designed to manage risk to a reasonable level whilst allowing the Authority to achieve its policies, aims and objectives. The implementation of systems of internal control can therefore provide reasonable but not absolute assurance of effectiveness.

The system of internal control is an ongoing process designed to identify, prioritise and manage the key risks the Authority faces in achieving its policies, aims and objectives. Each of the risks identified are evaluated to identify the likelihood and potential impact, and systems implemented to manage them efficiently, effectively and economically.

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

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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, age, religion and belief, and sexual orientation
   - Local conditions of service including flexible working
   - Bullying and harassment policy
   - Occupational health and safety policies.

During the year, the Authority also approved a comprehensive asset management strategy which was the final item outstanding from the 2005/06 review of internal control. In addition, the Authority approved a partnership policy in recognition of increased partnership working.

Review of Effectiveness

The Authority has a responsibility to review the effectiveness of its internal control systems at least annually. This is done by means of an ongoing review by management supported by the work of internal audit, and the Audit Commission who are the Authority's independent external auditors.

During 2006/2007, these systems were subject to a further more comprehensive review as part of the Use of Resources element of the Comprehensive Performance Assessment (CPA). The results of the process were good with the Authority achieving an overall score of 3 (the second highest level), including a 4 (the highest level) for overall financial standing.

The assessment included a specific review of Internal Control Systems for which the Authority again scored 3. A number of areas for improvement were identified which have been included within the specific issues to be addressed in 2007/2008.

During 2006/2007, the Committee Structure has been revised to include an Audit Committee which is generally accepted as an essential element of good governance. The terms of reference of the Committee largely follow the CIPFA guidance and include responsibility for the overview of corporate governance, the work of internal audit, risk management and performance review.

Work has continued on Risk Management and Business Continuity Planning which has been further strengthened by the appointment of an elected member champion.

The Authority continued its review of service provision through the Integrated Risk Management plan with a fundamental review of fire cover in the area of North East Wakefield.

In terms of Community Safety, the Authority has again achieved its target of 56,000 home fire safety checks within the year and has fitted over 80,000 smoke alarms in vulnerable properties. In addition, there has been an extension of partnership working throughout the area, including some innovative work with the elderly in Bradford Metropolitan District.

The Authority has continued to maintain a low level of sickness and ill health retirement through the implementation of its human resources policies, supported by information from the new computerised personnel system. It has continued to work hard on equality issues and has gained national recognition from Stonewall for the work done with gay and lesbian groups.

Significant Internal Control Issues

As part of the review of internal control systems under the Comprehensive Performance Assessment, the following issues were raised by the Audit Commission:

1. Risk Management -
   Although comprehensive systems are in place it was felt that these required embedding in the following areas:
   - Risk management through performance management
   - Assessment of positive risks
   - The role of the member champion
   - Training for all elected members

2. Partnerships -
   Again it was felt that the governance arrangements for partnerships needed embedding and that specific reference to partnerships should be made within the Authority's constitution.

The Authority has already implemented an improvement plan for all the issues raised as part of CPA and progress will be monitored by the Audit Committee.

Philip Toase
Chief Fire Officer/ Chief Executive

Cllr Gordon Beever
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 2006. 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.

Deferred Charges
Deferred charges represent expenditure which may properly be capitalised, but which does not represent fixed assets. Deferred charges are written off to revenue in the year the expenditure is incurred. Examples of deferred charges include smoke alarms provided and installed in homes.

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.

STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

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. Estimated lives for new intangible assets vary. The Authority's intangible assets are software and associated licences. Where the period of the licence is known the actual length is used as its useful life. Where this is not know a life of five years is assumed.

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.

Investments
Investments are shown in the 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.

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.

Retirement Benefits
Accounting for retirement benefits is carried out in line with Financial Reporting Standard 17 (FRS17). FRS17 requires an authority to see beyond its commitment to pay contributions to pension funds and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. Inclusion of the attributable share of the fund assets and liabilities does not

mean that legal title or obligation has passed to the employer. Instead it represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit via reduced contributions from a surplus in the scheme.

FRS17 only applies to defined benefit schemes, that is those where retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. Defined contribution 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 four different retirement benefit schemes which meet the needs of uniformed and non-uniformed employees and which provide members with defined benefits related to pay and service. The schemes are as follows:

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

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

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

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

- actuarial gains and losses between years being recognised in the Statement of Total Recognised Gains and Losses.

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

Liabilities largely comprise benefits promised under the formal terms of the pension schemes, but also include any discretionary benefits offered. The attributable liabilities of each scheme have been measured on an actuarial basis using the projected unit method. This method examines all the benefits for pensioners and deferred pensioners, and their dependents and the accrued benefits for current members of the scheme, making allowance for projected scheme member earnings. The valuation has been carried out by an actuary, in accordance with Guidance Note GN26 issued by the Faculty and Institute of Actuaries. Scheme liabilities have been discounted at a rate that reflects the time value of money and the characteristics of the liability. For the 2006/07 accounts, a rate of 5.4% 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 Income and Expenditure 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 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. The General Fund Balance can be used to meet both capital and revenue expenditure

STATEMENT OF ACCOUNTING POLICIES

Stocks and Work in Progress
Stocks are shown in the Income and Expenditure Account 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 assets under construction. 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. Other impairments reflecting a general movement in prices are recognised in the Fixed Asset Restatement Account.

Disposals -
Any 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 depreciation and where required, any related impairment loss, for all fixed assets used in the provision of services. Surplus assets held for disposal also incur these charges and are shown within Non Distributed Costs.

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

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

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.

INCOME AND EXPENDITURE ACCOUNT

The Income and Expenditure Account reports the net cost for the year of all the functions for which the Authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

2005/06			2006/07	
Net		Gross	Gross	Net

Expenditure £000s		Expenditure £000s	Income £000s	Expenditure £000s	Notes
5,681	Community Fire Safety	8,225	-1,580	6,645	
82,287	Firefighting & Rescue Operations	82,265	-2,627	79,638	
215	Fire Service Emergency Planning and Civil Defence	373	-23	350	
128	Corporate and Democratic Core	430	-41	389	
-648	Non Distributed Costs	148	0	148	
87,663	Net Cost of Services	91,441	-4,271	87,170	
1,543	Interest payable or similar charges			1,578	
-165	Interest income			-153	
37,529	Pensions interest cost and expected return on pensions assets			41,737	*Note 27*
126,570	**Net Operating Expenditure**			130,332	
-35,574	Revenue Support Grant			-8,454	*Note 8*
-24,214	Contribution from Non-Domestic Rate Pool			-43,669	*Note 8*
-28,135	Precepts			-29,863	*Note 10*
-152	Surplus from Billing Authorities' Collection Funds			-314	*Note 9*
38,495	**Deficit for the year**			48,032	

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed

- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned

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

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

2005/06 £000s		2006/07 £000s
-38,495	Deficit for the year on the Income and Expenditure Account by statutory and proper practices	-48,032
40,256	Net additional amount required to be credited to the General Fund Balance for the year (detailed below)	49,443
1,761	**Increase in General Fund Balance for the Year**	1,411
2,023	General Fund Balance brought forward	3,784
3,784	**General Fund Balance carried forward**	5,195

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

2005/06 £000s		2006/07 £000s
	Items required by statute to be excluded when determining the Movement on the General Fund Balance for the year	

3,970	Depreciation and impairment	4,251
-84	Grants deferred amortisation	-779
0	Deferred charges write down	2,009
61,540	Net charges made for retirement benefits in accordance with FRS17	71,184
65,426		76,665
	Items required by statute to be included when determining the Movement on the General Fund Balance for the year	
-1,106	Statutory provision for the repayment of debt	-1,251
-24,787	Employer's contributions payable to the Pensions Account	-24,470
-25,893		-25,721
	Transfers to or from the General Fund Balance	
-1,177	Voluntary Revenue Provision for the repayment of debt	-1,501
1,900	Net transfer to/from Earmarked Reserves	0
723		-1,501
40,256	**Net additional amount required to be credited to the General Fund Balance for the Year**	49,443

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2005/06 £000s		2006/07 £000s	Notes
-38,495	Deficit on the Income and Expenditure Account for the year	-48,032	
-1,358	Loss arising on revaluation of fixed assets	-1,572	*Note 22*

-120,526	Actuarial gains/losses(-) on pension fund assets and liabilities	52,756	*Note 26*
-160,379	**Total recognised gains and losses(-) for the year**	3,152	

BALANCE SHEET

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

31 March 2006		31 March 2007		
£000s		£000s	£000s	Notes
	Fixed Assets			*Notes 11-16*
534	Intangible Assets		561	
	Tangible Assets			
82,800	Operational		86,505	
10,851	Non-operational		8,062	

1,372	Deferred Premiums		1,366	*Note 18*
95,557	**Total Long Term Assets**		96,494	
	Current Assets			
429	Stocks	439		
2,626	Debtors & Prepayments	3,406		
2,500	Investments	600		
553	Cash in Hand and Bank	1,700	6,145	
101,665			102,639	
	Current Liabilities			
-4,521	Short Term Borrowing	-2,392		*Note 19*
-6,505	Creditors	-5,600		
0	Bank Overdraft	-377	-8,369	
90,639	**Total Assets Less Current Liabilities**		94,270	
-23,257	Long Term Borrowing		-30,245	*Note 19*
-500	Government Grants Deferred		0	
-701	Deferred Liabilities		-617	
0	Deferred Discounts		-117	*Note 18*
-858,665	Net Liability related to Defined Benefit Pension Scheme		-852,623	*Note 27*
-792,484	**Total Assets Less Liabilities**		-789,332	
68,753	Fixed Asset Restatement Account		66,368	*Note 22*
-6,356	Capital Financing Account		-8,272	*Note 23*
0	Usable Capital Receipts		0	*Note 24*
-858,665	FRS17 Pensions Reserve		-852,623	*Note 26*
3,784	General Fund Balance		5,195	
-792,484	**Net Worth**		-789,332	

CASH FLOW STATEMENT

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2005/06 £000s		2006/07 £000s	Notes
	Revenue Activities		
	Cash Outflows		
-78,351	Cash paid to and on behalf of employees	-64,130	
-15,409	Other operating cash payments	-17,086	
-93,760	**Total Payments**	-81,216	

	Cash Inflows		
28,135	Precepts	29,863	
152	Surplus from Billing Authorities' Collection Funds	313	
35,574	Revenue Support Grant	8,454	
24,214	NNDR from National Pool	43,669	
2,275	Government grants	902	*Note 28*
538	Cash received for goods and services	609	
5,951	Other operating cash receipts	1,101	
96,839	**Total Receipts**	84,911	
3,079	**Net Cash Inflow from Revenue Activities**	3,695	*Note 29*
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
-1,365	Interest paid	-1,391	
-91	Interest element of finance lease rental	-36	
	Cash Inflows		
161	Interest received	157	
-1,295	**Net Cash Outflow from Investments and Servicing of Finance**	-1,270	

CASH FLOW STATEMENT

2005/06 £000s		2006/07 £000s	Notes
	Capital Activities		
	Cash Outflows		
-6,980	Purchase of fixed assets	-9,823	
0	Premiums on early repayment of loans	-55	
	Cash Inflows		
43	Sale of fixed assets	813	
278	Capital Grants	616	
3	Discounts on early repayment of loans	119	
-6,656	**Net Cash Outflow from Capital Activities**	-8,330	
-4,872	**Net Cash Outflow before Financing**	-5,905	*Note 30*
	Management of Liquid Resources		
-1,185	**Net increase(-)/decrease in short term deposits**	1,900	*Note 32*
	Financing		
	Cash Outflows		
-3,391	Repayments of long term loans	-15,293	
-78	Capital Element of Finance Lease	-84	
2,800	Net increase(-)/decrease in temporary loans	-1,650	
	Cash Inflows		
6,395	New long term loans	21,802	
5,726	**Net Cash Inflow from Financing**	4,775	*Note 31*
-331	**Increase/Decrease(-) in Cash**	770	*Note 33*

NOTES TO THE MAIN FINANCIAL STATEMENTS

1. Prior Year Adjustment

For 2006/07, the statements required by SORP represent a substantial change from the statements produced in 2005/06 and earlier years. The Consolidated Revenue Account and the Statement of Total Movements in Reserves have been disaggregated into the following new format:

- Income and Expenditure Account – a summary of resources generated and consumed by the Authority in the year.
- Statement of Movement on the General Fund Balance – a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.
- Statement of Total Recognised Gains and Losses – demonstration of how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.

The figures for 2005/06 have been restated in the new format.

In addition, the SORP no longer requires service revenue accounts to be charged a capital financing charge for the use of fixed assets. This change has had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts:

	Consolidated Revenue Account 2005/06 £000s	Removal of capital financing charges £000s	2005/06 comparatives in Income & Expenditure Account £000s
Community Fire Safety	5,688	-7	5,681
Firefighting & Rescue Operations	85,098	-2,811	82,287
Fire Service Emergency Planning & Civil Defence	215	0	215
Corporate and Democratic Core	402	-274	128
Non Distributed Costs	-648	0	-648
Net Cost of Service	90,755	-3,092	87,663
Non Operational Assets	250	-250	0
Asset Management Revenue Account	-1,856	1,856	0
Losses on the repurchase of borrowing	57	-57	0
Interest Payable or similar charges	0	1,543	1,543
Interest and investment income	-165	0	-165
Pensions interest cost and expected return on pensions assets	37,529	0	37,529
Net Operating Expenditure	126,570	0	126,570

NOTES TO THE MAIN FINANCIAL STATEMENTS

In addition to the above, the following presentational changes required by SORP were made to the performance statements:

	2005/06 Statement of Accounts	2006/07 Statement of Accounts
Transfer from the Earmarked Reserve	Consolidated Revenue Account	Statement of Movement on the General Fund Balance
Transfer from the Capital Financing Account	Consolidated Revenue Account	Disaggregated within the Statement of Movement on the General Fund Balance
Contribution from the FRS17 Pensions Reserve	Consolidated Revenue Account	Disaggregated within the Statement of Movement on the General Fund Balance
Deferred Premiums	Bottom half of the Consolidated Balance Sheet, net of Deferred Discounts	Top half of the Balance Sheet, as a Long Term Asset
Deferred Discounts	Bottom half of the Consolidated Balance Sheet, net of Deferred Premiums	Top half of the Balance Sheet, as a Long Term Liability
Government Grants Deferred	Bottom half of the Consolidated Balance Sheet	Top half of the Balance Sheet, as a Long Term Liability
Capital Grants Unapplied	Bottom half of the Consolidated Balance Sheet	Top half of the Balance Sheet, as a Current Liability

2. 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 £000s		2006/07 £000s
53	Staff Advertising	59
23	General Advertising	7
34	Publicity - Fire Safety	33
110	Total	99

NOTES TO THE MAIN FINANCIAL STATEMENTS

3. 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 Expenditure £000s	2005/06 Income £000s		2006/07 Expenditure £000s	2006/07 Income £000s
101	111	Administrative, professional or technical services	165	187

4. Members' Allowances

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

2005/06 £000s		2006/07 £000s
118	Total amount of members' allowances paid	130

5. Remuneration of Employees

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

Number of Employees 2005/06	Remuneration Band (£)	Number of Employees 2006/07
14	50,000 - 59,999	14
5	60,000 - 69,999	2
0	70,000 - 79,999	3
0	80,000 - 89,999	1
1	90,000 - 99,999	1
2	100,000 - 109,999	1
1	110,000 - 119,999	1
1	120,000 - 129,999	1
1	130,000 - 139,999	0
1	140,000 - 149,999	1

The figures for 2005/06 have been restated as the SORP now requires that the remuneration figures include employee pension contributions, whereas previously these were exempt.

6. Related Party Transactions

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

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

2005/06 £000s		2006/07 £000s
196	Financial Support Services	193
67	Cleaning Services	77
43	Property Repairs	58
12	Refuse Collection	14
13	Other Services	24
331	Total	366

As at 31 March 2007, £0.038 million was owed to the Council (£0.039m at 31 March 2006).

7. Disclosure of Audit Costs

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

2005/06 £000s		2006/07 £000s
50	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	54
1	Fees payable to the Audit Commission for the certification of grant claims	0
51	Total	54

8. Revenue Support Grant and National Non-Domestic Rates

Figures for Revenue Support Grant (RSG) and National Non-Domestic Rates (NNDR) for 2006/07 include amending report adjustments and therefore differ from the approved budgeted amounts detailed in the Explanatory Foreword. The amending reports for 2004/05 and 2005/06 increased RSG entitlement in 2006/07 by £19,932 and reduced NNDR entitlement in 2006/07 by £20,616.

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 £0.314 million taken into the accounts in 2006/07 relates to the Authority's share of the billing authorities' estimated Collection Funds' surpluses for 2005/06. Any difference between the estimate and the actual for 2005/06 has been taken into account in the estimate for 2007/08.

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.

10. Summary of Precepts Receivable

2005/06 £000s		2006/07 £000s
6,019	Bradford	6,436
2,677	Calderdale	2,842
5,294	Kirklees	5,609
9,893	Leeds	10,467
4,252	Wakefield	4,509
28,135	Total	29,863

11. Summary of Capital Expenditure and Sources of Finance

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

2005/06 £000s		2006/07 £000s
	Capital Expenditure	
7,277	Fixed Assets	8,523
0	Deferred Charges	1,065
7,277		9,588
	Sources of Finance	
6,649	Borrowing	8,497
43	Capital receipts	813
585	Capital Grants	278
7,277		9,588

As at 31 March 2007, the Authority had no major contractual commitments in excess of £100,000.

12. 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 Surplus Assets were valued on the basis of open market value.

13. Movement in Tangible Fixed Assets 2006/07

	Operational Assets		Non-Operational Assets		
	Land & Buildings	Vehicles, Plant & Equipment	Assets under Construction	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s
Cost or Valuation					
1 April 2006	76,348	18,831	2,664	8,187	106,030
Additions	5,960	1,967	407	0	8,334
Adjustments	-4	-770	-2,365	574	-2,565
Disposals	0	-2,888	0	-827	-3,715
31 March 2007	82,304	17,140	706	7,934	108,084
Depreciation & Impairment					
1 April 2006	3,056	9,322	0	0	12,378
Charge for year	1,698	2,084	0	307	4,089
Adjustments	-299	-49	0	299	-49
Disposals	0	-2,873	0	-28	-2,901
31 March 2007	4,455	8,484	0	578	13,517
Net Book Value					
1 April 2006	73,292	9,509	2,664	8,187	93,652
31 March 2007	77,849	8,656	706	7,356	94,567

In 2006/07 the Authority has changed its accounting treatment with regards to the capitalisation and writing down of smoke alarms. Previously, expenditure on smoke alarms was recognised as an operational asset and depreciated over 10 years. The Authority now believes it is more appropriate to treat the expenditure as a deferred charge and fully write off in the year incurred. As a result of this change, the net balance brought forward on operational assets relating to smoke alarms (£943,514) has been fully written down in 2006/07.

14. Movement in Intangible Assets 2006/07

	Software Licences £000s
Cost or Valuation	
1 April 2006	640
Additions	189
Disposals	-39
31 March 2007	790
Depreciation & Impairment	
1 April 2006	106
Charge for year	162
Disposals	-39
31 March 2007	229
Net Book Value	
1 April 2006	534
31 March 2007	561

15. Information on Assets

The Authority owned the following operational fixed assets:

31 March 2006		31 March 2007
	Buildings	
1	Headquarters	1
1	Training Centre	1
1	Mobilising and Control Centre	1
1	Workshop	1
48	Fire Stations	48
1	Houses	1
	Vehicles	
70	Pumping and Special Appliances	71
47	Cars and Vans	25

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.

16. Deferred Charges

As previously mentioned in Note 13, from 2006/07 onwards the Authority is treating expenditure on the supply and fitting of smoke alarms as a deferred charge.

2005/06 £000s		2006/07 £000s
0	Balance as at 1 April 2006	0
0	Adjustment	944
0	Expenditure in year	1,065
0	Amounts written off during the year	-2,009
0	Balance as at 31 March 2007	0

17. Finance and Operating Leases

The Authority has acquired certain fire appliances under finance leases. The rental payable in 2006/07 was £0.123 million (2005/06 £0.126 million), with £0.040 million finance costs charged to the Income and Expenditure Account and £0.083 million relating to the write-down of obligations to the lessor (Deferred Liability).

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

2005/06 £000s		2006/07 £000s
	Cost or Valuation	
952	1 April	952
0	Disposals	-32
952	31 March	920
	Depreciation	
124	1 April	216
92	Charge for year	92
0	Disposals	-32
216	31 March	276
	Net Book Value	
828	1 April	736
736	31 March	644

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2007 are as follows:

	£000s
Obligations payable in 2007/08	89
Obligations payable between 2008/09 to 2011/12	412
Obligations payable 2012/13 onwards	116
Total liability at 31 March 2007	617

The Authority also uses vehicles financed under terms of an operating lease. The amount paid under these arrangements in 2006/07 was £0.784 million (2005/06 £0.870 million). The Authority is committed at 31 March 2007 to making payments of £0.767 million in 2007/08, comprising the following elements:

	£000s
Leases expiring in 2007/08	98
Leases expiring between 2008/09 to 2011/12	469
Leases expiring 2012/13 onwards	200
	767

In addition, rental income of £0.203 million was received in 2006/07 (2005/06 £0.211 million), mainly from the leasing of space on masts and other structures to telecommunication companies.

18. Deferred Premiums/Discounts

In accordance with the Code of Practice, premiums and discounts 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.

19. Borrowing

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

31 March 2006 £000s		31 March 2007 £000s
	Analysis of loans by type	
24,178	Public Works Loan Board	28,687
3,600	Other Local Authorities	1,950
0	Banks and other financial institutions	2,000
27,778	Total Borrowing	32,637
	Analysis of loans by maturity	
	Long Term Borrowing	
921	Between 1 and 2 years	404
2,582	Between 2 and 5 years	938
4,139	Between 5 and 10 years	1,563
3,954	Between 10 and 15 years	1,445
11,661	More than 15 years	23,895
0	LOBOS	2,000
23,257	Total Long Term Borrowing	30,245
	Short Term Borrowing	
921	Long term borrowing with less than 12 months to mature	442
3,600	Temporary loans	1,950
4,521	Total Short Term Borrowing	2,392
27,778	Total Borrowing	32,637

The Authority has £2 million of debt outstanding in the form of Lender Option Borrower Option loans (LOBOs). The £2 million LOBO taken out during the year is at a fixed rate for 5 years, with lender options becoming effective in 2011/12. If the lender exercises their option to raise interest rates, then the Authority has the option to agree to the new rate or repay the loan (at no extra cost). The LOBO has a maximum maturity of 60 years.

20. 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.

21. Summary of Movement on Reserves

1 April 2006 £000s		Net Movement in Year £000s	31 March 2007 £000s	Main Purpose of Reserve
68,753	Fixed Asset Restatement Account	-2,385	66,368	Store of gains on revaluation of fixed assets – note 22
-6,356	Capital Financing Account	-1,916	-8,272	Store of capital resources set aside to meet past expenditure – note 23
0	Usable Capital Receipts Reserve	0	0	Proceeds of fixed asset sales available to meet future capital investment – note 24
-858,665	FRS17 Pensions Reserve	6,042	-852,623	Balancing account to allow inclusion of Pensions Liability in Balance Sheet – note 26
3,784	General Fund Balance	1,411	5,195	Resources available to meet future running costs for General Fund services – see Movement on the General Fund Balance
-792,484		3,152	-789,332	

22. 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. The balance on the Fixed Asset Restatement Reserve is not available to meet expenditure whether it is revenue or capital.

2005/06 Original	2005/06 Restated		2006/07
£000s	£000s		£000s
70,154	70,154	Balance as at 1 April	68,753
-1,338	-1,358	Revaluations and Adjustments	-1,572
-63	-43	Disposals	-813
68,753	68,753	Balance as at 31 March	66,368

For 2006/07, the SORP requires assets to be revalued at the point of disposal to the actual amount received, unless in the rare circumstance that the Authority knowingly sells an asset for more or less than the market value. As such, retrospective revaluations have been made to assets disposed of in the 2005/06 Statement of Accounts, resulting in a restated Fixed Asset Restatement Account.

23. Capital Financing Account

The account contains the amount of capital expenditure financed from revenue and capital receipts and 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 £000s		2006/07 £000s
-4,796	Balance as at 1 April	-6,356
-3,970	Amount charged as Depreciation	-4,251
1,106	Minimum Revenue Provision (MRP)	1,251
1,177	Voluntary set aside from revenue in excess of MRP	1,501
84	Write Down of Capital Grant	0
0	Write Down of Deferred Charges Net of Grant Received	-1,230
43	Capital Receipts Applied	813
-6,356	Balance as at 31 March	-8,272

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.

24. Usable Capital Receipts Reserve

The reserve represents the capital receipts available to finance capital expenditure in future years.

2005/06 £000s		2006/07 £000s
0	Balance as at 1 April	0
43	Capital Receipts in Year	813
-43	Financing of Capital	-813
0	Balance as at 31 March	0

25. 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.

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.

26. FRS17 Pensions Reserve

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

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

2006/07	FPS	NFPS	FCS	LGPS	Total
	£000s	£000s	£000s	£000s	£000s
Balance as at 1 April	-848,040	0	0	-10,625	-858,665
Injury Awards liability as at 1 April	14,670	-	-14,670	-	-
	-833,370	0	-14,670	-10,625	-858,665
Pension cost payable to Pension Fund	22,670	0	860	940	24,470
Actuarial gain/ loss (-)	50,200	70	-70	2,556	52,756
Reversal of FRS17 entries	-68,840	-270	-700	-1,374	-71,184
Balance as at 31 March	-829,340	-200	-14,580	-8,503	-852,623

2005/06	FPS	NFPS	FCS	LGPS	Total
	£000s	£000s	£000s	£000s	£000s
Balance as at 1 April	-690,500	-	-	-10,886	-701,386
Pension cost payable to Pension Fund	24,030	-	-	757	24,787
Actuarial gain/ loss (-)	-120,640	-	-	114	-120,526
Reversal of FRS17 entries	-60,930	-	-	-610	-61,540
Balance as at 31 March	-848,040	0	0	-10,625	-858,665

27. **Retirement Benefits**

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

Transactions Relating to Retirement Benefits

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

			2006/07		
	FPS	NFPS	FCS	LGPS	Total
	£000s	£000s	£000s	£000s	£000s
Current Service Cost	27,880	260	0	1,290	29,430
Past Service Cost/ Gain (-)	0	0	0	0	0
Curtailment	0	0	0	17	17
Interest Cost	40,960	10	700	2,024	43,694
Expected Return on Assets	0	0	0	-1,957	-1,957
Movement on Pensions Reserve	-46,170	-270	160	-434	-46,714
Employer's contributions paid to schemes	22,670	0	860	940	24,470

			2005/06		
	FPS	NFPS	FCS	LGPS	Total
	£000s	£000s	£000s	£000s	£000s
Current Service Cost	23,650	-	-	1,009	24,659
Past Service Cost/ Gain (-)	0	-	-	-653	-653
Curtailment	0	-	-	5	5
Interest Cost	37,280	-	-	1,908	39,188
Expected Return on Assets	0	-	-	-1,659	-1,659
Movement on Pensions Reserve	-36,900	-	-	147	-36,753
Employer's contributions paid to schemes	24,030	-	-	757	24,787

Assets and Liabilities in Relation to Retirement Benefits
The underlying assets and liabilities for retirement benefits attributable to the Authority are as follows:

			2006/07		
	FPS	NFPS	FCS	LGPS	Total
	£000s	£000s	£000s	£000s	£000s
Estimated liabilities in schemes	-829,340	-200	-14,580	-41,466	-885,586
Estimated assets in schemes	0	0	0	32,963	32,963
Net liability	-829,340	-200	-14,580	-8,503	-852,623
			2005/06		
	FPS	NFPS	FCS	LGPS	Total
	£000s	£000s	£000s	£000s	£000s
Estimated liabilities in schemes	-848,040	-	-	-40,972	-889,012
Estimated assets in schemes	0	-	-	30,347	30,347
Net liability	-848,040	-	-	-10,625	-858,665

The liabilities show the underlying commitments that the Authority has in the long-term to pay retirement benefits. The total liability of £852.6 million has a substantial impact on the net worth of the Authority, resulting in a negative overall balance of £789.3 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 Firefighters' pensions when the pensions are actually paid.

Basis for Estimating Assets and Liabilities
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 Firefighters' Schemes 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 2006/07', 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		LGPS	
	2005/06	2006/07	2005/06	2006/07
	%	%	%	%
Rate of inflation	3.2	3.4	2.9	3.1
Rate of increase in salaries	4.7	4.9	4.65	4.85
Rate of increase in pensions	3.2	3.4	2.9	3.1
Rate for discounting scheme liabilities	4.9	5.4	4.9	5.4

NOTES TO THE MAIN FINANCIAL 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 2007	
	Category	Expected Return	Category	Expected Return
	%	%	%	%
Equity investments	73.9	7.0	73.6	7.5
Government bonds	6.9	4.3	7.3	4.7
Other bonds	4.8	4.9	4.1	5.4
Property	5.1	6.0	5.3	6.5
Cash/ Liquidity	6.2	4.5	5.2	5.25
Other	3.1	7.0	4.5	7.5
	100		100	

Actuarial Gains and Losses
The actuarial gains and losses identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities: -

	Local Government Pension Scheme									
	31/03/2003		31/03/2004		31/03/2005		31/03/2006		31/03/2007	
	£000s	%	£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	359	1.1
Differences between actuarial assumptions about liabilities and actual experience	0	0	0	0	-1,608	-4.6	-949	-2.3	0	0
Changes in assumptions underlying the present value of pension liabilities	0	0	0	0	-6,155	-17.4	-3,368	-8.2	2,197	5.3
	-6,031	-34.5	2,827	13.1	-6,466	-18.3	114	-0.3	2,556	6.2

	1992 Firefighters' Pension Scheme									
	31/03/2003		31/03/2004		31/03/2005		31/03/2006		31/03/2007	
	£000s	%	£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	-860	-0.1
Changes in assumptions underlying the present value of pension liabilities	0	0	-73,990	-14.4	-150,680	-21.8	-118,520	-14.0	51,060	6.2
	-20,510	-5.0	-85,080	-16.6	-149,300	-21.6	-120,640	-14.2	50,200	6.1

	2006 (New) Firefighters' Pension Scheme		Firefighters' Compensation Scheme	
	31/03/2007		31/03/2007	
	£000s	%	£000s	%
Differences between actuarial assumptions about liabilities and actual experience	50	25	-580	-4.0
Changes in assumptions underlying the present value of pension liabilities	20	10	510	3.5
	70	35	-70	-0.5

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.

28. Analysis of Government Grants Received

2005/06 £000s		2006/07 £000s
115	Arson Reduction	72
10	Civil Defence	-10
0	Community Fire Safety	395
80	Innovation Funding	0
1,232	National Co-ordination Centre	0
631	New Dimension Programme	167
0	Operations Funding	24
207	Regional Control Centre	254
2,275		902

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

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

2005/06 £000s		2006/07 £000s
-38,495	Deficit for the year	-48,032
1,295	Interest	1,270
	Non-Cash transactions	
61,540	Net charges made for retirement benefits in accordance with FRS17	71,184
-24,787	Employers' contributions payable to the Pensions Account	-24,470
3,970	Depreciation and impairment	4,251
0	Deferred Charges Write Down	1,230
-84	Grants deferred amortisation	0
57	Premiums	59
3,496		5,492
	Items on an accruals basis	
-43	Increase in Stock	-10
-1,494	Increase in Revenue Debtors	-779
1,120	Increase/Decrease(-) in Revenue Creditors	-1,008
3,079	Net cash inflow from revenue activities	3,695

30. Reconciliation of Net Cashflow to Movement in Net Debt

2005/06 £000s		2006/07 £000s
-331	Decrease in cash in the period	770
1,185	Cash used to increase liquid resources	-1,900
591	Cash used to repay debt	16,943
78	Cash used to repay leasing obligations	84
-6,395	New loans	-21,802
-4,872	Change in net debt	-5,905
-20,554	Net debt as at beginning of period	-25,426
-25,426	Net debt as at end of period	-31,331

Change 2005/06 £000s		1 April 2006 £000s	31 March 2007 £000s	Change 2006/07 £000s
-331	Cash in Hand and Bank	553	1,700	1,147
0	Bank Overdraft	0	-377	-377
-3,104	Long Term Borrowing	-23,257	-30,245	-6,988
-2,700	Short Term Borrowing	-4,521	-2,392	2,129
79	Deferred Liabilities	-701	-617	84
1,184	Investments	2,500	600	-1,900
-4,872		-25,426	-31,331	-5,905

31. Analysis of Changes in Financing

Change 2005/06 £000s		1 April 2006 £000s	31 March 2007 £000s	Change 2006/07 £000s
-3,104	Long Term Borrowing	-23,257	-30,245	-6,988
	Short Term Borrowing: -			
100	Long term loans with less than 12 months to maturity	-921	-442	479
-2,800	Temporary loans	-3,600	-1,950	1,650
78	Deferred Liability	-701	-617	84
-5,726		-28,479	-33,254	-4,775

32. Liquid Resources

As at 31 March 2007, £0.600 million (£2.500 million at 31 March 2006) 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.

33. Analysis of Changes in Cash

Change 2005/06 £000s		1 April 2006 £000s	31 March 2007 £000s	Change 2006/07 £000s
-331	Cash in Hand and Bank	553	1,700	1,147
0	Bank Overdraft	0	-377	-377
-331		553	1,323	770

34. 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 2006/07 and all RMB - related transactions appear within the accounts of the individual constituent Authority. Net expenditure across the four authorities for 2006/07 was £0.168 million with £0.100 million 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.

FIREFIGHTERS' PENSION FUND

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

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

The Pension Fund statements have been compiled in accordance with the 2006 SORP, as detailed in the Accounting Policies. The following statements do not take account of the liabilities for future retirement benefits, which are recognised in the main accounts of the Authority.

Pension Fund

	2006/07	
	£000s	£000s
Contributions receivable		
From employer		
Normal	-8,978	
Ill Health retirements	-262	-9,240
From members		-5,249
Transfers in		
Individual transfers in from other schemes		-275
Benefits payable		
Pensions		18,429
Lump sum retirement benefits		4,024
Payments to and on account leavers		
Individual transfers out to other schemes		233
Sub-total: Net amount payable for the year		7,922
Top-up grant receivable from sponsoring department		-7,922
Net amount receivable for the year		0

Net Assets Statement

	31 Mar 2007
	£000s
Net current assets and liabilities	
Pension top-up grant receivable from sponsoring department	1,309
Transfers in from other schemes net receivable	2
Unpaid pension benefits	-73
Cash overdrawn	-1,238
Net assets of the scheme	0

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.

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

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

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

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.