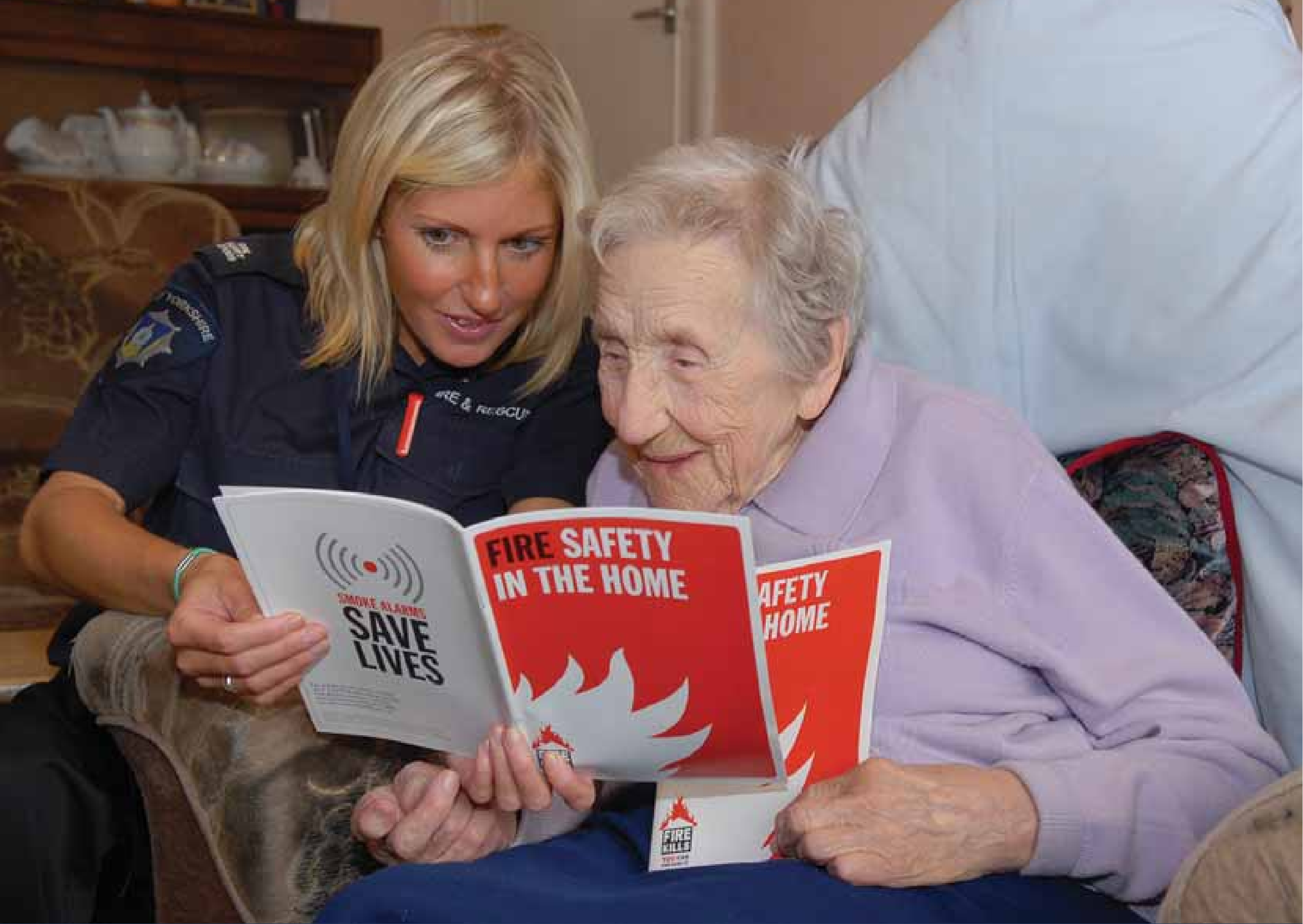
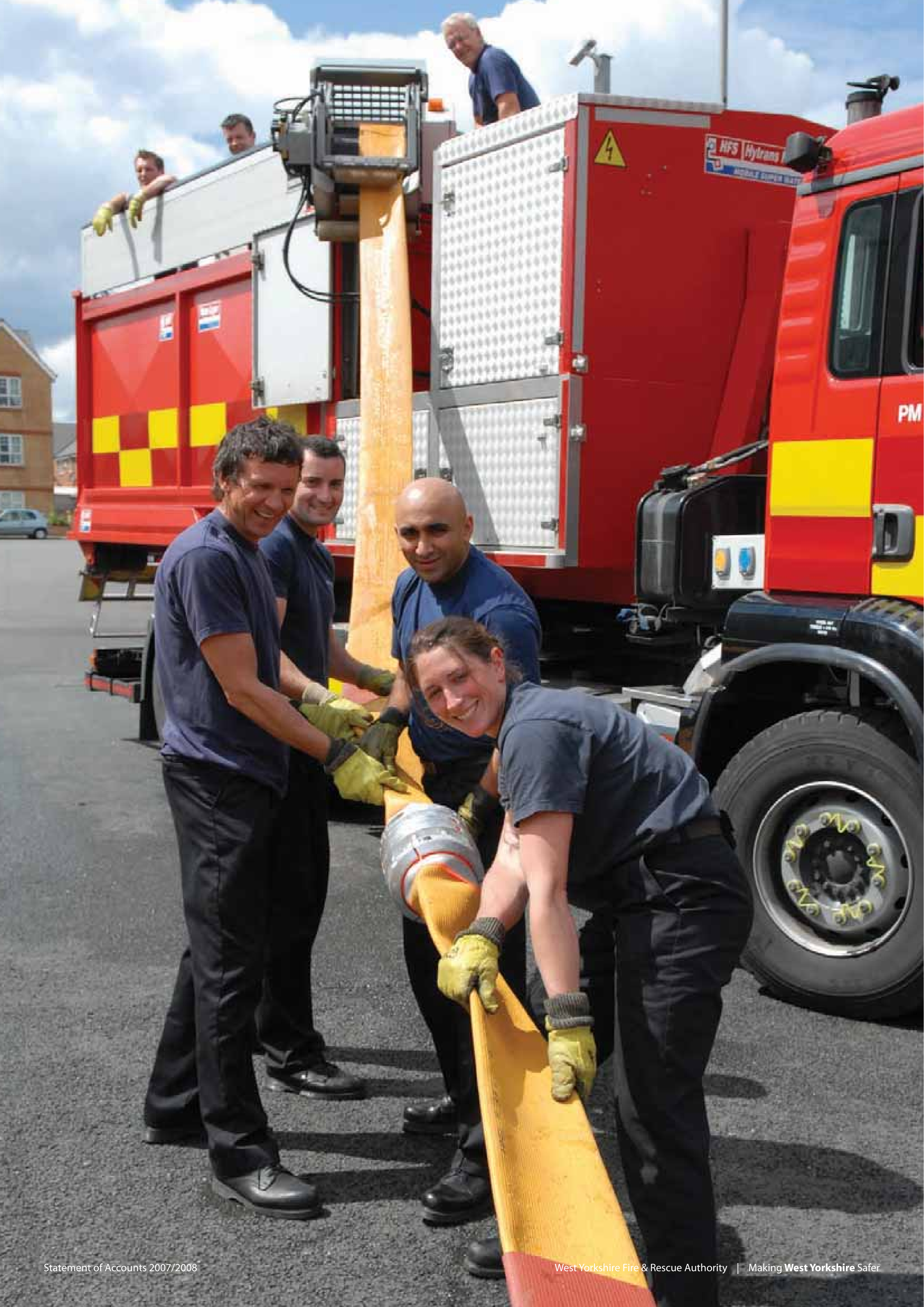


2007/08 Statement of Accounts

West Yorkshire
Fire & Rescue Authority

www.westyorksfire.gov.uk
Making **West Yorkshire** Safer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Contents

Explanatory Foreword

Introduction
I am pleased to introduce the Authority's Statement of Accounts for 2007/2008. These accounts demonstrate the Authority's financial performance for the year ended 31 March 2008, 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.

Form of the Accounts
The statement of accounts is made up of 5 key financial statements all of which are linked and together provide details of the Authority's financial performance for the financial year 2007/2008 along with a summary of the Authority's financial position at 31 March 2008. An explanation of the purpose of each of them is provided below.

- **Income and Expenditure Account**
  The purpose of this statement is to report the net cost of the services provided during the financial year and then to demonstrate how these have been funded from grants from central government and local tax payers.

- **Statement of Movement in General Funs Balance**
  Having established the net cost of service in the income and expenditure account it is adjusted to take account of capital expenditure and retirement benefits which are not actually paid within the year. Having made these adjustments this statement shows the overall impact on the revenue balances of the Authority.

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

- **Balance Sheet**
  The balance sheet summarises the financial position of the Authority at the 31 March 2008. This is done by taking the position at 31 March 2007 and adjusting it for the transactions which are shown in the three previous statements to demonstrate what impact the provision of the service has had on the overall financial position of the Authority.

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

Financial Performance
When the Revenue Budget for 2007/2008 was approved, the Authority was under pressure to keep precept increases to below 5% or face the threat of capping. For the first time in 2006/2007 government had provided provisional details of the 2007/2008 revenue support grant which meant that the Authority had these details available at the beginning of the planning process. The Authority by the careful management of expenditure, and use of balances, delivered a precept increase of 4.7% whilst at the same time funding £0.6m of essential service developments.

Explanatory Foreword

The approved Revenue Budget was as follows:

	£000s
Service Standstill	85,945
Service development bids	632
Efficiency savings	-292
Less use of balances	-800
Budget Requirement	85,485
Funded by -	
Revenue Support Grant	7,695
Non Domestic Rates	45,852
Surplus from Billing Authorities' Collection Funds	276
Precept	31,662
	85,485

In 2007/2008 the Authority underspent compared to its budget by £1.4 million. The underspending largely occurred in two areas, firefighters pensions as a direct result of the low number of ill health retirements during the year, and secondly as a result of an increase in external income both in the form of Government Grants and charges for services. This underspending, coupled with an adjustment to capital financing charges, increased the Authority's General Fund Balances to £6.3 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 2007, the Authority also approved a Capital Budget of £9.5 million for 2007/08. This included a provision of £5m for property schemes including £2.5m for major developments in Leeds, Wakefield and at Fire service Headquarters, actual capital expenditure for the year was £6.8m principally as a result of delays in the three major schemes.

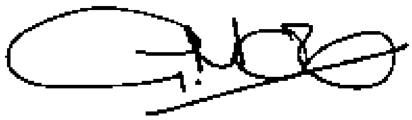
	£000s
Refurbishment of existing properties	2,673
Information Technology and Communications	654
Vehicles	1,684
Operational Equipment	1,812
	6,823

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 2008, excluding those relating to pensions, were £38.4 million, almost all of which related to long-term borrowing. During the year, new loans totalling £9.9 million were taken, with £2.8 million repaid. Short-term borrowing decreased by £2.0 million during the year to £0.3 million.

Explanatory Foreword

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 2008, and its income and expenditure for the year then ended.

G Maren, CPFA

June 2008

Chief Finance Officer

I certify that this Statement of Accounts was approved by the Audit Committee at its meeting on 13 June 2008.

Cllr Philip Booth
Chair, Audit Committee

Annual Governance Statement

1. SCOPE OF RESPONSIBILITY

1.1 The Annual Governance Statement is a formal statement that recognises records and publishes the formal procedures for governance within West Yorkshire Fire Authority and reports on their effectiveness and any significant issues arising. Prior to 2007/2008 the Authority was required to publish along with the Statement of Accounts a statement setting out the arrangements for internal control within the organisation. This has now been extended to cover all areas of governance within the organisation and provides the Authority with the opportunity to consider the robustness of its governance arrangements.

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

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

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

2. CODE OF CORPORATE GOVERNANCE

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

- Openness and inclusivity
- Accountability
- Integrity

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

- The 5 key dimension of service provision are
- Community focus
- Service delivery arrangements
- Structures and processes
- Risk management and internal control
- Standards of conduct

Annual Governance Statement

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

WYFRA Key Dimensions

Community focus

Service Delivery arrangements

Structures and processes

Risk Management and internal control

Standards of conduct

Membership of LAAs for 5 constituent districts

IRMP consultation

IRMP including risk reduction strategy

Three year corporate plan

Best Value Reviews

Performance management framework

Annual improvement plan

Authority Constitution

Authority Committee structure

Standards Committee

Management Structures

Internal audit

Internal control

Business continuity plan

Risk Management Working Group

Staff appraisal and training

Member development and training

Member champions for key areas

Member and Officers code of conduct

Members/Officer relation protocol

External audit and CPA

Publication of audit reports on the internet

CIPFA Solace Fundamental Principles

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

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

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

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

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

Engaging with local people and other stakeholders to ensure robust accountability

Annual Governance Statement

3. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

3.1 The governance framework comprises of the systems and process, and cultures and values, by which the Authority is directed and controlled and its activities through which it accounts to and engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

3.3 The governance framework has been in place at West Yorkshire Fire Authority for the year ending 31 March 2008 and remains in place up to the date of the approval of the statement of accounts.

4. THE GOVERNANCE FRAMEWORK

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

4.1 Strategic Objectives and the Corporate Planning Process

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

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

To deliver this the Authority has established 4 key strategic objectives

- Deliver a professional and resilient emergency response service
- Deliver proactive fire and community safety and well being programme
- Provide a competent skilled, safe and diverse workforce
- Provide effective efficient and economic governance and resource management

These objectives are set out in the Authority's corporate plan which is then cascaded to departmental plans and ultimately station plans. There is an ongoing system of monitoring and reporting achievement of the Authority against its corporate aims. Reports on progress against the corporate plan are considered by each meeting of the Audit Committee and the Management Team. Copies of the plan are distributed to all fire stations and departments of the Authority. In addition it is available on the internet along with copies of the reports on progress against corporate aims.

4.2 **The Internal Control Environment**

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

4.3 **The Constitution**

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

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

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

4.4 **The Committee Structure**

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

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

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

Finance and Resources (12 members)
This committee is responsible for all issues relating the Assets of the Authority. This includes Finance (including recommendation to the Authority in relation to the revenue budget and precepts), Insurance, Buildings land and property, purchasing and supplies and data protection and computer development.

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

In addition the Authority has an Executive Committee of 5 members which deals with any urgent matter and a Standards Committee which was established in accordance with the requirements of the Local Government Act 2000.

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

4.5 Management Structure

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

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

In addition to the normal meeting the meetings of the Management Board the Chief Executive chairs a monthly strategy group to consider wider issues. This meeting is attended by the management board and bi-monthly by the Chair and Vice Chair of the Authority.

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

5. REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Management Board and other senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorate.

Annual Governance Statement

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

The Authority and its Committees
Management review
Internal audit
External bodies

5.1 The Authority and Its Committees

5.1.1 The Audit Committee

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

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

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

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

Best Value

The committee receives reports on all best value reviews carried out by the Authority. These reviews have resulted in significant changes in the establishment of the organisation and contributed to the £10m of efficiency savings the Authority has delivered over the last 3 years.

Risk Management and Business Continuity Planning

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

5.1.2 The Standards Committee

The purpose of the Committee is to promote and maintain high standards of conduct by the Elected and Co opted members of the Authority. The Monitoring Officer monitors and reviews the Authority's Code of Conduct for members as well as considering guidance from the Standards Board on matters relating to the conduct of members. There have been no significant issues in 2007/2008.

Annual Governance Statement

5.1.3 The Full Authority

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

5.2 Management Structures

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

5.2.1 Performance Management

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

5.2.2 Performance Improvement

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

5.2.3 Risk Management and Business Continuity Planning

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

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

5.2.4 Financial Management

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

5.2.5 Integrated Risk Management Planning (IRMP)

The Authority is systematically reviewing the service it provides through out the county through the IRMP process. This process aims to improve community safety and reduce the risk of fires in homes. The process is based on data which identifies the areas of the county at most risk from fire and reviews the level of fire safety provision and fire cover in that area. This process has delivered significant improvements in the level of service and of staffing levels at stations. A fundamental part of the process is community safety which has resulted in the Authority fitting over 56,000 smoke alarms per year in homes throughout the county. The 2007/2008 plan will result in the construction of three new Wholetime fire stations in the Wakefield area to replace 4 existing stations. The process has enabled the Authority to reduce the size of its fleet of special appliances and transfer the staffing resources into fire safety.

5.2.6 Human Resources

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

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

The Authority's track record in Equality and Diversity is demonstrated by a recent audit which confirmed level 3 for the Equality Standard for Local Government, work is now in progress to achieve level 4 later this year and our position in Stonewall being the highest ranking West Yorkshire local authority and one of only two FRAs to achieve a top 100 position.

5.2.7 Internal Audit

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

The majority of the work of internal audit related to a review of key financial systems and processes plus a review of a broad range of business and governance controls. The Annual Report of Internal Audit was presented to the Audit Committee in April 2008 and concluded that audit work during the year provided assurance that there were no major concerns regarding the Authority's control environment and that key controls were effective and robust. Copies of this report along with the quarterly activity report can be found on the Authority's web site.

5.4 External review

The Principal Body for external review of the organisation is the Audit Commission which in addition to carrying out the audit of accounts also carried out the comprehensive performance assessment review of the Authority. The Authority received an unqualified opinion on the statement of accounts in 2006/2007 and anticipates a similar outcome to the current financial year.
In terms of CPA the Authority received excellent results including the highest score of level 4 in both operational assessment and use of resources. The audit commission also assessed the Authority as good in its assessment of its direction of travel.

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

We have been advised on the implications of the results of the review of effectiveness of the governance framework by the Audit Committee and plan to address the weaknesses and ensure continuous improvements of the system is in place.

Annual Governance Statement

6. SIGNIFICANT GOVERNANCE ISSUES

As part of the review of governance arrangements the following issues have been identified

- Standards Committee – the Authority has approved a revised structure for its standards committee increasing the size from 5 to 9 members to enable it to meet the new procedural requirements. The Authority needs to fill vacancies for
- independent members and provide suitable training to all members of the committee to ensure it can fulfil its wider remit.
- Environmental Footprint – the Authority has a responsibility to safeguard the environment and to protect both the community and the natural environment we serve. The Authority needs to ensure that it has the correct policies and procedures in place to fulfil this responsibility.
- Comprehensive Area Assessment – The change in emphasis of CAA to area based performance provides the Authority with a significant challenge if it is to maintain its high performance. The Authority needs to ensure that it is engaging with the five district Councils at the right levels and contributing towards the wider wellbeing of the area as a whole via the LAA's.

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

Signed

Philip Toase
Chief Fire Officer / Chief Executive 27 June 2008

Signed

Cllr Philip Booth
Chair, West Yorkshire Fire & Rescue Authority 27 June 2008

Signed

Geoffrey Maren
Chief Finance Officer 27 June 2008

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 2007. 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.

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading losses over the life of the replacement loan and gains over a similar period up to a maximum of ten years. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

<u>Financial Assets</u>
Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

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

Statement of Accounting Policies

The Authority has no Available-for-Sale Assets.

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

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.

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.

Statement of Accounting Policies

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 2007/08 accounts, a rate of 6.1% has been used, based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities.

Statement of Accounting Policies

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.

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

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

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

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.

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.

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.

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

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.

2006/07			2007/08		
Net Gross		Gross	Net		
Expenditure		Expenditure	Income	Expenditure	
£000s		£000s	£000s	£000s	Notes
6,645	Community Fire Safety	7,958	-1,568	6,390	
79,638	Firefighting & Rescue Operations	81,591	-2,372	79,219	
350	Fire Service Emergency Planning and Civil Defence	948	-322	626	
389	Corporate and Democratic Core	465	-23	442	
148	Non Distributed Costs	597	0	597	
87,170	Net Cost of Services	91,559	-4,285	87,274	
1,578	Interest payable or similar charges			1,774	
-153	Interest income			-344	
41,737	Pensions interest cost and expected return on pensions assets			45,569	*Note 25*
130,332	**Net Operating Expenditure**			134,273	
-8,454	Revenue Support Grant			-7,695	
-43,669	Contribution from Non-Domestic Rate Pool			-45,852	
-29,863	Precepts			-31,662	*Note 8*
-314	Surplus from Billing Authorities' Collection Funds			-276	*Note 7*
48,032	**Deficit for the year**			48,788	

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.

2006/07 £000s		2007/08 £000s
-48,032	Deficit for the year on the Income and Expenditure Account by statutory and proper practices	-48,788
49,443	Net additional amount required to be credited to the General Fund Balance for the year (detailed below)	49,939
1,411	**Increase in General Fund Balance for the Year**	1,151
3,784	General Fund Balance brought forward	5,195
5,195	**General Fund Balance carried forward**	6,346

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.

2006/07 £000s		2007/08 £000s
	Items required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
4,251	Depreciation and impairment	4,643
-779	Grants deferred amortisation	964
2,009	Deferred charges write down	-556
0	Net loss on sale of fixed assets	-9
0	Premium Adjustments	-1
71,184	Net charges made for retirement benefits in accordance with FRS17	74,124
76,665		79,165
	Items required by statute to be included when determining the Movement on the General Fund Balance for the year	
-1,251	Statutory provision for the repayment of debt	-1,481
-24,470	Employer's contributions payable to the Pensions Account	-26,730
-25,721		
	Transfers to or from the General Fund Balance	
-1,501	Voluntary Revenue Provision for the repayment of debt	-1,015
0	Net transfer to/from Earmarked Reserves	
-1,501		
49,443	**Net additional amount required to be credited to the General Fund Balance for the Year**	49,939

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.

2006/07 £000s		2007/08 £000s	Notes
48,032	Deficit on the Income and Expenditure Account for the year	48,788	
1,572	Loss arising on revaluation of fixed assets	-233	
-52,756	Actuarial gains/losses(-) on pension fund assets and liabilities	-144,833	*Note 24*
0	Exceptional loss arising from the introduction of accounting for financial instruments	1,201	
-3,152	**Total recognised gains(-) and losses for the year**	-95,077	

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 2007			31 March 2008		
£000s	£000s		£000s	£000s	Notes
Original	Restated				
		Fixed Assets			*Notes 9-13*
561	561	Intangible Assets		554	
		Tangible Assets			
86,505	86,505	Operational		87,940	
8,062	8,062	Non-operational		7,352	
1,366	1,366	Deferred Premiums		0	*Note 16*
96,494	96,494	**Total Long Term Assets**		95,846	
		Current Assets			
439	439	Stocks	436		
3,406	3,406	Debtors & Prepayments	2,812		
600	600	Investments	0		
1,700	1,700	Cash in Hand and Bank	4,174	7,422	
102,639	101,639			103,268	
		Current Liabilities			
-2,392	-2,392	Short Term Borrowing	-326		*Note 17*
-5,600	-5,600	Creditors	-3,447		
-377	-377	Bank Overdraft	-181		-3,954
94,270	94,270	**Total Assets Less Current Liabilities**		99,314	
-30,245	-30,245	Long Term Borrowing		-37,857	*Note 17*
-617	-617	Deferred Liabilities		-528	
-117	-117	Deferred Discounts		0	
-852,623	-852,623	Net Liability related to Defined Benefit Pension Scheme	-755,184	*Note 25*	
-789,332	-789,332	**Total Assets Less Liabilities**		-694,255	
66,368	0	Fixed Asset Restatement Account		0	
-8,272	0	Capital Financing Account		0	
0	58,096	Capital Adjustment Account		55,784	
0	0	Financial Instruments Adjustment Account		-1,201	
-852,623	-852,623	FRS17 Pensions Reserve		-755,184	*Note 24*
5,195	5,195	General Fund Balance		6,346	
-789,332	-789,332	**Net Worth**		-694,255	

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.

2006/07 £000s		2007/08 £000s	Notes
	Revenue Activities		
	Cash Outflows		
-64,130	Cash paid to and on behalf of employees	-67,144	
-17,086	Other operating cash payments	-18,796	
-81,216	**Total Payments**	-85,940	
	Cash Inflows		
29,863	Precepts	31,662	
313	Surplus from Billing Authorities' Collection Funds	276	
8,454	Revenue Support Grant	7,695	
43,669	NNDR from National Pool	45,852	
902	Government grants	3,172	*Note 26*
609	Cash received for goods and services	451	
1,101	Other operating cash receipts	1,152	
84,911	**Total Receipts**	90,260	
3,695	**Net Cash Inflow from Revenue Activities**	4,320	*Note 27*
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
-1,391	Interest paid	-2187	
-36	Interest element of finance lease rental	-51	
	Cash Inflows		
157	Interest received	344	
-1,270	**Net Cash Outflow from Investments and Servicing of Finance**	-1,894	

Cash Flow Statement

2006/07 £000s		2007/08 £000s	Notes
	Capital Activities		
	Cash Outflows		
-9,823	Purchase of fixed assets	-6,558	
-55	Premiums on early repayment of loans	0	
	Cash Inflows		
813	Sale of fixed assets	565	
616	Capital Grants	578	
119	Discounts on early repayment of loans	1	
-8,330	**Net Cash Outflow from Capital Activities**	-5,414	
-5,905	**Net Cash Outflow before Financing**	-2,988	*Note 28*
	Management of Liquid Resources		
1,900	**Net increase(-)/decrease in short term deposits**	600	*Note 30*
	Financing		
	Cash Outflows		
-15,293	Repayments of long term loans	-2,863	
-84	Capital Element of Finance Lease	-89	
-1,650	Net increase(-)/decrease in temporary loans	-1,950	
	Cash Inflows		
21,802	New long term loans	9,960	
4,775	**Net Cash Inflow from Financing**	5,058	*Note 29*
770	**Increase/Decrease(-) in Cash**	2,670	*Note 31*

Notes to the Main Financial Statements

1. 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.

2006/07 £000s		2007/08 £000s
59	Staff Advertising	115
7	General Advertising	10
33	Publicity - Fire Safety	43
99	Total	168

2. 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:

2006/07			2007/08	
Expenditure £000s	Income £000s		Expenditure £000s	Income £000s
165	187	Administrative, professional or technical services	358	376

3. Members' Allowances

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

2006/07 £000s		2007/08 £000s
130	Total amount of members' allowances paid	148

Notes to the Main Financial Statements

4. Remuneration of Employees

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

Number of Employees 2006/07	Remuneration Band (£)	Number of Employees 2007/08
14	50,000 - 59,999	18
2	60,000 - 69,999	1
3	70,000 - 79,999	3
1	80,000 - 89,999	2
1	90,000 - 99,999	0
1	100,000 - 109,999	0
1	110,000 - 119,999	3
1	120,000 - 129,999	0
0	130,000 - 139,999	1
1	140,000 - 149,999	0
0	150,000 – 159,999	1

5. 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:

2006/07 £000s		2007/08 £000s
193	Financial Support Services	203
77	Cleaning Services	88
58	Property Repairs	50
14	Refuse Collection	17
24	Other Services	32
366	Total	390

Notes to the Main Financial Statements

6. Disclosure of Audit Costs

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

2006/07 £000s		2007/08 £000s
54	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	70
0	Fees payable to the Audit Commission for the certification of grant claims	0
54	Total	70

7. 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 £0.276 million taken into the accounts in 2007/08 relates to the Authority's share of the billing authorities' estimated Collection Funds' surpluses for 2006/07. Any difference between the estimate and the actual for 2006/07 has been taken into account in the estimate for 2008/09.

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.

8. Summary of Precepts Receivable

2006/07 £000s		2007/08 £000s
6,436	Bradford	6,869
2,842	Calderdale	3,010
5,609	Kirklees	5,969
10,467	Leeds	11,049
4,509	Wakefield	4,765
29,863	Total	31,662

Notes to the Main Financial Statements

9. Summary of Capital Expenditure and Sources of Finance

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

2006/07		2007/08
£000s		£000s
	Capital Expenditure	
8,523	Fixed Assets	5,858
1,065	Deferred Charges	965
9,588		6,823
	Sources of Finance	
8,497	Borrowing	5,690
813	Capital receipts	565
278	Capital Grants	568
9,588		6,823

As at 31 March 2008, the Authority had no major contractual commitments in excess of £100,000.

10. 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.

Notes to the Main Financial Statements

11. Movement in Tangible Fixed Assets 2007/08

	Operational Assets		Non-Operational Assets		
	Land & Buildings	Vehicles, Plant & Equipment	Assets under Constructions	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s
Cost or Valuation					
1 April 2007	82,304	17,140	706	7,934	108,083
Adjustments			-299	299	
Additions	2,290	2,948	226		5,465
Adjustments		445	-407		37
Disposals		-303		-347	-650
31 March 2008	84,594	20,230	226	7,886	112,935
Depreciation & Impairment					
1 April 2007	4,455	8,484	0	578	13,516
Charge for year	1,893	2,333		192	4,418
Adjustments					
Disposals		-281		-10	-291
31 March 2008	6,348	10,536	0	760	17,643
Net Book Value					
1 April 2007	77,849	8,656	706	7,356	94,567
31 March 2008	78,246	9,694	226	7,126	95,292

Notes to the Main Financial Statements

12. Movement in Intangible Assets 2007/08

	Software Licences £000s
Cost or Valuation	
1 April 2007	790
Additions	218
Disposals	
31 March 2008	1,008
Depreciation & Impairment	
1 April 2007	229
Charge for year	225
Disposals	
31 March 2008	454
Net Book Value	
1 April 2007	561
31 March 2008	554

13. Information on Assets

The Authority owned the following operational fixed assets:

31 March 2007		31 March 2008
	Buildings	
1	Headquarters	1
1	Training Centre	1
1	Mobilising and Control Centre	1
1	Workshop	1
48	Fire Stations	47
1	Houses	1
	Vehicles	
71	Pumping and Special Appliances	81
25	Cars and Vans	15

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.

Notes to the Main Financial Statements

14. Deferred Charges

The Authority is treating expenditure on the supply and fitting of smoke alarms as a deferred charge.

2006/07 £000s		2007/08 £000s
0	Balance as at 1 April 2007	0
944	Adjustment	0
1,065	Expenditure in year	964
	Grant received	-556
-2,009	Amounts written off during the year	-408
0	Balance as at 31 March 2008	0

15. Finance and Operating Leases

The Authority has acquired certain fire appliances under finance leases. The rental payable in 2007/08 was £0.122 million (2006/07 £0.123 million), with £0.034 million finance costs charged to the Income and Expenditure Account and £0.089 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:

2006/07 £000s		2007/08 £000s
	Cost or Valuation	
952	1 April 2007	920
-32	Disposals	0
920	31 March 2008	920
	Depreciation	
216	1 April 2007	276
92	Charge for year	80
-32	Disposals	0
276	31 March 2008	356
	Net Book Value	
736	1 April 2007	644
644	31 March 2008	564

Notes to the Main Financial Statements

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2008 are as follows:

	£000s
Obligations payable in 2008/09	95
Obligations payable between 2009/10 to 2012/13	433
Obligations payable 2013/14 onwards	0
Total liability at 31 March 2008	528

The Authority also uses vehicles financed under terms of an operating lease. The amount paid under these arrangements in 2007/08 was £0.855 million (2006/07 £0.784 million). The Authority is committed at 31 March 2008 to making payments of £0.609 million in 2008/09, comprising the following elements:

	£000s
Leases expiring in 2008/09	107
Leases expiring between 2009/10 to 2012/13	502
Leases expiring 2013/14 onwards	0
	609

In addition, rental income of £0.197 million was received in 2007/08 (2006/07 £0.203 million), mainly from the leasing of space on telephone masts and other structures to telecommunication companies.

16. 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.

Notes to the Main Financial Statements

17. Borrowing

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

31 March 2007 £000s		31 March 2008 £000s
	Analysis of loans by type	
28,687	Public Works Loan Board	35,783
1,950	Other Local Authorities	
2,000	Banks and other financial institutions	2,000
32,637	Total Borrowing	37,783
	Analysis of loans by maturity	
	Long Term Borrowing	
404	Between 1 and 2 years	246
938	Between 2 and 5 years	1,724
1,563	Between 5 and 10 years	1,199
1,445	Between 10 and 15 years	918
23,895	More than 15 years	31,744
2,000	LOBOS	2,026
30,245	Total Long Term Borrowing	37,857
	Short Term Borrowing	
442	Long term borrowing with less than 12 months to mature	326
1,950	Temporary loans	
2,392	Total Short Term Borrowing	326
32,637	Total Borrowing	38,183

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.

18. 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.

Notes to the Main Financial Statements

19. Summary of Movement on Reserves

1 April 2007 £000s		Net Movement in Year £000s	31 March 2008 £000s	Main Purpose of Reserve
58,096	Capital Adjustment Account	-2,312	55,784	Stores of capital resources aside to meet past expenditure
0	Revaluation Reserve	0	0	A reserve which holds the gains and losses on the revaluation of assets
0	Financial Instruments Adjustment Account	-1201	-1,201	Shows the gains or losses on the value of financial instruments
-852,623	FRS17 Pensions Reserve	96,473	-756,150	Balancing account to allow inclusion of Pensions Liability in Balance Sheet – Note 25
5,195	General Fund Balance	1,151	6,346	Resources available to meet future running costs for General Fund services – see Movement on the General Fund Balance
-789,332		95,361	-695,221	

Notes to the Main Financial Statements

20. Revaluation Reserve

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

2006/07 £000s		2007/08 £000s
0	Balance as at 1 April	0
0	Balance as at 31 March	0

21. Capital Adjustment Account

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve. The revaluation Reserve replaces the Fixed Asset Restatement Account [FARA]. The credit balance of £66.368m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£8.272m credit balance) to form the new Capital Adjustment Account with a balance of £58.095m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007. The balance is not available to meet expenditure whether it is revenue or capital.

2006/7 £000	**Restated 2006/7** £000		**2007/8** £000
8,272		Capital Financing Account	0
-66,367		Fixed Asset Restatement Reserve	0
-58,095		Transferred to Capital Adjustment Account 1/4/08	
		Balances as at 1 April	-58,095
		Amount Charged as Depreciation	4,643
		Minimum Revenue Provision	-1,481
		Voluntary set aside from revenue in excess of MRP	-1,015
		Capital Receipts Applied	-565
		Write down of deferred charges	408
		Disposal of Assets	555
		Write down of asset disposal gains	-234
-58,095	-58,095	Balance as at 31 March 2008	-55,784

Notes to the Main Financial Statements

22. Usable Capital Receipts Reserve

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

2006/07 £000s		2007/08 £000s
0	Balance as at 1 April	0
813	Capital Receipts in Year	564
-813	Financing of Capital	-564
0	Balance as at 31 March	0

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.

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 £0.703 million.

24. 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)

Notes to the Main Financial Statements

2007/08

	FPS £000s	NFPS £000s	FCS £000s	LGPS £000s	Total £000s
Balance as at 1 April	-829,340	-200	-14,580	-8,503	-852,623
Injury Awards liability as at 1 April					
	-829,340	-200	-14,580	-8,503	-852,623
Pension cost payable to Pension Fund	24,610		1,030	1,090	26,730
Actuarial gain/ loss (-)	150,400	-580	-400	-4,587	144,833
Reversal of FRS17 entries	-70,820	-990	-760	-1,554	-74,124
Balance as at 31 March	-725,150	-1,770	-14,710	-13,554	-755,184

2006/07

	FPS £000s	NFPS £000s	FCS £000s	LGPS £000s	Total £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

Included within the actuarial gain is an adjustment of £11.0m resulting from an adjustment to prior years gross pensionable pay.

Notes to the Main Financial Statements

25. 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:

			2007/08		
	FPS	NFPS	FCS	LGPS	Total
	£000s	£000s	£000s	£000s	£000s
Current Service Cost	26,000	950	0	1,200	28,150
Past Service Cost/ Gain (-)	0	0	0	405	405
Curtailment	0	0	0		0
Interest Cost	44,820	40	760	2,249	47,869
Expected Return on Assets	0	0	0	-2,300	-2,300
Movement on Pensions Reserve	-46210	-990	270	-464	-47,394
Employer's contributions paid to schemes	24,610	0	1,030	1,090	26,730

			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

Notes to the Main Financial Statements

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

	2007/08				
	FPS £000s	NFPS £000s	FCS £000s	LGPS £000s	Total £000s
Estimated liabilities in schemes	-725,150	-1,770	-14,710	-45,959	-787,589
Estimated assets in schemes				32,405	32,405
Net liability	-725,150	-1,770	-14,710	-13,554	-755,184

	2006/07				
	FPS £000s	NFPS £000s	FCS £000s	LGPS £000s	Total £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

The liabilities show the underlying commitments that the Authority has in the long-term to pay retirement benefits. The total liability of £755.1 million has a substantial impact on the net worth of the Authority, resulting in a negative overall balance of £694.2 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	
	2006/07	2007/08	2006/07	2007/08
	%	%	%	%
Rate of inflation	3.4	3.7	3.1	3.6
Rate of increase in salaries	4.9	5.2	4.85	5.35
Rate of increase in pensions	3.4	3.7	3.1	3.6
Rate for discounting scheme liabilities	5.4	6.9	5.4	6.1

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 2007 Category	31 March 2007 Expected Return	31 March 2008 Category	31 March 2008 Expected Return
	%	%	%	%
Equity investments	73.6	7.5	71.7	7.5
Government bonds	7.3	4.7	9.3	4.6
Other bonds	4.1	5.4	4.1	6.1
Property	5.3	6.5	5.1	6.5
Cash/ Liquidity	5.2	5.25	3.6	5.25
Other	4.5	7.5	6.2	7.5
	100		100	

Actuarial Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities: -

Local Government Pension Scheme

	31/03/2004 £000s	31/03/2004 %	31/03/2005 £000s	31/03/2005 %	31/03/2006 £000s	31/03/2006 %	31/03/2007 £000s	31/03/2007 %	31/03/2008 £000s	31/03/2008 %
Difference between the expected and actual return on assets	2,827	13.1	1,297	5.3	4,431	14.6	359	1.1	2,428	7.5
Differences between actuarial assumptions about liabilities and actual experience	0	0	-1,608	-4.6	-949	-2.3	0	0	281	0.6
Changes in assumptions underlying the present value of pension liabilities	0	0	-6,155	-17.4	-3,368	-8.2	2,197	5.3	1,878	4.1
	2,827	13.1	-6,466	-18.3	114	-0.3	2,556	6.2	4,587	12.2

Notes to the Main Financial Statements

1992 Firefighters' Pension Scheme

	31/03/2004		31/03/2005		31/03/2006		31/03/2007		31/03/2008	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Differences between actuarial assumptions about liabilities and actual experience	-11,090	-2.2	1,380	0.2	-2,120	-0.2	-860	-0.1	5,000	0.7
Changes in assumptions underlying the present value of pension liabilities	-73,990	-14.4	-150,680	-21.8	-118,520	-14.0	51,060	6.2	145,500	20.0
	-85,080	-16.6	-149,300	-21.6	-120,640	-14.2	50,200	6.1	150,400	20.7

2006 (New) Firefighters' Pension Scheme

	31/03/2004		31/03/2005		31/03/2006		31/03/2007		31/03/2008	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Differences between actuarial assumptions about liabilities and actual experience	-		-		-		50	25.0	-1,320	-74.6
Changes in assumptions underlying the present value of pension liabilities	-		-		-		20	10.0	740	41.8
							70	35.0	-580	-32.8

Notes to the Main Financial Statements

	Firefighters' Compensation Scheme									
	31/03/2004		31/03/2005		31/03/2006		31/03/2007		31/03/2008	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Differences between actuarial assumptions about liabilities and actual experience	-		-		-		-580	-4.0	-990	-6.7
Changes in assumptions underlying the present value of pension liabilities	-		-		-		510	3.5	590	4
							-70	-0.5	-400	2.7

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.

26. Analysis of Government Grants Received

2006/07 £000s		2007/08 £000s
72	Arson Reduction	0
-10	Civil Defence	0
395	Community Fire Safety	367
0	Innovation Funding	0
0	National Co-ordination Centre	560
167	New Dimension Programme	1,713
24	Operations Funding	0
254	Regional Control Centre	532
902		3,172

Notes to the Main Financial Statements

27. 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.

2006/07 £000s		2007/08 £000s
-48,032	Deficit for the year	-48,788
1,270	Interest	1,791
	Non-Cash transactions	
71,184	Net charges made for retirement benefits in accordance with FRS17	74,124
-24,470	Employers' contributions payable to the Pensions Account	-26,730
4,251	Depreciation and impairment	4,643
1,230	Deferred Charges Write Down	408
0	Grants deferred amortisation	0
59	Premiums	48
5,492		5,496
	Items on an accruals basis	
-10	Increase in Stock	3
-779	Increase in Revenue Debtors	16
-1,008	Increase/Decrease(-) in Revenue Creditors	-1,195
3,695	Net cash inflow from revenue activities	4,320

Notes to the Main Financial Statements

28. Reconciliation of Net Cashflow to Movement in Net Debt

2006/07 £000s		2007/08 £000s
770	Decrease in cash in the period	2,670
-1,900	Cash used to reduced resources	-600
16,943	Cash used to repay debt	4,813
84	Cash used to repay leasing obligations	89
-21,802	New loans	-9,959
-5,905	Change in net debt	-2,987
-25,426	Net debt as at beginning of period	-31,331
-31,331	Net debt as at end of period	-34,318

Change 2006/07 £000s		1 April 2007 £000s	31 March 2008 £000s	Change 2007/08 £000s
1,147	Cash in Hand and Bank	1,700	4,174	2,474
-377	Bank Overdraft	-377	-181	196
-6,988	Long Term Borrowing	-30,245	-37457	-7,212
2,129	Short Term Borrowing	-2,392	-326	2,066
84	Deferred Liabilities	-617	-528	89
-1,900	Investments	600	0	-600
-5,905		-31,331	-34,318	-2,987

29. Analysis of Changes in Financing

Change 2006/07 £000s		1 April 2007 £000s	31 March 2008 £000s	Change 2007/08 £000s
-6,988	Long Term Borrowing	-30,245	-37,457	-7,212
	Short Term Borrowing: -			
479	Long term loans with less than 12 months to maturity	-442	-327	115
1,650	Temporary loans	-1,950	0	1950
84	Deferred Liability	-617	-528	89
-4,775		-33,254	-38,312	-5,058

Notes to the Main Financial Statements

30. Liquid Resources

As at 31 March 2008, there were no short term investments held. (£0.600 million at 31 March 2007)

31. Analysis of Changes in Cash

Change 2006/07 £000s		1 April 2007 £000s	31 March 2008 £000s	Change 2007/08 £000s
1,147	Cash in Hand and Bank	1,700	4,174	2,474
-377	Bank Overdraft	-377	-181	196
770		1,323	3,993	2,670

32. Regional Management Board (RMB)

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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 2007/08 and all RMB - related transactions appear within the accounts of the individual constituent Authority. The cost to West Yorkshire FRA in 2007/2008 totalled £0.080m. A set of memorandum accounts have been prepared for the Board, bringing together qualifying income and expenditure on RMB activities. These are available separately.

33. Disclosure of nature and extent of risks arising from financial instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and other financial market movements.

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

Notes to the Main Financial Statements

34. Financial Instrument Balances

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

	Long-term 31 March 2008 £000s	**Current** 31 March 2008 £000s
Financial liabilities at amortised cost	37,857	326
Total borrowings	37,857	326
Loans and receivables	0	0
Total investments	0	0

35. Financial Instrument gains and losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities measured at amortised cost	Financial Assets		Total
		Loans and receivables	Available-for-sale assets	
	£000s	£000s	£000s	£000s
Interest expense	-1,691	0	0	-1,691
Loss on derecognition*	-1,249	0	0	-1,249
Interest payable and similar charges	-2,940	0	0	-2,940
Interest income	0	242	0	242
Interest and investment income	0	242	0	242
Gains/losses	**-2,940**	**242**	**0**	**-2,698**

* One-off loss arising on derecognition of all premiums and discounts from the Balance sheet on the introduction of FRS 26.

Notes to the Main Financial Statements

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

Financial liabilities and assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Interest rates used for long term loans at 31 March are those quoted by the Public Works Loan Board for the early repayment of loans.

- No early repayment or impairment is recognised

The fair values calculated are as follows:

	31 March 2008	
	Carrying amount	Fair value
	£000s	£000s
Financial liabilities	37,857	40,052
Loans and receivables	0	0

The fair value for financial liabilities is more than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount the authority would have to pay if the lender requested or agreed to early repayment of the loans.

Short-term trade receivables and payables are excluded from the note as it is believed the carrying amount will be a reasonable approximation of fair value.

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

In respect of trade debtors wherever possible the Authority has a policy of charging although in practice this is limited to the provision of training. The majority of debtor income is from charges for the provision of special services such as lift rescues. In these cases it is not possible to invoice in advance or indeed carry out credit checks prior to the provision of the service. The total value of trade debtors at 31 March 2008 is £0.26m

The authority has minimal exposure to credit risk on its short-term cash deposits (£1.6m as at 31 March 2008). This is based on the type of deposit (instant access deposit accounts held with banks) and the experience of default over the last five financial years as calculated by the credit rating agencies.

No credit limits were exceeded during the reporting period.

Of the trade debtor balance above, £0.127m is past its due date for payment (£0.017m over six months, £0.015 over one year).

Liquidity risk
As well as keeping much of its investments in instant access deposit accounts, the authority currently has ready access to borrowings from the Public Works Loan Board. Because of this, there is no significant risk that it will be unable to raise finance to meet its commitments. Instead, the risk is that the authority will be bound to replenish its borrowings at less favourable rates or, alternatively, liquidate its investments at more favourable rates. The strategy is to ensure that the loan repayment profile is even with no large concentration of loans due to mature in any one year. As at 31 March 2008, the largest amount of loans maturing in any one year (as a percentage of all loans) was 7%. The maturity analysis of financial liabilities are shown in *Note 18.*.

All trade debtors are due to be paid in less than 21 days.

Market risk
The authority is exposed to significant risk in terms of its exposure to interest rate movements. This relates primarily on borrowing as investment activity is relatively small. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure account will rise
- Borrowings at fixed rates – the fair value of the liabilities will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure account or STRGL. Changes in interest payable on variable rate borrowings will be posted to the Income and Expenditure Account and effect the General Fund Balance £ for £.

Notes to the Main Financial Statements

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

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

According to this assessment strategy, at 31 March 2008, if interest rates had been 1% higher with all other variables held constant, there would be no material impact on Income and Expenditure account or STRGL. This is due to there being no variable rate borrowing and only small amounts of investments. However, the fair value of fixed rate borrowing would have decreased by approximately £0.075m. The impact of a 1% fall in interest rates would be similar, but with the movements being reversed.

The authority does not invest in equity is not therefore exposed to losses arising from movements in the prices of shares. The authority has no financial assets or liabilities denominated in foreign currencies, and thus has no exposure to loss arising from movements in exchange rates.

Firefighters' Pension Fund

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

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

The Pension Fund statements have been compiled in accordance with the 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		2007/08	
£000s		£000s	£000s
	Contributions receivable		
	From employer		
-8,978	Normal	-9,542	
-262	Ill Health retirements	-128	
-5,249	From members	-5,034	
			-14704
	Transfers in		
-275	Individual transfers in from other schemes		-375
	Benefits payable		
18,429	Pensions		19,394
4,024	Lump sum retirement benefits		6,351
	Payments to and on account leavers		
233	Individual transfers out to other schemes		
7,922	**Sub-total: Net amount payable for the year**		10,666
-7,922	Top-up grant receivable from sponsoring department		-10,666
0	**Net amount receivable for the year**		0

Net Assets Statement

31 Mar 2007		31 Mar 2008
£000s		£000s
	Net current assets and liabilities	
1,309	Pension top-up grant receivable from sponsoring department	3,525
2	Transfers in from other schemes net receivable	
	Employee paid but not due	176
	Pension payments due but not paid	-447
-73	Unpaid pension benefits	-737
-1,238	Cash overdrawn	-2,517
0	**Net assets of the scheme**	0

Firefighters' Pension Fund

Accounting Policies

The principal accounting policies are as follows:

Accruals
The accounts have been prepared on an accruals basis.

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

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

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

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

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

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

Glossary of Terms

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

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

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

Capital 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.

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

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

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

Deferred Liabilities
These represent the outstanding obligations on finance leases.

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

Glossary of Terms

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

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

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

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

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

Glossary of Terms

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.

Related Parties
Two or more parties are related parties when at any time during a financial period:
one party has direct or indirect control of the other party; or
the parties are subject to common control from the same source; or
one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests

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

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

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

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

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 2008 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, Statement of Movement on the General Fund Balance, 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 2007 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 2007:

- 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 Annual Governance Statement reflects compliance with CIPFA/SOLACE's framework 'Delivering Good Governance in Local Government'. 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 Annual Governance Statement 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.

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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 2007, the financial position of the Authority as at 31 March 2008 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 2007, the financial transactions of the Fire-fighters' pension fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, 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

19 September 2008

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 2008.

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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 2007. 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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19 September 2008

Should you require this document in an alternative format or language please telephone 01274 682 311

West Yorkshire
Fire & Rescue Authority

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Making **West Yorkshire** Safer