West Yorkshire Fire & Rescue Service

STATEMENT OF ACCOUNTS
2008/2009

G Maren CPFA
Chief Finance Officer

Date Issued: 19 June 2009

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EXPLANATORY FOREWORD

Introduction

I am pleased to introduce the Authority's Statement of Accounts for 2008/2009. These accounts demonstrate the financial performance for the year and the financial position at the end of the year for West Yorkshire Fire and Rescue Authority.
Where possible, to facilitate understanding, technical accounting terms have been explained either in the main text or in the glossary at the back of this publication.

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

Statement of Responsibilities

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

The Annual Governance Statement

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

Main Financial Statements

There are 5 key financial statements which make up the statement of accounts all of which are linked and together provide details of the Authority's financial performance for the financial year 2009/2008 along with a summary of the Authority's financial position at 31 March 2009. An explanation of the purpose of each of them is provided below.

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

- **Statement of Movement in General Fund Balance**
  Having established the net cost of service in the income and expenditure account, this 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 and reports on the major gains and losses.

- **Balance Sheet**
  The balance sheet summarises the financial position of the Authority at the 31 March 2009 and compares it with the position at 31 March 2008. The balance sheet is prepared by taking the position at 31 March 2008 and adjusting it for the transactions which are shown in the previous three statements. The difference between this balance sheet and the previous three statements is that it shows the financial position on the 31 March rather than summarising the transactions that have taken place during the year.

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

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

Impact of the Economic Climate

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

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

- Property values - In terms of property, the Authority values its properties every 5 years with the next full valuation due in April 2010. However because of the scale of the fall in property values the Authority commissioned the District Valuer to review the current value of all its property to ensure that they are not overstated on the 2008/2009 balance sheet. The impact of this exercise has been an average fall of 10% in the Authority's property values resulting in a fall in value of £9m. The Authority will still commission a full valuation of all its properties as at 1 April 2010.

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

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

EXPLANATORY FOREWORD

Accounting Changes

In recent years the Chartered Institute of Public Finance and Accountancy (CIPFA) has been updating local authority accounting practice to comply with generally accepted accounting practices in the private and other sectors. The major change for 2008/2009 related to the treatment of investments in Icelandic Banks, as this Authority did not have any such investments the accounts are not affected by this change.

Accounting guidelines for 2008/09, allow an alternative balance sheet presentation for accrued interest on loans and investments. For 2007/08, interest had to be shown as part of the carrying value of the loan or investment, but there is now the option of showing the interest under current assets or liabilities. The Authority believes the latter is a more meaningful method of presentation and has therefore adopted this from 2008/09 onwards. Notes in the accounts further explain the effect of this.

Review of 2008/2009

2008/2009 has been another good year for West Yorkshire Fire and Rescue Authority which has seen the completion of over 60,000 home fire safety checks and reduction in the number of accidental fires, deaths and injuries ahead of target. The results of the 2007/2008 Comprehensive Performance Assessment Process saw the Authority achieve the highest level in both use of resources and operational assessment and a good rating in the direction of travel assessment.

In financial terms 2008/2009 was the first year of a three year financial settlement by Central Government which provided a grant increase of 3.2% in 2008/2009 and provisional notification that grant would increase by a further 2% in each of the following 2 years. The Authority approved a Net Revenue Budget of £89.6m which after the use of £0.9m revenue balances delivered a precept increase of 3.9% a cash increase of £1.89 per year at band d. The budget included £1.1m of new investment principally in Fire Safety and included the extension of the Arson Task Force into all the districts in West Yorkshire and the mainstreaming of the High Risk Reduction Team which works with the most vulnerable people within the community.

A summary of the revenue budget is provided below.

	£000s
Fire safety and community relations	4,923
Operational response	64,649
Human resources	7,983
Corporate resources	10,246
Contingency for pay and prices	1,798
Budget Requirement	89,599
Funded by -	
Revenue Support Grant	6,754
Non Domestic Rates	48,513
Surplus from Billing Authorities' Collection Funds	193
Revenue balances	910
Precept	33,229
	89,599

EXPLANATORY FOREWORD

Capital Planning

In terms of capital expenditure the Authority approved an ambitious three year capital plan of £38m with £12.9m planned to be spent in 2008/2009. The plan included three major capital build projects Safety Central on the site of the former Bramley Fire Station, Urban Search and Rescue pad at Fire Service Headquarters and the Fire Station Rationalisation in North Wakefield. As in previous years the capital plan was to be financed primarily through borrowing.

2008/2009 Capital Outturn Position

The original capital plan of £12.9m was revised by the Authority to £19m to incorporate schemes which were approved in 2007/2008 but not completed within the year. Actual capital expenditure in the year totalled £11.6m which represents just over 61% of the revised capital plan.

Major schemes completed or substantially completed within the year include

Safety Central
Purchase of the Former Ambulance Site at Birkenshaw
Replacement cutting equipment
Replacement fire appliances.

The majority of the capital expenditure £11.3m was funded through borrowing with the balance of £0.3m funded from capital grants.

Revenue Outturn

In 2008/2009 the Authority underspent compared to its budget by £1.89 million which represents 2.0% of the approved revenue budget. The largest area of underspending is employee costs which accounts for 70% of the total underspending. This is a result of two main factors, firstly the significant increase in firefighter retirements and secondly delays in recruiting and training non firefighting staff. Other underspendings included the cost of ill health pensions as there were no ill health retirements in the year and external income. Interest payments in the year totalled £1.9m which was offset by interest income of £0.2m. The underspending increased the Authority's General Fund Balances to £7.3 million at the year end. In the light of possible strategic, operational and financial risks that the Authority faces, it is considered that £1.8 million is the minimum balance needed. This leaves available balances of £5.5m of which £1.2m is committed to support the 2009/2010 budget leaving £4.3 available to support the budget in future years in line with the approved strategy for use of balances.

Overall Financial Health

A brief examination of the balances sheet shows the Authority has a negative net worth of £659m, this is the result of the required inclusion of future pension liabilities of £709m. These liabilities are met by central government which means they will not fall on the Authority. As a consequence without these liabilities the Authority's financial health remains strong with revenue balances of £7.3m available to the Authority..

Long-term liabilities as at 31 March 2009, excluding those relating to pensions, were £43.9 million, almost all of which related to long-term borrowing. During the year, new loans totalling £5.6m million were taken, with £1.3m million repaid. The Authority took advantage of low Short-term borrowing rates and as a consequence new short term loans of £6.6m were taken in the year.

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 2009, and its income and expenditure for the year then ended.

G Maren, CPFA 15 June 2009
Chief Finance Officer

I certify that this Statement of Accounts was approved by the Audit Committee at its meeting on 17 June 2009.

Valerie Binney

Cllr Valerie Binney
Chair, Audit Committee 17 June 2009

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

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

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

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

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

2. CODE OF CORPORATE GOVERNANCE

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

- Openness and inclusivity
- Accountability
- Integrity

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

The 5 key dimension of service provision are

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

ANNUAL GOVERNANCE STATEMENT

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

WYFRA Key Dimensions		CIPFA Solace Fundamental Principles
Community focus	Delivery partners within LAAs for 5 constituent districts District based management structure	**Focussing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area**
Service Delivery arrangements	IRMP consultation IRMP including risk reduction strategy Three year corporate plan Best Value Reviews	
Structures and processes	Performance management framework Annual improvement plan Corporate health improvement plan.	**Members and officer working together to achieve a common purpose with clearly defined functions**
	Authority Constitution Authority Committee structure Standards Committee Management Structures	**Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**
Risk Management and internal control	Internal audit Internal control Business continuity plan Risk Management Working Group	**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**
	Staff appraisal and training Member development and training Member champions for key areas	**Developing the capacity and capability of members and officers to be effective**
Standards of conduct	Member and Officers code of conduct Members/Officer relation protocol Member and senior officer register of interest	
	External audit and CPA Publication of audit reports on the internet	**Engaging with local people and other stakeholders to ensure robust accountability**

3. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

3.3 The governance framework has been in place at West Yorkshire Fire Authority for the year ending 31 March 2009 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 (11 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 (11 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. (5 members)
This committee was established in accordance with Cipfa guidance 'Audit Committees – Practical Guidance for Local Authorities.' In addition to all matters relating to both internal and external audit the committee is responsible for performance review and risk management and business continuity. The independent chair of the Standards Committee also attends the Audit Committee as an observer.

Executive Committee
In addition the Authority has an Executive Committee of 5 members which deals with any urgent matter.

Standards Committee
This committee was established in accordance with the requirements of the Local Government Act 2000. The committee consists of 6 members of the Authority and 3 independent members one of whom is the chair of the committee.

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 bi-monthly strategy group to consider wider issues, this meeting is attended 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.

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

The Authority and its Committees
Management review
Internal audit
External bodies

5.1 The Authority and Its Committees

5.1.1 The Audit Committee

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

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

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

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

Best Value

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

Risk Management and Business Continuity Planning

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

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 2008/2009.

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 an 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 process has enabled the Authority to reduce the size of its fleet of special appliances and transfer the staffing resources into fire safety. The current IRMP is made up of 5 fundamental reviews of service delivery throughout the Authority.

5.2.6 Human Resources

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

The Authorities pro-active Occupational Health and Safety Unit has produced policies that have reduced 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 it achieving level 4 for the Equality Standard for Local Government, and its position in Stonewall being the highest ranking West Yorkshire local authority and one of only three FRAs to achieve a top 100 position. The Authority has recently approved a road risk policy which is being shared with other local authorities as an example of best practice.

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 2009 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 2007/2008 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.

6. SIGNIFICANT GOVERNANCE ISSUES

The Authority identified 3 key governance issues in 2007/2008. The first of these related to the appointments of independent members to the Standards Committee.

This has been successfully addressed with three independent members appointed. In addition the independent chair of the Standards Committee has been invited to attend all future meetings of the Audit Committee.

- The second issue from 2007/2008 was the Authority's environmental footprint and its responsibility to safeguard the environment and to protect both the community and the natural environment we serve. The Authority has made significant progress against this issue and has already obtained energy certificates for all fire stations a carbon trust survey for the six highest users. The Authority has established an environmental working group and is implementing an energy efficiency policy including a process of weekly energy consumption monitoring. However this is seen as a long term issue and therefore will remain a key governance issue for a number of years.
- The final issue was regarding preparedness for Comprehensive Area Assessment and particularly engagement with the five district Authorities. The Authority is now signed up as a delivery partner with all the five districts and is working closely with each of the districts. However, until the process is complete this will remain a key governance issue.
- The indications are that the Local Government Finance Settlement for the period commencing 2011/2012 will be very difficult and leave the majority of local authorities, including West Yorkshire Fire Authority, facing cuts in the level of government grant. If this Authority is to continue to maintain its high level of service it is important that any reductions in expenditure to meet a shortfall in grant are managed strategically. The Authority is already developing plans to deal with the potential shortfall in funding and it is vital that it is in a position to deliver these plans within the required timescale.

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

Signed

Simon Pilling
Chief Fire Officer / Chief Executive — 17 June 2009

Signed

Cllr Philip Booth
Chair, West Yorkshire Fire & Rescue Authority — 17 June 2009

Signed

Geoffrey Maren
Chief Finance Officer — 15 June 2009

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.

Revenue Expenditure funded from Capital under Statute
This represents expenditure which may properly be capitalised, but which does not represent fixed assets. They are written off to revenue in the year the expenditure is incurred. Examples 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.

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

Financial Liabilities

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.

Financial Assets

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.

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 known, 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.

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

Depreciation and Impairment -
Depreciation is provided for on all fixed assets except for freehold land and assets under construction. Assets are depreciated on a straight-line basis over their estimated useful lives. Residual values are

taken into account in the calculation of depreciation, where appropriate. Estimated lives for new assets vary but are mainly as follows:

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

Assets have been reviewed for any material impairment loss. Those arising as a result of a consumption of economic benefits have been recognised in service revenue accounts.

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.

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.

2007/08 Net Expenditure £000s		2008/09 Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	Notes
6,390	Community Fire Safety	8,693	-504	8,189	
79,219	Firefighting & Rescue Operations	69,141	-2,294	66,847	
626	Fire Service Emergency Planning and Civil Defence	-118	-3	-121	
442	Corporate and Democratic Core	409	-16	393	
597	Non Distributed Costs	9,292		9,292	
87,274	Net Cost of Services	87,417	-2,817	84,600	
1,774	Interest payable or similar charges			1,938	
-344	Interest income			-238	
45,569	Pensions interest cost and expected return on pensions assets			51,227	*24*
134,273	**Net Operating Expenditure**			137,527	
-7,695	Revenue Support Grant			-6,753	
-45,852	Contribution from Non-Domestic Rate Pool			-48,513	
-31,662	Precepts			-33,230	*8*
-276	Surplus from Billing Authorities' Collection Funds			-193	*7*
48,788	**Deficit for the year**			48,838	

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.

2007/08 £000s		2008/09 £000s
-48,788	Deficit for the year on the Income and Expenditure Account by statutory and proper practices	-48,838
49,939	Net additional amount required to be credited to the General Fund Balance for the year (detailed below)	49,819
1,151	**Increase in General Fund Balance for the Year**	981
5,195	General Fund Balance brought forward	6,346
6,346	**General Fund Balance carried forward**	7,327

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.

2007/08 £000s		2008/09 £000s
	Items required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
4,643	Depreciation and impairment	14,938
964	Grants deferred amortisation	0
-556	Revenue Expenditure Funded from Capital under Statute	1,073
-9	Net (loss) gain on sale of fixed assets	-4
-1	Premium Adjustments	-49
74,124	Net charges made for retirement benefits in accordance with FRS17	72,740
79,165		88,698
	Items required by statute to be included when determining the Movement on the General Fund Balance for the year	
-1,481	Statutory provision for the repayment of debt	-1,650
-26,730	Employer's contributions payable to the Pensions Account	-36,331
	Transfers to or from the General Fund Balance	
-1,015	Voluntary Revenue Provision for the repayment of debt	-898
49,939	**Net additional amount required to be credited to the General Fund Balance for the Year**	49,819

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.

2007/08 £000s		2008/09 £000s	Notes
48,788	Deficit on the Income and Expenditure Account for the year	48,838	
-233	Gain arising on revaluation of fixed assets	-2,127	
-144,833	Actuarial gains/losses(-) on pension fund assets and liabilities	-82,456	*24*
	Adjustment to FRS17 opening balance LGPS scheme	81	
1,201	Exceptional loss arising from the introduction of accounting for financial instruments	0	
-95,077	**Total recognised gains(-) and losses for the year**	-35,664	

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 2008 £000s		31 March 2009 £000s	31 March 2009 £000s	Notes
	Fixed Assets			*9-14*
554	Intangible Assets		269	
	Tangible Assets			
87,940	Operational		81,788	
7,352	Non-operational		11,480	
95,846	**Total Long Term Assets**		93,537	
	Current Assets			
436	Stocks	610		
2,812	Debtors & Prepayments	2,901		
4,174	Cash in Hand and Bank	8,658	12,169	
103,268				
	Current Liabilities			
-326	Short Term Borrowing	-6,600		*35*
-3,447	Creditors	-4,448		
-181	Bank Overdraft	-203	-11,251	
99,314	**Total Assets Less Current Liabilities**		94,455	
-37,857	Long Term Borrowing		-43,057	*35*
0	Government Grants Deferred		-338	
-528	Deferred Liabilities		-433	
-755,184	Net Liability related to Defined Benefit Pension Scheme		-709,218	
-694,255	**Total Assets Less Liabilities**		-658,591	
55,784	Capital Adjustment Account		42,282	
-1,201	Financial Instruments Adjustment Account		-1,152	
0	Revaluation Reserve		2,170	
-755,184	Pensions Reserve		-709,218	*24*
6,346	General Fund Balance		7,327	
-694,255	**Net Worth**		-658,591	

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.

2007/08 £000s		2008/09 £000s	Notes
	Revenue Activities		
	Cash Outflows		
-67,144	Cash paid to and on behalf of employees	-66,167	
-18,796	Other operating cash payments	-20,539	
-85,940	**Total Payments**	-86,706	
	Cash Inflows		
31,662	Precepts	33,230	
276	Surplus from Billing Authorities' Collection Funds	193	
7,695	Revenue Support Grant	6,753	
45,852	NNDR from National Pool	48,513	
3,172	Government grants	2,041	*25*
451	Cash received for goods and services	839	
1,152	Other operating cash receipts	257	
90,260	**Total Receipts**	91,826	
4,320	**Net Cash Inflow from Revenue Activities**	5,120	*26*
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
-2187	Interest paid	-1887	
-51	Interest element of finance lease rental	-27	
	Cash Inflows		
344	Interest received	242	
-1,894	**Net Cash Outflow from Investments and Servicing of Finance**	-1,672	

CASH FLOW STATEMENT

2007/08 £000s		2008/09 £000s	Notes
	Capital Activities		
	Cash Outflows		
-6,558	Purchase of fixed assets	-10,585	
	Other capital cash payments	-180	
	Cash Inflows		
565	Sale of fixed assets	0	
578	Capital Grants	0	
1	Discounts on early repayment of loans	0	
-5,414	**Net Cash Outflow from Capital Activities**	-10,765	
-2,988	**Net Cash Outflow before Financing**	-7,317	*27*
	Management of Liquid Resources		
600	**Net increase(-)/decrease in short term deposits**	0	
	Financing		
	Cash Outflows		
-2,863	Repayments of long term loans	-326	
-89	Capital Element of Finance Lease	-95	
-1,950	Net increase(-)/decrease in temporary loans	6,600	
	Cash Inflows		
9,960	New long term loans	5,600	
5,058	**Net Cash Inflow from Financing**	11,779	*28*
2,670	**Increase/Decrease(-) in Cash**	4,462	*30*

NOTES TO THE MAIN FINANCIAL STATEMENTS

1. Expenditure on Publicity

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

2007/08 £000s		2008/09 £000s
115	Staff Advertising	154
10	General Advertising	5
43	Publicity - Fire Safety	105
168	Total	264

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:

2007/08			2008/09	
Expenditure £000s	Income £000s		Expenditure £000s	Income £000s
358	376	Administrative, professional or technical services	145	154

3. Members' Allowances

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

2007/08 £000s		2008/09 £000s
148	Total amount of members' allowances paid	156

4. Remuneration of Employees

The Accounts and Audit Regulations require the Authority to disclose the number of staff receiving payments including taxable benefits of more than £50,000 in the relevant financial year.
The number of employees whose gross remuneration was £50,000 or more was as follows:

Number of Employees 2007/08	Remuneration Band (£)	Number of Employees 2008/09
18	50,000 - 59,999	16
1	60,000 - 69,999	5
3	70,000 - 79,999	2
2	80,000 - 89,999	2
0	90,000 - 99,999	-
0	100,000 - 109,999	-
3	110,000 - 119,999	2
0	120,000 - 129,999	-
1	130,000 - 139,999	1
0	140,000 - 149,999	1
1	150,000 – 159,999	-

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:

2007/08 £000s		2008/09 £000s
203	Financial Support Services	205
88	Cleaning Services	96
50	Property Repairs	75
17	Refuse Collection	15
32	Other Services	206
390	Total	597

6. Disclosure of Audit Costs

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

2007/08 £000s		2008/09 £000s
70	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	86
0	Fees payable to the Audit Commission for the certification of grant claims	-
70	Total	86

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 £0.193 million taken into the accounts in 2008/09 relates to the Authority's share of the billing authorities' estimated Collection Funds' surpluses for 2007/08. Any difference between the estimate and the actual for 2007/08 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

2007/08 £000s		2008/09 £000s
6,869	Bradford	7,173
3,010	Calderdale	3,176
5,969	Kirklees	6,249
11,049	Leeds	11,640
4,765	Wakefield	4,992
31,662	Total	33,230

9. Summary of Capital Expenditure and Sources of Finance

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

2007/08 £000s		2008/09 £000s
	Capital Expenditure	
5,858	Fixed Assets	10,563
965	Revenue Expenditure funded from capital under statute	1,073
6,823		11,636
	Sources of Finance	
5,690	Borrowing	11,298
565	Capital receipts	0
568	Capital Grants	338
6,823		11,636

10 Capital Commitments

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

Property	£1.567m
Vehicles	£0.474m
Operational Equipment	£0.342m

11. Fixed Asset Valuation

The freehold and leasehold properties of the Authority were formally revalued as at 31 March 2005. This 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 are 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. There have been 4 formal valuations at 1 April 2008 on buildings where there had been significant expenditure in the previous year. In addition as a result of the fall in property values resulting from the economic downturn a desk top valuation, of all land and buildings at 31 March 2009;was carried out by John Murray MRICS of the Sheffield Valuation Office of the District Valuer which resulted in total impairments of £9.0m

NOTES TO THE MAIN FINANCIAL STATEMENTS

12. Movement in Tangible Fixed Assets 2008/09

	Operational Assets		Non-Operational Assets		
	Land & Buildings	Vehicles, Plant & Equipment	Assets under Construction	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s
Cost or Valuation					
1 April 2008	84,594	20,230	226	7,886	112,936
Additions	2,017	2,829	5,572		10,418
Disposals		-693			-693
Reclassifications	-31	31	856	-855	1
Revaluations				76	76
31 March 2009	86,580	22,397	6,654	7,107	122,738
Depreciation & Impairment					
1 April 2008	6,348	10,536	0	759	17,643
Charge for year	1,916	3,409	0	98	5,423
Impairments	5,612			1,425	7,037
Disposals		-632	0		-632
Reclassifications	-13	13	68	-69	-1
31 March 2009	13,863	13,326	68	2,213	29,470
Net Book Value					
1 April 2008	78,246	9,694	226	7,126	95,292
31 March 2009	72,717	9,071	6,586	4,894	93,268

NOTES TO THE MAIN FINANCIAL STATEMENTS

13. Movement in Intangible Assets 2008/09

	Software Licences £000s
Cost or Valuation	
1 April 2008	1,008
Additions	142
Adjustments	
Disposals	
31 March 2009	1,150
Depreciation & Impairment	
1 April 2008	454
Charge for year	427
Adjustments	
Disposals	
31 March 2009	881
Net Book Value	
1 April 2008	554
31 March 2009	269

14. Information on Assets

The Authority owned the following operational fixed assets:

31 March 2008		31 March 2009
	Buildings	
1	Headquarters	1
1	Training Centre	1
1	Mobilising and Control Centre	1
1	Workshop	1
47	Fire Stations	47
1	Houses	1
	Vehicles	
81	Pumping and Special Appliances	77
15	Cars and Vans	2

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

NOTES TO THE MAIN FINANCIAL STATEMENTS

15 Revenue Expenditure funded from capital under statute

The Authority is treating expenditure on the supply and fitting of smoke alarms.

2007/08 £000s		2008/09 £000s
0	Balance as at 1 April 2008	0
0	Adjustment	0
964	Expenditure in year	1,073
-556	Grant received	0
-408	Amounts written off during the year	-1,073
0	Balance as at 31 March 2009	0

16 Finance & Operating Leases

The Authority has acquired certain fire appliances under finance leases. The rental payable in 2008/09 was £0.123 million (2007/08 £0.122 million), with £0.028 million finance costs charged to the Income and Expenditure Account and £0.095 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:

2007/08 £000s		2008/09 £000s
	Cost or Valuation	
920	01 April 2008	920
0	Disposals	0
920	31 March 2009	920
	Depreciation	
276	01 April 2008	356
80	Charge for year	131
0	Disposals	0
356	31 March 2009	487
	Net Book Value	
644	01 April 2008	564
564	31 March 2009	433

Outstanding obligations to make payments under these leases (excluding finance costs) at 31 March 2009 are as follows:

	£000s
Obligations payable in 2009/10	100
Obligations payable between 2010/11 to 2013/14	333
Obligations payable 2014/15 onwards	0
Total liability at 31 March 2009	433

The Authority also uses vehicles financed under terms of an operating lease. The amount paid under these arrangements in 2008/09 was £0.868 million (2007/08 £0.855 million). The Authority is committed at 31 March 2009 to making payments of £0.756 million in 2009/10, comprising the following elements:

	£000s
Leases expiring in 2009/10	96
Leases expiring between 2010/11 to 2013/14	660
Leases expiring 2014/15 onwards	0
	756

In addition, rental income of £0.183 million was received in 2008/09 (2007/08 £0.197 million), mainly from the leasing of space on telephone masts and other structures to telecommunications companies.

17. 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.

18. Summary of Movement on Reserves

1 April 2008 (Restated) £000s		Net Movement in Year £000s	31 March 2009 £000s	Main Purpose of Reserve
55,784	Capital Adjustment Account	-13,502	42,282	Stores of capital resources set aside to meet past expenditure
0	Revaluation Reserve	2170	2,170	A reserve which holds the gains and losses on the revaluation of assets
-1201	Financial Instruments Adjustment Account	49	-1,152	Shows the gains or losses on the value of financial instruments
-755,184	FRS17 Pensions Reserve	45,966	-709,218	Balancing account to allow inclusion of Pensions Liability in Balance Sheet –Note 25
6,346	General Fund Balance	981	7,327	Resources available to meet future running costs for General Fund services – see Movement on the General Fund Balance
-694,255		35,664	-658,591	

NOTES TO THE MAIN FINANCIAL STATEMENTS

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

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

19. Revaluation Reserve

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

2007/08		2008/09
£000s		£000s
0	Balance as at 1 April 2008	0
0	Revaluation Gains Difference between Current Value and Historic cost	-2,127
0	Depreciation+	-44
0	Balance as at 31 March 2009	-2,171

20. Capital Adjustment Account

2007/8		**2008/9**
£000		£000
-58,095	Balance as at 1 April 2008	-55,784
4,643	Amount Charged as Depreciation	5,894
	Amount Charged as Impairment	9,087
-1,481	Minimum Revenue Provision	-1,650
-1,015	Voluntary set aside from revenue in excess of MRP	-898
-565	Capital Receipts Applied	0
408	Write down of deferred charges	1,073
555	Disposal of assets	61
-234	Write down of asset disposal gains	-65
-55,784	Balance as at 31 March 2008	-42,282

21. Usable Capital Receipts Reserve

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

2007/08 £000s		2008/09 £000s
0	Balance as at 1 April	0
564	Capital Receipts in Year	0
-564	Financing of Capital	0
0	Balance as at 31 March	0

22. 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.

23. 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)

24. Retirement Benefits

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

Assets and Liabilities in Relation to Retirement Benefits

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

	FPS		NFPS		FCS		LGPS	
	£000's 2008/9	£000's 2007/8 As restated	£000's 2008/9	£000's 2007/8 As restated	£000's 2008/9	£000's 2007/8 As restated	£000's 2008/9	£000's 2007/8 As restated
Income & Expenditure Account								
Net Cost of Services:								
- current service cost	-18,610	-26,000	-1,310	-950	0	0	-1,487	-1,200
- past service costs	0	0	0	0	0	0	-106	-405
Net Operating Expenditure :								
- interest cost	-49,510	-44,820	-170	-40	-990	-760	-2,827	-2,249
- expected return on scheme assets	0	0	0	0	0	0	2,270	2,300
Net Charge to Income & Expenditure Account	-68,120	-70,820	-1,480	-990	-990	-760	-2,150	-1,554
Statement of Movement on the General Fund Balance :								
- Reversal of net charges made for retirement benefits in accordance with FRS17	-68,120	-70,820	-1,480	-990	-990	-760	-2,150	-1,554
Actual amount charged against the General Fund balance for pensions in the year :								
- employers contributions payable to scheme	8,870	9,229	488	295	0	0	1,381	1,090
- retirement benefits payable to pensioners	33,990	24,610	0	0	960	1,030	1,213	1,257

In addition to the recognised gains and losses included in the Income & Expenditure Account, actuarial gains and losses of (-£145m 2007/8 restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Recognised Gains and Losses is £82.456m. A prior year increase in LGPS retirement benefits of £0.168m not recognised in 2007/08 has been recognised in 2008/9.

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

	Funded Liabilities Government Pension Scheme				Unfunded Liabilities Fire Pension Scheme			
	LGPS £000's		**FPS £000's**		**NFPS £000's**		**FCS £000's**	
	2008/9	2007/8 As restated	2008/9	2007/8	2008/9	2007/8	2008/9	2007/8
1 April	-45,959	-41,466	-725,150	-829,340	-1,770	-200	-14,710	-14,580
Current Service Cost	-1,487	-1,200	-18,610	-26,000	-1,310	-950	0	0
Interest Cost	-2,827	-2,249	-49,510	-44,820	-170	-40	-990	-760
Contributions paid by scheme participants	-497	-419						
Actuarial Gains & Losses	10,320	-1,477	80,890	150,400	80	-580	-150	-400
Benefits Paid	1,213	1,257	33,990	24,610	0	0	960	1,030
Past Service Costs	-106	-405	0	0	0	0	-80	0
31 March	-39,343	-45,959	-678,390	-725,150	-3,170	-1,770	-14,970	-14,710

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

Reconciliation of Fair Value of the Scheme Assets

	LGPS £000's	
	2008/9	2007/8 As restated
1 April	32,324	32,881
Expected rate of return	2,270	2,294
Actuarial Gains & Losses	-8,684	-3,103
Employer Contributions	1,381	1,090
Contributions by scheme participants	497	419
Benefits	-1,213	-1,257
31 March	26,575	32,324

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The Actual return on scheme assets in the year was £26.6m (2007/8 : £32.3m)

Scheme History

	2004/5 *	2005/6 *	2006/7 As restated	2007/8 As restated	2008/9
Present value of liabilities :					
- Local Government Pension Scheme	35,282	40,972	41,466	45,959	39,343
- Fire Pension Scheme					
- FPS	690,500	848,040	829,340	725,150	678,390
- NFPS	0	0	200	1,770	3,170
- FCS	0	0	14,580	14,710	14,970
Fair Value of assets in the Local Government Pension Scheme	24,396	30,347	32,963	32,324	26,574
Surplus/Deficit in the scheme :					
- Local Government Scheme	10,886	10,625	8,503	13,635	12,769
-Adjustment to FRS17 opening balance LGPS scheme					-81
- Fire Pension Scheme					
- FPS	690,500	848,040	829,340	725,150	678,390
- NFPS	0	0	200	1,770	3,170
- FCS	0	0	14,580	14,710	14,970
TOTAL	701,386	858,665	852,623	755,265	709,218

* The Authority has elected not to restate fair value of scheme assets for 2004/5 and 2005/6 as permitted by FRS17

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £709.2m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £658.6. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy :

- the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

- finance is only required to be raised to cover fire pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2009 is £1.381m. Expected contributions for the Fire Pension Scheme in the year to 31 March 2009 are £9.5m.

NOTES TO THE MAIN FINANCIAL STATEMENTS

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

The principal assumptions used by the actuary have been :

	FPS £000;s		NFPS £000's		FCS £000's		LGPS £000's	
	2008/9	2007/8	2008/9	2007/8	2008/9	2007/8	2008/9	2007/8
Long term expected rate of return on assets in the scheme :								
Equity investments							7.50	7.50
Bonds							4.00	4.60
Other							6.00	6.10
Mortality assumptions : Longevity at 65 for current pensioners :								
- Men	2.31	23.3	23.1	23.3	23.1		23.3	23.3
- Women	24.7	23.3	24.7	23.3	24.7		21.3	21.3
Longevity at 65 for future pensioners :								
- Men	25.8	25.5	25.8	25.5	25.8		21.3	21.3
- Women	27.4	25.5	27.4	25.5	27.4		20.3	20.3
Rate of inflation	3	3.7	3	3.7	3.	3.7	3.3	3.6
Rate of increase in salaries	4.5	5.2	4.5	5.2	4.5	5.2	5.05	5.35
Rate of increase in pensions	3	3.7	3.	3.7	3.	3.7	3.3	3.6
Rate of discounting scheme liabilities	6.9	6.9	6.9	6.9	6.9	6.9	7.1	6.1
Take up option to convert annual pension into retirement lump sum	-	-	50	90	-	-	50	50

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

	31 March 09 %	31 March 08 %
Equity investments	62.00	71.70
Bonds	18.30	13.40
Other Assets	19.70	14.90

History of experience gains and losses
The actuarial gains identified as movements on the Pension Reserve in 2008/9 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	2004/5	2005/6	2006/7 As restated	2007/8 As restated	2008/9
	%	%	%	%	%
Differences between the expected and actual return on assets	5.3	14.6	1.1	9.6	32.7
Experience gains and losses on liabilities	4.6	2.3	0	0.9	0

25. Analysis of Government Grants Received

2007/08		2008/09
£000s		£000s
367	Community Fire Safety	134
560	National Co-ordination Centre	506
1,713	New Dimension Programme	871
532	Regional Control Centre	530
3,172		2,041

NOTES TO THE MAIN FINANCIAL STATEMENTS

26. 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.

2007/08 £000s		2008/09 £000s
-48,788	Deficit for the year	-48,838
1,791	Interest	1,672
	Non-Cash transactions	
74,124	Net charges made for retirement benefits in accordance with FRS17	72,740
-26,730	Employers' contributions payable to the Pensions Account	-36,331
4,643	Depreciation and impairment	14,938
408	Deferred Charges Write Down	1,073
0	Grants deferred amortisation	-
48	Premiums	0
5,496		5,254
	Items on an accruals basis	
3	Increase in Stock	-173
16	Increase in Revenue Debtors	531
-1,195	Increase/Decrease(-) in Revenue Creditors	-492
4,320	Net cash inflow from revenue activities	5,120

27. Reconciliation of Net Cashflow to Movement in Net Debt

2007/08 £000s		2008/09 £000s
2,670	Decrease in cash in the period	4,462
-600	Cash used to reduced resources	-6,600
4,813	Cash used to repay debt	326
89	Cash used to repay leasing obligations	95
-9,959	New loans	-5600
-2,987	Change in net debt	-7,317
-31,331	Net debt as at beginning of period	-34,318
-34,318	Net debt as at end of period	-41,635

Change 2007/08 £000s		1 April 2007 £000s	31 March 2008 £000s	Change 2008/09 £000s
2,474	Cash in Hand and Bank	4,174	8,658	4,484
196	Bank Overdraft	-181	-202	-21
-7,212	Long Term Borrowing	-37,457	-43,058	-5,601
2,066	Short Term Borrowing	-326	-6,600	-6,274
89	Deferred Liabilities	-528	-433	95
-600	Investments	0	0	0
-2,987		-34,318	-41,635	-7,317

28. Analysis of Changes in Financing

Change 2007/08 £000s		1 April 2007 £000s	31 March 2008 £000s	Change 2008/09 £000s
-7,212	Long Term Borrowing	-37,457	-41,823	-4,366
	Short Term Borrowing: -			
115	Long term loans with less than 12 months to maturity	-327	-1235	-908
1,950	Temporary loans	0	-6,600	-6,600
89	Deferred Liability	-528	-433	95
-5,058		-38,312	-50,091	-11,779

29. Liquid Resources

As at 31 March 2009, there were £0.18m of short term investments held. (£0m at 31 March 2008)

30. Analysis of Changes in Cash

Change 2007/08 £000s		1 April 2007 £000s	31 March 2008 £000s	Change 2008/09 £000s
2,474	Cash in Hand and Bank	4,174	8,658	4,484
196	Bank Overdraft	-181	-203	-22
2,670		3,993	8,455	4,462

31. Regional Management Board (RMB)

The Yorkshire and Humberside Regional Management Board (RMB) is a joint committee set up by the four Fire Authorities in the region (North, South and West Yorkshire, and Humberside). It is responsible for carrying forward six strategic tasks on behalf of all four Authorities - resilience, common services, regional control rooms, procurement, training and personnel management. Its role is still developing and the four Authorities have agreed to bear their own costs of contributing to its development, other than any significant additional expenditure specifically incurred. The latter is to be shared pro rata to the Council Tax base. No such additional expenditure arose during 2008/09 and all RMB - related transactions appear within the accounts of the individual constituent Authority. The cost to West Yorkshire FRA in 2008/09 totalled £0.057m. A set of memorandum accounts have been prepared for the Board, bringing together qualifying income and expenditure on RMB activities. These are available separately.

32. 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.

33. Financial Instrument Balances

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

31 March 2008 Long-Term £000s	31 March 2008 Current £000s		31 March 2009 Long-Term £000s	31 March 2009 Current £000s
		Financial liabilities at amortised cost		
35,831	326	PWLB	39,823	1,235
2,026	0	LOBOs	2,000	0
0	0	Other borrowing	0	6,600
37,857	326		41,823	7,835
		Financial assets		
0	1,645	Loans and receivables	0	131
0	0	Available-for-sale assets (*MMF)*	0	49
0	1,645		0	180

The amounts shown under Financial Assets include cash held in deposit accounts.

Figures as at 31 March 2008 included interest accrued into the carrying value of the financial assets and liabilities of £0.400 million and £0.004 million respectively.

The Authority has not pledged any collateral for liabilities or received any pledge of collateral on its investments.

34. 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	Financial Assets		Total
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	£000s
Interest expense	-1,691	0	0	-1,691
Losses 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
Net gain /loss(-) for the year ending 31 March 2008	-2,940	242	0	-2,698
Interest expense	-1,888	0	0	-1,888
Losses on derecognition	-49	0	0	-49
Interest payable and similar charges	-1,937	0	0	-1,937
Interest income	0	224	14	238
Interest and investment income	0	224	14	238
Net gain /loss(-) for the year ending 31 March 2009	-1,937	224	14	-1,699

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

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

The fair values for financial liabilities are as follows:

31 March 2008 Carrying amount £000s	31 March 2008 Fair value £000s		31 March 2009 Carrying amount £000s	31 March 2009 Fair value £000s
		Financial liabilities		
36,158	38,260	PWLB	41,057	43,635
2,025	1,792	LOBOs	2,000	1,775
38,183	40,052	Long Term Borrowing	43,057	45,410
0	0	Short Term Borrowing	6,600	6,600
38,183	40,052	.	49,658	52,010

This calculation is based on interest rates quoted for long term loans at 31 March by the Public Works Loan Board for the early repayment of loans. Liabilities, such as short-term trade payables and interest, have been excluded from the table as it is assumed that the carrying value will be a reasonable approximation of fair value. Figures as at 31 March 2008 included interest accrued into the carrying value of the financial liability.

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

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

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

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

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

The Authority's overall risk management programme focuses on minimising any potential adverse effects on the resources available to fund services. Procedures for risk management on treasury management are set out in the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the

CIPFA Treasury Management in the Public Services Code and investment guidance issued under the Act. Kirklees Council manages the function on behalf of the Authority under supervision by the Chief Finance Officer and policies approved by Members in the annual treasury management strategy and the treasury management policy statement and practices.

Credit risk

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

Deposits at 31 March 2009 were as follows:

Type of Asset	£000s	Credit Rating
Bank Deposit Account	131.5	F1+/P-1
Money Market Fund	48.8	F1+/P-1

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

Debtors

In respect of trade debtors, wherever possible, the Authority has a policy of charging in advance, although in practice this is limited to the provision of training. The majority of debtor income is from charges for the provision of special services such as lift rescues. In these cases it is not possible to invoice in advance or indeed carry out credit checks prior to the provision of the service. The total value of trade debtors at 31 March 2009 is £0.412m. Of the trade debtor balance above, £0.059m is past its due date for payment (£0.044m over six months, £0.001 over one year).

Liquidity risk

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

31 March 2008 £000s		31 March 2009 £000s
326	Less than one year	7,835
246	Between 1 and 2 years	985
1,724	Between 2 and 5 years	2,056
1,199	Between 5 and 10 years	2,677
918	Between 10 and 15 years	667
31,744	More than 15 years	33,438
2,026	Variable (LOBOs)	2,000
38,183		49,658

Figures as at 31 March 2008 included interest accrued in the carrying value of the financial liability (£0.4 million).

Market risk

Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure account will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments are posted to the Income and Expenditure Account and affect the General Fund Balance £ for £.

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

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

As at 31 March 2009, the Authority held £2.1 million in variable rate debt. If interest rates had been 1% higher or lower with all other variables held constant, there would be an impact on Income and Expenditure of £0.021m. Similarly, the Authority holds £2.0 million of debt in the form of LOBOs (Lender Option, Borrower Option), which equates to 4% of its total borrowing. LOBO agreements have periodic option dates on which lenders can opt to change the interest rate on a loan. If lenders exercise their option then the Authority can either repay the loan (at no extra cost) or agree to the change of interest rate for the remaining term of the loan or until the lender chooses to exercise the option again. LOBO debt is not exposed to variable rates through lender options until 2011/12.

The fair value of fixed rate debt would decrease by around £6.4 million if interest rates increased by 1%, and increase by the same figure if rates decreased by 1%.

Price Risk

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

FIREFIGHTERS' PENSION FUND

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

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

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

2007/08		2008/09	
£000s		£000s	£000s
	Contributions receivable		
	From employer		
-9,542	Normal	-9,358	
-128	Ill Health retirements	-128	
-5,034	From members	-4,958	-14,444
	Transfers in		
-375	Individual transfers in from other schemes		-465
	Benefits payable		
19,394	Pensions		21,535
6,351	Lump sum retirement benefits		12,431
	Payments to and on account leavers		
	Individual transfers out to other schemes		-
10,666	**Sub-total: Net amount payable for the year**		19,057
-10,666	Top-up grant receivable from sponsoring department		19,057
0			0

Net Assets Statement

31 Mar 2008		31 Mar 2009
£000s		£000s
	Net current assets and liabilities	
3,525	Pension top-up grant receivable from sponsoring department	8,710
	Transfers in from other schemes net receivable	
176	Employee paid but not due	162
-447	Pension payments due but not paid	-411
-737	Unpaid pension benefits	-
-2,517	Cash overdrawn	-8,461
0	**Net assets of the scheme**	0

Firefighters' Pension Scheme 1992 Commutation Factors

Fire Pension Circular 5/2008, issued on 21 May 2008, set out revised commutation factors payable under Rule B7 of the Firefighters' Pension Scheme 1992. The original date of implementation was 1 October 2007, however, following a successful appeal by the Police in relation to their pension scheme, it is now likely to be backdated to December 2006. It is estimated that this could result in additional pension liabilities of £0.9m. The method of funding firefighters' pensions means that these additional costs will be met directly by Central Government and therefore will have no impact on the overall financial position of the Authority as set out in the statement of accounts.

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.

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

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

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

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

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

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

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

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

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

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.

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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