West Yorkshire Fire & Rescue Service

STATEMENT OF ACCOUNTS 2011-2012

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Chief Finance Officer

29 August 2012

PREVENTING PROTECTING RESPONDING

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EXPLANATORY FOREWORD

1. Explanatory Foreword

1.1 Introduction

The Statement of Accounts summarises the financial performance of the Authority over the last 12 months as well as providing a snapshot of the financial position as at 31 March 2012.

West Yorkshire Fire and Rescue Authority is proud of its record as a high performing, low cost organisation and has continued to demonstrate these qualities in 2011/2012.

2011/2012 was the first year of a new spending review period and a challenging year for the whole of local government. As a result of the global recession he government embarked on ambitious plans to cut public spending in a move to reduce public sector borrowing.

In terms of the fire service the government announced there would be a 25% cut in government funding over the four year spending review period. Unlike the rest of the public sector where the cuts were to be front loaded the cuts in the fire service were back loaded with 6.5% in the first 2 years with the balance of 15.5% in the last 2 years.

However, the impact of the fire funding formula meant that the metropolitan authorities, including West Yorkshire, received cuts of almost twice the national average whilst some fire brigades received a grant increase.

In 2011/2012 this Authority lost £5.279m grant equivalent to 9.18% against the national average of 5.82%. When the cost of borrowing and inflation were added it left the Authority looking for savings of over £6m to deliver a balanced budget.

The Authority had already suspended all whole-time firefighter recruitment in autumn 2009 and did not recruit throughout the whole financial year, resulting in a reduction of over 70 firefighter posts by 31 March 2012. This proved to be a prudent decision as the actual cuts in fire service funding were significantly greater than had originally been forecast.

In order to cope with a reducing workforce the Authority has already introduced revised staffing models including the introduction of the Operational Support pool. The Authority continues to plan for further service reductions over the whole of the spending review period when it is anticipated the establishment will reduce by a further 200 firefighter posts.

Despite these cuts in service the Authority has maintained its high performance standards and during 2011/2012 completed 66,148 home fire safety checks resulting in further reduction in house fires of 30 to 1,492 and a further reduction in fire deaths to 4 in the year. In addition, the Authority was the first to achieve the excellence in the Fire and Rescue Service Equality Framework.

1.2 Financial Performance

Revenue budget and outturn

The Authority approved the 2011/2012 revenue budget of £89.79m and was able to freeze its precept taking advantage of the government's precept freeze grant. The largest item of expenditure is staffing costs which total £79.5m and represents over 85% of the revenue budget. A summary of the revenue budget and sources of funding is provided in the table below:

Revenue Budget	£000
Fire Safety and Community Relations	£4,898
Operational Response	£60,833
Human Resources	£10,761
Corporate Resources	£12,710
Inflation contingency	£588
Budget requirement	**£89,790**
Revenue support grant	£12,328
Non domestic rates	£39,886
Precept freeze grant	£891
Council tax	£35,845
Revenue balances	£840
Total Funding	**£89,790**

Overall the Authority under-spent the approved budget by £1.1m which was in-line with the forecast of £1.4m. The major cause of the under spending was the impact of non recruitment in all areas of service, coupled with savings through low interest rates. Other significant variances included an under spending of £0.5m on salaries and wages as a result of extending the freeze in recruitment to all staff, and £0.4m on pension costs owing to the low number of ill health retirements.

When the budget was approved it was on the basis that the Authority would need to use £0.65m of its revenue balances to support the revenue budget. The under spending means the Authority‘s General Fund balance remains at £8.4m at 31 March 2012 of which £2.0m are required to be retained. The Authority has not planned to use any balances in 2012/2013 leaving the balance for the final two years of the spending review period when the Authority is anticipating further significant cuts in grant.

Capital investment

In addition to its day to day revenue spending the Authority planned to spend £11.8m on major capital schemes in 2011/2012. This included £5.6m to fund the start of a major structural review of service delivery through IRMP, £1.7m on the Authority’s buildings, £0.7m on vehicle replacement and £1.5m on operational equipment.

In the event the Authority actually spent £8.6m on capital, although this included some scheme planned for completion in 2010/2011 being completed in 2011/2012 and similarly some scheme planned for completion in 2011/2012 slipping into 2012/2013. The capital expenditure was funded by means of a capital grant of £2.5m with the balance funded by borrowing. At 31 March 2012 the Authority has a total outstanding borrowing of £54.8m, the majority of which is borrowed from the Public Works Loan Board. Interest paid on outstanding debt during the year was £2.16m.

1.3 Statement of Accounts

This is the second year all local authorities have been required to prepare the accounts in accordance with International Financial Reporting Standards which is seen as best practice and allows international comparisons to be made. It is also the first year for some time that there have been no major changes to the format of the accounts.

The Statement of Accounts document includes 4 key statements which are all linked and together and provide a summary of the financial performance of the Authority for the financial year 2011/2012.

A Movement in Reserve Statement
This statement shows the change in the financial reserves held by the Authority during the course of the financial year. The reserves are analysed into 'useable reserves' which are those the Authority can use to fund expenditure or reduce council tax and 'other reserves' which cannot. The key line in the statement is the 'Surplus or (Deficit) on the provision of services which is the true economic cost of the Authority providing the service to the public; 2011/2012 £39.611 deficit (2010/2011 £66.047m surplus).

Comprehensive Income and Expenditure Statement
This statement consolidates all the gains and losses experienced by the Authority during the course of the financial year which reconcile to the overall change in the net worth of the Authority which is shown in the balance sheet.

The statement is split into two sections

- The first looks at the impact on net worth as a result of the provision of the service and compares the expenditure incurred with the income generated
- The second section looks at changes which have not been related to the provision of the service including changes in the value of its land and buildings and any actuarial gains and losses on pension assets and liabilities.

The main purpose of the statement is to show the accounting cost in the year of providing the service in accordance with generally accepted accounting practice rather than the cost to the tax payer. The actual impact on the taxpayer is shown in the Movement in Reserves Statement as explained in the previous paragraph.

Balance Sheet
The balance sheet is fundamentally different from the other key statements because it summarises the financial position of the Authority on one day (31 March) rather than providing a summary of the transactions through the year.

The balance sheet shows the value of the assets and liabilities that have been recognised by the Authority at 31 March and then shows how these are matched by the reserves held by the Authority.

As explained above there are two types of reserve held by the Authority, 'useable reserves' (which are those the Authority can use to fund expenditure or reduce council tax) and 'unusable reserves' which cannot, the balance sheet splits the reserves into these categories.

There are two items that stand out on the balance sheet, the 'Net Liability related to Defined Pension Scheme' and the Pension Reserve, both of which show a liability of £1047.525m. These show the total future value of net liabilities in the Firefighters' Pension scheme which is an unfunded scheme. These figures, which overshadow the rest of the balance sheet, give a false impression of the overall financial worth of the Authority for two reasons. Firstly, these are long term liabilities which will be payable over the life of all existing staff and pensioners and secondly, any year on year deficit on pensions is met by a grant from central government. Consequently, if you exclude these liabilities from the balances sheet the Authority has a net worth of £43m.

A further item of note in the Balance Sheet relates to hardware and software in Authority vehicles to access the airwaves infrastructure which was purchased by the CLG. Following the cessation of the Regional Control Centre Project ownership of these assets has transferred to the Authority adding £0.57m to the value of operational assets.

Cash Flow Statement

This statement shows the changes in cash and cash equivalents (e.g. debtors, creditors) during the financial year. It shows how the Authority generates and uses the cash by classifying it as either operating (provision of service), investing and financing activities.

- The operating activities demonstrate how the income raised through government grant council tax is used to fund service provision,
- The investment activities include the extent to which the Authority has invested in new property and equipment , as well as any income achieved from investing spare cash resources
- The financing activities shows the Authority's financing decisions including borrowing activity and the repayment of existing loans.

The cash flow statement excludes all non cash transactions such as depreciation.

1.4 Conclusion

There is no doubt the Authority is having to make significant cuts in expenditure and deliver significant changes to service delivery over the next four year spending review period to cope with the forecast 25% cut in funding. The work which started in September 2009 with the suspension in recruitment and the work on the future shape of the fire service which has been done in 2011/2012 will assist the Authority to manage this change.

The Authority has worked hard to gain the reputation of a low cost high performing organisation and is determined to continue to maintain these standards throughout what will be a very challenging period.

Finally, I would like to thank staff for their hard work, commitment and professionalism throughout the year in maintaining the financial systems and records and reporting to management and the Fire Authority.

2 Annual Governance Statement

2.1 Scope of Responsibility

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

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.

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.

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.

2.2 Code of Corporate Governance

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

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	District based management structure Safety Central High risk and Arson reduction teams	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 Four year service plan	
Structures and processes	Performance management framework Corporate health improvement plan.	Members and officers working together to achieve a common purpose with clearly defined functions
	Authority Constitution Authority Committee structure	Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
	Management Structures	
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	Developing the capacity and capability of members and officers to be effective
Standards of conduct	Member and Officer code of conduct Member/Officer relation protocol Member and senior officer register of interest	
	External audit Publication of audit reports on the internet	Engaging with local people and other stakeholders to ensure robust accountability

2.3 The Purpose of the Governance Framework

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.

The Authority 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 a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an on-going 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.

The governance framework has been in place at West Yorkshire Fire Authority for the year ending 31 March 2012 and remains in place up to the date of the approval of the statement of accounts.

2.4 The Governance Framework

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

2.4.1 Strategic Objectives and the Service 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 working in partnership to reduce death, injury, economic loss and contribute to community well being.

To deliver this the Authority has established 4 key strategic objectives

- Deliver a professional and resilient emergency response service
- Deliver a proactive fire prevention and protection programme.
- Provide a safe, competent and diverse workforce
- Provide effective and ethical governance and achieve value for money in managing resources.

These objectives are set out in the Authority's service 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 service 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. ***The service plan now incorporates the Integrated Risk Management Plan to provide a more coordinated and focused strategic plan against which service delivery outcomes can be measured. A copy of the service plan is available on the authority's website at www.westyorksfire.gov.uk***

2.4.2 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 on-going 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.

The Authority confirms that its financial governance arrangements conform with the governance requirements of the CIPFA statement of the role of the Chief Financial Officer in Local Government.

2.4.3 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
Protocol regarding the use of Authority resources by Members
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.

2.4.4 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 four standing committees each of which along with the Authority meet 4 times per year :-

Human Resources (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, Treasury Management, Buildings land and property, purchasing and supplies and data protection and computer development.

Audit Committee. (6 members)
This committee was established in accordance with Cipfa guidance 'Audit Committees – Practical Guidance for Local Authorities'; meets 4 times per year. 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.

Community Safety Committee (11 members)
The Community Safety Committee was established in 2011/2012 to take on responsibility for the service delivery areas of the authority which includes the key areas of emergency response, fire protection and fire prevention. This includes responsibility for integrated risk management planning, national resilience support arrangements and shared services.

Standards Committee
The Standards Committee which is chaired by an Independent member was established in accordance with the requirements of the Local Government Act 2000. Following the changes to the standards regime included in the Localism Act the Authority is currently reviewing the role of the Standards Committee.

Executive Committee (6 members)
The Executive Committee of 6 members which deals with any urgent matter.

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.

2.4.5 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

The Chief Executive's Strategy Group consisting of Management Board members and the Chair and Vice Chair of the Authority meets bi-monthly. The purpose of this group is to allow senior management and the political leadership to consider major issues affecting this Authority and the Fire Service as a whole. Leading elected members from the opposition are invited to attend the meeting when key issues including the budget are being discussed.

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.

2.5 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

2.5.1 The Authority and Its Committees

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 all audit work completed within the period along with details of Audit Findings and a measure of assurance offered. The report follows up all outstanding audit recommendations providing details of action taken by management. 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 attend the Audit Committee to advise the committee. The committee also approves both the audited statement of accounts as well as the Statement of Internal Control \ Annual Governance Statement.

Performance Management
A performance management report comparing performance against previously approved targets is considered by each meeting of the Fire Authority. As part of this process the Audit Committee receive a detailed report on all areas where performance is not within 10% of the approved target.

Risk Management and Business Continuity Planning
The committee approves and monitors the Authority's risk management and business continuity plan. The Authority has well embedded risk management and business continuity systems and 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.

Committee and Member Development
The committee have received briefings on International Financial Reporting standards and The Chair of the Committee has attended an external training session and the Operation of the Audit Committee.

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

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.

2.5.2 Management Structures

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

Performance Management
There is a comprehensive system of performance management and review embedded within the Authority's 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.

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 prioritises risks in order of severity and identifies controls for minimising risks effectively, economically and efficiently. The risk matrix is approved by the Audit Committee. The internal Audit plan now allocates a significant proportion of Audit resources to auditing the risk matrix and the control measures that are in place.

The Authority has also prepared a detailed business continuity plan which is tested annually by means of a table top exercise.

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. The 2011 to 2015 capital plan is directly linked to the Integrated Risk Management Plan to enable the Authority to deliver the required changes to service delivery. The Financial management process is supported by an effective expenditure monitoring system providing information to all levels of the organisation from cost centre managers through to the Finance and Resources Committee.

Integrated Risk Management Planning (IRMP)
The Authority is systematically reviewing the service it provides throughout the county through the IRMP process. This process aims to improve community safety and reduce the risk of fires in homes. ***During 2010/2011 the Authority developed a community risk matrix for the whole of the county which categorises different levels of risk from very high to very low. The information provided by this process has been critical to the development of the 2011 Integrated Risk Management Plan which will assist in reshaping the way the service is provided over the next five years.***

Human Resources
The Authority has a full range of robust policies and procedures to underpin the conduct of staff from Discipline, Annual Performance Development Reviews, Absence Management procedures to Flexible Working practices. The Authority has not recruited whole-time firefighters since autumn 2009 and does not anticipate commencing recruitment for a further 4 years. This will require changes in service provision and staffing arrangements. The Authority is already introduced the operational support pool which allows the Authority to maintain staffing levels on fire stations with less personnel and is introducing close call fire stations. In terms of training, the Authority continues to put priority on maintaining operational competence for all firefighters.

The Authority's pro-active Occupational Health and Safety Unit has produced policies that maintain low levels of ill-health retirements. The Unit continues to maintain high levels of workplace health and safety.

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 is 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. ***From the beginning of 2009/2010 the Authority further adopted a risk based approach to internal Audit Planning with 10% of the Audit resources committed to verifying the business continuity plan. Since then a much larger proportion of audit time has been committed to this type of work.***

2.5.3 External review

The Principal Body for external review of the organisation is the Audit Commission through the process of the audit of accounts. The Authority received an unqualified opinion on the statement of accounts in 2010/2011 and anticipates a similar outcome to the current financial year.

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.

2.6 Significant Governance Issues

The main issue facing the Authority is the uncertainty over levels of funding in the short and medium term when there will be significant reductions in Authority funding. The principal changes include :-

Reduction in Central Government Funding

The government announced a reduction of 25% in fire service funding over the 4 year period from 2011/2012 to 2014/2015. Cuts equivalent to 6.5% were made in the first two years with a further 18.5% to be made in the final 2 years. This Authority along with similar metropolitan authorities suffered cuts of almost twice the national average in the first two years resulting in a loss of £6m in grant.

Localisation of business rates

The Authority is reliant on central government to provide almost 60% of its funding, the majority of which is currently provided through redistributed business rates. The government is in the process of changing the way business rates are allocated to enable billing authorities to retain any additional business rates that are generated through economic growth. As part of this process there are two key issues that relate directly to Fire and Rescue Authorities, these are:

- The baseline level of business rate funding,
- The extent to which fire and rescue authorities share in any future growth or contraction in business rate income.

The resolution of both of these issues could have a significant impact on the future funding of the Authority.

Implications of localisation of council tax benefit

The government have transferred responsibility for the control of council tax benefit to the local authorities whilst at the same time reducing funding by 10%. This reduction will have a direct impact on the precept income received by the fire authority.

Fall out of precept freeze grant

The Authority has not increased its precept over the last 2 years instead accepting a freeze grant from central government. These grants totalling over £2m, the first £1.1m grant will fall out in 2013/2014 with the balance falling out in 2015/2016.

The main issue regarding all these changes is uncertainty over the scale of the grant cuts.

The cumulative impact of the above changes suggests that the total loss of income in 2013/2014 will be somewhere between £6m and £12m. It is unlikely the Authority will know the actual impact until December 2012 which makes financial planning extremely difficult. Clearly the Authority is planning for a number of different levels of grant.

IRMP and Organisational Restructure

IRMP

Approval was given at the September 2011 meeting of the Authority to the 2012/2013 IRMP which included the closure of 10 fire stations to be replaced by 5 new build stations, the purchase of two further Combined Aerial Rescue Pumps and the extension of the close call duty system. Clearly the implementation of these significant changes whilst maintaining service standards with a reducing workforce is a significant challenge.

Organisational Restructure

In order to deliver on-going salary savings of £2.5m per annum the Authority has approved an organisation restructure removing 80 posts from the establishment through voluntary severance and redundancy.

We accept that the above issues present the Authority and its Management Board with a major challenge. We are however confident that we the ability to continue to deliver a high quality service whilst driving through major changes to the organisation, and that the systems are in place to further enhance our governance arrangements.

ANNUAL GOVERNANCE STATEMENT

Signed

Simon Pilling
Chief Fire Officer / Chief Executive — June 2012

Mehboob Khan

Signed

Cllr Mehboob Khan
Chair, West Yorkshire Fire & Rescue Authority — June 2012

Signed

Geoffrey Maren
Chief Finance Officer — 28 June 2012

STATEMENT OF RESPONSIBILITIES

3 Statement of Responsibilities

3.1 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 it is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

3.2 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/LASACC Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

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 Local Authority Code

The Chief Finance Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the provision and detection of fraud and other irregularities.

3.3 Certificates

I certify that this Statement of Accounts presents a true and fair view of the financial position of the West Yorkshire Fire and Rescue Authority at 31 March 2012, and its income and expenditure for the year then ended.

G Maren CPFA
Chief Finance Officer

Dated: 28 June 2012

I confirm the accounts have been approved by the Audit Committee on 14 September 2012.

Cllr Brian Selby
Chair Audit Committee
14 September 2012

4. Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

STATEMENT OF ACCOUNTS

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Capital Grants Unapplied A/c	Pensions Reserve	Capital Adjustment Account	Financial Instruments Adjustment A/C	Revaluation Reserve	Collection fund Adjustment Account	Acc Absences	TOTAL Unusable Reserves	TOTAL AUTHORITY RESERVES
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31March 2010 carried forward	6,826	451	0	0	7,277	0	0	-1,071,358	22,665	-1,103	8,800	-18	-168	-1,041,182	-1,033,905
<u>Movement in Reserves during 2010/11</u>															
Surplus or (Deficit) on the provision of services	66,047	0	10	0	66,057									0	66,057
Other Comprehensive Income & Expenditure (Note 8)	0	0	0	0	0			48,264	0		-1,608			46,656	46,656
Total Comprehensive Income & Expenditure	66,047	0	10	0	66,057	0	0	48,264	0	0	-1,608	0	0	46,656	112,713
<u>Adjustments between accounting basis & funding basis under regulations (Note 6)</u>															
<u>Reversal of items debited or credited to the CIES</u>															
Charges for depreciation and impairment of assets	5,056				5,056				-5,056					-5,056	0
Capital grants and contributions applied	-2,745				-2,745				2,745					2,745	0
Revaluation losses on Property, Plant and Equipment	-1,677				-1,677				1,983		-306			1,677	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss to the CIES	71				71				-71					-71	0
Premium Adjustments	-49				-49					49				49	0
<u>Inclusion of items not debited or credited to the</u>															
<u>comprehensive income and expenditure statement</u>															
Statutory provision for the financing of capital investment	-4039				-4,039				4,039					4,039	0
Capital expenditure charged against the General Fund	974				974				-974					-974	0
<u>Adjustments involving the Pensions Reserve</u>															
Reversal of items relating to retirement benefits debited or credited to the CIES	-29,513				-29,513			29,513						29,513	0
Employers pension contributions and direct payments to pensioners payable in the year	-32,724				-32,724			32,724						32,724	0
<u>Adjustments involving the Collection Fund Adjustment Account</u>															
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	-82				-82							82		82	0
<u>Adjustments involving the accumulated absences account</u>															
Amount by which officer remuneration charged to the CIES	13				13								-13	-13	0
on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements															
Net Increase/Decrease before Transfers to Earmarked Reserves	1,332	0	10	0	1,342	0	0	110,501	2,666	49	-1,914	82	-13	111,371	112,713
Transfers to/from Earmarked Reserves (Note 7)	216	-216	0	0	0										0
Increase/Decrease in 2010/11	1,548	-216	10	0	1,342	0	0	110,501	2,666	49	-1,914	82	-13	111,371	112,713
Balance at 31 March 2011 carried forward	8,374	235	10	0	8,619	0	0	-960,857	25,331	-1,054	6,886	64	-181	-929,811	-921,192
Adjustment to opening balance									-90			-20	-1	-111	-111
Balance at 01 April 2011	8,374	235	10	0	8,619	0	0	-960,857	25,241	-1,054	6,886	44	-182	-929,922	-921,303

Movement in Reserves during 2011/12

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Capital Grants Unapplied A/c	Pensions Reserve	Capital Adjustment Account	Financial Instruments Adjustment A/C	Revaluation Reserve	Collection fund Adjustment Account	Acc Absences	TOTAL Unusable Reserves	TOTAL AUTHORITY RESERVES
Balance at 01 April 2011	8,374	235	10	0	8,619	0	0	-960,857	25,241	-1,054	6,886	44	-182	-929,922	-921,303
Movement in Reserves during 2011/12															
Surplus or (Deficit) on the provision of services	-39,611	0		0	-39,611									0	-39,611
Other Comprehensive Income & Expenditure (Note 8)		0	0	0	0			-43,065	0					-43,065	-43,065
Total Comprehensive Income & Expenditure	-39,611	0	0	0	-39,611	0	0	-43,065	0	0	0	0	0	-43,065	-82,676
Adjustments between accounting basis & funding basis under regulations (Note 7)															
Reversal of items debited or credited to the CIES															
Charges for depreciation and impairment of assets	5,237				5,237				-5,237					-5,237	0
Capital grants and contributions applied	-3,180				-3,180				3,180					3,180	0
Revaluation losses on Property, Plant and Equipment	24				24				178		-202			-24	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss to the CIES	1,422				1,422				-1,174		-248			-1,422	0
Premium Adjustments	-49				-49					49				49	0
Transfer of cash sales proceeds credited as part of gain/loss to the CIES	-506		506		0									0	0
Inclusion of items not debited or credited to the comprehensive income and expenditure statement															
Statutory provision for the financing of capital investment	-4,372				-4,372				4,372					4,372	0
Capital expenditure charged against the General Fund	868				868				-868					-868	0
Adjustments involving the Pensions Reserve															
Reversal of items relating to retirement benefits debited or credited to the CIES	78,844				78,844			-78,844						-78,844	0
Employers pension contributions and direct payments to pensioners	-35,241				-35,241			35,241						35,241	0
Adjustments involving the Collection Fund Adjustment Account															
Amount by which Council Tax income credited to the CIES is differer	301				301							-301		-301	0
Adjustments involving the accumulated absences account															
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1				1								-1	-1	0
Net Increase/Decrease before Transfers to Earmarked Reserve	3,738	0	506	0	4,244	0	0	-86,668	451	49	-450	-301	-1	-86,920	-82,676
Transfers to/from Earmarked Reserves (Note 7)	-3,698	3,698	0	0	0										0
Increase/Decrease in 2011/12	40	3,698	506	0	4,244	0	0	-86,668	451	49	-450	-301	-1	-86,920	-82,676
Balance at 31 March 2012 carried forward	8,414	3,933	516	0	12,863	0	0	-1,047,525	25,692	-1,005	6,436	-257	-183	-1,016,842	-1,003,979

STATEMENT OF ACCOUNTS

5. Comprehensive Income and Expenditure

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement

Comprehensive Income & Expenditure Statement for 2011/12

2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000		2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000
8,333	-321	8,012	Community Fire Safety	6,198	-470	5,728
81,498	-3,072	78,426	Fire Fighting & Rescue Operations	74,156	-5,752	68,404
476	-2	474	Corporate and Democratic Core	448	-6	442
0	-1,640	-1,640	Non Distributed Costs	87	0	87
0	-113,933	-113,933	Exceptional Item for the change in pension valuation from RPI to CPI	0	0	0
90,307	-118,968	-28,661	COST OF SERVICES	80,889	-6,228	74,661
77	-7	70	Other Operating Expenditure (Note 8)	1,266	-186	1,080
58,253	-22	58,231	Financing and Investment Income & Expenditure (Note 9)	55,727	-24	55,703
0	-95,687	-95,687	Taxation and Non specific Grant Income (Note 10)	0	-91,833	-91,833
148,637	-214,684	-66,047	**Deficit on Provision of Services**	137,882	-98,271	39,611
		1,608	Unrealised Surplus or Deficit on revaluation of fixed assets			0
		0	Surplus or Deficit on revaluation of available for sale financial assets			0
		-48,264	Actuarial gains/losses on pension assets/liabilities			43,065
		-10	Other adjustments			
		-46,666	Other Comprehensive Income and Expenditure			43,065
		-112,713	**Total Comprehensive Income and Expenditure**			82,676

6. Balance Sheet

West Yorkshire Fire and Rescue Balance Sheet as at 31 March 2012

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e., those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations"

Balance Sheet as at 31 March 2012

31 March 2,011 £000		Notes	31 March 2012 £000
93,535	Property, Plant and Equipment	11	94,764
	Investment Property		
871	Intangible Assets	13	883
	Assets Held for Sale	14	230
	Long Term Investment		
	Long Term Debtors		
94,406	**Long Term Assets**		95,877
	Short Term Investments		
	Assets Held for Sale		
573	Inventories	16	559
5,440	Short Term Debtors	17	4,910
-950	Doubtful Debt provision		-855
8,799	Cash and Cash Equivalents	18	8,343
13,861			12,957
-21	Bank Overdraft		-451
-6,585	Short Term Borrowing		-4,535
-7,365	Short Term Creditors	19	-4,867
-182	Provisions (<1yr)	20	-285
-14,153	**Current Liabilites**		-10,139
	Long Term Creditors		
-53,852	Long Term Borrowing		-54,816
0	Capital Grants received in Advance		0
-960,857	Net liability related to defined Benefit Pension Schemes	33	-1,047,525
-709	Other Long Term Liabilities	30	-333
-1,015,418	**Long Term Liabilities**		-1,102,674
-921,303	**Net Assets**		**-1,003,979**
8,619	Usable Reserves	21	12,863
-929,922	Unusable Reserves	22	-1,016,842
-921,303	**Total Reserves**		**-1,003,979**

7. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period.

The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e., borrowing) to the Authority.

STATEMENT OF ACCOUNTS

Cash Flow Statement for 2011/12

2010/11 £000		2011/12 £000
	Operating Activities	
35,161	Council Tax Income	35,846
50,200	NNDR	39,885
7,289	Grants	13,223
-201	Sales of goods and rendering of services	-1,408
21	Interest received	24
92,470		87,570
-64,551	Cash paid to and on behalf of employees	-59,101
-19,394	Cash paid to suppliers of goods and services	-20,244
-1,888	Interest Paid	-2,291
-85,833		-81,636
6,637	**Net Cash Flow from Operating Activities**	**5,934**
	Investing Activities	
-10,114	Purchase of PPE, investment property and intangible assets	-8,635
0	proceeds from the sale of PPE, investment property and intangible assets	506
1,462	Capital grants received	2,612
0	Net increase/(decrease) in short term deposits	
-8,652	**Net cash flows from Investing Activities Activities**	**-5,517**
	Financing Activities	
51,550	cash receipts of short and long term borrowing	28,500
0	other receipts from financing activities	
-342	cash payments for the reduction of the outstanding liability relating to finance leases and on balance sheet PFI contracts (principal)	-218
-50,635	repayments of short and long term borrowing	-29,585
573	**Net cash flows from financing activities**	**-1,303**
-1,442	**Net increase or decrease in cash and cash equivalents**	**-886**
10,220	Cash and cash equivalents at the beginning of the reporting period	8,778
8,778	Cash and cash equivalents at the end of the reporting period	7,892

Notes to Main Financial Statements

1 Statement of Accounting Policies

(i) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/2012 financial year and its position at the year end of 31 March 2012.

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts also comply with the Service Reporting Code of Practice 2011/12 SeRCOP supported by International Financial Reporting Standards. 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.

a. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular;

- Revenue from the provision of services is recognised when the Authority can measure reliably the completion of the transaction and it is probable that economic benefits associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed
- Expenses in relation to services received (including the services from employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Notes to Main Financial Statements

(ii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of more than 24 hours. The Authority has deposits in financial institutions that are repayable on demand which are classified in the accounts as cash and cash equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts which form an integral part of the Authority's cash management.

(iii) Exceptional Items

Any exceptional items are included in the cost of service to which they relate or on the face of the Comprehensive Income and Expenditure Statement of 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.

(iv) Prior Period Adjustments

Prior year adjustments may arise from changes in accounting policies or from the correction of a material error. Changes in accounting estimates are accounted for prospectively, (i.e.) in the current and future years affected by the change and do not give rise to a prior period adjustment. Material errors that are identified in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

(v) Charges to Revenue for Non Current Assets

Front line services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the loss can be written off.
- Amortisation of intangible fixed assets attributable to the service

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations; however, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, which is calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are replaced by a contribution in the General Fund Balance of MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(vi) Employee Benefits

a. Benefits payable during employment

Short term benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non–monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements, accrued flexi time and time in lieu earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Accounting for retirement benefits is carried out in line with International Accounting Standard 19 (IAS19). IAS19 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.

IAS19 only applies to defined benefit schemes that are 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.

c. Post Employment Benefits

The Authority participates in 4 different retirement schemes:

- 1992 Firefighter Pension scheme (FPS)
- 2006 Firefighter Pension scheme (NFPS)
- Firefighter Compensation scheme (FCS)
- The Local Government Pension scheme

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.

Under the Firefighters’ Compensation Scheme injury awards are payable to those firefighters who have sustained a qualifying injury in the exercise of their duties as a firefighter. 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.

The Local Government Pension scheme is accounted for as a defined benefits scheme:

- The liabilities of the LGPS attributable to the Authority are included in the Balance Sheet on an actuarial basis using an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees bases on assumptions about mortality rates, employee turnover rates and projections of expected earnings for current employees.

- Liabilities are discounted to their value at current prices using a discount rate of 5.4%
- The assets of the LGPS attributable to the Authority are included in the Balance Sheet at their fair value
- The change in the net pensions liability is analysed into seven components

Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service to which the employee worked

Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs

Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Expected returns on assets – the annual investment return on the funds assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits to employees – debited or credited to the deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement as part of non distributed costs

Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

Contributions paid to the LGPS – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirements benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Authority also has the restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension scheme.

(vii) Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a

category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

(viii) Financial Instruments

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

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 recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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 Financing and Investment line in the Comprehensive Income and Expenditure Statement.

Any gains/losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment line in the Comprehensive Income and Expenditure Statement.

The Authority has no Available-for-Sale Assets.

(ix) Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

(x) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, if not, future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fences revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. The Authority has set a de minimis level for revenue grants and contributions at £20,000.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has been used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it is applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

(xi) Intangible Assets

Expenditure on the acquisition of the intangible assets is capitalised, brought onto the balance sheet at cost and 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.

Intangible assets are amortised on their current net book value 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.

(xii) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

(xiii) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. Leases that do not meet the definition of finance leases are accounted for as operating leases.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payment, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life.

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased property, plant or equipment.

Charges are made on a straight line basis over the life of the lease, even if this does match the pattern of payments.

The Authority leases no assets to other organisations

(xiv) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/2012 (SeRCoP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

These two cost categories are defined in SeRCoP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services

(xv) Property, Plant and Equipment

Assets that have physical substance and are held for use in the supply of services or for administering services and are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on a cash basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an assets' potential to deliver future economic benefits is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are carried in the Balance Sheet using the following measurement bases;

- Assets under construction – historical cost
- Operational Assets – including all fire stations, the Urban Search and Rescue Building and the Smoke House at FSHQ- depreciated replacement cost, with the exception of;
  - FSHQ which comprises Oakroyd Hall, Training Centre, Breathing Apparatus Block, Mobilising and Control Centre, Transport workshops and stores, admin houses
  - Surplus Development land at FSHQ
  - Safety Central – fire safety training facility at Bramley, Leeds
  - Surplus land adjoining Safety Central
  - Site of former fire station at Nelson Street, Bradford
  - 5 Grassmere Road, Knottingley – utilised as a close call facility

All the above assets are valued at market value.

- Non-property assets with short useful lives and/or low values – depreciated historical cost
- Fire Appliances – due to their specialist nature these are valued at depreciated historical cost
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use

Property assets are formally valued every five years, with the last full valuation being the 31 March 2010.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by;

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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 in the Capital Adjustment Account.

Impairment

Assets are assessed at the end of each financial year as to whether there is any indication that an asset may be impaired.

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where identified, the impairment losses are accounted for by;

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all fixed assets with a determinable finite life except for freehold land and assets under construction. Assets are depreciated on the straight line basis. Estimated lives for new assets vary but are mainly as follows:

- Buildings 50 years
- Vehicles and operational equipment 8-12 years
- Computer equipment 5 years

Estimated lives for all new appliances will be 12 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

For those assets where the cost of the component parts are significant are depreciated separately from the rest of the asset. The Authority has a £500,000 de minimis level on the net book value which means that if the carrying value of the asset is lower than this de minimis the asset is not componentised. For those assets that are assessed for componentisation each component must represent 25% of the total cost of the asset or the depreciation charges must be significant to the charge if componentisation was not used. The componentisation of an asset is also reviewed if the asset has significant enhancement expenditure during the year, is purchased/built from new and also during the formal 5 yearly property valuations. The Authority does not componentise fire appliances because the component parts have the same useful life as the asset as a whole.

Disposals and Non-Current Assets Held for Sale

Once management has made the decision that an asset has become surplus to requirements and it is being actively marketed for sale it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

(xvi) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

The Authority currently has no provisions in the accounts

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

(xvii) 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 Usable Capital Receipts Reserve can be used to meet expenditure designated as expenditure for capital purposes and the General Fund Balance can be used to meet both capital and revenue expenditure.

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.

The balances on the following reserves (i.e.) capital adjustment account, the financial instruments adjustment account, the revaluation reserve, the pension reserve and the collection fund adjustment account cannot be used for future expenditure.

Notes to Main Financial Statements

(xviii) Revenue Expenditure Funded from Capital Under Statute

This represents expenditure which may properly be capitalised under statutory provisions but which does not represent fixed assets. The expenditure is written off to revenue in the year it is incurred and an adjustment is made on the statement of General Fund Balance for the same amount so that there is no impact on council tax.

(xix) Value Added Tax

VAT is included in the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure as appropriate.

VAT receivable is excluded from income.

(xx) Council Tax Income (England)

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax. In its capacity as a billing authority an authority acts as an agent: it collects and distributes council tax on behalf of the major preceptors and itself.

Up to 2008/09, the SORP required by Council Tax income included in the Income and Expenditure Account of major precepting authorities to be the amount that under regulation was paid from the Billing Authorities' Collection Funds to the major preceptor. From the year commencing 1 April 2009, the council tax included shall be the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund will be taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and major preceptors who share the risks and rewards that the amount of council tax could be more or less than predicted. The effects of any bad debts written off or impairment provision are also shared proportionately. From the year commencing 1 April 2009, there is a debtor/creditor position between the billing authority and each major preceptor since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

2. Accounting Standards that have been issued but have not yet been applied

IFRS 7 Financial Instruments: Disclosure (transfers of financial assets)

These amendments are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Authority's financial position.

The effective date of the standard was the 1st July 2011 but the requirement to implement this amended disclosure is the 1st April 2012.

Following an assessment of the Authority's financial assets and liabilities the amendment will have no impact on the Authority's financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, The Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are judgements made in the process of applying the Authority's accounting policies that have the most significant effect on the amounts recognised in the financial statements, e.g.,

- influences on going concern, such as future levels of funding for fire services. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Notes to Main Financial Statements

- The Authority has an outstanding uninsured claim relating to exposure to asbestos; further claims may arise in the future.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect If actual results differs from Assumptions
Property, Plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance on individual assets. The current economic climate makes it uncertain if the Authority can sustain the current level of expenditure on repairs & maintenance which could bring into doubt useful lives assigned assigned to the assets	If the useful lives of assets are reduced, depeciation increases and hence the carrying amount of the asset falls. It is estimated that the annual charge for depreciation would increase by £79k for every year that the useful lives have to be reduced
Provisions	The Authority shares the collection fund surplus and deficits with the 5 district councils of West Yorkshire. Due the current economic climate the estimated collection fund balance may be more volatile	As at the 31st March 2012 the provision for the non payment of council tax debtors is £855k (£950k 2010/11). This may rise due to the economic climate because council tax payers maybe unable to pay council tax
Pensions Liability	The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement and mortality ages and expected returns on investment funds. A firm of actuaries are appointed to provide the Authority with expert advice	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £5.33million However, the assumptions interact in complex ways.
Arrears	At the 31 March 2012 the Authority had a balance of sundry debtors for £260K. Due to the low levels of bad debt the Authority does not have the need for a bad debt provision but due to the current economic climate this policy may be reviewed	The amount of debt exceeding 2 months was £49k as at the 31 March 2012. This is to be monitored and a provision would have to be funded from revenue reducing the level of general fund reserves

Notes to Main Financial Statements

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for use by the Chief Finance Officer on 30 June 2012 . Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at the 31 March 2012, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

6. Adjustments between Accounting Basis and Funding Basis Under Regulation

This note details the adjustments that are made to the Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by Statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

Notes to Main Financial Statements

2011/12 comparative figures	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in unusable Reserves
Adjustments involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non current assets	4,969				-4,969
Revaluation losses on property, plant and equipment	24				-24
Amortisation of intangible assets	268				-268
Capital grants and contributions	-3,180				3,180
Revenue expenditure funded from capital under statute	868				-868
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	1,422				-1,422
Insertion of items not debited or credited to the Comprehensive Income and Expendniture Statement					
Statutory provision for the financing of capital investment	-4,372				4,372
Capital expenditure charged against the General Fund					
	-1				1
Adjustments involving the Capital Receipts Reserve					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	506				-506
Use of the Capital Receipts Reserve to finance new capital expenditure	0				0
Contribution from the Capital Receipts Reserve towards administrative costs of non current assset disposals	0				0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0				0
	506				-506
Adjustments involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-49				49
	-49				49
Adjustments involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 21)	78,844				-78,844
Employers pension contributions and direct payments to pensioners payable in the year	-35,241				35,241
	43,603				-43,603
Adjustments involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	301				-301
	301				-301
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	1				-1
	1				-1
TOTAL ADJUSTMENTS	44,361				-44,361

Notes to Main Financial Statements

2010/11 comparative figures	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non current assets	4,840				-4,840
Revaluation losses on property, plant and equipment	-1,667				1,667
Amortisation of intangible assets	206				-206
Capital grants and contributions	-2,745				2,745
Revenue expenditure funded from capital under statute	974				-974
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	71				-71
Insertion of items not debited or credited to the Comprehensive Income and Expendniture Statement					
Statutory provision for the financing of capital investment	-4,039				4,039
Capital expenditure charged against the General Fund	0				
	-2,360				2,360
Adjustments involving the Capital Receipts Reserve					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10				-10
Use of the Capital Receipts Reserve to finance new capital expenditure	0				0
Contribution from the Capital Receipts Reserve towards administrative costs of non current assset disposals	0				0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0				0
	10				-10
Adjustments involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-49				49
	-49				49
Adjustments involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 21)	-29,513				29,513
Employers pension contributions and direct payments to pensioners payable in the year	-32,724				32,724
	-62,237				62,237
Adjustments involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-82				82
	-82				82
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	13				-13
	13				-13
TOTAL ADJUSTMENTS	-64,705				64,705

Notes to Main Financial Statements

7. Transfers to/from Earmarked Reserves

	Balance at 1/4/10	Transfers out 2010/11	Transfers in 2010/11	Balance at 31 March 2011	Transfers out 2011/12	Transfers in 2011/12	Balance at 31 March 2012
General Fund							
Earmarked Reserve - Regional Control	452	-269	0	183	-160	0	23
Earmarked Reserve - Leap Year Payments	0	0	52	52	-52	50	50
Earmarked Reserve - Enhanced Logistics	0	0	0	0	0	76	76
Earmarked Reserve - Control Room	0	0	0	0	0	3,600	3,600
Earmarked Reserve - New Risks	0	0	0	0	0	184	184
Total	452	-269	52	235	-212	3,910	3,933

Notes to Main Financial Statements

8. Other Operating Expenditure

2010/11 £000		2011/12 £000
0	Parish Council precepts	0
0	Levies	
70	Gains/losses on the disposal of non current assets	1,080
70	Total	1,080

2010/11 £000		2011/12 £000
-48,264	Actuarial Gains / Losses on retirement benefits	43,065
42,480	Adjustment to Opening Pensions Reserve due to Injury Benefits	0
1,608	Unrealised Revaluation Gains/Losses	0
-4,176	Total	43,065

9. Financing and Investment Income and Expenditure

2010/11 £000		2011/12 £000
1,987	Interest Payable and similar charges	2,126
56,266	Pensions interest cost and expected return on pensions assets	53,552
-22	Interest Receivable and similar income	-24
0	Income & expenditure in relation to investment properties and changes in fair value	49
0	Other investment income	0
58,231	TOTAL	55,703

Notes to Main Financial Statements

10. Taxation and Non Specific Grant income

2010/11 £000		2011/12 £000
-35,452	Council Tax Income	-35,545
-50,201	Non Domestic rates	-39,885
-7,290	Non ring fenced Government Grants	-13,223
-2,744	Capital Grants and Contributions	-3,180
-95,687	TOTAL	-91,833

11. Property, Plant and Equipment

Movements on Balances

Movements in 2011/12

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Cost or Valuation					
1 April 2011	75,037	29,351	5,200	896	110,484
Additions	1,372	1,795	4,862		8,029
Revaluation increases/(decreases) recognised in the Revaluation Reserve					0
De recognition - Disposals	-1,693	-3,757			-5,450
Assets reclassified	6,352	2,705	-9,057		0
Assets reclassified - Held for Sale	-256				-256
31 March 2012	**80,812**	**30,094**	**1,005**	**896**	**112,807**
Depreciation & Impairment					
1 April 2011	1,929	15,000	0	20	16,949
Depreciation charge	1,903	3,043		22	4,968
Depreciation written out to the Revaluation Reserve					0
De-recognition - Disposals	-121	-3,750			-3,871
Depreciation reclassified - Held for Sale	-3				-3
31 March 2012	**3,708**	**14,293**	**0**	**42**	**18,043**
Net Book Value					
31 March 2012	**77,104**	**15,801**	**1,005**	**854**	**94,764**
31 March 2011	73,108	14,351	5,200	876	93,535

Notes to Main Financial Statements

Comparative Movements in 2010/11

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Cost or Valuation					
At 1 April 2010	72,108	26,478	4,835	672	104,093
Additions	2,929	3,526	3,372		9,827
Revaluation increases/(decreases) recognised in the Revaluation Reserve		175		-119	56
De-recognition - Disposals		-3,492			-3,492
Assets reclassified		2,664	-3,007	343	0
31 March 2011	75,037	29,351	5,200	896	110,484
Depreciation & Impairment					
At 1 April 2010	0	15,534	0	0	15,534
Depreciation Charge	1,929	2,887		23	4,839
Depreciation written out to the Revaluation Reserve				-3	-3
De-recognition - Disposals		-3,421			-3,421
Depreciation reclassified					0
31 March 2011	1,929	15,000	0	20	16,949
Net Book Value	73,108	14,351	5,200	876	93,535

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other land and buildings - 21 - 60 years
- Vehicle, Plant, Furniture & Equipment - 5 - 15 years

Capital Commitments

At 31 March 2012, the Authority has not entered into any contracts for the construction and enhancement of property, plant and equipment in 2012/13 and future years. Similar commitments at 31 March 2011 were £2.23m.

Donated Assets

Following the cessation of the Regional Control Centre Project hardware and software assets purchased by CLG were transferred to the Authority. These assets have been accounted for as donated assets in the financial statements and were transferred at the total Net Book Value of £0.567m.

Notes to Main Financial Statements

12. Revaluations

The Authority formally revalues land and buldings every five years.
The last formal valaution was carried out by GVA Grimley at the 31 March 2010. To ensure that asset values are correctly represented in the accounts, an internal review was undertaken by the property manager who is RICS qualified at the 31 March 2012 to ascertain any material variations in asset values

Following a review of fire cover within the Wakefield District a new fire station was constructed in Pontefract which resulted in the closure of two assets namely Pontefract and Knottingley Fire Stations
Pontefract Fire Station was part of a land swap deal with Wakefield District Council but Knottingley Fire Station was revalued to market price before being reclassified as an Asset Held for Sale.

13. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority.

The useful lives assigned to the major software suites used by the Authority are five years unless the period of the licence is known.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £268k charged to revenue in 2011/12 was charged to the IT support cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

Notes to Main Financial Statements

The movement on Intangible Asset Balances during the year is as follows:

	2011/12 Software Licences £000	2010/11 Software Licences £000
Balance at start of year		
Gross carrying amounts	1,513	925
Accumulated Amortisation	642	436
Net carrying amount at start of year	871	489
Additions :		
Purchases	280	595
Disposals		-7
Revaluation increases or decreases		
Impairment losses/(reversals) recognised in the Revaluation Reserve		0
Impairment losses/(reversals) recognised in the surplus/ deficit on the provision of services		0
Amortisation for the period	-268	-206
Net carrying amount at the end of year	**883**	871
Comprising		
Gross Carrying Amounts	1,763	1,513
Accumulated Amortisation	880	642
	883	871

Notes to Main Financial Statements

14. Assets Held for Sale

	Current		Non Current	
	2010/11	2011/12	2010/11	2011/12
	£000	£000	£000	£000
Balance outstanding at start of year	0		0	0
Assets newly classified as held for sale				
Property, Plant & Equipment	0	253	0	0
Revaluation Losses	0	-33	0	0
Revaluation Gains	0	10	0	0
Impairment Losses	0		0	0
Assets declassified as held for sale	0		0	0
Transfer from non-current to current	0		0	0
Other movements	0		0	0
Balance outstanding at year -end	0	**230**	0	**0**

Notes to Main Financial Statements

15. Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet :

	Long Term		Current	
	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	0	0	8,778	8,343
Total Investments	0	0	8,778	8,343
Debtors				
Loans and receivables	0	0	0	0
Financial assets carried at contract amounts	0	0	2,552	1,912
Total Debtors	0	0	2,552	1,912
Borrowings				
Financial liabilities at amortised cost	53,852	54,817	6,677	4,976
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Borrowings	53,852	54,817	6,677	4,976
Other Long Term Liabilities				
PFI and finance lease liabilities	497	222		
Total Other Long Term Liabilities	497	222		
Creditors				
Financial liabilities at amortised cost	0	0	480	562
Financial liabilities carried at contract	0	0	3,150	2,374
Total Creditors	0	0	3,630	2,936

Notes to Main Financial Statements

Income, Expense, Gains and Losses

	2010/11			2011/12			
	Financial Liabilities measured at amortised cost	Financial Assets : Loans and Receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets : Loans and Receivables	Cash & cash equivalents	Total
	£000	£000	£000	£000	£000	£0	£000
Interest expense	1,953	0	1,953	2,108	0	0	2,108
Losses on derecognition	62	0	62	62	0	0	62
Reductions in fair value	0	0	0	0	0	0	0
Impairment Losses	0	0	0	0	0	0	0
Fee expense	0	0	0	0	0	0	0
Total expense in surplus/deficit on the provision of services	2,015	0	2,015	2,170	0	0	2,170
Interest income	0	-22	-22	0	0	-24	-24
Interest income accrued on impaired financial assets	0	0	0	0	0		0
	0	0	0	0	0		0
Increases in fair value	0	0	0	0	0		0
Gains on derecognition	-13	0	-13	-13	0		-13
Fee income	0	0	0	0	0		0
Total income in surplus/deficit on the provision of services	-13	-22	-35	-13	0	-24	-37
Net gain/(loss) for the year	2,002	-22	1,980	2,157	0	-24	2,133

Fair Value of Assets and Liabilities

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

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

Notes to Main Financial Statements

	31-Mar-11		31-Mar-12	
	Carryin g Amount	Fair Value	Carryin g Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilites				
PWLB	51,852	54,231	52,817	63,669
LOBOs	2,000	2,247	2,000	2,260
	53,852	56,478	54,817	65,929
Short Term Borrowing				
Long term loans with less than 12	485	773	1,535	1,643
Temporary Loans	6,100	6,103	3,000	3,001
	6,585	6,876	4,535	4,644
Financial Assets				
Cash & Cash Equivalents	-2,333	-2,333	-1,868	-1,869

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, except for the market loan where current comparable market rates have been indicated by Kirklees Council’s treasury management consultants.

The fair value of the 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 shows a notional future loss (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders above current market rates. The Authority also has a LOBO (lenders option, borrowers option) where the interest rate of the loan is lower than current market rates and the Authority would receive a discount if the lender requested or agreed to early repayment of the loan.

	31-Mar-11		31-Mar-12	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	2,333	2,333	1,868	1,869
Long term debtors	0	0	0	0

Short term debtors and creditors are carried at cost as this is fair approximation of their value.

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

Notes to Main Financial Statements

16. Inventories

	Clothing & Uniforms		Operational Equipment		Petrol & Derv		Vehicle Spares		Total	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance Outstanding at start of year	110	127	313	214	67	75	82	70	572	486
Purchases										
Recognised as an expense in the year	3	17	51	-99	-27	8	-14	-12	13	-86
Written off balances		0		0		0		0	0	0
Reversals of write offs in previous years		0		0		0		0	0	0
Balance Outstanding at year end	107	110	262	313	94	67	96	82	559	572

17. Short Term Debtors

31 March 2011 £000		31 March 2012 £000
38	Adjustment to Opening Balance	0
769	Central Government Bodies	303
2,657	Other Local Authorities	2,832
8	NHS Bodies	12
110	Public Corporations and trading funds	115
1,858	Other entities and individuals	1,648
5,440	Total Short Term Debtors	4,910

The Authority has made a provision for bad debts in 2011/12 of £855k (2010/11 £950k). This is due to the changes in the accounting for the collection fund, whereby a provision is made for the Authority's proportion of council tax payers' bad debts.

The amount due from Other Local Authorities at 31 March 2011 has been restated by £20k for the Collection Fund Account

Notes to Main Financial Statements

18. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2011 £000		31 March 2012 £000
0	Cash held by the Authority	0
6,445	Bank current accounts	6,475
2,333	Short term deposits with Building Societies	1,868
8,778	Total Cash and Cash Equivalents	8,343

19. Short Term Creditors

The table below shows the amount of short term creditors as at the 31st March 2012:

31 March 2011 £000		31 March 2011 £000
1,476	Central Government Bodies	1,221
4,028	Other Local Authorities	2,022
6	NHS Bodies	6
25	Public Corporations and trading funds	0
2,012	Other entities and individuals	1,618
7,547	Total Short Term Creditors	4,867

Notes to Main Financial Statements

20. Provisions

	Outstanding legal Cases £000	Other Provisions £000	Total £000
Provisions made in 2011/12	250	35	285
Balance at 31 March 2012	250	35	285

Outstanding Legal Cases

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 cases of insolvency, which would involve a levy against claims paid and future payments.
Following advice from our actuary a provision of £250k has been made in the financial accounts earmarked reserve to cover this potential liability.

Other Provisions

Following the payment of the amounts owing under the Part- Time workers (Prevention of less Favourable Treatment) regulations in June 2012 there is an amount outstanding relating to tax and national insurance liabilities relating to this payment.

21. Usable Reserves

Usable reserves can be used to fund and support the Authority's expenditure in future years Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 7 & 8

31 March 2011 £000		31 March 2012 £000
8,374	General Fund	8,414
183	Earmarked Reserve - Regional Control Funding	23
52	Earmarked Reserve - Leap Year Fund	50
0	Earmarked Reserve - Enhanced Logistics	76
0	Earmarked Reserve - Control Room	3,600
0	Earmarked Reserve - New Risks	184
10	Capital Receipts Reserve	516
8,619		12,863

Notes to Main Financial Statements

22. Unusable Reserves

The summary of the unusable reserves can be found in the Balance Sheet, below is a detailed list of the unusable reserves of the Authority. Unusable reserves cannot be used to fund future expenditure by the Authority.

31 March 2011 £000		31 March 2012 £000
6,886	Revaluation Reserve	6,436
25,241	Capital Adjustment Account	25,692
0	Capital Grants Unapplied A/C	0
-1,054	Financial Instruments Adjustment Account	-1,005
-960,857	Pensions Reserve	-1,047,525
44	Collection Fund Adjustment Account	-257
-182	Accumulating Compensated Absences Adjustment Account	-183
-929,922	Total Unusable Reserves	-1,016,842

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2010/11 £000		2011/12 £000
-8,800	**Balance at 1 April**	-6,886
88	Adjustment to Opening Balance	0
-69	Upward revaluation of assets	0
0	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	0
-8,781	Surplus or deficit on revaluation of non current assets not posted to the surplus or Defict on the provision of services	-6,886
218	Difference between fair value depreciation and historical cost depreciation	202
0	Transfer to Capital Adjustment Account	248
1,677	Revaluation Losses written off on transition to IFRS	
-6,886	Amount written off to the Capital Adjustment Account	-6,436
-6,886	**Balance at 31 March**	-6,436

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The following note details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve

Notes to Main Financial Statements

2010/11 £000		2011/12 £000
-22,665	**Balance as at 1 April**	-25,331
-87	Adjustment to Opening Balance	90
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
4,840	- charges for depreciation and impairment of non current assets	4,969
-1,667	- revaluation losses on Property, Plant and Equipment	0
206	- amortisation of intangible assets	268
974	- revenue expenditure funded from capital under statute	868
70	- amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,446
4,423		7,551
-219	Adjusting amounts written out of the Revaluation Reserve	-450
4,204	Net written out amount of the cost of non current assets consumed in the year	7,101
	Capital financing applied in the year:	
0	- use of the Capital Receipts Reserve to finance new capital expenditure	0
-2745	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-3,180
0	- application of grants to capital financing from the Capital Grants Unapplied Account	0
-4,038	- statutory provision for the financing of capital investment charged against the General Fund	-4,372
-6,783		-7,552
-25,331	**Balance as at 31 March**	-25,692

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Account uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund in future years.

2010/11 £000		2011/12 £000
-1,103	**Balance as at 1 April**	-1,054
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0
-1,103		-1,054
49	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	49
-1,054	**Balance as at 31 March**	-1,005

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

The Authority's accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

Notes to Main Financial Statements

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11 £000		2011/12 £000
-1,028,878	**Balance at 1 April**	-960,857
-42,480	Adjustment to Opening Balance	0
48,264	Actuarial gains or losses on pensions assets and liabilities	-43,065
29,513	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-78,844
32,724	Employer's pensions contributions and direct payments to pensioners payable in the year	35,241
-960,857	**Balance as at 31 March**	-1,047,525

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11 £000		2011/12 £000
-18	**Balance at 1 April**	64
	Adjustment to Opening Balance	-20
82	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-301
64	**Balance as at 31 March**	-257

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. Annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/11 £000		2011/12 £000
168	**Balance at 1 April**	181
	Adjustment to Opening Balance	1
-168	Settlement or cancellation of accrual made at the end of the preceding year	-182
181	Amounts accrued at the end of the current year	183
13	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	1
181	**Balance as at 31 March**	183

23. Segmental Reporting (Amounts Reported for Resource Allocation Decisions)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Management Board on the basis of budget reports that are analysed across the operations, fire prevention and protection, human resources and corporate services directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements.

In particular,

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement
- the cost of retirement benefits is based on cash flows (payment of employers pension contributions) rather than current service cost of benefits accrued in the year.
- the corporate resources directorate is recharged to operations and fire prevention and protection in accordance with the requirements of the Best Value Accounting Code of Practice

Notes to Main Financial Statements

West Yorkshire Fire and Rescue Authority
Income and Expenditure 2011/12

	Firefighting and Rescue Operations	Fire Prevention and Protection	Human Resources	Corporate Servies	CDC	Total
	£000	£000	£000	£000	£000	£000
Fees and charges & other service income	-218	-470	-443	-487	-6	-1,624
Government Grants	-1,624	0	0	0	0	-1,624
Total Income	-1,842	-470	-443	-487	-6	-3,248
Employee expenses	57,529	3,493	9,197	4,195	293	74,708
Other service expenses	5,528	644	894	3,666	187	10,918
Support service recharges	17,690	757	-8,534	-9,912	0	0
Total Expenditure	80,747	4,893	1,557	-2,051	480	85,626
Net Expenditure	78,905	4,423	1,114	-2,538	474	82,378

West Yorkshire Fire and Rescue Authority
Comparative figures 2010/11

	Firefighting and Rescue Operations	Fire Prevention and Protection	Human Resources	Corporate Servies	CDC	Total
	£000	£000	£000	£000	£000	£000
Fees and charges & other service income	-870	-321	-559	-116	-2	-1,868
Government Grants	-2,202	0	0	0	0	-2,202
Total Income	-3,072	-321	-559	-116	-2	-4,070
Employee expenses	59,314	5,429	8,552	4,121	292	77,708
Other service expenses	4,816	716	899	4,276	198	10,905
Support service recharges	25,298	1,447	-12,439	-14,307	0	-1
Total Expenditure	89,428	7,592	-2,988	-5,910	490	88,612
Net Expenditure	86,356	7,271	-3,547	-6,026	488	84,542

Notes to Main Financial Statements

Reconciliation of West Yorkshire Fire and Rescue Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of West Yorkshire Fire & Rescue income and expenditure relates to the amounts included within the Comprehensive Income and Expenditure Statement

2010/11 £000		2011/12 £000
84,542	Net expenditure in the analysis	82,378
	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	
6,019	- Depreciation	6,117
-1,667	- Impairment	24
-3,622	- Net Pension Adjustment for FRS17	-9,986
-113,933	- Pensions Past Service Cost	37
	- Transfer to Reserves	-3,910
	- Accumulated Absences	1
0	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	
-28,661	**Cost of Services in Comprehensive Income and Expenditure Statement**	74,661

Notes to Main Financial Statements

Reconciliation to Subjective Analysis

This reconcilliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12	Analysis	Service and support not in analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of services	Corporate amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-1,624					-1,624		-1,624
Interest and Investment Income						0	-24	-24
Income from council tax						0		0
Government grants and contributions	-1,624		-3,910			-5,534	-91,833	-97,367
Total income	-3,248	0	-3,910	0	0	-7,158	-91,857	-99,015
Employee Expenses	74,708		-9,948			64,760	53,552	118,312
Other service expenses	10,918					10,918	2,126	13,044
Support service recharges	0					0		0
Depreciation, amortisation and impairment	0		6,141			6,141		6,141
Interest payments	0					0	49	49
Precepts & levies	0					0		0
Gain or loss on disposal of fixed assets	0					0	1,080	1,080
Total expenditure	85,626	0	-3,807	0	0	81,819	56,807	138,626
Cost of Service	82,378	0	-7,717	0	0	74,661	-35,050	39,611

The difference between the split of income and expenditure is due to internal recharges

Notes to Main Financial Statements

2010/11 comparative figures

	Analysis	Service and support not in analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of services	Corporate amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-1,869					-1,869	0	-1,869
Interest and Investment Income	0					0	-21	-21
Income from council tax	0					0	-85,653	-85,653
Government grants and contributions	-2,202			-1,282		-3,484	-8,752	-12,236
Total income	-4,070	0	0	-1,282	0	-5,352	-94,426	-99,779
Employee Expenses	77,706		-117,555			-39,849	56,266	16,417
Other service expenses	10,906		0			10,906	1,986	12,892
Support service recharges	0					0		0
Depreciation, amortisation and impairment	0		4,352			4,352		4,352
Interest payments	0		0			0		0
Precepts & levies	0					0		0
Gain or loss on disposal of fixed assets	0		0	70		70	0	70
Total expenditure	88,612	0	-113,203	70	0	-24,521	58,252	33,731
Cost of Service	84,542	0	-113,203	-1,212	0	-29,873	-36,174	-66,047

The variance between the cost of service is due to the donation of New Dimension Assets

Notes to Main Financial Statements

24. Members' Allowances

The Authority paid the following allowances and expenses to members of the Fire Authority during the year.

2010/11 £000		2011/12 £000
144	Total amount of members allowances	141
144		141

Notes to Main Financial Statements

25. Officers’ Remunerations

The Remuneration paid to the Authority's Senior Employees is as follows

Post Holder Information	Year	Salary (including fees & allowances	Bonuses	Expense Allowances	Benefits in Kind (lease car benchmark) *	Total Remuneration excluding pensions contributions 2011/12	Employer Pension Contributions	Total Remuneration including pensions contributions 2011/12
Simon Pilling - Chief Fire Officer / Chief Executive	2010/11	£150,993	£0	£1,571	£7,162	£159,727	£32,162	£191,888
	2011/12	£151,572	£0	£1,572	£7,224	£160,369	£32,285	£192,653
Deputy Chief Fire Officer	2010/11	£126,557	£0	£1,209	£5,284	£133,050	£26,957	£160,006
	2011/12	£118,218	£0	£1,297	£6,351	£125,866	£15,380	£141,246
Director of Fire Safety and Community Relations	2010/11	£121,257	£0	£728	£6,279	£128,264	£25,828	£154,092
	2011/12	£121,257	£0	£768	£6,351	£128,377	£25,828	£154,205
Director of Human Resources	2010/11	£121,257	£0	£963	£5,284	£127,504	£25,828	£153,332
	2011/12	£121,257	£0	£1,095	£6,351	£128,703	£25,828	£154,531
Director of Corporate Services	2010/11	£105,441	£0	£442	£4,484	£110,367	£19,614	£129,981
	2011/12	£105,441	£0	£492	£4,536	£110,469	£14,417	£124,886
Chief Finance Officer	2010/11	£78,924	£0	£306	£4,484	£83,714	£14,982	£98,697
	2011/12	£78,924	£0	£230	£4,536	£83,690	£10,942	£94,632

Notes
The vehicles provided to senior fire officers are for operational purposes and consequently do not have a taxable benefit. In the interest of transparency the amount included in the table is the cost to the Fire Authority of these vehicles

Notes to Main Financial Statements

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of Employees 2010/11	Number of Employees 2011/12	Senior Officers	Number of Employees 2011/12 less Senior Officers
£50,000 - £54,999	15	30		30
£55,000 - £59,999	10	15		15
£60,000 - £64,999	3	2		2
£65,000 - £69,999	1	1		1
£70,000 - £74,999	4	3	1	2
£75,000 - £79,999	0	1	1	0
£80,000 - £84,999	0	0		0
£85,000 - £89,999	0	0		0
£90,000 - £94,999	0	0		0
£95,000 - £99,999	0	0		0
£100,000 - £104,999	0	0		0
£105,000 - £109,000	0	1	1	0
£110,000 - £114,999	0	0		0
£115,000 - £119,999	0	0		0
£120,000 - £124,999	0	2	2	0
£125,000 - £129,999	0	0		0
£130,000 - £134,999	0	0		0
£135,000 - £139,999	0	0		0
£140,000 - £144,999	0	0		0
£145,000 - £149,999	0	0		0
£150,000 - £154,999	0	1	1	0
	33	56	6	50

26. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts and statutory inspections and for non - audit services provided by the Authority's external auditors.

2010/11 £000		2011/12 £000
87	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	80
0	Fees payable to the Audit Commission for the certification of grant claims	0
87		80

Notes to Main Financial Statements

27. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/12

2010/11 £000		2011/12 £000
	Credited to Taxation and non specific Grant Income	
1,463	Capital Grant	2,538
0	Capital Contribution	74
1,281	Donated Assets	568
2,744	Total	3,180
	Credited to Services	
737	Regional Control	3,620
481	National Co-ordination Centre	50
980	New Dimension Programme	1,672
7	Canine Support	7
0	Operations - New Risks	184
2,205	Total	5,533

28. Related Parties

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 readers to assess the extent to which the Authority might have been constrained in its ability to limit another party's ability to bargain freely with the Authority.

Central Government
Central Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from Central Government are set out in the subjective analysis in Note 26 on reporting for resource allocation decisions.

Members
Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 23. Each member is required to sign a declaration that they have no personal financial interest with the Authority on an individual basis. As at 31 March 2012 all returns were nil.
Officers
The Authority requires each member of the Management Board to sign a declaration that they have no individual interest in the financial affairs of the Authority. As at the 31st March 2012 all returns were nil.

Entities Controlled or Significantly Influenced by the Authority

The Authority receives a number of financial services from Kirklees Council in the form of treasury management, insurance, payroll and management of the main banking arrangements. The Authority also receives a number of services from the council in respect of refuse collection, building maintenance and repair. The amounts paid to Kirklees Council in 2011/12 are detailed below:

2010/11 £000		2011/12 £000
199	Financial Support Services	200
99	Cleaning Services	109
145	Property Repairs	100
16	Refuse Collection	14
48	Other Services	
507		423

29. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year in shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11 £000	2011/12 £000
Opening Capital Financing Requirement	57,626	62,238
Capital Investment		
Property, Plant and Equipment	8,545	7,487
Intangible Assets	595	280
Revenue Expenditure Funded from Capital under Statute	974	868
Sources of Finance		
Capital Receipts	0	0
Government Grants and Contributions	-1,463	-2,612
Sums set aside from revenue :		
MRP/loan fund principle	-4,039	-4,372
Closing Capital Financing Requirement	62,238	63,889
Explanation of Movement in Year		
Increase in underlying need to borrowing (supported by Government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by Government financial assistance)	8,651	5,932
Assets acquired under Finance Lease	-4,039	-4,373
Increase/(decrease) in Capital Financing Requirement	4,612	1,559

Notes to Main Financial Statements

30. Leases

Authority as a lessee

Finance Leases

The Authority has acquired certain fire appliances under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012 £000	31 March 2011 £000
Vehicles, Plant, Furniture and Equipment	147	458
	147	458

The Authority is committed to making minimum payments under these, comprising settlement of the long-term liability for the interest in the appliances acquired by the Authority and finance costs that will be payable by the Authority in future years, while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2012 £000	31 March 2011 £000
Finance lease liabilities		
(net present value of minimum lease payments)		
Current	110	218
Non-current	222	491
Finance costs payable in future years	6	22
Minimum Lease Payments	338	731

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Not later than one year	116	234	110	218
Later than one year but not later than five years	222	497	223	491
Later than five years	0	0	0	0
	338	731	333	709

The Finance Lease Liabilities at 31 March 2011 have been restated for an IFRS adjustment of £90k.

Notes to Main Financial Statements

Operating Leases

The Authority also uses vehicles financed under terms of an operating lease. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2012 £000	31 March 2011 £000
Not later than one year	277	197
Later than one year but not later than five years	667	868
Later than five years	-	-
	944	1065

The expenditure charged to the Comprehensive Income and Expenditure statement during the year in relation to these leases was:

	2011/12 £000	2010/11 £000
Minimum lease payments	992	976

The Authority has identified the use of phone lines as being under the terms of an operating lease under IFRS. These items have not been included within the calculation as the Authority has been unable to place a value on these leases.

31. Impairment Losses

During 2011/12, the Authority has recognised an impairment loss of £33k in relation to Knottingley House that has been surplus and sold in April 2012. The house was included in the accounts at Market Value after the decision to sell the asset following the opening of the New Pontefract Fire Station in February 2012

32. Termination Benefits

Due to the financial restraints it has been necessary for the Authority to undertake a fundamental review in the way support services are provided. The first wave of redundancies took effect in 2010/11 with a larger number of redundancies taking place after October 2012. This is detailed in the table below:

Exit Packages

The Authority paid the following termination benefits during 2011/12

Exit package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	-	-	33	1	33	1	£243,300	£1,523
£20,001 - £40,000	-	-	2	1	2	1	-	£39,861
£40,001 - £60,000	-	-	1	-	1	-	£44,500	-
£60,001 - £80,000	-	-	1	-	1	-	£45,800	-
£80,001 - £100,000	-	-	-	-	-	-	£77,900	-
£100,001 - £150,000	-	-	-	-	-	-	-	-

Further redundancies will be necessary in 2012/13 which it is estimated will cost in the region of £1.56 million.

Notes to Main Financial Statements

33. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until the employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement The Authority participates in four post employment schemes :

a. The Local Government Pension Scheme, administered locally by Bradford Pension Authority - this is a funded defined benefit final salary 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.

b.The 1992 Firefighters Pension Scheme, administered by Bradford Pensions Authority - this is an unfunded scheme whereby current pensions are paid from current contributions as such there are no assets only liabilities. Both the Authority and the employee make contributions to the fund with the shortfall being funded by Central Government in the form of a pensions Top up Grant.

c. The 2006 Firefighters Pension Scheme, administered by Bradford Pensions Authority - this is an unfunded scheme whereby current pensions are paid from current contributions as such there are no assets only liabilities. Both the Authority and the employee make contributions to the fund with the shortfall being funded by Central Government in the form of a pensions Top up Grant. New entrants to the service must join this scheme.

d. The Firefighter Compensation Scheme 2006 - this is for those employees that left employment with the Authority on ill health and is administered in the same manner as the above two schemes. Injury Awards and awards payable on the death of a firefighter attributable to a qualifying injury are not part of the Firefighters Pension Scheme because they are payable irrespective of whether an employee is a member of the scheme. New tax rules with effect from 1st April 2006 prevent Injury Awards from being part of the Pension Scheme Regulations and the opportunity was taken to move the injury awards into a separate Firefighters Compensation Scheme 2006 with all injury awards previously covered by the FPS being paid from the Authorities Income and expenditure account, not their Pension Fund.

Transactions Relating to Post Employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge we are requires to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Notes to Main Financial Statements

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme 2011/12 £000	Firefighters 1992 (FPS) Pension Scheme 2011/12 £000	Firefighters 2006 (NFPS) Pension Scheme 2011/12 £000	Firefighters Compensation Pension Scheme 2011/12 £000	Total 2011/12 £000
Opening Balance at 1 April	-54,857	-881,600	-14,280	-50,980	-1,001,717
Adjustment to Opening Balance					0
Current Service Cost (net cost)	-1,595	-15,400	-2,720	-870	-20,585
Transfers In	0	-40	0		-40
Interest Cost	-2,976	-49,890	-910	-2,890	-56,666
Contributions by scheme participants	-545	-3,970	-700		-5,215
Actuarial Gains / (Losses)	-4,772	-34,530	1,200	-2,660	-40,762
Benefits paid	1,679	32,270	0	1,490	35,439
Past Service Gain/(Cost)	-37	0	0	0	-37
Settlements and Curtailments	0	0	0	0	0
Closing Balance at 31 March	**-63,103**	**-953,160**	**-17,410**	**-55,910**	**-1,089,583**

	Local Government Pension Scheme 2010/11 £000	Firefighters 1992 (FPS) Pension Scheme 2010/11 £000	Firefighters 2006 (NFPS) Pension Scheme 2010/11 £000	Firefighters Compensation Pension Scheme 2010/11 £000	Total 2010/11 £000
Opening Balance at 1 April	-62,847	-972,650	-11,460	-18,900	-1,065,857
Adjustment to Opening Balance				-42,480	-42,480
Current Service Cost (net cost)	-1,994	-17,060	-2,810	-1,440	-23,304
Transfers In	0	-230	0	0	-230
Interest Cost	-3,220	-51,730	-700	-3,270	-58,920
Contributions by scheme participants	-591	-4,180	-670	0	-5,441
Actuarial Gains / (Losses)	5,984	34,420	20	7,330	47,754
Benefits paid	1,638	30,050	0	1,140	32,828
Past Service Gain/(Cost)	6,173	99,780	1,340	6,640	113,933
Settlements and Curtailments	0		0	0	0
Closing Balance at 31 March	**-54,857**	**-881,600**	**-14,280**	**-50,980**	**-1,001,717**

	Local Government Pension Scheme 2009/10 £000	Firefighters 1992 (FPS) Pension Scheme 2009/10 £000	Firefighters 2006 (NFPS) Pension Scheme 2009/10 £000	Firefighters Compensation Pension Scheme 2009/10 £000	Total 2009/10 £000
Opening Balance at 1 April	-39,343	-678,390	-3,170	-39,710	-760,613
Adjustment to Opening Balance					0
Current Service Cost (net cost)	-1,112	-15,670	-1,760	-770	-19,312
Transfers In	0	0	0	0	0
Interest Cost	-2,801	-46,170	-280	-2,700	-51,951
Contributions by scheme participants	-563	0	0	0	-563
Actuarial Gains / (Losses)	-20,488	-266,940	-6,250	-19,450	-313,128
Benefits paid	1,462	34,520	0	1,250	37,232
Past Service Gain/(Cost)	-2				-2
Settlements and Curtailments	0				0
Closing Balance at 31 March	**-62,847**	**-972,650**	**-11,460**	**-61,380**	**-1,108,337**

Reconciliation of present value of the scheme assets:

	Local Government Pension Scheme 2011/12 £000	Firefighters 1992 (FPS) Pension Scheme 2011/12 £000	Firefighters 2006 (NFPS) Pension Scheme 2011/12 £000	Firefighters Compensation Pension Scheme 2011/12 £000	Total 2011/12 £000	Local Government Pension Scheme 2010/11 £000	Firefighters 1992 (FPS) Pension Scheme 2010/11 £000	Firefighters 2006 (NFPS) Pension Scheme 2010/11 £000	Firefighters Compensation Pension Scheme 2010/11 £000	Total 2010/11 £000	Local Government Pension Scheme 2009/10 £000	Firefighters 1992 (FPS) Pension Scheme 2009/10 £000	Firefighters 2006 (NFPS) Pension Scheme 2009/10 £000	Firefighters Compensation Pension Scheme 2009/10 £000	Total 2009/10 £000
Opening Balance at 1 April	40,860	0	0	0	40,860	36,979	0	0	0	36,979	26,575	0	0	0	26,575
Expected return on plan assets	3,114	0	0	0	3,114	2,654	0	0	0	2,654	1,735	0	0	0	1,735
Actuarial Gains / (Losses)	-2,303	20,580	-1,602	0	16,675	510	17,309	-1,534	0	16,285	8,038	25,618	-791	0	32,865
Employer contributions	1,521	7,680	902	1,490	11,593	1,764	8,331	864	1,140	12,099	1,483	8,902	791	1,250	12,426
Transfers In	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions by scheme participants	545	4,010	700	0	5,255	591	4,410	670	0	5,671	563	0	0	0	563
Benefits paid	-1,679	-32,270	0	-1,490	-35,439	-1,638	-30,050	0	-1,140	-32,828	-1,415	-34,520	0	-1,250	-37,185
Closing Balance at 31 March	**42,058**	**0**	**0**	**0**	**42,058**	**40,860**	**0**	**0**	**0**	**40,860**	**36,979**	**0**	**0**	**0**	**36,979**
	-21,045	-953,160	-17,410	-55,910	-1,047,525	-13,997	-881,600	-14,280	-50,980	-960,857	-25,868	-972,650	-11,460	-61,380	-1,071,358

Notes to Main Financial Statements

Reconciliation of opening and closing surplus/(deficit):

	Local Government Pension Scheme 2011/12 £000	Firefighters 1992 (FPS) Pension Scheme 2011/12 £000	Firefighters 2006 (NFPS) Pension Scheme 2011/12 £000	Firefighters Compensation Pension Scheme 2011/12 £000	Total 2011/12 £000	Local Government Pension Scheme 2010/11 £000	Firefighters 1992 (FPS) Pension Scheme 2010/11 £000	Firefighters 2006 (NFPS) Pension Scheme 2010/11 £000	Firefighters Compensation Pension Scheme 2010/11 £000	Total 2010/11 £000	Local Government Pension Scheme 2009/10 £000	Firefighters 1992 (FPS) Pension Scheme 2009/10 £000	Firefighters 2006 (NFPS) Pension Scheme 2009/10 £000	Firefighters Compensation Pension Scheme 2009/10 £000	Total 2009/10 £000
Opening Surplus/(Deficit)	-13,997	-881,600	-14,280	-50,980	-960,857	-25,868	-972,650	-11,460	-61,380	-1,071,358	-12,721	-678,390	-3,170	-39,710	-733,991
Current Service Cost (net cost)	-1,595	-15,400	-2,720	-870	-20,585	-1,994	-17,060	-2,810	-1,440	-23,304	-1,112	-15,670	-1,760	-770	-19,312
Employer contributions	1,521	7,720	902	1,490	11,633	1,764	8,331	864	1,140	12,099	1,483	8,902	791	1,250	12,426
Past Service Gain/(Cost)	-37	0	0	0	-37	6,173	99,780	1,340	6,640	113,933	-2	0	0	0	-2
Interest Cost	-2,976	-49,930	-910	-2,890	-56,706	-3,220	-51,960	-700	-3,270	-59,150	-2,801	-46,170	-280	-2,700	-51,951
Expected return on plan assets	3,114	0			3,114	2,654	0	0	0	2,654	1,735	0	0	0	1,735
Settlements and Curtailments		0			0	0	0	0	0	0	0	0	0	0	0
Actuarial Gains / (Losses)	-7,075	-13,950	-402	-2,660	-24,087	6,494	51,959	-1,514	7,330	64,269	-12,450	-241,322	-7,041	-19,450	-280,263
Closing Surplus/(Deficit)	**-21,045**	**-953,160**	**-17,410**	**-55,910**	**-1,047,525**	**-13,997**	**-881,600**	**-14,280**	**-50,980**	**-960,857**	**-25,868**	**-972,650**	**-11,460**	**-61,380**	**-1,071,358**

Notes to Main Financial Statements

Reconciliation of Fair Value of the Scheme Assets

West Yorkshire Fire & Rescue Authority employs a building block approach in determining the rate of return on Fund assets Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at the 31 March 2012.

The actual return on scheme assets in the year was £42m (2010/11 £41.0m)

Charges to Comprehensive Income & Expenditure Statement

	2011/12	2010/11
Cost of Services		
Current Service Cost (gross cost)	(25,255)	(28,154)
Past Service Cost	(37)	113,933
Loss on curtailments		0
Financing and Investment Income and Expenditure		
Interest Cost	(56,666)	(58,920)
Expected return on assets	3,114	2,654
Total charge to provision of services	(78,844)	29,513
Other Comprehensive Income and Expenditure		
Actuarial gains/(losses) on assets	43,065	48,264
TOTAL IAS19 charge to CIES	(78,844)	29,513

Movement in Reserves Statement

	2011/12 £000	2010/11 £000
Balance at 1st April	(960,857)	(1,071,358)
Actuarial gains or losses on pensions assets and liabilities	(43,065)	48,264
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement	(78,844)	29,513
Employer's pensions contributions and direct payments to pensioners payable in the year	35,241	32,724
Balance at 31st March	(1,047,525)	(960,857)

The cumulative amount of actuarial gains recognised in the Comprehensive Income and E
to the 31 March 2012 is a loss of £43m

Notes to Main Financial Statements

Scheme History

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £1,048m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £1,004m

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 2012 is £1.485million. Expected contributions for the Fire Pension Scheme in the year to 31 March 2012 are £8.58million

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 Governments Actuarial Department and the Local Government Pension Scheme has been assessed by Hewitts, an independent firm of actuaries.

The principal assumptions used by the actuary have been:

Long term expected rate of return on assets in the scheme	Local Government Pension Scheme 2010/11	Firefighters 1992 (FPS) Pension Scheme 2010/11	Firefighters 2006 (NFPS) Pension Scheme 2010/11	Firefighters Compensation Pension Scheme 2010/11	Local Government Pension Scheme 2011/12	Firefighters 1992 (FPS) Pension Scheme 2011/12	Firefighters 2006 (NFPS) Pension Scheme 2011/12	Firefighters Compensation Pension Total 2011/12
Equity investments	8.4				8.0			
Bonds	4.4				4.5			
Other	8.4				8.0			
Mortality assumptions :								
Longevity at 65 for current pensioners :								
- Men	21.9	23.4	23.4	23.4	22.0	23.4	23.4	23.4
- Women	24	25.3	25.3	25.3	24.1	26.3	26.3	26.3
Longevity at 65 for future pensioners :								
- Men	23.7	26.3	26.3	26.3	23.8	26.5	26.5	26.5
- Women	26.0	28.0	28.0	28.0	26.1	28.3	28.3	28.3
Rate of inflation RPI	3.7	3.8	3.8	3.8	3.6	3.6	3.6	3.6
Rate of inflation CPI	2.8	3	3	3	2.6	2.5	2.5	2.5
Rate of increase in salaries	5.2	5.3	5.3	5.3	5.1	4.7	4.7	4.7
Rate of increase in pensions	2.8	2.6	2.6	2.6	2.6	2.3	2.3	2.3
Rate of increase to deferred pensions	2.8				2.6			
Rate for discounting scheme liabilities	5.4	5.7	5.7	5.7	4.8	4.9	4.9	4.9
Take up option to convert annual pension into retirement lump sum.	50	90	90	90	50	50	50	50

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

Notes to Main Financial Statements

	31 March 2011	31 March 2012
	%	%
Equity investments	73.4	70.1
Bonds	15.5	18.7
Other Assets	11.1	11.2
	100.00	100.00

History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012

	2007/8	2008/9	2009/10	2010/11	2011/12
Differences between the expected and actual return on assets					
Local Government Pension Scheme	9.6%	32.7%	21.7%	1.2%	-5.5%
Experience gains and losses on liabilities :					
Local Government Pension Scheme	0.0%	0.0%	0.6%	3.9%	-0.5%
Firefighter Pension Scheme 1992	0.7%	0.7%	2.2%	3.0%	0.9%
Firefighter Pension Scheme 2006	-74.6%	-8.5%	-5.2%	-3.4%	-0.1%
Firefigher Compensation Scheme	6.7%	2.0%	-4.6%	8.3%	11.9%

34. Contingent Liabilities

At 31 March 2012, the Authority have the following contingent liabilities where it is not possible to quantify the financial implications for the Authority.

1. Public liability claims relating to the period when the Authority's public liability insurers were Independent Insurers, which has gone out of business. The Authority is not aware of any such claims but it has no insurance against them.

2. Part Time Workers (Prevention of Less Favourable Treatment) Regulations. Under the part time workers (prevention of less favourable treatment) regulations, our retained firefighters are able to join the firefighters 2006 pension scheme and backdate their contributions to the date they began employment with the Authority. The potential liability has been calculated to be in the range of £0 to £2.5m.

3. Following cuts in funding, the Authority undertook a fundamental review in April 2012 to look at reductions in staff levels. As a result the Authority will be making 83 employees redundant during 2012/13 of which 49 will be made voluntary redundant on the 7th October 2012 and leave employment with the Authority and 34 will be made compulsory redundant on the 31 March 2013. The cost in 2012/13 of voluntary redundancies is £1.4m and the estimated cost of compulsory redundancies is £0.16m.

4. Following complaints to the Pensions Ombudsman regarding the lack of an actuarial review of the Firefighters Pension scheme 1992, there is a potential liability relating to the payment of additional lump sums relating to retirements between 1998 and 2006.

Notes to Main Financial Statements

35. Nature and Extent of Risks arising from Financial Instruments

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise 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. Risk management is carried out by a central treasury management team at Kirklees Council under policies approved by the Fire Authority in the annual treasury management strategy.

Credit Risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's Ratings.

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.

At the year end, the Authority held cash deposits at banks and other financial institutions of £1.9m (£2.3m 31 March 2011). The Authority has instant access to cash deposits and did not make any investments longer than one year in 2011/12.

The Authority does not allow credit for customers but due to the nature of some of the services provided by the Authority, payment prior to the service being carried out is highly unlikely. £52k of the total debt outstanding of £260k at the 31 March 2012 is past its due date for payment.

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	31 March 2011 £000's	31 March 2012 £000's
Less than three months	219	260
Three to six months	0	0
Six months to one year	0	0
More than one year		
	219	260

Liquidity Risk
The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board.

There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 10% of loans are due to mature within any three year rolling period through a careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:
The past due but not impaired can be analysed by age as follows:

	31 March 2011	31 March 2012
	£000	£000
Less than one year	6,585	4,535
Between one and two years	1,535	1,535
Between two and five years	4,006	3,706
Between five and ten years	8,638	4,559
Between ten years and fifteen years	4,235	5,578
More than fifteen years	35,437	39,439
	60,436	59,352

The above analysis assumes that the Lender Option, Borrow Option loan goes its full term. All trade and other payables are due to be paid in less than one year.

Market Risk
Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. 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 surplus/deficit on the provision of services will rise
- borrowings at fixed rates - the fair value of liabilities will fall
- investments at variable rates - the interest income credited to the surplus/deficit on the provision of services 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 surplus or deficit on the provision of service or the Comprehensive Income & Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of service and affect the general fund balance.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances makes it favourable, fixed rate loans will be repaid early 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 costs.

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

As at 31 March 2012, the Authority held only cash deposits. Whilst the interest rates on these deposits are variable, the sums invested are not significant so as to be affected by any change. In terms of borrowing, the Authority holds £8.6m of variable rate loans from PWLB. These loans have their interest rates reset quarterly or half-yearly dependent on the period agreed when the loan was taken out and can be changed to fixed rate loans at any time after an initial one year period. If interest rates had been 1% higher or lower with all other variables held constant, there would have been an impact on income and expenditure of £0.099m. The Authority also holds £2.0m of debt in the form of LOBO, which equates to 3.4% of its total borrowing. The LOBO agreement has a periodic option date on which the lender can opt to change the interest rate on a loan. If lenders exercise this 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. The Authority's LOBO debt was exposed to variable rates through lender options early in the new financial year but the lender did not request a change in rates. The next time the loan is exposed in this way will be in 2016/17. A 1% change in interest rates with all other variable held constant would increase or decrease costs by £0.020m.

The fair value of fixed rate borrowings would decrease by around £8.9m 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 shares.

Foreign Exchange Risk
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.

WYFRA PENSION ACCOUNT

West Yorkshire Fire and Rescue Authority Pension Account

The Authority administers and pays firefighters' pensions and is required to manage a Firefighters' Pension Fund Account. The account is an unfunded pension scheme and consequently has no investment assets. It provides for the payment of defined retirement benefits to members, or their dependants, from firefighters and employer contributions. The account is topped up and balances to nil as necessary by Government grant if contributions are insufficient to meet the cost of retirement benefits.

The Firefighters' Pension Account has the legal status of a pension fund which was established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006.

Pension Account

2010/11 £000	Contibutions Receivable	2011/12 £000
	From employer	
-8,966	Normal	-8,583
-268	Ill Health	-432
-4,852	From members	-4,664
-14,086		-13,679
	Transfers in	
-227	Individual transfers in from other schemes	-38
	Benefits Payable	
25,058	Pensions	26,413
6,492	Lump Sums	7,051
	Payments to and on account leavers	
0	Individual transfers out to other schemes	169
17,237	Net amount payable for the year	19,916
-17,237	Top Up Grant payable by the Government	-19,916
0		0

Net Assets Statement

2010/11	Net current assets and Liabilities	2011/12
6,807	Top Up Grant receivable from Government	6,506
131	Employee paid but not due	99
-1,280	Pension payments due but not paid	-142
0	Unpaid pension benefits	
-5,658	Net Liability	-6,463
0		0

WYFRA PENSION ACCOUNT

The Pension Fund statements have been compiled in accordance with the Code, as detailed in the accounting policies. The above statements do not take account of the liabilities for future retirement benefits, which are recognised in the main accounts of the Authority in Note 32 on defined benefit pension schemes.

There has been no effect on the Pension fund following the introduction of IFRS

Accounting Policies
The principle 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 employers contributions are made at rates determined by the Government's Actuary Department, at a nationally rate of 21.3% for the 1992 Firefighters' Pension scheme (11.0% for employee contributions) and 11.0% for the 2006 Firefighters' Pension scheme (8.5% for employee contributions).

Benefits and Refunds
The 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 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 Adjustment 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.

Close Call

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.

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.

Minimum Revenue Provision (MRP)

Represents the statutory minimum amount that must be charged to revenue in each financial year to repay external borrowings.

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

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

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.

Public Works Loan Board (PWLB)

This is a Central Government Agency which provides loans for one year and above to Authorities at interest rates only slightly higher than those at which the Government itself can borrow.

Related Parties

Two or more parties are related parties when at any time during a financial period:

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

Reserves

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

Revenue Expenditure

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

Settlements and Curtailments (Pensions)

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

Unfunded Pension Scheme

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

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST YORKSHIRE FIRE AND RESCUE AUTHORITY

Opinion on the Authority and Pension Fund financial statements

I have audited the financial statements and the fire-fighters' pension fund financial statements of West Yorkshire Fire and Rescue Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The fire-fighters' pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFAS/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of West Yorkshire Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, he is responsible for the preparation of the Authority's Statement of Accounts, which includes the financial statements and the fire-fighters' pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of West Yorkshire Fire and Rescue Authority as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the fire-fighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, West Yorkshire Fire and Rescue Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

19 September 2012

Paul Lundy
District Auditor
Audit Commission
3 Leeds City Office Business Park
Holbeck
Leeds
LS11 5BD
Date 19 September 2012

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