



**WEST MIDLANDS FIRE
AND CIVIL DEFENCE
AUTHORITY**

**STATEMENT OF
ACCOUNTS**

2004/2005

**WEST MIDLANDS FIRE AND CIVIL DEFENCE AUTHORITY
STATEMENT OF ACCOUNTS 2004/2005**

These accounts have been prepared in accordance with the Accounts and Audit Regulations 1996 and comply with all relevant accounting standards.



L Bateman, C.P.F.A.

Treasurer to the Authority

Date 15/2/05

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KPMG**Independent Auditors' Report to West Midlands Fire and Civil Defence Authority**

We have audited the statement of accounts on pages 7 to 33.

This report is made solely to West Midlands Fire and Civil Defence Authority (the Authority), as a body, in accordance with section 2 of the Audit Commission Act 1998. Our work has been undertaken so that we might state to the Authority those matters we are required to state to it in an auditors' report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Treasurer and Auditors

As described on page 11, the Treasurer is responsible for the preparation of the statement of accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2004: A Statement of Recommended Practice. Our responsibilities, as independent auditors, are established by statute, the *Code of Audit Practice* issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts presents fairly the financial position of the Authority and its income and expenditure for the year.

We review whether the statement on internal control on pages 12 to 13 reflects compliance with CIPFA's guidance *The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003* published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts. We are not required to consider, nor have we considered, information regarding future projections included within the statement of accounts.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the *Code of Audit Practice* issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the statement of accounts present fairly the financial position of West Midlands Fire and Civil Defence Authority as at 31 March 2005 and its income and expenditure for the year then ended.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the *Code of Audit Practice* issued by the Audit Commission.

18/10/05

KPMG LLP
Chartered Accountants
Birmingham

EXPLANATORY FOREWORD

1. The Authority's accounts for the year 2004-2005 are set out on the following pages. They consist of:
 - 1.1 The Consolidated Revenue Account, the Authority's main revenue account, covering income and expenditure on all services.
 - 1.2 The Consolidated Balance Sheet, which sets out the financial position of the Authority at 31st March 2005.
 - 1.3 The Statement of Total Movements in Reserves which brings together all the recognised gains and losses of the Authority during the year to 31st March 2005, separating the movements between revenue and capital reserves.
 - 1.4 The Cash Flow Statement showing movements in cash during the year and the cash position at the year-end.

These accounts are supported by the Statement of Accounting Policies, which follows this foreword and by various notes to the accounts.

2. This foreword provides a brief explanation of the financial aspects of the Authority's activities and draws attention to the main characteristics of the Authority's financial position.
3. The total income of the Authority in 2004-2005 was £112.7 million, which came from:

Revenue Support Grant	46 %
National Non-Domestic Rates	22 %
Precept	27 %
Other Income	5 %
	100 %

4. Net Operating Expenditure in 2004-2005 totalled £143.5 million of which £104.2 million was on the provision of Fire Services, £39.2 million on Pensions and £0.1 million on Emergency Planning. The types of costs incurred were:

Employees	69 %
Pensions	27 %
Running Costs	4 %
	100 %

5. The Authority made appropriations to earmarked reserves of £2,428 million. An appropriation was made from general reserves amounting to £0.911 million.
6. In 2004-2005, the Authority spent £4.366 million on capital projects. £3.658 million of this expenditure was financed by borrowing and £0.319 million financed directly from revenue. The balance was funded by the application of capital receipts, grants and retentions.
7. The accounting policies adopted by the Authority comply with the relevant accounting standards except where indicated in the notes to the accounts.

8. The name of the Authority changes from the West Midlands Fire and Civil Defence Authority to the West Midlands Fire and Rescue Authority with effect from 1st April 2005.

9. Further information about the accounts is available from:

Finance Officer,
West Midlands Fire Service Headquarters,
Lancaster Circus,
Queensway,
Birmingham. B4 7DE.

Telephone : 0121-380-6919
or Fax : 0121-380-6942
or E-Mail : mike.griffiths@wmfs.net

Interested members of the public also have the right to inspect the accounts before the Audit is completed. The availability of the accounts for inspection is advertised in the local press.

STATEMENT OF ACCOUNTING POLICIES

The accounts have been prepared in accordance with the Accounting Code of Practice 2004. A summary of the main principles is given below.

1. *Debtors and Creditors*

The accounts have been prepared on an accruals basis. The figure for creditors represents amounts owed by the Authority in respect of goods and services supplied but not paid for by 31st March. It also includes amounts received as payment for services to be provided in the following accounting period. These are known as receipts in advance.

The figure for debtors represents amounts due to the Authority, which have not been received by 31st March.

2. *Provisions, Reserves and Contingent Liabilities*

Following the provisional liquidation of the Independent Insurance Company, the Authority has a contingent liability in respect of an unresolved claim, which if successful, would have to be met from the insurance reserve. The claim is being strongly defended and cannot be quantified at this stage.

In accordance with the provisions of Financial Reporting Standard 12 a provision is no longer maintained in respect of the contingent liability arising from Municipal Mutual Insurance Ltd's Scheme of Arrangement with its creditors. This provides for the clawback of payments in the event of the company being unable to achieve a solvent run off of its liabilities.

A provision is maintained in respect of bad and doubtful debts.

Earmarked reserves are maintained for a variety of policy purposes.

3. *Fixed Assets*

Fixed assets are included in the Balance Sheet at current values, either replacement cost in the case of buildings or depreciated historic cost in the case of vehicles and equipment. Differences arising from revaluations are written off to the Fixed Asset Restatement Account. The Authority has complied with the requirements of FRS15.

Other than land, which is not depreciated, assets are depreciated using the following methods and over the following periods:

Asset Type	Depreciation Method	Period of years
Tangible Assets		
Buildings	Straight line	Estimated life
Operational Vehicles	Straight line	10 years
Ancillary Vehicles	Straight line	5 years
Equipment	Straight line	5 years
Smoke Alarms	Full depreciation in the year of acquisition.	
Intangible Assets		
Software Licenses	Straight line	5 years

Expenditure on fixed assets and receipts arising from the disposal of assets are capitalised subject to a de minimus level of £6,000. The Authority treats capital receipts of less than £6,000 as revenue income.

4. Capital Accounting

Capital charges made to revenue accounts equal the sum of depreciation plus a specified notional interest charge based on the net amount at which the fixed asset was included in the Balance Sheet at 31st March 2004.

In 2004/05 the specified notional rate of interest was 3.5% for fixed assets included in the Balance Sheet.

External interest payments and actual depreciation charges are debited to the Asset Management Revenue Account. An appropriation to or from the Capital Financing Account ensures that the overall revenue charge for capital is in accordance with statutory requirements and is neutral in its effect on local taxation.

5. Loans Outstanding

Amounts owing in respect of advances to fund capital expenditure are owed to Sandwell M.B.C. the lead district. Interest was charged at a rate of 7.40%. Repayments of principal equate to the Minimum Revenue Provision required by Section 63 of the Local Government and Housing Act 1989.

Debt inherited from the former West Midlands County Council is managed by Dudley M.B.C. and redeemed over a period of 40 years from April 1st 1986. Interest was charged on this debt in 2004-2005 at a rate of 6.90%.

6. Capital Receipts

At 31st March 2005 the Authority held no useable capital receipts.

7. Support Services

The costs of support services provided to the Authority by Sandwell M.B.C., the lead district, have been recharged in accordance with Service Level Agreements. These specify the level of service to be provided and the charge.

8. Stocks and Stores

Stocks and stores held at the year-end are shown in the balance sheet at latest price. Therefore the Authority does not comply with SSAP 9.

9. Government Grants and other Contributions

Government Grants and other Contributions are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or in the case of capital grants and contributions, to the Grants Deferred Account.

Amounts are released from the Grants Deferred Account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate, or the writing down of deferred charges. Grants relating to assets that are not depreciated remain on the Balance Sheet for the life of the asset.

10. Central Support Costs

Charges have been made for work undertaken by support services as agreed with respective Heads of Departments.

11. *Pensions*

The Fire and Civil defence Authority participates in two different pension schemes which meet the needs of its employees. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows: -

Uniformed Firefighters

This scheme is unfunded and the charge to the accounts represents the net cost of pensions and other benefits after allowing for contributions made by the employees for the year.

Other Employees

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The pension costs that are charged to the Fire Authority's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

Pension costs are now included in the accounts to meet the requirements of FRS17 which requires an Authority to see beyond its commitment to pay contributions to the pension fund 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.

A net pension asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

These accounting policies represent a change to those applied in prior years. Previously policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policies better reflect our commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

Further details of pension transactions can be found in note 17 to the Consolidated Balance Sheet and Notes to the Accounts number 1.

12. Prudential Code

The Prudential Code provides a flexible framework within which the assets that the Authority uses for delivering its services can be procured, managed, maintained and developed. This enables the Authority to consider procurement options on an equal footing with finance in deciding how best to maintain, replace or provide fixed assets for service delivery.

The main implication of this code for the Authority's Statement of Accounts will be to change its accounting policy regarding depreciation. Assets acquired under the code will be depreciated using the same life and on the same basis as before, but will be charged to services instead of the Asset Management Revenue Account.

The Code will not have an imminent impact on the Statement of Accounts, but over time, as the Code is used to finance new and replacement assets, the effect of the Code will become evident.

When considering its capital planning, the Authority makes its decisions with explicit regard to the following points:

- Option appraisal
- Asset management planning
- Strategic planning for the Authority
- Achievability of the forward plan through affordability and sustainability.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- (i) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Treasurer.
- (ii) manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- (iii) approve the statement of accounts.



D. Hinton

Chair of Executive Committee

Date 25th July 2005

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the C.I.P.F.A./L.A.A.S.A.C. Code of Practice on Local Authority Accounting in the United Kingdom (The Code of Practice).

In preparing this statement of accounts, the Treasurer has:

- (i) selected suitable accounting policies and then applied them consistently
- (ii) made judgements and estimates that were reasonable and prudent
- (iii) complied with the Code of Practice.

The Treasurer has also:

- (iv) kept proper accounting records, which were up to date.
- (v) taken reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts set out in the following pages fairly present the financial position of the West Midlands Fire and Civil Defence Authority at 31st March 2005 and its income and expenditure for the year then ended.



L Bateman, C.P.F.A.

Treasurer to the Authority

Date 15/7/05

STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

West Midlands Fire and Civil Defence Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

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

The system of internal control has been in place at the Authority for the year end 31st March 2005 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

3. The Internal Control Environment

The internal control environment contains a number of key elements against which the Authority is able to establish and implement policies and monitor the achievement of objectives.

These elements are contained in the Best Value Performance Plan and Business Plan which form the basis of the Authority's overall high level objectives and affirms its commitment to achieving continuous service improvement.

This high level plan is supported by business and operational plans at service, team and individual employee level containing relevant Performance Indicators and targets which are monitored and reviewed on a regular basis. The Authority has also agreed a constitution which sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Authority has developed and implemented a risk management strategy including a review of the Authority's risk and the assignment of owners to specific risks. The Authority's business planning process requires the identification of potential risks facilitating an understanding of risks at an operational level.

The Authority acknowledges its responsibility for ensuring that an effective system for internal control is maintained and operated. The system of financial control is based on a framework of regular management information, financial regulations, administration procedures, management supervision and a system of delegation and accountability.

Development and maintenance of the system of internal control is undertaken by managers within the Authority. In particular the system includes:

budgeting systems
 medium term financial planning process
 preparation of regular financial reports which provide details of performance against forecasts
 setting targets to measure financial and other performance

The Authority has implemented a performance management framework which ensures that corporate objectives, standards and targets are cascaded to all staff. The framework is subject to ongoing monitoring and review.

4. Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors in their annual letter.

The Authority's constitution outlines the way in which the Authority is organised to carry out its affairs. The constitution explains the structures and decision making processes and brings together the detailed rules and procedures that govern the behaviour of those who work for or represent the Authority.

The Treasurer is responsible for ensuring that there is an adequate and effective system of internal audit as required by the Accounts and Audit regulations 2003. Internal audit operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom under the day to day control of Sandwell MBC's Audit Services Manager who acts independently. The Internal Audit Service plans and prioritises its work through a combination of assessment and review of the Authority's corporate governance arrangements, risk management processes and key internal control systems, supplemented by a programme of managed audits, fraud and corruption reviews and scheduled visits to Authority establishments. The resulting work plan is discussed and agreed with the Chief Fire Officer and shared with the Authority's external auditor. Reports, including an assessment of the adequacy of control together with action plans to address weaknesses, are submitted to officers as appropriate. Our view of the effectiveness of the system of internal control is informed by:

the work of Members and Managers within the Authority
 the work of internal audit
 reports from independent inspection bodies (Audit Commission)

5. Significant Internal Control Issues

The identification, analysis and management of risk are the key aspects in providing assurance to the Authority that its internal control arrangements are effective. While much has been done in recent years to embed a risk management culture within the Authority, it is recognised that work needs to continue to train and inform Members and employees.

During 2004/05 Internal audit reviewed a number of areas of the Sandwell Business System, which was introduced from the 1st April 2003. Subsequent recommendations were made and actioned by officers of the Authority.

The constant change environment in which the Authority operates also requires on going review of the internal control environment. The changes in financing arrangements together with new methods of service delivery embraced by the Authority bring with them new risks and control issues. The Authority will continue to monitor change and take appropriate action to manage risk arising from future developments in service delivery.



L Bateman, C.P.F.A.

Treasurer to the Authority

Date 15/7/05

CONSOLIDATED REVENUE ACCOUNT

2003-04 £000s Net		2004-05 £000s Expenditure	2004-05 £000s Income	2004-05 £000s Net	note
85,520	Fire Fighting and Rescue Operations	96,523	(874)	95,649	
8,615	Community Fire Safety	12,022	(1,886)	10,136	
1,063	Corporate & Democratic Core	1,182	(75)	1,107	
145	Fire Service Emergency Planning & Civil Defence	186	(69)	117	
29	Non Distributed Costs	280	0	280	
95,372	Net Cost of Services	110,193	(2,904)	107,289	
(351)	Surplus on Asset Management Revenue Account			(324)	6
-	Transitional Funding			(1,650)	
31,068	Pensions Interest cost and expected return on pension assets			39,206	
(651)	Interest & Investment Income			(998)	
125,438	Net Operating Expenditure			143,523	
(3,539)	Contribution from Capital Account			(3,332)	7
(21,482)	Contribution from Pension Reserves			(34,523)	
1,290	Transfer to Earmarked Reserves			2,428	
101,707	Amount to be met from Government Grants & Local Taxpayers			108,096	
(47,480)	Revenue Support Grant			(52,132)	
(25,927)	N.N.D.R.			(24,946)	
(27,962)	Precept			(30,109)	
(98)	Collection Fund (Surplus)/Deficit			2	
240	Deficit for the Year			911	
4,665	General Fund Balance B/Fwd			4,425	
4,425	General Fund Balance C/Fwd			3,514	

NOTES TO THE ACCOUNTS

1. Pension Liability (FRS 17 disclosures)

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these will not actually be payable until 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 two pension schemes:

The West Midlands Metropolitan Authorities Pension Fund for civilian and fire control employees, administered by Wolverhampton City Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

The Firefighters Pension Scheme for fire officers – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure.

	Fire Pension Scheme	Local Government Pension Scheme	Total
	£000's	£000's	£000's
Net Pensions liability at 1 April 2004	(599,030)	(8,686)	(607,716)
Movement in the year:			
Current Service cost	(14,350)	(1,467)	(15,817)
Employers' contributions payable to the scheme		1,240	1,240
Employees' contributions payable to the scheme	(5,780)		(5,780)
Retirement benefits payable to pensioners	26,200		26,200
Pension transfers-in	(880)		(880)
Past service costs	(280)		(280)
Net Interest/Expected return on assets	(38,780)	(426)	(39,206)
Actuarial gain/ (loss)	(183,480)	(5,859)	(189,339)
Net Pensions liability at 31 March 2005	(816,380)	(15,198)	(831,578)

Further information is given in note 17 to the Balance Sheet and note 1 to the Statement of Total Movement in Reserves.

2. Employees emoluments

The number of staff whose remuneration, excluding pension contributions, was £50,000 and over were: -

	<u>2003/04</u>	<u>2004/05</u>
£50,001 to £60,000	3	7
£60,001 to £70,000	2	
£70,001 to £80,000	4	2
£80,001 to £90,000		3
£90,000 to £100,000	1	
£100,000 to £110,000		
£110,000 to £120,000		1
	10	13

3. Asset Rentals

The expenditure on Premises, Transport and Supplies and Services includes asset rentals in respect of land and buildings, vehicles and I.T. equipment respectively. Asset rentals are equal to depreciation plus an interest charge calculated on the value of the asset. The Authority does not depreciate its land.

Capital financing costs are debited either to the Asset Management Revenue Account or the Capital Financing Account, with the exception of Operating Lease rentals, which are charged to Transport Related Expenditure.

4. Publicity

In accordance with Section 5c of the Local Government Act 1986, a separate account has been maintained of expenditure on publicity. This expenditure may be summarised as follows:

	<u>2003/04</u>	<u>2004/05</u>
	£	£
Recruitment Advertising	241,848	199,610
Press & Public Relations	445,224	485,532
	687,072	685,142

5. Members Allowances

Allowances paid to Members of the Authority were as follows.

	<u>2003/04</u>	<u>2004/05</u>
	£	£
Basic/Responsibility Allowance	80,183	118,029
Travel & Subsistence	3,826	4,723
Conference Expenses	2,173	1,612
	86,182	124,364

6. Asset Management Revenue Account

The transactions on the Asset Management Revenue Account were as follows;

	<u>2003/04</u> £	<u>2004/05</u> £
Income – Capital Charges	(7,914,675)	(8,275,763)
Expenditure - Loan Interest	2,673,077	2,901,402
- Govt grants amortisation	(24,971)	(273,373)
- Finance Lease Interest	190	(902)
- Depreciation	4,915,562	5,324,615
Surplus	<u>(350,817)</u>	<u>(324,021)</u>

7. Capital Financing Account

The following appropriation was made from the Capital Financing Account:

	<u>2003/04</u> £	<u>2004/05</u> £
Revenue Contributions to Capital Outlay	44,517	319,065
Depreciation	(4,915,562)	(5,324,615)
Government Grants Deferred	24,971	273,373
Repayment of Principal - MRP	1,240,874	1,327,520
Repayment of Principal - Ex WMCC	66,288	72,917
	<u>(3,538,912)</u>	<u>(3,331,740)</u>

8. Leases

The Authority no longer holds assets under finance leases. Leases that expired during 2004/05 were in secondary rental and no rentals were paid in the year. It is no longer the policy of the Authority to finance the acquisition of fixed assets by means of finance leases.

9. Related Party Transactions

The following material transactions with related parties took place during the year:

Related Party	Nature of Transaction	Receipts £000's
Central Government	Revenue Support Grant	52,132
	N.N.D.R. Grant	24,946
	Civil Defence Grant	60
West Midland Local Authorities	Precept	30,109

No member of the Authority or Chief Officer or parties related to them has undertaken any disclosable related party transactions during the year.

10. External Audit Fees

	2003/04	2004/05
	£000's	£000's
Audit services & certification of grant claims	61	62
Verification of modernisation Study	22	
	<hr/>	<hr/>
	83	62

BALANCE SHEET AS AT 31ST MARCH

31/03/2004 £'000		31/03/2005 £'000	Note
	Fixed Assets		
	<i>Operational Assets</i>		
75,632	Land & Buildings	88,528	3
7,155	Vehicle, Plant & Equipment	6,817	3
30	Intangible Assets	22	
<u>82,817</u>		<u>95,367</u>	
	<i>Non Operational Assets</i>		
1,502	Land & Buildings	2,418	3
<u>84,319</u>	Total Fixed Assets	<u>97,785</u>	
2	Long term Debtors	5	8
<u>84,321</u>	Total Long-term Assets	<u>97,790</u>	
	Current Assets		
616	Stocks	532	7
1,583	Debtors	2,838	9
19,500	Cash	20,460	
<u>106,020</u>	Total Assets	<u>121,620</u>	
	Current Liabilities		
(4,490)	Creditors	(5,200)	9
<u>101,530</u>	Total Assets Less Current Liabilities	<u>116,420</u>	
	Long-term Liabilities		
(38,394)	Long-term Borrowing	(40,652)	10
(607,716)	Liability Related to Defined Benefit Pension Schemes	(831,578)	17
<u>(544,580)</u>	Total Assets Less Liabilities	<u>(755,810)</u>	
	Financed By		
56,078	Fixed Asset Restatement Account	70,503	11
(10,662)	Capital Financing Account	(13,954)	12
411	Government Grants Deferred	393	13
(607,716)	Pensions Reserve	(831,578)	17
12,884	Earmarked Reserves	15,312	14
4,425	General Fund Balances	3,514	15
<u>(544,580)</u>	Local Taxpayers Net Equity	<u>(755,810)</u>	

NOTES TO THE BALANCE SHEET

1. All Fixed Assets are shown in the balance sheet at latest values. The Authority has complied with the requirements of FRS11. These were calculated as follows:

Vehicles & Equipment

The threshold for inclusion in the asset registers for both vehicles and equipment is a purchase cost of £6,000 per item.

Land and Buildings

In line with the Authority's policy of revaluing land and buildings at five yearly intervals, a comprehensive revaluation was carried out in 2004-2005. The valuation was carried out by Gerald Eve, Chartered Surveyors. Operational properties were valued on the basis of Open Market Value in Existing Use except where there is no market for the asset in question. In this case properties were valued on the basis of Depreciated Replacement Cost. Non-operational properties were valued on the basis of Open Market Value.

2. ***Purchase of Fixed Assets***

During the year, the Authority incurred capital expenditure of £4.366 million as detailed below.

	£000s
Land & Buildings	3,072
Vehicles	729
Equipment	565

The major items of expenditure were as follows:

	£000s
Station Refurbishments	2,055
Vehicle Replacement Programme	718
Station Modifications	542
ICT - System Enhancements	321
Home Fire Risk Assessments	244
Asbestos Removal	150
Drill Towers	116
Security Measures	105
Equality & Diversity	101

Disposal of Fixed Assets

Assets disposed during 2004-05 consisted of; 6 x Pumps & Specialist Vehicles, 26 x Cars & Vans, 1 x Rescue Units and 1 x Coach with a total net book value of £20,146.

3. Movements in Fixed Assets 2004/05

	Operational Assets				Non-Operational Assets		Total Fixed Assets £000s
	Land & Buildings	Vehicles	Equipment	Intangible	Land & Buildings	Vehicles	
	£000s	£000s	£000s	£000s	£000s	£000s	
<u>Cost or Valuation</u>							
1 April 2004	89,180	18,435	1,392	45	1,900	-	110,952
Acquisitions	3,072	729	565	-	-	-	4,366
Disposals	-	(1,114)	-	-	-	-	(1,114)
Revaluations	13,430	-	-	-	1,015	-	14,445
Reclassifications	-	(70)	-	-	-	70	-
31 March 2005	105,682	17,980	1,957	45	2,915	70	128,649
<u>Accumulated Depreciation</u>							
1 April 2004	13,548	11,852	820	15	398	-	26,633
Depreciation	3,606	1,146	466	8	99	-	5,325
Disposals	-	(1,094)	-	-	-	-	(1,094)
Reclassifications	-	(70)	-	-	-	70	-
31 March 2005	17,154	11,834	1,286	23	497	70	30,864
<u>Net Book Value</u>							
31 March 2004	75,632	6,583	572	30	1,502	-	84,319
31 March 2005	88,528	6,146	671	22	2,418	-	97,785

4. Comparison of Capital Expenditure with Allocations

	£000s
Capital Outlay	4,366
Retentions	(94)
Revenue Contributions to Capital Outlay	(319)
Capital Receipts	(39)
Government Grants	(256)
Total to be funded from Borrowing	3,658
Supported Capital Expenditure	3,658

5. Assets Held

Major fixed assets owned by the Authority at 31st March 2005 were as follows:

	31/03/2004 Number	31/03/2005 Number
<u>Buildings</u>		
Brigade Headquarters including Central Fire Station	1	1
Other Fire Stations / Fire Safety Centres	40	40
Training Centre	1	1
Vehicle Workshop	1	1
Stores	1	1
Non-residential Premises	5	5
Residential Dwellings	29	29
<u>Vehicles</u>		
Pumping and Special Appliances	115	113
Cars and Vans	125	103
Other (Trailer/Demountable Unit/Coach)	37	37

6. Outstanding Commitments under Capital Schemes

The Authority has authorised expenditure in future years of £10,772 million, of which £316k has been contracted. The balance relates to schemes approved by the Authority in respect of which no contracts have yet been entered into. The amounts are represented by the following schemes:

	Expenditure Approved & Contracted at 31/03/05 £000s	Expenditure Approved But Not Contracted at 31/03/05 £000s
Upgrading BA Servicing Rooms	16	54
Security Measures – various sites	-	50
Equality & Diversity Works	-	220
Deep Lift Well Alterations	-	360
Drill Tower Upgrades	-	120
Bournbrook Refurbishment	55	33
Fallings Park Refurbishment	152	25
Asbestos Removal	-	270
HCFS Fire Experience	19	0
Wolverhampton Refurbishment	15	0
Northfield Refurbishment	25	0
Integrated Computer System	-	1,708
MDT Hardware Replacement	-	25
Wide Area Network	34	31
Home Fire Risk Assessments	-	1,240
Vehicle Replacement Programme	-	4,517
HQ Relocation	-	100
Stourbridge Refurbishment	-	1,564
Bickenhill Refurbishment	-	139
	<hr/>	<hr/>
	316	10,456
	<hr/>	<hr/>

7. Stocks and Stores

All stocks were valued at latest price and can be broken down into the following categories:

	<u>2003/04</u>	<u>2004/05</u>
	£	£
General Stocks	395,734	300,307
Mechanical Stocks	139,401	146,715
Bar Stocks	353	383
Heating Oil/Petrol/Diesel	80,193	84,372
	615,681	531,777

8. Long term Debtors

A balance of £5,152 for long-term debtors relates to staff loans for the purchase of motorcars. These loans are all repayable by 31 March 2008.

9. Debtors and Creditors

The amounts shown for debtors and creditors can be broken down as follows:

		<u>2003/04</u>	<u>2004/05</u>
		£	£
Debtors:	General Debtors	581,201	315,520
	Debtors Accruals	812,373	1,929,583
	Car Loans Due within 12 Months	4,987	8,606
	VAT Due from H.M. Customs & Excise	228,560	613,236
	Provision for Bad Debts	(43,648)	(29,252)
		1,583,473	2,837,693
Creditors:	General Creditors	1,150,385	1,540,816
	Creditors Accruals	3,339,923	3,659,649
		4,490,308	5,200,465

10. Loans Outstanding

The Authority does not operate its own loans pool. Loans required to fund capital expenditure are advanced from the lead district, Sandwell M.B.C. Loans are also outstanding to Dudley M.B.C. These represent the Authority's share of the outstanding loan debt of the West Midlands County Council abolished in 1986. The amounts owing to the two authorities are as follows:

	<u>2003/04</u>	<u>2004/05</u>
	£	£
Sandwell M.B.C.	33,188,000	35,518,480
Dudley M.B.C.	5,206,489	5,133,571
	38,394,489	40,652,051

11. Fixed Asset Restatement Account

	<u>2003/04</u> £000's	<u>2004/05</u> £000's
Balance at 1 st April	56,097	56,078
Disposal of Fixed Assets	(19)	(20)
Revaluations	-	14,445
Balance at 31 st March	<u>56,078</u>	<u>70,503</u>

12. Capital Financing Account

	<u>2003/04</u> £000's	<u>2004/05</u> £000's
Balance at 1 st April	(7,144)	(10,662)
Capital Financing	45	319
Capital Receipts	21	39
Write down of Intangible Assets	25	273
Depreciation	(4,916)	(5,324)
Repayment of Principal	1,307	1,401
Balance at 31 st March	<u>(10,662)</u>	<u>(13,954)</u>

13. Government Grants Deferred

This account holds various Government, other capital grants and other contributions. These will be written off to revenue over the life of the relevant assets where these are depreciated. New grants amounted to £255,490 and £273,373 was written off during 2004-05.

14. Reserves

The following earmarked reserves have been created.

	Balance at 31/03/04 £000s	Contribution during year £000s	Applied during year £000s	Not utilised £000s	Balance at 31/03/05 £000s
Insurance	8,294	700	328		8,666
Pension Reserves	1,656	72			1,728
Repayment of Transitional Funding		1,650			1,650
Capital Slippage	387	231	23		595
Capital works	992	183	296	176	703
Control room resilience	500				500
Underspend Carried Forward	298	342	298		342
Project management	200	147	97		250
Innovation Fund	150	167	120		197
Equality & Diversity Awareness Training	121				121
ICT		136			136
Uniforms		85			85
HQ Balcony		85			85
Equipment	99	106	124		81
Regional Funding		59			59
Mapping Licenses	29	23			52
Working at Height		32			32
Training		30			30
Footwear	29		27	2	0
HFRA's /Smoke Alarms	63			63	0
Vehicle Modifications	44	3	47		0
Youth Work	22	3	25		0
TOTAL	12,884	4,054	1,385	241	15,312

15. General Fund Balances

The following Fund movements took place in the year:

	<u>2003/04</u> £000's	<u>2004/05</u> £000's
Balance Brought Forward	4,665	4,425
Surplus/ (Deficit) transferred from Revenue Account	(240)	(911)
Balance Carried Forward 31st March	<u>4,425</u>	<u>3,514</u>

16. Pensions Liability

At 31st March 2005, 163 employees of the Authority who are members of the Firefighters' Pension Scheme were eligible for voluntary retirement, having reached age 50 and completed 25 years' service. If all were to exercise their right to retire in the 2005-2006 financial year, the Authority would have to make commutation payments amounting to £10.19 Million.

17. Pension Liability (FRS disclosures)

In accordance with the requirements of Financial Reporting Standard No 17 – Retirement Benefits (FRS 17) the Authority has to disclose its share of assets and liabilities related to pension schemes for its employees. As explained in Note 11 of the Accounting Policies the authority participates in two schemes, the Fire Pension Scheme for Firefighters which is unfunded and the West Midlands Metropolitan Authorities Pension Fund for other employees which is administered by Wolverhampton City Council. In addition the Authority has made arrangements for the payment of added years to certain retired employees outside of the schemes.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2005 are as follows

	31 March 2004 £000's	31 March 2005 £000's
Estimated liabilities in the Firefighters Pension Scheme	599,030	816,380
Estimated liabilities in the Local Government Pension Scheme	30,334	40,949
Total liabilities	629,364	857,329
Share of assets in the Local Government Pension Scheme	(21,648)	(25,751)
Net pensions deficit	<u>607,716</u>	<u>831,578</u>

Liabilities have been assessed on an actuarial basis to give an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Firefighters Pension Scheme has been assessed using an approach and model supplied by the Government Actuary's Department and certified by them on 15 June 2005. The West Midlands Metropolitan Authorities Pension Fund has been based on triennial actuarial valuations, the last review being 31 March 2004 and assessed by Mercer Human Resource Consulting. The main assumptions used in their calculations are:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	31 March 2004	31 March 2005	31 March 2004	31 March 2005
Rate of inflation	2.80%	2.90%	2.90%	2.90%
Rate of increase in salaries	4.30%	4.65%	4.40%	4.40%
Rate of increase in pensions	2.80%	2.90%	2.90%	2.90%
Rate for discounting scheme liabilities	6.30%	5.40%	6.50%	5.40%

The Firefighters Pension Scheme has no assets to cover its liabilities. Assets in the West Midlands Metropolitan Authorities Pension Fund are valued at fair value, principally market value for investments and consists of:

	Proportion of Total Assets 31 March 2004	Proportion of Total Assets 31 March 2005
	%	%
Equities	76.5	75.3
Government Bonds	9.7	9.4
Other Bonds	4.1	4.5
Property	7.3	7.2
Other	2.4	3.6
	<hr/> 100.0	<hr/> 100.0

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	CAPITAL RESERVES			REVENUE RESERVES			Total of All Reserves £000s
	Fixed Asset Restatement Account £000s	Capital Financing Account £000s	Government Grants Deferred £000s	General Fund Reserves £000s	Earmarked Reserves £000s	Pensions Reserves £000s	
Balance at 1 April 2004	56,078	(10,662)	411	4,425	12,884	(607,716)	(544,580)
Net Surplus or Deficit for the year	-	(3,253)	255	(911)	2,428	-	(1,481)
Effect of Disposals of Fixed Assets	(20)	-	-	-	-	-	(20)
Gains on Revaluation of Fixed Assets	14,445	-	-	-	-	-	14,445
Increase in useable capital receipts	-	(39)	-	-	-	-	(39)
Appropriation from pensions reserve	-	-	-	-	-	(34,523)	(34,523)
Actuarial gains and losses relating to pensions	-	-	-	-	-	(189,339)	(189,339)
Financing of Fixed Assets	-	-	(273)	-	-	-	(273)
Balance at 31 March 2005	70,503	(13,954)	393	3,514	15,312	(831,578)	(755,810)

The Fixed Asset Restatement Account and the Capital Financing Account are not cash backed and do not represent resources available to the Authority.

Notes to the Statement of Total Movement in Reserves

1. Pension Liability (FRS disclosures)

The actuarial gain/(loss) identified as movements on the Pensions Reserve can be analysed into the following categories:

	Fire Pension Scheme	Local Government Pension Scheme
	£000s	£000s
2003/04		
Experience gains and losses arising on the pension liabilities	(49,690)	2,488
Changes in assumptions underlying the present value of the pension liabilities	(86,540)	
	(136,230)	2,488
2004/05		
Experience gains and losses arising on the pension liabilities	(6,520)	
Asset Gain		980
Liability Gain		1,136
Changes in assumptions underlying the present value of the pension liabilities	(176,960)	(7,975)
	(183,480)	(5,859)

CASH FLOW STATEMENT

2003-2004	£000s		2004-2005	£000s
		REVENUE ACTIVITIES		
		Cash Outflows		
86,186		Cash paid to & on behalf of Employees	93,144	
12,545	98,731	Other Operating Costs	13,173	
		Cash Inflows		106,317
(47,480)		Revenue Support Grant	(52,132)	
(25,927)		National Non Domestic Rates	(24,946)	
(27,962)		Precept Income	(30,109)	
(437)		Government Grants	(1,913)	
		Other Grants	(12)	
(98)		Collection Fund (Surplus)/Deficit	2	
(3,274)	(105,178)	Cash Received for Goods & Services	(1,756)	(110,866)
	(6,447)	Revenue Activities Net Cash (Inflow) / Outflow		(4,549)
		Cash Outflows		
2,673		Interest Paid	2,901	
-		Interest Element of Finance Leases		
		Cash Inflows		
(651)	2,022	Interest Received	(998)	1,903
		CAPITAL ACTIVITIES		
		Cash Outflows		
3,512		Purchase of Fixed Assets	4,239	
		Cash Inflows		
(26)		Other Capital Cash Receipts	(256)	
(21)		Sale of Fixed Assets	(39)	
	3,465	Capital Activities Net Cash (Inflow) / Outflow		3,944
	(960)	Net Cash (Inflow) / Outflow Before Financing		1,298
		FINANCING		
		Cash Outflows		
	1,308	Repayment of Loans		1,400
		Capital Element of Finance Leases		
		Cash Inflows		
(3,411)		New Loans raised		(3,658)
	3,063	Net Increase / (Decrease) in Cash		960

NOTES TO THE CASH FLOW STATEMENT

1. *Reconciliation to Revenue Account Surplus*

	£'000s	
(Surplus) /Deficit for Year	911	
Appropriations	(2,428)	
Movement in Provisions		
Other Items		(1,517)
<i>Items on an Accrual Basis</i>		
Increase/(Decrease) in Stock	(84)	
Increase/(Decrease) in Debtors incl. Long term	1,257	
(Increase)/Decrease in Revenue Creditors	(583)	590
<i>Items Included Under Another Classification</i>		
Payment of Loan Principal	(1,400)	
Direct Revenue Financing	(319)	
Interest Paid	(2,901)	
Interest Received	998	(3,622)
<i>Revenue Activities Net Cash (Inflow) / Outflow</i>		<u>(4,549)</u>

2. Reconciliation to Net Debt

	31/03/2004	31/03/2005
	£000s	£000s
Long-term Borrowing	38,394	40,652
Creditors Due within 12 Months	4,490	5,200
	42,884	45,852
Total	42,884	45,852
Deferred Debtors	(2)	(5)
Investments	0	0
Debtors	(1,583)	(2,837)
	41,299	43,010
Net Debt	41,299	43,010
Movement in Net Debt	1,711	
Net Cash Flow	1,298	
Movement in Cash Flow	960	
	2,258	
Cash Flow Funded by Borrowing	2,258	
Movements in:		
Debtors	(1,254)	
Creditors	710	
Long Term Debtors	(3)	
	1,711	
Movement in Net Debt	1,711	

3. Analysis of Government Grants-

	31/03/2004	31/03/2005
	£000s	£000s
Transitional Funding		1,650
Home Fire Risk Assessment		244
Innovation Fund	165	165
Civil Defence	60	60
Pay Verification		21
Integrated Personal Development Scheme	15	10
Wolverhampton Youth Mentoring Scheme		5
Handsworth Mini Bus		2
Urban Search and Rescue Vehicle	10	
Wolverhampton Smoke Alarm Project	15	
Radio Project	146	
E- Government Service	50	
	461	2,157

GLOSSARY OF TERMS

Asset Management Revenue Account

An account maintained to record the costs of the Authority's Fixed Assets. It is credited with rentals charged to individual services for the use of those assets.

Balance Sheet

A statement of assets, liabilities and other balances at the end of an accounting period. The Consolidated Balance Sheet combines all the accounts of an authority.

Capital Financing Account

An account maintained to hold the transactions relating to the financing of capital expenditure. The amounts appropriated to it from the Revenue Account Surplus were formerly charged directly to the Consolidated Revenue Account.

Creditor

An amount owed by an authority for work done, goods received or services rendered but for which payment has not been made.

Current Assets

Items from which the authority derives a benefit but which will be consumed or realised during the next accounting period, e.g. stocks, debtors, cash.

Current Liabilities

Amounts falling due for payment in the next accounting period.

Debtor

A sum due but not received at the financial year end.

Long term Debtors

Amounts due to the Authority to be paid in predetermined instalments over more than one accounting period; e.g. car loans to staff.

Deferred Liability

Amounts owed to outside bodies to be paid in predetermined instalments over more than one accounting period; e.g. leasing charges.

Fixed Asset

An item from which the Authority will derive a benefit over several accounting periods.

Fixed Asset Restatement Account

An account which holds the adjustments arising from the revaluation of Fixed Assets.

Minimum Revenue Provision

An amount set aside from revenue towards the repayment of loan debt. This is currently 4% of the initial credit ceiling (outstanding loan debt less reserved capital receipts).

Provisions

Amounts set aside to meet future liabilities arising from past events.

Reserves

Amounts set aside to meet future contingencies but whose use does not affect the Authority's net expenditure in a given year. Appropriations to and from reserves may not be made directly from the revenue account. This is a crucial distinction between provisions and reserves.