

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

26TH JUNE 2006

1. STATEMENT OF ACCOUNTS 2005/2006

Report of the Treasurer.

RECOMMENDED

THAT Members approve the Statement of Accounts for 2005/2006 and note the Statement of Accounts Summary.

2. PURPOSE OF REPORT

This report is submitted to seek the approval of Members for the Authority's Statement of Account for the financial year ended 31st March 2006.

3. BACKGROUND

- 3.1 The production of Local Authority accounts is governed by the Accounts and Audit Regulations 1996. These require, amongst other things, that the accounts are closed by 30th June, following the accounting period and published by 30th September. It is also a requirement that the accounts be submitted to Members for approval by the end of June.
- 3.2 It is a further requirement of the Regulations that Members are informed of any material changes required by external auditors (KPMG). The accounts have not yet been audited and are attached as Appendix A.
- 3.3 The Accounts show net revenue expenditure in 2005/2006 of £113.706 million, including an appropriation from earmarked reserves of £0.646 million. General balances have increased by £0.030 million.
- 3.4 Fire Service net operating expenditure was £160.6 million and includes the Fire Service Pensions deficit which was £44.5 million. Capital expenditure totalled £4.097 million, of which £3.661 million was financed from borrowing.

- 3.5 A Summarised Statement of Accounts (see Appendix B) is made available on the Fire Service Intranet in addition to the full set of accounts.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report, an initial Equality Impact Assessment was undertaken which did not raise issues which required a full Equality Impact Assessment to be completed.

5. **LEGAL IMPLICATIONS**

The course of action recommended in this report will enable the Authority to meet its statutory obligations under the Accounts and Audit Regulations 1996. The Clerk has been consulted in the preparation of this report.

6. **FINANCIAL IMPLICATIONS**

These are contained in the report and the Statement of Accounts.

BACKGROUND PAPERS

Accounts and Audit Regulations 1996
Code of Practice on Local Authority Accounting 2005
Final Accounts Files – Finance Office

L. BATEMAN
TREASURER

APPENDIX B

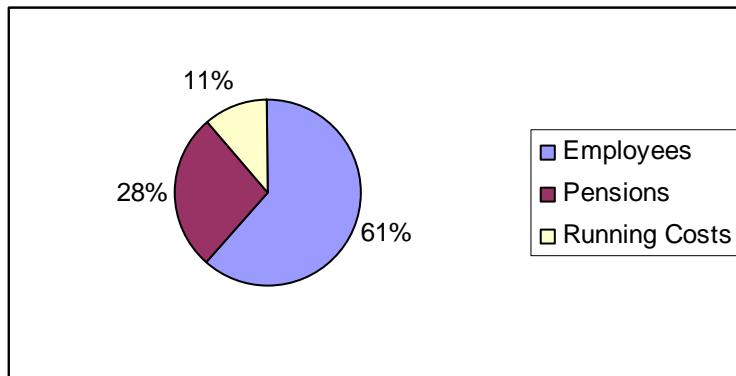
West Midlands Fire and Rescue Authority Statement of Accounts 2005/06 Summary

How much did the Service cost in 2005/06?

Majority of net cost of Fire Service expenditure relates to firefighting and rescue operations (£104.0m) and community fire safety work (£12.8m).

The total Net Operating expenditure for the Fire Service for 2005/06 was approximately £161m. This figure includes pension costs of £44.5m which need to be shown in accordance with specific accounting requirements.

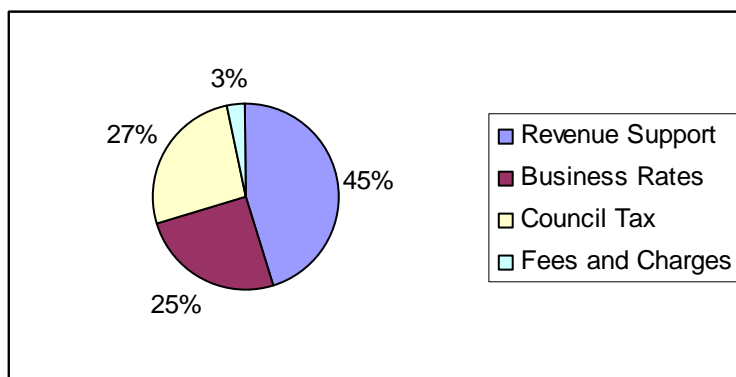
The types of costs can be broken down as follows:



How was the Service funded in 2005/06?

The total income of the Authority in 2005/06 was £117.6m. The majority of funding comes from the Government in the form of grant and a share of business rates.

The various sources of funding are shown below:



Balances and Reserves

The Fire Authority must consider the level of general balances it wishes to maintain before it can decide the level of Council Tax to charge in any year.

In order to set a balanced budget in 2005/06 the Authority assumed no contribution from general balances. The actual level of general balances increased in the year by £0.030m, leaving £3.544m general balances at the end of the financial year.

In addition, as part of the closedown of accounts process, consideration needs to be given to the level of earmarked reserves required. These are amounts set aside to meet specific anticipated future demands. The level of earmarked reserves reduced by the end of the year by £0.646m. This brought the total level of reserves to £14.666m (full details are on page 24 of the Statement of Accounts).

Capital Expenditure and Funding

In 2005/06, the Authority spent £4.097 million on capital projects.

The expenditure was incurred on the following:

	£000s
Land & Buildings	1,685
Vehicles	1,083
Equipment	1,119
ICT Software Licences	210

The majority of this expenditure was financed by borrowing (89%). The balance was funded by grants and direct revenue funding.

In the same way that borrowing was used to help purchase assets during 2005/06, borrowing in earlier years meant that at the end of 2005/06, the Authority had total loans of £42.812m (the interest and principle on any loans needs to be met from future revenue budgets). The value of fixed assets held by the Authority as at 31st March 2006 which the loans had helped fund was £94.2m, of which approximately 92% related to land and buildings and 8% related to vehicles and equipment.

Further information can be found by contacting the Finance Officer at West Midlands Fire Service Headquarters, Lancaster Circus Queensway, Birmingham B4 7DE. Telephone No. 0121-380-6919 or e-mail: mike.griffiths@wmfs.net

This information can also be made available in other languages and formats including large print, Braille and audiotape. Please phone 0121 380 6007.



WEST MIDLANDS FIRE AND RESCUE AUTHORITY

STATEMENT OF ACCOUNTS

2005/2006

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY
STATEMENT OF ACCOUNTS 2005/2006**

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

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Auditors Report

To follow

Auditors Report

To follow

EXPLANATORY FOREWORD

1. The Authority's accounts for the year 2005-2006 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 2006.
 - 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 2006, 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 2005-2006 was £117.6 million, which came from:

Revenue Support Grant	45	%
National Non-Domestic Rates	25	%
Precept	27	%
Other Income	3	%
	<hr/>	
	100	%
	<hr/>	

4. Net Operating Expenditure in 2005-2006 totalled £160.7 million of which £116.0 million was on the provision of Fire Services, £44.5 million on Pensions and £0.2 million on Emergency Planning. The types of costs incurred were:

Employees	65	%
Pensions	28	%
Running Costs	7	%
	<hr/>	
	100	%
	<hr/>	

5. The Authority made appropriations from earmarked reserves of £0.646 million. An appropriation was made to general reserves amounting to £0.030 million.
6. In 2005-2006, the Authority spent £4.097million on capital projects. £3.661 million of this expenditure was financed by borrowing and £0.098 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 changed 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 2005. 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
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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
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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 2005.

In 2005/06 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 7.32%. 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 6.85%.

6. Capital Receipts

At 31st March 2006 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 Rescue 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.

Chair of Executive Committee

Date:

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 Rescue Authority at 31st March 2006 and its income and expenditure for the year then ended.

L Bateman, C.P.F.A

Ref. AU80506062/DB/JEM

Treasurer to the Authority

Date

STATEMENT ON INTERNAL CONTROL

Subject of separate report to Authority

Subject of separate report to Authority

CONSOLIDATED REVENUE ACCOUNT

2004-05 £000s		2005-06 £000s Expenditu	2005-06 £000s	2005-06 £000s	not e
95,649	Fire Fighting and Rescue Operations	105,098	(1,048)	104,050	
10,136	Community Fire Safety	14,571	(1,796)	12,775	
1,107	Corporate & Democratic Core	1,331	(78)	1,253	
117	Fire Service Emergency Planning & Civil Defence	194	0	194	
280	Non Distributed Costs	(508)	0	(508)	
107,289	Net Cost of Services	120,686	(2,922)	117,764	
(324)	Surplus on Asset Management Revenue Account			(613)	6
(1,650)	Transitional Funding				
39,206	Pensions Interest cost and expected return on pension assets			44,461	
(998)	Interest & Investment Income			(953)	
143,523	<i>Net Operating Expenditure</i>			160,659	
(3,332)	Contribution from Capital Account			(5,837)	7
(34,523)	Contribution from Pension Reserves			(40,470)	
2,428	Transfer to/ (from) Earmarked Reserves			(646)	
108,096	Amount to be met from Government Grants & Local Taxpayers			113,706	
(52,132)	Revenue Support Grant			(52,199)	
(24,946)	N.N.D.R.			(29,789)	
(30,109)	Precept			(31,796)	
2	Collection Fund Deficit			48	
911	Deficit/ (Surplus) for the Year			(30)	
4,425	General Fund Balance B/Fwd			3,514	
3,514	General Fund Balance C/Fwd			3,544	

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 31 March 2005	(816,380)	(15,198)	(831,578)
Movement in the year:			
Current Service cost	(21,270)	(1,646)	(22,916)
Employers' contributions payable to the scheme		1,368	1,368
Employees' contributions payable to the scheme	(5,710)		(5,710)
Retirement benefits payable to pensioners	31,100		31,100
Pension transfers-in	(360)		(360)
Past service costs	(340)	849	509
Net Interest/Expected return on assets	(44,000)	(461)	(44,461)
Actuarial gain/ (loss)	(145,000)	(922)	(145,922)
Net Pensions liability at 31 March 2006	<u>(1,001,960)</u>	<u>(16,010)</u>	<u>(1,017,970)</u>

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>2004/05</u>	<u>2005/06</u>
£50,001 to £60,000	7	7
£60,001 to £70,000	0	1
£70,001 to £80,000	2	0
£80,001 to £90,000	3	4
£90,000 to £100,000	0	1
£100,000 to £110,000	0	0
£110,000 to £120,000	1	1
	<u>13</u>	<u>14</u>

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>2004/05</u>	<u>2005/06</u>
	<u>£</u>	<u>£</u>
Recruitment Advertising	199,610	211,718
Press & Public Relations	485,532	476,265
	<u>685,142</u>	<u>687,983</u>

5. Members Allowances

Allowances paid to Members of the Authority were as follows.

	<u>2004/05</u>	<u>2005/06</u>
	<u>£</u>	<u>£</u>
Basic/Responsibility Allowance	118,029	133,763
Travel & Subsistence	4,723	4,420
Conference Expenses	1,612	1,340
	<u>124,364</u>	<u>139,523</u>

6. Asset Management Revenue Account

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

	<u>2004/05</u>	<u>2005/06</u>
	£	£
Income – Capital Charges	(8,275,763)	(11,081,081)
Expenditure - Loan Interest	2,901,402	3,031,734
- Govt grants amortisation	(273,373)	(221,866)
- Finance Lease Interest	(902)	0
- Depreciation	5,324,615	7,658,630
Surplus	<u>(324,021)</u>	<u>(612,583)</u>

7. Capital Financing Account

The following appropriation was made from the Capital Financing Account:

	<u>2004/05</u>	<u>2005/06</u>
	£	£
Revenue Contributions to Capital Outlay	319,065	98,182
Depreciation	(5,324,615)	(7,658,630)
Government Grants Deferred	273,373	221,866
Repayment of Principal - MRP	1,327,520	1,420,739
Repayment of Principal - Ex WMCC	72,917	80,208
	<u>(3,331,740)</u>	<u>(5,837,635)</u>

8. 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	52,199
	N.N.D.R. Grant	29,789
West Midland Local Authorities	Precept	31,748

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

9. External Audit Fees

	2004/05	2005/06
	£000's	£000's
Audit services & certification of grant claims	62	64
	<u>62</u>	<u>64</u>

BALANCE SHEET AS AT 31ST MARCH

31/03/2005 £'000		31/03/2006 £'000	Note
	Fixed Assets		
	<i>Operational Assets</i>		
88,528	Land & Buildings	84,412	3
6,817	Vehicle, Plant & Equipment	7,179	3
22	Intangible Assets	225	
<u>95,367</u>		<u>91,816</u>	
	<i>Non Operational Assets</i>		
2,418	Land & Buildings	2,152	3
0	Vehicles, Plant & Equipment	267	
<u>97,785</u>	Total Fixed Assets	<u>94,235</u>	
5	Long term Debtors	1	8
<u>97,790</u>	Total Long-term Assets	<u>94,236</u>	
	Current Assets		
532	Stocks	496	7
2,838	Debtors	2,754	9
20,460	Cash	20,860	
<u>121,620</u>	Total Assets	<u>118,346</u>	
	Current Liabilities		
(5,200)	Creditors	(6,145)	9
<u>116,420</u>	Total Assets Less Current Liabilities	<u>112,201</u>	
	Long-term Liabilities		
(40,652)	Long-term Borrowing	(42,812)	10
(831,578)	Liability Related to Defined Benefit Pension Schemes	(1,017,970)	17
<u>(755,810)</u>	Total Assets Less Liabilities	<u>(948,581)</u>	

<i>Financed By</i>			
70,503	Fixed Asset Restatement Account	70,514	11
(13,954)	Capital Financing Account	(19,792)	12
393	Government Grants Deferred	457	13
(831,578)	Pensions Reserve	(1,017,970)	17
15,312	Earmarked Reserves	14,666	14
3,514	General Fund Balances	3,544	15
<hr/>			
(755,810)	<i>Local Taxpayers Net Equity</i>	(948,581)	
<hr/>			

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 £4.097 million as detailed below.
£000s

Land & Buildings	1,685
Vehicles	1,083
Equipment	1,329

The major items of expenditure were as follows:

	£000s
ICT - System Enhancements	1,117
Vehicle Replacement Programme	1,071
Station Modifications	499
Station Refurbishments	493
Training Facilities	263
Asbestos Removal	200
Equality & Diversity	194
Security Measures	36

Disposal of Fixed Assets

Assets disposed during 2005-06 consisted of 8 x Pumps/Specialist Vehicles and 1 x Car/Van with a total net book value of Nil.

3. Movements in Fixed Assets 2005/06

	Operational Assets				Non-Operational Assets		Total Fixed Assets
	Land & Buildings	Vehicles	Equipment	Intangible	Land & Buildings	Vehicles	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<u>Cost or Valuation</u>							
1 April 2005	105,682	17,980	1,957	45	2,915	70	128,649
Acquisitions	1,671	816	1,119	210	14	267	4,097
Disposals	-	(758)	-	-	-	(70)	(828)
Revaluations	-	11	-	-	-	-	11
Reclassifications	-	(327)	-	-	-	327	0
31 March 2006	107,353	17,722	3,076	255	2,929	594	131,929
<u>Accumulated Depreciation</u>							
1 April 2005	17,154	11,834	1,286	23	497	70	30,864
Depreciation	5,787	1,147	437	7	280	-	7,658
Disposals	-	(758)	-	-	-	(70)	(828)
Reclassifications	-	(327)	-	-	-	327	0
31 March 2006	22,941	11,896	1,723	30	777	327	37,694
<u>Net Book Value</u>							
31 March 2005	88,528	6,146	671	22	2,418	-	97,785
31 March 2006	84,412	5,826	1,353	225	2,152	267	94,235

4. Comparison of Capital Expenditure with Allocations

	£000s
Capital Outlay	4,097
Retentions	(52)
Revenue Contributions to Capital Outlay	(98)
Capital Receipts	-
Government Grants	(286)
Total to be funded from Borrowing	3,661
Supported Capital Expenditure	3,661

5. **Assets Held**

Major fixed assets owned by the Authority at 31st March 2006 were as follows:

	31/03/2005 Number	31/03/2006 Number
<u>Buildings</u>		
Brigade Headquarters including Central Fire Station	1	1
Other Fire Stations / Fire Safety Centres	40	40
Training Centre	1	1
Potterton Way	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	113	110
Cars and Vans	103	104
Other (Trailer/Demountable Unit/Coach)	37	38

6. **Outstanding Commitments under Capital Schemes**

The Authority has authorised capital expenditure in future years of £31.7 million, of which £1.948 million 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 31/03/06 £000s	Expenditure Approved But Not Contracted at 31/03/06 £000s
HQ Relocation	-	18,963
Vehicle Replacement Program	512	6,151
Integrated Computer System	23	1,536
Stourbridge Refurbishment	1,180	1,180
Home Fire Safety Checks	89	1,127
Bickenhill Refurbishment	-	960
Fire Control Relocation	-	750
Deep Lift Well Alterations	-	340
Rescue Equipment	-	200
Training Facility Upgrades	3	187
Mobile Data Transfers/Vehicle Locators	71	94
Appliance Relocation	-	50
Equality & Diversity	24	46
Asbestos Removal	30	49
Northfield Refurbishment	5	25
HCFS Fire Experience Facility	-	17
Security Measures	-	11
Retentions (Completed Schemes)	11	11
BA Service Rooms Upgrades	-	3

1,948	31,700
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7. **Stocks and Stores**

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

	<u>2004/05</u>	<u>2005/06</u>
	£	£
General Stocks	300,307	250,153
Mechanical Stocks	146,715	148,480
Bar Stocks	383	320
Heating Oil/Petrol/Diesel	84,372	97,248
	531,777	496,201

8. **Long term Debtors**

A balance of £687 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>2004/05</u>	<u>2005/06</u>
		£	£
Debtors:	General Debtors	315,520	883,969
	Debtors Accruals	1,929,583	1,482,901
	Car Loans Due within 12 Months	8,606	4,464
	VAT Due from H.M. Customs & Excise	613,236	406,043
	Provision for Bad Debts	(29,252)	(23,417)
		2,837,693	2,753,960
Creditors:	General Creditors	1,540,816	2,037,345
	Creditors Accruals	3,659,649	4,107,235
		5,200,465	6,144,580

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>2004/05</u>	<u>2005/06</u>
	£	£
Sandwell M.B.C.	35,518,480	37,758,741
Dudley M.B.C.	5,133,571	5,053,363
	40,652,051	42,812,104

11. Fixed Asset Restatement Account

	<u>2004/05</u> £000's	<u>2005/06</u> £000's
Balance at 1 st April	56,078	70,503
Disposal of Fixed Assets	(20)	-
Revaluations	14,445	11
Balance at 31 st March	<u>70,503</u>	<u>70,514</u>

12. Capital Financing Account

	<u>2004/05</u> £000's	<u>2005/06</u> £000's
Balance at 1 st April	(10,662)	(13,954)
Capital Financing	319	98
Capital Receipts	39	-
Write down of Assets	273	222
Depreciation	(5,324)	(7,659)
Repayment of Principal	1,401	1,501
Balance at 31 st March	<u>(13,954)</u>	<u>(19,792)</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 £286k and £222k was written off during 2005-06.

14. Reserves

The following earmarked reserves have been created.

	Balance at 31/03/05 £000s	Contribution during year £000s	Applied during year £000s	Not utilised £000s	Balance at 31/03/06 £000s
Insurance	8,666		480	800	7,386
HQ Relocation		2,000			2,000
Capital Slippage	595	767			1,362
Repayment of Transitional Funding	1,650			825	825
Control room resilience	500	250			750
IBO Project		490			490
Project management	250	477	295		432
Devolved Budgets Carried Forward	342	321	342		321
Pension Reserves	1,728	228	1,728		228
Capital works	703	198	311	393	197
Training Facilities		172			172
Innovation Fund	197	166	260	6	97
Uniforms	85	52	45	11	81
Regional Funding	59	88	97		50
Rest Chairs		48			48
Stress Audit		45			45
New Burdens		44			44
ADC Developments		43			43
Trauma Packs		30			30
Rostering System		20			20
HQ Balcony	85		70		15
HQ Parking		13			13
A4 works		10			10
Leadership Training		7			7
ICT	136	3	59	80	0
Equality & Diversity Awareness Training	121		121		0
Equipment	81		52	29	0
Mapping Licenses	52		50	2	0
Working at Height	32		32		0
Training	30		30		0
TOTAL	15,312	5,472	3,972	2,146	14,666

15. General Fund Balances

The following Fund movements took place in the year:

	<u>2004/05</u> £000's	<u>2005/06</u> £000's
Balance Brought Forward	4,425	3,514
Surplus/ (Deficit) transferred from Revenue Account	(911)	30
Balance Carried Forward 31st March	<u>3,514</u>	<u>3,544</u>

16. Pensions Liability

At 31st March 2006, 192 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 2006-07 financial year, the Authority would have to make commutation payments amounting to £14.9 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 2006 are as follows

	31 March 2005 £000's	31 March 2006 £000's
Estimated liabilities in the Firefighters Pension Scheme	816,380	1,001,196
Estimated liabilities in the Local Government Pension Scheme	40,949	49,231
Total liabilities	<u>857,329</u>	<u>1,050,427</u>
Share of assets in the Local Government Pension Scheme	<u>(25,751)</u>	<u>(33,221)</u>
Net pensions deficit	<u>831,578</u>	<u>1,017,206</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 19 May 2006. 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 2005	31 March 2006	31 March 2005	31 March 2006
Rate of inflation	2.90%	2.90%	2.90%	3.20%
Rate of increase in salaries	4.65%	4.65%	4.40%	4.70%
Rate of increase in pensions	2.90%	2.90%	2.90%	3.20%
Rate for discounting scheme liabilities	5.40%	4.90%	5.40%	4.90%

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 2005	Proportion of Total Assets 31 March 2006
	%	%
Equities	75.3	77.0
Government Bonds	9.4	8.0
Other Bonds	4.5	5.0
Property	7.2	7.0
Cash/Liquidity	3.6	3.0
Other	0.0	0.0
	100.0	100.0

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	CAPITAL RESERVES			REVENUE RESERVES			Total of All Reserves
	Fixed Asset Restatement Account	Capital Financing Account	Government Grants Deferred	General Fund Reserves	Earmarked Reserves	Pensions Reserves	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2005	70,503	(13,954)	393	3,514	15,312	(831,578)	(755,810)
Net Surplus or Deficit for the year	-	(5,838)	286	30	(646)		(6,168)
Effect of Disposals of Fixed Assets	-	-	-				
Gains on Revaluation of Fixed Assets	11	-	-				11
Increase in useable capital receipts	-	-	-				
Appropriation from pensions reserve	-	-	-			(40,470)	(40,470)
Actuarial gains and losses relating to pensions	-	-	-			(145,922)	(145,922)
Financing of Fixed Assets	-	-	(222)				(222)
Balance at 31 March 2006	70,514	(19,792)	457	3,544	14,666	(1,017,970)	(948,581)

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)	
	<u>(136,230)</u>	<u>2,488</u>
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)
	<u>(183,480)</u>	<u>(5,859)</u>
2005/06		
Experience gains and losses arising on the pension liabilities	(1,260)	
Asset Gain		4,862
Liability Gain/(Loss)		(1,253)
Changes in assumptions underlying the present value of the pension liabilities	(143,740)	(4,531)
	<u>(145,000)</u>	<u>(922)</u>

CASH FLOW STATEMENT

2004-2005 £000s			2005-2006 £000s	
		REVENUE ACTIVITIES		
		Cash Outflows		
93,144		Cash paid to & on behalf of Employees	98,839	
13,173		Other Operating Costs	13,483	
	106,317			112,322
		Cash Inflows		
(52,132)		Revenue Support Grant	(52,199)	
(24,946)		National Non Domestic Rates	(29,789)	
(30,109)			(31,796)	
		Precept Income		
(1,913)		Government Grants	(702)	
(12)		Other Grants	0	
2		Collection Fund (Surplus)/Deficit	48	
(1,756)	(110,866)	Cash Received for Goods & Services	(2,101)	(116,539)
	(4,549)	Revenue Activities Net Cash (Inflow) / Outflow		(4,217)
		Cash Outflows		
2,901		Interest Paid	3,032	
		Interest Element of Finance Leases		
		Cash Inflows		
(998)	1,903	Interest Received	(953)	2,079
		CAPITAL ACTIVITIES		
		Cash Outflows		
4,239		Purchase of Fixed Assets	4,184	
		Cash Inflows		
(256)		Other Capital Cash Receipts	(286)	
(39)		Sale of Fixed Assets		
	3,944	Capital Activities Net Cash (Inflow) / Outflow		3,898
	1,298	Net Cash (Inflow) / Outflow Before Financing		1,760
		FINANCING		
		Cash Outflows		
1,400		Repayment of Loans	1,501	
		Capital Element of Finance Leases		
		Cash Inflows		
(3,658)		New Loans raised	(3,661)	(2160)
960		Net Increase / (Decrease) in Cash		400

NOTES TO THE CASH FLOW STATEMENT

1. *Reconciliation to Revenue Account Surplus*

	£'000s	
(Surplus) /Deficit for Year	(30)	
Appropriations	(646)	
Movement in Provisions		
Other Items		(676)
		<hr/>
<i>Items on an Accrual Basis</i>		
Increase/(Decrease) in Stock	(36)	
Increase/(Decrease) in Debtors incl. Long term	(88)	
(Increase)/Decrease in Revenue Creditors	(1032)	(1,156)
		<hr/>
<i>Items Included Under Another Classification</i>		
Payment of Loan Principal	(1,501)	
Direct Revenue Financing	(98)	
Interest Paid	(3,032)	
Interest Received	953	(3,678)
		<hr/>
<i>Revenue Activities Net Cash (Inflow) / Outflow</i>		(5,510)
		<hr/>

2. Reconciliation to Net Debt

	31/03/2005 £000s	31/03/2006 £000s
Long-term Borrowing	40,652	42,812
Creditors Due within 12 Months	5,200	6,145
Total	45,852	48,957
Deferred Debtors	(5)	(1)
Investments	0	0
Debtors	(2,837)	(2,753)
Net Debt	43,010	46,203
Movement in Net Debt	3,193	
Net Cash Flow	1,760	
Movement in Cash Flow	400	
Cash Flow Funded by Borrowing	2,160	
Movements in:		
Debtors	84	
Creditors	945	
Long Term Debtors	4	
Movement in Net Debt	3,193	

3. Analysis of Government Grants-

	31/03/2005 £000s	31/03/2006 £000s
Transitional Funding	1,650	
Home Fire Risk Assessment	244	190
Innovation Fund	165	165
New Dimension Training & Crewing		259
Civil Defence	60	
Pay Verification	21	
Integrated Personal Development Scheme	10	
Wolverhampton Youth Mentoring Scheme	5	
RMB Fire Control New Burdens		165
Arson Task Force		113
Sheldon YFA Building		40
Urban Search & Rescue		25
Coventry FS Disabled Access		19
Handsworth Mini Bus	2	
	2,157	976

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.