

BUCKINGHAMSHIRE AND  
MILTON KEYNES FIRE  
AUTHORITY

STATEMENT OF ACCOUNTS  
2007/08



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# Introduction

## Welcome to our Statement of Accounts

This document sets out the financial activities of the Buckinghamshire and Milton Keynes Fire Authority for the year ended 31 March 2008. It shows the financial detail of the services we have provided and the resources consumed and the financial position at the end of the year.

The Authority is responding to a number of challenges with new responsibilities being required of Fire and Rescue Services and higher performance expectations in delivering our services to the residents of Buckinghamshire and Milton Keynes.

Significant effort is being directed towards our planning and preparation for future demands on the service to ensure that we are adequately prepared to meet our statutory responsibilities and play our part in the future of the community. The planned increase in the number of houses in Buckinghamshire and Milton Keynes over the next 20 years requires much planning and preparation. We will need to build new fire stations, acquire more fire appliances and recruit additional staff. We are also required to participate in Community Safety programmes to help prevent loss of life, be it through reducing death and injuries in fire or death and injuries in road traffic accidents. As a result, we face many financial pressures as we move forward into the future.

The Authority has been audited by the Audit Commission in 2007 and deemed to be “improving well”.

Further details about the Authority and of the progress made in achieving our aims and targets are set out in the Annual Report (Incorporating the Best Value Performance Plan) which is available on our website:

[www.bucksfire.gov.uk/publications/documentsavailablefordownload](http://www.bucksfire.gov.uk/publications/documentsavailablefordownload) .

We hope that you find the following report on our finances interesting and informative.

.....  
David Rowlands  
Chairman

.....  
Cynthia Changer B.A. (Hons) C.P.F.A.  
Treasurer

# Explanatory Foreword

In compiling these accounts we have followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice.

The accounts are drawn up in accordance with the accounting policies set out in detail beginning on page 27.

The responsibility for the proper administration of the Authority's financial affairs is vested in the statutory officer (referred to as the Section 151 officer) who is required by law to confirm that the Authority's system of internal controls can be relied upon to produce an accurate statement of accounts. The statement of assurance (the Annual Governance Statement) appears on page 13.

The main statements included in the accounts are listed below together with an explanation of their purpose. The Statement of Accounts 2007-08 is not significantly different from the 2006-07 accounts but there are some notable changes. These are mainly around capital reporting requirements and the accounting arrangements for financing and accounting for capital expenditure. These can be seen in Note 22 (the Capital Adjustment Account) in the Notes to the Core Financial Statements on page 51.

## **The Income and Expenditure Account**

This account shows the costs for all the Authority's functions and demonstrates how these costs have been funded with government grants, business rates and council tax. The Account is set out on page 34.

## **The Statement of Movement on the General Fund Balance**

This statement shows how the surplus or deficit on the Income and Expenditure Account is adjusted for statutory and non-statutory items to show the effect on the General Fund. The General Fund is the total budgetary requirement and thus the amount to be raised from council tax payers having taken account of the amounts received from the government. Any surplus or deficit year on year is transferred into general reserves.

This statement follows the Income and Expenditure account. They are supported by additional notes on pages 40-45.

## **The Statement of the Total Recognised Gains and Losses**

This is set out on page 36 and shows the movement in the balance sheet between closing the 2006-07 accounts and the 2007-08 accounts. The statement brings together all the gains and losses for the year including the gain or loss from the Income and Expenditure account with supporting notes beginning on page 45.

## **The Balance Sheet**

This shows the financial position of the Authority on the 31st March 2008. It shows all our assets and liabilities together with all the balances and reserves that are held by

the Authority at that date. The Balance Sheet (page 37) and supporting notes are on pages 46-62.

**The Cash Flow Statement**

This statement summarises the total cash movements during the year for capital and revenue purposes. This is on page 39 with supporting notes on pages 63-64.

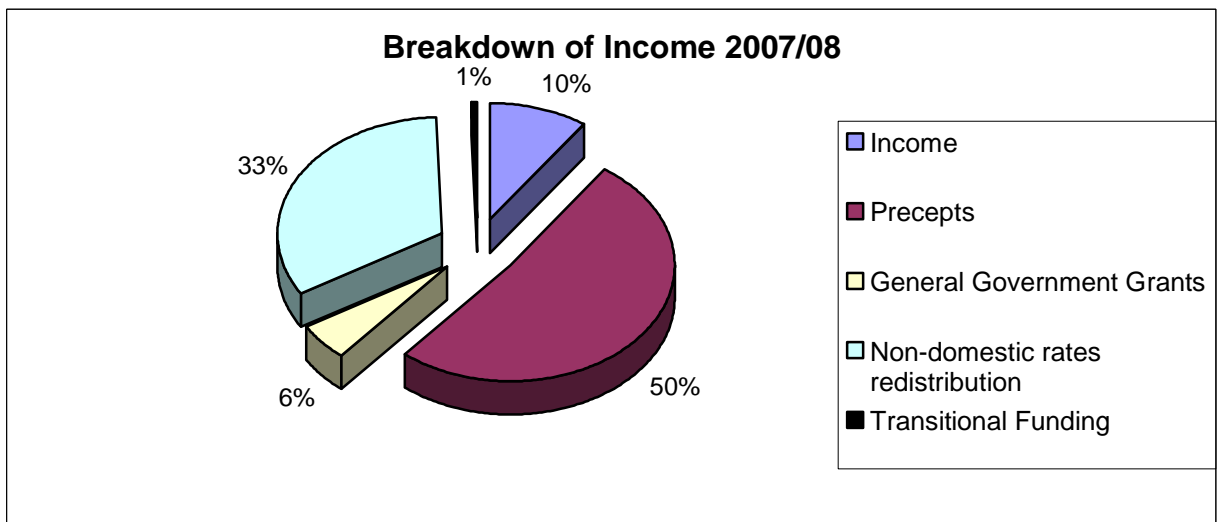
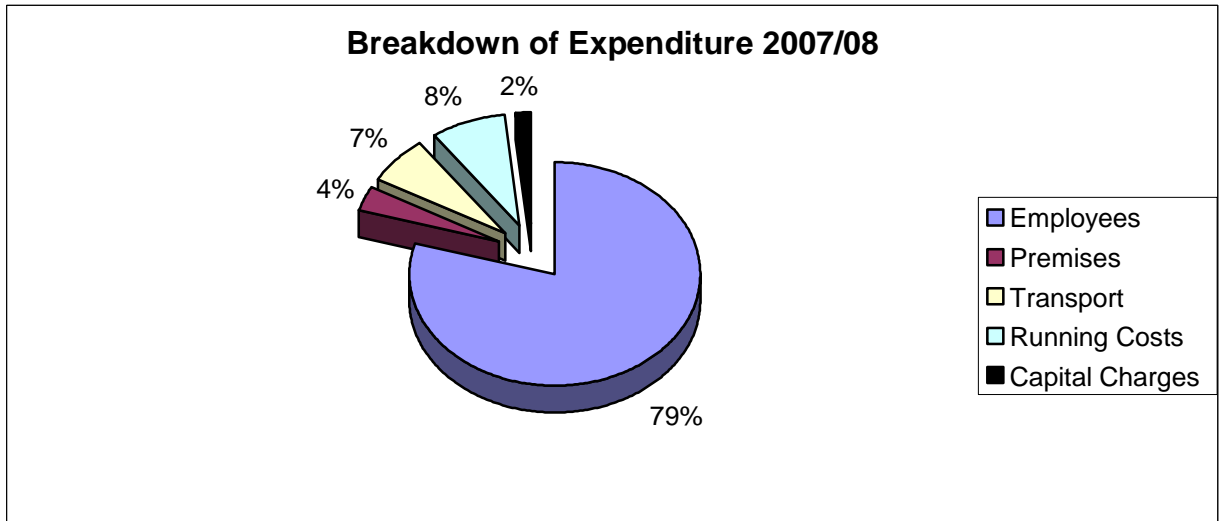
## Service expenditure 2007/08

In setting the budget for 2007/08 the Authority raised the amount required from the council tax payers of Buckinghamshire by 4.95%. The levy on council tax band D properties for 2007/08 was set at £52.33 based on the number of Band D properties totalling 285,181. This was still one of the lowest Fire Authority precepts in the country. The increase was agreed by Members in order to provide additional staffing and resources to develop and enhance our work in the community, addressing prevention and protection issues as well as still allowing us to provide a response service when needed.

The following table shows the revenue spend against the budget for 2007-08 as a whole:

### Income and Expenditure 2007-08

2006/07			2007/08	
Actual	Budget		Actual	Budget
£000s	£000s		£000s	£000s
21,605	21,787	Employees	22,928	23,023
932	907	Premises	1,037	995
2,239	2,311	Transport	2,057	2,329
2,841	1,978	Running Costs	2,426	2,792
638	1,135	Capital Charges	452	398
<b>28,255</b>	<b>28,118</b>	<b>Expenditure</b>	<b>28,900</b>	<b>29,537</b>
-3,276	-2,940	Income	-2,835	-3,174
-14,084	-14,067	Precepts	-14,973	-14,973
-1,769	-1,769	General Government Grants	-1,613	-1,613
-9,178	-9,178	Non-domestic rates redistribution	-9,612	-9,613
-164	-164	Transitional Funding	-164	-164
<b>-28,471</b>	<b>-28,118</b>	<b>Income</b>	<b>-29,197</b>	<b>-29,537</b>
<b>-216</b>	<b>0</b>	<b>TOTAL underspend</b>	<b>-297</b>	<b>0</b>



Gross expenditure in 2007/08 was £28.9m and gross income in 2007/08 was £29.197m. There was a net surplus in year of £297,000 which transfers to the General Fund balance. It is intended that this surplus will be carried forward to 2008-09 and used to fund one-off expenditure to help drive efficiency and other improvements within the Authority.

Included within the gross expenditure is a transfer to reserves of £192,000 as a contribution towards future capital expenditure to help reduce the borrowing cost associated with new projects.

Over the course of 2007/08 additional posts were added to corporate support functions, new posts in the Community Safety department and in the Command and Control establishment. The Authority is gradually transferring more resource into Community Safety and Prevention work. It received £136,000 from the Department for Communities and Local Government (DCLG) in specific grants to support its work

with fitting smoke detectors in homes for vulnerable people and other new innovative approaches to community safety work to help make the community safer and protect the most vulnerable groups within society. The Authority works with the Police, different Councils within our geographic boundary and other partners to promote these initiatives. The Notes to the Income and Expenditure Account on page 40 shows the increase of resources spent on Community Safety in Prevention and Protection work in 2007-08 compared with 2006-07.

Additional posts were provided in the Operations directorate to enable us to address the many developments that the Authority needs to prepare for: the introduction of the Regional Control Centre, the transfer of our communications systems to new systems to enable communication between all emergency services (the FireLink programme), planning for demographic growth, other workstreams for Regional collaboration, enhanced capacity for Emergency Planning and additional capability within our training programme to ensure our staff are equipped to deal with the changing environment and challenges faced when attending incidents.

The following table summarises some of the main activities carried out during the year:

2006/07 Numbers	Activity	2007/08 Numbers
	<b>Response</b>	
20,665	Calls to the Control Room	18,327
9,848	Turnouts	8,687
3,773 (of which 2,057 deliberate)	Fires attended	3,139 (of which 1850 deliberate)
605	Road Accidents attended	620
5,510 (of which 4,316 false alarms)	Other incidents attended	5,406 (of which 3,719 false alarms)
62 from fires 154 from RTC's	Lives saved	52 from fires 184 from RTC's
7*	Major incidents	15
	<b>Community Safety</b>	
5,636	Home Fire Risk Checks	3,896
2,027	Smoke Alarms fitted for vulnerable people	1,012
113	Arson investigations	203
139 (5,597 children)	School Safety Courses	207 (16,881 children)
222 visits (2,256 children)	Other Youth initiatives (i.e. Firesetters and Youth diversion courses)	307 visits (9,627 children)
20,473 children (431 schools)	Visits to the Milton Keynes Safety Centre	20,589 (429 schools)

- \* The major incidents attended included a Thatch fire affecting 3 cottages, 50 FRS staff committed to incident (21 appliances), Old Taplow Paper Mill - 14 appliances in attendance, derelict building (arson suspected). RR Donnelley's - 60m x 60m warehouse, 70 firefighters committed to incident, 18 out of 20 stations in BFRS attended the incident at the same time we were attending two

- house fires, one in Aylesbury and one in Milton Keynes.
- During the year our water rescue crews carried out more than 100 rescues during the July 2007 floods and were mobilised as far afield as Hereford and Worcester, Gloucestershire and Norfolk. We assisted the National Flood Support Centre at Hereford & Worcester Fire and Rescue Service Headquarters by sending senior officers to provide resilience and back-up cover. We deployed our Urban Search and Rescue team to provide assistance in the search for the three missing firefighters following the incident at a warehouse in Atherstone on Stour, Warwickshire.
  - Our prevention team set up an initiative to help reduce the number of deliberate fires and other criminal activities at empty and insecure buildings in Milton Keynes and all four districts of Buckinghamshire. It allows police and fire personnel who attend an incident at an unoccupied building to seek the help of their local council to deal with the problem by using a simple electronic form. The council then takes responsibility for contacting the owner of the building and, where necessary, orders them to sort it out by securing the premises. We also introduced the single referral scheme in Chiltern District – a simple process which gives vulnerable people access to a wide range of public services, including safety checks and free smoke alarms – produced 3,493 referrals. The scheme is administered by Buckinghamshire Fire & Rescue Service. Around 4,000 sixth-formers attended one of six performances of a potentially lifesaving road safety presentation, Safe Drive Stay Alive, in Buckinghamshire and Milton Keynes.

Further details and supporting explanatory notes on the Income and Expenditure account are on pages 40-45.

### **The Capital Account Summary**

Capital expenditure is not shown in the Income and Expenditure account but is budgeted for and reported separately.

The approved capital expenditure budget for 2007/08 was £5,225,000. A total of £1,816,384 was spent on capital schemes and equipment as follows:

Land & Building	Plant, Vehicles and Equipment	Total
£000s	£000s	£000s
718	1,098	1,816

Further detail of the expenditure is shown in Note 13b to the Core Financial Statements on page 47.

There are a number of building and refurbishment schemes underway within the planned maintenance programme and currently a contract has been let for the complete refurbishment of Amersham fire station due to complete in July 2008. Schemes for Beaconsfield and a replacement fire station in High Wycombe are on hold pending a final decision on location and funding. Funds set aside for these projects will be carried forward to 2008-09 and used as the schemes proceed.

There is a programme of replacing three fire appliances a year together with the necessary operational equipment to run them and the IT department also has a capital allocation for replacing PCs, office equipment and implementing new systems.

The Authority's current loans are borrowed from the Public Works Loan Board. During 2007/08 the Authority took no further loans with the PWLB, the Authority's total borrowing for capital purposes stands at £6,452,000. This borrowing was agreed with member approval to meet the demands of the capital programme. The Authority used any capital receipts from sales towards its capital programme and can only proceed with its ongoing capital programme by continuing to borrow funds.

### **Reserves and balances**

The Treasurer has confirmed to members that reserves are adequate. The interest earned on the bank balances provides essential income to support the Income and Expenditure account and amounted to £545,531 in 2007-08. Some of this is due to the funds being held on deposit whilst waiting for the capital programme to proceed. The list of reserves is set out in Note 12 to the Core Financial Statements on page 45. There is a mixture of earmarked and general reserves as well as some notional accounting reserves. The revenue reserves are as follows at 31 March 2008:

Balance as at 31.03.2007 £000s	Reserve	Balance as at 31.03.2008 £000s
1,928	Time Served Retirements	0
2,010	General Fund Balance	3,919
335	Debt Repayment	335
50	Control Room (Unforeseen events)	50
0	Invest to Save Reserve	100
4,323	Total	4,404

### **Contingent liability:**

On the 11<sup>th</sup> March 2008 the Fire and Rescue Service National Employers issued a circular on the findings of the court case taken by retained firefighters that has been running for several years and referred back from the House of Lords to the Employment Tribunal that declares broadly in the Claimants favour. Further guidance is due to be issued by the National Employers and a further stay has been granted since the judgement. Until the detailed guidance is produced then the Authority cannot quantify what the liability may be.

### **Audit and Inspection**

The Authority was inspected by the Audit Commission and assessed on three criteria: its Operational Assessment and Service Delivery, its Use of Resources and its Direction of Travel.

The main message for the Authority from the Annual Audit and Inspection letter are:  
*•Buckinghamshire and Milton Keynes Fire Authority has made good progress over the last year in improving its key priority areas and in delivering wider community outcomes. Community safety initiatives have been effectively targeted at areas of most*

*need and are having a demonstrable impact. As a result there has been a reduction in primary, accidental dwelling and deliberate fires. There also has been a significant reduction in fatalities and casualties. Effective action has been taken to reduce unwanted fire signals. The quality of services for hard to reach and minority groups has been actively improved. Good value for money is provided by the service and costs compare favourably.*

- More joint initiatives with other organisations are under way, and the Authority responded well to the widespread flooding in the summer of 2007 by assisting two other services in other parts of the country.*
- Overall costs compare well with other authorities and are well-managed.*
- A targeted recruitment campaign to fill capacity gaps at retained stations exceeded the targets set.*
- The Authority continues to ensure that it is fit for purpose to meet both current priorities and future community needs. The recent Senior Management Team review led to the service reconfiguring functions and realigning senior manager responsibilities in line with the focus on prevention and community safety activities, and so that the service can contribute to wider community partnerships.*

Overall the Audit Commission judged the Authority to be “...*improving well*”.

## **Statement Of Responsibilities For The Statement Of Accounts**

### **The Authority's Responsibilities**

The Authority is required:

to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;

to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

to approve the Statement of Accounts.

### **The Responsibilities of the Treasurer**

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Treasurer has:

selected suitable accounting policies and then applied them consistently;  
made judgements and estimates that were reasonable and prudent;  
complied with the Code.

The Treasurer has also:

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

### **Certificate of the Treasurer**

I hereby certify that this Statement of Accounts presents fairly the financial position of the authority as at 31 March 2008 and its income and expenditure for the financial year 2007-08.

Cynthia Changer B.A. (Hons) C.P.F.A.  
Treasurer

Date:

Approval of the Statement of Accounts

I hereby confirm that this Statement of Accounts has been approved by the Combined Fire Authority at its Executive Committee meeting held on the 26 June 2008.

David Rowlands  
Chairman

Date:

# **The Annual Governance Statement**

## **Scope of Responsibility**

The Buckinghamshire & Milton Keynes Fire 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 Buckinghamshire & Milton Keynes Fire 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 Buckinghamshire & Milton Keynes Fire Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Buckinghamshire & Milton Keynes Fire Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how The Buckinghamshire & Milton Keynes Fire Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## **The purpose of the governance framework**

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

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

The governance framework has been in place at the Buckinghamshire & Milton Keynes Fire Authority for the year ended 31 March 2008 and up to the date of approval of the Statement of Accounts.

The governance framework derives from six core principles of good governance set

out in the CIPFA / SOLACE guidance which was updated in 2007. The six core principles which underpin good governance are:

1. focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. developing the capacity and capability of members and officers to be effective;
6. engaging with local people and other stakeholders to ensure robust public accountability.

Buckinghamshire and Milton Keynes Fire Authority addresses these principles in the following ways. These are set out in our Corporate Governance Statement which is available as a publication on our website.

<http://www.bucksfire.gov.uk/NR/rdonlyres/90507501-30D7-4655-8F81-928A01F53F6E/0/CODEOFCORPORATEGOVERNANCEPDFdoc.pdf>

### **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

Our vision, mission and objectives are reviewed on a regular basis as part of our annual integrated risk management planning process. The vision “Making You Safer – Preventing, Protecting, Responding” underpins all our objectives. It also informs the development of our community safety strategy, our arrangements with our strategic partners and our involvement in Local Area Agreements and Strategic Partnerships.

We conduct an annual review of partnership working with our key partners to agree targets and ensure that we are working together effectively to achieve our common aims.

We publish an annual report at the end of June each year which is our report to the community and our stakeholders on our activities and achievements during the past year. We also use feedback from the public and from surveys conducted by ourselves or our agents to check the satisfaction level of our services with the public.

We have an established Complaints Procedure for internal and external complaints and these are dealt with in accordance with the policy.

Our Overview, Performance and Audit Committee reviews performance, risk management reports and scrutinises audit reports on a quarterly basis.

We actively engage in benchmarking and review our costs against other comparable authorities. We are one of the lowest cost council tax fire authorities in the country. Through regular best value reviews we constantly seek to deliver value for money. We manage any major new investment or change programme through a project

management system and a Project Board, and acceptable business cases must be submitted prior to commencement of work.

Regular monitoring of financial information and budget monitoring for revenue and capital budgets are reported monthly to the management team and regularly to the Executive Committee. The Authority submits an Annual Efficiency Statement to the Department of Communities and Local Government in accordance with requirements.

### **Members and Officers working together to achieve a common purpose with clearly defined functions**

The respective roles and responsibilities for members and officers are set out in the Combination Order (the statutory instrument that formed the Fire Authority in 1997). There are five committees: the Combined Fire Authority, the Executive Committee, the Overview Performance and Audit Committee, the Standards Committee and the Safety Panel. There are terms of reference for each committee and the role of the members.

Members of the Fire Authority are also members of either Buckinghamshire County Council or Milton Keynes Council. Where issues could create a conflict of interest, members are required to declare such interest prior to discussions at Committee. Some members would also be members of District Councils with which we may be working, or voluntary agencies. Members are reminded of their responsibility to declare an interest in such cases at each meeting.

There is a scheme of delegation between members and officers and also the Chief Fire Officer's scheme of delegation to officers. Job descriptions for all staff make clear their responsibilities. The Chief Fire Officer is also the Chief Executive of the Authority.

During 2007/08 much work was completed on developing the member/officer relationship with assistance from the IDeA, and lead members were appointed for Finance, Property, Procurement and Transport, the Overview, Performance and Audit Committee, Personnel (including Equality and Diversity issues) and Health and Safety. The development programme for members has continued into 2008/09. There are regular meetings between the Chief Fire Officer, Deputy Chief Fire Officer and the Chairman to ensure effective communication, and the other lead members regularly meet with their lead officers.

The Authority has its own s151 officer and has made significant progress in improving its financial management and financial record keeping in the last two years.

The Monitoring Officer, secured under a service level agreement with Buckinghamshire County Council, attends the Chief Officers' Forum and works at the Fire Authority Headquarters at least 2 days a week, thus ensuring good access to legal advice. The Monitoring Officer has responsibility of the Standards Committee which addresses standards and procedures applicable to the conduct of members and officers. During 2007/08 additional members were appointed to the authority and will take up their appointments during 2008/09.

The terms and conditions for remuneration of staff are managed through the Personnel

function. The operational staff conditions are mandated by the terms and conditions of the “Grey Book” which are national pay rates. Non-operational staff broadly follow the “Green Book” terms and conditions. New post pay rates are determined through the Hay evaluation process and slotted against an appropriate pay scale. Senior officer pay is determined by a remuneration panel.

We have a number of service level agreements which are underpinned with formal agreements (3 years) and these are monitored and managed through regular meetings.

We are members of the Local Strategic Partnership in Buckinghamshire and this is governed by a vision statement and a series of themes and objectives (projects). Each project has resources available and the contributions from each partner. There are dispute resolution procedures in place.

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

The members and officers both have codes of conduct which are regularly reviewed in the light of any legislative changes. There is also a complaints procedure, an anti-fraud and corruption policy and a whistle-blowing policy. These apply for internal use as well as for the public wishing to make complaints or highlight issues. They are available on the website as well as our internal common documents.

Standing orders and financial regulations and instructions are in place. They have been reviewed in 2007/08 and a number of updates are in hand to reflect changing circumstances. As a result of a best value review in 2006/07 the PACs team was reorganised and a new team recruited in 2007/08. Process improvements are in hand for procurement and property management to ensure best value and compliance with best practice.

Audit reports are presented to the Overview Performance and Audit committee which has the powers to make recommendations to the Executive Committee and officers. The Internal Audit function is retained through a service level agreement with Buckinghamshire County Council and is available for advice and investigation of any irregularities. The Internal Audit team also provides an assurance function to the Authority and to the Treasurer as to the adequacy of the Authority’s financial and operational systems. The Internal Audit team are compliant with the CIPFA Code of Practice for Internal Audit and the Annual Internal Audit Report for 2007/08 concluded that the CFA had an effective Internal Audit system.

The Standards Committee forms an integral part in upholding the values of good governance and high standards of conduct and behaviour. It meets on a quarterly basis to address all such issues and receive training. Following review in 2007/08 three additional independent members have been added to the Committee and will take up their seats in June 2008.

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

The Overview Performance and Audit Committee terms of reference were amended in 2007/08 to enhance and develop its role as an audit committee and scrutiny processes. The OP&A Committee benefited from external consultancy (the IDeA) during 2007/08 to assist members with their development and new responsibilities.

During 2007/08 the Senior Management Team was disbanded as a decision making body and replaced by the Chief Officers' Forum (COF). There are weekly meetings of COF which are minuted and published internally. There are also formal monthly COF meetings. Decisions must be supported by papers and evidenced.

All Committee papers and decisions are available on the website and go back a number of years.

The Authority maintains and updates a corporate risk register which is regularly reviewed and reported on to the Overview Performance and Audit Committee. The register is held on our "common documents" folder on the networked system.

Where applicable, legal and professional advice is sought to safeguard the Authority. As to be expected, there is a significant emphasis on health and safety at work procedures and training is given to staff at all levels. All incidents, especially where operational staff are involved in an accident or a 'near miss' are recorded and reported to the internal Health and Safety Panel where a review of practice and procedures can be acted upon. All insurance claims are dealt with on a similar basis. Monitoring of accidents and injuries to our staff as well as to the public is one of our key performance indicators.

With the introduction of new corporate manslaughter legislation taking effect on 1 April 2008, senior staff and members benefited from a seminar provided by specialist lawyers.

The lawful activity of the Authority is monitored by the Monitoring Officer and the s151 Officer. Officers and members are mindful of the wider "place shaping" role of the Fire and Rescue service and we participate in a number of community activities to promote community cohesion and a safer environment. An effective Internal Audit function also facilitates compliance with lawful activity.

The Head of Internal Audit publishes an annual report on the Fire Authority's internal control environment. His report and conclusion for the year is:

*"In my opinion the Buckinghamshire & Milton Keynes Fire Authority's system of internal control does facilitate the effective exercise of the Authority's risk management and financial systems. We can provide reasonable assurance regarding the effective, efficient and economic exercise of the Authority's financial systems. "*

The full report is available on request.

New legislative requirements, responses to consultations from central government and changing financial reporting requirements are managed through the relevant responsible officers. Continual professional development is an established practice for the service as a whole.

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

Induction programmes exist for all staff and members and are regularly reviewed for effectiveness. Training and development needs for staff are part of the annual appraisal process and budgets are available to support training and development programmes. For operational staff the national Integrated Personal Development Scheme has been implemented in the Brigade and all operational staff are obliged to participate in the programme. Financial training programmes have been developed for all cost centre managers and budget holders as has training in project management skills for relevant staff.

Members have also benefited from a development programme during 2007/08 and further work is in hand to ensure that the induction programme for members is fit for purpose.

The effectiveness of the senior management team was subject to review by the Audit Commission in 2007/08 and the results published in the Annual Audit and Inspection letter (available on the website). As a result, a development programme was undertaken by the Chief Officers team.

Succession planning is established across all departments and operational staff are developed according to the IPDS programme. Assessment centre procedures ensure that staff are assessed and held in a “pool” pending appropriate vacancies arising. In some cases, operational staff wishing to transfer to the Brigade are also held in a pool.

## **Engaging with local people and other stakeholders to ensure robust public accountability**

The update of the Integrated Risk Management Plan, our fundamental planning document, is subject to public consultation and we constantly look for effective ways in which to engage with local people and other stakeholders. Effective engagement and the formation of Local Strategic Partnerships is a requirement for the Local Area Agreements and will be assessed as part of the Comprehensive Area Assessment process in 2009. Our partners regard us as a “good partner”.

The Community Safety strategy targets the hard to reach and vulnerable communities and resource is concentrated on effective engagement with these groups through partnership working and special innovative programmes.

Our Committee meetings are held in public and the dates are published on the website as are the agendas and committee papers, minutes and decisions.

The financial data for the authority, the budgets and finance reports are available on a discrete link and all budget monitoring reports are available as reported to the Executive Committee on a regular basis throughout the year. Reports are available in a variety of languages, Braille, large print and audio tape on request.

There is a policy for staff consultation and negotiation to enable staff to be involved with decision making.

### **Review of effectiveness**

The Buckinghamshire and Milton Keynes Fire Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors (the Audit Commission) and other review agencies and inspectorates, the Overview, Performance and Audit Committee, and the Standards Committee.

During 2007/08 a number of enhancements have been made to the governance arrangements:

- A review of the Senior Management Team was commissioned from the Audit Commission following the appointment of one of the former ACOs to the Deputy Chief Fire Officer post in April 2007 and reported in September 2007. Following the issues that were identified in that report further internal review work was carried out and reported to the Senior Management team in October 2007. As a result, the Senior Management Team has been restructured with effect from 1 January 2008. The team has spent a number of working days developing a vision and strategy for the organisation for the next 4 years.
- Following the Best Value Review conducted in 2006/07 for the Property Assets and Consultancy Department (PACs) a new team was put in place with a number of new staff with new job descriptions and responsibilities and with a new Area Manager at the helm. The new department is under the direct line management of the Treasurer, thus enhancing the accountability for the management of property, assets and procurement.
- A new procurement team (within PPT) has undertaken a number of reviews of existing contracts and contracting arrangements and engaged with national and local procurement initiatives and collaboration opportunities to maximise value for money.
- The Standards Committee reviewed its membership and has enhanced the representation to meet the latest statutory requirements. With effect from 6 June 2008 there will be 3 new members of the Standards Committee [net increase of 4- from 2 non-elected:3 elected, there will be 4:5]. We also increased the membership of the full Authority by four members, from 17 to 21, again to take effect from 6 June 2008 to ensure sufficient member capacity.
- All members were invited to training from the Monitoring Officer's representative on the new Code of Conduct for Members in the autumn of 2007 and lead members have also benefited from the on-going support of the IDeA in developing their roles and confidence to challenge and lead the Authority. Training received by Members at their constituent authorities is monitored by questionnaires to the respective Heads of Legal Services.

- Internal audit report undertaken in 2007/08 were:
  - Core Financial controls audit
  - Capital expenditure audit
  - Project management audit
  - Corporate Governance
  - SAP Governance audit
  - Risk management – follow-up audit
  - Snowdrop – follow-up audit.

All audit reports deemed our performance **good** bar the Snowdrop follow-up audit where we have made little progress in improving the system and our management of it. The system is now part of the review of the HR function which is a best value review due to take place in 2008/09. The Chief Internal Auditor's annual report is attached as Appendix A.

- External audit reports covered the Audit of the Statement of Accounts, the Whole Government Accounts return, the Best Value Performance Plan, the Use of Resources assessment, the Direction of Travel and Operation Assessment. The key actions arising from the Audit Commission's reports were:
  - Embed the performance management culture across the organisation;
  - Implement the new partnership framework within the Authority and with partners to gain optimum benefits and sustainable value for money;
  - Address areas of weaker performance to ensure all outcomes and performance are cost effective;
  - Improve financial and risk management procedures; and
  - Ensure that the service has the right structure to run the business and to meet future demands and community needs.

(from the Annual Audit and Inspection letter from the 2006/07 audits and presented to the Authority in March 2008)

As a result of the work undertaken by the management team, the Chief Internal Auditor, the External Auditors and our own Overview Performance and Audit Committee a plan is in place to address the weaknesses identified and ensure continuous improvement of the governance system is in place.

## Significant Governance Issues

The table below sets out the plan to address governance issues identified during 2007/08:

	Issue	Action	Lead Officer & Member	By when
1	Senior management team leadership effectiveness deemed weak.	Review of effectiveness of Senior Management team following reorganisation in January 2008	Chief Fire Officer & Chairman	September 2008
2	Internal communications effectiveness following weaknesses identified during 2007/08. Could lead to key messages being missed by staff and poor feedback mechanisms from staff to senior management team	Implementation of intranet, new briefing strategies and visits by senior management team to stations. Review effectiveness by doing an organisational health check and report in the autumn.	Deputy Chief Fire Officer & Chairman	October 2008  January 2009
4	Lead Member programme to help lead members understand their role and develop as a team, their leadership and working relationships with officers	Supported by the IDeA – a number of workshops have been established as part of an on-going development programme	Chief Fire Officer & Chairman	As required
5	Best value review of HR functions, systems, processes and cost effectiveness	Part of programme of best value reviews and following review by Audit Commission and internal audit during 2007/08	ACO Risk & Cllr Baldwin	Report due in the autumn of 2008
6	Medium Term Financial Plan update: detailed review	Due to the severity of the financial settlement for the Authority for 2007/08 to 2010/11 and the savings required, detailed work to take place to ensure sound, robust and	Treasurer & Cllr Dransfield	February 2009

		achievable plans are in place to deliver the savings required.		
7	Review the induction programmes for new members and new staff	Ensure that all key governance information and policies are included in the induction programme, including Codes of Conduct, Financial Regulations and Instructions and other relevant training as required	Deputy Chief Fire Officer & Cllr Baldwin	August 2008
8	Embed governance culture and knowledge and review processes	Review current arrangements for training on governance issues and ensure inclusion in the Effective Manager Training programme.  Review processes for checking effectiveness	Deputy Chief Fire Officer & Cllr Adams  Treasurer & Monitoring Officer	November 2008  November 2008
9	Code of Corporate Governance needs to be reviewed	Due for renewal June 2007	Monitoring Officer	September 2008
10	Consultation	The Consultation Strategy needs to be adopted and implemented	Chief Fire Officer	July 2008

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

Signed:.....

David Rowlands

Chairman of the Buckinghamshire and Milton Keynes Fire Authority

Date:

Signed: .....

Damian Smith

Chief Fire Officer and Chief Executive of the Buckinghamshire and Milton Keynes Fire Authority

Date:

# Auditor's Report

## Independent auditor's report to the Members of Buckinghamshire and Milton Keynes Fire Authority

### Opinion on the financial statements

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of Buckinghamshire & Milton Keynes Fire Authority for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and firefighters' pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Buckinghamshire & Milton Keynes Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its firefighters' pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the firefighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the firefighters' pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the firefighters' pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the firefighters' pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the

Authority in the preparation of the accounting statements, the firefighters' pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the firefighters' pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the firefighters' pension fund accounting statements and related notes.

## **Opinion**

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- The firefighters' pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the firefighters' pension fund during the year ended 31 March 2008 and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's Responsibilities**

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

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire and rescue authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Buckinghamshire & Milton Keynes Fire Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

### **Best Value Performance Plan**

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 21 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

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

Phil Sharman  
District Auditor

Date

Audit Commission, Unit 5, Isis Business Centre, Horspath Road, Cowley, OXFORD OX4 2RD

# Statement Of Accounting Policies

## GENERAL PRINCIPLES AND ACCOUNTING POLICIES

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, in the United Kingdom – A Statement of Recommended Practice 2007 (the SORP) and also with guidance notes issued by CIPFA on the application of Financial Reporting Standards. The accounts are also prepared on the principle of Total Cost as defined in the Best Value Accounting Code of Practice (BVACOP). Total cost of a service includes all costs which relate to the provision of the service (directly or bought in) including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges. Net total cost is total cost less income other than grants.

The fundamental accounting principles followed are:

- Relevance
- Reliability
- Comparability
- Understandability
- Materiality

## ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. This does not apply to the Cash Flow Statement.

## GOING CONCERN

The accounts are prepared on the assumption that the Authority will continue its operations for the foreseeable future. This means in particular that the Income and Expenditure Account and Balance Sheet assume no intention to curtail significantly the scale of the operation.

## PRIMACY OF LEGISLATIVE REQUIREMENTS

The Authority derives its powers from statute and its financial and accounting framework is closely controlled by primary and secondary legislation. Where legislative requirements and accounting principles conflict, legislative requirements take precedence. The requirement of the Statement of Recommended Practice used to dictate the format and methodology to follow in preparing this Statement of Accounts shows the position of accounting concepts in the Income and Expenditure Account and shows the effect of the legislative requirements in the Statement of Movement on the General Fund Balance.

## TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. These are land and buildings, vehicles, plant and machinery.

### **Recognition:**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Authority and the services it provides for a period of more than one year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (i.e. routine maintenance) is charged to revenue as it is incurred.

Assets in the course of construction have been included in the Balance Sheet at historical cost and classified as being non-operational in accordance with accounting regulations.

**Measurement:**

The freehold and leasehold properties which comprise the Authority's property portfolio have been classified as operational assets and valued as at 1 April 2007 by Ken Oldknow RICS of Buckinghamshire County Council through a Service Level Agreement on the basis set out below and in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institute of Chartered Surveyors (RICS). The assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Major items of plant and machinery and furniture and equipment are included in the valuation of the buildings. Assets are then carried in the balance sheet using the following measurement bases:

Buildings regarded by the authority as operational are valued on the basis of depreciated replacement cost for existing use in accordance with SORP requirements.

Properties regarded by the authority as having a potential commercial use value have been valued on the basis of open market commercial value.

Vehicles plant and equipment is valued at net book value based on historic cost.

Land and buildings are revalued on a three year rolling programme. If a building is revalued upwards the increase in the carrying amount is credited to the Statement of Recognised Gains and Losses and taken to the Revaluation Reserve. If it reverses previous revaluation losses on the same asset that were previously taken to the Income and Expenditure Account they are recognized in the Income and Expenditure Account. Revaluations where there has been a decrease in the carrying amount means that an impairment loss has occurred. If the loss has been caused by a clear consumption of economic benefit then the loss is recognised in the Income and Expenditure Account. Decreases in value not associated with a clear consumption of economic benefit such as a temporary fall in valuation are recognised in the Statement of Total Recognised Gains and Losses until such a point that the carrying value of the asset reaches its depreciated historical cost and taken to the Revaluation Reserve, and thereafter to the Income and Expenditure Account.

**Impairment:**

The value of each fixed asset is reviewed at the end of each financial year, and where there is reason to believe that its value has changed materially in the period, the valuation is adjusted accordingly.

Where an impairment loss on an asset occurs the loss is recognised, if it is caused by a clear consumption of economic benefits the loss is charged to the relevant service revenue account, otherwise it is written off against the Capital Adjustment Account.

There are impairment issues to consider in 2007-08 due to a general fall in prices.

**Disposals:**

When an asset is disposed of the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal). The balance of the receipts is required to be credited to the Usable Capital Receipts reserve until such time as it is allocated to finance other capital expenditure or set aside to reduce the authority's need to borrow. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

**Depreciation:**

Depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset

in the balance sheet over the period expected to benefit from their use.

Financial Reporting Standard 15 – Tangible Fixed Assets requires all tangible assets to be depreciated based on the remaining useful life; assets are depreciated over the following expected lifespans.

Class of Asset	Lifespan
Red Fleet Vehicles	1 to 12 Years
White Fleet Vehicles	1 to 3 Years
Plant & Equipment	2 to 15 Years
Buildings	5 to 60 Years
Intangibles	3 to 10 Years

Depreciation is calculated on the following bases:

- Dwellings and other buildings are a straight line allocation over the life of the property as estimated by the valuer;
- Land is not depreciated
- Vehicles and Operational Equipment lives are determined at the time of purchase, and vary according to type.
- Where an asset has major components with different estimated useful lives, these are depreciated separately.
- Assets Under Construction are not depreciated.
- Intangible Assets are depreciated over the “life” of the “asset”

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the relevant assets to the relevant service revenue account, in line with the depreciation policy applied to them.

#### CHARGES TO REVENUE FOR USE OF FIXED ASSETS

Service revenue accounts and support services are debited with the following amounts to record the real cost of holding fixed assets during the year:

Depreciation attributable to the assets used by the relevant service

Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service

Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisation.

However, it is required to make an annual provision from revenue to contribute to the reduction in its overall borrowing requirements (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

#### INTANGIBLE ASSETS

Intangible fixed assets are defined in FRS10 as “non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights”. An example would be software licences.

#### 8. BASIS OF PROVISION FOR REDEMPTION OF DEBT

Loans raised by the Authority are repaid from the Capital Adjustment Account, which receives a statutory

annual revenue contribution for that purpose (Minimum Revenue Provision). Authorities are able to make additional voluntary contributions to provide for the redemption of debt. Interest payable on these loans is charged to the Income and Expenditure Account. The current debt is all funds borrowed from the PWLB on an interest only basis with no repayment until the maturity date of the loan.

#### 9. INTEREST ON BALANCES

The interest earned on the day-to-day management of the Authority's surplus cash balances is credited directly to the Income and Expenditure account.

#### 10. BASIS OF VALUATION OF STOCKS

Stocks are included in the balance sheet at the lower of cost and net realisable value.

#### 11. BASIS ON WHICH DEBTORS AND CREDITORS AT THE YEAR END ARE INCLUDED IN THE ACCOUNTS

Sums due to the Authority are brought into account at the time they are due; amounts which have not been received at the year end appear in the balance sheet as debtors. Purchases made during the relevant accounting period but not paid until the first weeks of the following year are converted to expenditure in the revenue account and included in the Balance Sheet as creditors.

This treatment complies with the accruals concept set out in FRS 18 and referred to above.

#### 12. RETIREMENT BENEFITS

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a responsibility to make the payments which needs to be disclosed at the time that employees earn their future entitlement.

The Combined Fire Authority participates in three different pension schemes, which meet the needs of employees in particular services. All the schemes provide members with defined benefits related to pay and service. The schemes are as follows:

##### Uniformed Fire-fighters

1992 Pension Scheme (Old Scheme) and the New Fire-fighters' Pension Scheme

The funding arrangements for the firefighters' pension scheme in England changed by statute with effect from 1 April 2006. Before 1 April 2006 the 1992 Scheme did not have a percentage of pensionable pay type of employer's contribution: rather each fire authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new funding arrangements the schemes remain unfunded but will no longer be on a pay-as-you-go basis as far as the individual fire authority is concerned. Authorities no longer meet the pension outgo directly: instead they pay an employer's pension contribution based on a percentage of pay into the Pension Fund and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation.

Subject to scrutiny and approval by the Secretary of State and Parliament, under the new arrangements the Pension Fund will be balanced to nil at the end of the year by either paying over to the DCLG the amount by which the amounts receivable by the Fund for the year exceed the amounts payable, or by receiving cash in the form of a pension top-up grant from the DCLG equal to the amount by which the amount payable from the pension fund for the year exceeded the amount receivable.

The New Scheme offers defined retirement benefits to all whole time and retained fire-fighters joining the service after 1 April 2006. All whole time fire-fighters who were part of the pension scheme prior to the 1 April 2006 were given the option to transfer to the new scheme on preferential terms up to 31 March 2007.

## Local Government Pension Scheme

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme.

The pension costs that are charged to the Authority's accounts in respect of employees both for the Firefighters' Pension schemes and the LGPS are equal to the contributions paid to the funded pension scheme for employees.

FRS17 has been fully adopted in the accounts. FRS17 is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

The net liability of all three schemes is shown in the Balance Sheet on an actuarial basis using the projected unit method- i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.

Statutory provisions limit the authority to raising council tax to cover the amounts payable by the authority to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

### Discretionary Benefits:

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

## 13. PROVISIONS AND RESERVES

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement after Net Operating Expenditure so that there is no net charge against council tax for the expenditure.

The non earmarked reserves as at the 31st March 2008 represent 14.87% of the 2007/08 base budget. Section 25 of the Local Government Act 2003 requires the Treasurer to report to the Full Authority on the robustness of estimates and adequacy of reserves allowed for in the budget proposals. The Authority will consider this each February as part of the budget setting process.

The Fire Authority has a number of provisions and reserves, details of which appear in notes 22-33 to the Core Financial Statements (pages 51-55).

The Summary of Movements in Reserves is on page 45 and shows the annual movement of revenue reserves, capital reserves and pension fund reserves.

## 15. CONTINGENT LIABILITIES

The Authority is required to disclose any potential obligation, which may require payment or a transfer of economic benefit which may arise from a past event. See note 31 to the Core Financial Statements on page 54.

## 16. GOVERNMENT GRANTS

Whether paid on account, by instalments or in arrears, government grants are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure. Where there are cases of Government Grants being received and the project has not gone ahead until the following year due to project time lapses, the grant is transferred to a Government Grants Unapplied Account and matched when the expenditure is incurred.

#### 17. TREATMENT OF OVERHEADS

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the authority’s status as a multi-functional democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account as part of Net Cost of Service.

#### 18. LEASES

Finance leases are defined as such when the risks and rewards of ownership are transferred to the lessee. If a lease has not been defined as a finance lease then it will be classified as an operating lease and accounted for in accordance with SSAP 21.

#### 19. CONTINGENT ASSETS

The Authority is required to disclose any potential benefit, which may require receipt or a transfer of economic benefit which may arise from a past event. Contingent Assets are not recognised in the Income and Expenditure Account, The Movement on the General Fund Balance or the Balance sheet due to taking the prudent view that the gain may never be realised.

#### 20. VAT

Income and expenditure excludes any amounts relating to VAT as all that is collected is payable to HMRC and all that is paid is recoverable from them in accordance with VAT regulation requirements.

#### 21. ACCOUNTS AUTHORISATION PROCESS

The accounts are authorised to comply with statutory deadlines and the accounts are formally adopted by the Authority by the end of September.

#### 22. FINANCIAL ASSETS

Financial Assets are classified into two types:

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

#### Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principle receivable

and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

The Authority does not have any assets that are categorized as Available for Sale Assets.

### 23. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principle repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

## Income and Expenditure Account

2006/07		2007/08			
Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£000s		£000s	£000s	£000s	
3,718	Community Fire Safety	3,094	-243	2,851	Note 1 (b)
22,555	Fire Fighting & Rescue Operations	26,404	-814	25,590	Note 1 (c)
833	Corporate & Democratic Core	2,825	-1,927	898	Note 1 (a)
-101	Non distributed costs	273	0	273	Note 1 (a)
<b>27,005</b>	<b>Net Cost of Services</b>	<b>32,596</b>	<b>-2,984</b>	<b>29,612</b>	
-51	Profit on disposal of Fixed Assets			-18	
	Loss on disposal of fixed assets				
265	Interest payable and Similar charges			293	
0	Investment losses			0	
-312	Interest and Investment Income			-546	
	Pensions interest cost and expected				
6,239	return on pensions assets			7,178	
<b>33,146</b>	<b>Net Operating Expenditure</b>			<b>36,519</b>	
-14,083	Precepts			-14,973	Note 9
-1,769	General Government Grants			-1,613	Note 9
-9,178	Non-domestic rates redistribution			-9,612	Note 9
-164	Transitional Funding			-164	Note 9
<b>7,952</b>	<b>Deficit for the Year</b>			<b>10,157</b>	

This statement has been prepared in accordance with CIPFA's Code of Practice on Best Value Accounting to comply with the relevant legislation.

The table above shows a high level view of our expenditure on our Services. Detailed notes can be found on pages 40-45.

## Movement on the General Fund Balance

2006/07 £ 000's	Statement of Movement on the General Fund Balance	2007/08 £ 000's
7,952	Surplus (-) / Deficit (+) for the year on the I & E	10,157
-8,168	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-10,454
-216	Increase in General Fund Balance for the Year	-297
	Transfer of Time Served Retirement Reserve	-1,928
	Transfer to Invest to Save reserve and transfer to I&E	316
-1,794	General Fund Balance Brought Forward	-2,010
-2,010	General Fund Balance carried forward	-3,919
Note of reconciling items for the Movement on the General Fund Balance		
<b>Amounts included in the I &amp; E but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.</b>		
	Amortisation of Intangible Fixed Assets	-9
-921	Depreciation and impairment of fixed assets	-1,150
-5	Government Grants Deferred Amortisation	-4
	Write down of deferred charges to be financed from capital resources	0
51	Net loss on Sale of fixed assets	0
	Net gain on Sale of fixed assets	18
-11,373	Net charges made for retirement benefits in accordance with FRS17	-12,732
<b>-12,248</b>	<b>TOTAL</b>	<b>-13,877</b>
<b>Amounts not included in the I &amp; E but required to be included by statute when determining the Movement on the General Fund Balance for the year.</b>		
160	Minimum Revenue Provision for capital financing	160
321	Capital expenditure charged in-year to the General Fund Balance	192
3,264	Employers contributions payable to the Pensions Account and retirement benefits payable direct to pensioners	3,287
<b>3,745</b>	<b>TOTAL</b>	<b>3,639</b>
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year.</b>		
335	Voluntary Revenue Provision for Capital financing	0
	Net transfer to or from earmarked reserves	-216
<b>335</b>	<b>TOTAL</b>	<b>-216</b>
<b>-8,168</b>	<b>Net additional amount required to be credited or debited to the General Fund Balance for the year.</b>	<b>-10,454</b>

## Statement Of Total Recognised Gains And Losses

The Statement represents the movement in the net worth of the authority and reflects changes in the accounts listed below from one year to the next in terms of gain or loss. These are both actual and notional gains or losses.

2006/07	Statement of Total Recognised Gains/Losses for	2007/08
-7,952	Surplus (+) / Deficit (-) on year in Income & Expenditure a/c	-10,157
1,535	Surplus arising on Revaluation of Fixed Assets	-77
4,714	Actuarial Gains (+) /Losses (-) on Pension Fund Assets/Liabilities	7,729
-27	<u>Any other gains and Losses:</u>	170
-1,730	Total Recognised Gains/Losses for the year	-2,335
-125	Prior Year adjustments	
-1,855	Total Recognised Gains/Losses Since the last annual report	-2,335

Deficit on year in the Income and Expenditure Account see Income and Expenditure Account (page 34).

Surplus arising on revaluation of fixed assets see reconciliation below:

Description	£000s
Closing balance on CAA (Note 22)	25,481
Impairments (Note 13)	-65
Depreciation (Note 13)	1,046
MRP (Note 5)	-160
Revenue Contribution to Capital	-192
Migration of CFA and FARA to CAA (Notes 23 & 24)	-26,222
Disposals (Note 13)	-18
Revaluations (Note 13)	53
<b>Total</b>	<b>-77</b>

Actuarial gains/losses on Pensions Funds Assets and Liabilities see Note 29 (f) to the Core Financial Statements (page 53).

Other gains or losses deals with the instigation of an Invest to Save Reserve approved by members transferring funds from the General Fund Balance to an earmarked reserve for this specific purpose. This transfer is not categorised though the other statements and to fully account for the movement it shows here. The movement of the Deferred Government Grant account (£17k) has been moved into the top half of the balance sheet to comply with the SORP.

## Balance Sheet

2006/07			2007/08	Notes
£000s			£000s	
restated figures	<b>FIXED ASSETS</b>			
45		Intangible Fixed Assets	74	13a
		Tangible Fixed Assets - Operational:		
28,916		Land & Buildings	28,704	13a
2,967		Vehicles, Plant & Equipment	3,344	13a
722		Tangible Fixed Assets - Non-Operational:	1,283	13a
<b>32,650</b>		<b>TOTAL FIXED ASSETS</b>	<b>33,405</b>	
		<b>LONG-TERM ASSETS</b>		
		Long term investments		
		Long-term debtors		
<b>0</b>		<b>TOTAL LONG-TERM ASSETS</b>	<b>0</b>	
		<b>CURRENT ASSETS</b>		
173		Stock & Works in Progress	186	14
1,515		Debtors	426	15
7,397		Investments	7,608	16
287		Payments in Advance	10	15
		Cash at Bank	319	18
15		Cash in Hand	9	18
<b>9,387</b>		<b>TOTAL CURRENT ASSETS</b>	<b>8,558</b>	
<b>42,037</b>		<b>TOTAL ASSETS</b>	<b>41,963</b>	
		<b>CURRENT LIABILITIES</b>		
		Short-term borrowing		
-1,672		Creditors	-2,156	17
-485		Receipts in Advance	-967	17
-499		Bank overdraft	0	
-164		Transitional Grant Repayment	0	20
-2,820		<b>TOTAL CURRENT LIABILITIES</b>	<b>-3,123</b>	
<b>39,217</b>		<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>38,840</b>	
		<b>LONG-TERM LIABILITIES</b>		
-6,452		Long-term Borrowing	-6,524	19
		Provisions		
		Government grants deferred	-223	25
-2,203		Finance Lease	-2,155	21
		Deferred liabilities		
-131,939		Liability related to defined benefit pension scheme	-133,650	29f
-140,594		<b>TOTAL LONG-TERM LIABILITIES</b>	<b>-142,552</b>	
<b>-101,377</b>		<b>TOTAL ASSETS LESS LIABILITES</b>	<b>-103,712</b>	
		Financed by:		
		Capital Adjustment Account	25,481	22
		Revaluation Reserve	53	26
28,243		Fixed Asset Restatement Account	0	23
17		Government grants deferred		25
-2,021		Capital Financing Account	0	24
0		Usable Capital Receipts Reserve	0	27
0		Deferred Capital Receipts	0	
1,928		Ear-marked Reserve - Time Served Retirements	0	28
2,010		General Fund Balance	3,919	29f
335		Earmarked (Debt Repayment) Reserves	335	29
		Earmarked Invest to Save Reserve	100	29
50		Earmarked Control Room Reserve	50	29
-131,939		Pensions Reserve	-133,650	34
<b>-101,377</b>		<b>TOTAL NET WORTH</b>	<b>-103,712</b>	

The 2006/07 investment and creditor figures have been restated for comparability with the new treatment for grant owed to the CLG for Pensions top-up grant.

## Cash Flow Statement

31.03.2007		31.03.2008	
		£000s	£000s
	Revenue activities		
	Expenditure		
21,646	Cash paid to and on behalf of employees	21,800	
4,866	Other operating costs	6,556	
<b>26,512</b>			<b>28,356</b>
	Income		
-1,769	Revenue Support Grant	-1,613	
-9,178	National Non Domestic Rates	-9,612	
-14,084	Precepts	-14,973	
-987	Other government grants and reimbursements	-1,123	
-1,506	Cash received for goods and services	-3,395	
<b>-27,523</b>			<b>-30,716</b>
<b>-1,011</b>	Revenue activities net cash inflow (-) – (note 36 i)		<b>-2,360</b>
	Servicing of Finance		
	Expenditure		
198	Interest	294	
	Income		
-275	Interest received	-550	
<b>-77</b>			<b>-256</b>
<b>-1,088</b>			<b>-2,616</b>
	Capital activities		
	Expenditure		
1,700	Purchase of fixed assets	1,821	
	Purchase on Intangible Fixed Assets		
612			-795
	Income		
-65	Sale of fixed assets	-18	
	Capital grants	-210	
<b>-65</b>			<b>-228</b>
<b>547</b>	Net cash inflow (-) /outflow before financing		<b>-1,023</b>
	Financing		
<b>-2,174</b>	Loans taken out		0
<b>1,627</b>			<b>-1,023</b>
	Liquid Resources		
2,125	Temporary Investments	211	
-224	Temporary Loans		<b>211</b>
<b>274</b>	Increase (-)/decrease in cash – (note 36 ii)		<b>-812</b>

## Notes to the Core Financial Statements

### 1. Further Analysis of Service Expenditure Headings as set out in the Income and Expenditure Account

Service expenditure is analysed between the main operational Divisions of Service and the Corporate and Democratic Core. Service expenditure includes charges for statutory obligations under FRS17 and the apportionment of Central Services relevant to that Division.

The following tables provide further information on the net expenditure within each of the service headings in the main Income and Expenditure account.

#### a) Central Services

<b>2006/2007 Net Exp £000s</b>	<b>Central Services</b>	<b>2007/08 Net Exp £000s</b>
833	Corporate & Democratic Core	898
-101	Non Distributed Costs	273
<b>732</b>		<b>1,171</b>

In 2007/08 Corporate and Democratic Core expenditure was limited to expenditure allowed in the guidance and Non-Distributed costs refer to charges based on FRS17 principles for past service costs of pensions and pension strain. All other expenditure has been distributed across the two operational service heads below (Community Fire Safety and Fire Fighting and Rescue Operations) using appropriate basis for apportionment. The increase in the costs of the Corporate and Democratic Core costs arise from taking account of increased officer time that can be attributed to these areas based on the guidance and one off costs associated with staffing issues.

Non Distributed costs have increased as a result of the net income received from pensions transfers in and out relating to previous years not re-occurring in 2007/08. This is due to this being the second year of the new pensions legislation.

#### b) Community Fire Safety

<b>2006/07 Net Exp £000s</b>	<b>Community Fire Safety</b>	<b>2007/08 Net Exp £000s</b>
1,318	Statutory Inspection & Certification	1,445
1,259	Prevention and Education	1,406
261	Health & Safety	0
880	Technical Department	0
<b>3,718</b>		<b>2,851</b>

There has been a significant increase in Community Fire Safety work as we have re-aligned our resources to reflect changing priorities and risks and new posts assigned to Community Safety have been filled. Community Safety work undertaken by operational response crews has been directly apportioned to Prevention and Education to take account of Home Fire Risk checks and other Community Safety work carried out. The Health & Safety and Technical Departments are now charged to Operational Response as a result of changes to the Best Value Accounting Code of Practice changing the categories available for reporting and the majority of their work relating directly to Operational Response.

c) Fire Fighting and Rescue Operations

<b>2006/07 Net Exp £000s</b>	<b>Fire Fighting &amp; Rescue Operations</b>	<b>2007/08 Net Exp £000s</b>
21,410	Operational Responses	23,745
945	Communications and Mobilising	1,670
200	Securing Water Supplies	175
<b>22,555</b>		<b>25,590</b>

The increased costs seen in Operational Response is as a result of the re-categorisation of the Technical and Health & Safety teams (£971k), the loss of income for seconded officers of (£200k), pay and associated on costs (£800k) and inflation on other supplies and services (£200k). Other increases in costs are associated with capital charges for depreciation of buildings and assets (£100k) and an increase in training fees (£55k).

The increase in costs in Communications and Mobilising relates to fully apportioning mobilising costs as per the Best Value Accounting Code of Practice that are held in ICT relating to the Command and Control function.

2. Officers' Remuneration

The number of employees, who were paid a remuneration of £50,000 (excluding pensions contributions) or more, are shown below in bands of £10,000. The remuneration amounts include retirement payments including lump sum payments but exclude employee pension contributions. The 2006/07 figures have been adjusted for consistency from figures published in the 2006/07 accounts.

<b>2006/07</b>		<b>Remuneration Band</b>	<b>2007/08</b>	
<b>Total</b>	<b>Retirements</b>		<b>Total</b>	<b>Retirements</b>
20		£50,000-59,999	13	
1		£60,000-69,999	2	
1		£70,000-79,999	2	
3	1	£80,000-89,999	4	
0		£90,000-99,999	0	
1		£100,000-109,999	1	
0		£110,000-119,999	0	
0		£120,000-129,999	1	1
0		£130,000-139,999	0	
1	1	£140,000-149,999	0	
0		£150,000-159,999	0	
0		£160,000-169,999	0	
1	1	£170,000-179,999	0	
1	1	£180,000-189,999	0	
0		£190,000-199,999	0	
1	1	£200,000-209,999	0	
		£210000+	0	
<b>30</b>	<b>5</b>	<b>Total</b>	<b>23</b>	<b>1</b>

3. Provision for doubtful debts

The provision for doubtful debts was £61,817 at 31 March 2007. The doubtful debt provision is now £36,648 which is a prudent level to hold against debts that may not be recovered. The reduction has been achieved by stringent following up of old debts and chasing up of newer debts. All existing debts have been considered for recoverability and the provision is adequate to ensure any doubtful debts could be covered. All debts written off in the year have been done so in accordance with the Authority's Debt Management Policy.

#### 4. Leases

The operating leases held by the Fire Authority apply to lease vehicles and radio communications equipment. The lease rentals paid during the year amounted to £ 491,903 (£489,547 in 2006/07) The estimated undischarged obligations under the operational lease agreements at 31st March 2008 amounted to £965,009 (£1,374,446 as at 31 March 2007), details are as below.

Years of Lease remaining	£000s
0-1	306,
2-5	636
6- onwards	23
<b>Total</b>	<b>965</b>

The finance lease held by the Authority is for the sale and leaseback of the Gerrards Cross houses with London Quadrant (previously Opus Housing). The Authority, in accordance with the SORP has included the finance lease as a long term liability. The finance lease is detailed in note 21 to the Core Financial Statements on page 50.

#### 5. Minimum Revenue Provision (MRP)

The Minimum Revenue Provision is the minimum amount that the Authority is required to set aside for the repayment of external debt. This is a technical accounting adjustment. It is calculated at 4% of the Authority's Capital Financing Requirement.

The minimum amount is statutorily calculated, and was £160,470 (£159,740 for 2006/07).

2006/07 £000s		2007/08 £000s
6,392	Opening Capital Financing Requirement	6,410
2,398	Less 'A-Factor'	2,398
<b>3,994</b>	<b>Adjusted Capital Financing Requirement</b>	<b>4,012</b>
160	Minimum Revenue Provision at 4% of adjusted CFR	160
929	Amount charged as Depreciation	1,046
-769	Depreciation / Principal Loan Repayment adjustment to Revenue Account	-886
160	Minimum Revenue Provision	160

#### 7. Section 5 of the Local Government Act 1986

**Section 5 of the Local Government Act 1986** requires expenditure on certain types of publicity to be disclosed. Publicity is defined as "...any communications, in whatever form, addressed to the public at large or to a section of the public". This is detailed below:

2006/2007 £000s		2007/08 £000s
2	Other Publicity	4
34	Recruitment Advertising	28
<b>36</b>	<b>Total</b>	<b>32</b>

7. Members Allowances

Total allowances paid in 2007/08 amounted to £39,048. (2006/07 amounted to £40,060). Detailed information on individual allowances is available on request.

8. Audit Fees

Fees paid during the year to the Audit Commission, the Authority's external auditor, for work on external audit and inspection are set out below:

<b>2006/07 £000s</b>		<b>2007/08 £000s</b>
65	External Audit Services	65
5	Inspection	
<b>70</b>	<b>Total</b>	<b>65</b>

9. Grants

Section 31 grants received from the DCLG by the Authority are detailed below. The grants are not ring-fenced but are given for specific streams of work. The figures are the net figures after unapplied grant has been carried forward to 2008/09.

<b>2006/07 £000s</b>	<b>Revenue Grants</b>		<b>2007/08 £000s</b>
-502	DCLG	Urban Search & Rescue	-564
-33	DCLG	New Burdens	6
-88	DCLG	Community Safety	-136
-43	DCLG	Training	-35
-12	DCLG	Capacity Building work	-2
<b>-677</b>	<b>Total Revenue Grants</b>		<b>-731</b>

10. Funding

The Fire Authority's net revenue expenditure is funded by government grants and local authority precepts which are broken down below to show the amounts paid by precepting authorities. In 2007/08 there were 285,181 Band D properties and in 2006/07 there were 282,123 Band D properties. The differences between contributing authorities reflects the variance in Band D property calculations.

	<b>2006/07 £000s</b>	<b>2007/08 £000s</b>
<b>Government Grants</b>		
RSG	-1,769	-1,613
NNDR	-9,178	-9,612
Transitional Funding	-164	-164
<b>Precepts</b>		
Aylesbury Vale District Council	-3,213	-3,454
Chiltern District Council	-2,176	-2,295
Milton Keynes Council	-3,817	-4,083
South Bucks District Council	-1,546	-1,617
Wycombe District Council	-3,331	-3,524
Precept Total	-14,083	-14,973
<b>Total</b>	<b>-25,194</b>	<b>-26,362</b>

## 11. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority, or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Authority.

**Central Government** has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and prescribes the terms of many of the transactions that the Authority has with other parties. It also provided direct financial support to the Authority in 2007/08.

**Other Public Bodies.** Buckinghamshire County Council provides Internal Audit Services, Treasury Management, SAP Systems Support, the Monitoring Officer and Legal Services for the Authority. This is undertaken on a commercial basis and will therefore not have a controlling influence on either body.

The Authority has entered into local **public service agreements** with all six councils within its geographic boundaries. The Authority is using these agreements to build capacity within its Community Fire Safety department so that it can contribute along with its partners to the shared vision of creating a safer Buckinghamshire and Milton Keynes.

**Members of the Authority** have direct control over the Authority's financial and operational policies. However any contracts entered into are in full compliance with the Authority's standing orders and any decisions are made with proper consideration of declarations of interest. Details of any material interests are recorded in the Register of Members' Interests, which is open to public inspection.

**Senior Officers** of the Authority have control over the day-to-day management of the Authority.

**All Members and Senior Officers** have been asked to declare any related party transactions. From the replies provided there are no such transactions to be declared.

**Assisted organisations.** The Authority does not provide any significant financial assistance to outside bodies that are outside of its normal contractual arrangements.

**Companies and joint ventures.** The Authority does not have any interests in companies outside of its normal contractual arrangements.

## 12. Summary of Movements on Reserves

The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. The opening balance of the Capital Adjustment Account is the combined net total of the Capital Financing Account (CFA) and the Fixed Asset Restatement Account (FARA).

Reserve	Balance as at 1/4/07 £000s	Net Movement in Year £000s	Balance as at 31/3/08 £000s	Purpose of Reserve
Capital Adjustment Account	26,222	-741	25,481	Provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.
Revaluation Reserve	0	53	53	Records unrealised revaluation gains arising (since 1/4/07) from holding fixed assets.
Government grants deferred	17	-17	0	Government Grant Received to fund capital financing costs relevant to conditions of grant
Usable Capital Receipts Reserve	0	0	0	Proceeds of fixed asset sales available to meet future capital investments
Deferred Capital Receipts	0	0	0	
Pensions (Time Served Retirements)	1,928	-1,928	0	Resources available to meet past costs of the previous pension scheme arrangements relating to Firefighters Pensions.
General Fund Balance	2,010	1,909	3,919	Resources available to meet future costs of running the Service
Debt Repayment	335	0	335	Resources available to meet borrowing costs already committed to.
Earmarked Invest to Save Reserve	0	100	100	Resources available to invest in projects that will generate long term savings for the brigade.
Control Room	50	0	50	The unforeseen events reserve was established with committee approval in 2004/05 to assist with issues relating to Regional Control rooms.
Pensions	-131,939	-1,711	-133,650	Balancing Account to allow inclusion of Pensions Liability in the Balance Sheet
<b>TOTAL</b>	<b>-101,377</b>	<b>-2,335</b>	<b>-103,712</b>	

13. Net Fixed Assets

a) Movement of Fixed Assets

	<b>Land &amp; Buildings</b>	<b>Vehicles Plant &amp; Equipment</b>	<b>AUC</b>	<b>Intangible Assets</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Gross Book Value at 31.03.2007	28,916	2,967	721	44	32,648
Additions	323	892	562	39	1,816
Disposals		-18			-18
Reclassifications					0
Revaluations	53	18			71
Impairments	-66				-66
Gross Book Value at 31.03.2008	29,226	3,859	1,283	83	34,451
Depreciation B/F					
Depreciation for the Year	-522	-515	0	-9	-1,046
Depreciation on Disposal					
Depreciation C/F					
Net Book Value at 31 <sup>st</sup> March 2008	28,704	3,344	1,283	74	33,405

With the introduction of the SORP 2007 regulations, we reviewed our assets and valued these assets net of Depreciation in order to comply with new accounting practice, however there is no carried forward Depreciation above due to this netting process as this is the first year it has happened. Subsequent years will show a difference in depreciation figures based on current and historic cost.

For comparative purposes the cumulative depreciation figures from the 2006/07 accounts are shown below.

	<b>Land &amp; Buildings</b>	<b>Vehicles Plant &amp; Equipment</b>	<b>AUC</b>	<b>Intangible Assets</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Gross Book Value at 01.04.2006	29,585	8,420	721	44	38,770
Depreciation C/Fwd	669	5,453	0	0	6,122
Gross Book Value at 31.03.2007	28,916	2,967	721	44	32,648

Property Revaluations are now undertaken on a 3 year cycle, upward valuations are charged to a Revaluation Reserve, decreases in value called Impairments are charged to the Income and Expenditure Account as a loss. The revaluations are as a result of a general increase in property and land values and also taking account of sale proceeds to gain a market value for vehicles disposed of in year. Impairments are due to a decrease in value on some specific properties following the triennial valuation by our valuer as set out below.

Operational buildings of a specialised nature, for which there is no market and therefore no evidence of value, have been valued at depreciated replacement cost, where the value has been based on the cost of replacing the existing building with a simple substitute building which may not be similar to the one actually on site. The valuation of operational properties of a non specialised nature was based on open market value for existing use, having regard to evidence of transactions on similar premises.

Expenditure on assets under construction is reclassified to the relevant fixed asset, once the asset becomes operational.

The properties were valued by Buckinghamshire County Council Property Department (RICS) with whom the Fire Authority has a Service Level Agreement.

#### Depreciation Lives

The authority has a policy of depreciating assets over their useful lives as per the table below:

Red Fleet Vehicles	1 to 12 Years
White Fleet Vehicles	1 to 3 Years
Plant & Equipment	2 to 15 Years
Buildings	5 to 60 Years
Intangibles	3 to 10 Years

Intangible Assets are recognised as “non- financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights”. These represent the purchase of computer software and licences and other software systems and are amortised to the Income and Expenditure Account on the basis of the cost and estimated life. The Authority has previously reviewed its expenditure on software licences and has capitalised the HR software system licence (Snowdrop) and Microsoft office licences together with the new Fuel Management System within 2007/08. These are being amortised over their economic life and charged to the relevant service revenue account to reflect the pattern of consumption of benefits as supplied by the IT Manager. These are currently assessed as having useful lives of between 3 to 10 years.

#### b) Capital Account Expenditure 2007/08

	<b>Land &amp; Buildings £000s</b>	<b>Plant &amp; Vehicles £000s</b>	<b>Total £000s</b>
Asset Management		93	93
Fuel Management System		38	38
Beaconsfield Fire Station - Existing Site	66		66
Beaconsfield Fire Station - Pyebush Site	64		64
Wycombe New Fire Station	30		30
Amersham Fire Station	223		223
USAR Facility	4		4
Planned Preventative Maintenance	332		332
PPR Integrated Database		63	63
Fire Appliances & Equipment		673	673
IT Projects		91	91
Intranet Project		10	10
Operational Equipment		129	129
<b>TOTAL SPEND 2007/08</b>	<b>719</b>	<b>1,097</b>	<b>1,816</b>

i) Capital Account – Financing

Source of Funding	£000s
Supported Capital Borrowing	1,798
Capital Receipts	18
Capital Grants	0
<b>Total</b>	<b>1,816</b>

ii) Statement of Physical Assets Held

Fire Stations	20 (6 Whole time, 4 Whole time Day-crewed, 10 Retained)
HQ Buildings & Vehicle Workshop	1
Houses	2
Vehicles	49 (Operational Response Vehicles)

iii) Commitments under Capital Contracts

The refurbishment of Amersham Fire Station was started in January, 2008 and the 26 week contract is due to finish in July 2008. At the end of March less than half the contract was completed and we have included the outstanding balance of the total contract of £397,592 below. In comparison, there were some small amounts outstanding on capital contracts which had been entered into by the authority as at 31 March, 2007, below the de minimis level for reporting.

Project	Contractor	Amount Outstanding
Amersham Fire Station	Diamond Build Plc	£212,000

Capital Projects Underway:

The proposed move of Wycombe Fire Station is in the initial stages of scoping and proposed sites are being discussed with the local authority. The proposed new site would incorporate modern buildings and accommodation for members of the brigade. There is also potential for community safety facilities. The development of a new site at Beaconsfield for a fire station has been delayed due to a number of problems and consequently the project is behind schedule.

14. Stocks and Work in Progress

31.03.2007		31.03.2008
£000s		£000s
31	Workshops	37
113	Stores	117
29	Fuel	32
<b>173</b>		<b>186</b>

The level of stocks held has increased slightly and this reflects the volume of turnover required and the increasing costs of specialist items of equipment and parts.

15. Debtors

<b>31.03.2007</b> <b>£000s</b>		<b>31.03.2008</b> <b>£000s</b>
	Amounts falling due within one year:	
985	Government Departments	187
69	Other Local Authorities	141
523	Sundry Debtors	135
287	Payments in advance	10
-62	Provision for doubtful debts	-37
<b>1,802</b>		<b>436</b>

The reduction in Government debtors relates to the payment of the USAR grant in year rather than after the end of the financial year as happened in 2006/07 (£719k). Pension payments are now processed as they occur. This is a change to previous years Payments in Advance position (£262k). The significant difference in Sundry Debtors relates to the billing arrangements for Aerial sites that is now a programmed piece of work with billing being carried on a continual basis since lease agreements have been finalised (£234k).

16. Temporary Investments

The Treasury Management function is performed by Buckinghamshire County Council on behalf of the Authority and surplus cash is invested on a short term basis in accordance with the CIPFA Code of Practice for Treasury Management in Local Authorities. Investments as at 31<sup>st</sup> March 2008 were £7,608k and as at 31<sup>st</sup> March 2007 were £7,397k.

17. Creditors

<b>31.03.2007</b> <b>£000s</b>		<b>31.03.2008</b> <b>£000s</b>
594	Government Departments	689
192	Other Local Authorities	231
881	Other sundry creditors	1,236
485	Receipts in Advance	967
5	Capital Expenditure Creditors	0
<b>2,157</b>		<b>3,123</b>

Government Departments owed money at the end of the year has risen slightly and this will reflect the increasing costs of payments to HMRC as part of the VAT scheme (£30k). Other sundry creditors have increased as a result of a transfer to the Pension Fund (£340k). Capital creditors have fallen due to the small number of major projects underway in 2007/08.

18. Bank

The cash at the bank as at 31 March 2008 was £319k (and £9k cash in hand as petty cash). The analysis of the change can be seen as part of the cashflow analysis but there were no BACS payments outstanding and the pensions paid on the first of the month are accounted for in the month to which they relate.

19. Long Term Borrowing

- i) The Authority undertakes long term borrowing, principally as a means of financing expenditure on fixed assets. The total loans outstanding are unchanged from the prior year. The interest owing represents the PWLB interest accrued to the 31 March 2008 in accordance with the new SORP regulations.

Source of Loan	Interest rates applicable (as at 31 March 2008)	Total Outstanding at	
		31.03.2007 £000s	31.03.2008 £000s
Public Works Loan Board	3.9% - 5.75%	6,452	6,452
Interest Owing			72
Total Long Term Borrowing			6,524

- ii) Long term external borrowing by repayment dates

	31.03.2007 £000s	31.03.2008 £000s
Maturing in less than 5 years	335	635
Maturing in 5-10 years	1,485	1,185
Maturing in 10-15 years	585	1,205
Maturing in 15-20 years	620	0
Maturing in 20-25 years	626	626
Maturing in over 25 years	2,801	2,801
<b>TOTAL</b>	<b>6,452</b>	<b>6,452</b>

## 20. Transitional Funding

To assist with the funding of the 3 stage pay award for the fire fighters, the DCLG have advanced to each Fire Authority a sum of money under the heading of transitional funding. Buckinghamshire Fire & Rescue Service has received £328k. £164k was repaid in 2006-07 (through grant clawback) and £164k has been repaid in 2007-08 (also through grant clawback).

## 21. Finance Lease

31.03.2007 £000s		31.03.2008 £000s
2,249	Finance Lease	2,202
-47	Principal Repayment	-47
<b>2,202</b>		<b>2,155</b>

In 2003/04 the Authority entered into a sale and leaseback agreement with Opus Housing Association (now London Quadrant) in respect of the Gerrards Cross Houses. The initial cost of the lease is matched by an increase in the value of fixed assets. The liability of the finance lease will be reduced each year by the principal sum repaid each year. There are 46 years of the lease period outstanding.

## 22. Capital Adjustment Account

	<b>£000s</b>
Opening balance	0
Transfer of FARA/CFA Balance at 1/04/07	26,222
Historic Cost Depreciation	-1,046
MRP Provision	160
Other Adjustments	-65
Revenue Contributions	192
Usable Capital Receipts	18
<b>Closing Balance at 31/03/08</b>	<b>25,481</b>

The revised 2007 SORP regulations required the establishment of a Capital Adjustment Account (CAA) made up of balances formerly held in the Fixed Assets Restatement Account (FARA) and the Capital Financing Account (CFA). The balance on this account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

### 23. Fixed Asset Restatement Account

<b>31.03.2007</b> <b>£000s</b>		<b>31.03.2008</b> <b>£000s</b>
26,708	Opening Balance	28,243
1,525	Movement on reserve for revaluation	0
-15	Movement on reserves for disposals	0
25	Other movement of reserves	0
0	Transfer of Balance to Capital Adjustment Acct	-28,243
<b>28,243</b>	<b>TOTAL</b>	<b>0</b>

The former system of capital accounting required the establishment of the fixed assets restatement account. The movement represented the sale of property and vehicles and the revaluation of property during the year. The reserve is written down by the net book value of assets as they are disposed of and debited and credited with deficits or surpluses arising on future valuations.

The balance on FARA has been transferred to the new Capital Adjustment Account (CAA) from 1 April 2007. See Note 22 above.

### 24. Capital Financing Account

<b>31.03.2007</b> <b>£000s</b>		<b>31.03.2008</b> <b>£000s</b>
-2,337	Opening Balance	-2,021
761	Capital Receipts used for financing	0
121	Restatement from Usable Capital Receipts	0
200	Contributions from Revenue Account	0
-766	Depreciation net of MRP	0
0	Transfer of Balance to Capital Adjustment Acct	2,021
<b>-2,021</b>	<b>TOTAL</b>	<b>0</b>

The capital financing account contains the amounts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal amount of external loans.

From April 2007, the balance on this account has been transferred to the Capital Adjustment Account (CAA). See Note 22 on page 51.

#### 25. Government Grants Deferred

In 2005/06 Government Funding was used to purchase a second hand Community Safety Vehicle. This grant is being amortised over the expected life of the vehicle (5 years). In 2007/08 we received capital grant for the provision of an Urban Search and Rescue training rig and some funding from the Environment Agency for pods for storing equipment.

	£000s
Opening Balance	17
Amortisation	-4
CLG USAR Capital Grant	190
Environment Agency Grant	20
Closing Balance	223

#### 26. Revaluation Reserve

	31.03.2008 £000s
Opening Balance as at 1 April, 2007	0
Asset Revaluations	-71
Asset Disposal	18
Depreciation diff, between HC & CV	0
Other Adjustments	0
<b>TOTAL</b>	<b>-53</b>

The 2007 SORP requires a prior period adjustment for the implementation of the new Revaluation Reserve at 31 March, 2007 so that the opening balance for 2006/07 will feature a zero balance.

The Revaluation Reserve records unrealised revaluation gains arising from 1 April, 2007 from the holding of fixed assets, this reserve is matched by fixed assets within the balance sheet, they are not resources available to the authority.

The balance on the account at 31 March, 2007 is nil and any changes in value of individual assets must be recorded and identified separately with no assets allowed to have negative revaluation balances.

There is no 2006/07 comparator for this note as it is a new requirement with no need to restate figures for previous years.

#### 27. Usable Capital Receipts Reserve

31.03.2007 £000s		31.03.2008 £000s
816	Opening Balance at 1 April	0
65	Capital Receipts in Year	18
881		18
-760	Less: Capital receipts used for financing capital expenditure	-18
-121	Restatement 2005/06 Accounts	0
<b>0</b>	<b>TOTAL</b>	<b>0</b>

We use the full 100% of Capital Receipts within the year towards Capital Expenditure.

#### 28. Revenue Reserves

31.03.2007 £000s		31.03.2008 £000s
1,928	Earmarked Reserve – Time Served Retirements	0

2,010	Non-Earmarked Reserves (General Fund Balance)	3,919
335	Debt Repayment Reserve	335
50	Earmarked Reserve- Unforeseen Events	50
0	Earmarked Reserve – Invest to Save	100
-131,939	Pensions Reserve	-133,650
<b>-127,616</b>		<b>-129,246</b>

**The Time Served Retirements Reserve** was established to assist with the cost of retirements under the old firefighters pension arrangements. Funding arrangements changed in 2006-07. The impact of the new legislation has been evaluated and this reserve has been moved into the Non-Earmarked General Reserve.

**Non-Earmarked Reserves** are kept at a prudent level to cover unforeseen eventualities and liabilities.

**The Debt Repayment Reserve** was established in 2006-07 to provide reserves to meet debt repayment schedules that the Authority has already committed to.

**An Invest to Save Reserve** has been established to provide one-off funding for initiatives that will help to generate long-term efficiencies within the Authority and repay their loan from this Reserve.

**The Unforeseen Events Reserve** was established with committee approval in 2004/05 to assist with issues relating to Regional Control rooms.

**The Pensions Reserve** is a balancing figure reported by the actuary to allow for the liabilities of both pension schemes to be included to comply with statutory FRS17 requirements.

#### 29 (a-f) Movements in Revenue Reserves

Details of transactions within the year can be found in the following table in Notes 25a-f;

	Time Served Retirements (Note 29 a)	General Fund Balances (Note 29 b)	Debt Repayment Reserves (note 29 c)	Unforeseen Events (Control Room Reserve) (Note 29 d)	Invest to Save Reserve (Note 29 e)	Pensions Reserve (Note 29 f)
	£000s	£000s	£000s	£000s	£000s	£000s
Surplus/(deficit) for 2007/08		297			0	-9,440
Appropriations to/from Revenue		-216				
Actuarial gains and losses relating to pensions						7,731
Movement within reserves	-1,928	1,828			100	
Total						
Balance b/fwd 1 April 2007	1,928	2,010	335	50		-131,941
Balance c/fwd at 31 March 2008	0	3,919	335	50	100	-133,650

#### 30. Contingent Assets

Under the contract with Opus Housing Association (now London Quadrant) following the sale of Beaconsfield and Gerrards Cross houses, the Authority has overage rights relating to both sites. If the housing association develops either site, the association shall pay 25% of the market value of the relevant residential units or as the case may be, the enhanced value of the relevant property to the Authority. If the Association has not developed the site within five years of the agreement date (9th February, 2004), the Authority can invoke an option notice, which permits the Authority to purchase the development site free from encumbrances at the original sale price plus RPI.

### 31. Contingent Liabilities

In line with Financial Reporting Standards 12 (FRS12) the only disclosures made are in respect of contingent liabilities arise as a result of the court case about part time workers and any claims that may arise. The Authority is awaiting detailed guidance to be issued and until that time cannot quantify any impact. On the 10<sup>th</sup> June 2008 the National Joint Council for Local Authority Fire and Rescue Services issued a circular on the findings of the court case taken by retained firefighters that has been running for several years and referred back from the House of Lords to the Employment Tribunal that declares broadly in the Claimants favour. The judgement of the tribunal was that the Claimants were engaged in broadly similar work, that Claimants were treated less favourably than their named comparators in respect of access to Pension rights and payment for sickness absence, and that the Respondent's arguments for justification were dismissed. The Claimant's claim for increased pay for additional responsibilities was adjourned for eight weeks. The Tribunal view was that the Parties should reach a negotiated settlement. In August all Fire Authorities were asked to submit data to the NJC. At this time it is not possible to quantify the liability but a negotiated settlement is anticipated during the course of 2008/09.

### 32. Note to the Statement of Total Movement in Pensions Reserves 2007-08 (Local Government Pension Scheme)

The actuarial gains identified as movements on the Pensions Reserve in 2007-08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008

i)

	2005-06		2006-07		2007-08	
	£000s	%	£000s	%	£000s	%
Differences due to:						
Expected and actual return on assets	1,095	24.6	104	1.4	-655	-8.5
Expected and actuarial on liabilities					-1,548	-12
Changes in the demographic and financial assumptions used to estimate liabilities	-1,238	-11.2	449	3.2	2,059	16
<b>TOTAL</b>	<b>-143</b>	<b>-13.2</b>	<b>553</b>	<b>4.6</b>	<b>-144</b>	<b>-4.5</b>

### 33. Note to the Statement of Total Movement in Pensions Reserves 2007-08 (Firefighters' Pension Scheme)

The actuarial gains identified as movements on the Pensions Reserve in 2007-08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008.

ii)

	2005-06		2006-07		2007-08	
	£000s	%	£000s	%	£000s	%
Differences between expected and actual return on assets	-		-	-	-	
Differences between actuarial assumptions about liabilities and actual experience	6,882	5.6			-12,872	-10
Changes in the demographic and financial assumptions used to estimate liabilities	-9,234	-7.5	4,161	3.2	20,748	16.1
<b>TOTAL</b>	<b>-2,352</b>	<b>-1.9</b>	<b>4,161</b>	<b>3.2</b>	<b>7,876</b>	<b>6.1</b>

### 34. Pension Schemes

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 three pension schemes:

- The Local Government Pension Scheme is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (1997) as amended. It is contracted out of the State second pension.
- The Fire Fighter Pension Scheme for uniformed fire fighters - the Scheme is a defined benefit statutory scheme, administered by Buckinghamshire County Council in accordance with the Fire Pension Scheme Orders (1992) as amended. It is contracted out of the State Second Pension. There are no assets held to back the liabilities of the scheme.
- The Fire Fighter Pension Scheme for uniformed fire fighters (retained and new entrants for 1<sup>st</sup> April 2006) - the Scheme is a defined benefit statutory scheme, administered by Buckinghamshire County Council in accordance with the Fire Pension Scheme Orders (2006) as amended. It is contracted out of the State Second Pension. There are no assets held to back the liabilities of the scheme.

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £133,650,000 has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £103,712,000. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy: - the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary every three years;

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. These have been assessed by Barnett Waddingham, an independent firm of actuaries, based on the latest full valuations (31 March 2007 for the local government scheme and the 31 March 2005 for the firefighters scheme). The main assumptions used in their calculations have been:

i) Local Government Pension Scheme

<b>31.03.07</b>		<b>31.03.08</b>
-----------------	--	-----------------

<b>% pa</b>		<b>% pa</b>
3.3	Inflation Rate	3.7
5.4	Discount Rate (pre retirement)	6.6
5.4	Discount Rate (post retirement)	6.6
5.1	Expected Rate of Salary Increases	5.2
3.3	Rate of Pension Increases in Payment	3.7
3.3	Rate of Pension Increases in Deferment	3.7

ii) Assets in the Buckinghamshire County Council Pension Fund (LGPS) are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund.

<b>31.03.07</b>			<b>31.03.08</b>	
Market Value £000s	Expected Rate Of return % pa		Market Value £000s	Expected Rate Of return % pa
5,162	7.2	Equities	4,929	7.1
628	6.7	Property	532	6.6
1,133	4.4	Gilts	1,318	4.3
482	5.4	Other Bonds	543	6.6
150	5.0	Cash	372	5.0
<b>7,555</b>		<b>Total</b>	<b>7,694</b>	

The Firefighter's Pension scheme has no assets to cover its liabilities.

iii) The movement in the net pension liability for the year to 31 March 2008 is as follows:

	<b>Fire fighters' Schemes</b> £000s	<b>County Fund</b> £000s	<b>Total</b> £000s
Net Pensions asset/(liability) at 1 April 2007	-127,584	-4,357	-131,941
Effect of change in Accounting Methodology			
Movements in the year:			
Actual Service Cost	-4,823	-732	-5,555
Past Service Cost			
Contributions	2,745	547	3,292
Interest on Pension Scheme Liabilities	-6,945	-729	-7,674
Other Finance Income			0
Expected Return on Pension Scheme Assets		496	496
Actuarial Gain /(loss)	7,876	-144	7,732
Net Pensions Liability at 31 March 2008	-128,731	-4,919	-133,650

### 35. Disclosure of Financial Assets and Liabilities

#### Ai) Financial Instruments Balances

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

	<b>Long Term</b>		<b>Current</b>	
	<b>31.03.07</b>	<b>31.03.08</b>	<b>31.03.07</b>	<b>31.03.08</b>
	£000s	£000s	£000s	£000s
Financial liabilities at amortised cost - PWLB	6,452	6,452	-	-
Interest Accrual		72		
Creditors	-	-	2,157	3,123
<b>TOTAL BORROWINGS</b>	<b>6,452</b>	<b>6,524</b>	<b>2,157</b>	<b>3,123</b>
Loans and receivables	-	-	7,397	7,608
Debtors (trade)	-	-	1,802	436
Cash balances	-	-	-484	328
<b>TOTAL INVESTMENTS</b>	<b>-</b>	<b>0</b>	<b>8,715</b>	<b>8,372</b>

Aii) Financial Instruments Gains / Losses

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

	<b>Financial Liabilities</b>	<b>Financial Assets</b>			
	<b>Liabilities measured at amortised cost £000s</b>	<b>Loans and receivables £000s</b>	<b>Available-for-sale assets £000s (1)</b>	<b>Fair value through the I&amp;E £000s (2)</b>	<b>Total £000s</b>
Interest expense	-293	-	-	-	-293
Losses on derecognition	-	-	-	-	-
Impairment losses	-	-	-	-	-
<b>Interest payable and similar charges</b>	<b>-293</b>	-	-	-	<b>-293</b>
Interest income	-	546	-	-	546
Gains on derecognition	-	-	-	-	-
<b>Interest and investment income</b>	<b>-</b>	<b>546</b>	<b>-</b>	<b>-</b>	<b>546</b>
Gains on revaluation	-	-	-	-	-
Losses on revaluation	-	-	-	-	-
Amounts recycled to the I+E Account after impairment	-	-	-	-	-
<b>Surplus arising on revaluation of financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net gain/(loss) for the year</b>	<b>-293</b>	<b>546</b>	<b>-</b>	<b>-</b>	<b>-</b>

A reconciliation of the net gain on Loans and Receivables to Investment Income as shown in the Income and Expenditure Account is given below.

	<b>£000s</b>
Financial instruments gain	0
Rental income from investment properties	0
Current account interest	546
<b>Investment income received in I&amp;E</b>	<b>546</b>

Aiii) Fair value of Assets and Liabilities carried at Amortised Cost

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

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. It should be noted that the redemption rules applying to PWLB debt changed on 1 November 2007, and are less favourable than the previous procedures. As a result the fair value figures for 31 March 2008 are relatively higher (more costly to redeem) than the 31 March 2007 comparators.
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value.
- The fair value of trade and other receivables is taken to be invoiced or billed amounts

The fair values calculated are as follows:

	31 March 2007		31 March 2008	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
All values fair value = Amortised except PWLB				
PWLB debt - Amortised Cost	6,452	6,267	6,452	6,711
Interest accrual			72	72
Creditors	2,157	2,157	3,123	3,123
<b>Total Financial Liabilities</b>	<b>8,609</b>	<b>8,424</b>	<b>9,647</b>	<b>9,906</b>
Loans & Receivables	7,397	7,397	7,608	7,608
Cash Balances	-484	-484	328	328
Debtors	1,802	1,802	436	436
<b>Total loans and receivables</b>	<b>8,715</b>	<b>8,715</b>	<b>8,372</b>	<b>8,372</b>

The differences between the carrying amount and the fair value of PWLB debt are due to the fixed rate of interest on the loans being different from the prevailing rate at 31 March.

Aiv) Nature and extent of risk arising from financial instruments

The Authority's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

Av) Overall Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and

implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - the Authority's overall borrowing
  - its maximum and minimum exposures to fixed and variable rates
- by approving an investment strategy for the forthcoming year setting out its criteria for investing and compliance with the Government Guidance.

These are required to be reported and approved at or before the Authority's annual Council Tax setting budget. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk. Actual performance is also reported annually to Members.

The Authority maintains written principles for overall risk management as well as the investment of surplus cash through Treasury Management Policy approved by the authority.

#### Avi) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made directly with banks and financial institutions except using a Service level Agreement (SLA) with Buckinghamshire County Council where they must meet minimum requirements of their investment criteria. Cash surpluses are invested along with balances from Buckinghamshire County Council to obtain higher aggregate returns.

No breaches of Buckinghamshire County Councils counterparty criteria were reported to the Fire Authority during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. We therefore contend that whilst this is a case of derecognition, in view of the party involved, no financial adjustment is required.

There are no cases of impairment either for individual assets or groups of similar assets.

Whilst the current credit crisis in international markets has raised the overall possibility of default, Buckinghamshire County Council maintains strict credit criteria for investment counterparties.

#### Avii) Liquidity risk

The Authority invests any surplus cash using a Service Level Agreement (SLA) with Buckinghamshire County Council for which it obtains the 7 day LIBID rate and uses the PWLB for all long term funds essentially to meet capital expenditure. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority manages its liquidity position through the risk management procedures above, (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

#### Aviii) Refinancing and Maturity Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures

above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing PWLB Loans as they mature. It is possible that provisions will be made available to meet all PWLB Loans without the direct need to replace loans as they mature, therefore no risk/impairment or other adjustment is required. A Fair value calculation of £6,711,363 has been provided by the PWLB on our behalf.

The maturity analysis of financial liabilities is as follows:

	<b>Financial Liabilities at 31.3.08 £000s</b>
Maturing less than 1 year	0
Maturing within 1-2 years	335
Maturing within 2-5 years	300
Maturing within 5-10 years	1185
Maturing in more than 10 years	4,632
	<b>6,452</b>

**Bi) Market Risk**

**Bii) Interest rate risk**

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise;

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. Movements in the fair value of any fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority's prudential indicators and its expected treasury operations. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

If all interest rates had been 1% higher with all other variables held constant the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	102
Increase in Government grant receivable for financing costs	-
Impact on Income and Expenditure Account	102
Decrease in fair value of fixed rate investment assets (impact on STRGL)	-
Decrease in fair value of fixed rate borrowing liabilities (no impact on Income and Expenditure Account or STRGL)	-

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. Whilst we prepare budgets using a prudent interest rate policy, the size of our Cash Balances means that a small change of 1% would have significant affect on our interest received; this has been used in past years to offset overspends in other areas and such is critical to our bottom line.

Biii) Price risk

The Authority, excluding its share of assets in the Local Government Pension Scheme does not invest in equity shares.

Biv) Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

35. Events after the Balance Sheet Date

Post balance sheet events occur between the balance sheet date and the date the accounts are signed by the Treasurer. Events which have a material affect on the accounts must be disclosed in a note to the accounts.

The Accounts have been adjusted to take account of lump sum commutation factor adjustments notified to the Authority in June. The adjustments comply with the LAAP bulletin setting out the adjustment and the adjustment itself was calculated by the Pension Section at Buckinghamshire County Council who administer the Firefighters' Pension Scheme on the Authority's behalf. The adjustment alters the Firefighters' Pension Fund Account lump sum payments made and the top-up grant receivable from government.

36. Notes To The Cash Flow Statement

i) Reconciliation of revenue cash movements to the Income and Expenditure Account

31.03.2007		31.03.2008	
£000s		£000s	£000s
-216	(Deficit) / Surplus on Revenue Account		-297
	Non Cash Transactions		
872	Movement on Earmarked Reserves	273	
31	Movement on Bad Debt Provision	25	
-160	Minimum Revenue Provision	-160	
0	Revenue Contributions to Capital	192	
-327	Other Non Cash Items	4,901	
416			5,232
	Items on an accruals basis		
719	(Increase) / Decrease in debtors	-1,391	
18	Increase / (Decrease) in creditors (excluding DCLG top up grant)	-1,453	
-3	Decrease / (Increase) in stocks	13	
734			-2,831
77	Servicing of Finance		257
<b>1,011</b>	<b>Net Cash (Outflow)/Inflow from Revenue Activities</b>		<b>2,360</b>

ii) Reconciliation of the Movement in Cash

	31.03.2007 £000s	31.03.2008 £000s	Movement £000s
Cash in Hand	15	9	6
Cash overdrawn/at bank	-499	319	-818
(Increase) / Decrease in cash	-484	328	-812

iii) Reconciliation of items under the Financing and Management of Liquid Resources

	As at 31.03.2007 £000s	As at 31.03.2008 £000s	Movement for cash flow £000s
Short Term Deposits	7,397	7,608	211
New Loans Raised	-6,452	-6,452	0
Transitional Funding	-164	0	164
	<b>781</b>	<b>1,156</b>	<b>375</b>

iv) Reconciliation of movement in cash to movement in net debt

	<b>As at 31.03.2008 £000s</b>
Increase/decrease in cash	-812
Less Cash Inflow from Net Debt	0
Add Cash outflow from redemption of debt	0
Change in Debt	-812
Net Debt at start of year	-6,936
Net Debt at end of year	-7,748

v) Analysis of Specific grant income as a cash inflow

<b>Revenue Grants</b>		<b>2007/08 £000s</b>
DCLG	Urban Search & Rescue	849
DCLG	New Burdens	136
DCLG	Community Safety	136
DCLG	Capacity Building	2
<b>Total Revenue Grants</b>		<b>1,123</b>

# Firefighters' Pension Fund Account

Firefighters' Pension Fund		
<b>2006/07</b>	<b>Fund account</b>	<b>2007/08</b>
<b>£000s</b>		<b>£000s</b>
	Income to the fund	
	Contributions receivable (funds due to us during the year):	
	- from employer	
-2,235	- normal contributions	-2,465
0	- early retirements	0
-126	- other contributions (Ill health Contributions and refund of overpayment)	0
-1,176	- from members	-1,330
	Transfers in:	
-131	- individual transfers in from other schemes	-198
0	- other transfers in	0
<b>-3,668</b>	<b>Income to the fund</b>	<b>-3,993</b>
	Spending by the fund	
	Benefits payable:	
3,291	- Pension payments	3,479
720	- Commutation of pensions and lump-sum retirement benefits	610
0	- Lump-sum death benefits	0
0	- other benefits payable	0
	Payments to and on behalf of leavers	
2	- Refunds of contributions to people who leave the scheme	0
0	- Individual transfers out of the scheme	174
0	- other payments	0
<b>4,013</b>	<b>Spending by the fund</b>	<b>4,263</b>
<b>345</b>	<b>Net amount payable for the year before top up grant receivable from sponsoring department</b>	<b>270</b>
-345	Top-up grant receivable from sponsoring department	-270
<b>0</b>	<b>Net amount payable/receivable (-) for the year</b>	<b>0</b>

## Firefighters' Pension Fund Net Assets Statement

2006/07 £000s	Firefighters' Pension fund net assets statement	2007/08 £000s
(Restated figures)		
	Net current assets and liabilities:	
0	- contributions due from employer	0
0	- pensions top up grant received from sponsoring department	0
0	- unpaid pension benefits	0
-1,038	- amount due to sponsoring department	-1,098
1,038	- other current assets and liabilities (other than liabilities and other benefits in the future)	1,098
<b>0</b>	<b>Net liability at the end of the year</b>	<b>0</b>

## Notes to the Firefighters' Pension Fund Accounts

### NOTE1

(a) Before 1 April 2006 the Firefighters pension scheme did not have a percentage of pensionable pay contribution from employers : rather the FRS was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new funding arrangements the scheme remains unfunded but will no longer be on a pay-as-you-go basis as far as the Fire Authority is concerned. The Authority will no longer meet the pension outgo directly: instead they will pay an employer's pension contribution based on a percentage of pay into the Pension Fund. The Authority is required by legislation to operate a Pension Fund and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation. Benefits payable are funded by contributions from employers and employees  
Employers contribution levels are based on percentages of pensionable pay set nationally by the DCLG and subject to triennial revaluation by the Government Actuary's Dept

Subject to scrutiny and approval by the Secretary of State and Parliament, under the new arrangements the Pension Fund will be balanced to nil at the end of the year by either paying over to the sponsoring department (DCLG) the amount by which the amounts receivable by the Fund for the year exceeded the amounts payable, or by receiving cash in the form of pension top-up grant from the sponsoring department equal to the amount by which the amount payable from the pension fund for the year exceeded the amount receivable.

(b) The accounting policies followed are the same as for the main accounts of the Authority.

(c) If the Pension Fund Account is not balanced to nil by pension top-up grant receivable or by the amount payable to the sponsoring department the Pension Fund should be balanced to nil by a supplementary contribution from the authority to the Pension Fund or by the Pension Fund returning contribution to the authority. The Net Assets Statement does not include liabilities to pay pensions and other benefits after the Balance Sheet Date.

(d) As the Scheme is unfunded there are no investment assets.

## **Glossary of Terms**

### **ACCOUNTING STANDARDS**

Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAP) refer to the accounting practice that must be adopted in the preparation of accounts.

### **AMORTISATION/AMORTISE**

The equivalent of depreciation for intangible assets.

### **BUDGET**

A statement for the Authority's expected level of service delivery plans expressed in monetary terms and spending over a set period, usually one year.

### **BVACOP**

Best Value Accounting Code of Practice produced by CIPFA, published in 2001, to establish a reporting protocol to demonstrate best value in the provision of services to the community.

### **CAPITAL ADJUSTMENT ACCOUNT**

Provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

### **CAPITAL RECEIPTS**

Proceeds from the sale of capital assets. They may be used to finance new capital expenditure, receipts available to finance capital expenditure in future years are held in a Usable Capital Receipts Account.

### **CIPFA**

Chartered Institute of Public Finance and Accountancy.

### **CPFA**

Chartered Public Finance Accountant.

### **CREDITORS**

Amounts owed by the Authority at the Balance Sheet date for goods received or work done.

### **DCLG**

Formerly the ODPM (Office of the Deputy Prime Minister), now the Department of Communities and Local Government.

### **DEBTORS**

Amounts due to the Authority but unpaid at the Balance Sheet date.

### **DEFERRED CHARGES**

An item in the Balance Sheet where there is no tangible asset.

### **DEPRECIATION**

The loss of value of assets due to wear and tear, age or obsolescence

### **FINANCIAL REPORTING STANDARDS (FRS)**

Accounting standards are applicable to financial statements of a reporting entity that are intended to give a true and fair view of its state of affairs at the balance sheet date and of its profit or loss (or income and expenditure) for the financial period ending on that date. FRSs are based on the Statement of Principles for Financial Reporting, currently in issue, which addresses the concepts underlying the information presented in financial statements.

### **FRS17**

Financial Reporting Standard 17 Retirement Benefits. The guidance for accounting for the benefits and liabilities relating to Pension schemes.

### **GENERAL FUND**

The balance held by the Authority against which the council tax is raised. The balance sheet shows the accumulated surplus from previous years.

### **HMRC**

HM Revenue & Customs (HMRC) was formed on the 18 April 2005, following the merger of Inland Revenue and HM Customs and Excise Departments.

### **LOANS OUTSTANDING**

Loans raised to finance capital spending which have to be repaid.

### **LOCAL GOVERNMENT PENSION SCHEME (LGPS)**

Is the pensions scheme provided by the Authority for employees not eligible to join the firefighters pension scheme.

### **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount of the authority's

outstanding debt which must be repaid by the revenue accounts in the year.

#### OUTTURN

The actual level of spending and income in a particular year.

#### PROVISIONS

These form part of the Authority's revenue reserves and are sums set aside for a specific purpose, the nature of which is known but the exact amount and date when due is not. Expenditure and income are attributed directly to those provisions and funds.

#### PUBLIC WORKS LOAN BOARD (P.W.L.B.)

A government body from which a local authority may raise long term loans.

#### REVALUATION RESERVE

Records unrealised revaluation gains arising (since 1/4/07) from holding fixed assets.

#### REVENUE EXPENDITURE

Revenue expenditure is spending on the day to day running expenses of the Authority. It includes expenses such as salary and wages, heating, lighting, rent, rates, stationery and capital financing.

#### RESERVES

The surplus or deficit on any account at the end of the financial year. Also referred to as Balances.

#### STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP)

An earlier version of Financial Reporting Standards.

#### SORP

Code of Practice on Local Authority Accounting in the United Kingdom : A Statement of Recommended Practice (the SORP) 2007 is produced by CIPFA in order to specify the principles and practices of accounting required to prepare a Statement of Accounts which "presents fairly" the financial position and transactions of a local authority, as required by section 21(2) of the Local Government Act 2003.

#### UK GAAP

United Kingdom Generally Accepted Accounting Practice. The overall body of regulation establishing how company accounts must be prepared in the United Kingdom. This includes not only accounting standards, but also UK company law. The convergence of private and public sector accounting standards has led to a number of changes in the accounts this year.