

**BUCKINGHAMSHIRE  
&  
MILTON KEYNES  
FIRE AUTHORITY**

**STATEMENT OF ACCOUNTS  
2009/10**





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## Introduction

### Welcome to our Statement of Accounts

This document sets out the financial activities of the Buckinghamshire & Milton Keynes Fire Authority (BMKFA) for the year ended 31st March 2010. It shows the financial detail of the services we have provided together with explanatory notes, the resources consumed and the financial position at the end of the year compared with the previous year.

The Authority is in the second year of the government's three year spending review (CSR07) and faces significant financial pressures. The National Framework for the Fire Service and the Audit Commission's report, *Rising to the Challenge*, set the Fire Service nationally a major change agenda. Buckinghamshire Fire and Rescue Service (BFRS) is a relatively small fire authority with limited resources both financially and in terms of numbers of personnel, but is constantly seeking to improve its services to the public, its performance and the value for money it delivers to the tax payers.

The economic pressures facing the country and the difficult financial decisions taken are reflected in the pressures and decisions that have started to be made by the Authority. As explained in the Explanatory Foreword, you will see from the adjustments made in the capital programme during 2009/10 and the provisions made by transferring to specific reserves that we are planning for the future to ensure that our financial resources match our operational requirements. The Authority fully recognises that there is every likelihood that financial constraints will become tighter over the next few years and we are already planning for that eventuality. We are proactively working with our partners and the people of community to reduce the risks facing our communities.

The Audit Commission reported in 2009 in its organisational assessment of Buckinghamshire Fire and Rescue Service that it has "a strong sense of direction and is preparing plans for the future".

Further details about the Authority and of the progress made in achieving our aims and targets are set out in the Annual Report which is available on our website: [www.bucksfire.gov.uk/publications/documentsavailablefordownload](http://www.bucksfire.gov.uk/publications/documentsavailablefordownload)

.....  
David Rowlands  
Chairman, Buckinghamshire & Milton Keynes Fire Authority

.....  
David Skinner BA CPFA  
Acting Director of Finance and Treasurer, Buckinghamshire & Milton Keynes Fire Authority

## **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 2009: A Statement of Recommended Practice.

The accounts are drawn up in accordance with the accounting policies set out in detail beginning on page 28.

The responsibility for the proper administration of the Authority's financial affairs is vested in the statutory officer (referred to as the Section 112 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 pages 11 to 24.

The main statements included in the accounts are listed below together with an explanation of their purpose. The Statement of Accounts 2009/10 is not significantly different from the 2008/09 accounts other than meeting additional disclosure requirements in accordance with the SORP and the new requirements for accounting for the collection of Council Tax. This has resulted in restating the 2008/09 balances to comply with the change in accounting policy.

### 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 Income and Expenditure Account is set out on page 36.

### 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 and is set out on page 37. They are supported by additional notes from page 41.

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

This statement shows the movement in the balance sheet between closing the 2008/09 accounts and the 2009/10 accounts and is set out on page 38. The statement brings together all the gains and losses for the year including the gain or loss from the Income and Expenditure account with notes beginning on page 41.

### The Balance Sheet

This shows the financial position of the Authority on the 31st March 2010. 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 is on page 39 and supporting notes are from page 41.

### The Cash Flow Statement

This statement summarises the total cash movements during the year for capital and revenue purposes. This is on page 40 with supporting notes on pages 72 to 73.

## **Service expenditure 2009/10**

In setting the budget for 2009/10 the Authority raised the amount required from the

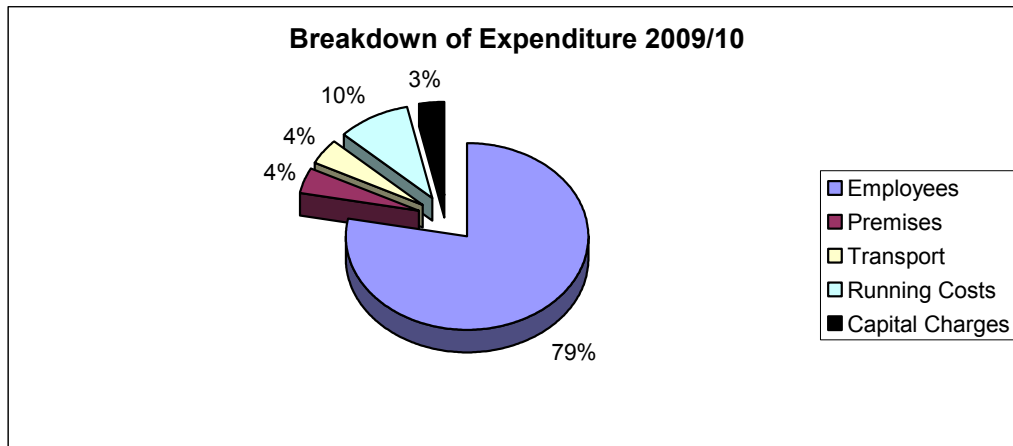
council tax payers of Buckinghamshire by 4.99%. The levy on council tax band D properties for 2009/10 was set at £57.69 based on the number of Band D properties totalling 295,241. This provided the Authority with 55% of its funding (£16.89 million). This was still one of the lowest Fire Authority precepts in the country. The Authority raised £2.59 million recovering some costs and through the receipt of other grants. The balance of funding was provided by central government (£11.36 million). In setting the budget for 2009/10, the principal variable amounts taken into account were: the pay award (effective from 1st July 2009), the provision for debt repayment, additional Audit Commission fees, provision for additional retained fire fighters, general inflation, the revenue effects of the capital programme and savings.

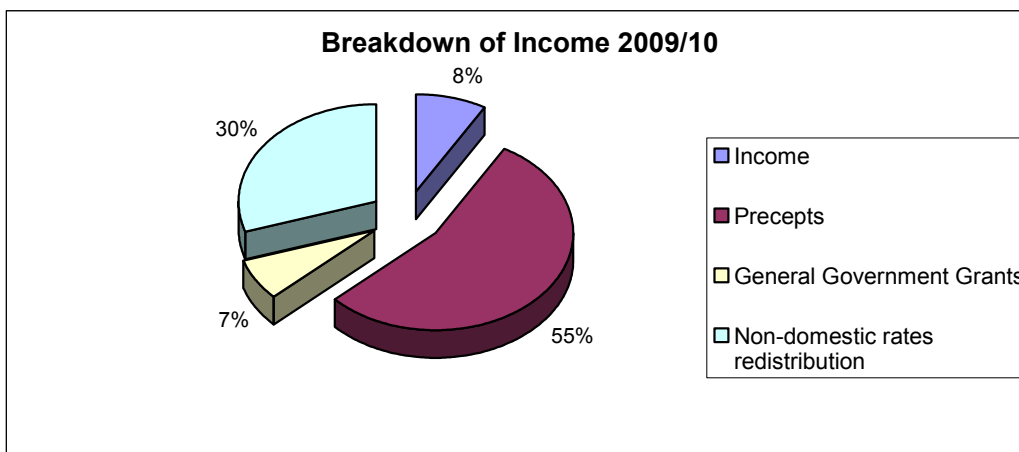
Savings totalling £849k were taken out of the base budget, £678k of which were efficiency savings and £54k being increased income targets, the balance being reductions in budgets.

### Income and Expenditure 2009/10

The following table shows revenue expenditure and income against the budget for 2009/10 as a whole:

2008/09			2009/10	
Actual £000s	Budget £000s		Actual £000s	Budget £000s
22,630	23,442	Employees	23,705	23,968
1,121	1,122	Premises	1,304	1,261
1,632	1,715	Transport	1,305	1,391
4,081	3,185	Running Costs	3,046	3,303
1,606	942	Capital Charges	995	774
<b>31,070</b>	<b>30,406</b>	<b>Expenditure</b>	<b>30,355</b>	<b>30,697</b>
-3,022	-2,954	Income	-2,588	-2,477
-15,974	-15,914	Precepts	-16,868	-16,825
-1,385	-1,385	General Government Grants	-2,137	-2,137
-9,952	-9,952	Non-domestic rates redistribution	-9,258	-9,258
0	-201	Contribution from Reserves	0	0
<b>-30,333</b>	<b>-30,406</b>	<b>Income</b>	<b>-30,851</b>	<b>-30,697</b>
<b>736</b>	<b>0</b>	<b>TOTAL under(-)/overspend</b>	<b>-496</b>	<b>0</b>





Gross expenditure in 2009/10 was £30.36 million and gross income in 2009/10 was £30.85 million. There was a net surplus in year of £496k which transfers to the General Fund balance and has a positive effect on the general reserves of the Authority. This surplus has arisen as a result of holding a number of vacancies in year throughout the organisation, from within the senior management team all the way through to firefighter vacancies and support staff vacancies. The pay award being less than expected, the Audit Commission revised its fee levels down, and surplus council tax was collected from District Councils for prior years. The revised capital programme meant that borrowing was minimised in 2009/10 thus reducing the budgeted borrowing costs. Retained fire fighter numbers reduced over the course of the year. In addition the ill health budget provision was not required at all and prior year revenue contributions to the capital programme ensured that reduced capital charges were incurred.

2009/10 saw a number of significant changes within the organisation. CFO Smith retired in June 2009 and since the Deputy Chief Fire Officer was also vacant the Authority appointed interim senior managers seconded from other Services within the south east to steer the brigade through a period of transition. Interim Assistant Chief Officer temporary appointments were made. Following the appointment of CFO Jones in January and further permanent appointments to the Deputy and Assistant Chief Fire Officer posts the service has entered a new phase.

### **Community Safety**

Our prevention activity has become more inclusive and wider ranging. Work is ongoing to carry on the proactive prevention and protection agenda to help address the risks facing the community to proactively reduce risks by engineering solutions to the design and build of premises and residences and the planning and design of community infrastructure and work with partner bodies through Local Strategic Partnerships to ensure a joined up service that targets the most vulnerable groups within society. This work has been assisted by the receipt of both LAA and LPSA grant to deliver specific areas of work in Home Safety Checks and continue localised planning so fire stations can concentrate on their priority neighbourhoods. Each fire station is now able to identify which areas present the highest risk. Coupled with this are new ways of identifying the highest risk individuals. This is achieved primarily through the multi-agency house safety check scheme. We are doubling our efforts to promote the service as it is now active in all areas. The emphasis on holistic risk reduction and community wellbeing is also reflected in our contributions to the local area agreements. We are contributing to cross-cutting themes and specific targets in

a number of blocks.

Our schemes and assistance to other agencies extend to children and young people, older people, those suffering ill health, the economy, and road safety. Our partnership working activity has been reviewed, and is being consolidated in existing areas. The IRMP accommodates the member vision for community safety as well as addressing government imperatives. Flexibility and responsiveness in our approach is required to maintain the recent progress.

## **Operations**

Work has continued on the preparation for the handover of localised control rooms to a Regional Control Centre and this work has been funded by grant from central government. The continued roll out of training to staff based at Aylesbury Fire station has ensured that we have a continuous response for Urban Search and Rescue as well as the specialised team to assist with a national response. The grant supplied from central government continues to support this area of work.

During the course of 2009/10 the organisation has been working on implementing the rostering for duty working patterns. There has been a reduction in the establishment at fire stations of 16 posts as a result of our plans to implement rostering for duty as part of our efficiency savings. The ongoing training and development of staff and the recruitment of new members of staff to fill front line vacancies as they arise and are anticipated has continued.

The Service has attended twelve major incidents in 2009/10 including a number at commercial premises such as the one at Vale Tyres in Waddesdon, the Woolpack Public House in Stoke Mandeville and the British Legion in Chesham. There were also a number of fires on agricultural premises. A large number of incidents were recorded and responded to over the winter period following snowfall where assistance was also provided to other emergency services to assist with transportation.

## **Equality and Diversity**

The Authority is in the second year of the implementation stage of our 3 year Single Equality Scheme and has migrated over to the National Equality Framework for the Fire and Rescue Service and has devised a corporate action plan to attain 'achievement level' by March 2012. This is in line with the South East Fire Region.

In the area of community cohesion the Authority has adopted our Community Cohesion Strategy following extensive consultation. Corporate guidance on community engagement has been produced and both these pieces of work are feeding into the 2010/11 Operational Neighbourhood Planning process to promote and embed Equality & Diversity and Community Cohesion activity at operational / station level. We have also coordinated, facilitated and run a number of community events promoting Equality & Diversity, Community Cohesion and Community Safety (home safety, road safety, youth engagement, home safety checks etc) in collaboration with our partners across the brigade area.

## Treatment of the Underspend

Item	£'000
Revenue outturn before contributions to reserves	-1,012
Revenue contributions to the capital programme for 2009/10	420
Set up Grant Transition Reserve	170
Contribution (repayment) to invest to Save Reserve	43
Contribution to Control Room Reserve	100
Voluntary Contribution to the debt repayment reserve	118
Appropriation from the Debt Repayment reserve for repayment of debt	-335
<b>Net charge to the General Fund Balance (General Reserve)</b>	<b>-496</b>

The revenue contributions to the capital programme are to fund capital commitments carried forward to 2010/11 which are as yet unfunded. The revenue contribution will enable the Authority to avoid borrowing and repayment costs to be met from the General Fund Balance in the future.

The Grant Transitional Reserve was set up to ease the transition from those activities carried out within Community Safety and funded by Local Area Agreement and Local Public Service Agreement Grant.

The contribution to the Invest to Save reserve is the repayment of monies taken out for the enhancement and purchase of a new mobilising system. The money is being paid back over four years.

The additional contribution to the Control Room Reserve is to pay for costs associated with the transition from a local control room to a regional control centre and the impact on staffing.

The voluntary contribution to the debt repayment reserve helps to make provision for debts due to be repaid within the next 3 years and thus reduce the impact of those repayments on resources when they are due.

The income returned to the General Fund Balance from the Debt Repayment Reserve is to repay a loan from the PWLB for the capital programme. This money had been put aside specifically in earlier years to fund this repayment.

The Authority did not suffer any loss through the banking demises of 2008/09 yet the very low interest rates which have applied over the financial year have reduced income earned from balances significantly. The Authority continues to monitor the market and take advice, and is aware of its responsibilities to ensure the security of the reserves whilst still maximising the yield that can be obtained.

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months.

However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

A reconciliation from Council Tax funded expenditure to the deficit for the year on the Income and Expenditure Account is shown in the table below:

		£000s
<b>Council Tax Net Expenditure (Surplus)</b>		<b>-496</b>
Employees	FRS17 Pension Charges	+8,805
Transfers to / from reserves		-96
Capital Charges	Depreciation	+1,136
	Impairment	+1,227
	MRP	-294
	RCCO	-420
Income	Pension Grant	-1,771
	Precept	-19
<b>Deficit for the year on the Income and Expenditure Account</b>		<b>+8,072</b>

Further details and supporting explanatory notes on the Income and Expenditure Account are on pages 41 to 47.

The General Fund Balance compares the Authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The Statement of Movement on the General Fund Balance (SMGFB) is a reconciliation statement that summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

The Firefighters Pension Fund has seen an increase in the value of pensions paid out and in lump sums following the revision to the commutation factor calculations. The increase in the number of retirements from the service as seen in the number of vacancies over 2009/10 has also resulted in increased costs from the Firefighters Pension Fund. The employer's contribution is set nationally based on actuarial valuations from the Government Actuary's Department. Any surplus is paid back to the Department of Communities and Local Government (DCLG) or if a deficit as has happened in 2009/10 then it is recovered via grant from the DCLG.

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

<b>2008/09</b>	<b>Response</b>	<b>2009/10</b>
17,243	Calls to the Control Room	16,962
7,958	Turnouts	7,310
2,918 (of which 1,332 deliberate)	Fires attended	2,787 (of which 1,093 deliberate)
545	Road Accidents attended	506
4,495 (of which 3,473 false alarms)	Other incidents attended	3,811 (of which 3,035 false alarms)
25 from fires 170 from RTC's	Lives saved	34 from fires 402 from RTC's
9	Major incidents	12
<b>2008/09</b>	<b>Community Safety</b>	<b>2009/10</b>
4,525	Home Fire Risk Checks	8,382
2,720	Smoke Alarms fitted for vulnerable people	5,129
210	Arson investigations	100
224 (20,060 children)	School Safety Courses	490 (23,403 children)
309 visits (8,149 children)	Other Youth initiatives (i.e. Firesetters and Youth diversion courses)	276 visits (4,912 children)
19,377 (418 schools)	Visits to the Milton Keynes Safety Centre	18,559 (423 schools)

### 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 2009/10 was £3.78 million. A total of £2.66 million was spent on capital schemes and equipment as follows:

<b>Land &amp; Buildings £000s</b>	<b>Plant, Vehicles and Equipment £000s</b>	<b>Total £000s</b>
757	1,898	2,655

Further detail of the expenditure is shown in Note 14e on page 52.

Significant work has been carried out at Great Missenden, High Wycombe and Bletchley Fire Stations to refurbish kitchens, toilet facilities and to maintain the fabric of the buildings and increase the usable space. Work has commenced in March at Broughton fire station as part of a complete refurbishment programme.

Three new fire appliances were delivered in 2009/10 with the necessary operational equipment plus a number of additional vehicles for specialist purposes.

ICT capital budgets were spent on implementing new systems, replacing PCs and other office equipment and upgrading some ICT infrastructure.

Community Safety activity, previously funded by government grant is now funded through borrowing. The bulk of this has been spent on smoke alarms which are fitted by a mixture of operational firefighting crews and also support staff. The Community Safety team have also purchased a number of vehicles to help promote a number of initiatives and to aid with the installation plans.

We received £695k of capital grant from central government to help fund the capital programme. The Authority's current loans are borrowed from the Public Works Loan Board. During 2009/10 the Authority took out a further loan with the PWLB. The Authority's total borrowing for capital purposes stands at £7.19 million. Members had approved borrowing of £2 million. However, we only borrowed £1 million and carried forward a cash balance of £395k.

### **Reserves and balances**

The Treasurer confirmed to members at the Combined Fire Authority on the 12th February 2010 that reserves are adequate. There is a mixture of earmarked and general reserves. The revenue reserves are as follows at 31st March 2010:

<b>31-Mar-09 £000s</b>		<b>31-Mar-10 £000s</b>
-2,515	General Fund Balance	-3,011
-50	Earmarked Control Room Reserve	-150
-785	Earmarked (Debt Repayment) Reserves	-568
-329	Earmarked Invest to Save Reserve	-372
-400	Earmarked Transformation Reserve	-400
0	Earmarked Transitional Grant Reserve	-170
<b>-4,079</b>		<b>-4,671</b>

Further information on other reserves is set out in Note 11 on page 47.

### **Provision**

On the 11th 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 declared broadly in the Claimants favour. Negotiations have taken place during the course of 2009/10 and are almost complete. We are awaiting detailed guidance. There has been an indicative level but this is still the subject of negotiation. We are hopeful that a resolution will be determined in 2010/11. Members approved the creation of a specific provision of £250k to provide for the settlement in setting the 2009/10 budget.

Further information is set out in note 12 on page 49.

## **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; and
- 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; and
- complied with the Code.

The Treasurer has also:

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

### **Certificate of the Treasurer**

The Statement of Accounts certified by the then Treasurer and the Chairman of Buckinghamshire and Milton Keynes Fire Authority's Audit committee on the 22<sup>nd</sup> June 2010 has been duly amended to take account of a number of minor discrepancies and queries raised by audit. I hereby certify that this amended Statement of Accounts presents a true and fair view of the financial position of the Authority as at 31st March 2010 and its income and expenditure for the financial year 2009/10.

.....  
David Skinner, BA CPFA

Acting Director of Finance and Treasurer, Buckinghamshire & Milton Keynes Fire Authority

Date:

Adrian Busby

Chairman, Buckinghamshire and Milton Keynes Fire Authority's Overview and Audit Committee

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 ongoing 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 2010 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; and
  6. engaging with local people and other stakeholders to ensure robust public accountability.

Buckinghamshire & 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. We recognise this is out of date but we are in the process of updating it.

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

### **The governance framework**

- a) 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, strategic partnerships and the delivery of sustainable community strategies. This is achieved locally through operational neighbourhood plans (ONPs) which are produced by our wholtime fire stations. ONPs reflect the needs of the local community and are based on an assessed profile, including demographics, incident data and partner priorities.

The majority of the Local Strategic Partnerships (LSPs) have recently undertaken structural changes to comply with new guidance. This has offered us an opportunity in places to join LSP executives, which are effective forums for promoting target status for National Indicator 49 (Number of primary fires and related fatalities and non-fatal casualties, excluding precautionary checks) in Buckinghamshire and Milton Keynes, is a positive outcome for the service and its vision.

2010 / 2011 is the final year of the Local Area Agreements in both Buckinghamshire and Milton Keynes. These partnerships allow the Brigade to influence wider and cross-cutting activity, shared targets and priorities.

We conduct an annual review of partnership working to ensure that we are working effectively to achieve common aims with partners.

Since 2008, when the Authority commissioned an internal audit of our partnership governance arrangements, we have improved the following aspects of local working:

- defining what a significant partnership is;
- the need to develop systems for managing performance of partnerships;
- better accounting of funds received through partnership activity; and

- a record keeping system that includes all memorandums of understanding.

An action plan for 2010 to reconcile outstanding points from the audit is in place.

An annual report is published 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. This has shown favourable results in a number of areas.

There is an established complaints procedure for internal and external complaints and these are dealt with in accordance with the policy and reported annually to the Standards Committee. This has been extended to include compliments, concerns and suggestions so that we can capture all issues raised by the public and use this information to improve services to the public.

We have revised our publication scheme, in line with the model publication scheme from the Office of the Information Commissioner, so that we now produce an information guide explaining what information we publish and how the public can access it, and we have modelled our website to include the categories from the guide to make it easier for people to navigate our site and identify the information they are looking for.

We are also signatories to the Information Commissioner's 'Personal Information Promise' which demonstrates our organisation's senior level commitment to data protection.

The Overview & Performance Committee reviews performance and risk management reports on a quarterly basis. During 2009 a separate Audit Committee was established to receive all internal and external audit reports and scrutinise the Authority's governance and risk management arrangements. Its first meeting was in September 2009.

We actively engage in benchmarking and review our costs against other comparable authorities. The Audit Commission's value for money profile indicates that Buckinghamshire & Milton Keynes Fire Authority is still well below the average of all fire authorities for the level of council tax that it sets. Although the increase in council tax for 2009/10 was 4.99% the Authority still enjoys the seventh lowest council tax rate for all combined fire authorities. Savings from 2008/09 were added to reserves to offset future financial pressures.

Monitoring of financial information and revenue and capital budgets is reported monthly to the management team and quarterly to the Executive Committee. The Authority submits an Annual Efficiency Statement to the Department of Communities and Local Government in accordance with requirements. In the light of the Government's Comprehensive Spending Review (CSR) in 2007 the Authority is targeting £1.2 million savings over 2008/09, 2009/10 and 2010/11. The Authority delivered in excess of its target for 2008/09 and is anticipating savings by the end of 2009/10 totalling £1.4m for the two year period. Further savings have been considered and are planned for 2011/12 onwards to offset the anticipated funding cuts. The Authority believes that early planning should minimise the impact on front line services.

During 2009 BFRS underwent its IDeA Peer review (Operational Assessment) as part of the Comprehensive Area Assessment. The outcomes from this review were

generally positive and highlighted a number of areas of notable practice that have now been included on the IDeA website. These included internal items that support quality of service such as the Services Incident Command Training Programme and facilities at Marlow, as well as practices that will directly affect the service that the public receives such as the development of Operational Neighbourhood Plans which ensure that delivery is focussed at the point of greatest need.

b) 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 currently six committees: the Combined Fire Authority, the Executive Committee, the Overview and Performance Committee, the Audit Committee, the Standards Committee, the Safety Panel and the Human Resources Sub-Committee. There are terms of reference for each committee and the role of the lead members has been developed over the last two years. The new Chief Fire Officer has worked closely with lead members to further develop the role between members and the service.

During 2009/10 members took a strong lead in liaising with the Monitoring Officer and the Chief Fire and Rescue Adviser to secure temporary management arrangements following the former Chief Fire Officer's retirement in June 2009. They worked closely with the interim Deputy Chief Fire Officer and the interim Chief Fire Officer to ensure their vision for the service prevailed through the period of change. They were closely involved in the selection of the appointment of the permanent Chief Fire Officer which took effect on the 1st January 2010.

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.

In Buckinghamshire & Milton Keynes Fire Authority the Chief Finance Officer is a key member of the Leadership Team, helping to develop and implement strategy and to resource and deliver the organisation's strategic objectives. All material business decisions are taken by the Senior Management team or by members. Papers submitted for decision-making purposes must be referred to the Chief Finance Officer and the Monitoring Officer for financial and legal scrutiny prior to any decision being taken. The Chief Finance Officer, supported by the Chief Fire Officer leads the promotion and delivery of good financial management so that public money is safeguarded and used appropriately, economically, efficiently and effectively. This is achieved by a finance team that is suitably resourced, professionally qualified and suitably experienced.

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. In 2007/08 additional members were appointed to the authority and they took up their appointments during 2008/09, taking the total number of members to 21. At the Combined Fire Authority meeting in April 2010, members took a decision to reduce membership numbers to 17 in the interests of economy and efficiency. Members will be appointed at the Annual General Meeting of the Authority in June 2010.

The terms and conditions for remuneration of staff are managed through the human resource 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 allocated to the appropriate pay scale. Senior officer pay is determined by the Human Resources Sub-Committee.

The public expectation that all local authorities will work together efficiently and effectively to achieve the best outcomes for the public is reflected in the strategic partnership arrangements that we embrace and have been referred to above.

c) 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. During 2009/10 there have been no complaints. This has been fed back in the quarterly returns to the Standards Board for England.

In 2009/10 the Monitoring Officer and the Chief Executive carried out a strategic review of the governance structure and arrangements including:

- committee structures;
- terms of reference; and
- scheme of delegation from members to officers.

Standing orders and financial regulations and instructions are in place and all were reviewed and updated in 2009/10.

Audit reports are presented to the newly formed 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 Service Level Agreement was renewed in June 2009 for a further three year contract to June 2012. The internal audit arrangements are slightly different in that Buckinghamshire County Council's Chief Internal Auditor is now a shared resource with Oxfordshire County Council. The Internal Audit Team is compliant with the CIPFA Code of Practice for Internal Audit.

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. The members of the Standards Committee receive

ongoing training on standards matters including discussing publications and guidance issued by Standards for England and training DVD. In 2009/10 the Standards Committee adopted a work plan which was informed by discussions from a meeting between the Chairman of the Standards Committee, the Chief Executive, and the Head of Legal Services. The Chairman of the Standards Committee and one other elected member attended the Annual Assembly of Standards Committees. The Authority approves the attendance of one independent and one elected member at the Assembly each year.

The Chairman of the Standards Committee is tasked with attending all meetings of the full authority, irrespective of whether he has items of business from the Standards Committee to report, to observe member behaviour.

The Chairman of the Standards Committee attended a one day seminar on ethical standards issues presented by a nationally recognised expert.

Training on standards issues for members supplements any training provided by their appointing councils and any received by district council members.

Progress is being made on addressing the equality framework for the Fire Rescue Service, including demonstrating compliance with legislation and requirements under the 10 year national strategy. A People Impact Assessment (PIA) process has been developed and PIAs are being undertaken in all areas of the business. A positive action programme has been developed and being rolled out. This has included securing approximately £70,000 capital grant from the DCLG.

d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

There are weekly meetings of the Senior Management Team with formal minuted meetings taking place monthly. Items for decision must be supported by papers which have been commented on by the Chief Financial Officer and the Chief Monitoring Officer.

All Committee papers and decisions are available on the website and are retained for inspection for at least six years.

The Authority maintains and updates a corporate risk register which is regularly reviewed and reported on to the Overview and Performance Committee. During 2009/10 a revised risk register was developed which has been reported to the Overview and Performance Committee. It has been loaded on to the Performance Plus software which is available to all senior managers online. Responsible officers review and update the risk register on a monthly basis. It is reviewed quarterly at the Overview and Performance Committee.

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 Safety Panel where a review of practice and procedures can be acted upon. Buckinghamshire Fire and Rescue Service (BFRS) also underwent a RoSPA (Royal Society for the Prevention of Accidents) Audit in 2009. This highlighted some areas where further development is required but also demonstrated a clear improvement over the previous audit carried out in 2005. BFRS has since committed to a new Health & Safety Management System which will further improve

health and safety management by ensuring that data is available to senior managers to ensure that decisions are based upon robust and reliable information. All insurance claims are dealt with on a similar basis. As a result of our good claims history we received an insurance premium rebate of approximately £20,000 in 2009/10. Monitoring of accidents and injuries to our staff as well as to the public is one of our key performance indicators. A report to the Members Safety Panel in early 2010 showed that BFRS is one of the highest, and in some cases the highest performer in its peer group in relation to health and safety and the continued developments being made will continue to support that position.

The lawful activity of the Authority is monitored by the Monitoring Officer and the financial activity by 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. As part of our wider engagement work we have developed a community cohesion and engagement strategy. The work is lead by the BFRS Equality and Diversity Officer. The extended remit for the Equality and Diversity Team has required the internal transfer of resources from Operations, Human Resources and Statutory Fire Safety. Work in hand includes the aforementioned community cohesion mapping, and successful engagement with communities previously out of reach. An effective Internal Audit function also facilitates compliance with lawful activity.

We have been rewarded, along with other authorities, for achieving targets in the Local Public Service Agreement II. The reward has, at the discretion of elected Members, been re-invested into further risk reduction strategies. This re-investment is to support the members' vision and statement 'making you safer'.

The Head of Internal Audit publishes an annual report on the Fire Authority's internal control environment. The conclusions for 2009/10 are set out in the review of effectiveness section below.

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.

e) Developing the capacity and capability of members and officers to be effective

Induction programmes exist for all staff though it is recognised that there is room for further improvement. The Training Strategy Group is now convening on a regular basis to consider, review and validate training for operational staff, whilst the appraisal process is used to identify individual development needs, particularly for non-operational staff. During 2009 BFRS was assessed by OFSTED in relation to its delivery and management of NVQ's and was awarded the grading of 'Outstanding' providing further evidence of the Service's commitment to training and development through the Integrated Personal Development System (IPDS).

In September and December 2009 a total of 31 recruit firefighters were employed by the service. These staff members have been trained at the Fire Service College and by South Wales Fire and Rescue Service. Each member of staff will complete an NVQ Level 3 – Operations in the Community during the next 24 to 36 months and will provide a considerable level of additional capacity to ensure that BFRS remains able to meet its service delivery commitments.

Considerable work has been carried out to ensure that the service has processes in place to meet its requirements in terms of driver training, including a collaborative approach with Oxfordshire Fire and Rescue Service that has seen an increase in capacity to meet expected legislative requirements and an improvement in resilience.

The Service has a state of the art command suite set up at Marlow which allows us to ensure that all staff who may hold a command position at an operational incident are both trained and assessed in conditions as realistic as possible prior to attending any genuine emergency. This process applies to officers at all levels within the organisation and has been offered to neighbouring services and partner agencies to assist in co-ordinated command development.

BFRS underwent an IDeA Peer Review in late 2009 during which a number of areas were highlighted as being areas of good practice. These included both the Command Training provided at Marlow and also the joint approach taken with the Timber Research and Development Agency (TRADA) near High Wycombe where BFRS provides much of its hot fire breathing apparatus training.

Assessment Development Centres (ADC) continue to be run in accordance with the existing national guidance and a number of staff have recently undertaken the Strategic ADC. Successful candidates will be held in a pool for future posts and will, in the meantime, be given the opportunity to undertake various development activities in line with IPDS principles. Many of the ADC's are also undertaken in partnership with neighbouring FRS since they are predominantly run using the national models and guidelines.

In order to address potential budgetary constraints in the medium term and to ensure that the Service is able to meet the expectations of the public and other stakeholders the Senior Management Team is currently reviewing the organisational structure to provide a Service Delivery / Service Support Model.

During 2009/10 BFRS has had a number of temporary post holders at Senior Management Team level. From May 2010 a new Deputy Chief Fire Officer and a new Assistant Chief Fire Officer (ACO) will take up posts with the service and an ACO returns from a secondment at the DCLG thus strengthening the management team arrangements.

To deliver the Members vision for equalities and diversity, structural changes to support departments have been made. This includes the formation of an Equality and Diversity function within the Community Safety Department which has been further strengthened through the temporary inclusion of an operational staff member who is well placed to encourage involvement at station level.

Following close work with Cllr Mary Baldwin and the IDeA to create the Member Development Steering Group, to coordinate member development, two induction days for elected members and independent members were held in 2009, one following the annual authority meeting in June and a second one in July. This involved:

- Welcome and introduction by Chief Fire Officer, Bill Feeley
- Lead Members' session – led by Cllrs David Rowlands and Mary Baldwin
- Presentations and visual demonstrations - led by Assistant Chief Fire Officer, Bryan Dugdale (CRASH1, Fire Investigation Dogs Ember and Barney and handler Kerry Burns, Firefighter Experience lorry and Ian Turner)

- Lunch – opportunity to meet key members of staff – station commanders of stations local to members, senior officers.
- Tour of facilities – for those members wishing to see BHQ
- Tour of Aylesbury Fire Station and opportunity to meet the duty crew and observe their daily activities – an RTC drill by duty crew.

Other activities supported the induction and progression of member development including a visit to Hampshire Fire Authority and a questionnaire to members asking them about how they like to be contacted, suitable times for meetings, and developmental needs.

All members were given an updated members' handbook detailing information on Buckinghamshire Fire and Rescue Service (e.g. fire stations, duty systems, contacts and photos of key members of staff, about the authority, about BFRS). This information is additional to the constitution information they receive (i.e. standing orders, financial regulations etc).

Preparation is ongoing for 2010 including induction days, briefings for members, possible electronic version of handbook/member area on website to make updating the information easier and manageable.

f) Engaging with local people and other stakeholders to ensure robust public Accountability

During 2008/09 we prepared a new Integrated Risk Management Plan (IRMP) covering the period 2009/10 to 2011/12, our fundamental planning document. The IRMP was subjected to formal public and stakeholder consultation using an independent research agency as part of our ongoing efforts to improve the 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. Our partners regard us as a "good partner". During the summer of 2010 the Authority will begin to consult on the IRMP for 2011/14 taking in a new evidence base currently being established.

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. As part of the LSP we engage with all groups through the Neighbourhood Action Groups (NAGs). The service has developed a vulnerable localities index (VLI) which is being used to illustrate which areas have the highest concentration of deprivation, risk and inequalities. This provides a reckoner of community well being, which can be monitored and used as a measure of partnership success, the financial viability of community projects can be attributed to a specific area, and a cost benefit analysis given to the investment. The VLI has been revised and modified to include four separate domains which allows segmentation of vulnerable groups. This allows the ONPs to be applied in a targeted way and risk reduction measured numerically.

We send out 'After the Fire Questionnaires' to all members of the public who are unfortunate enough to have a fire and require the services of the Authority. We will be improving our quality assurance work through additional sampling in both prevention and protection.

We receive a number of Freedom of Information requests and respond according to the legislative guidance.

The establishment of a discrete Audit Committee in 2009 was designed to improve the scrutiny function of the Authority and is based on the Audit Commission's guidelines.

Our Committee meetings are accessible to the 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 which is currently under review. The changes to the station based staff rostering systems have been implemented with the engagement of and in consultation with the Fire Brigade's Union

g) Review of effectiveness

The Buckinghamshire & 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 service has used an internal checklist process this year to quantify the degree of understanding and compliance with the governance arrangements in each section of the service. The results of the checklist have fed into the action plan for 2010/11 set out in Appendix A.

An Interim Director of HR has been appointed. He has undertaken a follow up assessment of a Peer Review of HR Arrangements he undertook some 18 months ago. His assessment is that the issues that required attention at the time of the peer review largely remain and he has identified further issues. He is currently developing a business plan to address these issues and that action is included in the proposed action plan attached at Appendix A.

In addition, the Chief Internal Auditor's annual report, and comments made by the external auditors (the Audit Commission) the Operational Assessment and the report from the Comprehensive Area Assessment and other review agencies and inspectorates (referred to earlier), the Audit Committee, and the Standards Committee are all sources providing scrutiny and recommendations upon which the management have drawn to compile the action plan.

## Internal Audit Commentary

### a) Summary of internal audit outcomes for 2009/10

Table 1: Audits undertaken and assurance opinion

Audit assignments	Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled.				
	Days Planned	Days Actual	Adequacy of Controls	Adequacy of Compliance	Overall Assurance
IT Health Check	8	9	Limited	Reasonable	<b>Limited</b>
Core Financial Controls	15	16	Limited	Limited	<b>Limited</b>
Corporate Governance (Partnerships)	6	8	Reasonable	Limited	<b>Limited</b>
Performance Management (Data Quality)	8	10	Reasonable	Reasonable	<b>Reasonable</b>
ICT Dept Governance	20	20	N/A	N/A	<b>Limited</b>
Fuel Management follow up	3	4.5	Reasonable	Reasonable	<b>Reasonable</b>
Asset Management follow up*	6	4	Limited	Limited	<b>Limited</b>
IT consultancy	0	0.5	N/A	N/A	<b>N/A</b>
Investigation	0	9	N/A	N/A	
<b>Total</b>	<b>66</b>	<b>81</b>			

In addition to the above we have provided 8 days and management supervision and ad hoc advice. This has included attendance at meetings, responding to queries and requests for advice and the drafting of annual plans and reports.

In my opinion the Buckinghamshire & Milton Keynes Fire Authority's system of internal control and risk management does not facilitate the effective exercise of the Authority's functions. This provides limited assurance regarding the effective, efficient and economic exercise of the Authority's functions.

The work undertaken by Internal Audit during 2009/10 has demonstrated weakness in the overall governance arrangements, and that whilst some progress has been made in improving individual systems and processes, there remain significant weaknesses. In the final quarter an additional audit of the ICT Department was commissioned by the Chief Fire Officer and whilst this demonstrated weaknesses in the system of internal control operating within that specific service area, including non compliance, it also highlighted weaknesses in the corporate governance, most significantly in terms of clearly defining roles and responsibilities, and aligning service priorities with corporate priorities; it also highlighted a lack of clearly defined standards or management controls essential to maintaining effective governance.

Whilst the Authority should be concerned at the level of assurance being given, it is also my opinion that following the appointment of the new Chief Fire Officer, it is clear that improving governance and the system of internal control is being treated as a priority, and that the internal audit reports are being used to help inform the changes

being made. The commitment to improving governance has also been demonstrated by the Chief Fire Officer and the Section 151 Officer through their engagement in developing the Internal Audit Plan, which has resulted in a significant increase in the number of days and assignments planned for 2010/11.

The planned management actions to address significant governance issues raised in the internal audit reports listed above are included in the action plan attached at Appendix A.

**Audit Commission Commentary**

The Annual Audit Letter 2008/09 covered the Audit of the Statement of Accounts, the Whole Government Accounts return, the Use of Resources assessment, and the value for money conclusion. The Audit Commission issued an unqualified audit opinion on the financial statements and the whole of government accounts. The use of resources assessment was that at level 2 the Authority continued to perform adequately against expected standards. There was some evidence of beneficial outcomes for the community, partnership working and innovative practices. Good professional practice is being applied across all areas of business with generally effective and embedded processes. Based on work completed for the use of resources assessment the Audit Commission issued an unqualified value for money conclusion for the arrangements for securing economy, efficiency and effectiveness.

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

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, Buckinghamshire & Milton Keynes Fire Authority

Date:

Signed: .....

Mark Jones  
Chief Executive and Chief Fire Officer, Buckinghamshire & Milton Keynes Fire Authority

Date:

## Significant Governance Issues to be addressed in 2010/11

## Appendix A

	Issue	Action plan	Lead Officer
1	Corporate Governance (Partnerships)	<ul style="list-style-type: none"> <li>Ensure all partnerships are reviewed, and governance arrangements are underpinned by agreements which are signed and dated.</li> <li>All partnerships should have systems in place for monitoring and managing activity and spend to ensure compliance with performance targets.</li> </ul>	Deputy Chief Fire Officer
2	Procurement processes and financial controls	<ul style="list-style-type: none"> <li>Implement electronic ordering system in SAP to enforce controls for who can place orders, who can authorise orders, provide clarity for financial commitments, ensure only approved suppliers are used by staff, and improve accuracy and speed of budget monitoring processes.</li> <li>Implement control procedures to ensure budget holders are adequately trained and financially skilled, understand their role and are aware of financial regulations and instructions and contract standing orders.</li> </ul>	Treasurer
3	Control and management of corporate assets	<ul style="list-style-type: none"> <li>Address issues associated with the current implementation of the asset management system: decision required whether to proceed with current application or purchase replacement. Resource appropriately.</li> </ul>	ACO Support Services and Treasurer
4	ICT governance	<ul style="list-style-type: none"> <li>Following the ICT audit which raised a number of significant governance issues, the ACO Support Services will lead a strategic review of ICT management and service delivery and will report back to the Audit Committee his proposals and progress.</li> </ul>	ACO Support Services

	<b>Issue</b>	<b>Action plan</b>	<b>Lead Officer</b>
5	Corporate Governance Code and policies	<ul style="list-style-type: none"> <li>Review and update the Corporate Governance Code and associated policy documents.</li> <li>Identify key governance documents and implement communications plan to all staff to raise awareness.</li> </ul>	Chief Fire Officer
6	HR governance issues	<ul style="list-style-type: none"> <li>The Interim Director has reported on his assessment to the Senior Management Team and has begun the urgent development of a Business Plan, which will address both the HR Team governance issues and those pertaining to the overall management of HR issues within the organisation. SMT will prioritise the plan and the Interim Director drive its implementation during his work with the Authority and then this will be handed over to the incoming permanent post holder to continue implementation.</li> </ul>	Director of HR
7	Corporate Risk Register	<ul style="list-style-type: none"> <li>Review the Corporate risk register – ensure risks are correctly identified and addressed.</li> </ul>	Deputy Chief Fire Officer
8	Budget setting, including the Medium Term financial Plan which links to the Corporate Plan.	<ul style="list-style-type: none"> <li>Corporate plan to be agreed, including capital and projects, such that departmental budgets are allocated according to need and in line with corporate priorities. Budget setting for 2011/12 to be supported by departmental service plans.</li> </ul>	Deputy Chief Fire Officer and Treasurer
9	Corporate Governance Strategy	<ul style="list-style-type: none"> <li>Strategy to be developed and presented to the Executive Committee outlining how the Chief Fire Officer will accelerate the delivery of improved outcomes for the governance issues raised in the Chief Internal Auditor's report.</li> </ul>	Chief Fire Officer
10	Monitoring progress and improvement of governance action plan	<ul style="list-style-type: none"> <li>Establish progress monitoring procedures (officers). Report progress to each Audit Committee</li> </ul>	Chief Fire Officer

# **Auditor's Report**

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

### **Opinion on the accounting statements**

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of Buckinghamshire and Milton Keynes Fire Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, 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 accounting 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 and 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

### **Respective responsibilities of the Treasurer and auditor**

The Treasurer's responsibilities for preparing the accounting statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice 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 give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- 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 accounting 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 give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The firefighters' pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the firefighters' pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, 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 published in May 2008 and updated in October 2009. 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 May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Buckinghamshire and Milton Keynes Fire Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

**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, Officer of the Audit Commission

Unit 5 Isis Business Centre, Horspath Road, Cowley, Oxford OX4 2RD

September 2010

## Statement of Accounting Policies

### General Principals 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 2009 (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 Expenditure and Income

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.

### Accounts Authorisation Process

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

### Accounting for Council Tax

#### The Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR).

The funds key features relevant to accounting for council tax in the core financial statements are:

- In its capacity as a billing authority an authority acts as an agent; it collects and distributes council tax income on behalf of the major preceptors and itself.

- While the council tax income credited to the General Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors (and in turn credited to their General Funds). The amount credited to the General Fund under statute is an authority's share of the surplus on the Collection Fund for the previous year or less its share of the deficit on the Collection Fund for the previous year; and this amount may be more or less than the accrued income for the year in accordance with GAAP, although in practice the difference would usually be small.

Under the SORP 2009, the collection of Council Tax is treated as an agency agreement. The Balance Sheet as at the 31st March 2009 was prepared under the SORP 2008, but the change to the accounting policy has resulted in a restated Balance Sheet as at 1st April 2009.

The figures are provided on an annual basis by our five billing authorities: Aylesbury Vale District Council, Chiltern District Council, Milton Keynes Council, South Buckinghamshire District Council and Wycombe District Council. Each of the billing authorities' Collection Funds are apportioned as per the guidance notes in the SORP.

#### **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. Existing debts are considered for recoverability and the Provision for Bad Debt is considered for adequacy to ensure any doubtful debts are covered.

#### **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 which prior to April 2008 was equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement and which since that date has been based on the life of the asset, the asset value and the amount of the capital programme which is subject to borrowing.

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.

#### **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 Statement of

Movement on the General Fund Balance or the Balance sheet due to taking the prudent view that the gain may never be realised.

### **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 on page 61.

### **Exceptional items and prior period adjustments**

#### Exceptional Items

There were no exceptional items in 2009/10.

#### Prior period adjustments

Material adjustments applicable to prior years arising from changes in accounting policies or the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and adjusting the opening balance of reserves (and other relevant Balance Sheet items) for the cumulative effect.

Accounting for the collection of Council Tax as an agency agreement is a prior period adjustment in the 2008/09 accounts. The effect of the prior period adjustment has been quantified in Note 35 on page 71.

### **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.

#### Available for Sale Assets

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

### **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.

### **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 (e.g. 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.

### **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 and programmes.

### **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.

### **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.

### **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.

### **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 2010 represent 9.77% of the 2009/10 net revenue budget (9.16% in 2008/09). 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 reserves, details of which appear in Notes 11 and 23 through to 29 on pages 47 to 48 and 56 to 60.

The Summary of Movements in Reserves is on pages 47 and 48 and shows the annual movement of revenue reserves, capital reserves and pension fund reserves.

## **Provisions**

The Council sets aside provisions as required under FRS12, when the Council recognises that it has an obligation as a result of a past event, when it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provision will have been charged to the appropriate Income and Expenditure Account when the Council became aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they will be charged direct to the provision. Provisions are reviewed at the end of each financial year and, if no longer required, are reversed and credited back to the Income and Expenditure account. Where some or all of the payment required to settle an obligation is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled. Details relating to the Authority's Provisions are provided in Note 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 Firefighters 1992 Pension Scheme (Old Scheme) and the New Firefighters' Pension Scheme

Funding arrangements for the Firefighters' Pension Scheme in England changed by statute with effect from the 1st April 2006. Before the 1st 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 by 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 firefighters joining the service after the 1st April 2006.

All whole time firefighters who were part of the pension scheme prior to the 1st April 2006 were given the option to transfer to the new scheme on preferential terms up to 31st March 2007. Any new employees must join the new scheme.

### 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.

### **Stock**

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

### **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. A de minimus level of £6k is applied to capitalise any asset.

*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 1st April on a three yearly cycle by a RICS practitioner 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 was 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.

*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. Assets are not depreciated in the year of acquisition, but depreciation is charged in the year of disposals.

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 life spans:

<b>Class of Asset</b>	<b>Lifespan</b>
Red Fleet Vehicles	1 to 12 Years
White Fleet Vehicles	1 to 5 Years
Plant & Equipment	1 to 20 Years
Buildings	1 to 60 Years
Intangibles	1 to 10 Years

Depreciation is calculated on the following basis:

- 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.

#### **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 2009.

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 - the 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.

#### **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.

## Income and Expenditure Account

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed; and
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

2008/09 <i>restated figures</i> Net Expenditure £000s	Income and Expenditure	2009/10			Notes to the Accounts
		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
3,118	Community Fire Safety	3,433	-362	3,071	Note 1 a
25,379	Fire Fighting and Rescue Operations	27,435	-2,425	25,010	Note 1 b
1,103	Corporate & Democratic Core	1,428	-119	1,309	Note 1 c
70	Non Distributed Costs	16	0	16	Note 1 c
890	Exceptional Item - <i>settlement of abortive capital costs at Beaconsfield</i>	0	0	0	Note 1 d
<b>30,560</b>	<b>Net Cost of Services</b>	<b>32,312</b>	<b>-2,906</b>	<b>29,406</b>	
-9	Profit on disposal of fixed assets			0	
292	Interest payable and similar charges			323	Note 33 b
-310	Interest and Investment Income			-32	Note 33 b
8,864	Pensions interest cost and expected return on pensions assets			8,409	Note 32a
-706	Gain in relation to government grant payable to the Pension Fund on the Authority's behalf			-1,771	Firefighters' Pension Fund Account
<b>38,691</b>	<b>Net Operating Expenditure</b>			<b>36,335</b>	
-15,917	Precepts			-16,868	Note 10
-1,385	General Government Grants			-2,137	Note 10
-9,952	Non Domestic Rates redistribution			-9,258	Note 10
<b>11,437</b>	<b>Surplus (-) or Deficit for the year</b>			<b>8,072</b>	

The table above shows a high level view of our expenditure on our Services. Detailed notes can be found on pages 41 to 42.

## Statement of Movement on the General Fund Balance

The General Fund Balance compares the Authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

2008/09 <i>restated figures</i> £000s	Statement of Movement on the General Fund Balance	2009/10 £000s
11,437	Surplus (-) / Deficit for the year on the Income & Expenditure Account	8,072
-10,701	Net additional amount required by statute and non statutory proper practices to be debited or credited to the General fund Balance for the year	-8,568
736	Increase in General Fund Balance for the year	-496
400	Transfer to Invest to Save Reserve	0
268	Transfer to Income & Expenditure Account	0
-3,919	General Fund Balance brought forward	-2,515
<b>-2,515</b>	<b>General Fund Balance carried forward</b>	<b>-3,011</b>
	<u>Note of reconciling items for the Movement on the General Fund Balance</u>	
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
-13	Amortisation of Intangible Fixed Assets	-27
-2,848	Depreciation and impairment of Fixed Assets	-2,340
-5	Government Grants Deferred Amortisation	4
9	Net Gain on Sale of Fixed Assets	0
-13,510	Net charges made for retirement benefits in accordance with FRS17	-11,902
706	Gain in relation to Government Grant payable to the Pension Fund on the Authority's behalf	1,771
-57	Amount by which Council tax income included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation.	19
-15,718	Total	-12,475
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund balance for the year	
218	Minimum Revenue Provision for capital financing	294
1,143	Capital Expenditure charged in-year to the General Fund Balance	420
3,074	Employers contributions payable to the Pension Account and retirement benefits payable direct to pensioners	3,097
4,435	Total	3,811
	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	
450	Voluntary Revenue Provision for capital financing	118
132	Net transfer to or from earmarked reserves	-22
582	Total	96
<b>-10,701</b>	<b>Net additional amount required to be credited or debited to the General fund Balance for the year</b>	<b>-8,568</b>

## Statement of Total Recognised Gains and Losses

The Statement of Total recognised Gains and Losses 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 and losses.

<b>2008/09</b>	<b>Statement of Total Recognised Gains and Losses</b>	<b>2009/10</b>
<i>restated figures</i>		<b>£000s</b>
<b>£000s</b>		<b>£000s</b>
-11,437	Surplus / Deficit (-) for the year on the Income & Expenditure Account	-8,072
179	Surplus arising on revaluation of Fixed Assets	-96
17,404	Actuarial Gains / Losses (-) on Pension Fund Assets / Liabilities	-60,952
32	Any other gains and losses (-)	0
6,178	Total Recognised Gains and Losses (-) for the year	-69,120
78	Prior Year adjustments	0
<b>6,256</b>	<b>Total Recognised Gains and Losses (-) since the last annual report</b>	<b>-69,120</b>

The variance in 'restated figures' for 2008/09 in relation to the figures shown in the 2008/09 Statement of Total Recognised Gains and Losses in the Statement of accounts 2008/09 (£78K) is set out in note 35 on page 71 relating to a change in Accounting Policy for Precept Income.

The deficit for the year reflects what is in the Income and Expenditure Account on page 36.

The sum of the actuarial loss on the Pension Fund Assets and Liabilities is detailed in Note 32b) on page 63.

## Balance Sheet

This shows the financial position of the Authority on the 31st March 2010. It shows all our assets and liabilities together with all the balances and reserves that are held by the Authority at that date.

2008/09 <i>restated figures</i> £000s	Balance Sheet	2009/10 £000s	Notes
	<b>Fixed Assets</b>		
180	Intangible Fixed Assets	153	Note 13
	Tangible Fixed Assets - Operational		
27,958	Land & Buildings	26,658	Note 14
3,547	Vehicles, Plant & Equipment	4,782	Note 14
211	Tangible Fixed Assets - Non Operational	495	Note 14
31,896	Total Fixed Assets	32,088	
	<b>Current Assets</b>		
186	Stocks and Work in Progress	291	Note 15
733	Debtors	710	Note 16
7,211	Temporary Investments	7,542	Note 17
154	Payment in Advance	58	Note 16
336	Cash at Bank	323	Note 18
9	Cash in Hand	8	Note 18
8,629	Total Current Assets	8,932	
<b>40,525</b>	<b>TOTAL ASSETS</b>	<b>41,020</b>	
	<b>Current Liabilities</b>		
-335	Short Term Borrowing	-69	Note 19
-2,521	Creditors	-2,434	Note 19
-698	Receipts in Advance	-786	Note 19
-3,554	Total Current Liabilities	-3,289	
<b>36,971</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>37,731</b>	
	<b>Long Term Liabilities</b>		
-6,117	Long Term Borrowing	-7,117	Note 20
-218	Government Grants Deferred	-909	Note 21
-2,108	Finance Lease	-2,061	Note 22
-126,061	Liability related to the Defined Benefit Pension Scheme	-194,047	Note 25
0	Provisions	-250	Note 12
-134,504	Total Long Term Liabilities	-204,384	
<b>-97,533</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>-166,653</b>	
	<u>Financed by:</u>		
-24,204	Capital Adjustment Account	-22,545	Note 23
-21	Collection Fund Adjustment Account	-40	Note 24
126,061	Pensions Reserve	194,047	Note 25
-224	Revaluation Reserve	-138	Note 26
0	Usable Capital Receipts Reserve	0	Note 27
-2,515	General Fund Balance	-3,011	Note 28/29a
-50	Earmarked Control Room Reserve	-150	Note 28b/29b
-785	Earmarked Debt Repayment Reserves	-568	Note 28b/29c
-329	Earmarked Invest to Save Reserve	-372	Note 28b/29d
-400	Earmarked Transformation Reserve	-400	Note 28b/29e
0	Earmarked Transitional Grant Reserve	-170	Note 28b/29f
<b>97,533</b>	<b>TOTAL NET WORTH</b>	<b>166,653</b>	

## Cash Flow Statement

This statement summarises the total cash movements during the year for capital and revenue purposes.

2008/09 £000s Restated Figures	Cash Flow Statement	2009/10		Notes
		£000s	£000s	
1,590	<b>Net cash inflow / outflow (-) from operating activities</b>		1,900	Note 36a
	RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
	<u>Cash Outflows</u>			
-292	Interest paid	-281		Note 36a
0	Interest element of finance lease rental payments	-42		
	<u>Cash Inflows</u>			
310	Interest received	32		Note 36a
18	<b>Net cash inflow / outflow (-) from returns on investments and servicing of finance</b>		-291	
	CAPITAL ACTIVITIES			
	<u>Cash Outflows</u>			
-2,039	Purchase of Fixed Assets	-2,674		
0	Proceeds from long term investment matured in year	0		
	<u>Cash Inflows</u>			
17	Sale of Fixed Assets	0		
0	Capital Grants	695		Note 21
-2,022	<b>Net cash inflow / outflow (-) from capital activities</b>		-1,979	
-414	<b>NET CASH INFLOW / OUTFLOW (-) BEFORE FINANCING</b>		-370	
	MANAGEMENT OF LIQUID RESOURCES			
397	Net increase / decrease (-) in temporary investments	-331		Note 36 d
397	<b>Net increase / decrease (-) in liquid resources</b>		-331	
	FINANCING			
	<u>Cash Outflows</u>			
0	Repayment of amounts borrowed	-266		Note 36 b
0	Capital element of finance lease rental payments	-47		Note 36 c
	<u>Cash Inflows</u>			
0	New long term loans raised	1,000		Note 36 c
0	New short term loans raised	0		
0	<b>Net cash inflow / outflow (-) from financing</b>		687	
-17	<b>INCREASE / DECREASE (-) IN CASH</b>		-14	

## 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 which can be found on page 36.

#### a) Community Fire Safety

2008/09 Net Expenditure £000s	Community Fire Safety	2009/10 Net Expenditure £000s
1,305	Statutory Inspection & Certification	1,279
1,813	Prevention and Education	1,792
<b>3,118</b>	<b>Total</b>	<b>3,071</b>

There has been a small reduction in Community Fire Safety work as we have re-aligned our resources to reflect changing priorities and risks.

Community Fire 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 Fire Safety work carried out and it is this work that has seen a small decrease in the numbers of Home Safety Checks performed by crews as the number of vacancies on fire stations increased in 2009/10.

#### b) Fire Fighting and Rescue Operations

2008/09 Net Expenditure £000s	Fire Fighting and Rescue Operations	2009/10 Net Expenditure £000s
23,923	Operational Responses	23,450
1,264	Communications and Mobilising	1,391
192	Securing Water Supplies	169
<b>25,379</b>	<b>Total</b>	<b>25,010</b>

There has been a decrease in the numbers of operational response staff due to the numbers of vacancies of staff as well as a reduction in impairment charges charged this year.

The increased costs of communications and mobilising reflect some of the work carried out in preparation for the move towards Regional Control Centres and the increasing costs of communications to mobilise staff and appliances.

c) Central Services

<b>2008/09 Net Expenditure £000s</b>	<b>Central Services</b>	<b>2009/10 Net Expenditure £000s</b>
1,103	Corporate & Democratic Core	1,309
70	Non Distributed Costs	16
<b>1,173</b>	<b>Total</b>	<b>1,325</b>

Corporate and Democratic Core expenditure is limited to expenditure allowed in the guidance for the costs attributable to the management and running of an organisation that has members and the costs associated with the Chief Fire Officer and Chief Executive.

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 above (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 arise from taking account of the interim management arrangements that were in place over the course of 2009/10 following the retirement of the Chief Fire Officer at the end of June 2009.

Non Distributed costs have reduced as a result of a reduction in pension costs arising from retirement decisions made by the Authority.

d) Exceptional Item

There are no exceptional items to report for 2009/10. Settlement of abortive capital costs at Beaconsfield of £890k was made in 2008/09.

## 2. Officers' Remuneration

The number of employees, whose remuneration, excluding employer's pension contributions, was of £50,000 or more in bands of £5,000 were:

<b>2008/09 Number of Employees</b>	<b>Remuneration Band</b>	<b>2009/10 Number of Employees</b>
3	£50,000 to £54,999	8
9	£55,000 to £59,999	10
1	£60,000 to £64,999	1
2	£65,000 to £69,999	2
1	£70,000 to £74,999	1
2	£75,000 to £79,999	3
0	£80,000 to £84,999	0
2	£85,000 to £89,999	2
1	£110,000 to £114,999	0
<b>21</b>	<b>Total</b>	<b>27</b>

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year in 2009/10.

Post Holder	Salary (Including Fees And Allowances) £s	Benefits in Kind (e.g. Car Allowance) £s	Total Remuneration Excluding Pension Contributions 2009/10 £s	Pension Contributions £s	Total Remuneration Including Pension Contributions 2009/10 £s	Notes
Chief Fire Officer	25,025	218	25,243	5,357	30,600	Left - 1st April 2009 to 20th June 2009
Chief Fire Officer	0	0	0	0	0	July - 31st December 09 covered by secondment from Kent Fire Service
Chief Fire Officer	31,250	101	31,351	6,678	38,028	Commenced 1st January 2010
ACO Risk	85,865	1,241	87,106	18,294	105,400	On Secondment to CLG
ACO Risk	85,428	603	86,032	18,294	104,326	Covering Secondment
ACO Planning	77,615	990	78,606	15,961	94,567	Temp Post Commencing 1st October 2009
ACO Response	76,835	855	77,690	16,089	93,779	Temp Post Commencing 1st October 2009
ACO Response	44,633	960	45,594	9,206	54,799	Left - 1st April 2009 to 30th September 2009
Treasurer	74,455	2,582	77,037	13,736	90,773	

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year in 2008/09.

Post Holder	Salary (Including Fees And Allowances) £s	Benefits in Kind (e.g. Car Allowance) £s	Total Remuneration Excluding Pension Contributions 2008/09 £s	Pension Contributions £s	Total Remuneration Including Pension Contributions 2008/09 £s	Notes
Chief Fire Officer	111,988	1,747	113,735	23,925	137,660	
Deputy Chief Fire Officer	66,694	2,733	69,427	11,986	81,413	Left - 1st April 2008 to 31st December 2009
ACO Risk	84,460	844	85,304	18,001	103,305	Secondment from 5th October 2008 - 31st March 2009
ACO Risk	76,723	525	77,248	15,836	93,084	Covering Secondment from 6th October 2008 - 31st March 2009
ACO Response	85,486	1,304	86,790	18,293	105,083	Acting DCFO 1st January to 31st March 2009
ACO Response	70,119	1,411	71,530	14,347	85,877	Covering Acting Up 1st January 2008 - 31st March 2009
Treasurer	73,323	2,503	75,826	13,145	88,971	

### 3. Provision for doubtful debts

The provision for doubtful debts now stands at £36,523 at 31st March 2010. This is considered a prudent level to hold against debts that may not be recovered. 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 in accordance with the Authority's Debt Management Policy updated in October 2009.

### 4. Leases

The Vehicles, Plant and Equipment operating leases held by the Authority apply to lease vehicles and radio communications equipment. The lease rentals paid during the year amounted to £501k (£518k in 2008/09). The Authority also has two

operating leases relating to Unit 7 at Stocklake and the Merlin Centre for which the lease payments in 2009/10 amounted to £75K and £40K respectively.

The estimated un-discharged obligations under the operational lease agreements are shown in the table below:

<b>Years remaining</b>	<b>Vehicles, Plant and Equipment £000s</b>	<b>Land and Buildings £000s</b>
0-1	159	115
2-5	324	458
6+	0	975
<b>Total</b>	<b>483</b>	<b>1,548</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 22 on page 56.

## **5. Minimum Revenue Provision**

The Minimum Revenue Provision (MRP) is the minimum amount that the Authority is required to set aside for the repayment of external debt. This is a technical accounting adjustment. Until 31st March 2008 it was calculated at 4% of the Authority's Capital Financing Requirement (CFR). For any new assets purchased after this date MRP is calculated based on the asset value and the life of the assets which have been financed from borrowing commencing the year after the asset becomes operational.

The amount charged per year can change depending on the amount of the capital programme, the extent of borrowing during the year, revenue contributions and lives of individual assets.

<b>31-Mar-09 £000s</b>	<b>Calculation of the MRP</b>	<b>31-Mar-10 £000s</b>
7,859	Opening Capital Financing Requirement	7,859
-2,398	Less 'A-Factor'	-2,398
5,461	Adjusted Capital Financing Requirement	5,461
<b>218</b>	<b>Minimum Revenue Provision at 4% of adjusted Capital Financing Requirement</b>	<b>218</b>
0	MRP charge for assets purchased from the 01-Apr-08	76
<b>218</b>	<b>Minimum Revenue Provision</b>	<b>294</b>
995	Amount charged as depreciation	1,140
-777	Depreciation / Principal Loan Repayment adjustment to the Revenue Account	-846
<b>218</b>	<b>Minimum Revenue Provision</b>	<b>294</b>

## 6. Members Allowances

Total allowances paid in 2009/10 to 21 Members amounted to £71k. (2008/09 amounted to £51k to 21 Members). Detailed information on individual allowances is available on the Authority website [www.bucksfire.gov.uk](http://www.bucksfire.gov.uk) and on request.

## 7. 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 in the table below:

<b>31-Mar-09 £000s</b>	<b>Audit Fees</b>	<b>31-Mar-10 £000s</b>
75	External Audit Services	78
0	Inspection	0
<b>75</b>	<b>Total</b>	<b>78</b>

The fees paid to the Audit Commission have increased as a result of an increased inspection of financial aspects of the Authority following national changes to accounting regulations including the work required for the convergence with International Financial Reporting Standards and the greater degree of disclosure required for Financial Instruments.

## 8. Revenue 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 shown in the table below are the net figures after unapplied grant has been carried forward to 2010/11:

<b>31-Mar-09 £000s</b>	<b>Revenue Grants Applied</b>	<b>31-Mar-10 £000s</b>
-1,149	Urban Search and Rescue	-765
-133	New Burdens	-181
0	Community Safety	0
-36	Training	0
-1	Capacity Building Work	0
-1	Council Tax Efficiency Information	-1
<b>-1,320</b>	<b>Total</b>	<b>- 947</b>

The reduced grant funding for Urban Search and Rescue has been as a result of the use of grant carried forward from previous years as we have now finished the training of new team members for the provision of an Urban Search and Rescue Team and provided them with accommodation for staff and vehicles at Aylesbury Fire Station.

The increased grant funding for New Burdens has been utilised on additional staff resources as the cutover to Regional Control Centres becomes closer. Also the grant has been used for the works associated with installing new station end equipment to help with a more efficient mobilisation of station based staff.

These grants are included in the Net Cost of Services in the Income and Expenditure Account on page 36.

## **9. 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

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 2009/10.

### Other Public Bodies

Buckinghamshire County Council provides Internal Audit Services, Treasury Management, SAP Systems Support, the Monitoring Officer and Legal Services for the Authority. Milton Keynes Council provides Clerking services for the Authority's committee meetings. 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

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

### Senior Officers of the Authority

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

## 10. Funding

The Authority's net revenue expenditure is funded by local authority precepts, general government grants and non domestic rates redistribution from the national pool.

<b>31-Mar-09</b> <i>restated figures</i> <b>£000s</b>	<b>Funding</b>	<b>31-Mar-10</b> <b>£000s</b>
-3,629	Aylesbury Vale District Council	-3,868
-2,426	Chiltern District Council	-2,554
-4,406	Milton Keynes District Council	-4,652
-1,722	South Buckinghamshire District Council	-1,860
-3,734	Wycombe District Council	-3,934
<b>-15,917</b>	<b>Total Precepts</b>	<b>-16,868</b>
-1,385	Revenue Support Grant	-2,137
<b>-1,385</b>	<b>Total General Government Grants</b>	<b>-2,137</b>
-9,952	Non Domestic Rates redistribution	-9,258
<b>-9,952</b>	<b>Total Non Domestic Rates redistribution</b>	<b>-9,258</b>
<b>-27,254</b>	<b>Total Funding</b>	<b>-28,263</b>

In 2009/10 there were 291,649 Band D properties and in 2008/09 there were 289,614 Band D properties. The differences between contributing authorities reflects the variance in Band D property calculations. With the change in accounting regulations introduced in the SORP 2009, council tax accounting adjustments have changed the precept amounts by the inclusion of accrual figures. The figures for 2008/09 have also been restated, as required under the SORP and the full effect is set out in Note 35 relating to Prior Period Adjustments on page 71.

## 11. 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.

<b>Reserve</b>	<b>Balances as at 31-Mar-09 restated figures £000s</b>	<b>Net Movement in Year £000s</b>	<b>Balances as at 31-Mar-10 £000s</b>	<b>Purpose of Reserve</b>	<b>Notes</b>
Capital Adjustment Account	-24,204	1,659	-22,545	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
Collection Fund Adjustment Account	-21	-19	-40	This is a statutory reserve to neutralise the effect of accounting for council tax on an agency basis.	24
Pensions Reserve	126,061	67,986	194,047	This is a balancing account to allow inclusion of the Pensions Liability in the Balance Sheet.	25
Revaluation Reserve	-224	86	-138	This records unrealised revaluation gains, arising since the 01-Apr-07, from holding fixed assets.	26
Usable Capital Receipts Reserve	0	0	0	The proceeds of fixed assets sales available to meet future capital investments.	27
General Fund Balance	-2,515	-496	-3,011	Resources available to meet future costs of running the Authority.	29a
Control Room Reserve	-50	-100	-150	The unforeseen events reserve was established with committee approval in 2004/05 to assist with issues relating to Regional Control Rooms.	29b
Debt Repayment Reserve	-785	217	-568	Resources available to meet borrowing costs that the Authority has already committed to.	29c
Invest to Save Reserve	-329	-43	-372	Resources available to invest in projects that will generate long term savings for the Authority.	29d
Transformation Reserve	-400	0	-400	To fund the Pathfinder Support Services procurement phase and interim senior management arrangements.	29e
Transitional Grant Reserve	0	-170	-170	To alleviate the cessation of Reward grant funded activity by tapering activity levels.	29f
<b>Total</b>	<b>97,533</b>	<b>69,120</b>	<b>166,653</b>		

## 12. Provisions

A Part Time Workers Provision was established during 2009/10 (£250K) to provide for the back pay for RDS staff following an equal pay court case.

On the 10th June 2008 the National Joint Council (NJC) 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 2008 all Fire Authorities were asked to submit data to the NJC.

We anticipated during the course of 2008/09 and 2009/10 that a settlement would be reached but national negotiations are still progressing. On the 13th April 2010 indicative figures were disclosed in an NJC Circular but are still the subject of ongoing negotiations and the Authority is awaiting a circular setting out the mechanism for implementation. In recognition of the uncertainty that exists a provision has been made in the sum of £250K as a prudent estimate of the financial effect on the authority. No expenditure has been incurred against the provision in 2009-10 but it is anticipated that the situation will be resolved within the year.

## 13. Intangible Fixed Assets

### Movement of Intangible Fixed Assets

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 useful life.

	£000s
<b>Gross Book Value as at 31-Mar-2009</b>	<b>202</b>
Accumulated depreciation	-22
<b>Net book value as at 1st April 2009</b>	<b>180</b>
<b>Movements in 2009-10</b>	
Depreciation for the year	-27
<b>Net Book Value as at 31-Mar-10</b>	<b>153</b>

## 14 Tangible Fixed Assets.

### a) Movement of Tangible Fixed Assets

	Land and Buildings £000s	Leased Land & Buildings * £000s	Total land & Buildings £000	Vehicles, Plant and Equipment £000s	Assets Under Construction £000s	Total £000s
<b>Gross Book Value as at 31-Mar-2009</b>	<b>26,588</b>	<b>2,357</b>	<b>28,945</b>	<b>4,579</b>	<b>211</b>	<b>33,735</b>
Additions	590	0	590	1,758	306	2,654
Disposals and write offs	0	0	0	0	0	0
Reclassifications	22	0	22	0	-22	0
Revaluations	185	0	185	23	0	208
Impairments	-1530	0	-1,530	0	-0	-1530
<b>Gross Book Value as at 31-Mar-2010</b>	<b>25,855</b>	<b>2,357</b>	<b>28,212</b>	<b>6,360</b>	<b>495</b>	<b>35067</b>
Depreciation b/f	-745	-242	-987	-1,032	0	-2,019
Depreciation for the year	-520	-47	-567	-546	0	-1,113
Depreciation on disposal	0	0	0	0	0	0
Depreciation c/f	-1,265	-289	-1,554	-1,578	0	-3,132
<b>Net Book Value as at 31-Mar-2010</b>	<b>24,590</b>	<b>2,068</b>	<b>26,658</b>	<b>4,782</b>	<b>495</b>	<b>31,935</b>

\*Finance Lease item as detailed in note 22.

### b) Basis of Valuation

Property Revaluations have in the past been 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 following the triennial valuation by our valuer as set out below.

This year owing to the current economic situation the Valuer has assessed all properties and written down Land & Buildings by £1,530k (£1,809k in 2008/09) owing to the large reductions from the peak of the property cycle.

Reclassifications are where Assets which were previously Assets under Construction (AUC) are now completed and are reclassified under their appropriate asset heading.

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.

The properties were valued by Ken Oldknow (RICS) of Buckinghamshire County Council Property Department with whom the Fire Authority has a Service Level Agreement. All valuations have been carried out in accordance with current Practice Statements and Guidance Notes contained within the Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors. The sources of information and assumptions made in producing the various valuations are set out in the valuation certificates and reports

c) Valuation Information

The following statement shows the progress of the Authority's programme for the revaluation of assets.

Year of Valuation	Land and Buildings £000s	Vehicles £000s	Equipment £000s	AuC £000s	Total £000s
2009-10	24212	23	0	0	24235
2008-09	0	0	0	0	0
2007-08	0	0	0	0	0
2006-07	0	0	0	0	0
Valued at Historic Cost	4000	4504	1833	495	10832
<b>Total</b>	<b>28212</b>	<b>4527</b>	<b>1833</b>	<b>495</b>	<b>35067</b>

d) Depreciation Lives

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

Asset Class	Useful Life
Red Fleet Vehicles	1 to 12 years
White Fleet Vehicles	1 to 5 years
Plant & Equipment	1 to 20 years
Buildings	1 to 60 years
Intangibles	1 to 10 years

e) Capital Account Expenditure

<b>Capital Account Expenditure 2009/10</b>	<b>Land and Buildings £000s</b>	<b>Plant, Vehicles and Equipment £000s</b>	<b>Total £000s</b>
Missenden	205	0	205
Beaconsfield	74	0	74
Wycombe	158	0	158
Bletchley	73	0	73
Broughton	166	0	166
Planned Preventative Maintenance	81	0	81
Purchase of Equipment, vans & cars	0	174	174
Smoke Alarms, sprinklers & Community Safety	0	116	116
Fire Appliances & equipment	0	756	756
ICT Projects	0	60	60
Equality & Diversity Recruitment	0	19	19
Operational equipment	0	649	649
Vision system & asset Management	0	124	124
<b>Total</b>	<b>757</b>	<b>1,898</b>	<b>2,655</b>

f) Capital Expenditure Financing

<b>Source of Funding</b>	<b>2009/10 £000s</b>
<b>Capital Funding brought forward</b>	<b>935</b>
Capital Receipts	0
Revenue Contributions	420
Capital Grants	695
PWLB Borrowing	1,000
<b>Total Funding 2009/10</b>	<b>3,050</b>
Capital Programme 2009/10	2,655
<b>Capital Funding carried forward</b>	<b>395</b>

g) Statement of Physical Assets Held

<b>Description of Asset</b>	<b>Numbers Held</b>
<u>Fire Stations</u>	
6 Wholetime Fire Stations	
4 Wholetime Day Crewed Fire Stations	20
10 Retained Fire Stations	
HQ Buildings and Vehicle Workshop	1
Houses	2
Red Fleet Vehicles	33
White Fleet Vehicles	34

We have independent verification of our Land & Buildings by Ken Oldknow (RICS) of Buckinghamshire County Council and our vehicles are verified by our Group Manager – Transport

h). Commitments under Capital Contracts

We have three contracts where we have capital commitments post 31st March 2010 totalling £816k and these are shown in the table below.

<b>Capital Contract</b>	<b>Contractor</b>	<b>Amount Outstanding as at 31-Mar-10 £000s</b>
Vision Fx	Fortek Computers Ltd	48
Broughton Station refurbishment	Britcon	740
Mobile Data Terminals	IAG Technology	28
<b>Total</b>		<b>816</b>

In comparison, for 31st March 2009 we had the Vision Fx Mobilising Project with a commitment of £143k. We have used the Invest to Save Reserve to part fund capital expenditure with the payback agreed over 4 years. The refurbishment of Broughton Fire Station is a 30 week contract which started in March 2010 for completion in October 2010.

**15. Stocks and Work in Progress**

<b>31-Mar-09 £000s</b>	<b>Stocks and Work in Progress</b>	<b>31-Mar-10 £000s</b>
38	Workshops	41
116	Stores	201
32	Fuel	37
0	IT Consumables	11
0	Catering	1
<b>186</b>	<b>Total</b>	<b>291</b>

The level of stocks has generally increased due largely to the increase in Stores items specifically the roll out of new stocks of Personal Protective Equipment (PPE), fire trousers and coats which offer better protection and comfort for firefighters.

**16. Debtors & Payments in Advance**

<b>31-Mar-09 restated figures £000s</b>	<b>Debtors &amp; Payments in Advance</b>	<b>31-Mar-10 £000s</b>
240	Government Departments	225
359	Other Local Authorities	419
171	Other Sundry Debtors	103
154	Payments in Advance	58
-37	Provision for doubtful debts	-37
<b>887</b>	<b>Total</b>	<b>768</b>

The decrease in Government Department debtors is mainly due to the write off of a VAT Claim offset by the March VAT claim which was repaid by HMRC in late April 2010.

Other Local Authority Debtors has increased due to the recent council tax accounting changes with increased arrears and impairments for precepts now being shown in the Authority's books rather than the individual local authorities.

The significant difference in Other Sundry Debtors relates to an improvement in the billing cycle and recovery procedures for the supply of services to other bodies.

Payments in Advance have decreased significantly mainly due to the pensions payment for April being included in 2008/09 but not in 2009/10.

The provision for bad debt reflects the review of all debtors for recoverability and provides an adequate provision for bad debts that may arise and is unchanged since last year.

### 17. 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 31st March 2010 were £7.54 million and as at 31st March 2009 were £7.21 million.

### 18. Cash at Bank and in Hand

The cash at the bank as at 31st March 2010 was £323k and £8k cash in hand as petty cash. At 31st March 2009 it was £336k and £9k cash in hand as petty cash.

### 19. Creditors & Receipts in Advance

<b>31-Mar-09</b> <i>restated figures</i> <b>£000s</b>	<b>Creditors &amp; Receipts in Advance</b>	<b>31-Mar-10</b> <b>£000s</b>
-335	Short Term Borrowing	-69
-275	Government Department Creditors	-472
-499	Other Local Authority Creditors	-930
-1,747	Other Sundry Creditors	-1,032
-698	Receipts in Advance	-786
<b>-3,554</b>	<b>Total</b>	<b>-3,289</b>

The short term PWLB loan of £335k has been repaid during the financial year. The £69k relates to interest accrued from PWLB loan.

There has been a reclassification of creditors which accounts primarily for the change between Sundry and Government Departments, offset by the resolution of the tax dispute with HMRC over the Gerrards Cross Accommodation Allowance (£183k) which was won by the Authority. HMRC have conceded that the arrangements are not a taxable benefit.

Other Local Authority Creditors have increased due to amounts owed to authorities for goods and services which were outstanding at year end including Buckinghamshire County Council (£105K), the Pension Fund (£72k) and Hampshire County Council (£33k). Receipts in Advance have increased due to carrying forward more New Burdens grant (£92k) than the previous year.

## 20. Long Term Borrowing

The Authority undertakes long term borrowing, principally as a means of financing expenditure on fixed assets. We borrowed £1.0 million during the financial year 2009/10. The interest owing represents the Public Works Loan Board (PWLB) interest accrued to the 31st March 2010 in accordance with the CIPFA SORP.

Amounts outstanding as at 31-Mar-09 £000s	Source of Loan	Interest rates applicable as at 31-Mar-10	Amounts outstanding as at 31-Mar-10 £000s
-6,117	PWLB	3.90% to 5.75%	-7,117
<b>-6,117</b>	<b>Total Long Term Borrowing</b>		<b>-7,117</b>

Long term external borrowing by repayment dates is shown in the table below:

Repayment dates	31-Mar-10 £000s
Maturing in less than 5 years	-602
Maturing in 5 to 10 years	-1,468
Maturing in 10 to 15 years	-1,620
Maturing in 15 to 20 years	0
Maturing in 20 to 25 years	-626
Maturing in over 25 years	-2,801
<b>Total Long Term Borrowing</b>	<b>-7,117</b>

## 21. 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). We also received capital grant for the provision of a USAR (Urban Search and Rescue) training rig and some funding from the Environment Agency for a POD for storing critical environmental equipment. These projects were originally expected to be completed during 2009/10 however planning and other issues mean that these have been delayed to 2010/11.

31-Mar-09 £000s	Government Grants Deferred	31-Mar-10 £000s
-222	Balance Brought Forward	-218
0	New Grants Applied	-695
4	Amortisation	4
<b>- 218</b>	<b>Balance carried forward</b>	<b>-909</b>

In 2009/10 capital grant funding (£34K) has been received for Equality & Diversity.

Returns have to be made to the DCLG certified by the Chief Internal Auditor and Chief Fire Officer that the money has been spent in accordance with grant terms and conditions. The Authority also received capital grant funding (£661K) which was spent on new fire appliances. Further monies are due to be received in 2010/11 for both Equality & Diversity and for Capital Grant Funding with total Capital Grant Funding increasing to over £800k.

## 22. Finance Lease

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 for a period of 40 years. The initial cost of the lease is matched by an increase in the value of land and buildings within fixed assets.

The rentals payable under this arrangement in 2009/10 were £88,911, charged as £41,911 to the Income and Expenditure account finance costs and £47,000 write down of obligation to the lessor.

<b>Outstanding obligations under Finance Lease</b>	<b>Land &amp; Buildings £000s</b>
Payable in 2010/11	47
Payable between 2012/13 and 2015/16	188
Payable after 2015/16	1,826
<b>Total liabilities as at 31<sup>st</sup> March 2010</b>	<b>2,061</b>

## 23. Capital Adjustment Account

The CIPFA SORP requires a Capital Adjustment Account; 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. Entries going through the account include depreciation, MRP, impairments and any revenue contributions and capital grants and receipts.

<b>31-Mar-09 £000s</b>	<b>Capital Adjustment Account</b>	<b>31-Mar-10 £000s</b>
<b>-25,480</b>	<b>Opening Balance</b>	<b>-24,204</b>
995	Depreciation	1,140
2	Depreciation Variance Historic to Current	10
-218	MRP	-294
1,818	Impairments	1,227
4	Other	0
5	Deferred Govt Grants	-4
-1,313	Revenue contributions	-420
-17	Usable Capital Receipts	0
<b>-24,204</b>	<b>Closing Balance</b>	<b>-22,545</b>

## 24. Collection Fund Adjustment Account

It is a statutory requirement to have a Collection Fund Adjustment Account. The balance on this account represents the timing differences between statutory accounting requirements and full accruals accounting for council tax.

The balance on this reserve does not represent actual resources that are available to the Authority.

<b>31-Mar-09</b> <i>restated figures</i> <b>£000s</b>	<b>Collection Fund Adjustment Account</b>	<b>31-Mar-10</b> <b>£000s</b>
<b>0</b>	<b>Opening Balance</b>	<b>-21</b>
26	Aylesbury Vale DC	-46
-15	Chiltern DC	5
31	South Bucks DC	7
-55	Wycombe DC	29
-8	Milton Keynes	-14
<b>-21</b>	<b>Closing Balance</b>	<b>-40</b>

The Collection Fund Adjustment Account is part of the new accounting arrangements for council tax under the SORP 2009. For further details see Note 35 relating to Prior Period Adjustments on page 71.

## 25. Pensions Reserve

It is a statutory requirement to have a Pensions Reserve. This reserve represents a balancing figure, reported by the actuary, to allow for the liabilities of both the Local Government Pension Scheme and the Firefighter's Pension Fund, as required under FRS17.

The balance on this reserve does not represent actual resources that are available to the Authority.

<b>31-Mar-09</b> <b>£000s</b>	<b>Pensions Reserve</b>	<b>31-Mar-10</b> <b>£000s</b>
<b>133,727</b>	<b>Opening Balance</b>	<b>126,061</b>
0	Surplus (-) / deficit for the year	0
9,738	Appropriations to and from (-) Revenue	7,034
-17,404	Actuarial gains (-) / losses relating to pensions	60,952
<b>126,061</b>	<b>Closing Balance</b>	<b>194,047</b>

## 26. Revaluation Reserve

The Revaluation Reserve records unrealised revaluation gains arising from the 1st April 2007 from the holding of fixed assets. This reserve is matched by fixed assets within the balance sheet. As and when assets are revalued or revaluations are reversed in value then adjustments are made to this account.

The balance on this reserve does not represent actual resources that are available to

the Authority.

31-Mar-09 £000s	Revaluation Reserve	31-Mar-10 £000s
-53	Opening Balance	-224
-179	Asset Revaluations	-23
0	Reversal of prior year revaluation	118
10	Asset Disposals	0
-2	Depreciation variance historic to current cost	-9
- 224	Closing Balance	-138

## 27. Usable Capital Receipts Reserve

This reserve receives monies from the sale of capital assets and uses these monies towards the purchase of new assets.

31-Mar-09 £000s	Usable Capital Receipts Reserve	31-Mar-10 £000s
0	Opening Balance	0
17	Capital receipts in year	0
-17	Capital receipts used for financing capital expenditure	0
0	Closing Balance	0

There have been no capital receipts during this financial year.

## 28. Revenue Reserves

31-Mar-09 £000s	Revenue Reserves	31-Mar-10 £000s
-2,515	Non-Earmarked Reserves (General Fund Balance)	-3,011
-50	Earmarked Reserve - Control Room	-150
-785	Earmarked Reserve - Debt Repayment	-568
-329	Earmarked Reserve - Invest to Save	-372
-400	Earmarked Reserve - Transformation	-400
0	Earmarked Reserve - Transitional Grant	-170
-4,079	Total	-4,671

### a) Non-Earmarked Reserves (General Fund Balance)

These are kept at a prudent level to cover unforeseen eventualities and liabilities.

### b) Earmarked Reserves

These reserves have been established for specific purposes.

The **Control Room Reserve** was established with committee approval in 2004/05 to assist with issues relating to Regional Control Rooms.

The **Debt Repayment Reserve** was established in 2006/07 to provide reserves to meet debt repayment schedules that the Authority has already committed to. The first payment of £335k was made from the fund this year, but was supplemented by an additional transfer to reserve of £118k.

The **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 **Transformation Reserve** was established with committee approval in 2008/09 to help fund the Pathfinder Support Services procurement phase and senior management interim arrangements and appointments.

The **Transitional Grant Reserve** was established during 2009/10 to alleviate the cessation of reward grant funded activity by tapering activity levels subject to a business case being put forward..

## 29. Movements on Revenue Reserves

Details of transactions within the year can be found in the following table and in the Summary of Movements on Reserves, Note 11 on page 47.

Movements in Revenue Reserves	Note 29a	Note 29b	Note 29c	Note 29d	Note 29e	Note 29f	Total £000s
	General Fund Balance £000s	Control Room Reserve £000s	Debt Repayment Reserve £000s	Invest to Save Reserve £000s	Transformation Reserve £000s	Transitional Grant Reserve £000s	
Surplus (-) / deficit for 2009/10	-496	---	---	---	---	---	<b>-496</b>
Appropriations to and from (-) Revenue	0	-100	217	-43	0	-170	<b>-96</b>
Movement within reserves	0	0	0	0	0	0	<b>0</b>
<b>Total</b>	<b>-496</b>	<b>-100</b>	<b>217</b>	<b>-43</b>	<b>0</b>	<b>-170</b>	<b>-592</b>
Balance b/f as at 01-Apr-09	-2,515	-50	-785	-329	-400	0	<b>-4,079</b>
<b>Balance c/f as at 31-Mar-10</b>	<b>-3,011</b>	<b>-150</b>	<b>-568</b>	<b>-372</b>	<b>-400</b>	<b>-170</b>	<b>-4,671</b>

### 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.

#### Buy Back Option at Beaconsfield

The Chief Officers Forum (July 2009), after considering independent legal advice, decided that there was a legally valid option to purchase land not subject to nomination rights and that in the absence of any proposals for land development that there is no merit in pursuing the buy back options at Beaconsfield.

### 31. Contingent Liabilities

In line with Financial Reporting Standards 12 (FRS12) the only disclosures the Authority is aware of relates to a potential claim against it from a representative body regarding the use of development rates of pay. The issue has been formally raised for the attention of management and it is being considered to see whether there is a case to answer and if so what value the claim could be. At this stage no value can be attributed or a time scale specified.

### 32. 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 need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in three pension schemes:

The **Local Government Pension Scheme** for civilian employees administered locally by Buckinghamshire County Council is a funded defined benefit final salary scheme, administered in accordance with the Local Government Pension Scheme (1997) as amended. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. It is contracted out of the State Second Pension.

The **Fire Fighter Pension Scheme for uniformed fire fighters** is an unfunded 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 investment assets held to back the liabilities of the scheme and cash has to be generated to meet actual pensions payments as they eventually fall due.

The **Fire Fighter Pension Scheme for uniformed fire fighters (retained and new entrants from 1<sup>st</sup> April 2006)** is an unfunded 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 investment assets held to back the liabilities of the scheme and cash has to be generated to meet actual pensions payments as they eventually fall due.

Under the Firefighters Pension Fund Regulations 2006 if the amounts receivable by the pension fund is less than amounts payable, the fire authority must annually transfer an amount required to meet the deficit to the Pension Fund. Subject to scrutiny and approval by Parliament and the Secretary of State up to 100% of this cost is met by central government top-grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Fire Authority which must then repay the amount to central government.

a) Transactions relating to retirement benefits

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

	Pension Scheme			
	LGPS £000s	1992 Firefighters £000s	2006 Firefighters £000s	Total £000s
Current Service Cost	575	2,693	225	3,493
Past Service Costs	0	0	0	0
<b>Net Cost of Services Total</b>	<b>575</b>	<b>2,693</b>	<b>225</b>	<b>3,493</b>
Interest Cost	788	7,984	62	8,834
Expected return on scheme assets	-425	0	0	-425
<b>Net Operating Expenditure Total</b>	<b>363</b>	<b>7,984</b>	<b>62</b>	<b>8,409</b>
<b>Total of transactions on the Income and Expenditure Account</b>	<b>938</b>	<b>10,677</b>	<b>287</b>	<b>11,902</b>
<b>Reversal of net charges made for retirement benefits in accordance with FRS17</b>	<b>-938</b>	<b>-10,677</b>	<b>-287</b>	<b>-11,902</b>
Amount actually charged against the General fund Balance for pensions in the year for:				
Employers contribution	623	2,268	206	3,097
<b>Total charge against the General Fund for pensions</b>	<b>623</b>	<b>2,268</b>	<b>206</b>	<b>3,097</b>
<b>Total transactions on the Statement of Movement on the General Fund Balance</b>	<b>-315</b>	<b>-8,409</b>	<b>-81</b>	<b>-8,805</b>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £60.95 million were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £33.60 million.

b) Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

Reconciliation of present value of the scheme liabilities	Pension Scheme							
	LGPS		Firefighters 1992		Firefighters 2006		Total	
	2008/09 £000s	2009/10 £000s	2008/09 £000s	2009/10 £000s	2008/09 £000s	2009/10 £000s	2008/09 £000s	2009/10 £000s
Present Value of scheme liabilities as at 1st April	-12,612	-11,470	-128,248	-120,000	-484	-743	-141,344	-132,213
Current Service Cost	-730	-575	-3,625	-2,693	-248	-225	-4,603	-3,493
Interest Cost	-835	-788	-8,474	-7,984	-44	-62	-9,353	-8,834
Actuarial gain / loss	2,107	-7,267	17,014	-54,625	161	-780	19,282	-62,672
Curtailment	0	0	0	0	0	0	0	0
Estimated benefits paid (net of transfers in)	890	219	4,535	5,586	0	0	5,425	5,805
Past Service Costs	-59	0	0	0	0	0	-59	0
Contribution by Scheme participants	-232	-225	-1,203	-1,179	-128	-159	-1,563	-1,563
<b>Present Value of scheme liabilities as at 31st March</b>	<b>-11,471</b>	<b>-20,106</b>	<b>-120,001</b>	<b>-180,895</b>	<b>-743</b>	<b>-1,969</b>	<b>-132,215</b>	<b>-202,970</b>

Reconciliation of fair value of the scheme assets:

Reconciliation of fair value of the scheme assets	Pension Scheme							
	LGPS		Firefighters 1992		Firefighters 2006		Total	
	2008/09 £000s	2009/10 £000s	2008/09 £000s	2009/10 £000s	2008/09 £000s	2009/10 £000s	2008/09 £000s	2009/10 £000s
Fair Value of scheme assets as at 1st April	7,617	6,152	0	0	0	0	7,617	6,152
Expected return on scheme assets	489	425	0	0	0	0	489	425
Actuarial gain / loss	-1,878	1,720	0	0	0	0	-1,878	1,720
Employer Contributions	582	620	0	0	0	0	582	620
Contribution by Scheme participants	232	225	0	0	0	0	232	225
Estimated benefits paid (net of transfers in)	-891	-219	0	0	0	0	-891	-219
<b>Fair Value of scheme assets as at 31st March</b>	<b>6,151</b>	<b>8,923</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,151</b>	<b>8,923</b>

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

c) Scheme history

	2005/06* £000s	2006/07 restated £000s	2007/08 restated £000s	2008/09 £000s	2009/10 £000s
<u>Present value of liabilities:</u>					
LGPS	-11,040	-11,912	-12,612	-11,470	-20,106
LGPS Experience adjustments on scheme liabilities	0	0	-1,234	0	0
1992 Firefighters' Scheme	-123,852	-127,493	-128,248	-120,000	-180,895
1992 Firefighters' Scheme Experience adjustments on scheme liabilities	0	0	-12,904	0	0
2006 Firefighter' Scheme	0	-91	-484	-743	-1,969
2006 Firefighter' Scheme Experience adjustments on scheme liabilities	0	0	32	0	0
<b>Total Liabilities</b>	<b>-134,892</b>	<b>-139,496</b>	<b>-155,450</b>	<b>-132,213</b>	<b>-202,970</b>
<u>Fair value of assets</u>					
LGPS	6,341	7,479	7,617	6,152	8,923
<b>Total Assets - BMKFA's estimated allocation of LGPS assets</b>	<b>6,341</b>	<b>7,479</b>	<b>7,617</b>	<b>6,152</b>	<b>8,923</b>
LGPS Experience adjustments on scheme assets	1,095	104	-970	-1,878	1,716
<u>Surplus / Deficit (-) in the scheme:</u>					
LGPS	-4,699	-4,433	-4,995	-5,318	-11,183
1992 Firefighters' Scheme	-123,852	-127,493	-141,152	-120,000	-180,895
2006 Firefighter' Scheme	0	-91	-452	-743	-1,969
<b>Total</b>	<b>-128,551</b>	<b>-132,017</b>	<b>-146,599</b>	<b>-126,061</b>	<b>-194,047</b>

\*The Authority has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £202.97 million has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £194.05 million. 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;
- Finance is only required to be raised to cover firefighter's pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2011 is £667k. Expected contributions for the Firefighters' Pension Scheme in the year to 31st March 2011, is £4.85 million.

d) Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the Projected Unit Method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Firefighters' and Local Government schemes have been assessed by Barnett Waddingham, an independent firm of actuaries, based on the latest full valuations (31st March 2007 for the local government scheme and the 31st March

2005 for the Firefighters' scheme). The main assumptions used in their calculations have been:

	Pension Scheme					
	LGPS		Firefighters 1992		Firefighters 2006	
	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
<u>Long term expected rate of return on assets in the scheme:</u>						
Equity Investments	7.30%	<b>7.80%</b>	---	---	---	---
Gilts	4.00%	<b>4.50%</b>	---	---	---	---
Bonds	6.50%	<b>5.50%</b>	---	---	---	---
Property	6.80%	<b>7.30%</b>	---	---	---	---
Cash	3.00%	<b>3.00%</b>	---	---	---	---
Alternative Assets	-	<b>7.80%</b>	---	---	---	---
<u>Mortality Assumptions:</u>						
Longevity at 65 for current pensioners						
Men	22.21	<b>22.21</b>	22.28	<b>21.35</b>	22.28	<b>21.35</b>
Women	25.26	<b>25.26</b>	25.31	<b>24.40</b>	25.31	<b>24.40</b>
Longevity at 65 for future pensioners						
Men	22.96	<b>22.96</b>	21.35	<b>22.28</b>	21.35	<b>22.28</b>
Women	25.99	<b>25.99</b>	24.40	<b>25.31</b>	24.40	<b>25.31</b>
<u>Financial Assumptions:</u>						
Rate of inflation	3.00%	<b>3.90%</b>	3.00%	<b>3.90%</b>	3.00%	<b>3.90%</b>
Rate of salary inflation	4.50%	<b>5.40%</b>	4.50%	<b>5.40%</b>	4.50%	<b>5.40%</b>
Rate of pensions inflation	3.00%	<b>3.90%</b>	3.00%	<b>3.90%</b>	3.00%	<b>3.90%</b>
Rate for discounting scheme liabilities	6.70%	<b>5.50%</b>	6.70%	<b>5.50%</b>	6.70%	<b>5.50%</b>
Take up of option to convert annual pension into retirement lump sum	50.00%	<b>50.00%</b>	50.00%	<b>50.00%</b>	50.00%	<b>50.00%</b>

The Firefighters Pension Schemes have no assets to cover their liabilities.

The Local Government Pension Scheme's assets consist of the following categories by proportion of Buckinghamshire and Milton Keynes Fire Authority's estimated allocation of LGPS assets.

31-Mar-09		LGPS	31-Mar-10	
£000s	%		£000s	%
3,760	61%	Equity Investments	6,247	70%
1,238	20%	Gilts	535	6%
463	8%	Bonds	714	8%
364	6%	Property	714	8%
327	5%	Cash	178	2%
0	0%	Alternative Assets	535	6%
<b>6,152</b>	<b>100%</b>	<b>Total</b>	<b>8,923</b>	<b>100%</b>

e) Experience adjustments arising in scheme liabilities and assets

	2005/06*	2006/07 restated	2007/08	2008/09	2009/10
	%	%	%	%	%
<u>Liabilities</u>					
LGPS	0.0%	0.0%	9.8%	0.0%	0.0%
1992 Firefighters' Scheme	0.0%	0.0%	10.0%	0.0%	0.0%
2006 Firefighter' Scheme	0.0%	0.0%	6.6%	0.0%	0.0%
<u>Assets</u>					
LGPS	17.3%	1.4%	-12.7%	-30.5%	19.3%
1992 Firefighters' Scheme	n/a	n/a	n/a	n/a	n/a
2006 Firefighter' Scheme	n/a	n/a	n/a	n/a	n/a

f) Actual return of scheme assets

The Local Government Pension Scheme return on assets is £2.14 million in 2009/10 compared to £1.39 million in 2008/09. The Firefighters' Pension Schemes have no assets.

**33. Disclosure of Financial Assets and Financial Liabilities**

a) Financial Instruments Balances

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

	Long Term		Current	
	31-Mar-09 £000s	31-Mar-10 £000s	31-Mar-09 £000s	31-Mar-10 £000s
Financial liabilities at amortised cost	-8,225	-9,178	-2,557	-2,185
<b>Total Borrowings</b>	<b>-8,225</b>	<b>-9,178</b>	<b>-2,557</b>	<b>-2,185</b>
Loans and receivables	0	0	7,932	7,994
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>7,932</b>	<b>7,994</b>

b) Financial Instruments gains and losses

The gains and losses recognised in the Income and Expenditure Account (I&E Account) and in the Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows.

	Financial Liabilities	Financial Assets			Total £000s
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available for sale assets £000s	Fair value through the I&E Account £000s	
Interest expense	323	0	0	0	323
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
<b>Interest payable and similar charges</b>	<b>323</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>323</b>
Interest income	0	-32	0	0	-32
Gains on derecognition	0	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>-32</b>	<b>0</b>	<b>0</b>	<b>-32</b>
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the I&E Account after impairment	0	0	0	0	0
Surplus arising on revaluation of financial assets	0	0	0	0	0
<b>Net gain / loss (-) for the year</b>	<b>323</b>	<b>-32</b>	<b>0</b>	<b>0</b>	<b>291</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>2009/10 £000s</b>
Financial Instruments gain	0
Rental income from investment properties	0
Current account interest	-32
<b>Total Investment income received in the I&amp;E Account</b>	<b>-32</b>

c) Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans, finance leases 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 1st November 2007, and are less favourable than the previous procedures. As a result the fair value figures for 31st March 2010 is relatively lower (less costly to redeem) than the 31st March 2009 comparators taking account of the increased borrowing;
- 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-Mar-09		31-Mar-10	
	Carrying amount £000s	Fair Value £000s	Carrying amount £000s	Fair Value £000s
PWLB Debt at amortised cost	-6,452	-6,930	-7,186	-7,373
Finance Lease	-2,108	-2,108	-2,061	-2,061
Creditors	-2,222	-2,222	-2,116	-2,116
<b>Total Financial Liabilities</b>	<b>-10,782</b>	<b>-11,260</b>	<b>-11,363</b>	<b>-11,550</b>
Money Market Loans less than 1 year	7,211	7,211	7,542	7,542
Debtors	376	376	121	121
Cash	345	345	331	331
<b>Total Loans and Receivables</b>	<b>7,932</b>	<b>7,932</b>	<b>7,994</b>	<b>7,994</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 31st March. All creditors and other payables are due to be paid in less than one year.

d) 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.

e) 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:
  - i.) the Authority's overall borrowing
  - ii.) the 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 the Treasury Management Policy approved by the Authority.

f) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. No deposits are made directly with banks and financial institutions except using a service level agreement with Buckinghamshire County Council where they must meet minimum requirements of their investment criteria. Cash surpluses are combined with balances from Buckinghamshire County Council to obtain higher aggregate returns.

There are no risks to the Authority of the funds being lost as Buckinghamshire County Council assumes all the risk of the investments made as these are

amalgamated with their own funds in their name and interest is paid to the Authority monthly as earned.

No breaches of Buckinghamshire County Councils counterparty criteria were reported to the 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 de-recognition, in view of the party involved and the fact that the Authority has the condition in writing that there is no risk of funds being lost and no financial adjustment is required.

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

g) Liquidity risk

The Authority invests any surplus cash using a service level agreement 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 funds from Buckinghamshire County Council are available for repayment on demand and are therefore considered 'cash', immediately available for investment by us with no possibility of loss. 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 CIPFA Code of Practice.

h) 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 debt calculation of £7.37 million has been provided by the PWLB on our behalf.

The maturity analysis of financial liabilities is as follows:

<b>31-Mar-09 £000s</b>	<b>Financial Liabilities</b>	<b>31-Mar-10 £000s</b>
-335	Maturing in less than 1 year	-69
0	Maturing within 2 years	0
-602	Maturing within 2 to 5 years	-602
-1,468	Maturing within 5 to 10 years	-1,468
-4,047	Maturing in more than 10 years	-5,047
<b>-6,452</b>	<b>Total</b>	<b>-7,186</b>

Our next PWLB Loans are due to mature in August 2012 (£300k) and August 2013 (£302k) and we already have a Debt Repayment Reserve of £568k to cover the majority of this amount.

i) Market risk

*Interest rate risk*

The Authority is exposed to interest rate movements on its investments as borrowings are taken at fixed rate and are carried at amortised cost. 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 but are carried at amortised cost, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or on the Statement of Total Recognised Gains and Losses (STRGL). However, changes in interest payable on fixed rate borrowings and variable rate investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. Movements in the fair value of any variable rate investments will be reflected in the STRGL, unless the investments have already 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 interest rates had been 1% different (+ or -) with all other variables held constant the financial effect would be:

	<b>2009/10 £000s</b>
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	71
Increase in government grant receivable for financing costs	0
<b>Impact on Income and Expenditure Account</b>	<b>71</b>
Decrease in fair value of fixed rate investment assets which impacts on the STRGL	0
Decrease in fair value of fixed rate borrowing liabilities which has no impact on the Income and Expenditure Account or the STRGL	0
<b>Total financial effect</b>	<b>71</b>

*Price risk*

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

### 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.

### 34. 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 effect on the accounts must be disclosed in a note to the accounts.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by between 6% and 10%

### 35. Prior Period Adjustments

Owing to changes in the Council Tax Accounting Regulations we are obliged to recognise a debtor in our restated Balance Sheet for any attributable share of the net cash collected from council tax debtors / creditors by the billing authority but not paid over to it at the balance sheet date, or a creditor for cash received in advance of billing. The table below shows a summary of the adjustments in the accounts relating to the change in accounting policy for Council Tax as required by the SORP 2009:

Core Statement	Line Item in the Accounts	2008/09 Accounts	Prior Period Adjustments £000s	2009/10 Accounts	Reason for movement
		Balance as at 31-Mar-09 £000s		<i>restated figures</i> Balance as at 31-Mar-09 £000s	
Income and Expenditure Account	Precept Income	-15,974	57	-15,917	The movement on the Authority's share of the Collection Fund surpluses / deficits during 2008/09 is posted to the I&E Account.
Statement of Movement on the General Fund Balance (SMGFB)	Amount by which council tax income included in the I&E Account is different from the amount taken to the General Fund in accordance with regulation.	0	-57	-57	The adjustment to precept income affects the surplus or deficit for the year, which is also shown in the SMGFB. The SMGFB is then neutralised by a transfer from the Collection Fund Adjustment Account.
Balance Sheet	Debtors	413	320	733	The Authority's share of council tax arrears, net of impairment allowance for doubtful debts and a net debtor for the Authority's share of cash collected by the billing authority relating to council tax, but not yet paid over as at the balance sheet date.
Balance Sheet	Creditors	-2,222	-299	-2,521	The Authority's share of council tax overpayments and prepayments.
Balance Sheet	Collection Fund Adjustment Account	0	-21	-21	A new unusable reserve needs to neutralise the effect of accounting for the collection of Council Tax on an agency basis.
<b>Total</b>	<b>Total</b>	<b>-17,783</b>	<b>0</b>	<b>-17,783</b>	

### 36. Notes to the Cash Flow Statement

#### a) Reconciliation of surplus / deficit on the Income and Expenditure Account to net cash inflow / outflow from operating activities

2008/09 £000s Restated Figures		2009/10 £000s
-11,437	<b>Surplus / Deficit (-) on the Income and Expenditure Account</b>	<b>-8,072</b>
	<u>Non cash transactions</u>	
2,814	Depreciation and impairment	2,367
-5	Deferred grants amortised in year	-4
10,557	Pension Fund adjustments	7,034
0	Part Time Workers Provision	250
<b>13,366</b>	<b>Total non cash transactions</b>	<b>9,647</b>
	<u>Adjustment for items recorded separately on cashflow</u>	
-300	Interest/investment income & asset sales	-32
310	Interest payable and similar charges	323
<b>10</b>	<b>Total adjustments for items recorded separately on cashflow</b>	<b>291</b>
	<u>Items on an accruals basis</u>	
0	Increase (-) / decrease in stock	-105
224	Increase (-) / decrease in debtors	119
-573	Increase / decrease (-) in creditors (excl. DCLG top up grant)	20
<b>-349</b>	<b>Total items on an accruals basis</b>	<b>34</b>
<b>1,590</b>	<b>Net cash outflow (-) / inflow from operating activities</b>	<b>1,900</b>

#### b) Reconciliation of Net Debt and related items to the Balance Sheet

	Cash £000s	Temporary Investments £000s	Total on Balance Sheet £000s	Loans due within 1 year £000s	Loans due after more than 1 year £000s	Deferred Liabilities £000s	Net Debt £000s
<b>Balance as at 01-Apr-09</b>	<b>345</b>	<b>7,211</b>	<b>7,556</b>	<b>-335</b>	<b>-6,117</b>	<b>-2,108</b>	<b>-1,004</b>
Receipt / payment of interest accrued at last balance sheet date	---	0	0	---	---	0	0
Other cash inflows in year	-14	331	317	266	-1,000	47	-370
Other non cash changes	---	0	0	---	0	0	0
<b>Balance as at 31-Mar-10</b>	<b>331</b>	<b>7,542</b>	<b>7,873</b>	<b>-69</b>	<b>-7,117</b>	<b>-2,061</b>	<b>-1,374</b>

c) Reconciliation of changes in cash to movement in net debt

2008/09 £000s		2009/10 £000s
17	Increase / decrease (-) in cash in year	-14
-253	Cash inflow / outflow (-) from management of liquid resources	331
	<u>Cash inflows</u>	
0	New loans raised	-1,000
0	<b>Total cash inflows</b>	<b>-1,000</b>
	<u>Cash outflows</u>	
0	Loans repaid	266
47	Deferred liabilities repaid	47
47	<b>Total cash outflows</b>	<b>313</b>
-189	<b>Change in net debt resulting from cash flows</b>	<b>-370</b>
	<u>Other non cash changes</u>	
72	Interest accrued at year end on temporary investments	0
72	<b>Total other non cash changes</b>	<b>0</b>
-117	<b>Change in net debt</b>	<b>-370</b>

2008/09 £000s	Net Debt	2009/10 £000s
-887	Net debt brought forward	-1,004
-117	Change in net debt during the year	-370
-1,004	<b>Net Debt carried forward</b>	<b>-1,374</b>

d) Analysis of changes in cash and liquid resources during the year

	31-Mar-09 £000s Restated Figures	31-Mar-10 £000s	Change in year £000s
Temporary investments	7,211	7,542	331
Cash	345	331	-14
<b>Increase / decrease (-) in cash</b>			<b>317</b>

e) Analysis of government grants as a cash inflows

31-Mar-09 £000s Restated Figures	The categories of government grants shown in the Cashflow Statement	31-Mar-10 £000s
0	Capital Activities	695
1,047	Revenue Activities	1,040
0	European Grants	0
<b>1,047</b>	<b>Total</b>	<b>1,735</b>

<b>31-Mar-09 £000s Restated Figures</b>	<b>Analysis of government grants for revenue activities</b>	<b>31-Mar-10 £000s</b>
130	Other Government Grants	115
915	USAR Grant	924
2	Other	1
<b>1,047</b>	<b>Total</b>	<b>1,040</b>

## Firefighters' Pension Fund Account

### Firefighter's Pension Fund

2008/09 £000s	Fund Account	2009/10 £000s	Notes
	<b>Income to the fund</b>		
	<u>Contributions receivable</u> ( <i>funds due to us during the year</i> )		
	From employer		
-2,495	<i>normal contributions</i>	-2,474	Note 1
0	<i>early retirements</i>	0	Note 1
-5	<i>other contributions</i>	-11	Note 1
-1,332	From members	-1,330	Note 1
	<u>Transfers in</u>		
-17	Individual transfers in from other schemes	-0	Note 1
0	Other transfers in	0	Note 1
<b>-3,849</b>	<b>Total Income to the fund</b>	<b>-3,816</b>	
	<b>Spending by the fund</b>		
	<u>Benefits payable</u>		
3,764	Pension payments	4,005	Note 1
742	Commutation of pensions and lump sum retirement benefits	1,582	Note 1
0	Lump sum death benefits	0	Note 1
0	Other benefits payable	0	Note 1
	<u>Payments to and on behalf of leavers</u>		
0	Refunds of contributions to people who leave the scheme	0	Note 1
48	Individual transfers out of the scheme	0	Note 1
0	Other payments	0	Note 1
<b>4,555</b>	<b>Total Spending by the Fund</b>	<b>5,587</b>	
<b>706</b>	<b>Net amount payable / receivable for the year before top up grant receivable / amount payable to sponsoring Department</b>	<b>1,771</b>	
-706	Top up grant receivable / amount payable to sponsoring Department	-1,771	
<b>-0</b>	<b>Net amount payable (-) / receivable for the year</b>	<b>0</b>	

### Firefighters' Pension Fund Net Assets Statement

2008/09 £000s	Net Assets Statement	2009/10 £000s	Notes
	<b>Net current assets and liabilities</b>		
0	Contributions due from employer	0	Note 1
332	Pensions top up grant receivable from sponsoring department	479	Note 1
0	Unpaid pensions benefits	0	Note 1
0	Amount due to sponsoring department	0	Note 1
-332	Other current assets and liabilities ( <i>other than liabilities and other benefits in the future</i> )	-479	Note 1
<b>0</b>	<b>Net assets at the end of the year</b>	<b>0</b>	

## **Notes to the Firefighters' Pension Fund Accounts**

### **1. Pension Fund arrangements**

Before 1st 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 outgoings 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 Department.

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.

### **2. Pension Fund Accounting Policies**

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

### **3. Balancing the Pension Fund Account**

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.

### **4. Pension Fund Investment Assets**

As the Scheme is unfunded there are no investment assets.

## Glossary of Terms

### **Accounting Standards**

FRSs and SSAPs refer to the accounting practice that must be adopted in the preparation of accounts.

### **Amortisation / Amortise**

The equivalent of depreciation for intangible assets.

### **BMKFA**

Acronym for Buckinghamshire & Milton Keynes Fire Authority.

### **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, 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 that 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.

### **Collection Fund Adjustment Account**

Provides a balancing mechanism for

the timing differences between statutory accounting requirements and full accruals accounting for council tax.

### **Creditors**

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

### **DCLG**

Formerly the 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)**

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.

### **FRS 17**

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.

**Impairments**

A downward revision in the value of assets; the exact opposite to revaluation (upwards) of asset values.

**IRMP**

The Integrated Risk Management Plan covers the 3 years 2009 – 12 and explains what BMKFA is going to do to develop its services for the future.

**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.

**NJC**

National Joint Council for Local Authority Fire and Rescue Services.

**OJEU**

Official Journal of the European Union where contracts for Supplies, Services and Works are required to be advertised when exceeding financial limits.

**Outturn**

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

**PPT**

Property, Procurement and Transport, a division under the Treasurer which handles the Property portfolio, contracts and tender negotiations and Transport.

**Precept**

An amount of money levied by one

authority (the precepting authority) which is collected by another authority (the billing authority) as part of the council tax. BMKFA is a precepting authority and the four Buckinghamshire District Councils and Milton Keynes Council are the collecting authorities.

**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 (PWLB)**

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

**Revaluation Reserve**

Records unrealised revaluation gains arising (since 01-Apr-07) from holding fixed assets.

**Revenue Expenditure**

This 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.

**RCCO**

Revenue Contribution to Capital Outlay.

**SORP**

Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice (the SORP) 2009 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.

**Statement of Standard Accounting Practice (SSAP)**

An earlier version of Financial Reporting Standards.

**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.