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# Introduction

## Welcome to our Statement of Accounts

This document sets out the financial activities of the Buckinghamshire and Milton Keynes Fire Authority for the year ended 31 March 2007. It shows the financial detail of the services we have provided and the resources consumed and the financial position at the end of the year.

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

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

The Authority has been audited by the Audit Commission in 2006 and deemed to be “improving well”.

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

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

.....  
David Rowlands  
Chairman

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

# Explanatory Foreword

In compiling these accounts we have followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice.

The accounts are drawn up in accordance with the accounting policies set out in detail on pages 45-51.

The responsibility for the proper administration of the Authority's financial affairs is the statutory officer (referred to as the Section 151 officer) who is required by law to confirm that the Authority's system of internal controls can be relied upon to produce an accurate statement of accounts. The statement of assurance appears on page 38.

The main statements included in the accounts are listed below together with an explanation of their purpose. The Statement of Accounts 2006-07 is significantly different from the 2005-06 accounts because the changes in reporting requirements by the accounting boards. Details of the changes and reporting requirements are set out in the Technical Appendix on pages 52-58.

## **The Income and Expenditure Account**

This account shows the costs for all the Authority's functions and demonstrates how these costs have been funded with government grants, business rates and council tax. The Account is set out on page 9.

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

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

This statement follows the Income and Expenditure account. They are supported by additional notes on pages 14-18.

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

This is set out on page 11 and shows the movement in the balance sheet between closing the 2005-06 accounts and the 2006-07 accounts. The statement brings together all the gains and losses for the year including the gain or loss from the Income and Expenditure account with supporting notes on page 19.

## **The Balance Sheet**

This shows the financial position of the Authority on the 31<sup>st</sup> March. 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 (p12) and supporting notes are on pages 20-28.

## **The Cash Flow Statement**

This statement summarises the total cash movements during the year for capital and revenue purposes. This is on page 13 with supporting notes on pages 29-30.

## Service expenditure during 2006-07

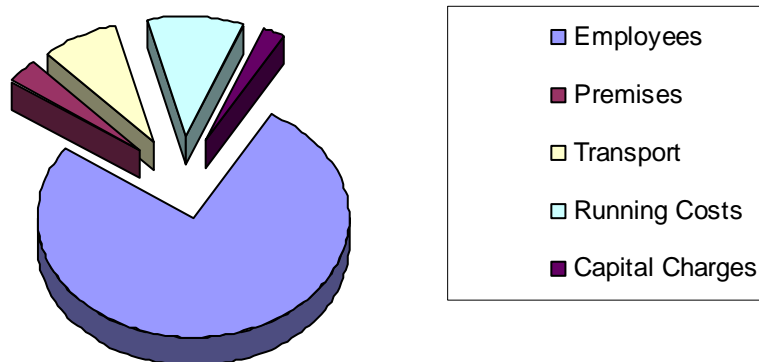
In setting the budget for 2006-07 the Authority raised the amount required from the council tax payers of Buckinghamshire by 6.38%. The levy on council tax band D properties for 2006-07 was set at £49.86 based on the number of Band D properties totalling 282,123. This was still one of the lowest Fire Authority precepts in the country. The increase was agreed by Members in order to provide additional staffing and resources to address some of the weaknesses which had been highlighted by the Audit Commission inspectors in 2005.

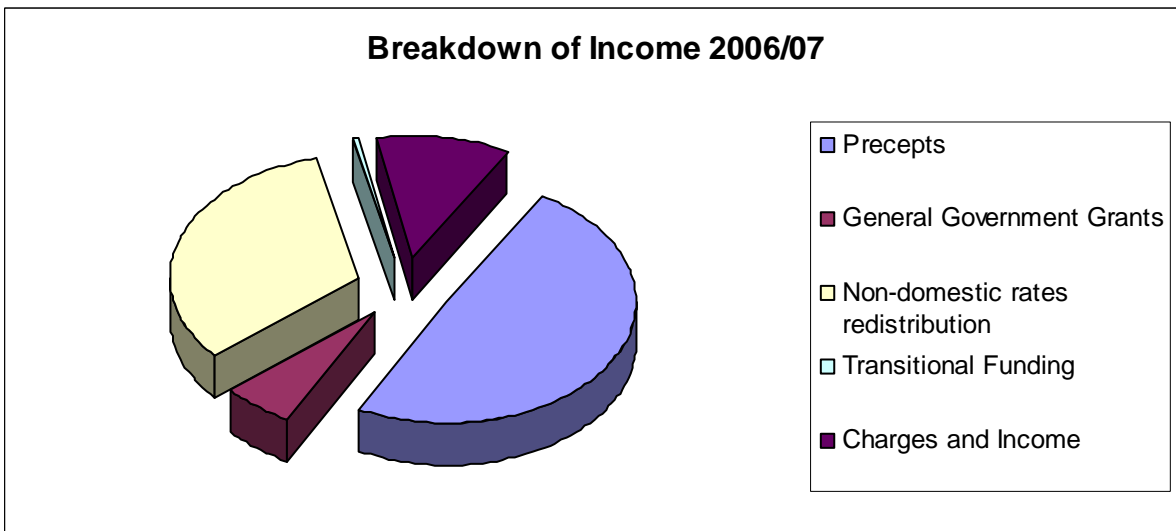
The following table shows the revenue spend against the budget for 2006-07 as a whole:

### Income and Expenditure 2006-07

2005/06			2006/07	
Actual	Budget		Actual	Budget
£000s	£000s		£000s	£000s
21,872	20,486	Employees	21,605	21,787
795	739	Premises	932	907
923	953	Transport	2,239	2,311
2,002	2,673	Running Costs	2,841	1,978
989	853	Capital Charges	638	1,135
<b>26,581</b>	<b>25,704</b>	<b>Expenditure</b>	<b>28,255</b>	<b>28,118</b>
-2,713	-1,555	Income	-3,276	-2,940
-13,146	-13,127	Precepts	-14,084	-14,067
-3,007	-3,007	General Government Grants	-1,769	-1,769
-8,014	-8,014	Non-domestic rates redistribution	-9,178	-9,178
		Transitional Funding	-164	-164
<b>-26,880</b>	<b>-25,704</b>	<b>Income</b>	<b>-28,471</b>	<b>-28,118</b>
<b>-299</b>	<b>0</b>	<b>TOTAL (underspend)</b>	<b>-216</b>	<b>0</b>

### Breakdown of Expenditure 2006/07





Gross expenditure in 2006/07 was £28,255,000 and gross income in 2006/07 was £28,471,000. There was a net surplus in year of £216,000 which transfers to the General Fund balance. It is intended that this surplus will be carried forward to 2007-08 and used to fund one-off expenditure.

Included within the gross expenditure is a transfer to reserves of £200,000 as a contribution towards future capital expenditure. A debt repayment reserve of £335,000 has also been set up to help offset future loan repayments.

Over the course of 2006-07 additional posts were added to corporate support functions and new posts in the Community Safety department. The Authority is gradually transferring more resource into Community Safety and Prevention work. It received £88,000 from the Department for Communities and Local Government (DCLG) in specific grants to support its work with fitting smoke detectors in homes for vulnerable people and other new approaches to crime prevention work. The Authority works with the Police and other partners to promote these initiatives. The Income and Expenditure Account on page 9 shows the increase of resources spent on Community Safety work in 2006-07 compared with 2005-06.

The Authority received £328,000 in 2005-06 to be applied over 2 years as transitional funding to assist with “modernising” the Fire Service, following the strikes in 2002. The Fire Service was charged with removing the old, military-style ranking system for staff and applying modern roles to all operational and non-operational posts. Working methods are being modernised to allow for better collaboration with neighbouring brigades as well as the other emergency services (regional working). The Authority completed the conversion of staff from the old rank system to the new role based system in 2006-07 including dealing with any appeals that were outstanding.

Additional posts were provided in the Operations directorate to enable us to address the many developments that the Authority needs to prepare for: the introduction of the Regional Control Centre, the transfer of our communications systems to new systems to enable communication between all emergency services (the FireLink programme), planning for demographic growth, and other working streams for Regional collaboration.

A significant change took place in 2006-07 with the introduction of the new fire fighters’ pension arrangements. Previously the Authority was responsible for the cost of pension

payments when they fell due but this has now changed and the Authority makes employer contributions into the Firefighters Pension Fund and is not responsible for pension payments.

A more detailed explanation of the changes can be found on page 33. Please refer to pages 27-28 for full details on the pensions liability.

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

2005/06 Numbers	Activity	2006/07 Numbers
	<b>Response</b>	
19,983	Calls to the Control Room	20,665
9,724	Turnouts	9,848
3,862	Fires attended	3,773 (of which 2,057 deliberate)
627	Road Accidents attended	605
5,862 (of which 4,207 false alarms)	Other incidents attended	5,510 (of which 4,316 false alarms)
55 from fires RTCs Not available	Lives saved	62 from fires 154 from RTC's
13	Major incidents	7*
	<b>Community Safety</b>	
3,011	Home Fire Risk Checks	5,636
1,041	Smoke Alarms fitted for vulnerable people	2,027
Not available	Arson investigations	113
184	School Safety Courses	139 (5,597 children)
Not available	Other Youth initiatives (i.e. Firesetters and Youth diversion courses)	222 visits (2,256 children)
21,196 children (428 schools)	Visits to the Milton Keynes Safety Centre	20,473 children (431 schools)

\* The major incidents attended included a major fire at Pinewood Studios, an accidental fire at the Chiltern Archery Centre and a malicious fire at the derelict Sheraton factory.

Further details and supporting explanatory notes on the Income and Expenditure account are on pages 14 - 18.

### 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 2006/07 was £2,276,000. A total of £1,226,041 was spent on capital schemes and equipment as follows:

Land & Building	Plant, Vehicles and Equipment	Total
£000s	£000s	£000s
481	745	1,226

Further detail of the expenditure is shown in Note 1 to the Balance Sheet on page 20.

There are a number of building and refurbishment schemes underway within the planned maintenance programme and currently two major new building projects under development: namely, a new fire station with Search and Rescue facilities at Beaconsfield and a replacement fire station in High Wycombe on a new site due to the re-development of Wycombe town centre. Both the High Wycombe scheme and the Beaconsfield scheme experienced considerable delays during 2006-07. Funds set aside for these projects will be carried forward to 2007-08 and used as the schemes proceed.

There is a programme of replacing three fire appliances a year together with their equipment and the IT department also has a capital allocation for replacing PCs and implementing new systems.

The Authority's current loans are borrowed from the Public Works Loan Board. During 2006/07 the Authority took out a further loan £2,174,000 with the PWLB, taking the Authority's total borrowing for capital purposes to £6,452,000. This borrowing was agreed with member approval to meet the demands of the capital programme. The Authority used all its existing capital receipts during 2006-07 and therefore can currently only proceed with its capital programme by continuing to borrow funds.

### Reserves and balances

The Authority currently has a healthy level of reserves. The interest earned on the bank balances provides essential income to support the Income and Expenditure account and amounted to £312,000 in 2006-07. The list of reserves is set out in Note 1 to the Statement of Total Recognised Gains and Losses on page 19. There is a mixture of earmarked and general reserves as well as some notional accounting reserves. The earmarked reserves are as follows at 31 March:

<b>Balance as at 31 March 2006 £000s</b>	<b>Reserve</b>	<b>Balance as at 31 March 2007 £000s</b>
1,928	Time Served Retirements	1,928
1,794	General Fund Balance	2,010
0	Debt payment	335
50	Control Room (Unforeseen events)	50
<b>3,772</b>	<b>Total</b>	<b>4,323</b>

### Audit and Inspection

The Authority was inspected by the Audit Commission and assessed on three criteria: its Operational Assessment and Service Delivery, its Use of Resources and its Direction of Travel. The Authority was deemed to be 'improving well', having made good progress in its key priority areas and in delivering wider community outcomes. For the Use of Resources the Authority was found to be performing adequately, but for its value for money score it was found to be performing well.

# **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

## **The Authority's Responsibilities**

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

## **The Responsibilities of the Treasurer**

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

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

## **Certificate of the Treasurer**

I hereby certify that this Statement of Accounts presents fairly the financial position of the authority as at 31 March 2007 and its income and expenditure for the financial year 2006-07.

C Changer CPFA  
Treasurer

Date:

## **Approval of the Statement of Accounts**

I hereby confirm that this Statement of Accounts has been approved by the Combined Fire Authority at its Executive Committee meeting held on the 28 June 2007.

D Rowlands  
Chairman

Date:

## Income and Expenditure Account

2005/06		2006/07		
Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000s		£000s	£000s	£000s
1,822	Community Fire Safety	3,961	-243	3,718
23,705	Fire Fighting & Rescue Operations	23,572	-1,017	22,555
200	Corporate & Democratic Core	2,459	-1,626	833
-205	Non distributed costs	162	-263	-101
<b>25,522</b>	<b>Net Cost of Services</b>	<b>30,154</b>	<b>-3,149</b>	<b>27,005</b>
-221	Profit on disposal of Fixed Assets			-51
	Loss on disposal of fixed assets			
200	Interest payable and Similar charges			265
	Investment losses			0
-288	Interest and Investment Income			-312
6,384	Pensions interest cost and expected return on pensions assets			6,239
<b>31,597</b>	<b>Net Operating Expenditure</b>			<b>33,146</b>
-13,146	Precepts			-14,083
-3,007	General Government Grants			-1,769
-8,014	Non-domestic rates redistribution			-9,178
	Transitional Funding			-164
<b>7,430</b>	<b>Deficit for the Year</b>			<b>7,952</b>

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

The table above shows a high level view of our expenditure on our Services. Detailed notes can be found on pages 14-18.

## Movement on the General Fund Balance

2005/06	Statement of Movement on the General Fund Balance	2006/07
£ 000s		£ 000s
7,430	Surplus (-) / Deficit (+) for the year on the I & E	7,952
-7,729	Net additional amount required by statute and non-statutory proper practices to be debited or credited (-) to the General Fund Balance for the year	-8,168
-299	Increase in General Fund Balance for the Year	-216
-1,495	General Fund Balance Brought Forward	-1,794
-1,794	General Fund Balance carried forward	-2,010
	<b>Note of reconciling items for the Movement on the General Fund Balance</b>	
	<b>Amounts included in the I &amp; E but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.</b>	
0	Amortisation of Intangible Fixed Assets	
-841	Depreciation and impairment of fixed assets	-921
0	Government Grants Deferred Amortisation	-5
0	Net loss on Sale of fixed assets	
221	Net gain on Sale of fixed assets	51
-10,260	Net charges made for retirement benefits in accordance with FRS17	-11,373
<b>-10,880</b>	<b>TOTAL</b>	<b>-12,248</b>
	<b>Amounts not included in the I &amp; E but required to be included by statute when determining the Movement on the General Fund Balance for the year.</b>	
134	Minimum Revenue Provision for capital financing	160
0	Capital expenditure charged in-year to the General Fund Balance	321
3,260	Employers contributions payable to the Pensions Account and retirement benefits payable direct to pensioners	3,264
<b>3,394</b>	<b>TOTAL</b>	<b>3,745</b>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year.</b>	
0	Voluntary Revenue Provision for Capital financing	335
-243	Net transfer to or from earmarked reserves	
<b>-243</b>	<b>TOTAL</b>	<b>335</b>
<b>-7,729</b>	<b>Net additional amount required to be credited (-) or debited to the General Fund Balance for the year.</b>	<b>-8,168</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND

## LOSSES

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

2005/06 £000s	<b>Statement of Total Recognised Gains/Losses for the year</b>	2006/07 £000s
- 7,430	Surplus (+) / Deficit (-) on year in Income & Expenditure a/c	- 7,952
- 4,040	Surplus arising on Revaluation of Fixed Assets	1,535
- 2,495	Actuarial Gains/Losses on Pension Fund Assets/Liabilities	4,714
5	Any other gains and Losses:	- 27
<b>- 13,960</b>	<b>Total Recognised Gains/Losses for the year</b>	<b>- 1,730</b>
	Prior Year adjustments	- 125
<b>- 13,960</b>	<b>Total Recognised Gains/Losses Since the last annual report</b>	<b>- 1,855</b>

Deficit on year in the Income and Expenditure Account see Income and Expenditure Account (page 9).

Surplus arising on revaluation of fixed assets see Note 10 to the Balance Sheet (page 24).

Actuarial gains/losses on Pensions Funds Assets and Liabilities see Note 19 to the Balance Sheet (page 28).

Prior Year adjustments relate to the reclassification of £121k of Usable Capital Receipts and £4k of amortisation of deferred government grant.

## BALANCE SHEET

2005/06			2006/07	
£000s			£000s	Notes
	<b>FIXED ASSETS</b>			
		Intangible Fixed Assets	45	Note 1
		Tangible Fixed Assets - Operational:		
27,494		Land & Buildings	28,916	Note 1
2,470		Vehicles, Plant & Equipment	2,967	Note 1
820		Tangible Fixed Assets - Non-Operational:	722	Note 1
<b>30,784</b>		<b>TOTAL FIXED ASSETS</b>	<b>32,650</b>	
		LONG-TERM ASSETS		
		Long term investments		
		Long-term debtors		
<b>0</b>		<b>TOTAL LONG-TERM ASSETS</b>	<b>0</b>	
	<b>CURRENT ASSETS</b>			
176		Stock & Works in Progress	173	Note 2
824		Debtors	1,515	Note 3
6,310		Investments	8,435	Note 4
228		Payments in Advance	287	
-210		Cash at Bank		
		Cash in Hand	15	
<b>7,328</b>		<b>TOTAL CURRENT ASSETS</b>	<b>10,425</b>	
<b>38,112</b>		<b>TOTAL ASSETS</b>	<b>43,075</b>	
	<b>CURRENT LIABILITIES</b>			
		Short-term borrowing		
-2,180		Creditors	-2,710	Note 5
-97		Receipts in Advance	-485	
		Bank overdraft	-499	Note 6
-164		Transitional Grant Repayment	-164	Note 8
-2,441		<b>TOTAL CURRENT LIABILITIES</b>	<b>-3,858</b>	
<b>35,671</b>		<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>39,217</b>	
	<b>LONG-TERM LIABILITIES</b>			
-4,278		Long-term Borrowing	-6,452	
		Provisions		
-164		Transitional Grant		
-2,249		Finance Lease	-2,203	Note 9
		Deferred liabilities		
-128,487		Liability related to defined benefit pension scheme	-131,939	
-135,178		<b>TOTAL LONG-TERM LIABILITIES</b>	<b>-140,594</b>	
<b>-99,507</b>		<b>TOTAL ASSETS LESS LIABILITES</b>	<b>-101,377</b>	
		Financed by:		
26,708		Fixed Asset Restatement Account	28,243	Note 10
21		Government grants deferred	17	Note 11
-2,337		Capital Financing Account	-2,021	Note 12
816		Usable Capital Receipts Reserve	0	Note 13
1,928		Ear-marked Reserve - Time Served Retirements	1,928	Note 14a
1,794		General Fund Balance	2,010	Note 14b
		Earmarked (Debt Repayment) Reserves	335	Note 14c
50		Earmarked Control Room Reserves	50	Note 14d
-128,487		Pensions Reserve	-131,939	Note 14e
<b>-99,507</b>		<b>TOTAL NET WORTH</b>	<b>-101,377</b>	

## CASH FLOW STATEMENT

31.03.2006 £000s		31.03.2007	
		£000s	£000s
	<b>Revenue activities</b>		
	<b>Expenditure</b>		
26,000	Cash paid to and on behalf of employees	21,646	
4,149	Other operating costs	4,866	
<b>30,149</b>			<b>26,512</b>
	<b>Income</b>		
-3,007	Revenue Support Grant	-1,769	
-8,014	National Non Domestic Rates	-9,178	
-13,146	Precepts	-14,084	
-500	Other government grants and reimbursements	-987	
-5,221	Cash received for goods and services	-1,506	
<b>-29,888</b>			<b>-27,523</b>
<b>261</b>	<b>Revenue activities net cash (inflow) – note 1</b>		<b>-1,011</b>
	<b>Servicing of Finance</b>		
	<b>Expenditure</b>		
166	Interest	198	
	<b>Income</b>		
-288	Interest received	-275	
<b>-122</b>			<b>-77</b>
<b>139</b>			<b>-1,088</b>
	<b>Capital activities</b>		
	<b>Expenditure</b>		
2,392	Purchase of fixed assets	1,700	
	Purchase on Intangible Fixed Assets		
			<b>1,700</b>
	<b>Income</b>		
-520	Sale of fixed assets	-65	
-21	Capital grants		
<b>-541</b>			<b>-65</b>
<b>1,990</b>	<b>Net cash (inflow)/outflow before financing</b>		<b>547</b>
	<b>Financing</b>		
<b>-627</b>	<b>Loans taken out</b>		<b>-2,174</b>
<b>1,363</b>			<b>-1,627</b>
	<b>Liquid Resources</b>		
-1,315	Temporary Investments	2,125	
	Temporary Loans	-224	<b>1,901</b>
<b>48</b>	<b>(Increase)/decrease in cash – note 2)</b>		<b>274</b>

# Notes to the Core Financial Statements

## Notes to the Income and Expenditure Account

### 1. Further Analysis of Service Expenditure Headings

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

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

#### a) Central Services

2005/2006 Net Exp £000s	Central Services	2006/2007 Net Exp £000s
200	Corporate & Democratic Core	833
-205	Non Distributed Costs	-101
<b>-5</b>		<b>732</b>

In 2006/07 Corporate and Democratic Core expenditure was limited to expenditure allowed in the guidance and Non-Distributed costs refer to pensions past service costs. All other expenditure has been distributed across the two operational service heads below (Community Fire Safety and Fire Fighting and Rescue Operations) using appropriate basis for apportionment. The increase in the costs of the Corporate and Democratic Core costs arise from taking account of more officer time that can be attributed to these areas based on the guidance.

#### b) Community Fire Safety

2005/2006 Net Exp £000s	Community Fire Safety	2006/07 Net Exp £000s
1,091	Statutory Inspection & Certification	1,318
512	Prevention and Education	1,259
193	Health & Safety	261
26	Technical Department	880
<b>1,822</b>		<b>3,718</b>

There has been a significant increase in Community Fire Safety work as we have re-aligned our resources to reflect changing priorities and risks. Community Safety work undertaken by operational response crews has been directly apportioned to Prevention and Education to take account of Home Fire Risk checks and other Community Safety work carried out.

#### c) Fire Fighting and Rescue Operations

2005/2006 Net Exp £000s	Fire Fighting & Rescue Operations	2006/07 Net Exp £000s
22,366	Operational Responses	21,410
1,200	Communications and Mobilising	945
139	Securing Water Supplies	200
<b>23,705</b>		<b>22,555</b>

The reduction reflected in firefighting and rescue operations between years is explained in notes 1a and 1b above.

## 2. Officers' Remuneration

The number of employees, who were paid a remuneration of £50,000 (excluding pensions contributions) or more, are shown below in bands of £10,000. The remuneration amounts include retirement payments received but exclude employee pension contributions.

2005/2006 Total	Remuneration Band	2006/07	
	£	Total	Retirements
7	50,000 – 59,999	4	0
5	60,000 – 69,999	1	0
2	70,000 – 79,999	2	0
1	80,000 – 89,999	1	1
1	90,000 – 99,999	1	0
1	100,000 – 109,999	0	0
1	110,000 – 119,999	0	0
1	120,000 – 129,999	0	0
2	130,000 – 139,999	0	0
-	140,000 – 149,999	1	1
-	160,000 – 169,999	1	1
1	180,000 – 189,999	1	1
-	200,000 – 209,999	1	1
22	Total	13	5

## 3. Provision for doubtful debts

The provision for doubtful debts was £93,034 at 31 March 2006. The doubtful debt provision is now £61,817 based on known debt transferred from old systems in 2004 which is extremely doubtful (£17,466) and a provision for other debt at year end (£44,519) some of which is in excess of a year old.

## 4. Leases

The operating leases held by the Fire Authority apply to lease vehicles and radio communications equipment. The lease rentals paid during the year amounted to £489,547 (£539,146 in 2005/06)

The estimated undischarged obligations under the operational lease agreements at 31st March 2007 amounted to £1,374,446 (£2,403,139 as at 31 March 2006).

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 9 to the Balance Sheet on page 23.

## 5. Minimum Revenue Provision (MRP)

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

The minimum amount is statutorily calculated, and was £159,740 (£134,520 for 2005/06).

2005/06 £000s		2006/07 £000s
5,761	Opening Capital Financing Requirement	6,392
2,398	Less 'A-Factor'	2,398
<b>3,363</b>	<b>Adjusted Capital Financing Requirement</b>	<b>3,994</b>
135	Minimum Revenue Provision at 4% of adjusted CFR	160
841	Amount charged as Depreciation	929
-706	Depreciation / Principal Loan Repayment adjustment to Revenue Account	-769
135	Minimum Revenue Provision	160

## 6. Section 137(3) of the Local Government Act 1972 and Section 5 of the Local Government Act 1986

Section 137 empowers the Authority, subject to various conditions and limits, to incur expenditure that is in the interests of the residents of Buckinghamshire. Currently no expenditure is incurred under section 137(3).

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

2005/2006 £000s		2006/2007 £000s
2	Other Publicity	2
32	Recruitment Advertising	34
<b>34</b>		<b>36</b>

## 7. Members Allowances

Total attendance allowances paid in 2006/07 amounted to £40,060. (2005/06 amounted to £36,075). Detailed information on individual allowances is available on request.

## 8. Audit Fees

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

2005/06 £000s		2006/07 £000s
57	External Audit Services	65
	Inspection	5
57		<b>70</b>

## 9. Funding

The Fire Authority's net revenue expenditure is funded by government grants and local authority precepts which are broken down below to show the amounts paid by precepting authorities. In 2006/07 there were 282,123 Band D properties and in 2005/06 there were 280,069 Band D properties. The differences between contributing authorities reflects the variance in Band D property calculations.

	2005/06 £000s	2006/07 £000s
<b>Government Grants</b>		
RSG	-3,007	-1,769
NNDR	-8,014	-9,178
Transitional Funding		-164
<b>Contributions/Precepts</b>		
Aylesbury Vale District Council	-3,064	-3,213
Chiltern District Council	-2,037	-2,176
Milton Keynes Council	-3,527	-3,817
South Bucks District Council	-1,426	-1,546
Wycombe District Council	-3,092	-3,331
<b>Total</b>	<b>-24,167</b>	<b>-25,194</b>

## 10. Related Parties

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

*Central Government* has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and prescribes the terms of many of the transactions that the Authority has with other parties. It also provided direct financial support to the Authority in 2006/07.

*Other Public Bodies.* Buckinghamshire County Council provides Internal Audit Services for the Authority. This is undertaken on a commercial basis and will therefore not have a controlling influence on either body.

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

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

to public inspection.

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

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

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

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

## **11. Grants**

Section 31 grants received from the DCLG by the Authority are detailed below. The grants are not ring-fenced but are given for specific streams of work. The figures are the net figures after unapplied grant has been carried forward to 2007/08.

<b>Revenue Grants</b>		<b>2006/07 £000s</b>
DCLG	Urban Search & Rescue	502
DCLG	New Burdens	33
DCLG	Community Safety	88
DCLG	Training	43
DCLG	Specific Audit Work	12
<b>Total Revenue Grants</b>		<b>677</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES - NOTES

### Summary of Movements on Reserves (Note 1)

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.

Reserve	Balance as @ 1/4/06 £000s	Net Movement in Year £000s	Balance as @ 31/3/07 £000s	Purpose of Reserve
Fixed Asset Restatement Account (See Balance Sheet Note 10)	26,708	1,535	28,243	Store of gains on revaluation of fixed assets.
Government grants deferred (See Balance Sheet Note 11)	21	-4	17	Government Grant Received to fund capital financing costs relevant to conditions of grant
Capital Financing Account (See Balance Sheet Note 12)	-2,337	316	-2,021	Store of capital resources set aside to meet past expenditure
Usable Capital Receipts Reserve (See Balance Sheet Note 13)	816	-816	0	Proceeds of fixed asset sales available to meet future capital investments
Time Served Retirements (See Balance Sheet Note 14a)	1,928	0	1,928	Resources available to meet past costs of the previous pension scheme arrangements relating to Firefighters Pensions.
General Fund Balance (See Balance Sheet Note 14b)	1,794	216	2,010	Resources available to meet future costs of running the Service
Debt Repayment (See Balance Sheet Note 14c)	0	335	335	Resources available to meet borrowing costs already committed to.
Control Room (See Balance Sheet Note 14d)	50	0	50	The unforeseen events reserve was established with committee approval in 2004/05 to assist with issues relating to Regional Control rooms.
Pensions (See Balance Sheet Note 14e)	-128,487	-3,452	-131,939	Balancing Account to allow inclusion of Pensions Liability in the Balance Sheet
	<b>-99,507</b>	<b>-1,870</b>	<b>-101,377</b>	

# NOTES TO THE BALANCE SHEET

## 1. Net Fixed Assets

### (a) Movement of Fixed Assets

	Land & Buildings £000s	Vehicles Plant & Equipment £000s	AUC £000s	Intangible Assets £000s	Total £000s
Gross Book Value at 31.03.2006	27,745	7,427	820	0	35,992
Additions	98	245	883		1,226
Disposals		-15			-15
Reclassifications	218	763	-981	45	45
Revaluations	1,524				1,524
Gross Book Value at 31.03.2007	29,585	8,420	722	45	38,772
Depreciation B/F	-251	-4,957			-5,208
Depreciation for the Year	-418	-511			-929
Depreciation on Disposal		15			15
Depreciation C/F	-669	-5,453			-6,122
<b>Net Book Value at 31<sup>st</sup> March 2007</b>	<b>28,916</b>	<b>2,967</b>	<b>722</b>	<b>45</b>	<b>32,650</b>
<b>Net Book Value at 31<sup>st</sup> March 2006</b>	<b>27,494</b>	<b>2,470</b>	<b>820</b>		<b>30,784</b>

The properties were valued by Ken Oldknow BSc MRICS, Estates and Valuation Officer, Buckinghamshire County Council Property Department with whom the Fire Authority has a Service Level Agreement. All valuations are current values as at 1 April 2006.

Operational buildings of a specialized nature (fire stations), 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 specialized nature (offices) was based on open market value for existing use, having regard to evidence of transactions on similar premises.

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

The issue of Impairment has been considered in accordance with FRS11 and there are no impairment issues to recognise in 2006/07.

(b) Capital Account Expenditure 2006/07

	<b>Land &amp; Buildings £000s</b>	<b>Plant &amp; Vehicles £000s</b>	<b>Total £000s</b>
Marlow Fire Station	10		10
Great Holm Hot Fire Facility	61	170	231
Beaconsfield Fire Station	288		288
Wycombe New Fire Station	10		10
Amersham Fire Station	26		26
PPM	86		86
Fire Appliances		419	419
IT Projects		47	47
Operational Equipment		109	109
<b>TOTAL SPEND 2006/07</b>	<b>481</b>	<b>745</b>	<b>1,226</b>

i) Capital Account – Financing

<b>Source of Funding</b>	<b>£000s</b>
Supported Capital	466
Borrowing	
Capital Receipts	760
Capital Grants	
	<b>1,226</b>

ii) Disposals

<b>Asset</b>	<b>Net Book Value £000s</b>
White Fleet	8
Red Fleet	7
Total	15

(c) Statement of Physical Assets Held

Fire Stations	20 (6 Whole time, 4 Whole time Day-crewed, 10 Retained)
HQ Buildings & Vehicle Workshop	1
Houses	2
Vehicles	48 (Operational Response Vehicles)

(d) Commitments under capital contracts

There were some small amounts outstanding on capital contracts which had been entered into by the Authority as at 31<sup>st</sup> March 2007.

(e) Capital Projects Underway:

The proposed move of Wycombe Fire Station is in the initial stages of scoping and proposed sites are being discussed with the local authority. The proposed new site would incorporate modern buildings and accommodation for members of the brigade. There is also potential for community

safety facilities.

The development of a new site at Beaconsfield for a fire station and Search and Rescue facility has been delayed due to a number of problems and consequently the project is behind schedule.

## 2. Stocks and Work in Progress

31.03.2006 £000s		31.03.2007 £000s
144	Stores	113
32	Workshops	31
	Fuel	29
<b>176</b>		<b>173</b>

The fuel stock figure was previously included in the stores figure and in 2005/06 was £41,204.

## 3. Debtors

31.03.2006 £000s		31.03.2007 £000s
	<b>Amounts falling due within one year</b>	
197	Government Departments	985
248	Other Local Authorities	69
472	Sundry Debtors	523
228	Payments in advance	287
-93	Provision for doubtful debts	-62
<b>1,051</b>		<b>1,802</b>

The major debtor that was outstanding at year end was the grant owed to the Authority by the DCLG for the USAR team. Payments in advance represent amounts paid in the current year (2006/07) in respects of goods and services for the forthcoming year (2007/08). The majority of this expenditure is for pensions payments.

## 4. 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 at the end of 2006/07 were £8,435k and at the end of 2005/06 were £6,310k.

## 5. Creditors

31.03.2006 £000s		31.03.2007 £000s
523	Government Departments	1,632
105	Other Local Authorities	192
1,074	Other sundry creditors	881
478	Capital Expenditure Creditors	5
<b>2,180</b>		<b>2,710</b>

Government Departments owed money at the end of the year have risen due to the money owing for the surplus funding received from the DCLG for pensions top up grant. Capital creditors have fallen due to the small number of major projects underway in 2006/07.

## 6. Bank Overdraft

The cash at the bank as at 31 March 2007 was £559k. There were payments pending for the final BACs payments of the year totalling £747k and the pensions paid in advance of April 2007 of £298k. The net figure for cash at bank is therefore an overdraft of £499k including other sundry items.

## 7. Long Term Borrowing

The Authority undertakes long term borrowing, principally as a means of financing expenditure on fixed assets. The total loans outstanding are analysed as follows: -

### Long term external borrowing by category of lender

Source of loan	Range of interest rates applicable (at 31 March 2006) (%)	Total outstanding at	
		31.03.2006 £000s	31.03.2007 £000s
Public Works Loan Board	3.9% To 5.75%	4,278	6,452
		<b>4,278</b>	<b>6,452</b>

### Long term external borrowing by repayment dates

	31.03.2006 £000s	31.03.2007 £000s
Maturing in Less Than 5 Years	335	335
Maturing in 5 – 10 years	1,117	1,485
Maturing in 10 – 15 years	953	585
Maturing in 15 – 20 years	620	620
Maturing in 20 – 25 years	626	626
Maturing In over 25 years	627	2,801
	<b>4,278</b>	<b>6,452</b>

## 8. Transitional Funding

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

## 9. Finance Lease

31.03.2006 £000s		31.03.2007 £000s
2,296	Finance Lease	2,249
-47	Principal repayment	-46
<b>2,249</b>		<b>2,203</b>

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

## 10. Fixed Asset Restatement Account

<b>31.03.2006</b> <b>£000s</b>		<b>31.03.2007</b> <b>£000s</b>
31,064	Opening balance at 1 April	26,708
-1,351	Movement on Reserve during year - revaluations	1,525
-2,865	Movement on Reserve during year – disposals	-15
-140	Movement on Reserve during year – other	25
-	Movement on Stock Restatement Reserve	0
<b>26,708</b>		<b>28,243</b>

The system of capital accounting requires the establishment of the fixed assets restatement account. The movement represents the sale of property and vehicles, and the revaluation of land, property and vehicles during the year. The reserve is written down by the net book value of assets as they are disposed of.

### 11. Government Grants Deferred

	<b>£000s</b>
Opening Balance	21
Amortisation	-4
Closing Balance	17

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).

### 12. Capital Financing Account

<b>31.03.2006</b> <b>£000s</b>		<b>31.03.2007</b> <b>£000s</b>
-3,510	Opening balance at 1 April	-2,337
1,879	Capital Receipts used for financing	761
	Contributions from Revenue Account	321
-706	Depreciation net of MRP	-766
<b>-2,337</b>		<b>-2,021</b>

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

### 13. Usable Capital Receipts Reserve

<b>31.03.2006</b> <b>£000s</b>		<b>31.03.2007</b> <b>£000s</b>
2,175	Opening balance at 1 April	816
520	Capital Receipts in year	65
-1,879	Less: Capital Receipts used for financing Capital Expenditure	-760
	Prior Year Adjustment	-121
<b>816</b>		<b>0</b>

The usable capital receipts reserve represents the capital receipts available to finance capital

expenditure in future years.

Last financial year the Audit Commission identified in their audit of the Statement of Accounts that a receipt from the developers of the new Brigade Headquarters had been credited to the Usable Capital Receipts reserve in error and should have been treated as a contribution to the Capital Financing Account. The prior year adjustment reflects this correction.

#### 14. Revenue Reserves

31.03.2006 £000s		31.03.2007 £000s
1,928	Earmarked Reserve – Time Served Retirements (Note 14a)	1,928
1,794	Non-Earmarked Reserves (General Fund Balance – Note 14b)	2,010
	Debt Repayment Reserve (Note 14c)	335
50	Earmarked Reserve- Unforeseen Events (Note 14d)	50
-128,487	Pensions Reserve (Note 14e)	-131,939
<b>-124,715</b>		<b>-127,616</b>

- Time Served Retirements reserve has been established to assist with the cost of retirements under the old firefighters pension arrangements. Funding arrangements have changed in 2006-07. This reserve will be kept until the impact of the new legislation can be evaluated.
- Non-earmarked reserves are kept at a prudent level to cover unforeseen eventualities and liabilities.
- The Debt Repayment Reserve has been established in 2006-07 to provide reserves to meet debt repayment schedules that the Authority has already committed to.
- The unforeseen events reserve was established with committee approval in 2004/05 to assist with issues relating to Regional Control rooms.
- The Pensions reserve is a balancing figure reported by the actuary to allow for the liabilities of both pension schemes to be included to comply with statutory FRS17 requirements.

Details of transactions within the year can be found in the following table in Notes 14a-e

#### 14 (a-e) Movements in Revenue Reserves

	Time Served Retirements (Note 14a)	General Fund Balances (Note 14b)	Debt Repayment Reserves (note 14c)	Unforeseen Events (Control Room Reserve) (Note 14d)	Pensions Reserve (Note 14e)
	£000s	£000s	£000s	£000s	£000s
Surplus/(deficit) for 2006/07		216			-8,166
Appropriations to/from Revenue			335		
Actuarial gains and losses relating to pensions					4,714
<b>Total</b>					
Balance b/fwd 1 April 2006	1,928	1,794	0	50	-128,487
Balance c/fwd at 31 March 2007	1,928	2,010	335	50	-131,939

#### 15. Contingent Assets

Under the contract with Opus Housing Association 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 have not developed the site within five years of the agreement date (9<sup>th</sup> 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.

## 16. Contingent Liabilities

In line with Statement of Standard Accounting Practice 18 (SSAP18) the only disclosures made are in respect of contingent liabilities arise as a result of the as yet undecided court case about part time workers and any claims that may arise.

## 17. Note to the Statement of Total Movement in Pensions Reserves 2006-07 (LGPS)

The actuarial gains identified as movements on the Pensions Reserve in 2006-07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007

	2004-05		2005-06		2006-07	
	£000s	%	£000s	%	£000s	%
Differences due to:						
Expected and actual return on assets	74	1.1	1,095	24.6	104	1.4
Expected and actuarial on liabilities	-522	-5.8				
Changes in the demographic and financial assumptions used to estimate liabilities	-574	-6.4	-1,238	-11.2	449	3.2
<b>TOTAL</b>	<b>-1,022</b>	<b>-11.1</b>	<b>-143</b>	<b>-13.2</b>	<b>553</b>	<b>4.6</b>

## 18. Note to the Statement of Total Movement in Pensions Reserves 2006-07 (Firefighters' Pension Scheme)

The actuarial gains identified as movements on the Pensions Reserve in 2006-07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007.

	2004-05		2005-06		2006-07	
	£000s	%	£000s	%	£000s	%
Differences between expected and actual return on assets	-		-	-	-	
Differences between actuarial assumptions about liabilities and actual experience	-3,533	-3.1	6,882	5.6		
Changes in the demographic and financial assumptions used to estimate liabilities	-3,152	-2.7	-9,234	-7.5	4,161	3.2
<b>TOTAL</b>	<b>-6,685</b>	<b>-5.8</b>	<b>-2,352</b>	<b>-1.9</b>	<b>4,161</b>	<b>3.2</b>

## 19. Pension Schemes

## Fire Fighters' pension costs

Under accounting standard FRS12, an earmarked reserve has been set up to provide for retirements for fire fighters as previously there has been no funded scheme and the accounts were charged for the net cost of pensions and other benefits after allowing for contributions made by employees for the year. Changes made to the financing of fire fighters' pensions mean that the Authority will no longer have to meet the retirement costs from the Income and Expenditure account. However, it will have to meet the pension costs of any ill-health retirements and any possible claims relating to backdating of retained fire fighters' pensions. The Time Served retirements reserve is therefore being kept to ensure any potential costs can be met from within the reserves provided.

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

The Authority participates in two pension schemes:

- The Local Government Pension Scheme is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (1997) as amended. It is contracted out of the State second pension.
- The Fire Fighter Pension Scheme for uniformed fire fighters - the Scheme is a defined benefit statutory scheme, administered by Buckinghamshire County Council in accordance with the Fire Pension Scheme Orders (1992) as amended. It is contracted out of the State second pension. There are no assets held to back the liabilities of the scheme.

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £131,941,000 has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £101,377,000. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- finance is only required to be raised to cover fire-fighters pensions when the pensions are actually paid.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. These have been assessed by Barnett Waddingham, an independent firm of actuaries, based on the latest full valuations (31 March 2004 for the local government scheme and 31 March 2005 for the firefighters scheme). The main assumptions used in their calculations have been:

### Local Government Pension Scheme

31.03.06 % pa		31.03.07 % pa
3.0	Inflation Rate	3.3
4.9	Discount Rate (pre retirement)	5.4
4.9	Discount Rate (post retirement)	5.4
4.8	Expected Rate of Salary Increases	5.1
3.0	Rate of Pension Increases in Payment	3.3
3.0	Rate of Pension Increases in Deferment	3.3

Assets in the Buckinghamshire County Council Pension Fund (LGPS) are valued at fair value,

principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund.

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

31.03.06			31.03.07	
Market Value £000s	Expected Rate Of return% pa		Market Value £000s	Expected Rate Of return% pa
4,684	7.0	Equities	5,162	7.2
408	6.5	Property	628	6.7
712	4.2	Gilts	1,133	4.4
451	4.9	Other Bonds	482	5.4
150	4.0	Cash	150	5.0
<b>6,405</b>		<b>Total</b>	<b>7,555</b>	

**The movement in the net pension liability for the year to 31 March 2007 is as follows:**

	Fire fighters' Scheme £000s	County Fund £000s	Total £000s
<b>Net Pensions asset/(liability) at 1 April 2006</b>	<b>-123,852</b>	<b>-4,634</b>	<b>-128,486</b>
Effect of change in Accounting Methodology			
Movements in the year:			
Actual Service Cost	-4,497	-645	<b>-5,142</b>
Past Service Cost			
Contributions	2,716	498	<b>3,214</b>
Interest on Pension Scheme Liabilities			
Other Finance Income	-6,112	-127	<b>-6,239</b>
Expected Return on Pension Scheme Assets			
Actuarial Gain /(loss)	4,161	553	<b>4,714</b>
<b>Net Pensions Liability at 31 March 2007</b>	<b>-127,584</b>	<b>-4,355</b>	<b>-131,939</b>

## 20. Events after the Balance Sheet Date

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

There are no items to report.

# NOTES TO THE CASH FLOW STATEMENT

## 1. Reconciliation of revenue cash movements to the Income and Expenditure Account

31.03.2006		31.03.2007	
£000s		£000s	£000s
-299	(Deficit) / Surplus on Revenue Account		-216
	Non Cash Transactions		
	Movement on Earmarked Reserves		
243	Movement on Time Served Reserves	872	
-59	Movement on Bad Debt Provision	31	
-135	Minimum Revenue Provision	-160	
0	Revenue Contributions to Capital	0	
-335	Other Non Cash Items	-327	416
<b>-585</b>			
	Items on an accruals basis		
218	(Increase) / Decrease in debtors	719	
-85	Increase / (Decrease) in creditors (excluding DCLG top up grant)	18	
69	Decrease / (Increase) in stocks	-3	
<b>-383</b>			734
122	Servicing of Finance		77
<b>-261</b>	<b>Net Cash (Outflow)/Inflow from Revenue Activities</b>		<b>1,011</b>

## 2. Reconciliation of the Movement in Cash

	31.03.2006 £000s	31.03.2007 £000s	Movement £000s
Cash in Hand	13	15	2
Cash overdrawn/at bank	-223	-499	-276
<b>(Increase) / Decrease in cash</b>	<b>-210</b>	<b>-484</b>	<b>-274</b>

## 3. Reconciliation of items under the Financing and Management of Liquid Resources

	As at 31.03.2006 £000s	As at 31.03.2007 £000s	Movement for cash flow £000s
Short Term Deposits	6,310	8,435	2,125
New Loans Raised	-4,278	-6,452	-2,174
Transitional Funding	-164	-164	0
	<b>1,868</b>	<b>1,819</b>	<b>-49</b>

## 4. Reconciliation of movement in cash to movement in net debt

	As at 31.03.2007 £000s
<b>Increase/decrease in cash</b>	<b>-274</b>
Less Cash Inflow from Net Debt	-2,174
Add Cash outflow from redemption of debt	0
Change in Debt	<b>-2,448</b>
Net Debt at start of year	-4,488
Net Debt at end of year	<b>-6,936</b>

5. Analysis of specific grant income as a cash inflow

<b>Revenue Grants</b>		<b>2006/07 £000s</b>
DCLG	Urban Search & Rescue	-748
DCLG	New Burdens	-96
DCLG	Community Safety	-88
DCLG	Training	-43
DCLG	Specific Audit Work	-12
<b>Total Revenue Grants</b>		<b>-987</b>

## PENSION FUND ACCOUNT

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

## PENSION FUND NET ASSETS STATEMENT

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

## **Information to be disclosed in notes to the Pension Fund Accounts of Fire and Rescue Services and Authority's in England**

### **NOTE1**

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

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

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

(c) If the Pension Fund Account is not balanced to nil by pension top-up grant receivable or by the amount payable to the sponsoring department the Pension Fund should be balanced to nil by a supplementary contribution from the authority to the Pension Fund or by the Pension Fund returning contribution to the authority.

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

## **Opinion on the financial statements**

I have audited the financial statements and the firefighters' pension fund accounting statements of Buckinghamshire and Milton Keynes Fire Authority for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Explanatory Foreword, Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and firefighters' pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to 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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

## **Respective responsibilities of the Chief Finance Officer and auditors**

The Chief Finance Officer's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial 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 financial statements and the firefighters' pension fund accounting statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

- 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 statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not 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 financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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 financial statements 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 financial statements.

## **Opinion**

In my opinion:

- The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended; and
- The firefighters' pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the firefighters' pension fund during the year ended 31 March 2007, and the amount and disposition of the fund's assets and liabilities as at 31 March 2007, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Andy Burns  
District Auditor

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

Date

**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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

## Auditor's Responsibilities

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

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

## Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Buckinghamshire and Milton Keynes Fire Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

## Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 21 December 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

## Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of

the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Burns  
District Auditor  
Unit 5, Isis Business Centre, Horspath Road, Cowley, Oxford OX4 2RD

Date

# STATEMENT OF INTERNAL CONTROL

## 1. SCOPE OF RESPONSIBILITY

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

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

## 2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

The system of internal control has been in place at Buckinghamshire & Milton Keynes Fire Authority for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and accords with proper practice.

## 3. THE INTERNAL CONTROL ENVIRONMENT

The Authority's internal control environment comprises the many systems, policies, procedures and operations in place to:-

- Establish and monitor the achievement of the Authority's objectives
- Facilitate policy and decision making
- Ensure compliance with established policies, procedures, laws and regulations
- Identify, assess and manage the risks to the Authority's objectives including risk management
- Ensure the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the Authority's functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty
- Provide appropriate financial management of the Authority and the reporting of financial management
- Ensure adequate performance management of the Authority and the reporting of performance management.

The specific guidance to support the Authority's governance includes:

### a) **Integrated Risk Management Plan (IRMP)**

The Services IRMP has a five year lifespan with an updated action plan produced each year and incorporates a Corporate Strategy Plan.

The IRMP has been extended to include other actions to address strategic risks facing the

Authority. These strategic risks include:

- Political and Legal Risk – possible failure to deliver either local or central government policy or possible breaches of legislation.
- Economic and Financial Risk – possible risks associated with the Authority's financial position i.e. loss of government grant or service overspends.
- Technological Risk – the capacity of the Authority to deal with technological change and the possible failure of IT systems
- Citizen Risk – the failure to meet the changing needs and expectations of its citizens.
- Reputational Risk – events impacting on the Authority's reputation.
- Contractual Risk – failure of contracts.

The IRMP has been divided into Key Task Areas to address identified risks and co-ordinated project plans for each area have been produced to address those risks. The IRMP is a detailed risk assessment of operational risk and safety critical issues in the community and proposed solutions to managing them.

An action plan has been produced for 2007/08 which updates the plan and reports on progress. Actions are linked to key individuals' objectives and performance targets.

An action plan has been produced for 2007/08. This sets specific performance Improvement Targets linked to the Authority's Strategic Aims and Objectives. It sets out the actions and resources that are required to achieve the agreed performance targets and other developments planned during the year.

#### **b) Best Value Performance Plan (BVPP) / Annual Report**

The BVPP includes performance targets and monitoring criteria for Best Value Performance Indicators and local performance indicators which are constructed around the corporate priorities set out in the IRMP. The plans are linked to key individuals' objectives and performance targets.

A quarterly report to the Senior Management Team is produced which reports on the Key Performance Indicators. All Service Management Teams review their own key performance indicators on a monthly basis. Much work has been undertaken in 2006/07 to improve data quality, select and produce meaningful local performance indicators and set stretching but achievable targets.

All non operational staff receive an annual appraisal of their individual performance assessed against the objectives and performance targets previously set. All non operational employees also receive a series of one to ones throughout the year to ensure performance is consistent.

The Best Value Performance Plan was produced in time for the statutory deadline and is available on the Buckinghamshire Fire & Rescue Service web site. The plan shows that compared with fire authorities in England & Wales our overall performance was good and improving gradually on last year's performance.

#### **c) Strategic Policy for Risk Management**

The Authority now has a comprehensive corporate risk register which allocates officers responsible for identified risks. The register has been approved by the CFA and regular monitoring by the Senior Management Team and Overview & Performance Committee is in place.

#### **d) Policy Led Budget Process & Medium Term Financial Planning**

In updating the three year Medium Term Financial Plan for 2007/08 to 2009/10 the Authority ran a series of workshops with all sections of the Authority to identify strategic aims and objectives and allocate resources to agreed priorities. Consideration was given to the potential impact of the Comprehensive Spending Review 2007 and the revenue effect of the capital programme. Capital appraisals were updated to reflect the most up to date costings available for the two significant build projects in the plan (Beaconsfield Fire Station and USAR facility and High Wycombe Fire Station replacement).

A zero based budget approach was taken for some specific expenditure lines (notably employee costs and vehicle costs) across the whole Brigade.

Monthly budget reports are presented to the Senior Management Team and Finance and General Purposes Committee based on reports received from budget holders and include capital monitoring. These reports examine the projected outturn.

### **Financial Regulations, Financial Instructions and Standing Orders for Contracts Management**

The Fire Authority has a statutory responsibility under the Accounts and Audit Regulations 2003 (revised 2006) for ensuring that the financial management arrangements are adequate and effective and that there is a sound system of internal control that facilitates the effective exercise of the Fire Authority's functions.

The Chief Financial Officer (Treasurer) has the statutory responsibility under Section 151 of the Local Government Act 1972 for the proper administration of the Authority's financial affairs and specifically to:

- Maintain accounts and financial records to meet the requirements of Statutes, Regulations, Accounting Conventions and Codes of Practice.
- Be responsible for maintaining an independent audit function to carry out an examination of accounting, financial and other operations.
- Put in place financial standards across the Authority to deliver a framework for financial control, provide accurate, timely and consistent monitoring information and sound advice on financial decisions to be made by officers and members.

The Authority sets annual revenue and capital budgets and these are monitored throughout the year by various mechanisms. This has been a key area for improvement and a new process for budget monitoring including quarterly reporting to the Senior Management Team was implemented during 2005/06.

The Authority has a set of Financial Regulations and Contract Standing Orders which form part of the Constitution. These were fundamentally reviewed during 2005/06 and are due to be revisited in 2007/08. Heads of Department are required to keep accurate financial records, comply with the financial control framework and take timely actions to keep spend within budget and report their projected outturn to the Treasurer on a monthly basis.

The Authority's standards and procedures for maintaining the management of its affairs are contained within its Standing Orders, Financial Instructions and Financial Regulations. The Finance Team now includes the Treasurer and a Deputy (Group Manager Revenue) who are both CIPFA qualified accountants. The Treasurer ensures compliance with sound financial administration standards with the requirements in the Prudential Code for Capital Financing and the Authority's Treasury Strategy Policy. Individual Managers have considerable responsibility with respect to finance. These responsibilities include maintaining a proper system of budgetary

control and compliance with Financial Regulations and Instructions. The Finance Team collates financial information, monitors and implements the financial control framework, supports service managers in their financial responsibilities and gives assurance to management and members that adequate controls exist to produce sound financial administration.

The Internal Audit function is provided through a Service Level Agreement with Buckinghamshire County Council and provides an assurance function to the Accountable Officers as to the adequacy of the financial and operational systems. The Internal Audit team at Buckinghamshire County Council is compliant with the CIPFA Code of Practice for Internal Audit.

The external auditors provide independent scrutiny of the control mechanisms and the accuracy and legitimacy of the financial transactions. The external auditors also provide the Authority with an assessment of their Financial Management, Financial Reporting, Internal Control and Value for Money systems with the Comprehensive Performance Assessment review. Auditor reports are considered by the Overview and Performance Committee and other statutory financial reports are considered by the Finance & General Purposes Committee.

The final accounts are made available for public inspection, if appropriate, objections and questions can be raised. This statement also acts as the Statement on Internal Financial Control and is signed by the Treasurer as required.

e) **Code of Conduct Staff and Elected Members**

The code of conduct for staff was rolled out in 2006/07. The Authority has had a Code of Conduct for Members since 2002.

f) **Human Resources Strategy and Disciplinary Framework**

This outlines the Authority's policy on recruiting, retaining and developing staff and ensuring compliance with employment legislation. Further work has continued this year to formalize an overall personnel strategy. Additionally a complete review of the Authority's internal discipline policy for operational staff has been undertaken.

With the continued development of the Integrated Personal Development System (IPDS) much greater emphasis is now being placed on the development of managerial skills for operational staff and ensures that newly promoted staff receive structured and timely training.

#### **4. COMPLIANCE WITH ESTABLISHED POLICIES, PROCEDURES, LAWS AND REGULATIONS**

The Authority has a duty to ensure that it acts in accordance with the law and various regulations, including European Commission Directives, in the performance of its functions. The Authority has developed policies and procedures for its members and staff to ensure that, as far as possible, all understand their responsibilities both to the authority and the public. These procedures and policies are laid down in the Constitution, Standing Orders, Financial Regulations & Instructions, Procurement Guidelines and service procedure documentation. These are subject to regular review.

#### **5. THE FACILITATION OF POLICY AND DECISION-MAKING**

The Authority operates an Authority and Sub-committee model of decision-making. Although

some decisions are reserved for full Authority, there are a number of decisions that are made by Sub-committees. In accordance with the Local Government Act 2000 the Fire Authority has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions made by the Authority members. The conduct of the Authority's business is governed by the Constitution, Standing Orders and Financial Regulations. The Overview and Performance Committee also acts as the Authority's Audit Committee.

## **6. REVIEW OF EFFECTIVENESS**

Buckinghamshire & Milton Keynes Fire Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and also by comments made by external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

In 2006/07, further work was undertaken on formalizing this process with the newly appointed Treasurer and the Director of Corporate Services conducting regular reviews that took into account the continuous exposure to the control environment during the year. The review is also informed by the work of the internal auditors and by comments made by the external auditors. A table of all internal and external audit recommendations arising from audit inspections has been compiled and is updated regularly with updates presented to Senior Management Team and Overview & Performance Committee.

The Internal Audit report for 2006/07 to the Fire Authority gave the following positive opinion from the Chief Internal Auditor:

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

This is a positive opinion as our work over the year has demonstrated significant improvement in the financial management and governance processes adopted by the Fire Authority. The Authority now needs to embed many of the new processes established in order for these processes to become fully effective. Members should take some assurance in the direction of travel although there is still considerable work to be completed and material risk will remain in the short term.”

The key processes that have been used during 2006/07 to maintain and review the effectiveness of internal control are described below:

### **Combined Fire Authority**

- Agrees annual budget in accordance with the Corporate Plan and IRMP Action Plan priorities;
- Receives an annual budget report that summarises the financial position and the transactions for the year; and
- Has agreed the Constitution that sets out the decision making structure, delegated authority and financial regulations which underpin the internal control framework.
- Monitors performance against the Corporate Objectives by taking an annual report;

### **Finance & General Purposes Committee**

- Makes key decisions subject to inclusion on the forward plan;
- Considers and reviews budget monitoring reports on a quarterly basis;

- Considers the output from Best Value reviews.

### **Overview & Performance Committee**

- Considers annual and quarterly reports from Internal Audit;
- Considers external auditor reports;
- Reviews and agrees this Statement on Internal Control;
- Considers issues of key risk identified by the Corporate Risk Register or specifically raised by the Head of Finance; and
- Receives quarterly monitoring reports on the Corporate Risk Register.
- Receives reports from the Monitoring Officer on significant breaches of the code of conduct and consider reports from the Standards Board for England.
- Receives quarterly monitoring report on progress against corporate objectives
- Receives quarterly monitoring report on performance indicators.

### **Management Team**

- Senior Management Team receives regular reports in relation to assurance (e.g. financial, risk, audit, performance).
- Carries out a comprehensive planning process annually to review objectives and make budget recommendations.

### **Internal Audit:**

- Provides objective and independent assurance on operational and financial controls via delivery of an agreed audit plan;
- Where identified as a result of audit work, significant internal control weaknesses are being reported to Chief Officers and Management at the conclusion of each audit.
- The Treasurer meets the Internal Auditors on a regular basis and any concerns they have regarding the internal control environment are raised.

### **External Audit and Inspectorates:**

External Auditors are routinely consulted when appropriate. This becomes more likely during the closing of the accounts process when any material weaknesses or issues are raised;

- The External Auditor's reports are considered by the Overview & Performance Committee.
- The External Auditor and the Internal Auditor meet periodically to discuss areas of risk and to agree work plans to ensure co-ordination exists.

The outputs from various Inspectorates in relation to the Comprehensive Performance Assessment provide some assurance as to the internal control environment.

During 2006/07 there have been quarterly meetings of the CPA improvement team to monitor progress against the CPA improvement plan. Following the Direction of Travel, Use of Resources and Operational Assurance Audits in the autumn of 2006 the Improvement Teams view was that they no longer needed to meet with the Authority.

## **7. SIGNIFICANT INTERNAL CONTROL ISSUES AND FUTURE ACTION**

Following a review of the Snowdrop personnel system a number of weaknesses have been

identified that are subject to an improvement action plan. The effectiveness of this plan will be reviewed over the course of the year to ensure compliance.

Future action to improve the control environment will be instigated by management following reviews of existing procedures and informed by external reports and inspections.

Post Balance Sheet Events – There were no events between 31<sup>st</sup> March 2007 the financial year end and the 28<sup>th</sup> June the date the accounts were signed.

The accounts were approved for release on the 14<sup>th</sup> September by the Treasurer and there are no material events to disclose.

**Signed** \_\_\_\_\_ **Dated** \_\_\_\_\_  
**Damian Smith**  
**Chief Fire Officer**

**Signed** \_\_\_\_\_ **Dated** \_\_\_\_\_  
**Cynthia Changer**  
**Treasurer**

**Signed** \_\_\_\_\_ **Dated** \_\_\_\_\_  
**Anne Davies**  
**Monitoring Officer**

**Signed** \_\_\_\_\_ **Dated** \_\_\_\_\_  
**David Rowlands**  
**Chairman**

# STATEMENT OF ACCOUNTING POLICIES

## 1. GENERAL PRINCIPLES AND ACCOUNTING POLICIES

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, in the United Kingdom – A Statement of Recommended Practice 2006 (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

## 2. ACCRUALS OF INCOME AND EXPENDITURE

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

## 3. GOING CONCERN

The accounts are prepared on the assumption that the Authority will continue its operations for the foreseeable future.

## 4. 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.

## 5. TANGIBLE FIXED ASSETS

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

### **Recognition:**

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

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

### **Measurement:**

The freehold and leasehold properties which comprise the Authority's property portfolio have been classified as operational assets and valued as at 1 April 2006 by the property valuers at 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 each year. All changes in Asset Values are recorded in the Fixed Asset Restatement Account. Charges are made to the Revenue Account in accordance with the Code of Practice on Local Authority Accounting Statement of Recommended Practice.

**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 Fixed Asset Restatement Reserve.

There are no impairment issues to consider in 2006-07.

**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 Financing Account from the Statement of Movement on the General Fund Balance.

**Depreciation:**

Depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the balance sheet over the period expected to benefit from their use.

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

<b>Class of Asset</b>	<b>Lifespan</b>
Red Fleet Vehicles	1 to 12 Years
White Fleet Vehicles	1 to 3 Years
Plant & Equipment	2 to 15 Years
Buildings	5 to 60 Years

Depreciation is calculated on the following bases:

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

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.

## **6. 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 amortisations. However, it is required to make an annual provision from revenue to contribute to the reduction in its overall borrowing requirements (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations 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 Financing Account for the difference between the two.

## **7. 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. The authority has reviewed its expenditure on software licences and has capitalised the HR software system licence (Snowdrop) and Microsoft office licences. These are being amortised over their economic life and charged to the relevant service revenue account to reflect the pattern of consumption of benefits as supplied by the IT Manager. These are currently assessed as having useful lives of between 3 to 10 years.

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

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

## **9. INTEREST ON BALANCES**

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

## **10. BASIS OF VALUATION OF STOCKS**

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

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

Sums due to the Authority are brought into account at the time they are due; amounts which have not been received at the year end appear in the balance sheet as debtors. Purchases made during the relevant accounting period but not paid until the first weeks of the following year are converted to expenditure in the revenue account and included in the Balance Sheet as creditors. This treatment complies with the accruals concept set out in FRS 18 and referred to above.

## **12. RETIREMENT BENEFITS**

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

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

### **Uniformed Fire-fighters**

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

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

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

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

### **Local Government Pension Scheme**

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

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

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

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

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

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

### **13. PROVISIONS AND RESERVES**

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

The non earmarked reserves as at the 31<sup>st</sup> March 2007 represent 7.60% of the 2007/08 base budget. Section 25 of the Local Government Act 2003 requires the Treasurer to report to the Full Authority on the robustness of estimates and adequacy of reserves allowed for in the budget proposals. The Authority will consider this each February as part of the budget setting process.

The Fire Authority has a number of provisions and reserves, details of which appear in notes 10 through to 14 to the Balance Sheet (pages 24-25).

The Summary of Movements in Reserves is on page 19 and shows the annual movement of revenue reserves, capital reserves and pension fund reserves.

### **15. CONTINGENT LIABILITIES**

The Authority is required to disclose any potential obligation, which may require payment or a transfer of economic benefit which may arise from a past event. See note 16 to the Balance Sheet on page 26.

### **16. GOVERNMENT GRANTS**

Whether paid on account, by instalments or in arrears, government grants are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

### **17. TREATMENT OF OVERHEADS**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2006. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the authority's status as a multi-functional democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

### **18. LEASES**

Finance leases are defined as such when the risks and rewards of ownership are transferred to the lessee.

If a lease has not been defined as a finance lease then it will be classified as an operating lease and accounted for in accordance with SSAP 21.

## **19. CONTINGENT ASSETS**

Contingent Assets are not recognised in the Income and Expenditure Account, The Movement on the General Fund Balance or the Balance sheet due to taking the prudent view that the gain may never be realised.

## **20. VAT**

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

## **21. Accounts Authorisation Process**

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

## TECHNICAL APPENDIX

### Explanation of the required changes in the presentation of the Statement of Accounts

The Fire Authority is required to present its accounts in accordance with proper accounting practices of the Local Government Act 2003 and set out in the Statement of Recommended Practice (SORP). The SORP is updated by CIPFA annually. The Secretary of State issued the Accounts and Audit Regulations 2003 which requires authorities to prepare a Statement of Accounts in accordance with proper practices. The Accounts and Audit (Amendment)(England) Regulations 2006 have introduced significant changes in relation to accounts preparation and the Statement of Accounts.

The SORP designates certain elements as “core” statements that must be contained within the Statement of Accounts. These are:

- Income and Expenditure Account
- Statement of the Movement on the General Fund Balance
- Statement of Total Recognised Gains and Losses
- Balance Sheet
- Cash Flow Statement

These statements represent a substantial change from the statements produced in 2005-06 and earlier years. Descriptions of the new statements are set out below. In order to provide comparative data between 2005-06 and 2006-07 we have restated the 2005-06 Consolidated Revenue Account in the new format.

### The Income and Expenditure Account

This is a summary of the resources generated and consumed by the Authority in the year. It replaces the Consolidated Revenue Account which had the dual role of setting out the authority's financial performance as measured in accordance with proper accounting practices and determining the net expenditure to be charged against council tax in the year.

The Income and Expenditure Account is fundamental to the understanding of the Authority's activities, in that it reports the net cost for the year of all the functions for which the Authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the Authority's functions, in three distinct sections. It is intended to show the true financial position of the Authority.

The first section provides accounting information on the costs of the Authority's different continuing operations, net of specific grants and income from fees and charges, to give the **net cost of services**.

The second section comprises items of income and expenditure relating to the local authority as a whole. When added to the net cost of services these give the Authority's **net operating expenditure**.

The third section shows the income from local taxation and general government grants in the period, to give the net deficit or surplus for the year.

## The Statement of Movement on the General Fund Balance

This is a new component in the Statement of Accounts. The General Fund represents the total budgetary requirement and in turn the council tax demand as determined by statute and non-statutory practices. Up to 2005-06 the local authority statement of performance was the Consolidated Revenue Account and the surplus or deficit on the CRA was the movement for the year on the General Fund Balance. This is now represented by the Statement of Movement on the General Fund Balance.

The reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance via the following adjustments:

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:

- Depreciation and impairment of fixed assets.
- Government Grants Deferred amortisation matching depreciation and impairments and amortisation of intangible fixed assets.
- Net gain or loss on the sale of fixed assets.
- Amount by which pension costs calculated in accordance with FRS17 differ from the contributions due under the pension scheme regulations.

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:

- Statutory provision for repayment of debt (Minimum Revenue Provision)
- Capital expenditure charged to the General Fund Balance
- Employers' contributions payable to the Pensions Account and retirement benefits payable direct to pensioners.

**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:

- Any voluntary provision for repayment of debt.
- Net transfer to or from earmarked reserves.

The following table shows the impact of the statutory and non-statutory adjustments required in the Movement on the General Fund Balance. The detail behind the summary can be found on page 10 in the Statement of Movement on the General Fund Balance.

2005/06	Statement of Movement on the General Fund Balance	2006/07
£ 000s		£ 000s
7,430	Surplus (-) / Deficit (+) for the year on the I & E	7,952
-7,729	Net additional amount required by statute and non-statutory proper practices to be debited or credited (-) to the General Fund Balance for the year	-8,168
-299	Increase in General Fund Balance for the Year	-216
-1,495	General Fund Balance Brought Forward	-1,794
-1,794	General Fund Balance carried forward	-2,010

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

This is also a new statement within the accounts. Not all the gains and losses experienced by an authority are reflected in the Income and Expenditure Account. For example, gains on revaluations of fixed assets and pension actuarial gains and losses are excluded as they are treated under UK GAAP as arising from asset and liability valuation changes rather than from an entity's operating performance. Financial Reporting Standard 3 (FRS3) Reporting Financial Performance requires all gains and losses to be included in a Statement of Total Recognised Gains and Losses (STRGL) to be shown with the same prominence as the other primary statements.

The STRGL measures the increase in balance sheet net worth of the authority and this is supported by a separate note to the accounts which summarises the movements in reserves. The information required in the STRGL is:

- Surplus or deficit on the Income and Expenditure account for the year
- Surplus or deficit arising on revaluation of fixed assets
- Actuarial gains and losses on pension fund assets and liabilities
- Any other gains and losses required to be included in the STRGL.
- Total recognised gains and losses for the year.
- The cumulative effect on reserves of any prior period adjustments made during the period.

Please see page 11 for more detail.

## **The Balance Sheet**

The name of this statement has been changed this year from the Consolidated Balance Sheet to the Balance Sheet. There are no substantive changes in the contents of the Balance Sheet statement for this authority. New reporting requirements for the balance sheet are being introduced from 1 April 2007 and will show in the Statement of Accounts for 2007-08.

The balance sheet shows the authority's balances and reserves and long-term indebtedness, the fixed and current assets employed in its operation as well as summarised fixed assets held.

Please see page 19 for a summary of the movements in reserves. The table details the opening and closing balances with a summary of the movements in the year and explains the purpose of each reserve.

## **The Cash Flow Statement**

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined as cash in hand and deposits repayable on demand less overdrafts repayable on demand. There are no changes to the presentational requirements of the Cash Flow Statement in the 2006-07 accounts.

## RESTATEMENT OF 2005/06 ACCOUNTS

The following tables summarise the restatements of the 2005/06 accounts to take account of changes to accounting practices.

### Reconciliation of Consolidated Revenue Account to Income and Expenditure Account and Movement on the General Fund Balance:

	Cross Ref. No.	Consolidated Revenue Account in 2005/06 Statement of Accounts	Removal of Capital Financing Charge	Reserves	Recognition of gains and losses on disposal of fixed assets	Relocation of finance costs of lease	Other Adjustments	2005/06 comparative s in I&E Account	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Community Fire Safety		1,822						1,822	
Fire Fighting & Rescue Operations		24,744	-1,039					23,705	
Corporate & Democratic Core		270	-70					200	
Non distributed costs		-205						-205	
<b>Impact on Net Cost of Services</b>		26,631	-1,109	0	0			25,522	
Profit on disposal of Fixed Assets					-221			-221	
Loss on disposal of fixed assets									
Pensions interest cost and expected return on pensions assets	1	6,384						6,384	
AMRA	2	-939	939					0	
Interest and Investment Income	3	-288						-288	
Movement on Pensions Reserve	4	-7,001		7,001					
Interest payable and Similar charges	2 & 5		170			30		200	
Investment losses									
Finance Costs of Lease	5	30				-30		0	
Transfer from Earmarked Reserve - Time Served	6	-243		243					
Pensions interest cost and expected return on pensions assets									
MRP	7	-706					706	0	
<b>Impact on Net Operating Expenditure</b>		23,868	0	7,244	-221	0	706	31,597	
Precepts		-13,146						-13,146	

General Government Grants		-3,007						-3,007	
Non-domestic rates redistribution		-8,014						-8,014	
<b>Surplus for the Year</b>		-8,219						7,430	
Surplus (-) / Deficit (+) for the year on the I & E									7,430
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year									-7,729
Increase (-) / Decrease (+) in General Fund Balance for the Year									-299
General Fund Balance Brought Forward									-1,495
General Fund Balance carried forward									-1,794
<b>Note of reconciling items for the Movement on the General Fund Balance</b>									
<b>Amounts included in the I &amp; E but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.</b>									
Amortisation of Intangible Fixed Assets									0
Depreciation and impairment of fixed assets	7						-841		-841
Government Grants Deferred Amortisation									0
Write down of deferred charges to be financed from capital resources									
Net loss on Sale of fixed assets									0
Net gain on Sale of fixed assets					221				221

Net charges made for retirement benefits in accordance with FRS17	4			-10,260					-10,260
<b>TOTAL</b>									<b>-10,880</b>
<b>Amounts not included in the I &amp; E but required to be included by statute when determining the Movement on the General Fund Balance for the year.</b>									
Minimum Revenue Provision for capital financing	7						134		134
Capital expenditure charged in-year to the General Fund Balance									0
Employers contributions payable to the Pensions Account and retirement benefits payable direct to pensioners	4			3,260					3,260
<b>TOTAL</b>									<b>3,394</b>
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year.</b>									
Voluntary Revenue Provision for Capital financing									
Net transfer to or from earmarked reserves	6			-243					-243
<b>TOTAL</b>									<b>-243</b>
<b>Net additional amount required to be credited or debited to the General Fund Balance for the year.</b>									<b>-7,729</b>

**Reconciliation of Total Movement on Reserves with Statement of Total Recognised Gains and Losses:**

<b>Figures under Col A represents movement of Net Worth. I expand on this to where they are accounted for under the new SORP.</b>										<b>Statement of Total Recognised Gains/Losses for the year</b>	
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>			<b>X</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>		<b>£000s</b>
Non earmarked reserve	299								299	Surplus (+) / Deficit (-) on year in Income & Expenditure a/c	-7,430
Movement on FARA	-1,351								-1,351	Surplus arising on Revaluation of Fixed Assets and subsequent additional revaluation based on restatement of Valuations	-4,040
Movement on Pension Reserve	-2,495								-2,495	Actuarial Gains/Losses on Pension Fund Assets/Liabilities	-2,495
									-		
Movement on FARA	-2,865				2,865				-		
Movement on FARA	-139					139			-	Any other gains and Losses:	-139
Movement on UCRR	-1,879	1,879							-		
Movement on UCRR	520			-520					-		
Movement on Pension Reserve	-7,001						7,001		-		
Earmarked - time served	-243								-243		121
Gov't Grant deferred	21								21	movement in Govt Grant Deferred	21
Movement on CFA	1,173	-1,879	706						-	increase in amounts set aside to finance capital investment	
	-13,960	0	706	-520	2,865	140	7,001	-	- 3,768	<b>Total Recognised Gains/Losses for the year</b>	<b>-13,960</b>
										Prior Year adjustments	
										<b>Total Recognised Gains/Losses Since the last annual report</b>	<b>-13,960</b>

## **GLOSSARY OF TERMS**

### **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.

### **CAPITAL CHARGES**

Services are charged for the use of assets. The charge is based on the capital value of the asset plus a charge for depreciation where appropriate. Capital charges are credited to the Asset Management Revenue Account and depreciation is used to write down the value of the asset.

### **CAPITAL FINANCING**

The financing of capital spending from the revenue budget usually spread over several years. The financing methods available to the Fire Authority include: -

- a. Borrowing: The interest payable on such loans is charged to the Asset Management Revenue Account.
- b. Capital Receipts: See below

### **CAPITAL FINANCING ACCOUNT**

This account contains the amount of capital expenditure financed from revenue and capital receipts.

### **CAPITAL RECEIPTS**

Proceeds from the sale of capital assets. They may be used to finance new capital expenditure or to repay existing loan debt. Receipts available to finance capital expenditure in future years are held in a Usable Capital Receipts Account.

### **CREDITORS**

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

### **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

### **FIXED ASSET RESTATEMENT ACCOUNT**

Fixed Assets are recorded on the balance sheet at their value and not historic cost. This account records the increase in value that has resulted and is written down by depreciation and disposals and is increased by revaluations.

### **LOANS OUTSTANDING**

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

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

The minimum amount of the authority's outstanding debt which must be repaid by the revenue accounts in the year.

### **OUTTURN**

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

### **PROVISIONS**

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

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

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

### **REVENUE EXPENDITURE**

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

### **CIPFA**

Chartered Institute of Public Finance and Accountancy.

### **BVACOP**

Best Value Accounting Code of Practice produced

by CIPFA, published in 2001, to establish a reporting protocol to demonstrate best value in the provision of services to the community.

### **SORP**

Code of Practice on Local Authority Accounting in the United Kingdom : A Statement of Recommended Practice (the SORP) 2005 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.

### **DCLG**

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

### **FRS17**

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

### **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.