



# Annual Financial Statements

for the year ending 31 March 2012



Buckinghamshire & Milton Keynes Fire Authority  
**MAKING YOU SAFER**  
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The Annual Financial Statements contains the Statement of Accounts and additional accompanying statements.

The Statement of Accounts comprises the Statement of Accounting Policies, the Financial Statements (Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement) and the Notes to the Core Financial Statements. In addition the Statement of Accounts also include the Firefighters' Pension Fund Account and Notes to the Firefighters' Pension Fund Accounts.

The Annual Governance Statement, the Auditor's Report and the Explanatory Foreword are outside the scope of the Statement of Accounts. These parts of the Annual Financial Statements are also outside the scope of the responsible financial officer's true and fair certification.

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## **Introduction**

### **Welcome to our Annual Financial Statements**

This document sets out the financial activities of Buckinghamshire & Milton Keynes Fire Authority (the Authority) for the year ended 31<sup>st</sup> March 2012. It shows the financial detail of the services we have provided together with explanatory notes, the resources consumed and the financial position at the end of the year compared with the previous year.

These statements are prepared for the Authority as a single entity. The Authority does not form part of a wider reporting group.

Buckinghamshire Fire and Rescue Service is a relatively small fire authority with limited resources both financially and in terms of numbers of personnel, but is constantly seeking to improve its services to the public, its performance and the value for money it delivers to its tax payers.

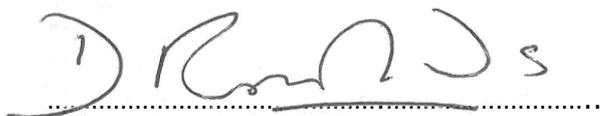
Buckinghamshire Fire & Rescue Service has recently come third in a national survey of people who have had an emergency incident in their home. The Authority was placed first or joint first in four of the 21 categories, and received an overall satisfaction score of 99 per cent.

The economic pressures facing the country and the difficult financial decisions taken are reflected in the pressures and decisions that are being made by the Authority. These are explained in further detail in the Explanatory Foreword. The Authority fully recognises that there is every likelihood that financial constraints will become tighter in the future and we are already planning for that eventuality. We are proactively working with our partners and the community to reduce the risks facing our communities.

The Audit Commission reported in 2011 in its value for money conclusion that the Authority had "proper arrangements to secure economy, efficiency and effectiveness in its use of resources". The Audit Commission also noted that the authority has a track record of sound financial management as well as overall costs that compare well with others.

Further details about the Authority and of the progress made in achieving our aims and targets are set out in the Annual Report which is available on our website.

<http://www.bucksfire.gov.uk/BucksFire/Where+to+find+information/Our+priorities+and+how+we+are+doing/>



David Rowlands  
Chairman of Buckinghamshire & Milton Keynes Fire Authority



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

## **Explanatory Foreword**

In compiling these accounts we have followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom 2011/12: Based on International Financial Reporting Standards (the Code).

The accounts are drawn up in accordance with the accounting policies set out in detail in the Statement of Accounting Policies.

The responsibility for the proper administration of the Authority's financial affairs is vested in the statutory officer (referred to as the Section 112 Officer). This is the Director of Finance and Assets & Treasurer 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 Accounts contains four main statements. Each of the four main statements is accompanied by supplementary notes providing additional detail to figures presented. The four main statements are:

- Movement in Reserves Statement - this statement shows the changes in the financial resources over the year. The total usable reserves held as at 31<sup>st</sup> March 2012 was £11.022m (as at 31 March 2011 was £7.201m);
- Comprehensive Income and Expenditure Statement - this statement shows the gains and losses that contributed towards the changes in resources shown in the Movement in Reserves Statement. The deficit on the provision of services for 2011/12 was £7.244m (2010/11 was a surplus of £5,478m);
- Balance Sheet - this statement shows how the resources available are held in the form of assets and liabilities. The net assets figure is balanced by the Total Reserves figure (see also Movement in Reserves Statement); and
- Cash Flow Statement - this statement shows how the movement in resources has been reflected in cash flows. The starting point for this statement is the net surplus/deficit on the provision of services (see also Comprehensive Income and Expenditure Statement). The net increase in cash and cash equivalents during the year was £5.093m (net increase of £0.395m in 2010/11).

These four statements are supported by notes to the accounts, which provide supplementary information to aid the understanding of these statements.

The Statement of Accounts also contains information regarding the Firefighters' Pension Fund Account.

### **Service Expenditure**

The budget for 2011/12 was set at a full Authority meeting in February 2011. Figures were based on the final financial settlement announced by Central Government in January 2011 which included a £981k (or 8.6%) reduction in funding compared to what was received in 2010/11. It was agreed that there would be no increase in the level of Council Tax and a grant of £438k was received in lieu, (equates to a 2.5% increase per band D property). The levy for a council tax band D property to cover the services we provide remained at £59.13. This is multiplied by the estimated number of council tax band D properties of 296,764 and added to surpluses and deficits on previous years' council tax raised a total of £17.643m.

The remainder of our total expenditure was funded through Central Government Grants, National Non-Domestic Rates (NNDR) redistribution and income for the recovery of costs from other agencies including grants for specific responsibilities such as Urban Search and Rescue Operations (USAR).

The Authority's council tax for a band D property is still one of the lowest for fire authorities in the country.

The budget proposed for 2011/12 was a financial estimation based upon the priorities set as part of our Integrated Risk Management Planning process. The employee costs took account of the planned restructure of staff under our "Moving Forward Agenda" thus ensuring resources were sufficient and in the right place with no reduction in our response capability.

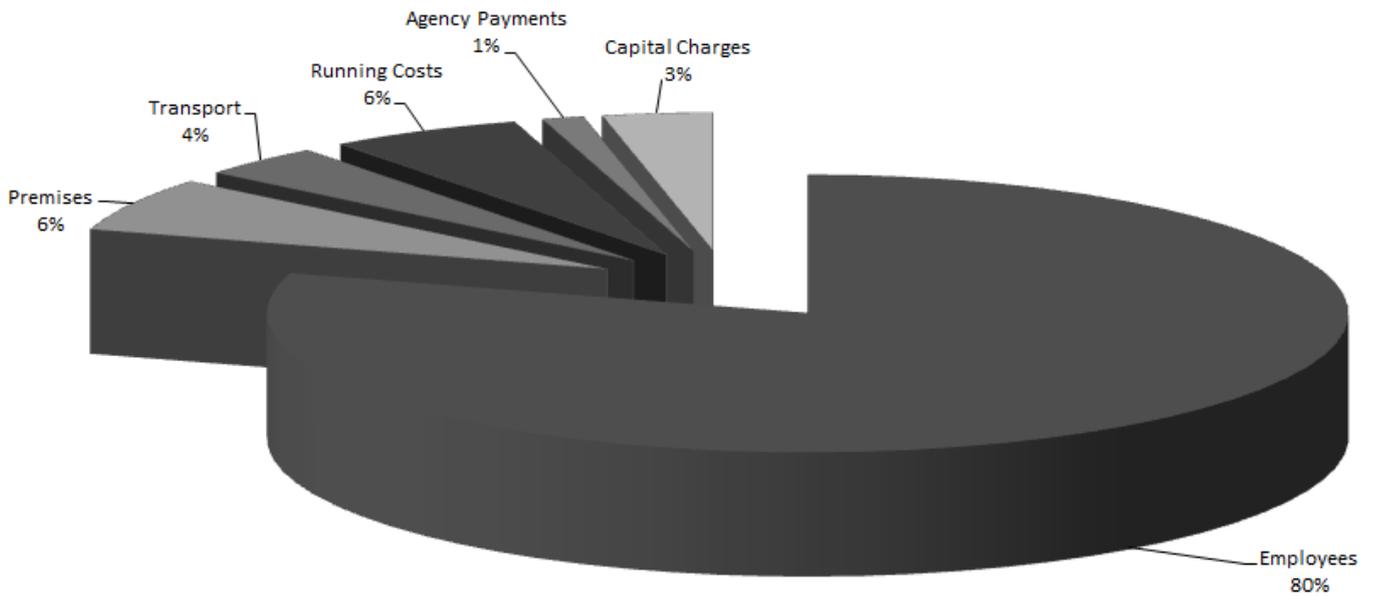
Specific items taken into account in setting the budget for 2011/12 included limited inflation and the increasing revenue cost of borrowing for the capital programme. Amounts were also set aside as contingency to cover protected pay and other costs associated with the moving forward agenda, also unknowns such as a national firefighters pay award. During the budget setting process, savings and growth bid packages were submitted to challenge and authorisation by Members and because at the time of approving the budget no formal notification of other revenue and capital government grants had been received, it was considered prudent to budget for a movement from reserves to balance the budget.

### Income and Expenditure 2011/12

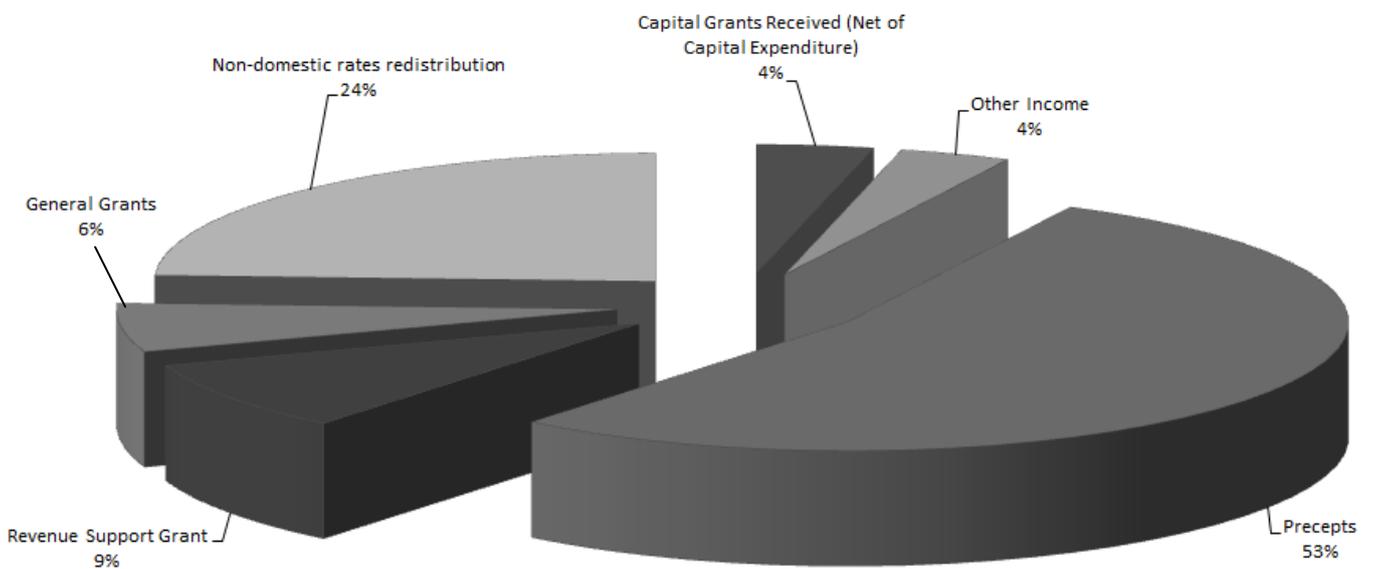
The following table shows revenue expenditure and income against the budget for 2011/12 as a whole:

2010/11			2011/12	
Actual	Budget		Actual	Budget
£000	£000		£000	£000
24,214	24,378	Employees	23,229	23,960
1,642	1,654	Premises	1,840	1,675
1,360	1,445	Transport	1,091	1,369
2,131	2,534	Running Costs	1,683	2,459
371	355	Agency Payments	363	311
1,201	930	Capital Charges	960	998
<b>30,919</b>	<b>31,296</b>	<b>Expenditure</b>	<b>29,166</b>	<b>30,772</b>
(839)	-	Capital Grants Received (Net of Capital Expenditure)	(1,238)	-
(1,681)	(1,407)	Other Income	(1,184)	(1,360)
<b>28,399</b>	<b>29,889</b>	<b>Net Expenditure</b>	<b>26,744</b>	<b>29,412</b>
(17,614)	(17,384)	Precepts	(17,643)	(17,658)
(1,452)	(1,451)	Revenue Support Grant	(2,911)	(2,910)
(1,864)	(1,054)	General Grants	(2,013)	(69)
(10,000)	(10,000)	Non-domestic rates redistribution	(7,998)	(7,998)
1,826	-	Contribution to/from Reserves	3,837	(777)
<b>(29,104)</b>	<b>(29,889)</b>	<b>Income</b>	<b>(26,728)</b>	<b>(29,412)</b>
<b>(705)</b>	<b>-</b>	<b>Total (Under)/Overspend</b>	<b>16</b>	<b>-</b>

Breakdown of Expenditure 2011/12



Breakdown of Income 2011/12



During 2011/12 gross expenditure was £29.166m and gross income was £32.987m. After contributions to/from reserves there was a net overspend in year of £0.016m.

The surplus for the year 2010/11 was due to a number of factors as follows:-

- There were still a number of vacancies in year throughout the organisation. Levels have been contained within the overall workforce plan and temporary arrangements have been used in some areas to accommodate changes necessary for the improvement agenda. Firefighter employee numbers under the Retained Duty System (RDS) also reduced over the course of the year, resulting in further savings;
- There was no pay award during 2011/12 and some of the other amounts set aside into contingency budgets were not used;
- Surplus council tax was collected from constituent Billing Authorities for the previous year; and
- Revenue contributions to the capital programme and capital charges were reduced as we received capital grant in-year which meant we didn't need to borrow to fund the costs of the programme.

Surpluses realised as and when they have arisen throughout the year have been set aside into earmarked reserves in preparation for future economic pressures. Further details of these can be found in Note 23.

Improvement projects during the year included:-

- Staff Restructure - putting the right people in the right jobs at the right time;
- Improved management and reporting practices - so that we can ensure financial and performance information is delivered to the right audience in a timely fashion thus allowing those charged with Governance to make better informed decisions;
- Better use of Technology – rationalisation of systems and taking advantage of more up to date programmes and packages available. This included a new e-ordering system going live during the year and the procurement of software to improve our performance reporting together with a more integrated use of the SAP Human Resources and Payroll modules;
- Moving forward, we are undertaking a feasibility study for a new asset management system to include all assets including inventories for equipment, this is most important for us to be able to track large areas of spend for the Authority and utilise our assets more effectively; and
- Financial Management & Control – improvements have been made in budget monitoring and management, with the use of new technology we hope to build on this further in the future so we can plan better and react more quickly should our expenditure forecasts start to deviate from budget.

Moving forward, we continue to review our practices and processes in order to maximise the return on investment from a number of service areas, whilst still working towards our strategic objectives. Further savings and efficiencies through projects are expected from the above as well as those started since the financial year end such as the Combined Control Room Project, Asset Management System and Strategic Review of Resources (Fleet, ICT and Property).

### **Community Safety**

Our Prevention activity is now driven locally from fire stations and is based on the risks, demographics and trends of relevant areas and communities. In order to facilitate this, the Prevention team at headquarters have changed their role and now provide strategic direction and tactical guidance. The headquarters team have also adapted their roles in order to provide support and training to the Station Commanders and Community Safety Coordinators. The service is now able to maximise community safety intervention and engagement at local level and provide greater value for money. A strategic review of partnerships has been completed in the last year and now only the partnerships that bring tangible and audible value to the service's vision have been retained.

For the first time ever the service has reached and exceeded, by 20%, its target for providing Home Fire Risk Checks to those at greatest danger from fire. (Having completed over 10,000 in the last fiscal year) In doing this the crews have identified over 2,000 persons who they have referred to other agencies in order to provide them with greater 'assisted living'. This performance has been underpinned by a complete review of the Home Fire Risk Check process which is now risk based, with deadlines for completion according to the vulnerability of the household in question. The service has continued to provide effective education to road users with over 95% of all 18 year olds in the county experiencing a hard hitting presentation entitled 'Safe Drive Stay Alive'. Local stations have also been provided with the toolkits to give fire safety advice to all school age pupils, from key stage 1 right through to key stage 4.

The service has also continued with its fire setter programme: This is an initiative which seeks to educate/intervene with young people who have shown/expressed a tendency to start fires. This work is undertaken by a small number of our employees who have received specialist training and who combine the role with their 'day job'. Stations are now able to scientifically and accurately identify arson trends on their station grounds. Having established proactive and reactive arson protocols the service has assisted the police (by providing quality evidence) to successfully prosecute perpetrators of arson. It has also been successful in preventing known arsonists from reoffending

## **Operations**

Following the organisational re-structure the integrated service delivery teams have implemented local area planning as the mechanism through which the service can mitigate community and societal risk at the point of greatest need.

The service delivery aspects of the Integrated Risk Management Plan (known as the Public Safety Plan from 2012) continue to be introduced in a phased way. The introduction of an alternative crewing model to one appliance at Great Holm has seen a move away from an appliance crewed solely by wholetime staff. The appliance is now crewed by a combination of wholetime and Retained Duty System staff. The introduction of this project dates back to a proposal approved under the previous Integrated Risk Management Plan. It reflects the recognition that in future the service needs to be delivered in a more flexible and adaptive way not only to meet demand, but also to work within existing and future resource constraints. Within the Public Safety Plan there are other similar schemes. The Turntable Ladder at High Wycombe is now switch crewed instead of primary crewed. This means that should the turntable ladder be required for an incident, the crew will be utilised from another wholetime appliance, rather than have a dedicated crew. This has led to the saving of a considerable number of posts with minimal effect on public safety. A Day Crewing review is identifying how best to use a reduced staff complement at Day Crewed stations and this is expected to provide some alternative models towards late summer. Work is on-going to develop and introduce flexible working arrangements to enable the service to better use staff to ensure improved appliance availability across the year.

Although progress with improving availability of retained duty system appliances has proved frustrating, the service is developing a series of schemes to improve recruitment, availability and retention. Development work continues to improve the service infrastructure in relation to RDS issues, such as improving contractual arrangements, but this will take time to achieve across the service. However the public safety department is looking at innovative measures to improve recruitment, retention and availability during this period, but which will be part of an integrated solution for the future. These include the trial of a small fires unit, which can mobilise to pre-determined operational incidents with a crew of three. The success of this project could provide the service with a staffing solution for stations which experience short to medium term crewing difficulties. Alternative contractual solutions are being explored with a view to securing a more reliable and integrated response from on-call firefighters. It is anticipated that this solution will improve some of the issues regarding, amongst other things, time available for staff training.

The service hosted an international symposium examining the future of Urban Search and Rescue and (USAR) Special Rescue. This was well attended and generated some interesting ideas which will inform the USAR review currently under way and expected to deliver recommendations towards the autumn.

The service is anticipating a less than favourable financial settlement in the medium term and is now preparing strategies for the continued delivery of a high performing public service. Despite this, discussions are underway regarding the need to recruit wholetime staff within the medium term window. This gives the service time to determine what it requires of wholetime staff in the future and how we can ensure that we recruit staff of the right calibre, and with the right qualities to continue to take this service forward. The challenge for the service is that it must promote itself as the employer of choice, and be able to deliver on that promise to ensure its continued success.

### **Equality and Diversity 2011/12**

During the year the Authority was recognised and awarded a commendation as an "Achieving" service under the Equality Framework for the Fire and Rescue Service, following a robust challenge from the Peer Review Team, led by the Local Government Improvement and Development Agency in June 2011. The Authority also received a commendation and Certificate of Merit from the Asian Fire Service Association in association with the Fire Minister and Chief Fire Officers Association (CFOA) for effective leadership in equality and diversity in recognition of our "Achieving" status in November 2011.

Another key achievement during the year was the signing of the Equalities Charter by the Chairman, Lead Member for Equalities, Chief Fire Officer and Equality and Diversity Manager to demonstrate commitment and leadership for the equality and diversity programme. This was complimented by the implementation of our three-year (2009-12) Single Equality Scheme, covering all strands of diversity and carrying forward on-going actions into the 2012-15 strategy.

During the year the Authority has also improved understanding of the People Impact Assessment process as a service improvement tool, whilst achieving better standards of assessments across all sections of the service and actions across a range of equality strands through engagement. This has been aided by a strengthened and more focused role of the Corporate Diversity Working Group, chaired by a member of the Senior Management Team.

The Authority has made significant efforts to connect with vulnerable communities that have previously not been engaging with the fire service, for example, Fishermead in Milton Keynes, Quarrendon in Aylesbury and Castlefield in High Wycombe. Evidence of our achievements and approach to equality and diversity is reflected in other Fire and Rescue services visiting to see what we do.

For the coming year, the aim is to build on the work undertaken over the past year throughout the service and to seek further improvements to our corporate processes and actions to improve outcomes for our staff and communities. The key actions for the coming year are:

- embed the improvements achieved so far in the Fire and Rescue Service Equality Framework and strive towards "Excellence";
- support the delivery of an Authority wide equal pay audit and review of Green Book terms and conditions and provide quality assurance throughout the project;
- contribute and support the development and delivery of a training and development plan for staff within existing resources to include managerial training around discrimination, harassment, grievance, discipline, appraisals and mediation;
- continue to support partnership initiatives where deemed effective on equality, diversity and community cohesion across the Authority area; and
- identify and implement a range of actions including crosscutting, service and local area based actions for the Area and Station Risk Management Plans.

**Movement in Reserves**

The net overspend of £0.016m is inclusive of transfers to/from reserves. Excluding these movements would show an underspend of £3.821m. The treatment of this underspend is shown in the table below:

	<b>£000</b>
<b>Revenue outturn before contributions to reserves</b>	<b>(3,821)</b>
<u>Required Contributions to Reserves</u>	
Control Room Reserve (Revenue)	1,000
Control Room Capital Grant Unapplied	800
Other Capital Grants Unapplied	438
<b>Sub Total - Required Contributions to Reserves</b>	<b>2,238</b>
<u>Additional Contributions to Reserves</u>	
Invest to Save Reserve	59
New Dimensions Reserve	147
Vehicle Reserve	18
RDS Pension Contributions Reserve	650
Revenue Contribution to Capital	725
<b>Sub Total - Additional Contributions to Reserves</b>	<b>1,599</b>
<b>Net Charge to the General Fund Balance (General Reserve)</b>	<b>16</b>

Required contributions to reserves were necessary in order to carry-forward the unspent grant funding for the control services project and other capital expenditure. The two largest additional contributions to reserves are as follows:

- RDS Pension Contribution Reserve – this reserve was setup to cover any potential costs that may be incurred in relation to back-dated Retained Duty System (RDS) pensions. The exact liability (if any) will depend on the result of the on-going legal process. The Authority considers this a prudent amount to set aside based on historical data; and
- Revenue Contribution to Capital Reserve – this was created in order to mitigate against the potential reductions in the capital funding that the Authority may receive in future years.

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

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

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

A reconciliation from council tax funded expenditure to the deficit for the year on the Comprehensive Income and Expenditure Statement is shown in the table below:

	<b>£000</b>
<b>Council Tax Net Expenditure (Surplus)/Deficit</b>	<b>16</b>
<u>Employees</u>	
IAS 19 Pension Charges	9,686
Employee Absence Account	(71)
<u>Capital Charges</u>	
Depreciation	1,798
Impairment	1,871
Minimum Revenue Provision	(530)
Movement in the Donated Assets Account	(924)
<u>Income</u>	
Pension Grant	-
Capital Grant	(731)
Statutory Precept Adjustment	15
Profit on Sale of Assets	-
<u>Other Adjustments</u>	
Write-down of Financial Instruments Adjustment Account	(49)
Transfers to/from Reserves	(3,837)
<b>(Surplus)/Deficit for the year on the Comprehensive Income and Expenditure Statement</b>	<b>7,244</b>

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

### Activity Levels

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

2010/11	Response	2011/12
16,989	Calls to the Control Room	16,315
7,459	Incidents Attended	7,469
2,747 (of which 983 deliberate)	Fires Attended	2,664 (of which 886 deliberate)
544	Road Accidents Attended	474
4,217 (of which 3,399 false alarms)	Other Incidents Attended	4,205 (of which 3,052 false alarms)
40 from fires 292 from RTC's	Lives Saved	41 from fires 329 from RTC's
11	Major Incidents (10+ Pumps)	8

2010/11	Community Safety	2011/12
6,383	Home Fire Risk Checks	10,159
8,596	Smoke Alarms fitted for vulnerable people	15,678
60	Fire Investigations	46
242 (22,996 children)	School Safety Courses	219 (21,161 children)
341 visits (10,470)	Other Youth Initiatives (i.e. Firesetters and youth diversion courses)	220 visits (8,143 children)
18,855 (391 schools)	Visits to the Milton Keynes Safety Centre	18,229 (385 schools)

Activity levels for Response have remained fairly consistent across the two years shown above.

The large increase in home fire risk checks and smoke alarms fitted for vulnerable people demonstrates the Authority's on-going commitment to safeguarding those most at risk within the community, in a proactive approach to prevent incidents and reduce risk.

**The Capital Account Summary**

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

The approved capital expenditure budget for 2011/12 was £1.216m. A total of £0.731m was spent on capital schemes and equipment as follows:

<b>Land and Buildings</b>	<b>Plant, Vehicles and Equipment</b>	<b>Intangibles</b>	<b>Total</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
291	440	-	<b>731</b>

Further detail of the expenditure is shown in Note 11.

Owing to the late announcement of the capital grant determination from the Department for Communities and Local Government (DCLG) for capital for 2011/12 and subsequent approval of the capital programme in November 2011, many of the property contracts entered into are still “work in progress” at the financial year end. The contract for Bletchley was let during March 2012 with the budget split over the two financial years 2011/12 and 2012/13; the underspend for the year together with the £70k approved budget (difference between £250k and £180k) has been supplemented by £50,000 owing to the contract value being higher than anticipated for additional asbestos and other works. The Wycombe roof was completed during April 2012 and the electrical works at Beaconsfield and Gerrards Cross (let as one contract) are in progress. The options work on the replacement of the Wycombe drill tower have taken longer than envisaged and a figure of £88k has been included in the carry forward commitment monies to complete this project.

The second and third stage payments for the two Scania appliances delivered during August, 2011 are included in these figures of £0.158m. The Small Fires Unit vehicle is in the course of conversion and the second stage payment is due in 2012/13. IT Equipment spend for the year was £0.179m and was in accordance with the IT strategy. 7,862 Smoke Alarms were purchased during the year.

The Authority received £1.169m of capital grant from central government to help fund the capital programme. The Authority’s loans are borrowed from the Public Works Loan Board (PWLb) and during 2011/12 no new loans were taken out due to the receipt of the capital grant. The Authority’s total borrowing for capital purposes stands at £8.265m with loan repayments spread over the years 2016-2056.

## Reserves Balances

The level of reserves held by the Authority as at 31<sup>st</sup> March 2012 are shown in the table below:

<b>31 March 2011 £000</b>		<b>31 March 2012 £000</b>
(3,716)	General Fund Balance	(3,700)
<b>(3,716)</b>	<b>Sub Total Non Earmarked General Fund Balance</b>	<b>(3,700)</b>
(150)	Fire Control Reserve	(150)
-	- Debt Repayment Reserve	-
(431)	Invest to Save Reserve	(490)
(570)	Moving Forward Reserve	(570)
-	- Transitional Grant Reserve	-
(853)	New Dimensions Reserve	(1,000)
(180)	Asset Management Reserve	(180)
(180)	Redundancy and Early Retirement Reserve	(180)
(84)	New Burdens Reserve	(84)
(17)	Vehicle Reserve	(35)
(1,000)	Funding Pressures Reserve	(1,000)
-	- Control Room Reserve (Revenue)	(1,000)
-	- RDS Pension Contributions Reserve	(650)
<b>(3,465)</b>	<b>Sub Total Earmarked Reserves - Revenue</b>	<b>(5,339)</b>
(20)	Usable Capital Receipts Reserve	(20)
-	- Control Room Capital Grant Unapplied	(800)
-	- Other Capital Grants Unapplied	(438)
-	- Revenue Contribution to Capital	(725)
<b>(20)</b>	<b>Sub Total Earmarked Reserves - Capital</b>	<b>(1,983)</b>
<b>(7,201)</b>	<b>Total Usable Reserves</b>	<b>(11,022)</b>

Further information on these reserves is set out in Note 23.

## Contingent Liabilities

At 31 March 2012, the Authority had two contingent liabilities:

- The Authority is awaiting the formal notification of the outcome of a case involving Retained Duty System (RDS) firefighters. The Authority could potentially be liable to pay backdated employer contributions relating to RDS pensions. If the Authority is liable, the amount to be paid would then be dependant of the number of firefighters who decide to backdate their employee contributions. Not enough certainty around the outcome exists at this moment in time for a provision to be required. The Authority has created a reserve of £650k in 2011/12 to provide for potential future costs that may be incurred;
- As a result of an incident in 2010/11, there are potential areas of litigation with associated costs that may arise. At present it is not possible to place an estimate on the level of these potential costs.

### **Pension Fund Liability**

The accounting treatment for pensions follows International Accounting Standard 19 (IAS19), the purpose of which is to ensure that organisations' accounts reflect the net position of their pension funds and account for the liability to pay accumulated employee benefits in the future. In 2011/12, the Authority's share of the three Pension Fund's net liabilities increased by £36.165m to £184.322m (for 2010/11 the net liability was £148.157m).

Effectively, the Pension Funds are in deficit by £184.322m compared with what is needed to pay the pensions of current scheme members, and the effect is to reduce the overall net worth of the Authority by that amount. However, statutory arrangements for the funding of the deficit, whereby the deficit will be made good by employer contributions over the remaining working life of employees as assessed by the scheme's actuary, mean that the financial position of the Authority remains healthy.

### **Treasury Management**

Buckinghamshire County Council (BCC) currently provides the day to day operation of the Authority's treasury management function under a Service Level Agreement. This includes the management of the Authority's cash flows, its banking, money market and capital market transactions. Our treasury management policy mirrors that of BCC to ensure the effective control of the risks associated with such activities and through economies of scale gaining optimum performance but by the same token minimalising exposure to the risks involved in such activities.

Since the banking crisis, interest received on balances has reduced significantly. This is because the authority follows the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Policy which orders the importance of investments under Security, Liquidity and finally Yield. The Authority will re-evaluate it's Treasury Management Policy on a periodic basis to ensure security of it's funds and to review opportunities for increasing interest earned.

The Authority has outstanding PWLB Loans at 31<sup>st</sup> March 2012 of £8.265m.

## 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 Director of Finance and Assets & Treasurer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

### The Responsibilities of the Director of Finance and Assets

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

In preparing this Statement of Accounts, the Director of Finance and Assets & Treasurer has:

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

The Director of Finance and Assets & Treasurer has also:

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

### Certificate of the Director of Finance and Assets

I hereby certify that this Statement of Accounts presents a true and fair view of the financial position of the Authority as at 31<sup>st</sup> March 2012 and its income and expenditure for the financial year 2011/12.



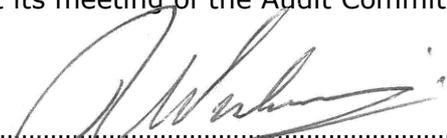
.....  
David Skinner BA CPFA

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

Date: 18/9/12

### Approval of the Statement of Accounts

I hereby confirm that this Statement of Accounts has been approved by the Combined Fire Authority at its meeting of the Audit Committee held on 18 September 2012



.....  
Richard Pushman

Chairman, Buckinghamshire & Milton Keynes Fire Authority's Audit Committee

Date: 18 Sept 2012

## **Independent Auditor's Report to Members of Buckinghamshire and Milton Keynes Fire Authority**

### **Opinion on the Authority and Pension Fund financial statements**

I have audited the financial statements and the firefighters' pension fund financial statements of Buckinghamshire & Milton Keynes Fire and Rescue Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The firefighters' pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Financial in the United Kingdom 2011/12.

This report is made solely to the members of Buckinghamshire & Milton Keynes Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

#### Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the firefighters' pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Financial in the United Kingdom and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the financial policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant financial estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

#### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Buckinghamshire & Milton Keynes Fire and Rescue Authority as at 31 March 2012 and of its income and expenditure for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

**Conclusion on Authority's 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 review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Buckinghamshire & Milton Keynes Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Mick West. District Auditor;

Audit Commission,  
Unit 5, ISIS Business Centre,  
Horspath Road,  
Cowley,  
Oxford, OX4 2RD.

18 September 2012

## **Statement of Accounting Policies**

### **i. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which are required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### **ii. 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. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **iii. Acquisitions and Discontinued Operations**

There were no acquired or discontinued operations during the year.

### **iv. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Cash equivalents include cash on deposit that is held for short-term cash flow management rather than investment purposes.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

**v. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

**vi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

**vii. Charges to Revenue for Non-Current Assets**

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement.

This contribution is referred to as the Minimum Revenue Provision (MRP):

- debt relating to capital expenditure incurred prior to 1 April 2008 will be calculated broadly on the basis of 4% of the Authority's Capital Financing Requirement
- debt relating to capital expenditure incurred from 1 April 2008 will be calculated broadly on the asset life (equal instalments) method. The amount is dependent upon the estimated life of the asset for which the debt has been raised.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **viii. Employee Benefits**

### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post Employment Benefits

Employees of the Authority are members of three separate pension schemes:

- Uniformed Firefighters - 1992 Pension Scheme (Old Scheme) and the 2006 New Firefighters' Pension Scheme (New Scheme);
- The Local Government Pensions Scheme, administered by Buckinghamshire County Council.

### Uniformed Firefighters - 1992 Pension Scheme (Old Scheme) and the 2006 New Firefighters' Pension Scheme (New Scheme)

The funding arrangements for the Firefighters' Pension Scheme in England changed by statute with effect from 1 April 2006 and are contained within the Firefighter's Pension Scheme (Amendment) (England) Order 2006 (SI 2006/1810). 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 outgoing 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 firefighters joining the service after 1 April 2006.

All whole time firefighters 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. Any new employees must join the new scheme.

#### Injury Awards

In the Old Scheme, injury payments are included within the closing defined benefit obligation.

In the New Scheme, injury awards and awards payable on the death of a firefighter attributable to a qualifying injury are not part of the Firefighters' Pension Scheme. Injury awards are paid from the authority's operating account, not from the pension fund.

#### The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included 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, etc, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 4.6% (based on the indicative rate of return on the iBoxx 15 year corporate bond index).

The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price;
- property – market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
- contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

The Authority also 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.

### **ix. Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **x. Financial Instruments**

#### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### Financial Assets - Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **xi Foreign Currency Translation**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

#### **xii. Heritage Assets**

The Authority does not hold any heritage assets.

### **xiii. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until there is reasonable assurance that the conditions attached to the grant or contribution will be satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which there is not reasonable assurance that the conditions will be satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **xiv. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds) the Capital Receipts Reserve.

**xv. Interests in Companies and Other Entities**

The Authority has no material interests in companies nor other entities which would require it to prepare group accounts.

**xvi. Inventories and Long Term Contracts**

Inventories are generally included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First In First Out (FIFO) costing formula.

Where inventories are held for distribution at no charge or for a nominal charge they are measured at the lower of cost and current replacement cost. Replacement cost is defined as the cost the authority would incur to acquire the asset at the Balance Sheet date.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**xvii. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds) the Capital Receipts Reserve.

**xviii. Jointly Controlled Operations and Jointly Controlled Assets**

The Authority does not have any jointly controlled operations nor jointly controlled assets.

**xix. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

In 2003/04 the Authority entered into a sale and leaseback agreement. The initial cost of the lease was matched by an increase in the value of land and buildings within fixed assets.

#### **xx. Overheads and Support Services**

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 Service Reporting Code of Practice 2011/12 (SeRCOP). 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 multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

#### **xxi. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Authority's de-minimis level for capital expenditure is £6k.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued annually to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the

recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. In applying the principals of componentisation the de-minimis value of a property has been set at £500,000 and individual components at £50,000, i.e. 10% of the overall asset below which any component will not be calculated separately. The components that have been identified as relevant to the authority are weatherproofing (to include windows, roofs, bay doors and doors), mechanical and electrical and finally yards and drill towers (i.e. external elements). Where the life expectancy of any component would exceed the life expectancy of the main structure then the life expectancy of the component will be limited to that of the main structure.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Disposals

Amounts received for the disposal of any assets previously qualifying as Capital Expenditure are categorised as capital receipts. Capital receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

**xxii. Private Finance Initiative (PFI) and Similar Contracts**

The Authority has not entered into any PFI or similar contracts

**xxiii. Provisions, Contingent Liabilities and Contingent Assets**

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

#### **xxiv. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

#### **xxv. Revenue Expenditure Funded from Capital under Statute**

This does not apply as the Authority does not incur expenditure which may be capitalised under statutory provision and which does not result in the creation of a non-current asset.

#### **xxvi. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

#### **Critical Judgements in Applying the Accounting Policies**

The accounts are prepared with the underlying assumptions of the accruals basis and the going concern basis i.e. the Authority will continue its operations for the foreseeable future. This means in particular that, despite the high degree of uncertainty resulting from reducing levels of funding in future years, the Comprehensive Income and Expenditure Account and Balance Sheet assume no intention to curtail significantly the scale of the operation. At this stage there is no indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce the level of service provision.

In applying the accounting policies set out above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Future Control Room Services Grant – in 2011/12 the Authority received a grant £1.800m towards funding a combined control room. Although the conditions had not been satisfied at the balance sheet date, the Authority has reasonable assurance that the conditions will be satisfied and therefore the grant has been recognised as income during the year in the Comprehensive Income and Expenditure Statement. The full amount recognised was then transferred into two earmarked reserves (one revenue reserve and one reserve held as capital grants unapplied); and
- Donated Assets – in 2010/11 the Authority accounted for £0.924m worth of assets donated by the Government. Although at that point the transfer agreement had not been signed, the substance of the transaction was that the Authority had use of the assets as if they were owned by the Authority. In 2011/12 the transfer agreement was formally signed. Although there are future conditions attached to the use of the assets, the Authority has reasonable assurance that the conditions will be met. In 2011/12 the Authority has therefore debited the Donated Assets Account and recognised the income in the Comprehensive Income and Expenditure Statement. The amount has then been offset in the Movement in Reserves Statement and the Capital Adjustment Account as this is not a proper credit to the General Fund.

## **Use of Estimates and Judgements**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Comprehensive Income and Expenditure Statement for 2011/12 and the Balance Sheet at 31<sup>st</sup> March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Depreciation (and amortisation of intangible assets) – the remaining useful lives of all assets are estimated. The Authority relies on the expertise of an external valuer to determine the lives of all building assets. The lives of vehicles, plant and equipment and intangible assets are based on historical experience and professional estimates. If the estimates were to differ from the actuals this would affect the level of depreciation and amortisation charged to the Comprehensive Income and Expenditure Statement, as well as the carrying amounts of non-current assets in the Balance Sheet. The carrying amounts of non-current assets as at 31<sup>st</sup> March 2012 was £31.753m. Total depreciation and amortisation for the year was £1.798m;
- Revaluations and Impairments – the value of non-current assets are reviewed annually by a qualified valuer based on the latest guidance from the Royal Institute of Chartered Surveyors and the recently observed market information. If the estimates were to differ from the actual results this would result in a higher or lower carrying amount for non-current assets in the Balance Sheet. Revaluations charged to the Revaluation Reserve during the year were £0.294m upwards and £0.184m downwards. Impairment charged to the Comprehensive Income and Expenditure Statement was £1.871m;
- Pensions Liability – the valuation of the liability is based on a number of actuarial assumptions (see Note 28). This figure is provided by an external actuary. If the estimate was to differ from the actual it would result in a higher or lower pension liability and reserve figure on the Balance Sheet. The total pension liability as at 31<sup>st</sup> March 2012 was £184.322m;
- Financial Assets and Liabilities – further details about the assumptions made and the potential impact can be found in Note 29; and
- Estimates are made as to the amount of time spent by firefighters in carrying out Community Safety activities based on technical officer advice as to work volumes and activities. This estimate is used to determine how much of the direct costs of firefighters is apportioned to Community Fire Safety in the Comprehensive Income and Expenditure Statement. If the actual results were to differ from the estimate the effect would be limited to the apportionment between Community Fire Safety and Fire Fighting and Rescue Operations. There would be no net impact on the total surplus or deficit reported.

Estimates are also used to allocate the cost of support services to the relevant headings with the Comprehensive Income and Expenditure Statement. The process by which this is done is set out below:

The cost of support services and service management has been fully charged to service expenditure headings. In line with CIPFA guidance, the cost of corporate management is not charged to service expenditure headings. Corporate management relates to those activities and costs incurred in the general running of the Authority. It includes a proportion of the senior officer management team and such items as the cost of external audit. Costs are apportioned based on a range of criteria including accommodation space occupied, IT services employed and technical officer assessments of volumes and activities.

Democratic representation and management includes all Members' allowances and costs, officer time in support of Members and certain subscriptions to local authority associations. Where support services are recharged a number of methods are used depending on the nature of the costs:

- Buildings are apportioned based on the floor space occupied by the service
- Central departments such as Finance and Accountancy Services, Property, Procurement and Transport are all apportioned based on the recipient service's controllable budget;
- Human Resources, Equality and Diversity, Performance Planning and Publicity are apportioned based on staff full time equivalent numbers as at the end of the year; and
- ICT support costs are apportioned based on the number of workstations within each service.

The apportionment bases were reviewed for completeness and accuracy in January 2012. If the actual results were to differ from the estimates the effect would be limited to the apportionment between headings in the Comprehensive Income and Expenditure Statement. There would be no net impact on the total surplus or deficit reported, nor on the level of reserves held.

### **Changes in Accounting Estimates**

There have been no changes in accounting estimates this year. However, the implementation of componentisation in 2010/11 has increased the amount of depreciation charged on building assets in 2011/12. Depreciation is now allocated to significant parts of a building, all of which will have either a shorter life or the same useful life as the main asset, hence an increase in depreciation.

The total depreciation on all building assets in 2011/12 was £0.723m. Had componentisation not been implemented the depreciation charge would have been £0.486m. This change has no impact on the General Fund as depreciation charges to the Comprehensive Income and Expenditure Statement are reversed via the Movement in Reserves Statement.

The expected depreciation charge for future years should now be consistent going forward. It will only rise or fall materially if there are any large revaluations or impairments, or significant replacements and/or disposals.

### **Standards Issued But Not Yet Adopted**

The Code for 2012/13 adopts amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010). It is likely that this standard will not have a material impact on the financial statements of the Authority.

## Movement in Reserves Statement

These statements show the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net (Increase) / Decrease before Transfers to Earmarked Reserves line shows the Statutory General Fund Balance before any discretionary transfers to/from earmarked reserves undertaken by the Authority. Further detail on each reserve is shown in the notes to the accounts as referenced.

	<b>General Fund Balance</b>	<b>Earmarked Reserves</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2010</b>	<b>(3,011)</b>	<b>(1,660)</b>	<b>(4,671)</b>	<b>177,180</b>	<b>172,509</b>
<u>Movement in reserves during 2010/11</u>					
(Surplus) or deficit on the provision of services	(5,478)	-	(5,478)	-	(5,478)
Other Comprehensive Income and Expenditure	-	-	-	(49,293)	(49,293)
<b>Total Comprehensive Income and Expenditure</b>	<b>(5,478)</b>	<b>-</b>	<b>(5,478)</b>	<b>(49,293)</b>	<b>(54,771)</b>
Adjustments between accounting basis & funding basis under regulations (Note 23)	2,968	(20)	2,948	(2,948)	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(2,510)</b>	<b>(20)</b>	<b>(2,530)</b>	<b>(52,241)</b>	<b>(54,771)</b>
Transfers to/from Earmarked Reserves (Note 23)	1,805	(1,805)	-	-	-
<b>(Increase) / Decrease in 2010/11</b>	<b>(705)</b>	<b>(1,825)</b>	<b>(2,530)</b>	<b>(52,241)</b>	<b>(54,771)</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(3,716)</b>	<b>(3,485)</b>	<b>(7,201)</b>	<b>124,939</b>	<b>117,738</b>
Amounts held for revenue purposes	(3,716)	(3,465)	(7,181)	148,713	141,532
Amounts held for capital purposes	-	(20)	(20)	(23,774)	(23,794)

The format of the note this year has been updated and some amounts have been moved between lines to improve internal consistency and cross checking. No closing balances have been restated, but the (Surplus) or deficit on the provision of services and Adjustments between accounting basis & funding under regulations have been restated to reflect the change in accounting for government grant receivable in relation to the Pension Fund (see Note 31).

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Movement in Reserves Statement continued:

	<b>General Fund Balance</b>	<b>Earmarked Reserves</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(3,716)</b>	<b>(3,485)</b>	<b>(7,201)</b>	<b>124,939</b>	<b>117,738</b>
<u>Movement in reserves during 2011/12</u>					
(Surplus) or deficit on the provision of services	7,244	-	7,244	-	7,244
Other Comprehensive Income and Expenditure	-	-	-	26,369	26,369
<b>Total Comprehensive Income and Expenditure</b>	<b>7,244</b>	<b>-</b>	<b>7,244</b>	<b>26,369</b>	<b>33,613</b>
Adjustments between accounting basis & funding basis under regulations (Note 23)	(11,065)	-	(11,065)	11,065	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(3,821)</b>	<b>-</b>	<b>(3,821)</b>	<b>37,434</b>	<b>33,613</b>
Transfers to/from Earmarked Reserves (Note 23)	3,837	(3,837)	-	-	-
<b>(Increase) / Decrease in 2011/12</b>	<b>16</b>	<b>(3,837)</b>	<b>(3,821)</b>	<b>37,434</b>	<b>33,613</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(3,700)</b>	<b>(7,322)</b>	<b>(11,022)</b>	<b>162,373</b>	<b>151,351</b>
Amounts held for revenue purposes	(3,700)	(5,339)	(9,039)	184,773	175,734
Amounts held for capital purposes	-	(1,983)	(1,983)	(22,400)	(24,383)

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the economic cost in the year of providing services in accordance with accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Restated 2010/11			2011/12		
Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
			<u>Continuing Operations</u>		
3,943	(482)	3,461	3,256	(204)	3,052
27,758	(1,310)	26,448	28,587	(904)	27,683
1,295	(23)	1,272	1,636	(5)	1,631
12	-	12	77	-	77
-	(16,539)	(16,539)	-	-	-
<b>33,008</b>	<b>(18,354)</b>	<b>14,654</b>	<b>33,556</b>	<b>(1,113)</b>	<b>32,443</b>
			<b>(Surplus) or Deficit on Continuing Operations (Note 1)</b>		
			<u>Other Operating Expenditure</u>		
-	(7)	(7)	-	-	-
-	-	-	-	-	-
-	(7)	(7)	-	-	-
			<b>Total Other Operating Expenditure</b>		
			<u>Financing and Investment Income and Expenditure</u>		
332	-	332	380	-	380
-	(38)	(38)	4	(72)	(68)
11,427	(696)	10,731	7,948	-	7,948
<b>11,759</b>	<b>(734)</b>	<b>11,025</b>	<b>8,332</b>	<b>(72)</b>	<b>8,260</b>
			<b>Total Financing and Investment Income and Expenditure</b>		
			<u>Taxation and Non-Specific Grant Income</u>		
-	(17,614)	(17,614)	-	(17,643)	(17,643)
-	(3,536)	(3,536)	-	(7,818)	(7,818)
-	(10,000)	(10,000)	-	(7,998)	(7,998)
-	(31,150)	(31,150)	-	(33,459)	(33,459)
			<b>Total Taxation and Non-Specific Grant Income (Note 10)</b>		
<b>44,767</b>	<b>(50,245)</b>	<b>(5,478)</b>	<b>41,888</b>	<b>(34,644)</b>	<b>7,244</b>
			<b>(Surplus) or Deficit on Provision of Services</b>		
			Surplus or Deficit on revaluation of fixed assets (Note 24e)		
			(217)		
			Actuarial (gains)/losses on Pension Fund assets and liabilities (Note 24d)		
			(49,071)		
			(5)		
			Any other gains and losses		
			<b>(49,293)</b>		
			<b>Other Comprehensive Income and Expenditure</b>		
			<b>(54,771)</b>		
			<b>Total Comprehensive Income and Expenditure</b>		
			<b>33,613</b>		

\* This line forms part of Non Distributed Costs, but is presented separately as it is material to the understanding of the Authority's financial performance.

For details of the restated amounts please refer to Note 31.

## Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

<b>31 March 2011 £000</b>		<b>31 March 2012 £000</b>
	<u>Property, Plant and Equipment</u>	
27,783	Land & Buildings	25,492
5,815	Vehicles, Plant & Equipment (including Donated Assets)	5,558
553	Assets under construction	316
<b>34,151</b>	<b>Total Property, Plant &amp; Equipment (Note 11a)</b>	<b>31,366</b>
104	Investment Property (Note 12)	100
326	Intangible Assets (Note 13)	287
<b>34,581</b>	<b>Long Term Assets</b>	<b>31,753</b>
50	Short Term Investments (Note 14)	-
316	Inventories (Note 15)	302
1,717	Short Term Debtors (Note 16)	1,504
7,789	Cash and Cash Equivalents (Note 17)	12,882
<b>9,872</b>	<b>Current Assets</b>	<b>14,688</b>
(81)	Short Term Borrowing (Note 18)	(101)
(1,681)	Short Term Creditors (Note 18)	(1,952)
(743)	Provision for Accumulated Absences (Note 19)	(672)
(250)	Provision - Part Time Workers (Note 19)	(250)
(76)	Provision - VR/Special Payments (Note 19)	(263)
<b>(2,831)</b>	<b>Current Liabilities</b>	<b>(3,238)</b>
(8,265)	Long Term Borrowing (Note 20)	(8,265)
	<u>Other Long Term liabilities</u>	
-	Capital Grants Received in Advance (Note 21)	-
(2,014)	Finance Lease (Note 22)	(1,967)
(924)	Donated Asset Account (Note 25)	-
(148,157)	Liability related to the Defined Benefit Pension Scheme (Note 28)	(184,322)
-	Provision - Part Time Workers (Note 19)	-
<b>(151,095)</b>	<b>Total Other Long Term Liabilities</b>	<b>(186,289)</b>
<b>(159,360)</b>	<b>Long Term Liabilities</b>	<b>(194,554)</b>
<b>(117,738)</b>	<b>Net Assets</b>	<b>(151,351)</b>
	<u>Reserves</u>	
(7,201)	Usable Reserves (Note 23)	(11,022)
124,939	Unusable Reserves (Note 24)	162,373
<b>117,738</b>	<b>Total Reserves</b>	<b>151,351</b>

## Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Cash Flow Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as: operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of the services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Authority.

<b>Restated 2010/11</b>		<b>2011/12</b>
<b>£000</b>	<b>Cash Flow Statement</b>	<b>£000</b>
5,478	Net surplus or deficit on the provision of services	(7,244)
(4,543)	Adjust for non-cash movements	14,064
(872)	Adjust for items that are investing or financing activities	(2,893)
<b>63</b>	<b>Net Cash Flow from Operating Activities</b>	<b>3,927</b>
(1,401)	Investing Activities	1,228
1,733	Financing Activities	(62)
<b>395</b>	<b>Net Increase or decrease in cash and cash equivalents</b>	<b>5,093</b>
7,394	Cash and Cash equivalents at the beginning of the reporting period	7,789
<b>7,789</b>	<b>Cash and Cash equivalents at the end of the reporting period</b>	<b>12,882</b>

There have been minor amendments to the amounts shown in last year's statement to ensure consistency with the Comprehensive Income and Expenditure Statement. There is no change to the net increase or decrease or the balances at the beginning or end of the reporting period.

Notes to the Cash Flow Statement can be found in Note 32.

## Notes to the Core Financial Statements

### 1 - Service Information

There have been some minor amendments to amounts shown in prior year tables within Note 1. This is to reflect the adjustment for non-ring-fenced grants and pension grant receivable (see Note 31).

#### a) Service Analysis

Current Year

	Community and Fire Safety	Fire Fighting and Rescue Operations	Support Services	Total
	£000	£000	£000	£000
<b>Service Analysis</b>				
Fees, charges & other service income	(175)	(417)	(528)	(1,120)
Government Grants	-	-	-	-
<b>Total Income</b>	<b>(175)</b>	<b>(417)</b>	<b>(528)</b>	<b>(1,120)</b>
Employee Expenses	468	16,419	4,723	21,610
Other Operating Expenses	152	2,176	1,410	3,738
<b>Total Operating Expenses</b>	<b>620</b>	<b>18,595</b>	<b>6,133</b>	<b>25,348</b>
<b>Cost of Services</b>	<b>445</b>	<b>18,178</b>	<b>5,605</b>	<b>24,228</b>

Prior Year Comparative Information (restated)

	Community and Fire Safety	Fire Fighting and Rescue Operations	Total
	£000	£000	£000
<b>Service Analysis</b>			
Fees, charges & other service income	(236)	(641)	(877)
Government Grants	(246)	(1,116)	(1,362)
<b>Total Income</b>	<b>(482)</b>	<b>(1,757)</b>	<b>(2,239)</b>
Employee Expenses	3,014	20,512	23,526
Other Operating Expenses	689	3,733	4,422
<b>Total Operating Expenses</b>	<b>3,703</b>	<b>24,245</b>	<b>27,948</b>
<b>Cost of Services</b>	<b>3,221</b>	<b>22,488</b>	<b>25,709</b>

Last year the costs of Support Services were included within the other two headings. Last year's figures also include a recharge to Community and Fire Safety to reflect the safety work undertaken by operational staff. This recharge was not reported in the management figures above for 2011/12, although it is included in the Comprehensive Income and Expenditure Statement.

#### b) Reconciliation to Net Cost of Services in the Comprehensive Income and Expenditure Statement

Restated 2010/11 Total	Reconciliation	2011/12 Total
£000		£000
25,709	Cost of Services in Service Analysis	24,228
1,223	Add services not included in main analysis	2,123
(12,278)	Adjust for amounts not reported to management	6,076
-	Remove amounts reported to management not included in CIES	16
<b>14,654</b>	<b>Cost of Services</b>	<b>32,443</b>

c) Reconciliation to Subjective Analysis

Current Year

	<b>Service Analysis</b>	<b>Service not in Analysis</b>	<b>Amounts not reported to management</b>	<b>Amounts not in CIES</b>	<b>Net Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Service Analysis</b>							
Fees, charges & other service income	(1,121)	(8)	-	-	<b>(1,129)</b>	-	<b>(1,129)</b>
Gain in relation to government grant payable to the Firefighters' Pension Fund on the Authority's behalf	-	-	-	-	-	-	-
IAS 19 Pension Adjustments	-	-	-	-	-	-	-
Interest and investment income	-	-	-	16	<b>16</b>	(72)	<b>(56)</b>
Income from Council Tax	-	-	-	-	-	(17,643)	<b>(17,643)</b>
Government grants and contributions	-	-	-	-	-	(15,816)	<b>(15,816)</b>
<b>Total Income</b>	<b>(1,121)</b>	<b>(8)</b>	<b>-</b>	<b>16</b>	<b>(1,113)</b>	<b>(33,531)</b>	<b>(34,644)</b>
Employee Expenses	21,610	837	-	-	<b>22,447</b>	-	<b>22,447</b>
Employee Absence Accrual	-	-	672	-	<b>672</b>	-	<b>672</b>
Other Operating Expenses	3,739	1,294	-	-	<b>5,033</b>	-	<b>5,033</b>
Support Service Recharges	-	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	-	3,666	-	<b>3,666</b>	-	<b>3,666</b>
Interest payments	-	-	-	-	-	384	<b>384</b>
Pensions interest cost and return on Pension Fund assets	-	-	1,738	-	<b>1,738</b>	7,948	<b>9,686</b>
Gain or loss on disposal of non current assets	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>25,349</b>	<b>2,131</b>	<b>6,076</b>	<b>-</b>	<b>33,556</b>	<b>8,332</b>	<b>41,888</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>24,228</b>	<b>2,123</b>	<b>6,076</b>	<b>16</b>	<b>32,443</b>	<b>(25,199)</b>	<b>7,244</b>

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Prior Year Comparative Information (restated)

	Service Analysis	Service not in Analysis	Amounts not reported to management	Amounts not in CIES	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Service Analysis</b>							
Fees, charges & other service income	(877)	(8)	-	-	(885)	-	(885)
Gain in relation to government grant payable to the Firefighters' Pension Fund on the Authority's behalf	-	-	-	-	-	-	-
IAS 19 Pension Adjustments	-	-	(13,391)	-	(13,391)	-	(13,391)
Interest and investment income	-	-	-	-	-	(38)	(38)
Income from Council Tax	-	-	-	-	-	(17,614)	(17,614)
Government grants and contributions	(1,362)	(15)	-	-	(1,377)	(13,536)	(14,913)
<b>Total Income</b>	<b>(2,239)</b>	<b>(23)</b>	<b>(13,391)</b>	<b>-</b>	<b>(15,653)</b>	<b>(31,188)</b>	<b>(46,841)</b>
Employee Expenses	23,526	686	-	-	24,212	-	24,212
Employee Absence Accrual	-	-	29	-	29	-	29
Other Operating Expenses	4,605	377	-	-	4,982	-	4,982
Support Service Recharges	(183)	183	-	-	-	-	-
Depreciation, amortisation and impairment	-	-	1,084	-	1,084	-	1,084
Interest payments	-	-	-	-	-	332	332
Pensions interest cost and return on Pension Fund assets	-	-	-	-	-	10,731	10,731
Gain or loss on disposal of non current assets	-	-	-	-	-	(7)	(7)
<b>Total Operating Expenses</b>	<b>27,948</b>	<b>1,246</b>	<b>1,113</b>	<b>-</b>	<b>30,307</b>	<b>11,056</b>	<b>41,363</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>25,709</b>	<b>1,223</b>	<b>(12,278)</b>	<b>-</b>	<b>14,654</b>	<b>(20,132)</b>	<b>(5,478)</b>

Between years there is a large movement in the amounts not reported to management. The main reason is due to the one off pension past service cost adjustment of £16.539m in 2010/11. This was a one-off "gain" due to the move from linking pension increases with RPI to CPI. In addition there are relatively small variances in the level of depreciation, amortisation and impairment and the employee absence accrual. None of these amounts impact on the level of the General Fund (hence why they are not reported to management).

**2 - Officers Remuneration**

The number of employees whose remuneration excluding employer’s pensions contributions was £50,000 or more in bands of £5,000 is shown below. At the higher levels the figures reflect the move away from an interim management structure to a permanent one.

<b>2010/11 Totals</b>	<b>Remuneration Band</b>	<b>2011/12 Totals</b>
<b>£000</b>		<b>£000</b>
17	£50,000 - £54,999	14
11	£55,000 - £59,999	6
4	£60,000 - £64,999	7
1	£65,000 - £69,999	2
2	£70,000 - £74,999	1
1	£85,000 - £89,999	2
1	£90,000 - £94,999	-
1	£95,000 - £99,999	1
-	£105,000 - £109,999	2
1	£135,000 - £139,999	-
-	£150,000 - £154,999	1
<b>39</b>	<b>Total</b>	<b>36</b>

The figures above include Senior Officers, as disclosed in the following two tables.

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year in 2011/12.

<b>Post Holder</b>	<b>Salary including Fees and Allowances</b>	<b>Benefits in Kind e.g. Car Allowance</b>	<b>Expenses Allowance</b>	<b>Bonuses</b>	<b>Total Remuneration Excluding Pension Contributions</b>	<b>Pension Contributions</b>	<b>Total Remuneration Including Pension Contributions</b>	<b>Notes</b>
Chief Fire Officer and Chief Executive	125,000	542	17,588	10,000	<b>153,130</b>	26,740	<b>179,870</b>	
Deputy Chief Fire Officer	100,000	542	4,057	5,000	<b>109,599</b>	21,415	<b>131,014</b>	
ACO Risk	90,061	-	11,279	5,000	<b>106,340</b>	19,170	<b>125,510</b>	
ACO Response	90,000	542	-	5,000	<b>95,542</b>	19,285	<b>114,827</b>	
HR Director	79,539	1,371	-	5,000	<b>85,910</b>	15,335	<b>101,245</b>	
Director of Finance and Assets & Treasurer	78,158	4,019	-	5,000	<b>87,177</b>	15,070	<b>102,247</b>	

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For comparison, the following table sets out the remuneration disclosures for Senior Officers whose salary was less than £150,000 but equal to or more than £50,000 per year in 2010/11. The figures for the Chief Officer and Chief Executive have been restated. Although the total remains unchanged, the restated figures reflect the correct split between salary and bonuses.

Post Holder	Salary including Fees and Allowances	Benefits in Kind e.g. Car Allowance	Expenses Allowance	Bonuses	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration Including Pension Contributions	Notes
Chief Fire Officer and Chief Executive	125,000	7,367	-	6,250	<b>138,617</b>	26,754	<b>165,371</b>	
Deputy Chief Fire Officer	87,366	6,920	-	-	<b>94,286</b>	18,727	<b>113,013</b>	1
ACO Risk	89,696	7,864	-	-	<b>97,560</b>	19,212	<b>116,772</b>	2
ACO Risk (Temp)	48,366	402	-	-	<b>48,768</b>	9,164	<b>57,932</b>	3
ACO Response	82,016	4,650	-	-	<b>86,666</b>	17,469	<b>104,135</b>	4
ACO Response (Temp)	66,592	2,590	-	-	<b>69,182</b>	13,393	<b>82,575</b>	5
ACO Planning (Temp)	33,651	1,273	-	-	<b>34,924</b>	6,764	<b>41,688</b>	6
HR Director	54,032	1,586	-	-	<b>55,618</b>	10,189	<b>65,807</b>	7
Treasurer	22,686	518	-	-	<b>23,204</b>	4,130	<b>27,334</b>	8
Treasurer	69,160	3,866	-	-	<b>73,026</b>	13,046	<b>86,072</b>	9

### Notes

- 1 - From 17th May 2010
- 2 - Returned Secondment 4th May 2010
- 3 - Covering Secondment 1st April - 16th May 2010 - left 11th November 2010
- 4 - Started 3rd May 2010
- 5 - Acting up 1st April - 16th May 2010 left 28th February 2011
- 6 - Acting up 1st April - 16th May 2010 left 12th September 2011
- 7 - From 12th July 2010
- 8 - Left 16th July 2010
- 9 - Acting from 19th July 2010 - 31st March 2011

The benefits in kind figure has reduced significantly for the operational staff in 2011/12. This is due to a ruling that as the cars are required for operational response reasons, they no longer qualify as a benefit in kind.

### Exit Packages

2010/11			2011/12	
Number of Redundancies	Total Cost of Redundancies	Exit Package Cost Banding	Number of Redundancies	Total Cost of Redundancies
	£000			£000
4	76	£0 - £60,000		
<b>4</b>	<b>76</b>	<b>Total</b>	-	-

In 2011/12 the total cost of redundancies was £0.178m.

### 3 - Provision for Doubtful Debt

The provision for doubtful debts is £35,851 as at 31<sup>st</sup> March 2012 (£36,523 as at 31<sup>st</sup> March 2011). This is considered a prudent level to hold against debts that may not be recovered. All existing debts have been considered for recoverability and the provision is adequate to ensure any doubtful debts could be covered. Two debts were written off during the year totalling £672.

#### **4 - Leases and Lease Type Arrangements**

The operating leases held by the Authority apply to lease vehicles and radio communications equipment. The lease rentals paid during the year amounted to £482k (£566k in 2010/11). The estimated un-discharged obligations under the operational lease agreements are shown in the table below:

<b>31 March 2011</b>			<b>31 March 2012</b>	
<b>Vehicles Plant and Equipment</b>	<b>Land and Buildings</b>	<b>Years Operational Lease Remaining</b>	<b>Vehicles Plant and Equipment</b>	<b>Land and Buildings</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
195	114	0 - 1 years	280	118
217	384	2 - 5 years	196	360
-	874	6 years and onwards	-	837
<b>412</b>	<b>1,372</b>	<b>Total</b>	<b>476</b>	<b>1,315</b>

The finance lease held by the Authority is for the sale and leaseback of the Gerrards Cross houses with London Quadrant (previously Opus Housing). The Authority has included the finance lease as a long term liability. The finance lease is detailed in Note 22.

#### **5 - Capital Financing Requirement**

The table below shows the effect of capital expenditure on the Authority's capital financing requirement. A line for other adjustments has been added to the 2010/11 figures to ensure consistency with the Capital Financing Requirement as calculated from the figures on the Balance Sheet.

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>		<b>£000</b>
<b>8,706</b>	<b>Opening Capital Financing Requirement</b>	<b>9,883</b>
	<u>Capital Investment</u>	
2,274	Property Plant and Equipment	731
83	Intangible Assets	-
	<u>Sources of Finances</u>	
(37)	Capital Receipts	-
(835)	Government Grants and Contributions	(731)
(354)	Revenue Funding including MRP	(435)
-	Voluntary Minimum Revenue Provision	(95)
46	Other Adjustments	-
<b>9,883</b>	<b>Closing Capital Financing Requirement</b>	<b>9,353</b>
	<u>Explanation of movements in year</u>	
1,177	Increase in the underlying need to borrow (supported by Government financial assistance)	(530)
<b>1,177</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(530)</b>

#### **6 - Members Allowances**

Total allowances paid in 2011/12 to 24 Members amounted to £65k (2010/11 amounted to £72k and 28 Members).

Detailed information on individual allowances is available on the Authority website <http://bucksfire.gov.uk/BucksFire/How+we+make+decisions/Eulesandregulations.htm> and on request.

## 7 - Audit Fees

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

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>	<b>Audit Fees</b>	<b>£000</b>
75	External Audit Services	69
<b>75</b>	<b>Total</b>	<b>69</b>

## 8 - Revenue Grants

Section 31 grants received from the Department for Communities and Local Government (DCLG) by the Authority are detailed below. The grants are not ring-fenced but are given for specific streams of work. As the grants are not ring-fenced, they are shown within Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>	<b>Revenue Grants Applied</b>	<b>£000</b>
(942)	New Dimension (Urban Search and Rescue)	(934)
(93)	New Burdens	-
-	Firelink	(59)
-	Other Fire Revenue Grant	(20)
-	Control Room	(1,000)
<b>(1,035)</b>	<b>Total</b>	<b>(2,013)</b>

## 9 - Related Parties

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

### Central Government

Central Government 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 in 2011/12 to the Authority. General grants provided by Central Government during the year are detailed in Note 10.

### Other Public Bodies

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

The Authority is currently reviewing the provision of a shared control room function with other fire authorities. Any agreement will be undertaken on a commercial basis and will therefore not have a controlling influence on either body.

Members of the Authority

Members have direct control over the Authority’s financial and operational policies. However, any contracts entered into are in full compliance with the Authority’s standing orders and any decisions are made with proper consideration of declarations of interest. Details of any material interests are recorded in the Register of Members’ Interests, which is open to public inspection. All Members have been asked to declare any related party transactions. From the replies provided there are no such transactions to be declared.

Senior Officers of the Authority

Senior Officers have control over the day-to-day management of the Authority. All Senior Officers have been asked to declare any related party transactions. From the replies provided there are no such transactions to be declared.

Assisted Organisations

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

Companies and Joint Ventures

The Authority does not have any interests in companies outside of its normal contractual arrangements.

**10 - Funding**

The Authority’s net revenue expenditure is funded by local authority precepts, general government grants and non domestic rates redistribution from the national pool. The figures for 2010/11 have been amended to ensure consistency in the treatment of non-ring-fenced grants (see Note 31).

<b>Restated 2010/11</b>		<b>2011/12</b>
<b>£000</b>	<b>Funding</b>	<b>£000</b>
(3,994)	Aylesbury Vale District Council	(4,040)
(2,630)	Chiltern District Council	(2,626)
(4,969)	Milton Keynes Council	(4,940)
(1,909)	South Buckinghamshire District Council	(1,926)
(4,112)	Wycombe District Council	(4,111)
<b>(17,614)</b>	<b>Total Precepts</b>	<b>(17,643)</b>
(1,451)	Revenue Support Grant	(2,472)
-	Council Tax Freeze Grant	(440)
(1,035)	General Revenue Grants (Note 8)	(2,013)
(1,050)	Capital Grants	(1,969)
-	Donated Assets	(924)
<b>(3,536)</b>	<b>Total General Government Grants</b>	<b>(7,818)</b>
(10,000)	Non Domestic Rates redistribution	(7,998)
<b>(10,000)</b>	<b>Total Non Domestic Rates redistribution</b>	<b>(7,998)</b>
<b>(31,150)</b>	<b>Total</b>	<b>(33,459)</b>

In 2011/12 there were 296,764 Band D properties and in 2010/11 there were 293,990 Band D properties.

**11 - Non Current Assets**
**a) Movement of Property, Plant and Equipment**

	Land and Buildings	Leased Land and Buildings	Total Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
<b>Gross Book Value as at 1 April 2011</b>	<b>29,066</b>	<b>2,357</b>	<b>31,423</b>	<b>8,076</b>	<b>553</b>	<b>40,052</b>
Additions	44	-	44	432	255	731
Disposals and write offs	(62)	-	(62)	(315)	(143)	(520)
Reclassifications	-	-	-	349	(349)	-
Revaluation increase/decrease (-) recognised in Revaluation Reserve	(1,385)	-	(1,385)	14	-	(1,371)
Revaluation increase/decrease (-) recognised in surplus/deficit on provision of service	-	-	-	-	-	-
Other movements in cost or valuation	(3,415)	-	(3,415)	-	-	(3,415)
<b>Gross Book Value as at 31 March 2012</b>	<b>24,248</b>	<b>2,357</b>	<b>26,605</b>	<b>8,556</b>	<b>316</b>	<b>35,477</b>
<b>Accumulated depreciation and impairment as at 1 April 2011</b>	<b>(3,304)</b>	<b>(336)</b>	<b>(3,640)</b>	<b>(2,261)</b>	<b>-</b>	<b>(5,901)</b>
Depreciation for the year	(723)	(47)	(770)	(989)	-	(1,759)
Depreciation on disposal	62	-	62	315	-	377
Depreciation written out to Revaluation Reserve	982	-	982	-	-	982
Depreciation written out to surplus/deficit (-) on provision of service	-	-	-	-	-	-
Impairment losses/reversals(-) recognised in the Revaluation Reserve	499	-	499	-	-	499
Impairment losses/reversals(-) recognised in the surplus/deficit on provision	(1,661)	-	(1,661)	(63)	(143)	(1,867)
Impairment on disposal	-	-	-	-	143	143
Reclassification of depreciation or impairment	-	-	-	-	-	-
Other movements in depreciation or impairment	3,415	-	3,415	-	-	3,415
<b>Depreciation c/f</b>	<b>(730)</b>	<b>(383)</b>	<b>(1,113)</b>	<b>(2,998)</b>	<b>-</b>	<b>(4,111)</b>
<b>Net Book Value as at 31 March 2012</b>	<b>23,518</b>	<b>1,974</b>	<b>25,492</b>	<b>5,558</b>	<b>316</b>	<b>31,366</b>

Leased Land and Buildings refer to the Finance Lease item as detailed in Note 22

Comparative figures for 2010/11:

	<b>Land and Buildings</b>	<b>Leased Land and Buildings</b>	<b>Total Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Gross Book Value as at 1 April 2010</b>	<b>27,258</b>	<b>2,357</b>	<b>29,615</b>	<b>6,360</b>	<b>495</b>	<b>36,470</b>
Additions	1,092	-	<b>1,092</b>	834	354	<b>2,280</b>
Donated Assets	-	-	-	924	-	<b>924</b>
Disposals and write offs	-	-	-	(44)	-	<b>(44)</b>
Reclassifications	167	-	<b>167</b>	-	(296)	<b>(129)</b>
Revaluation increase/decrease (-) recognised in Revaluation Reserve	258	-	<b>258</b>	2	-	<b>260</b>
Revaluation increase/decrease (-) recognised in surplus/deficit on provision of service	291	-	<b>291</b>	-	-	<b>291</b>
<b>Gross Book Value as at 31 March 2011</b>	<b>29,066</b>	<b>2,357</b>	<b>31,423</b>	<b>8,076</b>	<b>553</b>	<b>40,052</b>
<b>Accumulated depreciation and impairment as at 1 April 2010</b>	<b>(2,795)</b>	<b>(289)</b>	<b>(3,084)</b>	<b>(1,578)</b>	-	<b>(4,662)</b>
Depreciation for the year	(462)	(47)	<b>(509)</b>	(692)	-	<b>(1,201)</b>
Depreciation on disposal	-	-	-	9	-	<b>9</b>
Depreciation written out to Revaluation Reserve	20	-	<b>20</b>	-	-	<b>20</b>
Depreciation written out to surplus/deficit (-) on provision of service	428	-	<b>428</b>	17	-	<b>445</b>
Impairment losses/reversals(-) recognised in the Revaluation Reserve	51	-	<b>51</b>	-	-	<b>51</b>
Impairment losses/reversals(-) recognised in the surplus/deficit on provision	(546)	-	<b>(546)</b>	(17)	-	<b>(563)</b>
<b>Depreciation c/f</b>	<b>(3,304)</b>	<b>(336)</b>	<b>(3,640)</b>	<b>(2,261)</b>	-	<b>(5,901)</b>
<b>Net Book Value as at 31 March 2011</b>	<b>25,762</b>	<b>2,021</b>	<b>27,783</b>	<b>5,815</b>	<b>553</b>	<b>34,151</b>

**b) Basis of Valuation**

All land and buildings were revalued during the year with an effective revaluation date of 1 April 2011. Valuations were provided by an external valuer, Martin Wilson BSc (Hons) MRICS of Bruton Knowles. All valuations were prepared in accordance with the RICS Appraisal Valuation Manual and International Financial Reporting Standards. The basis of valuation adopted is Existing Use Value (EUV). For specialised properties the Depreciated Replacement Cost method was used to arrive at the EUV whilst non-specialised properties have been valued using the Comparable Method of valuation to arrive at the EUV. The one investment property was valued at Market Value.

The following significant assumptions were applied in arriving at the fair values:

- Values reported are based on a desktop exercise;
- The Authority owns the freehold, which is not subject to any unusual or onerous restrictions;
- Properties are unaffected by any matters that would be revealed by a local search;
- All parts are assumed to be in good repair and condition and all properties are free from hazardous materials; and
- Where the remaining useful life of a property is at least 20 years it is on the assumption that it will be maintained reasonably.

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### c) Valuation Information

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

Year of Valuation	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Total
	£000	£000	£000	£000
2011/12	23,518	-	-	23,518
Valued at Historic Cost	-	5,558	316	5,874
<b>Total</b>	<b>23,518</b>	<b>5,558</b>	<b>316</b>	<b>29,392</b>

### d) Depreciation Lives

The Authority policy of depreciating assets is on a straight line basis over their remaining useful lives as below:

- Red Fleet Vehicles - 1 to 12 years
- White Fleet Vehicles - 4 years
- Plant and Equipment - 1 to 19 years
- Buildings - 1 to 56 years
- Intangibles - 3 to 10 years

### e) Commitments under Capital Contracts

Capital Contract	Contractor	Amount Outstanding as at 31 March 2012
Bletchley Fire station refurbishment	Bolt & Heeks	515
Beaconsfield & Gerrards Cross Fire Stations - Electrical & Refurbishment Works	Adrem Contracts	101
High Wycombe Fire station - Roof replacement	Telnik Roofing	44
Across authority - Door Entry Security installation	Oak Park Alarms	82
Small Fires Unit conversion of vehicle	Angloco Ltd	11
<b>Total</b>		<b>753</b>

All commitments will be honoured during 2012/13.

Prior year comparators can be seen in the table below:

Capital Contract	Contractor	Amount Outstanding as at 31 March 2011
Provision of two fire trucks	Emergency One	159
Personal Protective Equipment	Bristol Uniforms	33
<b>Total</b>		<b>192</b>

**12 - Investment Property**

An office building at Bletchley Fire Station is classified as an investment property, as it is currently held solely for the purpose of generating rental income.

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>	<b>Investment Property</b>	<b>£000</b>
<b>127</b>	<b>Opening Balance</b>	<b>104</b>
	- Transfer from Land and Buildings	-
	- Revaluation	-
(23)	Impairment	(4)
<b>104</b>	<b>Closing Balance</b>	<b>100</b>

**13 - Movement of Intangible Fixed Assets**

Intangible Assets are recognised as non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. These represent the purchase of computer software and licences and other software systems and are amortised to the Comprehensive Income and Expenditure Statement on the basis of the cost and estimated useful life.

	<b>£000</b>
<b>Movement of Intangible Assets</b>	
<b>Gross Book Value as at 31 March 2011</b>	<b>410</b>
Accumulated Amortisation	(84)
<b>Net Book Value as at 1 April 2011</b>	<b>326</b>
Additions in year	-
Impairment	-
Amortisation for the year	(39)
<b>Net Book Value as at 31 March 2012</b>	<b>287</b>

No assets were internally generated. All assets have finite useful lives and are amortised on a straight-line basis between 3 to 10 years. Amortisation will be included within Community Fire Safety and Fire Fighting and Rescue Operations within the Comprehensive Income and Expenditure Statement.

**14 - Short Term Investments**

The amount held under short term investments in 2010/11 reflects the balance of the pension top-up grant due to the Authority at the balance sheet date. In 2011/12 this amount is now shown within Short Term Debtors (Note 16). Cash held on deposit with Buckinghamshire County Council is shown within cash and cash equivalents (Note 17).

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>	<b>Short Term Investments</b>	<b>£000</b>
50	Short Term Investments	-
<b>50</b>	<b>Total</b>	<b>-</b>

**15 - Inventories**

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>	<b>Inventories</b>	<b>£000</b>
44	Workshops	41
210	Stores	202
59	Fuel	58
1	IT Consumables	-
2	Catering	1
<b>316</b>	<b>Total</b>	<b>302</b>

All inventories are purchased at cost. No inventory items are purchased on deferred settlement terms or acquired by an exchange of goods and services. Inventories are distributed at cost or cost plus and do not use LIFO as a cost formula. All inventory items of a similar nature and similar use to the Authority use the same cost formula.

**16 - Short Term Debtors**

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>	<b>Short Term Debtors</b>	<b>£000</b>
973	Central Government Bodies	759
516	Other Local Authorities	479
-	- NHS Bodies	7
-	- Public Corporations and Trading Funds	-
101	Other Entities and Individuals	111
164	Payments in Advance	184
(37)	Provision for Doubtful Debts	(36)
<b>1,717</b>	<b>Total</b>	<b>1,504</b>

In 2011/12, Central Government Bodies includes the amount owed to the Authority from DCLG in relation to the pension top-up grant (£546k). In 2010/11 the equivalent amount (£50k) was shown under Short Term Investments (Note 14).

**17 - Cash and Cash Equivalents**

Cash and cash equivalents are short term highly liquid investments with a maturity of less than 90 days. Buckinghamshire County Council provides a treasury management function on behalf of the Authority under a service level agreement. Under this agreement any excess cash balances are held on deposit by BCC and interest paid to the Authority. Cash at bank is showing as a deficit at year end due to the fact that a creditor payment schedule processed on the 29<sup>th</sup> March 2012 had not yet passed through the bank and triggered the transfer from the cash on deposit.

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>	<b>Cash and cash equivalents</b>	<b>£000</b>
(211)	Cash at bank	(401)
8	Cash in hand	8
7,992	Cash on deposit	13,275
<b>7,789</b>	<b>Total</b>	<b>12,882</b>

**18 - Short Term Borrowing and Creditors**

The interest owing and shown as short term borrowing represents the Public Works Loan Board (PWLB) interest accrued to the 31<sup>st</sup> March 2012 in accordance with the Code.

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>	<b>Short Term Borrowing and Creditors</b>	<b>£000</b>
(81)	Short Term Borrowing	(101)
(474)	Central Government Bodies	(477)
(408)	Other Local Authorities	(432)
-	- NHS Bodies	-
-	- Public Corporations and Trading Funds	(17)
(673)	Other Entities and Individuals	(931)
(126)	Receipts in Advance	(95)
<b>(1,762)</b>	<b>Total</b>	<b>(2,053)</b>

**19 - Provisions**

The following table shows the movements on the Authority's provisions.

	<b>Accumulated Absences</b>	<b>Part Time Workers</b>	<b>Voluntary Redundancy and Special Payments</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance as at 1st April 2011</b>	(743)	(250)	(76)	<b>(1,069)</b>
Additional provisions made in 2011/12	71	-	(187)	(116)
<b>Balance as at 31st March 2012</b>	<b>(672)</b>	<b>(250)</b>	<b>(263)</b>	<b>(1,185)</b>

Accumulated Absences Account

This provision shows the value of the outstanding leave entitlement held by employees of the Authority as at the balance sheet date. Any increase or decrease in the provision is offset by the Accumulated Absences Account (see Note 24a) so that this accounting adjustment does not impact on the level of usable reserves.

Part Time Workers

This provision was established in 2009/10 (£250k) to provide for the back pay for Retained Duty System (RDS) staff following an equal pay court case. As at 31<sup>st</sup> March 2012, no payments had been made in relation to this court case. Negotiations about the final settlement are on-going but the Authority considers the provision to be sufficient to meet the total liability.

Voluntary Redundancy and Special Payments

This provision was established in 2010/11 (£76k) to provide for the additional costs of redundancy and related payments as a result of restructuring within the Authority. An additional amount has been provided for in 2011/12 as specific projects are likely to result in additional redundancy payments in the coming year.

## 20 - Long Term Borrowing

The Authority undertakes long term borrowing, principally as a means of financing expenditure on fixed assets. No additional principal was borrowed nor repaid during the year. The interest owing and shown as short term borrowing in Note 17 represents the Public Works Loan Board (PWLB) interest accrued to the 31<sup>st</sup> March 2012 in accordance with the Code.

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>	<b>Source of Loan</b>	<b>£000</b>
(8,265)	PWLB	(8,265)
<b>(8,265)</b>	<b>Total</b>	<b>(8,265)</b>

The interest rates applicable as at 31<sup>st</sup> March 2012 were between 3.90% and 5.32%.

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

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>	<b>Repayments Dates</b>	<b>£000</b>
(515)	Maturing in less than 5 years	(515)
(953)	Maturing in 5 to 10 years	(953)
(1,620)	Maturing in 10 to 15 years	(1,620)
(1,626)	Maturing in 15 to 20 years	(1,626)
(750)	Maturing in 20 to 25 years	(750)
(2,801)	Maturing in over 25 years	(2,801)
<b>(8,265)</b>	<b>Total</b>	<b>(8,265)</b>

## 21 - Capital Grants Received in Advance

The balance on this account represents capital grants received by the Authority where the grant conditions had not been met as at the Balance Sheet date. In 2010/11 the USAR Grant was transferred to the New Dimension Reserve and the Environmental PODs Grant to the Usable Capital Receipts Reserve. There were no capital grants with conditions that could not reasonably be expected to be satisfied as at 31<sup>st</sup> March 2012.

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>	<b>Capital Grants Received in Advance</b>	<b>£000</b>
(209)	Balance brought forward	-
189	USAR Training Rig moved to New Dimensions Reserve	-
20	Environment PODs moved to Capital Receipts Unapplied	-
<b>-</b>	<b>Total</b>	<b>-</b>

**22 - Finance Lease**

In 2003/04 the Authority entered into a sale and leaseback agreement with Opus Housing Association (now London Quadrant) in respect of the Gerrards Cross Houses for a period of 40 years. The initial cost of the lease is matched by an increase in the value of land and buildings within fixed assets. The rentals payable under this arrangement in 2011/12 were £98,004, charged as £51,004 to the Income and Expenditure account finance costs and £47,000 write down of obligation to the lessor.

	<b>Land and Buildings</b>
	<b>£000</b>
<b>Outstanding obligations under Finance Lease</b>	
Payable in 2012/13	47
Payable between 2013/14 and 2016/17	188
Payable after 2016/17	1,732
<b>Total liabilities as at 31st March 2012</b>	<b>1,967</b>

Comparative information for 2010/11

Rentals payable under this arrangement £94,687, charged as £47,687 to the Income and Expenditure account finance costs and £47,000 write down of obligation to the lessor.

	<b>Land and Buildings</b>
	<b>£000</b>
<b>Outstanding obligations under Finance Lease</b>	
Payable in 2011/12	47
Payable between 2012/13 and 2015/16	188
Payable after 2015/16	1,779
<b>Total liabilities as at 31st March 2011</b>	<b>2,014</b>

23 - Usable Reserves

Adjustments Under Regulations

Restated 2010/11				2011/12		
General Fund Balance	Usable Capital Receipts Reserve	Unusable Reserves		General Fund Balance	Usable Capital Receipts Reserve	Unusable Reserves
£000	£000	£000		£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
(1,253)	-	1,253	Depreciation Charges	(1,798)	-	1,798
169	-	(169)	Impairment	(1,871)	-	1,871
840	-	(840)	Capital grants and contributions applied	731	-	(731)
-	-	-	Movement in the Donated Assets Account	924	-	(924)
-	-	-	Revenue expenditure funded from capital under statute	-	-	-
19	-	(19)	Amounts of non-current assets written off on disposal as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
354	-	(354)	Minimum Revenue Provision	530	-	(530)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
57	(57)		Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-
	37	(37)	Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>						
(49)	-	49	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	49	-	(49)
<b>Adjustments primarily involving the Pension Reserve</b>						
(485)	-	485	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(12,723)	-	12,723
3,149	-	(3,149)	Employer's pensions contributions and direct payments to pensioners payable in the year	3,037	-	(3,037)

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-	-	-	Pension Grant Received	-	-	-
			<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>			
196	-	(196)	Precept Income	(15)	-	15
			<b>Adjustments primarily involving the Accumulated Absences Account</b>			
(29)	-	29	Employee Absence Account	71	-	(71)
			<b>Other Adjustments</b>			
-	-	-	Appropriation from Reserve to Repay debt	-	-	-
<b>2,968</b>	<b>(20)</b>	<b>(2,948)</b>	<b>Total Adjustments</b>	<b>(11,065)</b>	<b>-</b>	<b>11,065</b>

The amounts for 2010/11 have been amended to ensure consistency within the financial statements. Balances have also been restated to reflect the revised treatment of the grant receivable in relation to the Pension Fund (see Note 31).

### Transfers To/From Reserves

	Note	Balance at 1 April 2010	Transfers (In)/Out 2010/11	Balance at 31 March 2011	Transfers (In)/Out 2011/12	Balance at 31 March 2012
General Fund Balance	A	(3,011)	(705)	(3,716)	16	(3,700)
<b>Sub Total Non Earmarked General Fund Balance</b>		<b>(3,011)</b>	<b>(705)</b>	<b>(3,716)</b>	<b>16</b>	<b>(3,700)</b>
Fire Control Reserve	B	(150)	-	(150)	-	(150)
Debt Repayment Reserve	C	(568)	568	-	-	-
Invest to Save Reserve	D	(372)	(59)	(431)	(59)	(490)
Moving Forward Reserve	E	(400)	(170)	(570)	-	(570)
Transitional Grant Reserve	F	(170)	170	-	-	-
New Dimensions Reserve	G	-	(853)	(853)	(147)	(1,000)
Asset Management Reserve	H	-	(180)	(180)	-	(180)
Redundancy and Early Retirement Reserve	I	-	(180)	(180)	-	(180)
New Burdens Reserve	J	-	(84)	(84)	-	(84)
Vehicle Reserve	K	-	(17)	(17)	(18)	(35)
Funding Pressures Reserve	L	-	(1,000)	(1,000)	-	(1,000)
Control Room Reserve (Revenue)	M	-	-	-	(1,000)	(1,000)
RDS Pension Contributions Reserve	N	-	-	-	(650)	(650)
<b>Sub Total Earmarked Reserves - Revenue</b>		<b>(1,660)</b>	<b>(1,805)</b>	<b>(3,465)</b>	<b>(1,874)</b>	<b>(5,339)</b>
Usable Capital Receipts Reserve	O	-	(20)	(20)	-	(20)
Control Room Capital Grant Unapplied	P	-	-	-	(800)	(800)
Other Capital Grants Unapplied	Q	-	-	-	(438)	(438)
Revenue Contribution to Capital	R	-	-	-	(725)	(725)
<b>Sub Total Earmarked Reserves - Capital</b>		<b>-</b>	<b>(20)</b>	<b>(20)</b>	<b>(1,963)</b>	<b>(1,983)</b>
<b>Total Usable Reserves</b>		<b>(4,671)</b>	<b>(2,530)</b>	<b>(7,201)</b>	<b>(3,821)</b>	<b>(11,022)</b>

#### A – General Fund Balance

This is a non-earmarked reserve and is kept at a prudent level in order to cover unforeseen eventualities and liabilities.

### B – Fire Control Reserve

This was originally established in 2004/05 to assist with issues relating to regional control rooms. No proposal to remove this money has been made at this stage due the uncertainty surrounding the provision of control room services.

### C – Debt Repayment Reserve

This was originally established in 2006/07 in order to meet debt repayment schedules. It was fully utilised in 2010/11.

### D – Invest to Save Reserve

This reserve provides one-off funding for initiatives that will help to generate long-term efficiencies within the Authority. The savings generated are used to top-up the reserve in order to fund further projects.

### E – Moving Forward Reserve

This reserve is used to fund one-off costs that help to modernise the service as part of the Moving Forward Agenda.

### F – Transitional Grant Reserve

This was originally established in 2009/10 to alleviate the cessation of grant funded activity. It was fully utilised in 2010/11.

### G – New Dimensions Reserve

This reserve has been setup to mitigate the risk of reduction or cessation of grant funding associated with Section 31 grants for Urban Search and Rescue and Incident Response Units. An additional transfer to this reserve was approved in 2011/12.

### H – Asset Management Reserve

This reserve was setup in 2010/11 to provide funding for the implementation of a new asset management system.

### I – Redundancy and Early Retirement Reserve

This reserve is used to fund the cost of redundancy and early retirements incurred as part of the Moving Forward Agenda.

### J – New Burdens Reserve

This reserve represents unused New Burdens grant set aside from previous years

### K – Vehicle Reserve

This reserve is used to contribute towards the cost of replacing pool cars as they reach the end of their useful lives.

### L – Funding Pressures Reserve

This reserve was created to assist with future pressures resulting from changes in Government grant funding.

### M – Control Room Reserve (Revenue)

This reserve contains the funding received in 2011/12 to contribute towards the revenue costs of combining control room services in future years.

### N – RDS Pension Contribution Reserve

This reserve has been setup to cover any potential costs that may be incurred in relation to back-dated Retained Duty System (RDS) pensions. Not enough certainty exists at the moment to create a provision, but additional information is disclosed within Note 27 - Contingent Liabilities.

**O – Usable Capital Receipts Reserve**

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

**P – Control Room Capital Grant Unapplied**

This reserve contains the funding received in 2011/12 to contribute towards the capital costs of combining control room services in future years.

**Q – Other Capital Grants Unapplied**

This reserve contains capital grant funding received and committed in 2011/12, but where delivery of the goods/service will take place in 2012/13.

**R – Revenue Contribution to Capital**

This reserve represents funding set aside to contribute towards future capital expenditure in order to mitigate the need to fund the expenditure through additional borrowing.

**24 - Unusable Reserves**

a) Accumulated Absences Account

The Accumulated Absences Account mitigates any effect on the General Fund of having to include a provision for any outstanding leave owed to employees at the end of each financial year. There is a requirement that authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to this account until the benefits are used. The carrying balance is relatively high as the authority operates a January to December leave year.

<b>2010/11</b>	<b>Accumulated Absences Account</b>	<b>2011/12</b>
<b>£000</b>		<b>£000</b>
<b>714</b>	<b>Opening Balance</b>	<b>743</b>
(714)	Reversal of provision for accumulated absences for previous year	(743)
743	Accumulated absences for the year	672
<b>743</b>	<b>Closing Balance</b>	<b>672</b>

b) Capital Adjustment Account

It is a statutory requirement to have a Capital Adjustment Account. The balance on this account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

<b>2010/11</b>	<b>Capital Adjustment Account</b>	<b>2011/12</b>
<b>£000</b>		<b>£000</b>
<b>(23,245)</b>	<b>Opening Balance</b>	<b>(23,419)</b>
1,253	Depreciation	1,798
1	Depreciation variance Historic to Current	(28)
(354)	Minimum Revenue Provision	(530)
(169)	Impairments	1,871
(65)	Other adjustments	-
-	- Revenue contributions	-
-	- Usable capital receipts	-
(840)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(731)
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	(924)
<b>(23,419)</b>	<b>Closing Balance</b>	<b>(21,963)</b>

c) Collection Fund Adjustment Account

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

<b>2010/11</b>	<b>Collection Fund Adjustment Account</b>	<b>2011/12</b>
<b>£000</b>		<b>£000</b>
<b>(40)</b>	<b>Opening Balance</b>	<b>(236)</b>
(196)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	15
<b>(236)</b>	<b>Closing Balance</b>	<b>(221)</b>

d) Pensions Reserve

It is a statutory requirement to have a Pensions Reserve. This reserve represents a balancing figure, reported by the actuary, to allow for the liabilities of both the Local Government Pension Scheme and the Firefighter's Pension Fund, as required under IAS19. Prior year figures have been restated to reflect the revised treatment of the grant receivable in relation to the Pension Fund (see Note 31).

<b>Restated 2010/11</b>	<b>Pensions Reserve</b>	<b>2011/12</b>
<b>£000</b>		<b>£000</b>
<b>199,889</b>	<b>Opening Balance</b>	<b>148,157</b>
(2,661)	Appropriations to and from (-) revenue	9,686
(49,071)	Actuarial gains (-) / losses relating to pensions	26,479
<b>148,157</b>	<b>Closing Balance</b>	<b>184,322</b>

e) Revaluation Reserve

It is a statutory requirement to have a Revaluation Reserve. This reserve records unrealised revaluation gains arising since the 1st April 2007 from the holding of fixed assets. As and when assets are revalued or revaluations are reversed then adjustments are made to this account. The revaluation reserve is also written down to the capital adjustment account over the remaining useful lives of the assets with revaluation reserve balances.

<b>2010/11</b>	<b>Revaluation Reserve</b>	<b>2011/12</b>
<b>£000</b>		<b>£000</b>
<b>(138)</b>	<b>Opening Balance</b>	<b>(355)</b>
(295)	Revaluation increase/decrease recognised in the Revaluation Reserve	1,371
28	Depreciation written out to Revaluation Reserve	(982)
	Impairment losses/reversals recognised in the Revaluation Reserve	(499)
-	Asset disposals	-
1	Depreciation difference - historic cost to current value	28
49	Other adjustments	-
<b>(355)</b>	<b>Closing Balance</b>	<b>(437)</b>

f) Financial Instruments Reserve

During 2010/11 two PWLB loans were repaid prematurely. As a result the Authority incurred a premium charge that was initially scheduled to be written off over a five year period. The Authority took the decision during 2011/12 to write-off this balance in full during the year.

<b>2010/11</b>	<b>Financial Instruments Reserve</b>	<b>2011/12</b>
<b>£000</b>		<b>£000</b>
-	<b>Opening Balance</b>	<b>49</b>
49	Premium on early repayment of loan	(49)
<b>49</b>	<b>Closing Balance</b>	<b>-</b>

**25 - Donated Assets Account**

In 2010/11 the Authority recognised on the Balance Sheet the value of the New Dimension Assets made available to it by the Government. The fair value of the assets was recognised within Vehicles, Plant and Equipment and a credit was recognised in the Donated Assets Account. In 2011/12 the Authority agreed to accept ownership of the assets and comply with the conditions set out in the transfer agreement. The balance on the Donated Assets Account was transferred to the Comprehensive Income and Expenditure Statement. Contra entries were made in the Movement in Reserves Statement and the Capital Adjustment Account to ensure that there is no impact on the General Fund.

The donated assets are now included within Vehicles, Plant and Equipment and will be depreciated over their remaining useful life on a straight-line basis.

<b>2010/11</b>	<b>Donated Assets Account</b>	<b>2011/12</b>
<b>£000</b>		<b>£000</b>
-	<b>Opening Balance</b>	<b>924</b>
924	New Dimension Assets	(924)
<b>924</b>	<b>Closing Balance</b>	<b>-</b>

**26 - Contingent Assets**

Under the contract with Opus Housing Association (now London Quadrant) following the sale of Beaconsfield and Gerrards Cross houses, the Authority has overage rights relating to both sites. If the housing association develops either site, the association shall pay 25% of the market value of the relevant residential units or as the case may be, the enhanced value of the relevant property to the Authority.

**27 - Contingent Liabilities**

At 31 March 2012, the Authority had two contingent liabilities:

- The Authority is awaiting the formal notification of the outcome of a case involving Retained Duty System (RDS) firefighters. The Authority could potentially be liable to pay backdated employer contributions relating to RDS pensions. If the Authority is liable, the amount to be paid would then be dependant of the number of firefighters who decide to backdate their employee contributions. Not enough certainty around the outcome exists at this moment in time for a provision to be required. The Authority has created a reserve of £650k in 2011/12 to provide for potential future costs that may be incurred;
- As a result of an incident in 2010/11, there are potential areas of litigation with associated costs that may arise. At present it is not possible to place an estimate on the level of these potential costs.

## **28 - Pension Schemes**

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

- The Local Government Pension Scheme for civilian employees administered locally by Buckinghamshire County Council is a funded defined benefit final salary scheme, administered in accordance with the Local Government Pension Scheme (1997) as amended. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. It is contracted out of the State Second Pension;
- The Fire Fighter Pension Scheme for uniformed fire fighters is an unfunded defined benefit statutory scheme, administered by Buckinghamshire County Council in accordance with the Fire Pension Scheme Orders (1992) as amended. It is contracted out of the State Second Pension. There are no investment assets held to back the liabilities of the scheme and cash has to be generated to meet actual pensions payments as they eventually fall due; and
- The Fire Fighter Pension Scheme for uniformed fire fighters (retained and new entrants from 1st April 2006) is an unfunded defined benefit statutory scheme, administered by Buckinghamshire County Council in accordance with the Fire Pension Scheme Orders (2006) as amended. It is contracted out of the State Second Pension. There are no investment assets held to back the liabilities of the scheme and cash has to be generated to meet actual pension payments as they eventually fall due.

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

a) Transactions relating to retirement benefits

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement.

<b>Comprehensive Income and Expenditure Statement</b>	<b>LGPS</b>	<b>1992 Firefighters</b>	<b>2006 Firefighters</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Cost of Services</u>				
Current Service Cost	666	3,670	439	<b>4,775</b>
Past Service Costs	-	-	-	-
Curtailments and Settlements	-	-	-	-
<b>Cost of Services Total</b>	<b>666</b>	<b>3,670</b>	<b>439</b>	<b>4,775</b>
<u>Financing and Investment Income and Expenditure</u>				
Interest Cost	881	7,708	136	<b>8,725</b>
Expected return on scheme assets	(777)	-	-	<b>(777)</b>
<b>Financing and Investment Total</b>	<b>104</b>	<b>7,708</b>	<b>136</b>	<b>7,948</b>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>770</b>	<b>11,378</b>	<b>575</b>	<b>12,723</b>
Actuarial Gains and Losses	4,071	21,104	1,304	<b>26,479</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>4,841</b>	<b>32,482</b>	<b>1,879</b>	<b>39,202</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus or deficit for post employment benefits in accordance with the code:				
Amount actually charged against the General Fund Balance for pensions in the year for:				
Employers contribution	667	-	-	<b>667</b>
Retirement benefit payable to pensioners	14	2,095	261	<b>2,370</b>

Cumulative actuarial gains and losses are £(4.178m) for the LGPS scheme, £(9.382m) for the 1992 firefighters' scheme and £(0.638m) for the 2006 firefighters' scheme.

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Comparative data for 2010/11 (restated):

<b>Comprehensive Income and Expenditure Statement</b>	<b>LGPS</b>	<b>1992 Firefighters</b>	<b>2006 Firefighters</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Cost of Services</u>				
Current Service Cost	855	4,861	581	<b>6,297</b>
Past Service Costs	(1,694)	(14,720)	(224)	<b>(16,638)</b>
Curtailments and Settlements	90	-	-	<b>90</b>
<b>Cost of Services Total</b>	<b>(749)</b>	<b>(9,859)</b>	<b>357</b>	<b>(10,251)</b>
<u>Financing and Investment Income and Expenditure</u>				
Interest Cost	997	10,298	132	<b>11,427</b>
Expected return on scheme assets	(696)	-	-	<b>(696)</b>
<b>Financing and Investment Total</b>	<b>301</b>	<b>10,298</b>	<b>132</b>	<b>10,731</b>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(448)</b>	<b>439</b>	<b>489</b>	<b>480</b>
Actuarial Gains and Losses	4,946	42,477	587	<b>48,010</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>4,498</b>	<b>42,916</b>	<b>1,076</b>	<b>48,490</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus or deficit for post employment benefits in accordance with the code:	448	(439)	(489)	<b>(480)</b>
Amount actually charged against the General Fund Balance for pensions in the year for:				
Employers contribution	655	-	-	<b>655</b>
Retirement benefit payable to pensioners	-	2,231	263	<b>2,494</b>

The employers contribution and retirement benefit payable to pensioners lines have been adjusted to ensure consistency with the rest of Note 28. The total of these two lines remains the same.

### b) Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

<b>Reconciliation of present value of the scheme liabilities</b>	<b>LGPS</b>	<b>1992 Firefighters</b>	<b>2006 Firefighters</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present Value of scheme liabilities as at 1 April	(15,831)	(140,866)	(2,156)	<b>(158,853)</b>
Current Service Cost	(666)	(3,670)	(439)	<b>(4,775)</b>
Interest Cost	(881)	(7,708)	(136)	<b>(8,725)</b>
Actuarial gain / loss (-)	(2,940)	(24,146)	(843)	<b>(27,929)</b>
Curtailment	-	-	-	<b>-</b>
Estimated benefits paid (net of transfers in)	511	6,045	7	<b>6,563</b>
Past Service Costs	-	-	-	<b>-</b>
Contribution by Scheme participants	(230)	(1,086)	(207)	<b>(1,523)</b>
Injury Pension payments	-	178	-	<b>178</b>
<b>Present Value of scheme liabilities as at 31 March</b>	<b>(20,037)</b>	<b>(171,253)</b>	<b>(3,774)</b>	<b>(195,064)</b>

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Prior year:

<b>Reconciliation of present value of the scheme liabilities</b>	<b>LGPS</b>	<b>1992 Firefighters</b>	<b>2006 Firefighters</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present Value of scheme liabilities as at 1 April	(20,106)	(186,736)	(1,969)	<b>(208,811)</b>
Current Service Cost	(855)	(4,861)	(581)	<b>(6,297)</b>
Interest Cost	(997)	(10,298)	(132)	<b>(11,427)</b>
Actuarial gain / loss (-)	4,416	42,477	587	<b>47,480</b>
Curtailment	(90)	-	-	<b>(90)</b>
Estimated benefits paid (net of transfers in)	340	4,818	(73)	<b>5,085</b>
Past Service Costs	1,694	14,720	224	<b>16,638</b>
Contribution by Scheme participants	(233)	(1,156)	(212)	<b>(1,601)</b>
Injury Pension payments	-	170	-	<b>170</b>
<b>Present Value of scheme liabilities as at 31 March</b>	<b>(15,831)</b>	<b>(140,866)</b>	<b>(2,156)</b>	<b>(158,853)</b>

Reconciliation of fair value of the scheme assets:

<b>Reconciliation of fair value of the scheme assets</b>	<b>LGPS</b>	<b>1992 Firefighters</b>	<b>2006 Firefighters</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair Vale of scheme assets as at 1 April	10,696	-	-	<b>10,696</b>
Expected return on scheme assets	777	-	-	<b>777</b>
Actuarial gain / loss (-)	(1,131)	-	-	<b>(1,131)</b>
Employer Contributions	681	-	-	<b>681</b>
Contribution by Scheme participants	230	-	-	<b>230</b>
Estimated benefits paid (net of transfers in)	(511)	-	-	<b>(511)</b>
<b>Fair Vale of scheme assets as at 31 March</b>	<b>10,742</b>	<b>-</b>	<b>-</b>	<b>10,742</b>

Prior year:

<b>Reconciliation of fair value of the scheme assets</b>	<b>LGPS</b>	<b>1992 Firefighters</b>	<b>2006 Firefighters</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair Vale of scheme assets as at 1 April	8,923	-	-	<b>8,923</b>
Expected return on scheme assets	696	-	-	<b>696</b>
Actuarial gain / loss (-)	530	-	-	<b>530</b>
Employer Contributions	654	-	-	<b>654</b>
Contribution by Scheme participants	233	-	-	<b>233</b>
Estimated benefits paid (net of transfers in)	(340)	-	-	<b>(340)</b>
<b>Fair Vale of scheme assets as at 31 March</b>	<b>10,696</b>	<b>-</b>	<b>-</b>	<b>10,696</b>

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

c) Scheme history

<b>Reconciliation of present value of the scheme liabilities</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Present Value of Liabilities</u>					
LGPS	(12,612)	(11,470)	(20,106)	(15,831)	(20,037)
1992 Firefighters Scheme	(128,248)	(123,131)	(186,736)	(140,866)	(171,253)
2006 Firefighters Scheme	(484)	(743)	(1,969)	(2,156)	(3,774)
<b>Present Value of scheme liabilities as at 31 March</b>	<b>(141,344)</b>	<b>(135,344)</b>	<b>(208,811)</b>	<b>(158,853)</b>	<b>(195,064)</b>
<u>Fair Value of Assets</u>					
LGPS	7,617	6,152	8,923	10,696	10,742
<b>Total Assets - BMKFA estimated allocation of LGPS assets</b>	<b>7,617</b>	<b>6,152</b>	<b>8,923</b>	<b>10,696</b>	<b>10,742</b>
LGPS Experience adjustments on scheme assets	(970)	(1,878)	1,716	530	(1,131)
<u>Surplus/Deficit (-) in the scheme</u>					
LGPS	(4,995)	(5,318)	(11,183)	(5,135)	(9,295)
1992 Firefighters Scheme	(141,152)	(123,131)	(186,736)	(140,866)	(171,253)
2006 Firefighters Scheme	(452)	(743)	(1,969)	(2,156)	(3,774)
<b>Total</b>	<b>(146,599)</b>	<b>(129,192)</b>	<b>(199,888)</b>	<b>(148,157)</b>	<b>(184,322)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £184.322m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £148.157m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the Scheme Actuary every three years;
- Finance is only required to be raised to cover firefighter's pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31<sup>st</sup> March 2013 is £0.659m. Expected contributions for the 1992 Firefighters' Pension Scheme in the year to 31<sup>st</sup> March 2013 is £2.095m, with expected contributions of £0.261m for the 2006 scheme.

d) Basis for estimating assets and liabilities

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

Both the Firefighters' and Local Government schemes have been assessed by Barnett Waddingham, an independent firm of actuaries, based on the latest full valuations (31st March 2010 for the Local Government scheme and the 31st March 2005 for the Firefighters' scheme).

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The main assumptions used in their calculations have been:

	<b>LGPS</b>		<b>Firefighters 1992</b>		<b>Firefighters 2006</b>	
	<b>2010/11</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Long term expected rate of return on assets in the scheme</u>						
Equity investments	7.70%	6.60%	-	-	-	-
Gilts	4.40%	3.30%	-	-	-	-
Bonds	5.50%	4.60%	-	-	-	-
Property	7.20%	6.10%	-	-	-	-
Cash	3.00%	3.00%	-	-	-	-
Alternative Assets	7.70%	6.60%	-	-	-	-
<u>Mortality Assumptions</u>						
Longevity at 65 for current pensioners						
Men	19.80	20.00	21.50	21.50	21.50	21.50
Women	23.90	24.00	24.10	24.10	24.10	24.10
Longevity at 65 for future pensioners						
Men	21.90	22.00	23.40	23.40	23.40	23.40
Women	25.80	25.90	25.90	25.90	25.90	25.90
<u>Financial Assumptions</u>						
Rate of Inflation (RPI)	3.50%	3.30%	3.50%	3.30%	3.50%	3.30%
Rate of Inflation (CPI)	2.70%	2.50%	2.70%	2.50%	2.70%	2.50%
Rate of salary inflation	5.00%	4.70%	5.00%	4.80%	5.00%	4.80%
Rate of pensions inflation	2.70%	2.50%	2.70%	2.50%	2.70%	2.50%
Rate for discounting scheme liabilities	5.50%	2.50%	5.50%	4.60%	5.50%	4.60%
Take up of option to convert annual pension into retirement lump sum	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%

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

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

<b>31 March 2011</b>			<b>31 March 2012</b>	
<b>£000</b>	<b>%</b>	<b>LGPS</b>	<b>£000</b>	<b>%</b>
7,379	69%	Equity investments	7,304	68%
749	7%	Gilts	859	8%
749	7%	Bonds	967	9%
856	8%	Property	967	9%
321	3%	Cash	215	2%
642	6%	Alternative Assets	430	4%
<b>10,696</b>	<b>100%</b>	<b>Total</b>	<b>10,742</b>	<b>100%</b>

e) Experience adjustments arising in scheme liabilities and assets

<b>Reconciliation of present value of the scheme liabilities</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<u>Liabilities</u>					
LGPS	9.8%	0.0%	0.0%	12.7%	-0.9%
1992 Firefighters Scheme	10.1%	0.0%	0.0%	16.6%	0.0%
2006 Firefighters Scheme	-6.6%	0.0%	0.0%	9.5%	0.0%
<u>Assets</u>					
LGPS	-12.7%	-30.5%	19.3%	5.0%	-10.5%
1992 Firefighters Scheme	n/a	n/a	n/a	n/a	n/a
2006 Firefighters Scheme	n/a	n/a	n/a	n/a	n/a

f) Actual return of scheme assets

The Local Government Pension Scheme return on assets is £(0.354m) in 2011/12 compared to £0.860m in 2010/11. The Firefighters' Pension Schemes have no assets.

**29 - Financial Instruments**

a) Financial Instruments Balances

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

	<b>Long Term</b>		<b>Current</b>	
	<b>31 March 2011</b>	<b>31 March 2012</b>	<b>31 March 2011</b>	<b>31 March 2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financial liabilities at amortised cost	(10,279)	(10,232)	(1,513)	(1,811)
<b>Total Borrowings</b>	<b>(10,279)</b>	<b>(10,232)</b>	<b>(1,513)</b>	<b>(1,811)</b>
Loans and receivables	-	-	9,260	14,106
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>9,260</b>	<b>14,106</b>

b) Financial Instruments gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement in relation to financial instruments are made up as follows.

2010/11	Financial Instruments Gains and Losses	Financial Liabilities	Financial Assets 2011/12			Total
		2011/12				
£000		Liabilities measured at amortised cost	Loans and receivables	Available for sale assets	Fair value through the CIES account	£000
332	Interest expense	380	-	-	-	380
-	Losses on derecognition	-	-	-	-	-
-	Impairment losses	-	-	-	-	-
<b>332</b>	<b>Interest payable and similar charges</b>	<b>380</b>	-	-	-	<b>380</b>
(38)	Interest income	-	(72)	-	4	(68)
-	Gains on derecognition	-	-	-	-	-
<b>(38)</b>	<b>Interest and investment income</b>	<b>-</b>	<b>(72)</b>	<b>-</b>	<b>4</b>	<b>(68)</b>
-	Gains on revaluation	-	-	-	-	-
-	Losses on revaluation	-	-	-	-	-
-	Amounts recycled to the CIES after impairment	-	-	-	-	-
-	Surplus arising on revaluation of financial assets	-	-	-	-	-
<b>294</b>	<b>Net gain/loss (-) for the year</b>	<b>380</b>	<b>(72)</b>	<b>-</b>	<b>4</b>	<b>312</b>

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

2010/11		2011/12
£000		£000
-	Financial Instruments gain	-
-	Rental income from investment properties	(16)
-	Movement in fair value of investment properties	4
(38)	Current account interest	(56)
<b>(38)</b>	<b>Total Investment income received in the CIES</b>	<b>(68)</b>

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

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

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. It should be noted that the redemption rules applying to PWLB debt changed on 1<sup>st</sup> November 2007, and are less favourable than the previous procedures.
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value;

- The fair value of trade and other receivables is taken to be invoiced or billed amounts.

The fair values calculated are as follows:

	31 March 2011		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
PWLB Debt at amortised cost	(8,265)	(8,821)	(8,265)	(10,276)
Finance Lease	(2,014)	(2,014)	(1,967)	(1,967)
Creditors	(1,513)	(1,513)	(1,811)	(1,811)
<b>Total Financial Liabilities</b>	<b>(11,792)</b>	<b>(12,348)</b>	<b>(12,043)</b>	<b>(14,054)</b>
Money market loans less than one year	7,992	7,992	13,275	13,275
Debtors	1,268	1,268	831	831
<b>Total Loans and Receivables</b>	<b>9,260</b>	<b>9,260</b>	<b>14,106</b>	<b>14,106</b>

The differences between the carrying amount and the fair value of PWLB debt are due to the fixed rate of interest on the loans being different from the prevailing rate at 31<sup>st</sup> March 2012. All creditors and other payables are due to be paid in less than one year.

The differences between the carrying amount of creditors and debtors shown above and those disclosed on the balance sheet is because the above note excludes statutory creditors and debtors. The creditors figure shown above excludes £242k in relation to Council Tax balances. The debtors figure shown above excludes £210k in relation to the VAT refund due from HMRC and £463k in relation to Council Tax balances.

#### d) Nature and extent of risk arising from financial instruments

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

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

#### e) Overall procedures for managing risk

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

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

These are required to be reported and approved at or before the Authority's annual council tax setting budget. These items are reported with the annual Treasury Management Strategy which

outlines the detailed approach to managing risk. Actual performance is also reported annually to Members. The Authority maintains written principles for overall risk management as well as the investment of surplus cash through the Treasury Management Policy approved by the Authority.

f) Credit risk

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

There are no risks to the Authority of the funds being lost as Buckinghamshire County Council assumes all the risk of the investments made as these are amalgamated with their own funds in their name and interest is paid to the Authority monthly as earned. No breaches of Buckinghamshire County Councils counterparty criteria were reported to the Authority during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

g) Liquidity risk

The Authority invests any surplus cash using a service level agreement with Buckinghamshire County Council for which it obtains the 7 day LIBID rate. The funds from Buckinghamshire County Council are available for repayment on demand and are therefore considered 'cash', immediately available for investment by us with no possibility of loss. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

h) Refinancing and maturity risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing PWLB Loans as they mature. It is possible that provisions will be made available to meet all PWLB Loans without the direct need to replace loans as they mature, therefore no risk / impairment or other adjustment is required.

A fair value debt calculation of £10.276m has been provided by the PWLB on the Authority's behalf

The maturity analysis of financial liabilities is as follows:

<b>31 March 2011 £000</b>		<b>31 March 2012 £000</b>
(81)	Maturing in less than 1 year	(101)
-	Maturing within 2 years	-
(515)	Maturing within 2 to 5 years	(515)
(953)	Maturing within 5 to 10 years	(953)
(6,797)	Maturing in more than 10 years	(6,797)
<b>(8,346)</b>	<b>Total</b>	<b>(8,366)</b>

i) Market risk

Interest rate risk

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

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

Borrowings are not carried at fair value on the balance sheet but are carried at amortised cost, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Account (CIES). However, changes in interest payable on fixed rate borrowings and variable rate investments will be posted to the CIES and affect the General Fund Balance. Movements in the fair value of any variable rate investments will be reflected in Other Comprehensive Income and Expenditure, unless the investments have already been designated as fair value through the CIES.

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

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

	<b>2011/12</b>
	<b>£000</b>
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	121
Increase in government grant receivable for financing costs	-
<b>Impact on Comprehensive Income and Expenditure Statement</b>	<b>121</b>
Decrease in fair value of fixed rate borrowing liabilities which has no impact on the Comprehensive Income and Expenditure Statement	-
<b>Total Financial Effect</b>	<b>121</b>

If rates had been 1% lower the amounts would be reversed.

Price risk

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

Foreign Exchange risk

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

### **30 - 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 Director of Finance and Assets & Treasurer. Events which have a material effect on the accounts must be disclosed in a note to the accounts.

Since the balance sheet date, broad terms on the reform of the Firefighters' and Local Government Pension Scheme have been agreed with the unions. At the date the accounts were signed by the Director of Finance and Assets & Treasurer, unions had yet to complete consultation with their members and the Government had yet to commence statutory consultation. If the current proposals are accepted the pension liabilities are likely to reduce, although it is not possible to quantify the amounts at this time.

**31 - Prior Period Adjustments**

There have been two sets of amendments to prior period figures. Neither of these required any of the figures on the Balance Sheet to be restated and therefore a third Balance Sheet has not been presented.

The two adjustments required were:

- General Government Grants - £1.035m. In 2010/11 these were shown within the Net Cost of Services. As the grants are non-ring-fenced they should be shown within Taxation and Non-Specific Grant Income. The Comprehensive Income and Expenditure Statement (CIES) has therefore been restated (see table below). Note 10 has also been restated to include the revised CIES figures; and
- Government grant payable to the Pension Fund on the Authority's behalf - £1.061m. In previous years the grant was treated as an additional employers' pension contribution. A corresponding entry was therefore included in the CIES and Movement in Reserves Statement (MiRS). The guidance issued to authorities has been updated to clarify that it should not be included within the MiRS, because it is not part of the statutory override to IAS19. The CIES for 2010/11 has therefore been restated as shown in the table below. The net movement on the Surplus or Deficit on the Provision of Services has also been reflected in the MiRS, with an offsetting adjustment to the Adjustments between accounting basis & funding basis under regulations line. Notes 1, 23 and 24 have also been updated to include the revised CIES figures.

	2010/11			Adjustments		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Fire Fighting and Rescue Operations	27,758	(2,345)	25,413	-	1,035	1,035
<b>Surplus (-) or Deficit on Continuing Operations (Note 1)</b>	<b>33,008</b>	<b>(19,389)</b>	<b>13,619</b>	<b>-</b>	<b>1,035</b>	<b>1,035</b>
Gain in relation to government grant payable to the Pension Fund on the Authority's behalf	-	(1,061)	(1,061)	-	1,061	1,061
<b>Total Other Operating Expenditure</b>	<b>-</b>	<b>(1,068)</b>	<b>(1,068)</b>	<b>-</b>	<b>1,061</b>	<b>1,061</b>
General Government Grants	-	(2,501)	(2,501)	-	(1,035)	(1,035)
<b>Total Taxation and Non-Specific Grant Income (Note 10)</b>	<b>-</b>	<b>(30,115)</b>	<b>(30,115)</b>	<b>-</b>	<b>(1,035)</b>	<b>(1,035)</b>
<b>Surplus (-) or Deficit on Provision of Services</b>	<b>44,767</b>	<b>(51,306)</b>	<b>(6,539)</b>	<b>-</b>	<b>1,061</b>	<b>1,061</b>
Actuarial gains/losses on Pension Fund assets and liabilities (Note 24d)	-	-	(48,010)	-	-	(1,061)
<b>Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>(48,232)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>(54,771)</b>	<b>-</b>	<b>-</b>	<b>-</b>
						<b>-</b>

Some additional adjustments have also been made to some statements to remove inconsistencies in prior year figures. These have been noted where made.

**32 - Notes to the Cash Flow Statement**

a) Net Cash flows from Operating Activities

<b>Restated 2010/11 £000</b>		<b>2011/12 £000</b>
<b>5,478</b>	<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>(7,244)</b>
2,066	Depreciation, amortisation, impairment and downward valuations	3,669
17	Reductions in fair value of non PWLB concessionary loans	-
-	Net Movement in Interest Creditors	-
(1,549)	Net Movement in Creditors	301
4	Net Movement in Interest Debtors	15
(940)	Net Movement in Debtors	263
(25)	Net Movement in Stocks	14
(3,653)	Adjustment regarding Pension Liability	9,686
105	Contributions to/from Provisions	116
(568)	Adjustments for repayment of PWLB loan	-
<b>(4,543)</b>		<b>14,064</b>
(835)	Capital Grants Credited to surplus or deficit on the provision of services	(2,893)
(37)	Proceeds from the sale of assets	-
<b>(872)</b>		<b>(2,893)</b>
<b>63</b>	<b>Net Cash Flows from Operating Activities</b>	<b>3,927</b>

The 2010/11 amounts have been restated to ensure consistency with the restated Comprehensive Income and Expenditure Statement (see also Note 31).

b) Net Cash flows from Operating Activities (Interest)

<b>2010/11 £000</b>		<b>2011/12 £000</b>
38	Ordinary interest received	68
4	Interest received on cash backed funds/reserves	-
<b>42</b>		<b>68</b>
(332)	Interest charge for year	(380)
(568)	Adj differences between Effective Interest Rates and actual payable	-
-	Other Interest	-
<b>(900)</b>		<b>(380)</b>
<b>(858)</b>	<b>Net Cash Flows from Operating Activities (Interest)</b>	<b>(312)</b>

c) Cash Flows from Investment Activities

<b>2010/11 £000</b>		<b>2011/12 £000</b>
(2,279)	Property Plant and Equipment Purchased	(741)
-	Purchase of short or long term investments	-
10	Movement on Capital Creditors	-
<b>(2,269)</b>		<b>(741)</b>
37	Proceeds from the sale of Assets	-
-	Proceeds from the sale of short or long term investments	-
831	Capital Grants Received	1,969
<b>868</b>		<b>1,969</b>
<b>(1,401)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>1,228</b>

d) Cash Flows from Financing Activities

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>		<b>£000</b>
1,750	Cash receipts of short and long term borrowing	-
(17)	Repayment of short and long term borrowing	-
-	Other receipts from financing activities	(15)
-	Cash payments for the reduction of outstanding liabilities relating to finance leases	(47)
<b>1,733</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(62)</b>

e) Make up of Cash and Cash Equivalents

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>		<b>£000</b>
(203)	Cash and bank balances	(393)
7,992	Cash investments	13,275
-	Bank overdraft	-
<b>7,789</b>	<b>Total</b>	<b>12,882</b>

## Firefighters' Pension Fund Account

### Firefighters' Pension Fund

2010/11 £000	Fund Account	2011/12 £000
	<b>Income to the fund</b>	
	<u>Contributions receivable (funds due to us during the year)</u>	
	From employer	
(2,488)	normal contributions	(2,356)
-	early retirements	-
(12)	other contributions	(11)
(1,355)	From members	(1,283)
	<u>Transfers in</u>	
(73)	Individual transfers in from other schemes	-
-	Other transfers in	-
<b>(3,928)</b>	<b>Total Income to the Fund</b>	<b>(3,650)</b>
	<b>Spending by the fund</b>	
	<u>Benefits payable</u>	
4,091	Pension payments	4,415
898	Commutation of pensions and lump sum retirement benefits	1,816
-	Lump sum death benefits	-
-	Other benefits payable	-
	<u>Payments to and on behalf of leavers</u>	
-	Refunds of contributions to people who leave the scheme	-
-	Individual transfers out of the scheme	-
-	Other payments	-
<b>4,989</b>	<b>Total Spending by the Fund</b>	<b>6,231</b>
<b>1,061</b>	<b>Net amount payable/receivable for the year before top up grant receivable/amount payable to sponsoring department</b>	<b>2,581</b>
(1,061)	Top up grant receivable/amount payable to sponsoring department	(2,581)
-	<b>Net amount payable (-)/receivable for the year</b>	<b>-</b>

### Firefighters' Pension Fund Net Assets Statement

2010/11 £000	Net Assets Statement	2011/12 £000
	<b>Net Current Assets and Liabilities</b>	
-	Contributions due from employer	-
50	Pensions top up grant receivable from sponsoring department	546
-	Unpaid pensions benefits	-
-	Amount due to sponsoring department	-
(50)	Other current assets and liabilities (other than liabilities and other benefits in the future)	(546)
-	<b>Net Assets at the End of the Year</b>	<b>-</b>

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

### **1 - Pension Fund Arrangements**

Before 1st April 2006 the Firefighters' Pension Scheme did not have a percentage of pensionable pay contribution from employers: rather the 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 scheme remains unfunded but will no longer be on a pay-as-you-go basis as far as the Authority is concerned. The Authority will no longer meet the pension outgoings directly: instead they will pay an employer's pension contribution based on a percentage of pay into the Pension Fund. The Authority is required by legislation to operate a Pension Fund and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation. Benefits payable are funded by contributions from employers and employees.

Employers' contribution levels are based on percentages of pensionable pay set nationally by the DCLG and subject to triennial revaluation by the Government Actuary's Department.

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

### **2 - Pension Fund Accounting Policies**

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

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

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

This is shown under Investments in Note 14 in the notes to the core financial statements.

The Net Assets Statement does not include liabilities to pay pensions and other benefits after the Balance Sheet Date.

### **4 - Pension Fund Investment Assets**

As the Scheme is unfunded there are no investment assets.

### **5 - Liabilities Shown in the Authority's Main Statements**

The liabilities relating to the Firefighters' Pension scheme can be seen in Note 28 of the main statements.

## Glossary of Terms

### **Amortisation / Amortise**

The equivalent of depreciation when applied to intangible assets.

### **Accruals**

Used to describe allocating expenditure or income to the relevant financial year. Includes Debtors, Creditors and Prepayments

### **BMKFA**

Acronym for Buckinghamshire & Milton Keynes Fire Authority.

### **Budget**

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

### **BCC**

Buckinghamshire County Council. BCC provide some services to the Authority under a service level agreement.

### **Capitalisation**

Capitalisation is the addition to the balance sheet as an asset of an amount that will benefit the Authority for more than one year.

### **Capital Adjustment Account**

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

### **Capital Financing Requirement**

Measures the Authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced, whether at the point of spend or over the longer term

### **Capital Receipts**

Proceeds from the sale of capital assets that must be used to finance new capital expenditure or reduce the existing Capital Financing Requirement. Receipts available to finance capital expenditure in future years are held in the Usable Capital Receipts Reserve.

### **Carrying Amount**

The carrying amount refers to the amounts that the Authority has on its books for an asset or a liability. For example, the carrying amount of the authority's rescue pump is the cost of the rescue pump minus the accumulated depreciation on the rescue pump.

### **CIES**

Comprehensive Income and Expenditure Statement. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

### **CIPFA**

Chartered Institute of Public Finance and Accountancy.

### **The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom. Sets out the proper practices for producing the Statement of Accounts.

### **CPFA**

Chartered Public Finance Accountant.

### **CPI**

Consumer Price Index, a key measure of inflation in the UK.

### **Collection Fund Adjustment Account**

Provides a balancing mechanism for the timing differences between statutory accounting requirements and full accruals accounting for council tax.

### **Creditors**

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

### **Curtailement**

The early payment of accrued pensions upon retirement.

**DCLG**

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

**Debtors**

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

**Depreciation**

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

**Derecognition**

The removal of a previously recognised financial asset or liability from the balance sheet following the transfer of asset to a third party or expiry of contractual rights to an asset.

**EUV**

Existing Use Value. The price at which a property can be sold on the open market assuming that it can only be used for the existing use for the foreseeable future.

**Fair Value**

Asset – the amount at which that asset could be bought or sold in a current transaction between willing parties, other than in a liquidation.

Liability- the amount at which that liability could be incurred or settled in a current transaction between willing parties, other than in liquidation.

**Financial Instrument**

A legal agreement involving some sort of monetary value. Financial instruments can be classified generally as equity based, representing ownership of the asset, or debt based, representing a loan made by an investor to the owner of the asset

**General Fund**

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

**HMRC**

Her Majesty's Revenue & Customs.

**IAS**

International Accounting Standards which have come into effect with the introduction of International Financial Reporting Standards(IFRS).

**IAS 19 (formerly FRS17)**

The accounting standard that sets out (amongst other things) the requirements and accounting treatment for retirement benefits.

**IFRS**

The International Financial Reporting Standards which became applicable from the 1<sup>st</sup> April 2010. All future accounts will be presented using these standards.

**Impairments**

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

**IRMP**

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

**LIFO**

Last in First Out is one of a number of methods for calculating the carrying value of inventories.

**Loans Outstanding**

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

**Local Government Pension Scheme (LGPS)**

Is the Pension Scheme provided by the Authority for employees not eligible to join the Firefighters' Pension Scheme.

**Lower of Cost and Net Realisable Value**

A method for determining an asset's value such that either the original cost or the current replacement cost, whichever is lowest, is used for financial reporting purposes

**Materiality**

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

**Minimum Revenue Provision (MRP)**

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

**NJC**

National Joint Council for Local Authority Fire and Rescue Services.

**Outturn**

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

**Precept**

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

**Prepayments**

Where the authority pays for goods or services before they have been received, any amounts paid but not received by the end of an accounting period are shown in the balance sheet as prepayments.

**Provisions**

These are sums set aside for a specific purpose, the nature of which is known but the exact amount and due date is not.

**Public Works Loan Board (PWLB)**

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

**Realised/Unrealised Gains**

A realised gain is the capital gain that you make on an asset that you receive in the form of cash. An unrealised gain is an increase in the carrying value of an asset that has yet to be sold.

**Revaluation**

Revaluation of fixed assets is the process of increasing or decreasing their carrying value to reflect changes in fair value.

**Revaluation Reserve**

Records unrealised revaluation gains arising (since 1<sup>st</sup> April 2007) from holding fixed assets.

**Revenue Expenditure**

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

**Reserves**

Amounts set aside in one year to fund expenditure in subsequent years

**RICS**

Royal Institute of Chartered Surveyors

**RPI**

Retail Price Index, a key measure of inflation in the UK.

**SAP**

The accounting system software used at Buckinghamshire and Milton Keynes Fire Authority.

**SeRCOP**

Service reporting Code of Practice 2011/12 replaces the Best Value Accounting Code of Practice (BVACOP) produced by CIPFA to establish a reporting protocol to demonstrate transparency and best value in the provision of services to the community.

**UITF**

Urgent Issue Task Force abstracts are issued by the Accounting Standards Board.

**Write Down**

A reduction in the book value of an asset due to depreciation or a decline in market value.

