

BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY

STATEMENT OF ACCOUNTS 2008/09



Table of Contents

| | Page |
|---|--------|
| Table of Contents | - 2 - |
| Introduction | - 3 - |
| Explanatory Foreword | - 4 - |
| Statement of Responsibilities for The Statement Of Accounts- 12 - | |
| The Annual Governance Statement | - 13 - |
| Auditor's Report | - 27 - |
| Statement of Accounting Policies | - 30 - |
| Income and Expenditure Account | - 37 - |
| Statement of Movement on The General Fund Balance | 39 - |
| Statement of Total Recognised Gains and Losses | - 40 - |
| Balance Sheet | - 41 - |
| Cash Flow Statement | - 42 - |
| Notes to The Core Financial Statements | - 43 - |
| Firefighters' Pension Fund Account | - 72 - |
| Firefighters' Pension Fund Net Assets Statement | - 73 - |
| Notes to the Firefighters' Pension Fund Accounts | - 74 - |
| Glossary of Terms | - 75 - |

Introduction

Welcome to our Statement of Accounts

This document sets out the financial activities of the Buckinghamshire and Milton Keynes Fire Authority for the year ended 31 March 2009. It shows the financial detail of the services we have provided together with explanatory notes, the resources consumed and the financial position at the end of the year compared with the previous year.

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

The increase in the numbers of houses planned across Buckinghamshire and Milton Keynes over the next 20 years, has been somewhat delayed by the economic crisis that hit the country during 2008, but this has not reduced the planning required. Indeed, it has brought into stark reality the financial pressures faced by this Authority and, as explained in the Explanatory Foreword, you will see from the adjustments made in the capital programme during 2008/09, the conscious and sustained effort that we are obliged to pursue to ensure that our financial resources match our operational requirements. The Authority fully recognises that there is every likelihood that financial constraints will become tighter over the next few years and we are already planning for that eventuality.

The Audit Commission reported in 2008 and deemed BFRS to be "improving well" – its latest report referring to the 2007/08 performance.

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

www.bucksfire.gov.uk/publications/documentsavailablefordownload

.....
David Rowlands
Chairman

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

Explanatory Foreword

In compiling these accounts we have followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice.

The accounts are drawn up in accordance with the accounting policies set out in detail beginning on page 30.

The responsibility for the proper administration of the Authority's financial affairs is vested in the statutory officer (referred to as the Section 151 officer) who is required by law to confirm that the Authority's system of internal controls can be relied upon to produce an accurate statement of accounts. The statement of assurance (the Annual Governance Statement) appears on page 13 - 26.

The main statements included in the accounts are listed below together with an explanation of their purpose. The Statement of Accounts 2008-09 is not significantly different from the 2007-08 accounts other than meeting additional disclosure requirements in accordance with the SORP.

The Income and Expenditure Account

This account shows the costs for all the Authority's functions and demonstrates how these costs have been funded with government grants, business rates and council tax. The Account is set out on page 37.

The Statement of Movement on the General Fund Balance

This statement (page 39) shows how the surplus or deficit on the Income and Expenditure Account is adjusted for statutory and non-statutory items to show the effect on the General Fund. The General Fund is the total budgetary requirement and thus the amount to be raised from council tax payers having taken account of the amounts received from the government. Any surplus or deficit year on year is transferred into general reserves.

This statement follows the Income and Expenditure account. They are supported by additional notes from page 43.

The Statement of the Total Recognised Gains and Losses

This is set out on page 40 and shows the movement in the balance sheet between closing the 2007-08 accounts and the 2008-09 accounts. The statement brings together all the gains and losses for the year including the gain or loss from the Income and Expenditure account with notes beginning on page 37.

The Balance Sheet

This shows the financial position of the Authority on the 31st March 2009. It shows all our assets and liabilities together with all the balances and reserves that are held by the Authority at that date.

The Balance Sheet (page 41) and supporting notes are from page 49.

The Cash Flow Statement

This statement summarises the total cash movements during the year for capital and revenue purposes. This is on page 42 with supporting notes on pages 70-71.

Service expenditure 2008/09

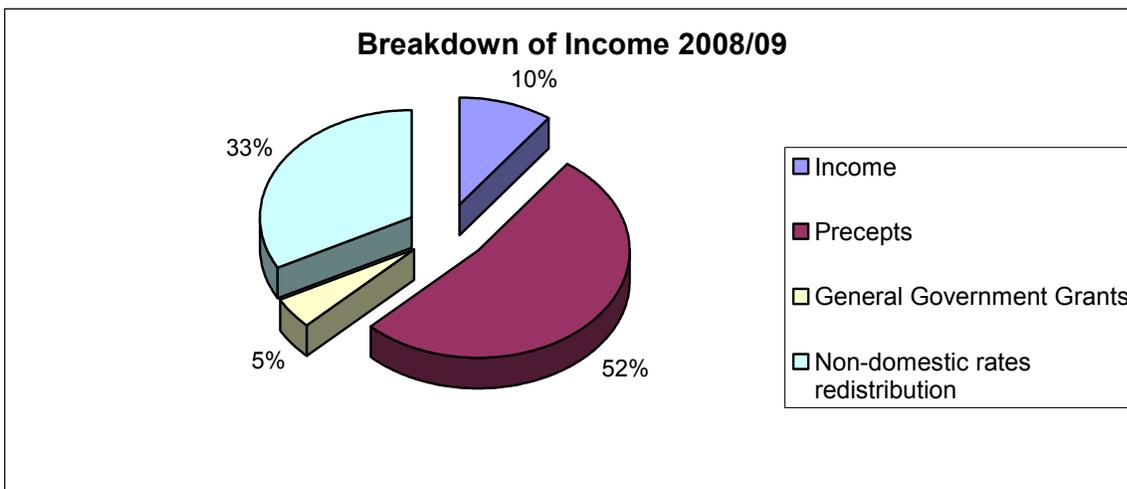
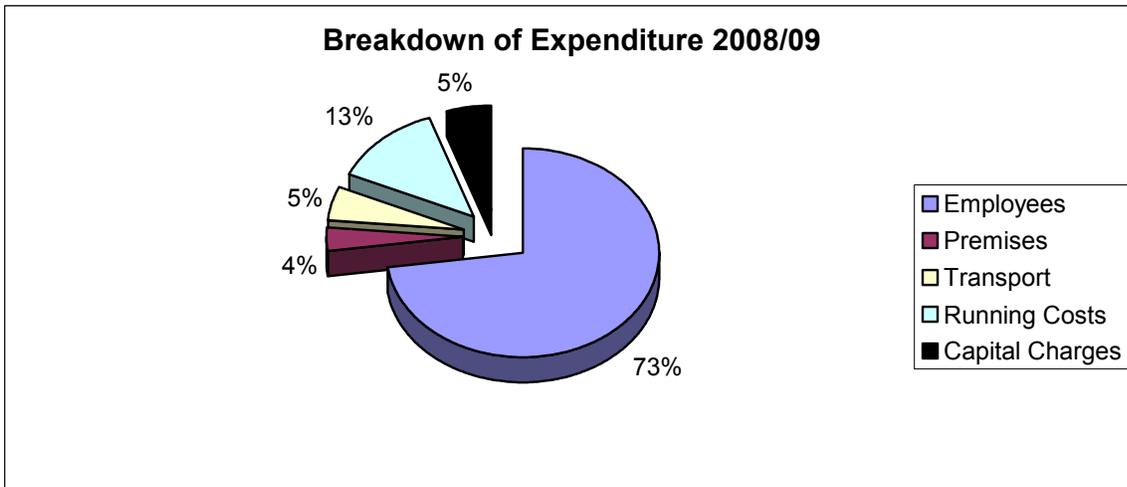
In setting the budget for 2008/09 the Authority raised the amount required from the council tax payers of Buckinghamshire by 5.0%. The levy on council tax band D properties for 2008/09 was set at £54.95 based on the number of Band D properties totalling 289,614. This provides the Authority with 58% of its funding (£15,913k). This was still one of the lowest Fire Authority precepts in the country. The balance of funding is provided by central government (£11,540k). In setting the budget for 2008/09, the principal additional items allowed for were: the pay award (effective from 1 July 2008), the provision for debt repayment, additional Audit Commission fees, provision for additional retained fire fighters, inflation and the revenue effects of the capital programme.

Savings totalling £929k were taken out of the base budget, £568k of which were efficiency savings, the balance being reductions in budgets.

The following table shows revenue expenditure and income against the budget for 2008-09 as a whole:

Income and Expenditure 2008/09

| 2007/08 | | | 2008/09 | |
|----------------|----------------|-----------------------------------|----------------|----------------|
| Actual | Budget | | Actual | Budget |
| £000s | £000s | | £000s | £000s |
| 22,928 | 23,023 | Employees | 22,630 | 23,442 |
| 1,037 | 995 | Premises | 1,121 | 1,122 |
| 2,057 | 2,329 | Transport | 1,632 | 1,715 |
| 2,426 | 2,792 | Running Costs | 4,081 | 3,185 |
| 452 | 398 | Capital Charges | 1,606 | 942 |
| 28,900 | 29,537 | Expenditure | 31,070 | 30,406 |
| -2,835 | -3,174 | Income | -3,022 | -2,954 |
| -14,973 | -14,973 | Precepts | -15,974 | -15,914 |
| -1,613 | -1,613 | General Government Grants | -1,385 | -1,385 |
| -9,612 | -9,613 | Non-domestic rates redistribution | -9,952 | -9,952 |
| -164 | -164 | Transitional Funding | 0 | 0 |
| | | Contribution from Reserves | 0 | -201 |
| -29,197 | -29,537 | Income | -30,333 | -30,406 |
| -297 | 0 | TOTAL under(-)/overspend | 736 | 0 |



Gross expenditure in 2008/09 was £31.07m and gross income in 2008/09 was £30.333m. There was a net deficit in year of £736k which transfers to the General Fund balance and has a negative effect on the general reserves of the Authority. This deficit has arisen as a result of the write-off of expenditure incurred in prior years in developing the building plans for locating the Beaconsfield fire station and the Urban Search and Rescue team and equipment at a new location near the M40 at Pyebush, Beaconsfield. Due to difficulties with planning approval, the escalation of costs and the funding challenges arising, a decision was made in October 2007 to locate the USAR team and equipment centrally at Aylesbury. During 2008, the Authority re-evaluated its options for the redevelopment or re-provision of the Beaconsfield fire station and it was agreed to refurbish the current station and abandon our planning application at Pyebush. As there was no resulting asset to capitalise, the Authority had no option but to transfer the expenditure from capital to revenue, thereby incurring an unbudgeted overspend in the revenue budget.

Before the Pyebush expenditure, the underspend on the revenue budget was £1,650k. This arose due to a number of factors: the pay award came in lower than expected, the Audit Commission revised its fee levels down, surplus council tax was collected from District Councils for prior years, interest rates were higher than planned for the beginning of the financial year resulting in a surplus of interest and the revised capital programme meant that no borrowing was required in 2008/09 thus reducing the budgeted borrowing costs, retained fire fighter numbers reduced over the course of the year as did the whole time fire fighter numbers thereby making significant savings in the employee staffing budgets.

A number of other departments managed with a small number of vacancies, the budget was supplemented with £321k of underspend carried forward to 2008/09 for one off projects, the ill health budget provision was not required at all, and because there were no recruits in 2008/09 there was an underspend in the training budgets. There was also a significant underspend in the overtime budget provision. The sum of all the variances resulted in an overall underspend of £1,650.

Treatment of the Underspend:

| Item | £'000 |
|---|------------|
| Revenue outturn before adjustments, but not including budgeted £201k contribution from reserves | -1,650 |
| Revenue contributions to the capital programme for 2009/10 | 646 |
| Set up Transformation Reserve | 400 |
| Voluntary Contribution to the debt repayment reserve | 450 |
| Write off of expenditure on the development of a new station at Pyebush Lane, Beaconsfield | 890 |
| Net charge to the General Fund Balance (general reserve) | 736 |

The revenue contributions to the capital programme are to fund capital commitments brought forward to 2009/10 which are as yet unfunded. The revenue contribution will enable the Authority to avoid borrowing and repayment costs.

The Transformation Reserve is to be used to fund the Authority's contribution to the OJEU phase of the Bucks Pathfinder Support Services project. This project is looking to create a joint venture company between the private sector, the County Council, three district councils and BMKFRA to provide support services (Finance, HR, ICT and FM and Property) to the partners and potentially other public sector bodies. The project has reached the OJEU procurement phase and the Fire Authority's share of expenditure has now been agreed. This agreement was reached after setting the budgets for 2009/10 and is not included in the budgets for 2009/10.

The Transformation Reserve will also be required to fund some interim senior management arrangements and the cost of appointing a Chief and Deputy Chief Fire Officer in 2009/10 following the retirement of the current Chief in June 2009 and the current Deputy Chief Fire Officer vacancy.

The voluntary contribution to the debt repayment reserve helps to make provision for debts due to be repaid within the next 3 years and thus reduce the impact of those repayments on resources when they are due. The balance of the underspend (£154k) helps reduce the impact on the reserves of the cost of the Pyebush write-off.

The Fire Authority did not suffer any loss through the banking demises of 2008/09. Although interest rates fell significantly during 2008/09, the Authority still managed to achieve a surplus of interest earned against the budgeted amount. The very low interest rates which applied towards the end of the financial year, have reduced income earned from balances significantly, and have affected the budgeted earned income for 2009/10. The Authority continues to monitor the market and take advice, and is aware of its responsibilities to protect the reserves.

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

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

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

Further details and supporting explanatory notes on the Income and Expenditure account are on pages 43 - 48.

The General Fund Balance compares the authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. The Statement of Movement on the General Fund Balance (SMGFB) is a reconciliation statement that summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

As required by the SORP changes to accounting policies for the valuation of assets held in the Local Government Pension Scheme from mid-market value to bid price required by legislation have required us to restate the opening balance on the Pension Fund liability by an additional £77k increasing the liability from £133,650k to £133,727k.

The Firefighters pension fund has seen an increase in the value of pensions paid out and in lump sums following the revision to the commutation factor calculations. The increase in the number of retirements from the service as seen in the number of vacancies over 2008/09 has also resulted in increased costs from the Firefighters Pension Fund. The employer's contribution is set nationally based on actuarial valuations from the Government Actuary's Department. Any surplus or deficit as has happened in 2008/09 is recovered from grant from the Department of Communities and Local Government (CLG).

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

| 2007/08 Numbers | Activity | 2008/09 Numbers |
|-------------------------------------|--|-------------------------------------|
| | Response | |
| 18,327 | Calls to the Control Room | 17,243 |
| 8,687 | Turnouts | 7,958 |
| 3,139 (of which 1,850 deliberate) | Fires attended | 2,918 (of which 1,332 deliberate) |
| 620 | Road Accidents attended | 545 |
| 5,406 (of which 3,719 false alarms) | Other incidents attended | 4,495 (of which 3,473 false alarms) |
| 52 from fires 184 from RTC's | Lives saved | 25 from fires 170 from RTC's |
| 15 | Major incidents | 9 |
| | Community Safety | |
| 3,896 | Home Fire Risk Checks | 4,525 |
| 1,012 | Smoke Alarms fitted for vulnerable people | 2,720 |
| 203 | Arson investigations | 210 |
| 207 (16,881 children) | School Safety Courses | 224 (20,060 children) |
| 307 visits (9,627 children) | Other Youth initiatives (i.e. Firesetters and Youth diversion courses) | 309 visits (8,149 children) |
| 20,589 (429 schools) | Visits to the Milton Keynes Safety Centre | 19,377 (418 schools) |

Operations

We have attended nine major incidents in 2008/09 including a number of major factory fires and fires in domestic premises such as one at Turweston Manor.

Prevention

Our prevention activity has become more inclusive and wider ranging.

We have introduced a new a new localised planning system so fire stations can concentrate on their priority neighbourhoods. Each fire station is now able to identify which areas present the highest risk. Coupled with this are new ways of identifying the highest risk individuals. This is achieved primarily through the multi-agency house safety check scheme. We are doubling our efforts to promote the service as it is now active in all areas. The emphasis on holistic risk reduction and community wellbeing is also reflected in our contributions to the local area agreements. We are contributing to cross-cutting themes and specific targets in a number of blocks.

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

Equality and Diversity

Our first Single Equality Scheme has now been published following extensive internal and external consultation. This scheme marks our corporate commitment to Equality and Diversity. We achieved level 2 of the Equality Standard for Local Government by the end of the financial year. This is part of the National Framework and Member Vision.

In the area of Community Cohesion, an integral part of the broader Equality and Diversity area we have written a Community Cohesion Strategy and have sent this out for consultation. This Strategy will have a toolkit to help staff to engage with all sections of our community.

The Capital Account Summary

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

The approved capital expenditure budget for 2008/09 was £2,994,500. In addition certain capital underspends were brought forward for projects spanning a number of financial years totalling planned expenditure of approximately £4m.

A total of £2,039,507 was spent on capital schemes and equipment as follows:

| Land & Building | Plant, Vehicles and Equipment | Total |
|-----------------|-------------------------------|-------|
| £000s | £000s | £000s |
| 1,188 | 851 | 2,039 |

Further detail of the expenditure is shown in Note 13ai) to the Core Financial Statements on page 51.

The significant variance reflects the on-going review of our property programme as the Authority seeks to contain and control the capital expenditure in recognition of the revenue effects of the borrowing costs and the burden of debt repayment facing the Authority.

In agreeing the property plans for 2008/09 the options for a fire station at Beaconsfield were still unclear and the funding was notionally allocated for a new fire station at Pyebush, should that prove to be the best option. During the course of the year, further work was done and a decision made to refurbish the current site at Holtspur (Executive Committee 12 September 2008). This resulted in a considerable saving for the capital programme and work to refurbish.

The refurbishment of Amersham Fire station was completed which together with the move to Unit 7 of the USAR team from Beaconsfield and Finance/PPT from BHQ were the major areas of spend during 2008/09.

Maintenance and refurbishment spend at Broughton, Bletchley and Great Holm were completed from a maintenance spend programme of just over £400,000.

Wycombe Fire Station has been at the centre of discussions with Wycombe District Council for a number of years. The District Council is redeveloping the town centre and has proposed a relocation of the fire station.

At the time of agreeing the capital programme the Authority was looking at a possible new site in Desborough Road and funding was allocated towards a fire station at this new site. However, following extensive modelling work undertaken in 2008/09, the Authority concluded that any relocation would have a detrimental effect on the turn out and attendance times for appliances, thereby resulting in a higher risk for the community in the area and response times for road traffic accidents on the M40. Discussions have taken place between the Fire Authority and Wycombe District Council and work is now underway to redevelop the current site to meet both the Authority's needs and the redevelopment aims for the town centre. This depends on the availability of funding since the Council are looking for commercial development funding for this project. The Fire Authority has therefore adjusted its proposals for the Wycombe fire station and is planning some refurbishment work in the short term.

Two new Fire appliances have been delivered this year with the necessary operational equipment to run them and the IT department also has a capital allocation for implementing new systems, replacing PCs and other office equipment.

The Authority's current loans are borrowed from the Public Works Loan Board. During 2008/09 the Authority took no further loans with the PWLB. The Authority's total borrowing for capital purposes stands at £6,452,000. Whilst we did have approval from members to borrow we managed to complete all the capital expenditure by judicial revenue contributions, sales of equipment and the reversal of the capitalised expenditure on the Pyebush site.

Reserves and balances

The Treasurer has confirmed to members at the Combined Fire Authority 13 February 2009 that reserves are adequate. The list of reserves is set out in Note 12 to the Core Financial Statements on page 49. There is a mixture of earmarked and general reserves. The revenue reserves are as follows at 31 March 2009:

| 31.03.2008 £000s | | 31.03.2009 £000s |
|---------------------|---|---------------------|
| -3,919 | Non-Earmarked Reserves (General Fund Balance) | -2,515 |
| -335 | Debt Repayment Reserve | -785 |
| -50 | Earmarked Reserve- Unforeseen Events | -50 |
| -100 | Earmarked Reserve – Invest to Save | -329 |
| 0 | Transformation Reserve | -400 |
| -4,404 | | -4,079 |

Contingent liability

On the 11th March 2008 the Fire and Rescue Service National Employers issued a circular on the findings of the court case taken by retained firefighters that has been running for several years and referred back from the House of Lords to the Employment Tribunal that declares broadly in the Claimants favour. Further guidance is due to be issued by the National Employers and a further stay has been granted since the judgement. Until the detailed guidance is produced then the Authority cannot quantify what the liability may be. This position has not changed in 2008/09 as national negotiations are still ongoing. We are hopeful that a resolution will be determined in 2009/10. Members approved the creation of a specific reserve of £250k to provide for the settlement. This reserve will be created from the non ear marked reserves, thus reducing that from the figure shown above to £2,265k.

Audit and Inspection

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

The main messages for the Authority from the Annual Audit and Inspection letter are:

The Authority is providing better fire and rescue services; it is improving well.

- *It has continued to make good progress in improving its key priority areas and in delivering wider community outcomes.*
- *It is responding effectively to emergency incidents and is achieving better levels of service performance.*
- *Overall costs compare well with other authorities and are well-managed.*
- *The Authority continues to build on its strong base of previous success in working with partners in the community and other fire authorities.*
- *The Authority continues to ensure that it is fit for purpose to meet both current priorities and future community needs.*

Direction of Travel

“Buckinghamshire and Milton Keynes Fire Authority has improved its operational performance well over the last year. It is among the highest ranking improvers in the country and is reducing the number of injuries from accidental house fires. It makes a significant contribution towards wider community outcomes and focuses on people and areas vulnerable because of their circumstances. Value for money is improving.”

Statement of Responsibilities for The Statement of Accounts

The Authority's Responsibilities

The Authority is required:

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

The Responsibilities of the Treasurer

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

In preparing this Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

The Treasurer has also:

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

Certificate of the Treasurer

I hereby certify that this Statement of Accounts presents fairly the financial position of the authority as at 31 March 2009 and its income and expenditure for the financial year 2008-09.

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

Treasurer

Date:

Approval of the Statement of Accounts

I hereby confirm that this Statement of Accounts has been approved by the Combined Fire Authority at its meeting held on the 25 June 2009.

David Rowlands

Chairman

Date:

The Annual Governance Statement

Scope of Responsibility

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

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

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

The purpose of the governance framework

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

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

The governance framework has been in place at the Buckinghamshire & Milton Keynes Fire Authority for the year ended 31 March 2009 and up to the date of approval of the Statement of Accounts.

The governance framework derives from six core principles of good governance set out in the CIPFA / SOLACE guidance which was updated in 2007.

The six core principles which underpin good governance are:

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

Buckinghamshire and Milton Keynes Fire Authority addresses these principles in the following ways. These are set out in our Corporate Governance Statement which is available as a publication on our website. We recognise this is out of date but we are in the process of updating it.

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

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

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

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

During 2008 we commissioned an internal audit of our partnership governance arrangements. Areas for improvement were identified, these were:-

- Defining what a significant partnership was;
- The need to develop systems for managing performance;
- Better accounting of monies received through partnership activity;
- A record keeping system that includes all memorandums of understanding;

An action plan is being developed to reconcile outstanding points from the audit. This includes a follow-up audit , and a widening of our own internal partnership register.

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

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

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

We actively engage in benchmarking and review our costs against other comparable authorities. During 2008/09 the Fire and Rescue Service commissioned a report from IPF Ltd, along with all the South East Fire and Rescue Authorities on benchmarking costs.

It demonstrates that whilst Buckinghamshire Fire and Rescue Service is still a low spending service delivering good value for money, there are a number of key issues for the authority to address. In particular, out of all the Fire and Rescue Authorities in the South East the level of capital borrowing for this authority is the highest. This has a direct effect on the revenue budget and has led the authority to consider how it might limit its capital programme and borrowing needs in setting future budgets. Members have been made aware of this in setting the MTFP for 2009/10 onwards and have limited borrowing requirements to £2m in 2009/10 and 2010/11 and £1.5m thereafter. We are one of the lowest cost council tax fire authorities in the country. Through regular best value reviews we constantly seek to deliver value for money. We manage any major new investment or change programme through a project management system and a Project Board, and acceptable business cases must be submitted prior to commencement of work.

Regular monitoring of financial information and budget monitoring for revenue and capital budgets are reported monthly to the management team and regularly to the Executive Committee. The Authority submits an Annual Efficiency Statement to the Department of Communities and Local Government in accordance with requirements. In the light of the Government's Comprehensive Spending Review (CSR) in 2007 the authority is targeting £1.2million savings over 2008/09, 2009/10 and 2010/11. Members were engaged from July 2008 until the budget was agreed in February 2009 with workshops and consultations looking at delivery options and the potential impact of these. These were incorporated into the IRMP for consultation and costed in to the MTFP.

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

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

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

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

The IDeA member development programme has enabled members to review their roles and their relationships with staff. The lead member role has developed considerably during 2008/09 and lead members meet with the CFO on a monthly basis to discuss priority issues. Members were keen to develop their own "vision" for the organisation which has been included in the latest IRMP. Further work is envisaged with the IDeA and members in 2009/10.

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

The Monitoring Officer, secured under a service level agreement with Buckinghamshire County Council, attends the Chief Officers' Forum and works at the Fire Authority Headquarters at least 2 days a week, thus ensuring good access to legal advice. The Monitoring Officer has responsibility of the Standards Committee which addresses standards and procedures applicable to the conduct of members and officers. In 2007/08 additional members were appointed to the authority and they took up their appointments during 2008/09, taking the total number of members to 21.

The terms and conditions for remuneration of staff are managed through the human resource function. The operational staff conditions are mandated by the terms and conditions of the "Grey Book" which are national pay rates. Non-operational staff broadly follow the "Green Book" terms and conditions. New post pay rates are determined through the Hay evaluation process and allocated to the appropriate pay scale. Senior officer pay is determined by a newly appointed sub committee.

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

We are members of the Local Strategic Partnerships in Buckinghamshire and Milton Keynes. These are governed by a vision statement and common themes and objectives. Each have resources available, and receive contributions from Partners.

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

As part of Members' and Officers' responsibility to ensure value for money we have engaged with the "Pathfinder" project to provide more efficient back office support services and improve service quality. The services covered initially are Finance, Human Resources, ICT and Property and Facilities Management.

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

The members and officers both have codes of conduct which are regularly reviewed in the light of any legislative changes. There is also a complaints procedure, an anti-fraud and corruption policy and a whistle-blowing policy. These apply for internal use as well as for the public wishing to make complaints or highlight issues. They are available on the website as well as our internal common documents. During 2008/09 there have been no complaints. This has been fed back in the quarterly returns to the Standards Board for England.

In 2009/10 the Monitoring Officer and the Clerk to the Fire Authority will be carrying out a strategic review of the governance structure and arrangements to include

- Committee structures
- Terms of reference

Scheme of delegation from members to officers.

Standing orders and financial regulations and instructions are in place. They have been reviewed in 2008/09 and a number of updates are in hand to reflect changing circumstances and will be part of a strategic review of governance structure and arrangements.

Audit reports are presented to the Overview Performance and Audit committee which has the powers to make recommendations to the Executive Committee and officers. The Internal Audit function is retained through a service level agreement with Buckinghamshire County Council and is available for advice and investigation of any irregularities. The Internal Audit team also provides an assurance function to the Authority and to the Treasurer as to the adequacy of the Authority's financial and operational systems. The Internal Audit team are compliant with the CIPFA Code of Practice for Internal Audit and the Annual Internal Audit Report for 2008/09 concluded that the Combined Fire Authority had an effective Internal Audit system.

The Standards Committee forms an integral part in upholding the values of good governance and high standards of conduct and behaviour. It meets on a quarterly basis to address all such issues. The 3 new independent members of the Standards Committee received an afternoon's training from the Head of Legal Services (reflected in the Standards Committee minutes). The Chairman of the Authority, the Chairman of the Standards Committee and an independent member also attended training on ethical standards delivered by a national expert in local government law specialising in governance and ethical standards. In house training supplements any training provided by their appointing councils and any received by district council members.

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

There are weekly meetings of the Chief Officers Forum (COF) There are formal COF meetings held every 3 weeks which are minuted. Decisions must be supported by papers and evidenced.

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

The Authority maintains and updates a corporate risk register which is regularly reviewed and reported on to the Overview Performance and Audit Committee. During 2008/09 work has commenced on a refresh of the Risk Register. The register is held on our "common documents" folder on the networked system.

Where applicable, legal and professional advice is sought to safeguard the Authority. As to be expected, there is a significant emphasis on health and safety at work procedures and training is given to staff at all levels. All incidents, especially where operational staff are involved in an accident or a 'near miss' are recorded and reported to the internal Health and Safety Panel where a review of practice and procedures can be acted upon. All insurance claims are dealt with on a similar basis. As a result of our good claims history our insurance renewal premium reduced significantly in 08/09. Monitoring of accidents and injuries to our staff as well as to the public is one of our key performance indicators. In 2008/09 we commissioned an external audit by Bureau Veritas looking at the service's management and control of health and safety. An action plan was produced to address all of the issues raised by this audit report. The progress against this action plan is monitored by Overview, Performance and Audit committee.

The lawful activity of the Authority is monitored by the Monitoring Officer and the financial activity by the s151 Officer. Officers and members are mindful of the wider “place shaping” role of the Fire and Rescue Service and we participate in a number of community activities to promote community cohesion and a safer environment. As part of our wider engagement work we have developed a community cohesion and engagement strategy. The work is lead by the BFRS Equality and Diversity Officer. The extended remit for the E&D team has required the internal transfer of resources from Operations, Human Resources and Statutory Fire Safety. Work in hand includes the aforementioned community cohesion mapping, and successful engagement with communities previously out of reach. An effective Internal Audit function also facilitates compliance with lawful activity.

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

The Head of Internal Audit publishes an annual report on the Fire Authority’s internal control environment. His report and conclusion for 2008/09 was:

“In my opinion the Bucks & Milton Keynes Fire Authority’s system of internal control and risk management facilitates the **effective** exercise of the Authority’s functions. This provides **reasonable** assurance regarding the effective, efficient and economic exercise of the Authority’s functions.”

“This is a positive opinion as our work over the year has demonstrated continued improvement in the financial management and governance processes adopted by the Fire Authority. Members should take some assurance in the direction of travel although there is still work to be completed and some degree of risk will remain in the short term”.
(The full report is available on request).

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

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

Due to the Deputy Chief Fire officer leaving and an Assistant Chief Officer being seconded to the Chief Fire and Rescue Advisers Unit we have seen a number of temporary appointments in 2008/09.

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

During 2008/09 there was a focus on developing our Equality and Diversity work stream and awareness.

With lead member involvement, officers attended a number of national conferences, employed an Equality and Diversity Manager and seconded an operational officer on a fixed term contract. Workshops have been run for staff and the Single Equality Scheme was approved by members at the Executive Committee 20 March 2009.

The service has recently introduced an Equality and Diversity course run through Abingdon & Witney College, all officers at Station manager role and above have to complete the course. On successful completion of the course officers receive a level 2 in Equality and Diversity award.

Member induction has been recognised as an area for development. Members have formed a cross party group, supported by the IDeA to develop an induction programme for new members. This will be tested following elections in June 2009. Members who have recently joined will also have the opportunity to participate in the programme. Members have been invited to attend finance training courses and one member attended the CIPFA Better Governance Forum course for scrutiny of the Annual Governance Statement and the Statement of Accounts in May 2008. In his capacity as a Peer Member of the IDeA, the Chairman has been involved in the fire authority member development for the Isle of Wight. All members have received training from the IDeA on the Comprehensive Area Assessment process.

The effectiveness of the senior management team was subject to review by the Audit Commission in 2007/08 and the results published in the Annual Audit and Inspection letter (available on the website). As a result, a development programme was undertaken by the Chief Officers team facilitated by an external consultant. This has continued into 2008/09. One officer has been attending the Executive Leadership Program (ELP), a course run by the Fire Service College, and a further two officers securing places on this course in 2009.

Succession planning is considered in all departments and operational staff are developed according to the IPDS programme. We are in the process of introducing an Individual Performance Review (IPR) for all staff in 2008/09. Assessment centre procedures ensures that staff are assessed and held in a "pool" pending appropriate vacancies arising. In some cases, operational staff wishing to transfer to the Brigade are also held in a pool. We conduct Assessment Development Centres (ADC) in partnership with neighbouring brigades. These are modelled on national prescription and guidelines. The current national ADC process is due for a comprehensive review and as part of this we will look to determine our own direction either regionally or locally.

To deliver the Members vision for equalities and diversity, structural changes to support departments have been made. This includes the formation of an Equality and Diversity function within the Community Safety department. This will increase capacity and flexibility at a service delivery and strategic level.

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

During 2008/09 we prepared a new Integrated Risk Management Plan (IRMP) covering the period 2009/10 – 2011/12, our fundamental planning document. The IRMP was subjected to formal public and stakeholder consultation using an independent research agency as part of our ongoing efforts to improve the ways in which to engage with local people and other stakeholders. Effective engagement and the formation of Local Strategic Partnerships is a requirement for the Local Area Agreements and will be assessed as part of the Comprehensive

Area Assessment process during 2009. Our partners regard us as a “good partner”. Through our partnership evaluation work, noted above, we hope this will be evidenced in 2009/10.

The Community Safety strategy targets the hard to reach and vulnerable communities and resource is concentrated on effective engagement with these groups through partnership working and special innovative programmes. As part of the LSP we engage with all groups through the Neighbourhood Action Groups (NAGs). The service has developed a vulnerable localities index (V.L.I) which is being used to illustrate which areas have the highest concentration of deprivation, risk and inequalities. This provides a reckoner of community well being, which can be monitored and used as a measure of partnership success, the financial viability of community projects can be attributed to a specific area, and a cost benefit analysis given to the investment.

We send out ‘After The Fire Questionnaires’ to all members of the public who are unfortunate enough to have a fire and require the services of the Authority. This information is used to measure our performance.

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

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

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

Review of effectiveness

The Buckinghamshire and Milton Keynes Fire Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor’s annual report, and also by comments made by the external auditors (the Audit Commission) and other review agencies and inspectorates, the Overview, Performance and Audit Committee, and the Standards Committee. During 2008/09 a number of enhancements have been made to the governance arrangements:

- In 2008 the services intranet “i:drive” went live. It has been introduced to improve the internal communications.
- Members have taken part in several workshops supported by the IDeA, including a visit to Hampshire Fire and Rescue Service to enable interaction and exchange of views between members and officers from the two counties on issues of governance.
- The award of Local Public Service Agreement (LPSA) reward monies has seen the expansion of the Prevention department. This has been complemented by the transfer of the Equality and Diversion function from Human Resources to Prevention.
- E&D has been further improved by the employment of an Equality and Diversity Manager and an operational officer has been seconded on a fixed term contract. Workshops have been run for staff and the Single Equality Scheme was approved by members at the Executive Committee 20 March 2009.
- As part of our wider engagement work we have developed a community cohesion and engagement strategy. The work is lead by the BFRS Equality and Diversity Officer. The

extended remit for the E&D team has required the internal transfer of resources from Operations, Human Resources and Statutory Fire Safety.

- Work in hand includes the aforementioned community cohesion mapping, and successful engagement with communities previously out of reach.
- In 2008 we engaged consultancy support to determine any gaps in our information governance processes, and following the consultants findings, appointed a Business Support Manager to lead on the development and implementation of a strategic action plan from 2009/10 and beyond.
- We implemented an Incident Recording System (IRS) which gives us better data to input into our performance management system.

Internal audit reports undertaken in 2008/09 were:

| | |
|--|------------|
| Corporate governance of our partnerships | limited |
| Core Financial controls | reasonable |
| Project management | reasonable |
| Asset management | limited |
| Fuel management | limited |

Each of the internal audits have action plans which will be maintained by the Overview, Performance and Audit committee and by officers through performance monitoring.

The Annual Audit and Inspection Letter 2007/08 covered the Audit of the Statement of Accounts, the Whole Government Accounts return, the Best Value Performance Plan, the Use of Resources assessment, the Direction of Travel and Operation Assessment. The overall assessment was two out of four with the authority 'Improving well'. The key actions arising from the Audit Commission's reports were:

- address areas of weaker performance, including operational performance as measured by the service assessment, sickness absence and diversity of the workforce;
- Increase the number of performance indicators in the top 25 per cent;
- ensure that the service has the right structure to run the business and to meet future demands and community needs;
- ensure that the accounts are prepared in accordance with the forthcoming changes in the Statement of Recommended Practice; and
- continue to improve financial and risk management procedures.
(from the Annual Audit and Inspection letter from the 2007/08 audits and presented to the Authority in March 2009.

We have included in 'Appendix A' the updated action plan from 2007/08. 'Appendix B' is the action plan for 2009/10 arising from the AGS for 2008/09.

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

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:.....

David Rowlands

Chairman of the Buckinghamshire and Milton Keynes Fire Authority

Date:

Signed:

Sean Ruth

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

Date:

Significant Governance Issues – 2007/08 Action Plan update

Appendix

A

| | Issue | Action | Lead Officer & Member | Update |
|---|--|---|--------------------------------------|---|
| 1 | Senior management team leadership effectiveness deemed weak. | Review of effectiveness of Senior Management team following reorganisation in January 2008 | Chief Fire Officer & Chairman | See comments in the AGS |
| 2 | Internal communications effectiveness following weaknesses identified during 2007/08. Could lead to key messages being missed by staff and poor feedback mechanisms from staff to senior management team | Implementation of intranet, new briefing strategies and visits by senior management team to stations. Review effectiveness by doing an organisational health check and report in the autumn. | Deputy Chief Fire Officer & Chairman | See comments in the AGS Effectiveness of communications subject to continual review and improvement. |
| 3 | Lead Member programme to help lead members understand their role and develop as a team, their leadership and working relationships with officers | Supported by the IDEa – a number of workshops have been established as part of an on-going development programme | Chief Fire Officer & Chairman | This is continuing into 2009/10. (see comments in AGS) |
| 4 | Best value review of HR functions, systems, processes and cost effectiveness | Part of programme of best value reviews and following review by Audit Commission and internal audit during 2007/08 | ACO Risk & Cllr Baldwin | Part of the Pathfinder project. |
| 5 | Medium Term Financial Plan update: detailed review | Due to the severity of the financial settlement for the Authority for 2007/08 to 2010/11 and the savings required, detailed work to take place to ensure sound, robust and achievable plans are in place to deliver the savings required. | Treasurer & Cllr Dransfield | The MTFP has been approved and it supports the IRMP 2009-12 |

| | | | | |
|---|---|---|--|---|
| 6 | Review the induction programmes for new members and new staff | Ensure that all key governance information and policies are included in the induction programme, including Codes of Conduct, Financial Regulations and Instructions and other relevant training as required | Deputy Chief Fire Officer & Cllr Baldwin | Cross party working group reviewing this. See comments in AGS and action plan 2009/10 |
| 7 | Embed governance culture and knowledge and review processes | Review current arrangements for training on governance issues and ensure inclusion in the Effective Manager Training programme. Review processes for checking effectiveness | Deputy Chief Fire Officer & Cllr Adams Treasurer & Monitoring Officer | See action plan for 2009/10 |
| 8 | Code of Corporate Governance needs to be reviewed | Due for renewal June 2007 | Monitoring Officer | See action plan for 2009/10 |
| 9 | Consultation | The Consultation Strategy needs to be adopted and implemented | Chief Fire Officer | The document is being consulted on and will be available soon. |

Significant Governance Issues

Appendix B

The table below sets out the plan to address governance issues identified during 2008/09:

| | Issue | Action | Lead Officer & Member Lead members will be assigned to each work stream | By When |
|---|--|--|--|------------------------|
| 1 | Address areas of weaker performance, including operational performance as measured by the service assessment, sickness absence and diversity of the workforce; | To be addressed by a service improvement register which will be monitored by OP&A | DCFO | OP&A September 2009 |
| 2 | Increase the number of performance indicators in the top 25 per cent; | Integration of the performance plus software for monitoring and publication. Internal review of the information and application of it to improve our performance management. | DCFO | Ongoing review process |
| 3 | Ensure that the service has the right structure to run the business and to meet future demands and community needs; | To develop a structure to meet our financial and organisational profiles. | CFO/Chairman | December 2009 |
| 4 | Ensure that the accounts are prepared in accordance with the forthcoming changes in the Statement of Recommended Practice; | This needs a rigorous quality control process to be implemented. | Treasurer | June 2009 |
| 5 | Continue to improve financial and risk management procedures. | Review and action plan to be created for internal and OP&A monitoring. | Treasurer and CFO | September 2009 |

| | | | | |
|----|---|--|--|--------------------------|
| 6 | Address points in action plans arising from internal and external audits and AGS. | OP&A to monitor quarterly reports against all action plans. | DCFO | Ongoing reported to OP&A |
| 7 | Embed governance culture and knowledge and review processes | Monitoring Officer and the Clerk to the Fire Authority will be carrying out a strategic review of the governance structure and arrangements to include - Committee structures - Terms of reference - Scheme of delegation from members to officers - Scheme of delegation from CFO to organisation | CFO/Monitoring officer | March 2010 |
| 8 | Review the induction programmes for all members and new staff. | Updated and improved Induction programmes for all staff and members | DCFO | June 2009 |
| 9 | The management of H.R. and organisational information resources harmonisation and improvement. | Decide on appropriate requirements and implement changes as necessary during 2009/10. | ACFO Communities and Support Services | July 2009 |
| 10 | Corporate health and performance monitoring | Address performance issues around balanced scorecard and performance monitoring. | DCFO | March 2010 |
| 11 | Weakness within the purchase order and commitment processes, identified by both internal and external auditors. | Must be addressed through more rigorous processes and training. | Treasurer | October 2009 |

Auditor's Report

Independent auditor's report to Members of Buckinghamshire and Milton Keynes Fire & Rescue Authority

Opinion on the financial statements

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of Buckinghamshire and Milton Keynes Fire and Rescue Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and firefighters' pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Buckinghamshire and 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

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

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

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

Basis of audit opinion

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

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

Opinion

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The firefighters' pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the firefighters' pension fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Buckinghamshire and Milton Keynes Fire and Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

Phil Sharman CPFA, District Auditor
Audit Commission, Unit 5, Isis Business Centre, Horspath Road, Cowley, Oxford OX4 2RD
25 September 2009

Statement Of Accounting Policies

GENERAL PRINCIPLES AND ACCOUNTING POLICIES

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

The fundamental accounting principles followed are:

- Relevance
- Reliability
- Comparability
- Understandability
- Materiality

ACCRUALS OF INCOME AND EXPENDITURE

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

GOING CONCERN

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

PRIMACY OF LEGISLATIVE REQUIREMENTS

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

TANGIBLE FIXED ASSETS

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

Recognition:

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Authority and the services it provides for a period of more than one year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (i.e. routine maintenance) is charged to revenue as it is incurred. Assets in the course of construction have been included in the Balance Sheet at historical cost and classified as being non-operational in accordance with accounting regulations.

Measurement:

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

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

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

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

Land and buildings are revalued on a three year rolling programme. If a building is revalued upwards the increase in the carrying amount is credited to the Statement of Recognised Gains and Losses and taken to the Revaluation Reserve. If it reverses previous revaluation losses on the same asset that were previously taken to the Income and Expenditure Account they are recognized in the Income and Expenditure Account.

Revaluations where there has been a decrease in the carrying amount means that an impairment loss has occurred. If the loss has been caused by a clear consumption of economic benefit then the loss is recognised in the Income and Expenditure Account. Decreases in value not associated with a clear consumption of economic benefit such as a temporary fall in valuation are recognised in the Statement of Total Recognised Gains and Losses until such a point that the carrying value of the asset reaches its depreciated historical cost and taken to the Revaluation Reserve, and thereafter to the Income and Expenditure Account.

Impairment:

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

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

There are large impairment issues to consider in 2008-09 due to a general fall in prices for land and buildings values in the current economic climate.

Disposals:

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

Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

Depreciation:

Depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the balance sheet over the period expected to benefit from their use. Assets are not depreciated in the year of acquisition, but depreciation is charged in the year of disposals.

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

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

Depreciation is calculated on the following basis:

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

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

CHARGES TO REVENUE FOR USE OF FIXED ASSETS

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

Depreciation attributable to the assets used by the relevant service

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

Amortisation of intangible fixed assets attributable to the service.

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

However, it is required to make an annual provision from revenue to contribute to the reduction in its overall borrowing requirements (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement).

Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

INTANGIBLE ASSETS

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

An example would be software licences and programmes.

BASIS OF PROVISION FOR REDEMPTION OF DEBT

Loans raised by the Authority are repaid from the Capital Adjustment Account, which receives a statutory annual revenue contribution for that purpose (Minimum Revenue Provision).

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

INTEREST ON BALANCES

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

BASIS OF VALUATION OF STOCKS

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

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

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

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

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

RETIREMENT BENEFITS

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

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

Uniformed Fire-fighters

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

The funding arrangements for the firefighters' pension scheme in England changed by statute with effect from 1 April 2006. Before 1 April 2006 the 1992 Scheme did not have a percentage of pensionable pay type of employer's contribution: rather each fire authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new funding arrangements the schemes remain unfunded but will no longer be on a pay-as-you-go basis as far as the individual fire authority is concerned.

Authorities no longer meet the pension outgo directly: instead they pay an employer's pension contribution based on a percentage of pay into the Pension Fund and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation.

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

The New Scheme offers defined retirement benefits to all whole time and retained fire-fighters joining the service after 1 April 2006.

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

Local Government Pension Scheme

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

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

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

Change in Accounting Policy:

- Under the 2008 SORP the authority has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31st March 2008 has been restated resulting in an increased liability of £133,727k from £133,650k, an increase of £77k. This has resulted in an increase of the pension deficit of £77k. Current and prior year surplus have been unaffected by this change.

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

mortality rates, employee turnover rates and projections of projected earnings for current employees.

Statutory provisions limit the authority to raising council tax to cover the amounts payable by the authority to the pension fund in the year.

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

Discretionary Benefits:

The authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements.

Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

RESERVES

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

The non earmarked reserves as at the 31st March 2009 represent 9.16% of the 2008/09 net revenue budget (14.7% in 2007/08). Section 25 of the Local Government Act 2003 requires the Treasurer to report to the Full Authority on the robustness of estimates and adequacy of reserves allowed for in the budget proposals. The Authority will consider this each February as part of the budget setting process.

The Fire Authority has a number of reserves, details of which appear in notes 12 and 24 - 27, to the Core Financial Statements (pages 48 and 54 - 56).

The Summary of Movements in Reserves is on page 49 and shows the annual movement of revenue reserves, capital reserves and pension fund reserves.

CONTINGENT LIABILITIES

The Authority is required to disclose any potential obligation, which may require payment or a transfer of economic benefit which may arise from a past event. See note 29 to the Core Financial Statements on page 57 - 58.

GOVERNMENT GRANTS

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

Government Grants Unapplied Account and matched when the expenditure is incurred.

TREATMENT OF OVERHEADS

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008.

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early. These two cost categories are accounted for as separate headings in the Income and Expenditure Account as part of Net Cost of Service.

LEASES

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

CONTINGENT ASSETS

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

VAT

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

ACCOUNTS AUTHORISATION PROCESS

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

FINANCIAL ASSETS

Financial Assets are classified into two types:

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

LOANS and RECEIVABLES

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

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

FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principle repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Income and Expenditure Account

| 2007/08 | | 2008/09 | | | |
|-----------------|--|-------------------|---------------|-----------------|------------|
| Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure | Notes |
| £000s | | £000s | £000s | £000s | |
| 2,851 | Community Fire Safety | 3,261 | -143 | 3,118 | Note 1 (b) |
| 25,590 | Fire Fighting & Rescue Operations | 26,972 | -1,593 | 25,379 | Note 1 (c) |
| 898 | Corporate & Democratic Core | 2,278 | -1,175 | 1,103 | Note 1 (a) |
| 273 | Non distributed costs | 70 | 0 | 70 | Note 1 (a) |
| | Exceptional item - Settlement of abortive capital costs at Beaconsfield | 890 | | 890 | Note 1 (d) |
| 29,612 | Net Cost of Services | 33,471 | -2,911 | 30,560 | |
| | | | | | |
| -18 | Profit on disposal of Fixed Assets | | | -9 | |
| | Loss on disposal of fixed assets | | | | |
| 293 | Interest payable and Similar charges | | | 292 | |
| 0 | Investment losses | | | | |
| -546 | Interest and Investment Income | | | -310 | |
| 7,178 | Pensions interest cost and expected return on pensions assets | | | 8,864 | Note 30 b |
| | Gain in relation to government grant payable to the Pension Fund on the authority's behalf | | | -706 | |
| 36,519 | Net Operating Expenditure | | | 38,691 | |
| | | | | | |
| -14,973 | Precepts | | | -15,974 | Note 10 |
| -1,613 | General Government Grants | | | -1,385 | Note 10 |
| -9,612 | Non-domestic rates redistribution | | | -9,952 | Note 10 |
| -164 | Transitional Funding | | | 0 | |
| 10,157 | Deficit for the Year | | | 11,380 | |

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

The table above shows a high level view of our expenditure on our Services. Detailed notes can be found on pages 43 - 48.

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

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

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

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

Statement of Movement on the General Fund Balance

| 2007/08 £ 000's | Statement of Movement on the General Fund Balance | 2008/09 £ 000's |
|---|---|--------------------|
| 10,157 | Surplus (-) / Deficit (+) for the year on the I & E | 11,380 |
| -10,454 | Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year | -10,644 |
| -297 | Increase in General Fund Balance for the Year | 736 |
| -1,928 | Transfer of Time Served Retirement Reserve | 0 |
| | Transfer to Invest to Save reserve | 400 |
| 316 | Transfer to I&E | 268 |
| -2,010 | General Fund Balance Brought Forward | -3,919 |
| -3,919 | General Fund Balance carried forward | -2,515 |
| | Note of reconciling items for the Movement on the General Fund Balance | |
| Amounts included in the I & E but required by statute to be excluded when determining the Movement on the General Fund Balance for the year. | | |
| -9 | Amortisation of Intangible Fixed Assets | -13 |
| -1,150 | Depreciation and impairment of fixed assets | -2,848 |
| -4 | Government Grants Deferred Amortisation | -5 |
| 0 | Net loss on Sale of fixed assets | 0 |
| 18 | Net gain on Sale of fixed assets | 9 |
| -12,732 | Net charges made for retirement benefits in accordance with FRS17 | -13,510 |
| | Gain in relation to Government grant payable to the Pension Fund on the authority's behalf | 706 |
| -13,877 | TOTAL | -15,661 |
| Amounts not included in the I & E but required to be included by statute when determining the Movement on the General Fund Balance for the year. | | |
| 160 | Minimum Revenue Provision for capital financing | 218 |
| 192 | Capital expenditure charged in-year to the General Fund Balance | 1,143 |
| 3,287 | Employers contributions payable to the Pensions Account and retirement benefits payable direct to pensioners | 3,074 |
| 3,639 | TOTAL | 4,435 |
| Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year. | | |
| 0 | Voluntary Revenue Provision for Capital financing | 450 |
| -216 | Net transfer to or from earmarked reserves | 132 |
| -216 | TOTAL | 582 |
| -10,454 | Net additional amount required to be credited or debited to the General Fund Balance for the year. | -10,644 |

Statement of Total Recognised Gains And Losses

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

| 2007/08 | Statement of Total Recognised Gains/Losses for the year | 2008/09 |
|---------------|--|---------|
| -10,157 | Surplus (+) / Deficit (-) on year in Income & Expenditure a/c | -11,380 |
| -77 | Surplus arising on Revaluation of Fixed Assets | 179 |
| 7,729 | Actuarial Gains (+) /Losses (-) on Pension Fund Assets/Liabilities | 17,404 |
| 170 | <u>Any other gains and Losses:</u> | 32 |
| -2,335 | Total Recognised Gains/Losses for the year | 6,235 |
| 0 | Prior Year adjustments | 0 |
| -2,335 | Total Recognised Gains/Losses Since the last annual report | 6,235 |

Deficit in year in the Income and Expenditure Account see Income and Expenditure Account (page 37).

The Surplus arising on Revaluation of Fixed assets is described in detail below.

The actuarial gain on the Pension Fund Assets/Liabilities is detailed in Page 60, note 30c.

Surplus arising on Revaluation of fixed assets see Note 24 page 58

Balance Sheet

| 2007/08 | | | 2008/09 | Notes |
|------------------|---------------------|---|-----------------|-------|
| £000s | | | £000s | |
| restated figures | | | | |
| | FIXED ASSETS | | | |
| 74 | | Intangible Fixed Assets | 180 | 13a |
| | | Tangible Fixed Assets - Operational: | | |
| 28,704 | | Land & Buildings | 27,958 | 13a |
| 3,344 | | Vehicles, Plant & Equipment | 3,547 | 13a |
| 1,283 | | Tangible Fixed Assets - Non-Operational: | 211 | 13a |
| 33,405 | | TOTAL FIXED ASSETS | 31,896 | |
| | | LONG-TERM ASSETS | | |
| | | Long term investments | | |
| | | Long-term debtors | | |
| 0 | | TOTAL LONG-TERM ASSETS | 0 | |
| | | CURRENT ASSETS | | |
| 186 | | Stock & Works in Progress | 186 | 14 |
| 426 | | Debtors | 413 | 15 |
| 7,608 | | Investments | 7,211 | 16 |
| 10 | | Payments in Advance | 154 | 15 |
| 319 | | Cash at Bank | 336 | 18 |
| 9 | | Cash in Hand | 9 | 18 |
| 8,558 | | TOTAL CURRENT ASSETS | 8,309 | |
| 41,963 | | TOTAL ASSETS | 40,205 | |
| | | CURRENT LIABILITIES | | |
| | | Short-term borrowing | -335 | |
| -2,156 | | Creditors | -2,222 | 17 |
| -967 | | Receipts in Advance | -698 | 17 |
| 0 | | Bank overdraft | 0 | |
| 0 | | Transitional Grant Repayment | 0 | 20 |
| -3,123 | | TOTAL CURRENT LIABILITIES | -3,255 | |
| 38,840 | | TOTAL ASSETS LESS CURRENT LIABILITIES | 36,950 | |
| | | LONG-TERM LIABILITIES | | |
| -6,524 | | Long-term Borrowing | -6,117 | 19 |
| | | Provisions | | |
| -223 | | Government grants deferred | -218 | 23 |
| -2,155 | | Finance Lease | -2,108 | 21 |
| | | Deferred liabilities | | |
| -133,727 | | Liability related to defined benefit pension scheme | -126,061 | 27e |
| -142,629 | | TOTAL LONG-TERM LIABILITIES | -134,504 | |
| -103,789 | | TOTAL ASSETS LESS LIABILITIES | -97,554 | |
| | | Financed by: | | |
| -25,481 | | Capital Adjustment Account | -24,204 | 22 |
| -53 | | Revaluation Reserve | -224 | 24 |
| 0 | | Usable Capital Receipts Reserve | 0 | 25 |
| -3,919 | | General Fund Balance | -2,515 | 27a |
| -335 | | Earmarked (Debt Repayment) Reserves | -785 | 27b |
| -100 | | Earmarked Invest to Save Reserve | -329 | 27d |
| -50 | | Earmarked Control Room Reserve | -50 | 27c |
| | | Earmarked Transformation Reserve | -400 | 27f |
| 133,727 | | Pensions Reserve | 126,061 | 27e |
| 103,789 | | TOTAL NET WORTH | 97,554 | |

Cash Flow Statement

| 31.03.2008 | | 31.03.2009 | |
|----------------|--|----------------|---------------|
| | | £000s | £000s |
| | Revenue activities | | |
| | Expenditure | | |
| 21,800 | Cash paid to and on behalf of employees | 21,891 | |
| 6,556 | Other operating costs | 6,571 | |
| 28,356 | | 28,462 | |
| | Income | | |
| -1,613 | Revenue Support Grant | -1,385 | |
| -9,612 | National Non Domestic Rates | -9,952 | |
| -14,973 | Precepts | -15,974 | |
| -1,123 | Other government grants and reimbursements | -1,047 | |
| -3,395 | Cash received for goods and services | -1,694 | |
| -30,716 | | -30,052 | |
| -2,360 | Revenue activities net cash inflow (-) – (note 33 i) | | -1,590 |
| | Servicing of Finance | | |
| | Expenditure | | |
| 294 | Interest | 292 | |
| | Income | | |
| -550 | Interest received | -310 | |
| -256 | | | -18 |
| -2,616 | | | -1,608 |
| | Capital activities | | |
| | Expenditure | | |
| 1,821 | Purchase of fixed assets | 2,039 | |
| | Purchase on Intangible Fixed Assets | | |
| -795 | | | |
| | Income | | |
| -18 | Sale of fixed assets | -17 | |
| -210 | Capital grants | 0 | |
| -228 | | -17 | |
| -1,023 | Net cash inflow (-) /outflow before financing | | 414 |
| | Financing | | |
| 0 | Loans taken out | 0 | |
| -1,023 | | 0 | |
| | Liquid Resources | | |
| 211 | Temporary Investments | -397 | |
| 211 | Temporary Loans | | |
| -812 | Increase (-)/decrease in cash – (note 33 ii) | | 17 |

Notes to the Core

Financial Statements

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

Service expenditure is analysed between the main operational Divisions of Service and the Corporate and Democratic Core. Service expenditure includes charges for statutory obligations under FRS17 and the apportionment of Central Services relevant to that Division. The following tables provide further information on the net expenditure within each of the service headings in the main Income and Expenditure account.

a) Central Services

| 2007/08 Net Exp £000s | Central Services | 2008/09 Net Exp £000s |
|--------------------------------------|-----------------------------|--------------------------------------|
| 898 | Corporate & Democratic Core | 1,103 |
| 273 | Non Distributed Costs | 70 |
| 1,171 | | 1,173 |

Corporate and Democratic Core expenditure was limited to expenditure allowed in the guidance and Non-Distributed costs refer to charges based on FRS17 principles for past service costs of pensions and pension strain. All other expenditure has been distributed across the two operational service heads below (Community Fire Safety and Fire Fighting and Rescue Operations) using appropriate basis for apportionment.

The increase in the costs of the Corporate and Democratic Core arise from taking account of increased officer time that can be attributed to these areas based on the guidance and one off legal costs concerning governance and employment issues. Non Distributed costs have reduced as a result of a reduction in pension costs arising from retirement decisions made by the Authority.

b) Community Fire Safety

| 2007/08 Net Exp £000s | Community Fire Safety | 2008/09 Net Exp £000s |
|--------------------------------------|--------------------------------------|--------------------------------------|
| 1,445 | Statutory Inspection & Certification | 1,305 |
| 1,406 | Prevention and Education | 1,813 |
| 2,851 | | 3,118 |

There has been an increase in Community Fire Safety work as we have re-aligned our resources to reflect changing priorities and risks and new posts assigned to Community Safety have been filled. Community Safety work undertaken by operational response crews has been directly apportioned to Prevention and Education to take account of Home Fire Risk checks and other Community Safety work carried out. There have been a number of vacancies within the Statutory Inspection and Certification team and staff redeployments to cover secondments in other sections this year. It is hoped that these will be filled next year.

c) Fire Fighting and Rescue Operations

| 2007/08 Net Exp £000s | Fire Fighting & Rescue Operations | 2008/09 Net Exp £000s |
|-----------------------------|-----------------------------------|-----------------------------|
| 23,745 | Operational Responses | 23,923 |
| 1,670 | Communications and Mobilising | 1,264 |
| 175 | Securing Water Supplies | 192 |
| 25,590 | | 25,379 |

The main variances between years arise as a result of a large number of operational vacancies (-£454k), an increase in the use of central government grant funded activity for both the Urban Search and Rescue and Fire Control teams (-£514), vacancies and reductions in staff training associated with the large number of vacant posts (-£252) and reduced spend within Technical services (-£67k). This has been offset by a charge for impairment (£1,818K) see Note 13. This is as a result of the general economic downturn affecting the value of assets such as land and buildings that help to deliver an operational response. More staff time than in previous years has been allocated to Community Safety prevention activity (-£500k). The statutory accounting charges for pensions based on information supplied by the actuary have also contributed to the reduction.

d) Exceptional item (Settlement of abortive capital costs at Beaconsfield)

The settlement of costs associated with the feasibility and detailed design and planning stages of the proposed new combined Fire Station and Urban Search and Rescue facility based at Pyebush Lane, Beaconsfield have to be written off to day to day running expenses following the decision of the Authority at its Executive meeting of 22nd October 2007 to cease the scheme for the development of an Urban Search and Rescue Facility and its consequent decision on 12th September 2008 to stop all works at Pyebush and to refurbish the existing Holtspur site. Since the inception of the project work had been progressing but increasingly difficult negotiations around funding arrangements and planning acceptance led to the decisions set out above to cease any further work. In accordance with the Regulations of the Authority and the Statement of Recommended Practice these items will be charged through the Income and Expenditure Account to the General Fund Balance which is a non-earmarked reserve.

2. Officers' Remuneration

The number of employees, who were paid a remuneration of £50,000 (excluding pensions contributions) or more, are shown below in bands of £10,000. The remuneration amounts include benefits in kind such as the provision of cars and private healthcare.

| 2007/08 | | Remuneration Band | 2008/09 |
|-----------|-------------|----------------------|-----------|
| Total | Retirements | | Total |
| 13 | | £50,000-59,999 | 12 |
| 2 | | £60,000-69,999 | 3 |
| 2 | | £70,000-79,999 | 3 |
| 4 | | £80,000-89,999 | 2 |
| 0 | | £90,000-99,999 | 0 |
| 1 | | £100,000-109,999 | 0 |
| 0 | | £110,000-119,999 | 1 |
| 1 | 1 | £120,000-129,999 | 0 |
| 23 | 1 | Total | 21 |

3. Provision for doubtful debts

There has been only one write off of £125 during the year.

The provision for doubtful debts now stands at £36,523 at 31 March 2009. This is considered a prudent level to hold against debts that may not be recovered. All existing debts have been considered for recoverability and the provision is adequate to ensure any doubtful debts could be covered. All debts written off in the year have been done in accordance with the Authority's Debt Management Policy.

4. Leases

The operating leases held by the Fire Authority apply to lease vehicles and radio communications equipment. The lease rentals paid during the year amounted to £518,337 (£491,903 in 2007/08)

The estimated undischarged obligations under the operational lease agreements at 31st March 2009 amounted to £658,919 (£965,009 as at 31 March 2008), details are as below.

| Years of Lease remaining | £000s |
|--------------------------|-------|
| 0-1 | 201 |
| 2-5 | 458 |
| 6- onwards | 0 |
| Total | 659 |

The finance lease held by the Authority is for the sale and leaseback of the Gerrards Cross houses with London Quadrant (previously Opus Housing). The Authority, in accordance with the SORP has included the finance lease as a long term liability. The finance lease is detailed in note 21 to the Core Financial Statements on page - 54 -.

5. Minimum Revenue Provision (MRP)

The Minimum Revenue Provision is the minimum amount that the Authority is required to set aside for the repayment of external debt. This is a technical accounting adjustment. It is calculated at 4% of the Authority's Capital Financing Requirement. The minimum amount is statutorily calculated, and was £218,451 (£160,470 for 2007/08).

| 2007/08 | | 2008/09 |
|--------------|---|--------------|
| £000s | | £000s |
| 6,410 | Opening Capital Financing Requirement | 7,859 |
| -2,398 | Less 'A-Factor' | -2,398 |
| 4,012 | Adjusted Capital Financing Requirement | 5,461 |
| 160 | Minimum Revenue Provision at 4% of adjusted CFR | 218 |
| 1,046 | Amount charged as Depreciation | 995 |
| -886 | Depreciation / Principal Loan Repayment adjustment to Revenue Account | -777 |
| 160 | Minimum Revenue Provision | 218 |

6. Section 5 of the Local Government Act 1986

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

This is detailed below:

| 2007/08 £000s | | 2008/09 £000s |
|------------------|-------------------------|------------------|
| 4 | Other Publicity | 21 |
| 28 | Recruitment Advertising | 34 |
| 32 | Total | 55 |

The increase in Other Publicity is a result of the consultation with the community for the Integrated Risk Management Plan (IRMP 2009/10 – 2011/12).

7. Members Allowances

Total allowances paid in 2008/09 to 21 members amounted to £50,950. (2007/08 amounted to £39,048 to 17 members). Detailed information on individual allowances is available on request.

8. Audit Fees

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

| 2007/08 £000s | | 2008/09 £000s |
|------------------|-------------------------|------------------|
| 65 | External Audit Services | 75 |
| 0 | Inspection | 0 |
| 65 | Total | 75 |

The fees paid to the Audit Commission have increased as a result of an increased inspection of financial aspects of the authority following national changes to accounting regulations and the introduction of greater degrees of disclosure required for Financial Instruments.

9. Grants

Section 31 grants received from the DCLG by the Authority are detailed below. The grants are not ring-fenced but are given for specific streams of work. The figures are the net figures after unapplied grant has been carried forward to 2009/10:

| 2007/08 £000s | Revenue Grants | | 2008/09 £000s |
|------------------|-----------------------------|------------------------------------|------------------|
| -564 | DCLG | Urban Search & Rescue | -1,149 |
| 6 | DCLG | New Burdens | -133 |
| -136 | DCLG | Community Safety | 0 |
| -35 | DCLG | Training | -36 |
| -2 | DCLG | Capacity Building work | -1 |
| 0 | DCLG | Council tax efficiency information | -1 |
| -731 | Total Revenue Grants | | -1,320 |

The increased grant funding has been as a result of the use of grant carried forward from previous year as we have increased the size of the Urban Search and Rescue team and fully trained up new team members and provided them with accommodation for staff and vehicles at Aylesbury Fire Station.

These grants are included in the Net Cost of Services in the Income and Expenditure Account on page 37.

10. Funding

The Fire Authority's net revenue expenditure is funded by general government grants and local authority precepts which are broken down below to show the amounts paid by precepting authorities.

In 2008/09 there were 289,614 Band D properties and in 2007/08 there were 285,181 Band D properties. The differences between contributing authorities reflects the variance in Band D property calculations.

| | 2007/08 £000s | 2008/09 £000s |
|---------------------------------|------------------|------------------|
| Government Grants: | | |
| RSG | -1,613 | -1,385 |
| NNDR | -9,612 | -9,952 |
| Transitional Funding | -164 | |
| Government Grants Total | -11,389 | -11,337 |
| Precepts: | | |
| Aylesbury Vale District Council | -3,454 | -3,652 |
| Chiltern District Council | -2,295 | -2,425 |
| Milton Keynes Council | -4,083 | -4,389 |
| South Bucks District Council | -1,617 | -1,769 |
| Wycombe District Council | -3,524 | -3,739 |
| Precept Total | -14,973 | -15,974 |
| Grand Total | -26,362 | -27,311 |

11. Related Parties

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

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and prescribes the terms of many of the transactions that the Authority has with other parties. It also provided direct financial support to the Authority in 2008/09.

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 provide clerking services. This is undertaken on a commercial basis and will therefore not have a controlling influence on either body.

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

Members of the Authority have direct control over the Authority's financial and operational policies.

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

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

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

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

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

12. Summary of Movements on Reserves

The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans

| Reserve | Balance as at 1/4/08 £000s | Net Movement in Year £000s | Balance as at 31/3/09 £000s | Purpose of Reserve |
|----------------------------------|-------------------------------|-------------------------------|--------------------------------|---|
| Capital Adjustment Account | -25,481 | 1,277 | -24,204 | Provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system. |
| Revaluation Reserve | -53 | -171 | -224 | Records unrealised revaluation gains arising (since 1/4/08) from holding fixed assets. |
| Usable Capital Receipts Reserve | 0 | 0 | 0 | Proceeds of fixed asset sales available to meet future capital investments |
| General Fund Balance | -3,919 | 1,404 | -2,515 | Resources available to meet future costs of running the Service |
| Debt Repayment | -335 | -450 | -785 | Resources available to meet borrowing costs already committed to. |
| Earmarked Invest to Save Reserve | -100 | -229 | -329 | Resources available to invest in projects that will generate long term savings for the brigade. |
| Control Room | -50 | 0 | -50 | The unforeseen events reserve was established with committee approval in 2004/05 to assist with issues relating to Regional Control rooms. |
| Transformation Reserve | 0 | -400 | -400 | To fund the Pathfinder Support Services procurement phase and interim senior management arrangements |
| Pensions | 133,727 | -7,666 | 126,061 | Balancing Account to allow inclusion of Pensions Liability in the Balance Sheet |
| TOTAL | 103,789 | -6,235 | 97,554 | |

13. Net Fixed Assets

a) Movement of Fixed Assets

| | Land & Buildings £000s | Vehicles Plant & Equipment £000s | AUC £000s | Intangible Assets £000s | Total £000s |
|---|---------------------------|-------------------------------------|--------------|----------------------------|----------------|
| Gross Book Value at 31.03.2008 | 29,226 | 3,859 | 1,283 | 83 | 34,451 |
| Additions | 1,188 | 734 | 71 | 46 | 2,039 |
| Disposals/write offs | -81 | -30 | -809 | 0 | -920 |
| Reclassifications | 261 | 6 | -334 | 73 | 6 |
| Revaluations | 160 | 19 | | | 179 |
| Impairments | -1,809 | -9 | | | -1,818 |
| Gross Book Value at 31.03.2009 | 28,945 | 4579 | 211 | 202 | 33,937 |
| Depreciation B/F | -522 | -515 | 0 | -9 | -1,046 |
| Depreciation for the Year | -465 | -517 | 0 | -13 | -995 |
| Depreciation on Disposal | | | | | |
| Depreciation C/F | -987 | -1032 | 0 | -22 | -2041 |
| Net Book Value at 31 st March 2009 | 27,958 | 3,547 | 211 | 180 | 31,896 |

Property Revaluations are now undertaken on a 3 year cycle, upward valuations are charged to a Revaluation Reserve, decreases in value called Impairments are charged to the Income and Expenditure Account as a loss. The revaluations are as a result of a general increase in property and land values and also taking account of sale proceeds to gain a market value for vehicles disposed of in year.

Impairments are due to a decrease in value on some specific properties following the triennial valuation by our valuer as set out below. This year owing to the current economic situation the Valuer has written down Land & Buildings by £1,809k owing to the large reductions from the peak of the property cycle, the other Impairment is the write down in the value of a vehicle which was sold.

The disposal/write off figure includes the write off of Pyebush and the write off of Operational Equipment and vehicles.

Reclassifications are where Assets which were previously under construction are now completed and are reclassified under their appropriate asset heading.

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

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

Depreciation Lives

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

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

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

i) Capital Account Expenditure 2008/09

| | Land & Buildings £000s | Plant & Vehicles £000s | Total £000s |
|---|---------------------------|---------------------------|----------------|
| Unit 7 Building | 462 | 33 | 495 |
| Beaconsfield Fire Station - Existing Site | 18 | | 18 |
| Beaconsfield Fire Station - Pyebush Site | 63 | | 63 |
| Asset Management System | | 27 | 27 |
| Amersham Fire Station | 267 | | 267 |
| Vision Fx | | 23 | 23 |
| Planned Preventative Maintenance | 400 | | 400 |
| PPR Integrated Database | | 31 | 31 |
| Fire Appliances & Equipment | | 480 | 480 |
| IT Projects | | 65 | 65 |
| Intranet Project | | 15 | 15 |
| Operational Equipment | | 155 | 155 |
| TOTAL SPEND 2008/09 | 1,210 | 829 | 2,039 |

ii) Capital Expenditure Financing 2008/09

| Source of Funding | £000s |
|----------------------------------|--------------|
| Capital funding Brought Forward | 543 |
| Capital Receipts | 17 |
| Revenue contributions | 1,143 |
| Invest to save | 171 |
| Unapplied Capital grants | 210 |
| Pyebush –reverse of entries | 890 |
| Total Funding | 2,974 |
| Capital Programme 2008/09 | 2,039 |
| Brought Forward Funding | 935 |

iii) Statement of Physical Assets Held

| | |
|---------------------------------|---|
| Fire Stations | 20 (6 Whole time, 4 Whole time Day-crewed, 10 Retained) |
| HQ Buildings & Vehicle Workshop | 1 |
| Houses | 2 |
| Vehicles | 45 (Operational Response Vehicles) |

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

iv) Commitments under Capital Contracts

We have only one contract where we have a Capital commitment post 31 March, 2009, this is for the Vision Fx Mobilising project. We have used Invest to Save Reserves to part fund Capital expenditure with the payback agreed over a set number of years. In comparison, for 2007/08 we had the refurbishment of Amersham Fire Station with a commitment of £212,000.

| Project | Contractor | Amount Outstanding |
|-----------|----------------------|--------------------|
| Vision Fx | Fortek Computers Ltd | £143,384 |

Capital Projects Underway:

The refurbishment of Great Missenden is due to be started in 2009/10; although a formal contract has yet to be let, preliminary design work and detailed specifications are under way with a spend of £22k at year end.

14. Stocks and Work in Progress

| 31.03.2008 | | 31.03.2009 |
|------------|-----------|------------|
| £000s | | £000s |
| 37 | Workshops | 38 |
| 117 | Stores | 116 |
| 32 | Fuel | 32 |
| 186 | | 186 |

The level of stocks held has decreased slightly due to changes in the day of delivery of some stock items.

15. Debtors

| 31.03.2008 | Amounts falling due within one year: | 31.03.2009 |
|------------|--------------------------------------|------------|
| £000s | | £000s |
| 187 | Government Departments | 240 |
| 141 | Other Local Authorities | 39 |
| 135 | Sundry Debtors | 171 |
| 10 | Payments in advance | 154 |
| -37 | Provision for doubtful debts | -37 |
| 436 | | 567 |

The slight increase in Government debtors relates to the monies owed for more officers on secondment. The significant difference in other Local Authority debtors relates to an improvement in the billing cycle for the supply of services to other authorities within the locality.

Payments in advance has increased due to payments in advance for pensions (£108k).

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

16. Temporary Investments

The Treasury Management function is performed by Buckinghamshire County Council on behalf of the Authority and surplus cash is invested on a short term basis in accordance with the CIPFA Code of Practice for Treasury Management in Local Authorities. Investments as at 31st March 2009 were £7,211 and as at 31st March 2008 were £7,608k. The reduction is principally due to £750k pension paid over to CLG.

17. Creditors

| 31.03.2008 £000s | | 31.03.2009 £000s |
|---------------------|-------------------------------|---------------------|
| | Short term borrowing | 335 |
| 689 | Government Departments | 275 |
| 231 | Other Local Authorities | 200 |
| 1,236 | Other sundry creditors | 1,747 |
| 967 | Receipts in Advance | 698 |
| 0 | Capital Expenditure Creditors | 0 |
| 3,123 | | 3,255 |

Government Departments owed money at the end of the year has fallen as central government was owed money on behalf of the pension fund. Other sundry creditors have increased as a result of a payment to the Pension Fund (£340k). Receipts in Advance has fallen due to reduction in the value of the grant carried forward.

18. Bank

The cash at the bank as at 31 March 2009 was £336k (and 9k cash in hand as petty cash) at 31 March 2008 it was £319k (and £9k cash in hand as petty cash). The analysis of the change can be seen as part of the cashflow analysis.

19. Long Term Borrowing

- i) The Authority undertakes long term borrowing, principally as a means of financing expenditure on fixed assets. The total loans outstanding are unchanged from the prior year. The interest owing represents the PWLB interest accrued to the 31 March 2009 in accordance with SORP regulations.

| Source of Loan | Interest rates applicable (as at 31 March 2009) | Total Outstanding at | |
|---------------------------|---|----------------------|---------------------|
| | | 31.03.2008 £000s | 31.03.2009 £000s |
| Public Works Loan Board | 3.9% - 5.75% | 6,452 | 6,117 |
| Interest Owing | | 72 | |
| Total Long Term Borrowing | | 6,524 | 6,117 |

ii) Long term external borrowing by repayment dates

| | 31.03.2009 £000s |
|-------------------------------|-----------------------------------|
| Maturing in less than 5 years | 937 |
| Maturing in 5-10 years | 1,468 |
| Maturing in 10-15 years | 620 |
| Maturing in 15-20 years | 0 |
| Maturing in 20-25 years | 626 |
| Maturing in over 25 years | 2,801 |
| TOTAL | 6,452 |

20. Transitional Funding

To assist with the funding of the 3 stage pay award for the fire fighters, the DCLG have advanced to each Fire Authority a sum of money under the heading of transitional funding. Buckinghamshire Fire & Rescue Service has received £328k. £164k was repaid in 2006-07 (through grant clawback) and £164k was repaid in 2007-08 (also through grant claw back). There is no money to repay in 2008/09.

21. Finance Lease

| 31.03.2008 £000s | | 31.03.2009 £000s |
|-----------------------------------|---------------------|-----------------------------------|
| 2,202 | Finance Lease | 2,155 |
| -47 | Principal Repayment | -47 |
| 2,155 | | 2,108 |

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

The liability of the finance lease will be reduced each year by the principal sum repaid each year. There are 45 years of the lease period outstanding.

22. Capital Adjustment Account

| | £000s |
|-----------------------------|----------------|
| Opening balance | -25,480 |
| Depreciation | 995 |
| MRP Provision | -218 |
| Impairments | 1,818 |
| Other Adjustments | 11 |
| Revenue Contributions | -1,313 |
| Usable Capital Receipts | -17 |
| Closing Balance at 31/03/09 | -24,204 |

The SORP regulations requires a Capital Adjustment Account (CAA); the balance on this account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system. Entries going through the account include Depreciation, MRP, Impairments and any revenue contributions and capital receipts.

23. Government Grants Deferred

In 2005/06 Government Funding was used to purchase a second hand Community Safety Vehicle. This grant is being amortised over the expected life of the vehicle (5 years). We received capital grant for the provision of a USAR (Urban Search and Rescue) training rig and some funding from the Environment Agency for pods for storing critical equipment. These projects are expected to be completed during 2009/10 and following this transfers will take place to the Government Grants Deferred Account.

| | £000s |
|--------------------------|-------|
| USAR Training Rig | 189 |
| Environment POD's | 20 |
| Community Safety Vehicle | 13 |
| Amortisation | -4 |
| Closing Balance | 218 |

24. Revaluation Reserve

| | 31.03.2009 £000s |
|--|---------------------|
| Opening Balance as at 1 April, 2008 | -53 |
| Asset Revaluations | -179 |
| Asset Disposal | +10 |
| Depreciation diff, between Historic Cost & Current Value | -2 |
| Other Adjustments | 0 |
| TOTAL | -224 |

The 2007 SORP required the implementation of a Revaluation Reserve at 31 March, 2007. The Revaluation Reserve records unrealised revaluation gains arising from 1 April, 2007 from the holding of fixed assets. This reserve is matched by fixed assets within the balance sheet. They are not resources available to the authority.

25. Usable Capital Receipts Reserve

| 31.03.2008 £000s | | 31.03.2009 £000s |
|---------------------|---|---------------------|
| 0 | Opening Balance at 1 April | 0 |
| 18 | Capital Receipts in Year | 17 |
| -18 | Less: Capital receipts used for financing capital expenditure | -17 |
| 0 | TOTAL | 0 |

We used the full 100% of Capital Receipts within the year on Capital Expenditure, receipts are usually from the sale of vehicles.

26. Revenue Reserves

| 31.03.2008 £000s | | 31.03.2009 £000s |
|---------------------|---|---------------------|
| -3,919 | Non-Earmarked Reserves (General Fund Balance) | -2,515 |
| -335 | Debt Repayment Reserve | -785 |
| -50 | Earmarked Reserve- Unforeseen Events | -50 |
| -100 | Earmarked Reserve – Invest to Save | -329 |
| 0 | Transformation Reserve | -400 |
| 133,727 | Pensions Reserve | 126,061 |
| 129,323 | | 121,982 |

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

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

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

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

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

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

27 (a-f)

Movements in Revenue Reserves

Details of transactions within the year can be found in the following table in Notes 12 (page 49).;

| | General Fund Balances (Note 27 a) | Debt Repayment Reserves (note 27 b) | Unforeseen Events (Control Room Reserve) (Note 27 c) | Invest to Save Reserve (Note 27 d) | Pensions Reserve (Note 27 e) | Transformation Reserve (Note 27 f) |
|---|-----------------------------------|-------------------------------------|--|------------------------------------|------------------------------|------------------------------------|
| | £000s | £000s | £000s | £000s | £000s | |
| Surplus/deficit+ for 2008/09 | 736 | 0 | 0 | 0 | 0 | 0 |
| Appropriations to+/-from Revenue | 268 | -450 | 0 | 0 | +9,738 | -400 |
| Actuarial gains and losses relating to pensions | 0 | 0 | 0 | 0 | -17,404 | 0 |
| Movement within reserves | 400 | 0 | 0 | -400 +171 | 0 | 0 |
| Total | 1,404 | -450 | 0 | -229 | -7,666 | -400 |
| Balance b/fwd 1 April 2008 | -3,919 | -335 | -50 | -100 | 133,727 | 0 |
| Balance c/fwd at 31 March 2009 | -2,515 | -785 | -50 | -329 | 126,061 | -400 |

28. Contingent Assets

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

If the Association has not developed the site within five years of the agreement date (9th February, 2004), the Authority can invoke an option notice, which permits the Authority to purchase the development site free from encumbrances at the original sale price plus RPI.

Buy Back Option at Beaconsfield

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

29. Contingent Liabilities

In line with Financial Reporting Standards 12 (FRS12) the only disclosures made are in respect of contingent liabilities that arise as a result of the court case about part time workers and any claims that may arise. The Authority is awaiting detailed guidance to be issued and until that time cannot quantify any impact. On the 10th June 2008 the National Joint Council (NJC) for Local Authority Fire and Rescue Services issued a circular on the findings of the court case taken by retained firefighters that has been running for several years and referred back from the

House of Lords to the Employment Tribunal that declares broadly in the Claimants favour. The judgement of the tribunal was that the Claimants were engaged in broadly similar work, that Claimants were treated less favourably than their named comparators in respect of access to Pension rights and payment for sickness absence, and that the Respondent's arguments for justification were dismissed.

The Claimant's claim for increased pay for additional responsibilities was adjourned for eight weeks. The Tribunal view was that the Parties should reach a negotiated settlement. In August 2008 all Fire Authorities were asked to submit data to the NJC.

We anticipated during the course of 2008/09 that a settlement would be reached but national negotiations are still progressing. We remain optimistic that a settlement can be reached during 2009/10. An earmarked reserve will be created from the general fund balance (£250k).

30. Pension Schemes

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

The Authority participates in three pension schemes:

- The Local Government Pension Scheme 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 - the Scheme is an unfunded defined benefit statutory scheme, administered by Buckinghamshire County Council in accordance with the Fire Pension Scheme Orders (1992) as amended. It is contracted out of the State second Pension.

There are no investment assets held to back the liabilities of the scheme and cash has to be generated to meet actual pensions payments as they eventually fall due.

- The Fire Fighter Pension Scheme for uniformed fire fighters (retained and new entrants from 1st April 2006) - the Scheme is an unfunded defined benefit statutory scheme, administered by Buckinghamshire County Council in accordance with the Fire Pension Scheme Orders (2006) as amended. It is contracted out of the State Second Pension.
- There are no investment assets held to back the liabilities of the scheme and cash has to be generated to meet actual pensions payments as they eventually fall due.
- Under the Firefighters Pension Fund Regulations 2006 if the amounts receivable by the pension fund is less than amounts payable, the fire authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to scrutiny and approval by Parliament and the Secretary of State up to 100% of this cost is met by central government top-grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the fire authority which must then repay the amount to central government.

a) Change of Accounting Policy

Under the 2008 SORP the authority has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

- The effect of this change is that the value of scheme assets at 31st March 2008 has been restated resulting in an increased liability of £133,727k from £133,650k, an increase of £77k. This has resulted in an increase of the pension deficit of £77k. Current and prior year surplus have been unaffected by this change.

b) Transactions relating to retirement benefits

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

| | | SCHEME | | | |
|--|---|-----------------------|--|--|------------------------|
| | | LGPS £000s | 1992 Firefighters £000s | 2006 Firefighters £000s | TOTAL £000s |
| Current Service Cost | | 151 | 1,290 | 80 | 1,521 |
| Past Service Costs | | 59 | | | 59 |
| Net Cost of Services Total | | 210 | 1,290 | 80 | 1,580 |
| Interest Cost | | 835 | 8,474 | 44 | 9,353 |
| Expected return on scheme assets | | -489 | | | -489 |
| Net Operating Expenditure Total | | 346 | 8,474 | 44 | 8,864 |
| Income & Expenditure Grand Total | | 556 | 9,764 | 124 | 10,444 |
| Statement of Movement on the General Fund Balance: | | | | | |
| <i>Reversal of net charges made for retirement benefits in accordance with FRS17</i> | | -556 | -9,764 | -124 | -10,444 |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | | |
| | <i>Employers contribution</i> | 579 | | | 579 |
| | <i>Retirement benefit payable to pensioners</i> | | 2,327 | 168 | 2,495 |
| | | 579 | 2,327 | 168 | 3,074 |

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £17,404k were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Recognised Gains and Losses is £25,135k.

c) Assets and Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

| | SCHEME | | | | | | | |
|---|----------------|----------------|-----------------|-----------------|-------------|-------------|-----------------|-----------------|
| | LGPS | | 1992 | | 2006 | | 2008/09 | 2007/08 |
| | 2008/09 | 2007/08 | 2008/09 | 2007/08 | 2008/09 | 2007/08 | TOTAL | TOTAL |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Reconciliation of present value of the scheme liabilities: | | | | | | | | |
| 1st April | -12,612 | -11,912 | -128,248 | -127,493 | -484 | -91 | -141,344 | -139,496 |
| Current Service Cost | -730 | -642 | -3,625 | -4,359 | -248 | -463 | -4,603 | -5,464 |
| Interest Cost | -835 | -729 | -8,474 | -6,924 | -44 | -21 | -9,353 | -7,674 |
| Actuarial gain/loss | 2,107 | 825 | 17,014 | 7,643 | 161 | 233 | 19,282 | 8,701 |
| Curtailement | | -90 | | | | | 0 | -90 |
| Estimated benefits paid (net of transfers in) | 890 | 136 | 4,535 | 4,076 | | | 5,425 | 4,212 |
| Past Service Costs | -59 | | | | | | -59 | 0 |
| Contribution by Scheme participants | -232 | -202 | -1,203 | -1,190 | -128 | -141 | -1,563 | -1,533 |
| 31st March | -11,471 | -12,614 | -120,001 | -128,247 | -743 | -483 | -132,215 | -141,344 |

Reconciliation of fair value of the scheme assets:

| | SCHEME | | | | | | | |
|---|--------------|--------------|----------|----------|----------|----------|--------------|--------------|
| | LGPS | | 1992 | | 2006 | | 2008/09 | 2007/08 |
| | 2008/09 | 2007/08 | 2008/09 | 2007/08 | 2008/09 | 2007/08 | TOTAL | TOTAL |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Reconciliation of fair value of the scheme assets: | | | | | | | | |
| 1st April | 7,617 | 7,479 | | | | | 7,617 | 7,479 |
| Expected return on scheme assets | 489 | 495 | | | | | 489 | 495 |
| Actuarial gain/loss | -1,878 | -970 | | | | | -1,878 | -970 |
| Employer Contributions | 582 | 548 | | | | | 582 | 548 |
| Contribution by Scheme participants | 232 | 202 | | | | | 232 | 202 |
| Estimated benefits paid including unfunded benefits | -891 | -137 | | | | | -891 | -137 |
| 31st March | 6,151 | 7,617 | 0 | 0 | 0 | 0 | 6,151 | 7,617 |

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.

d) Scheme history

| | 2004/05* | 2005/06* | 2006/07 | 2007/08 | 2008/09 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | | as restated | as restated | |
| | £ 000's |
| Present value of liabilities: | | | | | |
| LGPS | -8,937 | -11,040 | -11,912 | -12,612 | -11,470 |
| LGPS Experience adjustments on scheme liabilities | -522 | | | -1,234 | |
| 1992 Firefighters Scheme | -114,510 | -123,852 | -127,493 | -128,248 | -120,000 |
| 1992 Firefighters Scheme Experience adjustments on scheme liabilities | | | | -12,904 | |
| 2006 Firefighters Scheme | | | -91 | -484 | -743 |
| 2006 Firefighters Scheme Experience adjustments on scheme liabilities | | | | 32 | |
| TOTAL LIABILITIES | -123,969 | -134,892 | -139,496 | -155,450 | -132,213 |
| Fair value of assets in the LGPS | 4,412 | 6,341 | 7,479 | 7,617 | 6,152 |
| TOTAL ASSETS | 4,412 | 6,341 | 7,479 | 7,617 | 6,152 |
| LGPS Experience adjustments on scheme assets | 74 | 1,095 | 104 | -970 | -1,878 |
| Surplus/(Deficit) in the scheme: | | | | | |
| LGPS | -4,525 | -4,699 | -4,433 | -4,995 | -5,318 |
| 1992 Firefighters Scheme | -114,510 | -123,852 | -127,493 | -141,152 | -120,000 |
| 2006 Firefighters Scheme | 0 | 0 | -91 | -452 | -743 |
| Total | -119,035 | -128,551 | -132,017 | -146,599 | -126,061 |

*The authority has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £126,061,000 has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £97,554,000.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary every three years;
- 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 Scheme by the authority in the year to 31 March 2010 is £599k. Expected contributions for the Firefighters Pension Scheme in the year to 31 March 2010 is £2,692k.

e) 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 (31 March 2007 for the local government scheme and the 31 March 2005 for the firefighters scheme). The main assumptions used in their calculations have been:

| | | SCHEME | | | | | |
|--|--------------------|---------|---------|-------------------|---------|-------------------|---------|
| | | LGPS | | 1992 Firefighters | | 2006 Firefighters | |
| | | 2007/08 | 2008/09 | 2007/08 | 2008/09 | 2007/08 | 2008/09 |
| Long-term expected rate of return on assets in the scheme | | | | | | | |
| | Equity Investments | 7.10% | 7.30% | | | | |
| | Gilts | 4.30% | 4.00% | | | | |
| | Bonds | 6.60% | 6.50% | | | | |
| | Property | 6.60% | 6.80% | | | | |
| | Cash | 5.00% | 3.00% | | | | |
| Mortality Assumptions: | | | | | | | |
| Longevity at 65 for current pensioners | | | | | | | |
| | Men | | 22.21 | | 22.28 | | 22.28 |
| | Women | | 25.26 | | 25.31 | | 25.31 |
| Longevity at 65 for future pensioners | | | | | | | |
| | Men | | 22.96 | | 21.35 | | 21.35 |
| | Women | | 25.99 | | 24.4 | | 24.4 |
| Financial Assumptions: | | | | | | | |
| Rate of inflation | | 3.70% | 3.00% | 3.70% | 3.00% | 3.70% | 3.00% |
| Rate of Salary inflation | | 5.20% | 4.50% | 5.20% | 4.50% | 5.20% | 4.50% |
| Rate of pensions inflation | | 3.70% | 3.00% | 3.70% | 3.00% | 3.70% | 3.00% |
| Rate for discounting scheme liabilities | | 6.60% | 6.70% | 6.60% | 6.70% | 6.60% | 6.70% |
| 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 Scheme has no assets to cover its liabilities.

The Local Government Pension Scheme's assets consist of the following categories by proportion of the total assets held.

| | 31st March 2009 | | 32nd March 2008 | |
|-------------|-----------------|-------------|------------------|-------------|
| | £000's | % | £000's | % |
| Equities | 606,314 | 61% | 771,814 | 64% |
| Gilts | 199,558 | 20% | 206,414 | 17% |
| Other Bonds | 74,628 | 8% | 85,082 | 7% |
| Property | 58,792 | 6% | 83,295 | 7% |
| Cash | 52,313 | 5% | 58,235 | 5% |
| | 991,605 | 100% | 1,204,840 | 100% |

f) Experience adjustments arising in scheme liabilities and assets

| Scheme/BRD Liability LGPS | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
|---------------------------|---------|---------|---------|---------|---------|
| | 5.8% | | | 9.8% | |
| 1992 Scheme | | | | 10.0% | |
| 2006 Scheme | | | | 6.6% | |
| Scheme/BRD Assets LGPS | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
| | 1.7% | 17.3% | 1.4% | 12.7% | 30.0% |

Actual return of scheme assets:

| LGPS | 2007/08 | 2008/09 |
|------|---------|---------|
| | £000s | £000s |
| | -159 | -1,389 |

31. Disclosure of Financial Assets and Liabilities

Ai) Financial Instruments Balances

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

| | Long Term | | Current | |
|--|--------------|--------------|--------------|--------------|
| | 31.03.08 | 31.03.09 | 31.03.08 | 31.03.09 |
| | £000s | £000s | £000s | £000s |
| Financial liabilities at amortised cost - PWLB | 6,452 | 6,452 | 6,452 | 6,452 |
| Interest Accrual | 72 | 71 | 72 | 71 |
| Creditors | - | - | 3,123 | 2,849 |
| TOTAL BORROWINGS | 6,524 | 6,523 | 9,647 | 9,372 |
| Loans and receivables | - | - | 7,608 | 7,211 |
| Debtors (trade) | - | - | 436 | 567 |
| Cash balances | - | - | 328 | 345 |
| TOTAL INVESTMENTS | - | 0 | 8,372 | 8,123 |

Aii) Financial Instruments Gains / Losses

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

| | Financial Liabilities | Financial Assets | | | Total £000s |
|--|--|-----------------------|---------------------------|----------------------------|----------------|
| | Liabilities measured at amortised cost | Loans and receivables | Available-for-sale assets | Fair value through the I&E | |
| | £000s | £000s | £000s (1) | £000s (2) | |
| Interest expense | -292 | | | | -292 |
| Losses on derecognition | | | | | |
| Impairment losses | | | | | |
| Interest payable and similar charges | -292 | | | | -292 |
| Interest income | | | | | |
| Gains on derecognition | | | | | |
| Interest and investment income | | 310 | | | 310 |
| Gains on revaluation | | | | | |
| Losses on revaluation | | | | | |
| Amounts recycled to the I+E Account after impairment | | | | | |
| Surplus arising on revaluation of financial assets | | | | | |
| Net gain/(loss) for the year | -292 | 310 | | | 18 |

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

| | £000s |
|--|-------|
| Financial instruments gain | 0 |
| Rental income from investment properties | 0 |
| Current account interest | 310 |
| Investment income received in I&E | 310 |

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

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

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. It should be noted that the redemption rules applying to PWLB debt changed on 1 November 2007, and are less favourable than the previous procedures. As a result the fair value figures for 31 March 2009 are relatively higher (more costly to redeem) than the 31 March 2008 comparators;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be invoiced or billed amounts.

The fair values calculated are as follows:

| | 31 March 2008 | | 31 March 2009 | |
|---|-----------------------|------------------|-----------------------|------------------|
| | Carrying amount £000s | Fair value £000s | Carrying amount £000s | Fair value £000s |
| All values fair value = Amortised except PWLB | | | | |
| PWLB debt - Amortised Cost | 6,452 | 6,711 | 6,452 | 6,930 |
| Interest accrual | 72 | 72 | 71 | 71 |
| Creditors | 3,123 | 3,123 | 2,849 | 2,849 |
| Total Financial Liabilities | 9,647 | 9,906 | 9,372 | 9,850 |
| Loans & Receivables | 7,608 | 7,608 | 7,211 | 7,211 |
| Cash Balances | 328 | 328 | 345 | 345 |
| Debtors | 436 | 436 | 567 | 567 |
| Total loans and receivables | 8,372 | 8,372 | 8,123 | 8,123 |

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

Aiv) Nature and extent of risk arising from financial instruments

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

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

Av) Overall Procedures for Managing Risk

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

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

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

Actual performance is also reported annually to Members.

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

Avi) Credit risk

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

There are NO risks to BMKFA of the funds being lost as Bucks County Council assumes all the risk of the investments made and interest is paid to BMKFA as earned.

No breaches of Buckinghamshire County Councils counterparty criteria were reported to the Fire Authority during the reporting period and the Authority does not expect any losses from

non-performance by any of its counterparties in relation to deposits and bonds.

We therefore contend that whilst this is a case of derecognition, in view of the party involved and the fact that BMKFA has the condition in writing that there is no risk of funds being lost and no financial adjustment is required.

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

A vii) Liquidity risk

The Authority invests any surplus cash using a Service Level Agreement (SLA) with Buckinghamshire County Council for which it obtains the 7 day LIBID rate and uses the PWLB for all long term funds essentially to meet capital expenditure. The funds from Bucks CC 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 Code of Practice.

A viii) Refinancing and Maturity Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing PWLB Loans as they mature. It is possible that provisions will be made available to meet all PWLB Loans without the direct need to replace loans as they mature, therefore no risk/impairment or other adjustment is required. A Fair value calculation of £6,930,766 has been provided by the PWLB on our behalf.

The maturity analysis of financial liabilities is as follows:

| | Financial Liabilities at 31.3.09 £000s | Financial Liabilities at 31.3.08 £000s |
|--------------------------------|---|---|
| Maturing less than 1 year | 335 | 0 |
| Maturing within 1-2 years | 0 | 335 |
| Maturing within 2-5 years | 602 | 300 |
| Maturing within 5-10 years | 1468 | 1185 |
| Maturing in more than 10 years | 4,047 | 4,632 |
| TOTAL | 6,452 | 6,452 |

A PWLB Loan is due to mature in July 2009 and we already have a Debt Repayment Reserve to cover this amount.

B) Market Risk

Bi) Interest rate risk

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

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

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

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

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

| | £000s |
|---|-------|
| Increase in interest payable on variable rate borrowings | 0 |
| Increase in interest receivable on variable rate investments | 128 |
| Increase in Government grant receivable for financing costs | 0 |
| Impact on Income and Expenditure Account | 128 |
| Decrease in fair value of fixed rate investment assets (impact on STRGL) | 0 |
| Decrease in fair value of fixed rate borrowing liabilities (no impact on Income and Expenditure Account or STRGL) | 0 |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

The volatility of rates during the year is illustrated by the fact that we were receiving over 5% in the early months of the year with nearly £40k per month interest received; towards the end of the period rates had reduced to 0.5% with resultant reductions in interest received to about £3k per month. This impact in interest rate reduction has had a dramatic affect on the amount received on cash balances from over £500k in 2007/08 to £310k in 2008/09 and if the present rates continue throughout the year a likely figure of £40k will be received for 2009/10. This "healthy" cash position has been used in previous years as a counterweight to areas of

overspends something which cannot be repeated in the foreseeable future.

Bii) Price risk

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

Biii) 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.

32. Events after the Balance Sheet Date

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

There have been no post balance sheet events to disclose.

33. Notes To The Cash Flow Statement

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

| 31.03.2008 | | 31.03.2009 | |
|--------------|--|------------|--------------|
| £000s | | £000s | £000s |
| -297 | Deficit /Surplus - on Revenue Account | 736 | |
| | Non Cash Transactions | | |
| | Movement on Earmarked Reserves | -1,079 | |
| 273 | | | |
| 25 | Movement on Bad Debt Provision | 0 | |
| -160 | Minimum Revenue Provision | -218 | |
| 192 | Revenue Contributions to Capital | 1,143 | |
| 4,901 | Other Non Cash Items | 1,396 | |
| 5,232 | | | 1,978 |
| | Items on an accruals basis | | |
| | | | |
| -1,391 | Increase - / Decrease in debtors | -132 | |
| -1,453 | Increase / Decrease - in creditors (excluding DCLG top up grant) | -274 | |
| 13 | Decrease / Increase - in stocks | 0 | -406 |
| -2,831 | | | 1,572 |
| | | | |
| 257 | Servicing of Finance | | 18 |
| | | | |
| 2,360 | Net Cash Outflow - /Inflow from Revenue Activities | | 1,590 |

ii) Reconciliation of the Movement in Cash

| | 31.03.2008 £000s | 31.03.2009 £000s | Movement £000s |
|-------------------------------|---------------------|---------------------|-------------------|
| Cash in Hand | 9 | 9 | 0 |
| Cash overdrawn/at bank | 319 | 336 | 17 |
| Increase - / Decrease in cash | 328 | 345 | 17 |

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

| | As at 31.03.2008 £000s | As at 31.03.2009 £000s | Movement for cash flow £000s |
|---------------------|------------------------------|------------------------------|------------------------------------|
| Short Term Deposits | 7,608 | 7,211 | 397 |
| New Loans Raised | -6,452 | -6,452 | 0 |
| TOTAL | 1,156 | 759 | 397 |

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

| | As at 31.03.2009 £000s |
|--|---------------------------------------|
| Increase/decrease in cash | 17 |
| Less Cash Inflow from Net Debt | -253 |
| Add Cash outflow from redemption of debt | 47 |
| Change in Debt | -189 |
| Net Debt at start of year | -733 |
| Net Debt at end of year | -922 |

v) Analysis of Specific grant income as a cash inflow

| Revenue Grants | | 2008/09 £000s |
|-----------------------------|---|--------------------------|
| DCLG | Urban Search & Rescue | -915 |
| DCLG | New Burdens | -130 |
| DCLG | Community Safety | 0 |
| DCLG | Capacity Building and Council Tax Leaflet | -2 |
| Total Revenue Grants | | -1,047 |

Firefighters' Pension Fund

Account

Firefighters' Pension Fund

| 2007/08 £ 000's | Fund account | 2008/09 £ 000's | |
|--------------------|--|--------------------|--------|
| | Income to the fund | | |
| | Contributions receivable (funds due to us during the year): | | |
| | - from employer | | |
| (2,466) | - normal contributions | (2,495) | note 1 |
| 0 | - early retirements | 0 | note 1 |
| 0 | - other contributions | (5) | note 1 |
| (1,330) | - from members | (1,332) | note 1 |
| | Transfers in: | | |
| (198) | - individual transfers in from other schemes | (17) | note 1 |
| 0 | - other transfers in | 0 | note 1 |
| (3,993) | Income to the fund | (3,849) | |
| | Spending by the fund | | |
| | Benefits payable: | | |
| 3,205 | - Pension payments | 3,764 | note 1 |
| 610 | - Commutation of pensions and lump-sum retirement benefits | 742 | note 1 |
| 0 | - Lump-sum death benefits | 0 | note 1 |
| 0 | - other benefits payable | 0 | note 1 |
| 0 | Payments to and on behalf of leavers | 0 | |
| 0 | - Refunds of contributions to people who leave the scheme | 0 | note 1 |
| 174 | - Individual transfers out of the scheme | 48 | note 1 |
| 273 | - other payments | 0 | note 1 |
| 4,263 | Spending by the fund | 4,555 | |
| | Net amount payable/receivable for the year before top up grant receivable/amount payable to sponsoring department | 706 | |
| (269) | Top-up grant receivable/amount payable to sponsoring department | (706) | |
| | Net amount (payable)/receivable for the year | (0) | |

Firefighters' Pension Fund Net Assets Statement

| 2007/08 £000's | Firefighters' Pension fund net assets statement | 2008/09 £000's | |
|-------------------|--|----------------|--------|
| | Net current assets and liabilities: | | |
| | - contributions due from employer | 0 | note 1 |
| | - pensions top up grant receivable from sponsoring department | 332 | note 1 |
| | - unpaid pension benefits | 0 | note 1 |
| (1,098) | - amount due to sponsoring department | 0 | note 1 |
| 1,098 | - other current assets and liabilities (other than liabilities and other benefits in the future) | (332) | note 1 |
| | Net assets at the end of the year | 0 | |

NOTE1

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

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

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

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

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

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

Glossary of Terms

ACCOUNTING STANDARDS

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

AMORTISATION/AMORTISE

The equivalent of depreciation for intangible assets.

BUDGET

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

BVACOP

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL RECEIPTS

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

CIPFA

Chartered Institute of Public Finance and Accountancy.

CPFA

Chartered Public Finance Accountant.

CREDITORS

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

DCLG

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

DEBTORS

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

DEFERRED CHARGES

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

DEPRECIATION

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

FINANCIAL REPORTING STANDARDS (FRS)

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

FRS17

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

GENERAL FUND

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

HMRC

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

IMPAIRMENTS

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

LOANS OUTSTANDING

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

LOCAL GOVERNMENT PENSION SCHEME (LGPS)

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

MINIMUM REVENUE PROVISION (MRP)

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

OUTTURN

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

PROVISIONS

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

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

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

REVALUATION RESERVE

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

REVENUE EXPENDITURE

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

RESERVES

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

STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP) An earlier version of Financial Reporting Standards.

OJEU

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

BMKFA

Short acronym for Buckinghamshire Milton Keynes Fire Authority.

IRMP

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

PPT

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

SORP

Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP) 2008 is produced by CIPFA in order to specify the principles and practices of accounting required to prepare a Statement of Accounts which "presents fairly" the financial position and transactions of a local authority, as required by section 21(2) of the Local Government Act 2003.

UK GAAP