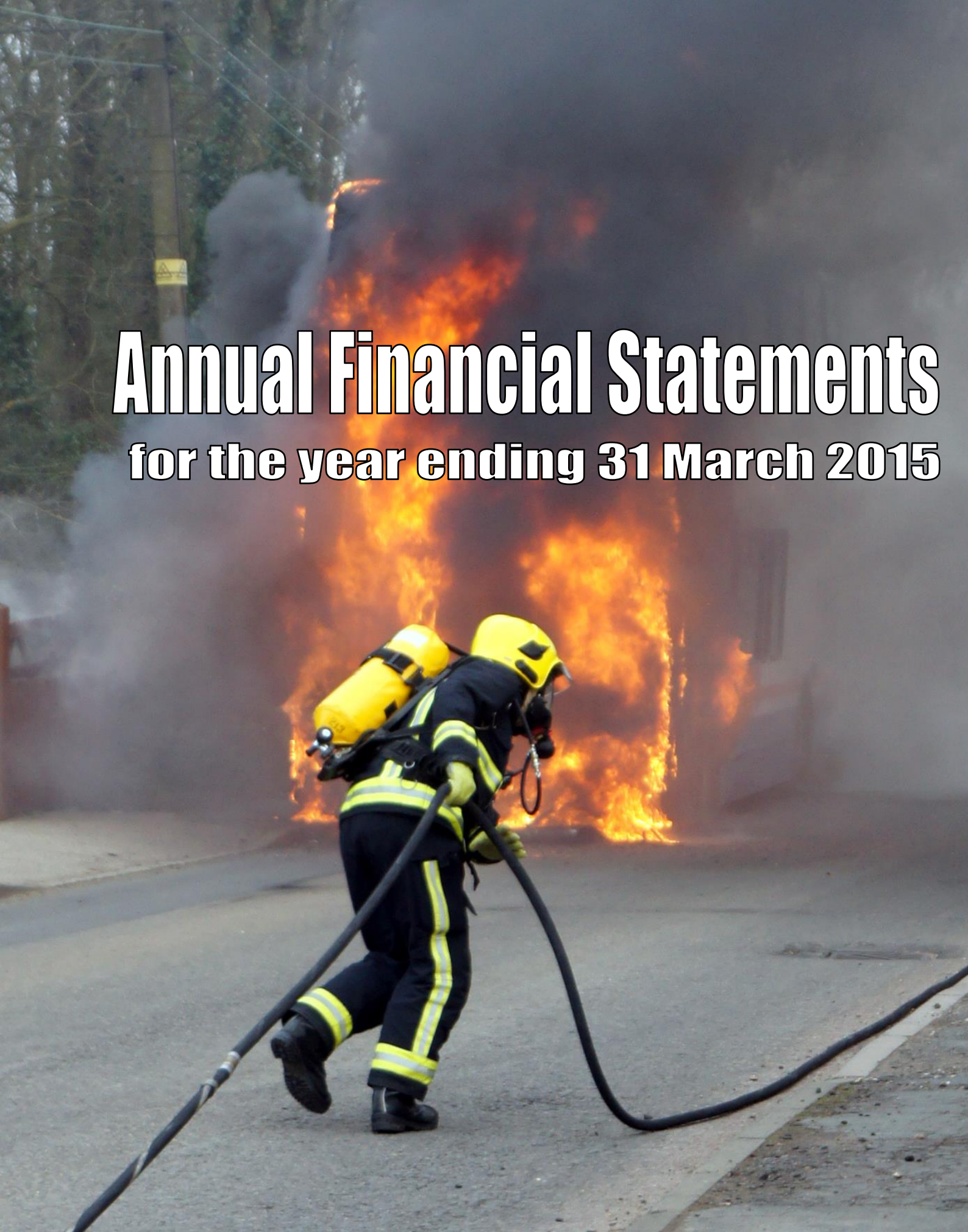


Annual Financial Statements

for the year ending 31 March 2015



Buckinghamshire & Milton Keynes Fire Authority
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Table of Contents

The Annual Financial Statements contains the Statement of Accounts and additional accompanying statements.

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

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

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Introduction

Welcome to our Annual Financial Statements

This document sets out the financial activities of Buckinghamshire & Milton Keynes Fire Authority (the Authority) for the year ended 31 March 2015. It shows the financial detail of the services we have provided together with explanatory notes, the resources consumed and the financial position at the end of the year compared with the previous year.

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

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

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

Ernst and Young LLP reported in its Annual Results Report 2014 that the Authority has robust systems and processes to manage financial risks and opportunities effectively. They also concluded that the Authority is prioritising its resources within tighter budgets, achieving cost reductions and improving efficiency and productivity.

Further details about the Authority's vision and values can be found on our website:

<http://bucksfire.gov.uk/about-us/our-visions-values/>



.....
Cllr David Watson
Chairman of the Overview and Audit Committee



.....
David Sutherland CPFA
Acting Director of Finance and Assets & Chief Finance Officer, Buckinghamshire & Milton Keynes Fire Authority

Explanatory Foreword

In compiling these accounts we have followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom 2014/15: Based on International Financial Reporting Standards (the Code).

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

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

- Movement in Reserves Statement - this statement shows the changes in the financial resources over the year. The total usable reserves held as at 31 March 2015 was £15.886m (as at 31 March 2014 was £12.771m);
- Comprehensive Income and Expenditure Statement - this statement shows the gains and losses that contributed towards the changes in resources shown in the Movement in Reserves Statement. The deficit on the provision of services for 2014/15 was £8.810m (2013/14 was a deficit of £10.509m);
- Balance Sheet - this statement shows how the resources available are held in the form of assets and liabilities. The net assets figure is balanced by the Total Reserves figure (see also Movement in Reserves Statement); and
- Cash Flow Statement - this statement shows how the movement in resources has been reflected in cash flows. The starting point for this statement is the net surplus/deficit on the provision of services (see also Comprehensive Income and Expenditure Statement). The net decrease in cash and cash equivalents during the year was £1.169m (net decrease of £12.954m in 2013/14). Please refer to Note 17 for details of the movement.

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

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

Service Expenditure

The budget for 2014/15 was set at a full Authority meeting in February 2014, figures were based on the final financial settlement announced by Central Government earlier that month. It was agreed that there would be no increase in the level of Council Tax and a grant of £179k was received in lieu. The levy for a council tax band D property to cover the services provided remained at £59.13.

The remainder of total expenditure was funded through Central Government Grants, National Non-Domestic Rates (NNDR) redistribution and income for the recovery of costs from other agencies including grants for specific responsibilities such as Urban Search and Rescue Operations (USAR/New Dimensions). The Authority's council tax for a band D property is the lowest of all combined fire authorities in the country.

The budget proposed for 2014/15 was a financial estimation based upon the priorities set out within our Public Safety Plan. The employee costs took account of the continued work plan to make efficiencies year on year whilst still ensuring resources were sufficient and in the right place with no reduction in our response capability.

Specific items taken into account in setting the budget for 2014/15 included inflation and the increasing revenue cost for the capital programme. Amounts were also set aside as contingency to cover protected pay and other unknowns such as a national fire-fighters pay award. During the budget setting process, savings and growth bid packages were submitted to challenge and authorisation by Members.

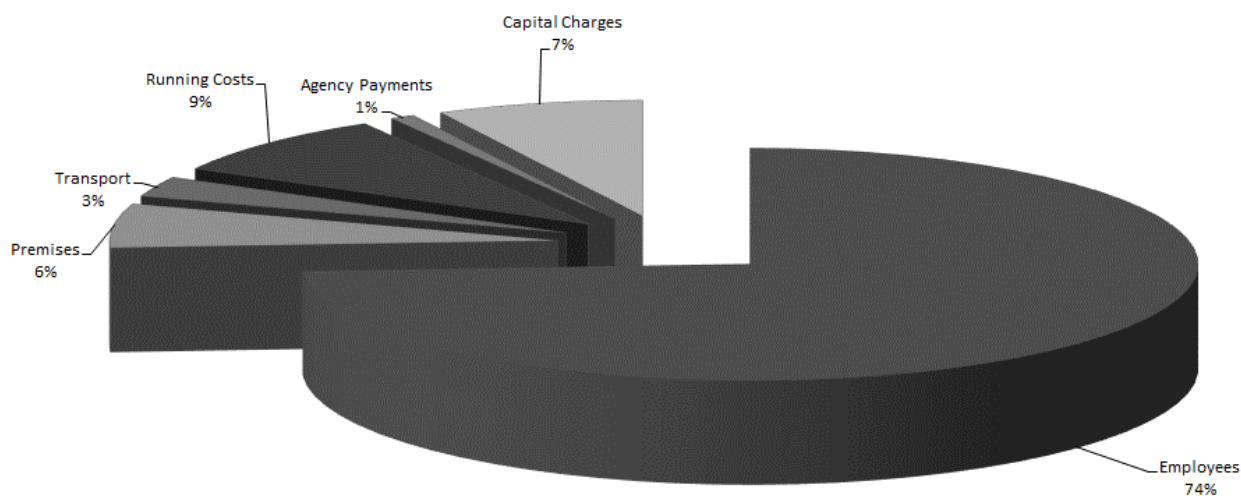
We fund our capital programme through a mixture of government grant and revenue funding. The programme was targeted to fund the essential refurbishment of our fire stations, the replacement of fire specialist equipment and our investment in new technology.

Income and Expenditure 2014/15

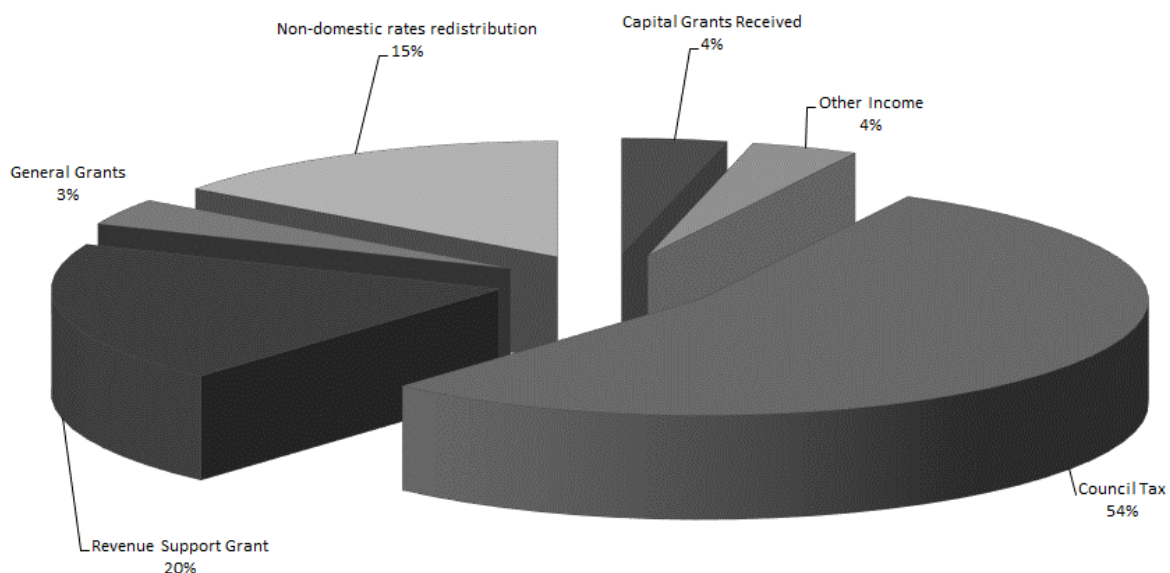
The following table shows revenue expenditure and income against the budget for 2014/15 as a whole:

| 2013/14 | | | 2014/15 | |
|-----------------|-----------------|---|-----------------|-----------------|
| Actual | Budget | | Actual | Budget |
| £000 | £000 | | £000 | £000 |
| 22,402 | 23,243 | Employees | 20,997 | 22,097 |
| 1,844 | 1,783 | Premises | 1,741 | 1,758 |
| 866 | 1,107 | Transport | 798 | 773 |
| 2,258 | 2,959 | Running Costs | 2,477 | 3,312 |
| 237 | 316 | Agency Payments | 249 | 987 |
| 1,651 | 1,730 | Capital Charges | 2,115 | 2,188 |
| 1,900 | - | Local Government Pension Scheme Liability Restructuring | - | - |
| 31,158 | 31,138 | Expenditure | 28,377 | 31,115 |
| (1,191) | (1,191) | Capital Grants Received | (1,190) | (1,191) |
| (1,302) | (1,397) | Other Income | (1,222) | (1,116) |
| 28,665 | 28,550 | Net Expenditure | 25,965 | 28,808 |
| (16,639) | (16,393) | Council Tax | (16,950) | (16,930) |
| (6,978) | (6,934) | Revenue Support Grant | (6,209) | (6,191) |
| (1,220) | (1,166) | General Grants | (1,160) | (1,178) |
| (4,531) | (4,495) | Non-domestic rates redistribution | (4,714) | (4,509) |
| 703 | 438 | Contribution to/from Reserves | 3,068 | - |
| (28,665) | (28,550) | Income | (25,965) | (28,808) |
| - | - | Total (Under)/Overspend | - | - |

Breakdown of Expenditure 2014/15



Breakdown of Income 2014/15



The net surplus for the year 2014/15 (which resulted in a net contribution to reserves – see below) was due to a number of factors:

- More efficient and effective ways of working
- Staffing levels were below the budgeted establishment in a number of areas
- The over-achievement of interest earned on cash balances

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

Movement in Reserves

The breakeven position is inclusive of transfers to/from reserves. Excluding these movements would show an underspend of £3.068m. The treatment of this underspend is shown in the table below:

| | £000 |
|---|----------------|
| Revenue outturn before contributions to reserves | (3,068) |
| <u>Required Transfers to/(from) Reserves</u> | |
| Other Capital Grants Unapplied (c/fwd) | (216) |
| Sub Total - Required Contributions to Reserves | (216) |
| <u>Transfers to/(from) Reserves</u> | |
| Invest to Save Reserve | (13) |
| Redundancy and Early Retirement Reserve | 128 |
| Vehicle Reserve | 122 |
| Funding Pressures Reserve | 94 |
| Continuing Projects Reserve | 1,200 |
| Insurance Reserve | 50 |
| Revenue Contribution to Capital | 1,703 |
| Sub Total - Additional Contributions to Reserves | 3,284 |
| Net Charge to the General Fund Balance (General Reserve) | - |

Reserve balances and a description the purpose of each reserve can be seen in Note 23.

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

The Authority is required to raise council tax on a different accounting basis to that of the CIES, the main differences being:

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

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

| | £000 |
|---|--------------|
| Council Tax Net Expenditure (Surplus)/Deficit | - |
| <u>Employees</u> | |
| IAS 19 Pension Charges | 11,835 |
| Employee Absence Account | (91) |
| <u>Capital Charges</u> | |
| Depreciation | 2,125 |
| Impairment | 1 |
| Minimum Revenue Provision | (324) |
| Capital Receipts | (47) |
| <u>Income</u> | |
| Capital Grant | (1,406) |
| Statutory Precept and NNDR Adjustment | (215) |
| <u>Other Adjustments</u> | |
| Transfers to/from Reserves | (3,068) |
| (Surplus)/Deficit for the year on the Comprehensive Income and Expenditure Statement | 8,810 |

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

The Capital Account Summary

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

The approved capital expenditure budget for 2014/15 was £4.603m (including £3.059m relating to schemes brought forward from 2013/14). A total of £1.406m was spent on capital schemes and equipment as follows:

| Land and Buildings | Plant, Vehicles and Equipment | Assets Under Construction | Intangible Assets | Total |
|---------------------------|--------------------------------------|----------------------------------|--------------------------|--------------|
| £000 | £000 | £000 | £000 | £000 |
| 326 | 1,080 | - | - | 1,406 |

Further detail of the expenditure is shown in Note 11.

The largest proportion of capital expenditure during the year was on vehicles and equipment. This covered the purchase of a new turntable ladder appliance and a large number of items of operational equipment. The £0.326m spent on land and buildings relates to enhancements and major refurbishments at a number of fire stations.

The Authority received £1.190m of capital grant from central government to help fund the capital programme. The Authority's loans are borrowed from the Public Works Loan Board (PWLB) and during 2014/15 no new loans were taken out. The Authority's total borrowing for capital purposes stands at £8.265m with loan repayments spread over the years 2016-2056.

Reserves Balances

The level of reserves held by the Authority as at 31 March 2015 are shown in the table below:

| 31 March 2014 £000 | | 31 March 2015 £000 |
|-----------------------------------|---|-----------------------------------|
| (3,700) | General Fund Balance | (3,700) |
| (3,700) | Sub Total Non Earmarked General Fund Balance | (3,700) |
| (150) | Fire Control Reserve | (150) |
| (513) | Invest to Save Reserve | (500) |
| - | - Moving Forward Reserve | - |
| (1,000) | New Dimensions Reserve | (1,000) |
| - | - Asset Management Reserve | - |
| (349) | Redundancy and Early Retirement Reserve | (477) |
| - | - New Burdens Reserve | - |
| (69) | Vehicle Reserve | (191) |
| (1,183) | Funding Pressures Reserve | (1,277) |
| (1,360) | Control Room Reserve (Revenue) | (1,360) |
| (650) | RDS Pension Contributions Reserve | (650) |
| (300) | Continuing Projects Reserve | (1,500) |
| - | - Insurance Reserve | (50) |
| (5,574) | Sub Total Earmarked Reserves - Revenue | (7,155) |
| (46) | Usable Capital Receipts Reserve | (93) |
| (800) | Control Room Capital Grant Unapplied | (800) |
| (302) | Other Capital Grants Unapplied | (86) |
| (2,349) | Revenue Contribution to Capital | (4,052) |
| (3,497) | Sub Total Earmarked Reserves - Capital | (5,031) |
| (12,771) | Total Usable Reserves | (15,886) |

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

Contingent Liabilities

At 31 March 2015, the Authority had two contingent liabilities:

- The Authority is still awaiting the formal notification of the outcome of a case involving Retained Duty System (RDS) firefighters. The Authority could potentially be liable to pay backdated employer contributions relating to RDS pensions. If the Authority is liable, the amount to be paid would then be dependent on the number of firefighters who decide to backdate their employee contributions. Not enough certainty around the outcome exists at this moment in time for a provision to be required. The Authority created a reserve of £650k in 2011/12 to provide for potential future costs that may be incurred.
- The Authority is awaiting formal notification as to whether or not it will be charged interest in relation to the pension top-up grant covering injury awards between April 2007 and March 2014. No amount has been recognised in the accounts due to the uncertainty as to whether interest will be applied, and if so, the rate applicable.

Pension Fund Liability

The accounting treatment for pensions follows International Accounting Standard 19 (IAS19), the purpose of which is to ensure that organisations' accounts reflect the net position of their pension funds and account for the liability to pay accumulated employee benefits in the future. In 2014/15, the Authority's share of the three Pension Fund's net liabilities increased by £48.578m to £266.210m (for 2013/14 the net liability was £217.632m).

Effectively, the Pension Funds are in deficit by £266.210m compared with what is needed to pay the pensions of current scheme members, and the effect is to reduce the overall net worth of the Authority by that amount. However, statutory arrangements for the funding of the deficit, whereby the deficit will be made good by employer contributions over the remaining working life of employees as assessed by the scheme's actuaries, mean that the financial position of the Authority remains healthy. The actuary for the Local Government Pension Scheme is Barnett Waddingham and the actuary for both firefighters schemes are the Government Actuary's Department (GAD).

Treasury Management

Up until 31 March 2013, Buckinghamshire County Council (BCC) provided the day to day operation of the Authority's treasury management function under a Service Level Agreement (SLA). This included the management of the Authority's cash flows, its banking, money market and capital market transactions.

As of 1 April 2013, the Authority ceased the Treasury Management SLA with BCC and brought all treasury services in-house. This has enabled the Authority to achieve a higher investment yield, with minimal impact on security and liquidity.

The Authority has outstanding PWLB Loans at 31 March 2015 of £8.265m.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Acting Director of Finance and Assets & Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Responsibilities of the Acting Director of Finance and Assets

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

In preparing this Statement of Accounts, the Acting Director of Finance and Assets & Chief Finance Officer has:

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

The Acting Director of Finance and Assets & Chief Finance Officer has also:

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

Certificate of the Acting Director of Finance and Assets

I hereby certify that this Statement of Accounts presents a true and fair view of the financial position of the Authority as at 31 March 2015 and its income and expenditure for the financial year 2014/15.

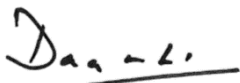


David Sutherland CPFA
Acting Director of Finance and Assets & Chief Finance Officer, Buckinghamshire & Milton Keynes Fire Authority

Date: 23.9.2015

Approval of the Statement of Accounts

I hereby confirm that this Statement of Accounts has been approved by the Overview and Audit Committee at its meeting held on 23 September 2015



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

Date: 23.09.2015.

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

Opinion on the Authority financial statements

We have audited the financial statements of Buckinghamshire and Milton Keynes Fire Authority for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 31 and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 5. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Buckinghamshire and Milton Keynes Fire Authority, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Acting Director of Finance and Assets & Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 12, the Acting Director of Finance and Assets & Chief Finance Officer is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Acting Director of Finance and Assets & Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Buckinghamshire and Milton Keynes Fire Authority as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Buckinghamshire and Milton Keynes Fire Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the accounts of Buckinghamshire and Milton Keynes Fire Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Maria Grindley
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
23 September 2015

Statement of Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which is required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued.

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

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

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

iii. Acquisitions and Discontinued Operations

There were no acquired or discontinued operations during the year.

iv. Cash and Cash Equivalents

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

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

v. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance. There were no exceptional items during 2014/15.

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

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

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

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

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

vii. Charges to Revenue for Non-Current Assets

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

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

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

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

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

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

A discretionary charge is also made to the revenue account to contribute towards the Revenue Contribution to Capital reserve. This will be used to help fund the capital programme in future years due to the reducing levels of capital grant funding that are expected to be available.

viii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

The funding arrangements for the Firefighters' Pension Scheme in England changed by statute with effect from 1 April 2006 and are contained within the Firefighter's Pension Scheme (Amendment) (England) Order 2006 (SI 2006/1810). Before 1 April 2006 the 1992 Scheme did not have a percentage of pensionable pay type of employer's contribution: rather each fire authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new funding arrangements the schemes remain unfunded but will no longer be on a pay-as-you-go basis as far as the individual fire authority is concerned.

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

Transactions in the Firefighters Pension Fund include:

Credits to the Pension Fund

- Employees' contributions from firefighters
- Transfer values received from other authorities
- The employer's contributions due from the Authority
- Additional contributions required from the Authority for ill health retirements.

Debits to the Pension Fund

- Awards payable under any provision of the pension scheme
- Transfer values payable to other authorities
- Any repayment to the Authority of contributions towards ill health retirements.

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

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

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

Injury Awards

Under the Firefighters Compensation Scheme (England) Order 2006, a firefighter receives an injury award where they have retired and are permanently disabled because of an injury received in the execution of their duty. Under IAS 19 the Authority is required to account for contingent future injury benefits. The liability is based on an estimate of future benefits earned by members, and movements in the liability are treated in the same way as for the Firefighters pension schemes.

The Local Government Pension Scheme

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

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on the iBoxx 15 year corporate bond index).

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

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

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense. In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

ix. Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have

a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

x. Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. There were no repurchase or early settlements during 2014/15.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. There were no premiums paid or discounts received during 2014/15.

Financial Assets - Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to

the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

xi Foreign Currency Translation

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

xii. Heritage Assets

The Authority does not hold any heritage assets.

xiii. Government Grants and Contributions

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

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

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

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

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

xiv. Intangible Assets

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

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

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

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

xv. Interests in Companies and Other Entities

The Authority has no material interests in companies or other entities which would require it to prepare group accounts.

xvi. Inventories and Long Term Contracts

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

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

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

xvii. Investment Property

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

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

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

xviii. Jointly Controlled Operations and Jointly Controlled Assets

The Authority does not have any jointly controlled operations or jointly controlled assets.

xix. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

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

xx. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

xxi. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued annually to ensure that their carrying amount is not materially different from their fair value at the year-end. Where amounts are materially different, the gross book value and accumulated depreciation are restated proportionately at the year-end.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

and electrical and finally yards and drill towers (i.e. external elements). Where the life expectancy of any component would exceed the life expectancy of the main structure then the life expectancy of the component will be limited to that of the main structure.

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

Disposals

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

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

xxii. Private Finance Initiative (PFI) and Similar Contracts

The Authority has not entered into any PFI or similar contracts

xxiii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future

events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

xxiv. Reserves

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

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

xxv. Revenue Expenditure Funded from Capital under Statute

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

xxvi. VAT

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

Critical Judgements in Applying the Accounting Policies

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

Use of Estimates and Judgements

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Comprehensive Income and Expenditure Statement for 2014/15 and the Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Depreciation (and amortisation of intangible assets) – the remaining useful lives of all assets are estimated. The Authority relies on the expertise of an external valuer to determine the lives of all building assets. The lives of vehicles, plant and equipment and intangible assets are based on historical experience and professional estimates. If the estimates were to differ from the actuals this would affect the level of depreciation and amortisation charged to the Comprehensive Income and Expenditure Statement, as well as the carrying amounts of non-current assets in the Balance Sheet. The carrying amounts of non-current assets as at 31 March 2015 was £33.833m. Total depreciation and amortisation for the year was £2.125m;
- Revaluations and Impairments – the value of non-current assets are reviewed annually by a qualified valuer based on the latest guidance from the Royal Institute of Chartered Surveyors and the recently observed market information. If the estimates were to differ from the actual results this would result in a higher or lower carrying amount for non-current assets in the Balance Sheet. Revaluations charged to the Revaluation Reserve during the year were £1.908m upwards and £0.022m downwards;
- Pensions Liability – the valuation of the liability is based on a number of actuarial assumptions (see Note 28). This figure is provided by an external actuary. If the estimate was to differ from the actual it would result in a higher or lower pension liability and reserve figure on the Balance Sheet. The total pension liability as at 31 March 2015 was £266.210m;
- Financial Assets and Liabilities – further details about the assumptions made and the potential impact can be found in Note 29; and
- Estimates are made as to the amount of time spent by firefighters in carrying out Community Safety activities based on technical officer advice as to work volumes and activities. This estimate is used to determine how much of the direct costs of firefighters is apportioned to Community Fire Safety in the Comprehensive Income and Expenditure Statement. If the actual results were to differ from the estimate the effect would be limited to the apportionment between Community Fire Safety and Fire Fighting and Rescue Operations. There would be no net impact on the total surplus or deficit reported.

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

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

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

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

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

Changes in Accounting Estimates

There have been no changes in accounting estimates during 2014/15.

Standards Issued But Not Yet Adopted

The standards introduced in the 2015/16 Code are:

- IFRS 13 Fair Value Measurement (May 2011);
- Annual Improvements to IFRSs (2011 – 2013 Cycle) – see paragraph for further details;
- IFRIC 21 Levies.

The issues included in the Annual Improvements to IFRSs 2011 – 2013 cycle are:

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

It is not anticipated that any of the revised standards will have a material impact on the amounts disclosed.

Movement in Reserves Statement

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

| | General Fund Balance | Earmarked Reserves | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|-------------------------------------|-------------------------------|----------------------------------|------------------------------|---|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2013 carried forward | (3,700) | (8,362) | (12,062) | 176,673 | 164,611 |
| <u>Movement in reserves during 2013/14</u> | | | | | |
| (Surplus) or deficit on the provision of services | 10,509 | - | 10,509 | - | 10,509 |
| Other Comprehensive Income and Expenditure | - | - | - | 6,244 | 6,244 |
| Total Comprehensive Income and Expenditure | 10,509 | - | 10,509 | 6,244 | 16,753 |
| Adjustments between accounting basis & funding basis under regulations (Note 23) | (11,212) | (6) | (11,218) | 11,218 | - |
| Net (Increase) / Decrease before Transfers to Earmarked Reserves | (703) | (6) | (709) | 17,462 | 16,753 |
| Transfers to/from Earmarked Reserves (Note 23) | 703 | (703) | - | - | - |
| (Increase) / Decrease in 2013/14 | - | (709) | (709) | 17,462 | 16,753 |
| Balance at 31 March 2014 carried forward | (3,700) | (9,071) | (12,771) | 194,135 | 181,364 |
| Amounts held for revenue purposes | (3,700) | (5,574) | (9,274) | 218,130 | 208,856 |
| Amounts held for capital purposes | - | (3,497) | (3,497) | (23,995) | (27,492) |

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Movement in Reserves Statement continued:

| | General Fund Balance | Earmarked Reserves | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|-------------------------------------|-------------------------------|----------------------------------|------------------------------|---|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2014 carried forward | (3,700) | (9,071) | (12,771) | 194,135 | 181,364 |
| <u>Movement in reserves during 2014/15</u> | | | | | |
| (Surplus) or deficit on the provision of services | 8,810 | - | 8,810 | - | 8,810 |
| Other Comprehensive Income and Expenditure | - | - | - | 34,857 | 34,857 |
| Total Comprehensive Income and Expenditure | 8,810 | - | 8,810 | 34,857 | 43,667 |
| Adjustments between accounting basis & funding basis under regulations (Note 23) | (11,878) | (47) | (11,925) | 11,925 | - |
| Net (Increase) / Decrease before Transfers to Earmarked Reserves | (3,068) | (47) | (3,115) | 46,782 | 43,667 |
| Transfers to/from Earmarked Reserves (Note 23) | 3,068 | (3,068) | - | - | - |
| (Increase) / Decrease in 2014/15 | - | (3,115) | (3,115) | 46,782 | 43,667 |
| Balance at 31 March 2015 carried forward | (3,700) | (12,186) | (15,886) | 240,917 | 225,031 |
| Amounts held for revenue purposes | (3,700) | (7,155) | (10,855) | 266,404 | 255,549 |
| Amounts held for capital purposes | - | (5,031) | (5,031) | (25,487) | (30,518) |

Comprehensive Income and Expenditure Statement

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

| 2013/14 | | | | 2014/15 | | |
|---------------------|-----------------|-----------------|--|---------------------|-----------------|-----------------|
| Expenditure £000 | Income £000 | Net £000 | | Expenditure £000 | Income £000 | Net £000 |
| | | | <u>Continuing Operations</u> | | | |
| 2,952 | (159) | 2,793 | Community Fire Safety | 3,007 | (130) | 2,877 |
| 27,480 | (1,027) | 26,453 | Fire Fighting and Rescue Operations | 27,079 | (977) | 26,102 |
| 813 | 26 | 839 | Corporate and Democratic Core | 977 | 27 | 1,004 |
| - | - | - | Non Distributed Costs | 549 | - | 549 |
| 1,900 | - | 1,900 | Non Distributed Costs - LGPS | - | - | - |
| | | | Liability Restructuring | | | |
| 33,145 | (1,160) | 31,985 | (Surplus) or Deficit on Continuing Operations (Note 1) | 31,612 | (1,080) | 30,532 |
| | | | <u>Other Operating Expenditure</u> | | | |
| (2) | - | (2) | (Gain)/losses on disposals of non current assets | (47) | - | (47) |
| (2) | - | (2) | Total Other Operating Expenditure | (47) | - | (47) |
| | | | <u>Financing and Investment Income and Expenditure</u> | | | |
| 380 | - | 380 | Interest payable and similar charges (Note 29) | 380 | - | 380 |
| - | (142) | (142) | Interest and Investment income (Note 29) | - | (142) | (142) |
| 8,559 | - | 8,559 | Pension interest cost (Note 28) | 8,310 | - | 8,310 |
| 8,939 | (142) | 8,797 | Total Financing and Investment Income and Expenditure | 8,690 | (142) | 8,548 |
| | | | <u>Taxation and Non-Specific Grant Income</u> | | | |
| - | (16,639) | (16,639) | Precepts | - | (16,950) | (16,950) |
| - | (9,390) | (9,390) | General Government Grants | - | (8,559) | (8,559) |
| - | (4,242) | (4,242) | Non Domestic Rates redistribution | - | (4,714) | (4,714) |
| - | (30,271) | (30,271) | Total Taxation and Non-Specific Grant Income (Note 10) | - | (30,223) | (30,223) |
| 42,082 | (31,573) | 10,509 | (Surplus) or Deficit on Provision of Services | 40,255 | (31,445) | 8,810 |
| | | (3,644) | (Surplus) or Deficit on revaluation of fixed assets (Note 24e) | | | (1,886) |
| | | 9,888 | Remeasurement of net defined benefit/liability (Note 24d) | | | 36,743 |
| | | 6,244 | Other Comprehensive Income and Expenditure | | | 34,857 |
| | | 16,753 | Total Comprehensive Income and Expenditure | | | 43,667 |

Balance Sheet

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

| 31 March 2014 £000 | | 31 March 2015 £000 |
|-----------------------------------|---|-----------------------------------|
| | <u>Property, Plant and Equipment</u> | |
| 27,466 | Land & Buildings | 28,784 |
| 4,724 | Vehicles, Plant & Equipment (including Donated Assets) | 4,669 |
| 112 | Assets under construction | 61 |
| 32,302 | Total Property, Plant & Equipment (Note 11a) | 33,514 |
| 100 | Investment Property (Note 12) | 105 |
| 264 | Intangible Assets (Note 13) | 214 |
| 32,666 | Non-Current Assets | 33,833 |
| 13,108 | Short Term Investments (Note 14) | 19,066 |
| 235 | Inventories (Note 15) | 224 |
| 3,049 | Short Term Debtors (Note 16) | 2,672 |
| 2,375 | Cash and Cash Equivalents (Note 17) | 1,206 |
| 18,767 | Current Assets | 23,168 |
| (101) | Short Term Borrowing (Note 18) | (616) |
| (1,967) | Short Term Creditors (Note 18) | (2,480) |
| (653) | Provision for Accumulated Absences (Note 19) | (562) |
| (145) | Provision - Part Time Workers (Note 19) | (145) |
| (360) | Provision - VR/Special Payments (Note 19) | (571) |
| (42) | Other Provisions (Note 19) | - |
| (355) | NNDR Appeals Provision (Note 19) | (468) |
| (1,380) | Injury Pensions Provision (Note 19) | (1,380) |
| (5,003) | Current Liabilities | (6,222) |
| (8,265) | Long Term Borrowing (Note 20) | (7,750) |
| | <u>Other Long Term liabilities</u> | |
| (24) | Capital Grants Received in Advance (Note 21) | (24) |
| (1,873) | Finance Lease (Note 22) | (1,826) |
| - | Donated Asset Account (Note 25) | - |
| (217,632) | Liability related to the Defined Benefit Pension Scheme (Note 28) | (266,210) |
| (219,529) | Total Other Long Term Liabilities | (268,060) |
| (227,794) | Long Term Liabilities | (275,810) |
| (181,364) | Net Assets | (225,031) |
| | <u>Reserves</u> | |
| (12,771) | Usable Reserves (Note 23) | (15,886) |
| 194,135 | Unusable Reserves (Note 24) | 240,917 |
| 181,364 | Total Reserves | 225,031 |

Cash Flow Statement

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

| 2013/14 | | 2014/15 |
|-----------------|---|----------------|
| £000 | Cash Flow Statement | £000 |
| (10,509) | Net surplus or deficit on the provision of services | (8,810) |
| 11,631 | Adjust for non-cash movements | 15,072 |
| (945) | Adjust for items that are investing or financing activities | (1,237) |
| 177 | Net Cash Flow from Operating Activities | 5,025 |
| (12,851) | Investing Activities | (6,127) |
| (280) | Financing Activities | (67) |
| (12,954) | Net Increase or decrease in cash and cash equivalents | (1,169) |
| 15,329 | Cash and Cash equivalents at the beginning of the reporting period | 2,375 |
| 2,375 | Cash and Cash equivalents at the end of the reporting period | 1,206 |

Notes to the Cash Flow Statement can be found in Note 31.

Notes to the Core Financial Statements

1 - Service Information

a) Service Analysis

Current Year

| | Corporate Core | Finance and Assets | People and Organisational Development | Delivery, Corporate Development & Planning | Statutory Accounting and Contingency | Total |
|--------------------------------------|----------------|--------------------|---------------------------------------|--|--------------------------------------|----------------|
| Service Analysis | £000 | £000 | £000 | £000 | £000 | £000 |
| Fees, charges & other service income | (50) | (444) | (308) | (275) | - | (1,077) |
| Government Grants | (137) | - | - | - | - | (137) |
| Total Income | (187) | (444) | (308) | (275) | - | (1,214) |
| Employee Expenses | 1,011 | 1,402 | 1,994 | 16,198 | 393 | 20,998 |
| Other Operating Expenses | 243 | 2,421 | 97 | 3,712 | 2,565 | 9,038 |
| Total Operating Expenses | 1,254 | 3,823 | 2,091 | 19,910 | 2,958 | 30,036 |
| Cost of Services | 1,067 | 3,379 | 1,783 | 19,635 | 2,958 | 28,822 |

Prior Year Comparative Information

| | Corporate Core | Finance and Assets | People and Organisational Development | Delivery, Corporate Development & Planning | Statutory Accounting and Contingency | Total |
|--------------------------------------|----------------|--------------------|---------------------------------------|--|--------------------------------------|----------------|
| Service Analysis | £000 | £000 | £000 | £000 | £000 | £000 |
| Fees, charges & other service income | (35) | (443) | (435) | (213) | (36) | (1,162) |
| Government Grants | (142) | - | - | - | - | (142) |
| Total Income | (177) | (443) | (435) | (213) | (36) | (1,304) |
| Employee Expenses | 1,055 | 1,562 | 2,421 | 17,306 | 75 | 22,419 |
| Other Operating Expenses | 155 | 2,349 | 213 | 2,453 | 2,881 | 8,051 |
| Total Operating Expenses | 1,210 | 3,911 | 2,634 | 19,759 | 2,956 | 30,470 |
| Cost of Services | 1,033 | 3,468 | 2,199 | 19,546 | 2,920 | 29,166 |

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

| 2013/14 | | 2014/15 | |
|---------------|--|---------------|--|
| £000 | Reconciliation | £000 | |
| 29,166 | Cost of Services in Service Analysis | 28,822 | |
| 1,894 | Add services not included in main analysis | (3) | |
| 4,547 | Adjust for amounts not reported to management | 6,217 | |
| (3,622) | Remove amounts reported to management not included in CIES | (4,504) | |
| 31,985 | Cost of Services | 30,532 | |

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c) Reconciliation to Subjective Analysis

Current Year

| | Service Analysis | Service not in Analysis | Amounts not reported to management | Amounts not in CIES | Net Cost of Services | Corporate Amounts | Total |
|--|------------------|-------------------------|------------------------------------|---------------------|----------------------|-------------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Service Analysis | | | | | | | |
| Fees, charges & other service income | (1,077) | (3) | - | - | (1,080) | - | (1,080) |
| Interest and investment income | (137) | - | - | 137 | - | (142) | (142) |
| Income from Council Tax | - | - | - | - | - | (16,950) | (16,950) |
| Government grants and contributions | - | - | - | - | - | (13,273) | (13,273) |
| Total Income | (1,214) | (3) | - | 137 | (1,080) | (30,365) | (31,445) |
| Employee Expenses | 20,343 | - | - | - | 20,343 | - | 20,343 |
| Employee Absence Accrual | 653 | - | 562 | (653) | 562 | - | 562 |
| Other Operating Expenses | 8,660 | - | - | (3,608) | 5,052 | - | 5,052 |
| Support Service Recharges | - | - | - | - | - | - | - |
| Depreciation, amortisation and impairment | - | - | 2,130 | - | 2,130 | - | 2,130 |
| Interest payments | 380 | - | - | (380) | - | 380 | 380 |
| Pensions interest cost and return on Pension Fund assets | - | - | 3,525 | - | 3,525 | 8,310 | 11,835 |
| Gain or loss on disposal of non current assets | - | - | - | - | - | (47) | (47) |
| Total Operating Expenses | 30,036 | - | 6,217 | (4,641) | 31,612 | 8,643 | 40,255 |
| (Surplus) or deficit on the provision of services | 28,822 | (3) | 6,217 | (4,504) | 30,532 | (21,722) | 8,810 |

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Prior Year Comparative Information

| | Service Analysis | Service not in Analysis | Amounts not reported to management | Amounts not in CIES | Net Cost of Services | Corporate Amounts | Total |
|---|---------------------|-------------------------------|--|---------------------------|----------------------------|----------------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Service Analysis | | | | | | | |
| Fees, charges & other service income | (1,154) | (6) | - | - | (1,160) | - | (1,160) |
| Interest and investment income | (142) | - | - | 142 | - | (142) | (142) |
| Income from Council Tax Government grants and contributions | - | - | - | - | - | (16,639) | (16,639) |
| | - | - | - | - | - | (13,632) | (13,921) |
| Total Income | (1,296) | (6) | - | 142 | (1,160) | (30,413) | (31,862) |
| Employee Expenses | 21,742 | - | - | - | 21,549 | - | 21,549 |
| Employee Absence Accrual | 676 | - | 653 | (676) | 653 | - | 653 |
| Other Operating Expenses | 7,664 | - | - | (2,708) | 4,956 | - | 4,956 |
| Support Service Recharges | - | - | - | - | - | - | - |
| Depreciation, amortisation and impairment | - | - | 2,135 | - | 2,034 | - | 2,034 |
| Interest payments | 380 | - | - | (380) | - | 380 | 380 |
| Pensions interest cost and return on Pension Fund assets | - | 1,900 | 1,759 | - | 3,659 | 8,559 | 12,218 |
| Gain or loss on disposal of non current assets | - | - | - | - | - | (2) | (2) |
| Total Operating Expenses | 30,462 | 1,900 | 4,547 | (3,764) | 33,145 | 8,937 | 41,788 |
| (Surplus) or deficit on the provision of services | 29,166 | 1,894 | 4,547 | (3,622) | 31,985 | (21,476) | 10,509 |

2 - Officers Remuneration

The number of employees whose remuneration excluding employer’s pension contributions was £50,000 or more in bands of £5,000 is shown below.

| 2013/14 Totals | | 2014/15 Totals | |
|---------------------------|--------------------------|---------------------------|--|
| £000 | Remuneration Band | £000 | |
| 22 | £50,000 - £54,999 | 20 | |
| 7 | £55,000 - £59,999 | 2 | |
| 7 | £60,000 - £64,999 | 8 | |
| - | £65,000 - £69,999 | 2 | |
| - | £75,000 - £79,999 | 1 | |
| 1 | £80,000 - £84,999 | - | |
| 1 | £85,000 - £89,999 | - | |
| 3 | £90,000 - £94,999 | 1 | |
| - | £95,000 - £99,999 | 1 | |
| - | £100,000 - £104,999 | 1 | |
| - | £105,000 - £109,999 | 1 | |
| - | £110,000 - £114,999 | - | |
| 1 | £120,000 - £124,999 | 1 | |
| 1 | £145,000 - £149,999 | - | |
| - | £155,000 - £159,999 | 1 | |
| - | £175,000 - £179,999 | 1 | |
| 43 | Total | 40 | |

The following table sets out the remuneration disclosures for senior officers during 2014/15. All posts holders are included within the remuneration bands above.

| Post Holder | Salary including Fees and Allowances | Benefits in Kind e.g. Car Allowance | Compensation for Loss of Office | Other Payments | Total Remuneration Excluding Pension Contributions | Pension Contributions | Total Remuneration Including Pension Contributions | Notes |
|---|---|--|--|-----------------------|---|------------------------------|---|--------------|
| Chief Fire Officer and Chief Executive | 154,180 | 889 | - | 39,490 | 194,559 | 30,433 | 224,992 | 1 |
| Acting Chief Fire Officer and Chief Executive | 23,721 | 217 | - | 15,000 | 38,938 | 6,805 | 45,743 | 2 |
| Chief Operating Officer | 100,330 | 653 | - | 12,500 | 113,483 | 19,942 | 133,425 | 3 |
| Acting Chief Operating Officer | 31,477 | 300 | - | 10,000 | 41,777 | 7,649 | 49,426 | 4 |
| Head of Service Delivery | 59,335 | 477 | - | 6,500 | 66,312 | 12,143 | 78,455 | 5 |
| HR Director | 89,158 | 7,641 | - | 11,500 | 108,299 | 11,900 | 120,199 | |
| Director of Finance and Assets & Chief Finance Officer | 85,545 | 5,291 | - | 5,000 | 95,836 | 11,401 | 107,237 | 6 |
| Acting Director of Finance and Assets & Chief Finance Officer | 8,093 | - | - | - | 8,093 | 1,088 | 9,181 | |
| Director of Legal and Governance | 83,089 | 5,575 | - | 13,000 | 101,664 | 11,099 | 112,763 | |
| Totals | 634,928 | 21,043 | - | 112,990 | 768,961 | 112,460 | 881,421 | |

Notes

- 1 Two different post holders during the year
- 2 This post was occupied for two separate periods during the year
- 3 Two different post holders during the year
- 4 Part-year post

5 Part-year post

6 Part-year post

For comparison, the following table sets out the remuneration disclosures for senior officers during 2013/14:

| Post Holder | Salary including Fees and Allowances | Benefits in Kind e.g. Car Allowance | Compensation for Loss of Office | Other Payments | Total Remuneration Excluding Pension Contributions | Pension Contributions | Total Remuneration Including Pension Contributions | Notes |
|--|---|--|--|-----------------------|---|------------------------------|---|--------------|
| Chief Fire Officer and Chief Executive | 144,917 | 820 | - | - | 145,738 | 30,594 | 176,332 | |
| Chief Operating Officer | 120,739 | 770 | - | - | 121,509 | 25,549 | 147,059 | |
| Deputy Chief Fire Officer | 53,750 | - | - | - | 53,750 | 11,449 | 65,199 | 1 |
| HR Director | 89,361 | 2,576 | - | - | 91,937 | 17,001 | 108,939 | |
| Director of Finance and Assets & Chief Finance Officer | 85,638 | 6,011 | - | - | 91,649 | 16,316 | 107,965 | |
| Director of Legal and Governance | 79,469 | 5,949 | - | - | 85,418 | 15,283 | 100,701 | |
| Totals | 573,874 | 16,127 | - | - | 590,001 | 116,193 | 706,194 | |

All posts other than the Deputy Chief Fire Officer include a back-dated pay award relating to a number of months in 2012/13. The salaries excluding the pay award are:

- Chief Fire Officer and Chief Executive - £140,000
- Chief Operating Officer - £118,000
- HR Director - £86,000
- Director of Finance & Assets and Chief Finance Officer - £82,500
- Director of Legal and Governance - £78,000

Notes

1 This post was from 1 April 2013 – 30 September 2013 only

Exit Packages

In 2014/15 there were seven exit packages provided at a total cost of £0.075m.

3 - Provision for Doubtful Debt

The provision for doubtful debts is £35,851 as at 31 March 2015 (£35,851 as at 31 March 2014). 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.

4 - Leases and Lease Type Arrangements

The operating leases held by the Authority apply to lease vehicles and radio communications equipment. The lease rentals paid during the year amounted to £332k (£341k in 2013/14). The estimated un-discharged obligations under the operational lease agreements are shown in the table below:

| 31 March 2014 | | | 31 March 2015 | |
|------------------------------------|-----------------------|-----------------------------------|------------------------------------|-----------------------|
| Vehicles Plant and Equipment | Land and Buildings | Years Operational Lease Remaining | Vehicles Plant and Equipment | Land and Buildings |
| £000 | £000 | | £000 | £000 |
| 118 | 116 | 0 - 1 years | 123 | 98 |
| 166 | 361 | 2 - 5 years | 169 | 313 |
| - | 684 | 6 years and onwards | - | 605 |
| 284 | 1,161 | Total | 292 | 1,016 |

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

5 - Capital Financing Requirement

The table below shows the effect of capital expenditure on the Authority's capital financing requirement.

| 2013/14 | | 2014/15 |
|--------------|--|--------------|
| £000 | | £000 |
| 9,004 | Opening Capital Financing Requirement | 8,669 |
| | <u>Capital Investment</u> | |
| 896 | Property Plant and Equipment | 1,406 |
| 43 | Intangible Assets | - |
| | <u>Sources of Finances</u> | |
| - | Capital Receipts | - |
| (939) | Government Grants and Contributions | (1,406) |
| (335) | Revenue Funding including MRP | (324) |
| - | Voluntary Minimum Revenue Provision | - |
| - | Other Adjustments | - |
| 8,669 | Closing Capital Financing Requirement | 8,345 |
| | <u>Explanation of movements in year</u> | |
| (335) | Increase in the underlying need to borrow (supported by Government financial assistance) | (324) |
| (335) | Increase/(Decrease) in Capital Financing Requirement | (324) |

6 - Members Allowances

Total allowances paid in 2014/15 to 17 Members amounted to £72k (2013/14 amounted to £61k and 23 Members).

7 - Audit Fees

Fees paid during the year to Ernst & Young LLP, the Authority’s external auditor, for work on external audit and on inspection are set out in the table below. The 2014/15 fee contained rebates totalling £4k (£10k in 2013/14) relating to previous year’s fees.

| 2013/14 | | 2014/15 |
|----------------|--------------------------|----------------|
| £000 | Audit Fees | £000 |
| 42 | Scale fee for audit work | 42 |
| (10) | Rebate received | (4) |
| 32 | Total | 38 |

8 - Revenue Grants

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

| 2013/14 | | 2014/15 |
|----------------|---|----------------|
| £000 | Revenue Grants Applied | £000 |
| (940) | New Dimension (Urban Search and Rescue) | (942) |
| (239) | Firelink | (218) |
| (41) | Other Fire Revenue Grant | - |
| (1,220) | Total | (1,160) |

The New Dimension grant funds the national resilience capability provided by the Urban Search and Rescue team. Firelink funding contributes to the cost of communications within the control room.

9 - Related Parties

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

As at the 31 March 2015, the Control Room was still operating from Buckinghamshire and Milton Keynes Authority premises, however the Thames Valley control room which is in partnership with Oxfordshire Fire and Rescue and Royal Berkshire Fire Authority is due to go live in April 2015. All control functions will then be controlled jointly by the three Authorities with the control room based in Theale, Reading.

Central Government

Central Government is responsible for providing the statutory framework within which the Authority operates and prescribes the terms of many of the transactions that the Authority has with other parties. It also provided direct financial support in 2014/15 to the Authority.

Other Public Bodies

Buckinghamshire County Council provides Internal Audit Services, Pensions Services and SAP Systems Support. The Authority provides accommodation to the Southern Counties Ambulance Service and Thames Valley Police. The Authority also has a joint procurement service arrangement with Royal Berkshire Fire and Rescue Service. These are undertaken on a commercial basis and will therefore not have a controlling influence on either body.

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

Members of the Authority

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

Senior Officers of the Authority

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

Assisted Organisations

The Authority provides funding to the Safety Centre Milton Keynes of £25k per annum. The Authority is one of a number of funders. An officer of the Authority is one of seven trustees of the centre, which is a registered charity. The Authority does not have a significant influence over the running of the centre.

Companies and Joint Ventures

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

10 - Funding

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

| 2013/14 | | 2014/15 |
|-----------------|--|-----------------|
| £000 | Funding | £000 |
| (3,900) | Aylesbury Vale District Council | (3,956) |
| (2,531) | Chiltern District Council | (2,551) |
| (4,536) | Milton Keynes Council | (4,642) |
| (1,823) | South Buckinghamshire District Council | (1,926) |
| (3,849) | Wycombe District Council | (3,875) |
| (16,639) | Total Precepts | (16,950) |
| (6,800) | Revenue Support Grant | (6,014) |
| (178) | Council Tax Freeze Grant | (195) |
| (1,221) | General Revenue Grants (Note 8) | (1,160) |
| (1,191) | Capital Grants | (1,190) |
| (9,390) | Total General Government Grants | (8,559) |
| (4,242) | Non Domestic Rates redistribution | (4,714) |
| (4,242) | Total Non Domestic Rates redistribution | (4,714) |
| (30,271) | Total | (30,223) |

In 2014/15 there were 281,281 Band D properties and in 2013/14 there were 274,056 Band D properties.

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

| | Land and Buildings | Leased Land and Buildings | Total Land and Buildings | Vehicles, Plant and Equipment | Assets Under Construction | Total |
|---|--------------------|---------------------------|--------------------------|-------------------------------|---------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Gross Book Value as at 1 April 2014 | 26,412 | 2,357 | 28,769 | 9,424 | 112 | 38,305 |
| Additions | 326 | - | 326 | 1,080 | - | 1,406 |
| Disposals and write offs | - | - | - | (380) | - | (380) |
| Reclassifications | - | - | - | 51 | (51) | - |
| Revaluation increase/decrease (-) recognised in Revaluation Reserve | 1,070 | - | 1,070 | - | - | 1,070 |
| Revaluation increase/decrease (-) recognised in surplus/deficit on provision of service | (9) | - | (9) | - | - | (9) |
| Other movements in cost or valuation | - | - | - | - | - | - |
| Gross Book Value as at 31 March 2015 | 27,799 | 2,357 | 30,156 | 10,175 | 61 | 40,392 |
| Accumulated depreciation and impairment as at 1 April 2014 | (826) | (477) | (1,303) | (4,700) | - | (6,003) |
| Depreciation for the year | (846) | (47) | (893) | (1,186) | - | (2,079) |
| Depreciation on disposal | - | - | - | 380 | - | 380 |
| Depreciation written out to Revaluation Reserve | 816 | - | 816 | - | - | 816 |
| Depreciation written out to surplus/deficit (-) on provision of service | - | - | - | - | - | - |
| Impairment losses/reversals(-) recognised in the Revaluation Reserve | - | - | - | - | - | - |
| Impairment losses/reversals(-) recognised in the surplus/deficit on provision | 8 | - | 8 | - | - | 8 |
| Impairment on disposal | - | - | - | - | - | - |
| Reclassification of depreciation or impairment | - | - | - | - | - | - |
| Other movements in depreciation or impairment | - | - | - | - | - | - |
| Depreciation c/f | (848) | (524) | (1,372) | (5,506) | - | (6,878) |
| Net Book Value as at 31 March 2015 | 26,951 | 1,833 | 28,784 | 4,669 | 61 | 33,514 |

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

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Comparative figures for 2013/14:

| | Land and Buildings | Leased Land and Buildings | Total Land and Buildings | Vehicles, Plant and Equipment | Assets Under Construction | Total |
|---|-----------------------|---------------------------------|--------------------------------|-------------------------------------|---------------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Gross Book Value as at 1 April 2013 | 24,108 | 2,357 | 26,465 | 8,866 | 503 | 35,834 |
| Additions | 278 | - | 278 | 567 | 51 | 896 |
| Disposals and write offs | - | - | - | (360) | - | (360) |
| Reclassifications | 61 | - | 61 | 351 | (442) | (30) |
| Revaluation increase/decrease (-) recognised in Revaluation Reserve | 2,695 | - | 2,695 | - | - | 2,695 |
| Revaluation increase/decrease (-) recognised in surplus/deficit on provision of service | (730) | - | (730) | - | - | (730) |
| Other movements in cost or valuation | - | - | - | - | - | - |
| Gross Book Value as at 31 March 2014 | 26,412 | 2,357 | 28,769 | 9,424 | 112 | 38,305 |
| Accumulated depreciation and impairment as at 1 April 2013 | (1,576) | (430) | (2,006) | (3,948) | - | (5,954) |
| Depreciation for the year | (816) | (47) | (863) | (1,108) | - | (1,971) |
| Depreciation on disposal | - | - | - | 356 | - | 356 |
| Depreciation written out to Revaluation Reserve | 950 | - | 950 | - | - | 950 |
| Depreciation written out to surplus/deficit (-) on provision of service | - | - | - | - | - | - |
| Impairment losses/reversals(-) recognised in the Revaluation Reserve | - | - | - | - | - | - |
| Impairment losses/reversals(-) recognised in the surplus/deficit on provision | 616 | - | 616 | - | - | 616 |
| Impairment on disposal | - | - | - | - | - | - |
| Reclassification of depreciation or impairment | - | - | - | - | - | - |
| Other movements in depreciation or impairment | - | - | - | - | - | - |
| Depreciation c/f | (826) | (477) | (1,303) | (4,700) | - | (6,003) |
| Net Book Value as at 31 March 2014 | 25,586 | 1,880 | 27,466 | 4,724 | 112 | 32,302 |

b) Basis of Valuation

All land and buildings were initially revalued during the year with an effective revaluation date of 1 April 2014. The valuations were updated as at 31 March 2015 to ensure the balance sheet accurately reflected the end of year values. Valuations were provided by an external valuer, Ian S Pitt BSc (Hons) MRICS of Bruton Knowles. All valuations were prepared in accordance with the RICS Appraisal Valuation Manual and International Financial Reporting Standards. The basis of valuation adopted is Existing Use Value (EUV). For specialised properties the Depreciated Replacement Cost method was used to arrive at the EUV whilst non-specialised properties have been valued using the Comparable Method of valuation to arrive at the EUV. The one investment property was valued at Market Value.

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

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

c) Valuation Information

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

| Year of Valuation | Land and Buildings | Vehicles, Plant and Equipment | Assets Under Construction | Total |
|-------------------------|--------------------|-------------------------------|---------------------------|---------------|
| | £000 | £000 | £000 | £000 |
| 2014/15 | 26,951 | - | - | 26,951 |
| Valued at Historic Cost | - | 4,669 | 61 | 4,730 |
| Total | 26,951 | 4,669 | 61 | 31,681 |

d) Depreciation Lives

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

- Red Fleet Vehicles - 1 to 15 years
- White Fleet Vehicles – 1 to 6 years
- Plant and Equipment - 1 to 24 years
- Buildings - 6 to 51 years
- Intangibles - 2 to 7 years

e) Commitments under Capital Contracts

At 31 March 2015, the Authority has entered into a number of contracts for the acquisition or enhancement of Property, Plant and Equipment or Intangible Assets.

| Capital Contract | Contractor | Amount Outstanding as at 31 March 2015 |
|-------------------------------|----------------------------|---|
| Control Room | Thames Valley Control Room | 800 |
| MDT | Antivirus Market Limited | 49 |
| BA Telemetry | Draeger | 174 |
| Incident Command Unit | S Macneille & Son | 164 |
| Environmental Protection Unit | WH Bence Coachworks | 40 |
| Support Vehicles | General Motors | 53 |
| Total | | 1,280 |

All commitments will be honoured during 2015/16.

Prior year comparators can be seen in the table below:

| Capital Contract | Contractor | Amount Outstanding as at 31 March 2014 |
|----------------------------|-------------------|---|
| Aerial Replacement Vehicle | Northfire | 565 |
| Total | | 565 |

12 - Investment Property

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

| 2013/14 | | 2014/15 |
|----------------|------------------------------------|----------------|
| £000 | Investment Property | £000 |
| 100 | Opening Balance | 100 |
| | - Transfer from Land and Buildings | - |
| | - Revaluation | 5 |
| | - Impairment | - |
| 100 | Closing Balance | 105 |

13 - Movement of Intangible Fixed Assets

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

| Movement of Intangible Assets | £000 |
|---|-------------|
| Gross Book Value as at 31 March 2014 | 438 |
| Accumulated Amortisation | (174) |
| Net Book Value as at 1 April 2014 | 264 |
| Additions in year | - |
| Reclassifications | - |
| Amortisation for the year | (50) |
| Net Book Value as at 31 March 2015 | 214 |

No assets were internally generated. All assets have finite useful lives and are amortised on a straight-line basis between 2 to 7 years. Amortisation will be included within Community Fire Safety and Fire Fighting and Rescue Operations within the Comprehensive Income and Expenditure Statement.

14 - Short Term Investments

The Authority holds a number of short term investments in order to manage liquidity.

| 2013/14 | | 2014/15 |
|----------------|-------------------------------|----------------|
| £000 | Short Term Investments | £000 |
| 13,108 | Short Term Investments | 19,066 |
| 13,108 | Total | 19,066 |

15 – Inventories

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

| 2013/14 | | 2014/15 |
|----------------|--------------------|----------------|
| £000 | Inventories | £000 |
| 40 | Workshops | 35 |
| 140 | Stores | 153 |
| 54 | Fuel | 35 |
| 1 | Catering | 1 |
| <u>235</u> | Total | <u>224</u> |

16 - Short Term Debtors

The note below shows the value of debtors as at 31 March 2015.

| 2013/14 | | 2014/15 |
|----------------|--------------------------------|----------------|
| £000 | Short Term Debtors | £000 |
| 1,731 | Central Government Bodies | 556 |
| 536 | Other Local Authorities | 110 |
| 16 | NHS Bodies | - |
| 586 | Other Entities and Individuals | 1,319 |
| 216 | Payments in Advance | 723 |
| (36) | Provision for Doubtful Debts | (36) |
| <u>3,049</u> | Total | <u>2,672</u> |

17 - Cash and Cash Equivalents

Cash and cash equivalents are short term highly liquid investments with a maturity of less than 90 days.

| 2013/14 | | 2014/15 |
|----------------|----------------------------------|----------------|
| £000 | Cash and cash equivalents | £000 |
| 127 | Cash at bank | 27 |
| 2,248 | Cash on deposit | 1,179 |
| <u>2,375</u> | Total | <u>1,206</u> |

18 - Short Term Borrowing and Creditors

The interest owing and shown as short term borrowing represents the Public Works Loan Board (PWLB) interest accrued to the 31 March 2015 in accordance with the Code.

| 2013/14 | | 2014/15 |
|-----------------------|---|-----------------------|
| £000 | Short Term Borrowing and Creditors | £000 |
| (101) | Short Term Borrowing | (616) |
| (741) | Central Government Bodies | (377) |
| (194) | Other Local Authorities | (628) |
| (820) | Other Entities and Individuals | (1,295) |
| (212) | Receipts in Advance | (180) |
| <u>(1,967)</u> | Total | <u>(2,480)</u> |

19 - Provisions

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

| | Accumulated Absences | Part Time Workers | Voluntary Redundancy and Special Payments | Other Provisions | NNDR Appeals Provisions | Injury Pension Payments | Total |
|---------------------------------------|-----------------------------|--------------------------|--|-------------------------|--------------------------------|--------------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance as at 1st April 2014 | (653) | (145) | (360) | (42) | (355) | (1,380) | (2,935) |
| Additional provisions made in 2014/15 | (562) | - | (310) | - | (113) | - | (985) |
| Amounts used in 2014/15 | 653 | - | 99 | 42 | - | - | 794 |
| Balance as at 31 March 2015 | (562) | (145) | (571) | - | (468) | (1,380) | (3,126) |

Accumulated Absences Account

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

Part Time Workers

This provision was established in 2009/10 (£250k) to provide for the back pay for Retained Duty System (RDS) staff following an equal pay court case. As at 31st March 2015, £105k of the provision had been used to cover claims paid to date. There are still further claims expected, but the Authority considers the remaining provision to be sufficient to meet the total liability outstanding.

Voluntary Redundancy and Special Payments

This provision was established in 2010/11 to provide for the additional costs of redundancy and related payments as a result of restructuring within the Authority. A number of additional provisions have been made during the year to cover potential one-off payments.

Other Provisions

This provision was established in 2012/13 to reflect costs associated with the decision to proceed with a review of the white fleet (non-operational vehicles) within the Authority. This amount was fully utilised during 2014/15.

NNDR Appeals Provision

This provision shows the Authority’s share of the provision for appeals relating to income from business rates. Due to statutory accounting adjustments, this amount does not impact on the level of the General Fund balance.

Injury Pension Payments

This provision has arisen as a result of the potential requirement to reimburse DCLG for pension top-up grant claimed in prior years relating to injury awards.

20 - Long Term Borrowing

The Authority undertakes long term borrowing, principally as a means of financing expenditure on fixed assets. No additional principal was borrowed nor repaid during the year. The interest owing and shown as short term borrowing in Note 18 represents the Public Works Loan Board (PWLB) interest accrued to the 31 March 2015 in accordance with the Code.

| 2013/14 | | 2014/15 |
|----------------|-----------------------|----------------|
| £000 | Source of Loan | £000 |
| (8,265) | PWLB | (7,750) |
| (8,265) | Total | (7,750) |

The interest rates applicable as at 31 March 2015 were between 3.90% and 5.32%.

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

| 2013/14 | | 2014/15 |
|----------------|-------------------------------|----------------|
| £000 | Repayments Dates | £000 |
| (1,468) | Maturing in less than 5 years | (1,468) |
| (1,620) | Maturing in 5 to 10 years | (1,620) |
| (1,000) | Maturing in 10 to 15 years | (1,000) |
| (1,376) | Maturing in 15 to 20 years | (1,376) |
| - | Maturing in 20 to 25 years | - |
| (2,801) | Maturing in over 25 years | (2,801) |
| (8,265) | Total | (8,265) |

21 - Capital Grants Received in Advance

The balance on this account represents capital grants received by the Authority where the grant conditions had not been met as at the Balance Sheet date. In 2012/13 the Authority received a grant from the Environment Agency to part fund the purchase of a new environment protection unit in 2013/14. The conditions of this grant were not fulfilled during 2014/15 so the grant continues to be treated as a capital grant received in advance.

| 2013/14 | | 2014/15 |
|----------------|---|----------------|
| £000 | Capital Grants Received in Advance | £000 |
| (24) | Environment Agency | (24) |
| (24) | Total | (24) |

22 - Finance Lease

In 2003/04 the Authority entered into a sale and leaseback agreement with Opus Housing Association (now London Quadrant) in respect of the Gerrards Cross Houses for a period of 40 years. The initial cost of the lease is matched by an increase in the value of land and buildings within fixed assets. The rentals payable under this arrangement in 2014/15 were £112,234, charged as £65,234 to the Income and Expenditure account finance costs and £47,000 write down of obligation to the lessor.

| | Land and Buildings |
|--|---------------------------|
| | £000 |
| Outstanding obligations under Finance Lease | |
| Payable in 2015/16 | 47 |
| Payable between 2016/17 and 2019/20 | 188 |
| Payable after 2019/20 | 1,591 |
| Total liabilities as at 31st March 2015 | 1,826 |

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Rentals payable under this arrangement were £108,612, charged as £61,612 to the Income and Expenditure account finance costs and £47,000 write down of obligation to the lessor.

| Outstanding obligations under Finance Lease | Land and Buildings |
|--|---------------------------|
| | £000 |
| Payable in 2014/15 | 47 |
| Payable between 2015/16 and 2018/19 | 188 |
| Payable after 2018/19 | 1,638 |
| Total liabilities as at 31st March 2014 | 1,873 |

23 - Usable Reserves

Adjustments Under Regulations

| 2013/14 | | | 2014/15 | | |
|---|--|--------------------------|-----------------------------|--|--------------------------|
| General Fund Balance | Usable Capital Receipts Reserve | Unusable Reserves | General Fund Balance | Usable Capital Receipts Reserve | Unusable Reserves |
| £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Capital Adjustment Account | | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | | |
| (2,022) | - | 2,022 | (2,125) | - | 2,125 |
| (113) | - | 113 | (1) | - | 1 |
| 939 | - | (939) | 1,406 | - | (1,406) |
| Amounts of non-current assets written off on disposal as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement | | | | | |
| (6) | - | 6 | - | - | - |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | | |
| 335 | - | (335) | 324 | - | (324) |
| Adjustments primarily involving the Capital Receipts Reserve | | | | | |
| Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement | | | | | |
| 6 | (6) | - | 47 | (47) | - |
| - | - | - | - | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | | | |
| Adjustments primarily involving the Financial Instruments Adjustment Account | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | | | | | |
| - | - | - | - | - | - |

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| | | | Adjustments primarily involving the Pension Reserve | | | |
|-----------------|------------|---------------|---|-----------------|-------------|---------------|
| (15,165) | - | 15,165 | Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (16,229) | - | 16,229 |
| 4,847 | - | (4,847) | Employer's pensions contributions and direct payments to pensioners payable in the year | 4,394 | - | (4,394) |
| | | | Adjustments primarily involving the Collection Fund Adjustment Account | | | |
| (56) | - | 56 | Precept and NNDR Income | 215 | - | (215) |
| | | | Adjustments primarily involving the Accumulated Absences Account | | | |
| 23 | - | (23) | Employee Absence Account | 91 | - | (91) |
| (11,212) | (6) | 11,218 | Total Adjustments | (11,878) | (47) | 11,925 |

Transfers To/From Reserves

| | | Balance at 1 April 2013 | Transfers (In)/Out 2013/14 | Balance at 31 March 2014 | Transfers (In)/Out 2014/15 | Balance at 31 March 2015 |
|---|---|-------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
| General Fund Balance | A | (3,700) | - | (3,700) | - | (3,700) |
| Sub Total Non Earmarked General Fund Balance | | (3,700) | - | (3,700) | - | (3,700) |
| Fire Control Reserve | B | (150) | - | (150) | - | (150) |
| Invest to Save Reserve | C | (500) | (13) | (513) | 13 | (500) |
| Moving Forward Reserve | D | (1,083) | 1,083 | - | - | - |
| New Dimensions Reserve | E | (1,000) | - | (1,000) | - | (1,000) |
| Asset Management Reserve | F | (124) | 124 | - | - | - |
| Redundancy and Early Retirement Reserve | G | (180) | (169) | (349) | (128) | (477) |
| Vehicle Reserve | I | (51) | (18) | (69) | (122) | (191) |
| Funding Pressures Reserve | J | (2,000) | 817 | (1,183) | (94) | (1,277) |
| Control Room Reserve (Revenue) | K | (684) | (676) | (1,360) | - | (1,360) |
| RDS Pension Contributions Reserve | L | (650) | - | (650) | - | (650) |
| Continuing Projects Reserve | M | (300) | - | (300) | (1,200) | (1,500) |
| Insurance Reserve | R | - | - | - | (50) | (50) |
| Sub Total Earmarked Reserves - Revenue | | (6,722) | 1,148 | (5,574) | (1,581) | (7,155) |
| Usable Capital Receipts Reserve | N | (40) | (6) | (46) | (47) | (93) |
| Control Room Capital Grant Unapplied | O | (800) | - | (800) | - | (800) |
| Other Capital Grants Unapplied | P | (51) | (251) | (302) | 216 | (86) |
| Revenue Contribution to Capital | Q | (749) | (1,600) | (2,349) | (1,703) | (4,052) |
| Sub Total Earmarked Reserves - Capital | | (1,640) | (1,857) | (3,497) | (1,534) | (5,031) |
| Total Usable Reserves | | (12,062) | (709) | (12,771) | (3,115) | (15,886) |

A – General Fund Balance

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

B – Fire Control Reserve

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

C – Invest to Save Reserve

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

D – Moving Forward Reserve

This reserve was fully utilised in 2013/14 in order to contribute towards the repayment of the deficit on the Local Government Pension Scheme, which will generate a net revenue saving over the relevant period.

E – New Dimensions Reserve

This reserve has been setup to mitigate the risk of reduction or cessation of grant funding associated with Section 31 grants for Urban Search and Rescue and Incident Response Units.

F – Asset Management Reserve

This reserve was setup in 2010/11 to provide funding for the implementation of a new asset management system. This reserve was fully utilised in 2013/14.

G – Redundancy and Early Retirement Reserve

This reserve is used to fund the cost of redundancy and early retirements incurred as part of the Moving Forward Agenda. The net underspend for 2013/14 (after all other reserves movements) was transferred to this reserve to provide for future restructuring costs.

I – Vehicle Reserve

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

J – Funding Pressures Reserve

This reserve was created to assist with future pressures resulting from changes in Government grant funding. An additional £1.000m was added to the reserve in 2012/13 to reflect the increased uncertainty regarding future funding settlements. The amount utilised in 2013/14 was the remaining amount required to pay off the deficit on the Local Government Pension Scheme (see also the Moving Forward Reserve [D])

K – Control Room Reserve (Revenue)

This reserve contains the funding received in 2011/12 to contribute towards the revenue costs of combining control room services in future years. An additional transfer was made to this reserve in 2013/14 to cover the anticipated savings not fully realised in 2014/15 due to the delay in project go-live.

L – RDS Pension Contribution Reserve

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

M – Continuing Projects Reserve

This reserve has been created to cover any future costs on a number of large scale projects currently being undertaken by the Authority.

R – Insurance Reserve

This reserve was created to smooth out any short-term fluctuations in cost as a result of increasing the voluntary excess on the Authority’s insurance policies.

N – Usable Capital Receipts Reserve

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

O – Control Room Capital Grant Unapplied

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

P – Other Capital Grants Unapplied

This reserve contains capital grant funding received and committed in 2014/15, but where delivery of the goods/service will take place in 2015/16.

Q – Revenue Contribution to Capital

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

24 - Unusable Reserves

a) Accumulated Absences Account

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

| 2013/14 | Accumulated Absences Account | 2014/15 |
|------------------|--|------------------|
| £000 | | £000 |
| 676 | Opening Balance | 653 |
| (676) | Reversal of provision for accumulated absences for previous year | (653) |
| 653 | Accumulated absences for the year | 564 |
| <hr/> 653 | Closing Balance | <hr/> 564 |

b) Capital Adjustment Account

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

| 2013/14 | Capital Adjustment Account | 2014/15 |
|-----------------|---|-----------------|
| £000 | | £000 |
| (19,944) | Opening Balance | (18,957) |
| 2,022 | Depreciation | 2,125 |
| 120 | Depreciation variance Historic to Current | 247 |
| (335) | Minimum Revenue Provision | (324) |
| 113 | Impairments | - |
| 6 | Other adjustments | (1) |
| - | Revenue contributions | - |
| - | Usable capital receipts | - |
| (939) | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (1,406) |
| - | Application of grants to capital financing from the Capital Grants Unapplied Account | - |
| (18,957) | Closing Balance | (18,316) |

c) Collection Fund Adjustment Account

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

| 2013/14 | Collection Fund Adjustment Account | 2014/15 |
|----------------|--|----------------|
| £000 | | £000 |
| (211) | Opening Balance | (155) |
| (233) | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (20) |
| 289 | Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements. | (195) |
| (155) | Closing Balance | (370) |

d) Pensions Reserve

It is a statutory requirement to have a Pensions Reserve. This reserve represents a balancing figure, reported by the actuary, to allow for the liabilities of both the Local Government Pension Scheme and the Firefighter's Pension Fund, as required under IAS19.

| 2013/14 | Pensions Reserve | 2014/15 |
|----------------|---|----------------|
| £000 | | £000 |
| 197,426 | Opening Balance | 217,632 |
| 10,318 | Appropriations to and from (-) revenue | 11,835 |
| 9,888 | Actuarial gains (-) / losses relating to pensions | 36,743 |
| 217,632 | Closing Balance | 266,210 |

e) Revaluation Reserve

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

| 2013/14 | Revaluation Reserve | 2014/15 |
|----------------------|--|----------------------|
| £000 | | £000 |
| (1,274) | Opening Balance | (5,038) |
| (3,644) | Upward Asset revaluations | (1,908) |
| - | Downward Asset revaluations | 22 |
| - | Impairment losses recognised in the Revaluation Reserve | - |
| (120) | Depreciation difference - historic cost to current value | (247) |
| - | Other adjustments | - |
| <hr/> (5,038) | Closing Balance | <hr/> (7,171) |

25 - Donated Assets Account

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

The donated assets are now included within Vehicles, Plant and Equipment and will be depreciated over their remaining useful life on a straight-line basis. As at 31 March 2015 the balance on this account was zero. The account will remain at a zero balance unless any new donations of assets are made to the Authority.

26 - Contingent Assets

- As at 31 March 2015, the Authority does not have any contingent assets.

27 - Contingent Liabilities

At 31 March 2015, the Authority had two contingent liabilities:

- The Authority is still awaiting the formal notification of the outcome of a case involving Retained Duty System (RDS) firefighters. The Authority could potentially be liable to pay backdated employer contributions relating to RDS pensions. If the Authority is liable, the amount to be paid would then be dependent on the number of firefighters who decide to backdate their employee contributions. Not enough certainty around the outcome exists at this moment in time for a provision to be required. The Authority created a reserve of £650k in 2011/12 to provide for potential future costs that may be incurred.
- The Authority is awaiting formal notification as to whether or not it will be charged interest in relation to the pension top-up grant covering injury awards between April 2007 and March 2014. No amount has been recognised in the accounts due to the uncertainty as to whether interest will be applied, and if so, the rate applicable.

28 - Pension Schemes

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

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

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

a) Transactions relating to retirement benefits

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

Current Year 2014/15

| Comprehensive Income and Expenditure Statement | LGPS | 1992 Firefighters | 2006 Firefighters | Total |
|--|----------------|------------------------------|------------------------------|---------------|
| | £000 | £000 | £000 | £000 |
| <u>Cost of Services</u> | | | | |
| Service Cost | 1,046 | 6,121 | 738 | 7,905 |
| Administration Expenses | 14 | - | - | 14 |
| Cost of Services Total | 1,060 | 6,121 | 738 | 7,919 |
| <u>Financing and Investment Income and Expenditure</u> | | | | |
| Net Interest on the defined liability (asset) | (1,003) | 9,109 | 204 | 8,310 |
| Financing and Investment Total | (1,003) | 9,109 | 204 | 8,310 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 57 | 15,230 | 942 | 16,229 |
| Actuarial Gains and Losses | 4,121 | 29,267 | 3,355 | 36,743 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 4,178 | 44,497 | 4,297 | 52,972 |
| Movement in Reserves Statement | | | | |
| Reversal of net charges made to the surplus or deficit for post employment benefits in accordance with the code: | | | | |
| Amount actually charged against the General Fund Balance for pensions in the year for: | | | | |
| Employers contribution | 473 | 1,755 | 1,953 | 4,181 |
| Retirement benefit payable to pensioners | 15 | 198 | - | 213 |

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Comparative data for 2013/14

| Comprehensive Income and Expenditure Statement | LGPS | 1992 Firefighters | 2006 Firefighters | Total |
|--|--------------|------------------------------|------------------------------|---------------|
| | £000 | £000 | £000 | £000 |
| <u>Cost of Services</u> | | | | |
| Service Cost | 897 | 4,893 | 816 | 6,606 |
| Administration Expenses | 18 | - | - | 18 |
| Cost of Services Total | 915 | 4,893 | 816 | 6,624 |
| <u>Financing and Investment Income and Expenditure</u> | | | | |
| Net Interest on the defined liability (asset) | 16 | 8,305 | 238 | 8,559 |
| Financing and Investment Total | 16 | 8,305 | 238 | 8,559 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 931 | 13,198 | 1,054 | 15,183 |
| Actuarial Gains and Losses | 778 | 10,524 | (1,414) | 9,888 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 1,709 | 23,722 | (360) | 25,071 |
| Movement in Reserves Statement | | | | |
| Reversal of net charges made to the surplus or deficit for post employment benefits in accordance with the code: | | | | |
| Amount actually charged against the General Fund Balance for pensions in the year for: | | | | |
| Employers contribution | 2,595 | 1,765 | 280 | 4,640 |
| Retirement benefit payable to pensioners | 14 | 193 | - | 207 |

b) Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities 2014/15

| Reconciliation of present value of the scheme liabilities | LGPS | 1992 Firefighters | 2006 Firefighters | Total |
|--|-----------------|------------------------------|------------------------------|------------------|
| | £000 | £000 | £000 | £000 |
| Present Value of scheme liabilities as at 1 April | (25,002) | (205,349) | (4,417) | (234,768) |
| Current Service Cost | (897) | (6,121) | (738) | (7,756) |
| Interest Cost | (1,119) | (9,109) | (204) | (10,432) |
| Change in financial assumptions | (4,111) | (33,232) | (1,161) | (38,504) |
| Change in demographic assumptions | - | - | - | - |
| Experience loss/(gain) on defined benefit obligation | 4 | - | - | 4 |
| Estimated benefits paid net of transfers in | 639 | 7,042 | - | 7,681 |
| Past service costs, including curtailments | (163) | - | - | (163) |
| Contribution by Scheme participants | (246) | (1,322) | (241) | (1,809) |
| Unfunded pension payments | 15 | 198 | - | 213 |
| Present Value of scheme liabilities as at 31 March | (30,880) | (247,893) | (6,761) | (285,534) |

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Prior year 2013/14

| Reconciliation of present value of the scheme liabilities | LGPS | 1992 | 2006 | Total |
|---|-----------------|------------------|----------------|------------------|
| | | Firefighters | Firefighters | |
| | £000 | £000 | £000 | £000 |
| Present Value of scheme liabilities as at 1 April | (22,910) | (183,585) | (5,057) | (211,552) |
| Current Service Cost | (897) | (4,893) | (816) | (6,606) |
| Interest Cost | (1,047) | (8,305) | (238) | (9,590) |
| Change in financial assumptions | (1,443) | (7,262) | (135) | (8,840) |
| Change in demographic assumptions | (360) | (4,233) | (643) | (5,236) |
| Experience loss/(gain) on defined benefit obligation | 1,345 | (3,212) | 2,720 | 853 |
| Estimated benefits paid net of transfers in | 529 | 7,173 | - | 7,702 |
| Past service costs, including curtailments | - | - | - | - |
| Contribution by Scheme participants | (233) | (1,225) | (248) | (1,706) |
| Unfunded pension payments | 14 | 193 | - | 207 |
| Present Value of scheme liabilities as at 31 March | (25,002) | (205,349) | (4,417) | (234,768) |

Reconciliation of fair value of the scheme assets 2014/15

| Reconciliation of fair value of the scheme assets | LGPS | 1992 | 2006 | Total |
|---|---------------|--------------|--------------|---------------|
| | | Firefighters | Firefighters | |
| | £000 | £000 | £000 | £000 |
| Fair Value of scheme assets as at 1 April | 17,137 | - | - | 17,137 |
| Interest on Assets | 773 | - | - | 773 |
| Return on assets less interest | 1,349 | - | - | 1,349 |
| Other actuarial gains/(losses) | - | - | - | - |
| Administration expenses | (15) | - | - | (15) |
| Contributions by employer including unfunded | 488 | - | - | 488 |
| Contributions by Scheme participants | 246 | - | - | 246 |
| Estimated benefits paid plus unfunded net of transfers in | (654) | - | - | (654) |
| Fair Vale of scheme assets as at 31 March | 19,324 | - | - | 19,324 |

Prior year 2013/14

| Reconciliation of fair value of the scheme assets | LGPS | 1992 | 2006 | Total |
|---|---------------|--------------|--------------|---------------|
| | | Firefighters | Firefighters | |
| | £000 | £000 | £000 | £000 |
| Fair Vale of scheme assets as at 1 April | 14,126 | - | - | 14,126 |
| Interest on Assets | 702 | - | - | 702 |
| Return on assets less interest | 329 | - | - | 329 |
| Other actuarial gains/(losses) | (304) | - | - | (304) |
| Administration expenses | (17) | - | - | (17) |
| Contributions by employer including unfunded | 2,609 | - | - | 2,609 |
| Contributions by Scheme participants | 233 | - | - | 233 |
| Estimated benefits paid plus unfunded net of transfers in | (542) | - | - | (542) |
| Fair Vale of scheme assets as at 31 March | 17,136 | - | - | 17,136 |

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

c) Scheme history

| Reconciliation of present value of the scheme liabilities | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|--|------------------|------------------|------------------|------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| <u>Present Value of Liabilities</u> | | | | | |
| LGPS | (15,831) | (20,037) | (22,910) | (25,002) | (30,880) |
| 1992 Firefighters Scheme | (140,866) | (171,253) | (183,585) | (205,349) | (247,893) |
| 2006 Firefighters Scheme | (2,156) | (3,774) | (5,057) | (4,417) | (6,761) |
| Present Value of scheme liabilities as at 31 March | (158,853) | (195,064) | (211,552) | (234,768) | (285,534) |
| <u>Fair Value of Assets</u> | | | | | |
| LGPS | 10,696 | 10,742 | 14,126 | 17,136 | 19,324 |
| Total Assets - BMKFA estimated allocation of LGPS assets | 10,696 | 10,742 | 14,126 | 17,136 | 19,324 |
| LGPS Experience adjustments on scheme assets | 530 | (1,131) | 1,578 | - | - |
| <u>Surplus/Deficit (-) in the scheme</u> | | | | | |
| LGPS | (5,135) | (9,295) | (8,784) | (7,866) | (11,556) |
| 1992 Firefighters Scheme | (140,866) | (171,253) | (183,585) | (205,349) | (247,893) |
| 2006 Firefighters Scheme | (2,156) | (3,774) | (5,057) | (4,417) | (6,761) |
| Total | (148,157) | (184,322) | (197,426) | (217,632) | (266,210) |

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £266.210m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £225.031m. 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.

d) Basis for estimating assets and liabilities

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

Both the Firefighters' and Local Government schemes have been assessed by Barnett Waddingham, an independent firm of actuaries, based on the latest valuations (31 March 2013 for the Local Government scheme and the 31 March 2005 for the Firefighters' scheme).

The main assumptions used in their calculations have been:

| | 2013/14 | LGPS 2014/15 | Firefighters 1992 2013/14 | 2014/15 |
|--|----------------|-------------------------------|--|----------------|
| | £000 | £000 | £000 | £000 |
| <u>Mortality Assumptions</u> | | | | |
| Longevity at 65 for current pensioners | | | | |
| Men | 23.60 | 23.70 | 23.40 | 23.50 |
| Women | 26.00 | 26.10 | 25.70 | 25.90 |
| Longevity at 65 for future pensioners | | | | |
| Men | 25.80 | 26.00 | 25.60 | 25.70 |
| Women | 28.30 | 28.40 | 28.00 | 28.10 |
| <u>Financial Assumptions</u> | | | | |
| Rate of Inflation (RPI) | 3.70% | 3.30% | 3.60% | 3.20% |
| Rate of Inflation (CPI) | 2.90% | 2.50% | 2.80% | 2.40% |
| Rate of salary inflation | 4.70% | 4.30% | 4.60% | 4.20% |
| Rate of pensions inflation | 2.90% | 2.50% | 2.80% | 2.40% |
| Rate for discounting scheme liabilities | 4.50% | 3.40% | 4.50% | 3.30% |
| Take up of option to convert annual pension into retirement lump sum | 50.00% | 50.00% | 50.00% | 50.00% |

The Local Government Pension Scheme's assets consist of the following categories by proportion of Buckinghamshire and Milton Keynes Fire Authority's estimated allocation. The prior year figures have been restated to enable comparison with the more detailed breakdown required under the revised IAS 19 standard:

| 31 March 2014 | | | 31 March 2015 | |
|----------------------|-------------|---------------------------|----------------------|-------------|
| £000 | % | LGPS | £000 | % |
| 857 | 5% | Gilts | 2,408 | 12% |
| 11,653 | 68% | Equities | 10,553 | 55% |
| 1,714 | 10% | Other Bonds | 2,503 | 13% |
| 1,371 | 8% | Property | 1,657 | 9% |
| 171 | 1% | Cash | 376 | 2% |
| n/a | n/a | Alternative Assets | 285 | 1% |
| 685 | 4% | Hedge Funds | 728 | 4% |
| 685 | 4% | Absolute Return Portfolio | 814 | 4% |
| 17,136 | 100% | Total | 19,324 | 100% |

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

e) Sensitivity Analysis

The following tables show a sensitivity analysis on the major assumptions used in the valuations:

| LGPS Sensitivity Analysis | £000 | £000 | £000 |
|--|----------------|-------------|-----------------|
| Adjustment to discount rate | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 30,235 | 30,880 | 31,540 |
| Projected service cost | 1,069 | 1,095 | 1,122 |
| Adjustment to long term salary increase | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 30,985 | 30,880 | 30,777 |
| Projected service cost | 1,096 | 1,095 | 1,094 |
| Adjustment to pension increases and deferred revaluation | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 31,440 | 30,880 | 30,333 |
| Projected service cost | 1,121 | 1,095 | 1,069 |
| Adjustment to mortality age rating assumption | +1 year | None | - 1 Year |
| Present value of total obligation | 29,836 | 30,880 | 31,934 |
| Projected service cost | 1,059 | 1,095 | 1,132 |

| Firefighters 1992 Sensitivity Analysis | £000 | £000 | £000 |
|--|----------------|-------------|-----------------|
| Adjustment to discount rate | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 243,471 | 247,893 | 252,399 |
| Projected service cost | | | |
| Adjustment to long term salary increase | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 248,464 | 247,893 | 247,325 |
| Projected service cost | | | |
| Adjustment to pension increases and deferred revaluation | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 251,864 | 247,893 | 243,997 |
| Projected service cost | | | |
| Adjustment to mortality age rating assumption | +1 year | None | - 1 Year |
| Present value of total obligation | 239,450 | 247,893 | 256,358 |
| Projected service cost | | | |

| Firefighters 2006 Sensitivity Analysis | £000 | £000 | £000 |
|--|----------------|-------------|-----------------|
| Adjustment to discount rate | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 6,519 | 6,761 | 7,012 |
| Projected service cost | | | |
| Adjustment to long term salary increase | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 6,795 | 6,761 | 6,727 |
| Projected service cost | | | |
| Adjustment to pension increases and deferred revaluation | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 6,980 | 6,761 | 6,551 |
| Projected service cost | | | |
| Adjustment to mortality age rating assumption | +1 year | None | - 1 Year |
| Present value of total obligation | 6,544 | 6,761 | 6,978 |
| Projected service cost | | | |

29 - Financial Instruments

a) Financial Instruments Balances

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

| | Long Term | | Current | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2014 £000 | 31 March 2015 £000 | 31 March 2014 £000 | 31 March 2015 £000 |
| Financial liabilities at amortised cost | (10,138) | (9,576) | (1,633) | (2,198) |
| Total Borrowings | (10,138) | (9,576) | (1,633) | (2,198) |
| Loans and receivables | - | - | 21,880 | 21,615 |
| Total Investments | - | - | 21,880 | 21,615 |

b) Financial Instruments gains and losses

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

| 2013/14 | Financial Instruments Gains and Losses | Financial Liabilities 2014/15 | Financial Assets 2014/15 | | | Total |
|--------------|---|--|--------------------------|---------------------------------|--|--------------|
| | | Liabilities measured at amortised cost | Loans and receivables | Available for sale assets | Fair value through the CIES account | |
| £000 | | £000 | £000 | £000 | £000 | £000 |
| 380 | Interest expense | 380 | - | - | - | 380 |
| - | Losses on derecognition | - | - | - | - | - |
| - | Impairment losses | - | - | - | - | - |
| 380 | Interest payable and similar charges | 380 | - | - | - | 380 |
| (142) | Interest income | - | (142) | - | - | (142) |
| - | Gains on derecognition | - | - | - | - | - |
| (142) | Interest and investment income | - | (142) | - | - | (142) |
| - | Gains on revaluation | - | - | - | - | - |
| - | Losses on revaluation | - | - | - | - | - |
| - | Amounts recycled to the CIES after impairment | - | - | - | - | - |
| - | Surplus arising on revaluation of financial assets | - | - | - | - | - |
| 238 | Net gain/loss (-) for the year | 380 | (142) | - | - | 238 |

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

| 2013/14 | | 2014/15 |
|----------------|---|----------------|
| £000 | | £000 |
| - | Financial Instruments gain | - |
| (16) | Rental income from investment properties | (16) |
| - | Movement in fair value of investment properties | - |
| (126) | Interest on investments | (126) |
| (142) | Total Investment income received in the CIES | (142) |

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

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

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

The fair values calculated are as follows:

| | 31 March 2014 | | 31 March 2015 | |
|------------------------------------|------------------------|-------------------|------------------------|-------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £000 | £000 | £000 | £000 |
| PWLB Debt at amortised cost | (8,265) | (9,810) | (7,750) | (10,778) |
| Finance Lease | (1,873) | (1,873) | (1,826) | (1,826) |
| Creditors | (1,633) | (1,633) | (2,198) | (2,198) |
| Total Financial Liabilities | (11,771) | (13,316) | (11,774) | (14,802) |
| Cash and cash equivalents | 2,248 | 2,248 | 1,179 | 1,179 |
| Short Term Investments | 13,108 | 13,108 | 19,066 | 19,066 |
| Debtors | 566 | 566 | 1,370 | 1,370 |
| Total Loans and Receivables | 15,922 | 15,922 | 21,615 | 21,615 |

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 2015. All creditors and other payables are due to be paid in less than one year.

d) Nature and extent of risk arising from financial instruments

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

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

e) Overall procedures for managing risk

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

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

These are required to be reported and approved at or before the Authority's annual council tax setting budget. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk. Actual performance is also reported annually to Members. The Authority maintains written principles for overall risk management as well as the investment of surplus cash through the Treasury Management Policy approved by the Authority.

f) Credit risk and Liquidity Risk

Investment Policy

In accordance with guidance from the DCLG and CIPFA, and in order to minimise the risk to investments, the Authority has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Capita ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Furthermore, the Authority's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Authority will engage with its advisors to maintain a monitor on market pricing such as credit default swaps (CDS) and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Capita in producing its colour codings which show the varying degrees of suggested creditworthiness.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Creditworthiness Policy

This Authority applies the creditworthiness service provided by Capita. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No colour not to be used

The Capita creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Authority use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis.

Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list. Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that supporting government. The Authority will also invest in AAA rated money market funds and UK building societies with group assets of at least £10 billion.

Country Limits

In 2014/15, the Authority determined that it would use approved counterparties based within the United Kingdom and a limited number of counterparties based in Germany and Sweden (although no deposits were actually placed outside of the UK during the year).

Counterparty Limits

The Authority has determined that the maximum balance that can be invested with a single counterparty at any point in time will be no more than 30% of the portfolio, up to a limit of £5

million. The one exception to this is Lloyds, as these are the Authority’s primary banking provider. Up to £7.5 million can be invested with Lloyds, of which at least £2.5 million must be instant access.

Investment Security

Investments are defined as being in one of two categories:

- Specified investments – these are investments with high security and high liquidity. All specified investments are in sterling and have a maturity of no more than one year. They will be with the UK government, a local authority, a parish council or with an investment scheme or body of “high credit quality” (as judged against the Creditworthiness Policy detailed earlier in this paper)
- Non-specified investments – any type of investment that is not a specified investment. The Authority does plan to make any non-specified investments during the year.

Investment Training

Relevant training and updates will be provided to relevant staff by the external treasury management advisors. This will be supplemented by additional training from CIPFA where necessary.

Investment of Money Borrowed in Advance of Need

The Authority does not currently have any money that has been borrowed in advance of need. No further borrowing is planned over the medium term.

Investment Liquidity

In consultation with external treasury advisors, the Authority will review its balance sheet position, level of reserves and cash requirements in order to determine the length of time for which investments can be prudently committed. Investments will be placed at a range of maturities, including having money on-call in order to maintain adequate liquidity.

g) Refinancing and maturity risk

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

A fair value debt calculation of £11.316m has been provided by the PWLB on the Authority’s behalf

The maturity analysis of financial liabilities is as follows:

| 31 March 2014 £000 | | 31 March 2015 £000 |
|-----------------------------------|--------------------------------|-----------------------------------|
| (101) | Maturing in less than 1 year | (616) |
| (515) | Maturing within 2 years | (368) |
| (953) | Maturing within 2 to 5 years | (585) |
| (1,620) | Maturing within 5 to 10 years | (1,620) |
| (5,177) | Maturing in more than 10 years | (5,177) |
| (8,366) | Total | (8,366) |

h) Market risk

Interest rate risk

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

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

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

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

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

| | 2014/15 |
|--|----------------|
| | £000 |
| Increase in interest payable on variable rate borrowings | - |
| Increase in interest receivable on variable rate investments | 179 |
| Increase in government grant receivable for financing costs | - |
| Impact on Comprehensive Income and Expenditure Statement | 179 |
| Decrease in fair value of fixed rate borrowing liabilities which has no impact on the Comprehensive Income and Expenditure Statement | - |
| Total Financial Effect | 179 |

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

Price risk

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

Foreign Exchange risk

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

30 - Events After the Balance Sheet Date

Post balance sheet events occur between the balance sheet date and the date the accounts are signed by the Acting Director of Finance and Assets & Chief Finance Officer. Events which have a material effect on the accounts must be disclosed in a note to the accounts. There is one such event that requires disclosure:

In May 2015, the Pensions Ombudsman (Ombudsman) published their Final Determination in the case of Milne v Government Actuaries Department (GAD). This case centred on whether GAD had a proactive responsibility to review the commutation factors used in the calculation of the lump sum payments made to pensioners when they opt to take an increased amount of their pension benefit in that form.

The Ombudsman found in favour of the plaintiff, which meant that for all Firefighters Pension Scheme 1992 cases where pension entitlements were drawn between 1 December 2001 and 22 August 2006 recalculation of lump sum payments should take place based upon revised commutation factors to be issued by GAD. Payment of any additional amounts identified as due should be made with simple interest calculations as well.

We are currently working through the revised calculations and expect to make the necessary payments by 31 March 2016. There has therefore been no impact on the financial statements for 2014/15.

31 - Notes to the Cash Flow Statement

a) Net Cash flows from Operating Activities

| 2013/14 | | 2014/15 |
|-----------------|--|----------------|
| £000 | | £000 |
| (10,509) | Net Surplus or (Deficit) on the Provision of Services | (8,810) |
| 2,141 | Depreciation, amortisation, impairment and downward valuations | 2,125 |
| (97) | Net Movement in Creditors | 488 |
| (1,400) | Net Movement in Debtors | 377 |
| 17 | Net Movement in Stocks | 11 |
| 10,289 | Adjustment regarding Pension Liability | 11,849 |
| 675 | Contributions to/from Provisions | 223 |
| 6 | Carrying amount of non-current assets sold | (1) |
| 11,631 | | 15,072 |
| (939) | Capital Grants Credited to surplus or deficit on the provision of services | (1,190) |
| (6) | Proceeds from the sale of assets | (47) |
| (945) | | (1,237) |
| 177 | Net Cash Flows from Operating Activities | 5,025 |

b) Net Cash flows from Operating Activities (Interest)

| 2013/14 | | 2014/15 |
|----------------|---|----------------|
| £000 | | £000 |
| 142 | Ordinary interest received | 142 |
| - | Interest received on cash backed funds/reserves | - |
| 142 | | 142 |
| (380) | Interest charge for year | (380) |
| - | Adj differences between Effective Interest Rates and actual payable | - |
| 101 | Other Interest | - |
| (279) | | (380) |
| (137) | Net Cash Flows from Operating Activities (Interest) | (238) |

c) Cash Flows from Investment Activities

| 2013/14 | | 2014/15 |
|-----------------|--|----------------|
| £000 | | £000 |
| (939) | Property Plant and Equipment Purchased | (1,406) |
| (13,108) | Purchase of short or long term investments | (5,958) |
| - | Movement on Capital Creditors | - |
| (14,047) | | (7,364) |
| 6 | Proceeds from the sale of Assets | 47 |
| - | Proceeds from the sale of short or long term investments | - |
| 1,190 | Capital Grants Received | 1,190 |
| 1,196 | | 1,237 |
| (12,851) | Net Cash Flows from Investing Activities | (6,127) |

d) Cash Flows from Financing Activities

| 2013/14 | | 2014/15 |
|----------------|---|----------------|
| £000 | | £000 |
| - | Cash receipts of short and long term borrowing | - |
| - | Repayment of short and long term borrowing | - |
| (233) | Other receipts from financing activities | (20) |
| (47) | Cash payments for the reduction of outstanding liabilities relating to finance leases | (47) |
| (280) | Net Cash Flows from Financing Activities | (67) |

e) Make up of Cash and Cash Equivalents

| 2013/14 | | 2014/15 |
|----------------|------------------------|----------------|
| £000 | | £000 |
| 127 | Cash and bank balances | 27 |
| 2,248 | Cash investments | 1,179 |
| 2,375 | Total | 1,206 |

Firefighters' Pension Fund Account

Firefighters' Pension Fund

| Restated 2013/14 £000 | Fund Account | 2014/15 £000 |
|-----------------------------|--|-----------------|
| | Income to the fund | |
| | <u>Contributions receivable (funds due to us during the year)</u> | |
| | From employer | |
| (2,237) | normal contributions | (2,086) |
| - | early retirements | - |
| (8) | other contributions | (8) |
| (1,465) | From members | (1,555) |
| (63) | Ill health charges | (83) |
| | <u>Transfers in</u> | |
| - | Individual transfers in from other schemes | - |
| - | Other transfers in | - |
| (3,773) | Total Income to the Fund | (3,732) |
| | Spending by the fund | |
| | <u>Benefits payable</u> | |
| 4,990 | Pension payments | 5,388 |
| 1,989 | Commutation of pensions and lump sum retirement benefits | 1,654 |
| - | Lump sum death benefits | - |
| - | Other benefits payable | - |
| | <u>Payments to and on behalf of leavers</u> | |
| - | Refunds of contributions to people who leave the scheme | - |
| - | Individual transfers out of the scheme | 44 |
| - | Other payments | - |
| 6,979 | Total Spending by the Fund | 7,086 |
| 3,206 | Net amount payable/receivable for the year before top up grant receivable/amount payable to sponsoring department | 3,354 |
| (3,206) | Top up grant receivable/amount payable to sponsoring department | (3,354) |
| - | Net amount payable (-)/receivable for the year | - |

Firefighters' Pension Fund Net Assets Statement

| Restated 2013/14 £000 | Net Assets Statement | 2014/15 £000 |
|-----------------------------|--|-----------------|
| | Net Current Assets and Liabilities | |
| - | Contributions due from employer | - |
| 1,373 | Pensions top up grant receivable from sponsoring department | 407 |
| - | Unpaid pensions benefits | - |
| - | Amount due to sponsoring department | - |
| (1,373) | Other current assets and liabilities (other than liabilities and other benefits in the future) | (407) |
| - | Net Assets at the End of the Year | - |

Prior year comparatives have been restated to remove payments relating to injury awards that were shown within the pension fund account instead of the operating account.

Notes to the Firefighters' Pension Fund Account

1 - Pension Fund Arrangements

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

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

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

2 - Pension Fund Accounting Policies

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

3 - Balancing the Pension Fund Account

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

This is shown under Short Term Debtors in Note 16 in the notes to the core financial statements.

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

4 - Pension Fund Investment Assets

As the Scheme is unfunded there are no investment assets.

5 - Liabilities Shown in the Authority's Main Statements

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

Glossary of Terms

Amortisation / Amortise

The equivalent of depreciation when applied to intangible assets.

Accruals

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

BMKFA

Acronym for Buckinghamshire & Milton Keynes Fire Authority.

Budget

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

BCC

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

Capitalisation

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

Capital Adjustment Account

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

Capital Financing Requirement

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

Capital Receipts

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

Carrying Amount

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

CIES

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

CIPFA

Chartered Institute of Public Finance and Accountancy.

The Code

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

CPFA

Chartered Public Finance Accountant.

CPI (see also RPI)

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

Collection Fund Adjustment Account

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

Council Tax Support Scheme

Regulations introduced in April 2013 that allow councils to design their own schemes to provide incentives for people to find and stay in work.

Creditors

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

Curtailment

The early payment of accrued pensions upon retirement.

DCLG

Department for Communities and Local Government.

Debtors

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

Depreciation

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

Derecognition

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

EUV

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

Fair Value

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

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

Financial Instrument

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

General Fund

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

HMRC

Her Majesty's Revenue & Customs.

IAS

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

IAS 19 (formerly FRS17)

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

IFRS

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

Impairments

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

IRMP

The Integrated Risk Management Plan covers the 3 years 2010 – 13 and explains what BMKFA is going to do to develop its services for the future.

LIFO

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

Loans Outstanding

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

Local Government Pension Scheme (LGPS)

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

Lower of Cost and Net Realisable Value

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

Materiality

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

Minimum Revenue Provision (MRP)

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

National Non-Domestic Rates (NNDR)

Also known as Business Rates, these are collected by local authorities and are the way that those who occupy non-domestic property contribute towards the cost of local services.

NJC

National Joint Council for Local Authority Fire and Rescue Services.

Outturn

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

Precept

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

Prepayments

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

Provisions

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

Public Works Loan Board (PWLB)

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

Realised/Unrealised Gains

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

Revaluation

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

Revaluation Reserve

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

Revenue Expenditure

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

Reserves

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

Revenue Support Grant (RSG)

An amount of money given by central government to local authorities each year

RICS

Royal Institute of Chartered Surveyors

RPI

Retail Price Index, a measure of inflation in the UK. CPI excludes most owner occupier housing costs while the RPI includes mortgage interest payments and house depreciation. RPI generally produces a higher inflation figure than CPI.

SAP

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

SeRCOP

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

UITF

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

Write Down

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

