



ROYAL BERKSHIRE FIRE AUTHORITY
STATEMENT OF ACCOUNTS 2006/07

ROYAL BERKSHIRE
FIRE AUTHORITY

CONTENTS

1.	Members of the Authority.....	1
2.	Officers of the Authority	1
3.	Auditors	1
4.	Explanatory Forward.....	2
4.1	The Authority.....	2
4.2	The Accounts	2
4.3	Revenue Spending.....	3
4.4	Capital Expenditure and Financing	4
4.5	Pensions	4
4.6	Group Accounts	5
4.7	Future Developments.....	5
5.	Accounting Policies.....	6
5.1	General Principles.....	6
5.2	Accruals	6
5.3	Contingent Assets.....	6
5.4	Contingent Liabilities	6
5.5	Deferred Charges.....	7
5.6	Fixed Assets	7
5.7	Investments.....	8
5.8	Leases	8
5.9	Overheads	8
5.10	Pension Costs	8
5.11	Provisions	9
5.12	Prudential Code	10
5.13	Redemption of Debt	10
5.14	Reserves - Capital.....	10
5.15	Reserves - Revenue	10
5.16	Stocks	10
5.17	Value Added Tax.....	10
6.	Statement on Internal Control.....	11
6.1	Scope Of Responsibility	11
6.2	The Purpose Of The System Of Internal Control	11
6.3	The Internal Control Environment	11
6.4	Review Of Effectiveness	12
6.5	Significant Internal Control Issues.....	14
7.	Statement of Responsibilities	15
8.	Independent Auditor's Report to the Members of Royal Berkshire Fire Authority	16
8.1	Opinion on the Financial Statements	16
8.2	Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources	19
9.	Glossary of Financial Terms	21
10.	Core Financial Statements.....	23
10.1	Income and Expenditure Account	23
10.2	Statement of Movement on the General Fund Balance	24
10.3	Statement of Recognised Gains and Losses	25
10.4	Balance Sheet.....	26
10.5	Cash Flow Statement.....	27

11.	Notes to Core Financial Statements.....	28
11.1	Prior-Period Adjustments	28
11.2	Reconciling Items for General Fund Balance	30
11.3	Publicity.....	31
11.4	Audit Costs.....	31
11.5	Pensions Costs	31
11.6	Leases	36
11.7	Operating Lease Commitments	36
11.8	Emoluments	37
11.9	Discontinued Operations.....	37
11.10	Appropriations to Earmarked Reserves.....	37
11.11	Members Expenses.....	38
11.12	Related Parties.....	38
11.13	Funding	39
11.14	Net Fixed Assets	40
11.15	Deferred Charges.....	42
11.16	Capital Expenditure and Financing.....	43
11.17	Debtors.....	44
11.18	Contingent Assets	44
11.19	Contingent Liabilities	44
11.20	Post Balance Sheet Events	44
11.21	Long Term Borrowing.....	44
11.22	Provisions.....	45
11.23	Euro Costs.....	45
11.24	Fixed Asset Restatement Account.....	45
11.25	Capital Financing Account.....	46
11.26	Government Grants - Deferred.....	46
11.27	Usable Capital Receipts Reserve.....	46
11.28	Earmarked Reserves.....	47
11.29	Notes to Cash Flow Statement.....	48
12.	Financial Statements for Firefighter Pension Fund	51
12.1	New Financial Arrangements for the Firefighter Pension Schemes	51
12.2	Pension Fund Account.....	51
12.3	Net Assets Statement	52

For further information concerning any items contained in this Statement please write to the Treasurer, Royal Berkshire Fire Authority, 103 Dee Road, Tilehurst, Reading RG30 4FS or telephone 0118 932 2251.

1. Members of the Authority

The Authority is made up of 25 Members who are appointed in proportion to the number of Local Government electors in each authority area.

<i>Bracknell Forest Borough Council</i>	<i>Slough Borough Council</i>
M Adams P North A Ward	J Grewal D MacIsaac (until May 2006) D Smith S Wright (from May 2006)
<i>Reading Borough Council</i>	<i>The Royal Borough of Windsor & Maidenhead</i>
C Borgars (until May 2006) T Crisp P Jones (from May 2006) C Maskell F Pugh	C Bateson M-R Gliksten (from June 2006) D Howes V Howes S Werner (until June 2006) D Wilson
<i>West Berkshire District Council</i>	<i>Wokingham Borough Council</i>
J Brooks P Bryant (Chairman) G Findlay OBE J Mole (Vice Chairman) E Webster	A Bradley (from May 2006) P Bray J Green P Helliard-Symons (from May 2006) B Patman (until May 2006) A Ross R Stanton (until May 2006)

2. Officers of the Authority

Chief Fire Officer

Iain Cox MA BSc (Hons) MCIPD

Clerk & Monitoring Officer

Rosemary J Lansdowne BA (Solicitor)

Treasurer of the Combined Fire Service Fund

Andrew Vallance MBA MA(Oxon) CPFA

3. Auditors

The Audit Commission

District Auditor – Mick West CPFA

4. Explanatory Forward

4.1 The Authority

Royal Berkshire Fire and Rescue Service provides cover from 20 fire stations across the county, stretching from Slough and Langley in the east to Lambourn and Newbury in the west. Its area includes one of Europe's busiest motorways, busy urban centres, suburban communities and large rural areas.

4.2 The Accounts

The Accounting Statements which follow form the Fire Authority's Statutory Accounts for the year ended 31 March 2007.

The accounts are drawn up in accordance with the Accounting Policies that are set out in detail on pages 6 to 10.

A description of the core financial statements is given below:

- a) The Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Authority during the last year.
- b) The Statement of Movement on the General Fund Balance summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.
- c) The Statement of Recognised Gains and Losses brings together all the recognised gains and losses of the Authority during the year and shows the aggregate increase in its net worth.
- d) The Balance Sheet shows the Authority's position as a whole and summarises its assets and liabilities.
- e) The Cash Flow Statement summarises the in-flows and out-flows of cash arising from transactions with third parties for revenue and capital purposes.

4.3 Revenue Spending

Revenue budgets and expenditure for 2006/07 are show in the table below.

Revenue	Full-Year Budget £'000	Full-Year Outturn £'000	Over(Under) spend £'000	Notes
Employees	24,127	23,977	(150)	1
Premises	1,233	1,222	(11)	
Supplies	2,972	2,963	(9)	
Contracted	288	323	35	2
Transport	1,356	1,344	(12)	
Income	(973)	(1,034)	(61)	3
NET COST OF SERVICE	29,003	28,795	(208)	
Debt Charges	245	245	0	
Investment	(132)	(175)	(43)	4
NET OPERATING EXPENDITURE	29,116	28,865	(251)	
Pensions	671	458	(213)	5
Minimum Revenue Provision	212	210	(2)	
Revenue Funding Of Capital	101	338	237	6
Appropriations to Reserves	(143)	99	242	7
TO BE MET FROM GOVERNMENT GRANTS AND PRECEPTS	29,957	29,970	13	
Government Grants / Precepts (excluding Pension Top-up)	(29,957)	(29,970)	(13)	
SURPLUS / DEFICIT	0	0	0	

i Explanation of Major Variances

- 1) Employee costs are below budget due to vacancies and an underspend on training for uniformed staff.
- 2) Contract costs show an overspend due to unbudgeted planning application costs.
- 3) Special services income has been higher than budget. Additional training centre income has also been generated.
- 4) Higher interest rates have produced greater investment income.

-
- 5) Ill-health charges have been lower than budget, resulting in a favourable variance on pension costs.
 - 6) Part of the revenue surplus has been used to fund capital expenditure, reducing the Authority's borrowing requirement. This will lead to savings in interest payments in future years.
 - 7) The variance on appropriations to reserves is explained as follows:
 - £134,000 has been added to the Budget Carry-forward Reserve to pay for identified items of expenditure in 2007/08.
 - £70,000 has been put in a Capital Reserve to pay for approved additional capital expenditure in 2007/08.
 - £38,000 has been set aside to cover Regional Control transition costs.

4.4 Capital Expenditure and Financing

Capital expenditure in 2006/07 was £1,530,000 against a budget of £1,885,000 (including budgets brought forward from the previous year and budgets derived from grant funding). Revenue funding of part of the capital programme resulted in a lower than anticipated borrowing requirement. The only significant overspend (£57,000) was on the Buildings Budget – this was due to emergency work on the drains at Slough Fire Station.

	2006/07 Outturn £'000
Buildings	692
IT	335
Equipment	81
Vehicles	422
	1,530

The Authority's current borrowing facilities are through the Public Works Loan Board. During 2006/07 the Authority took out a 25-year loan of £800,000 with the PWLB.

4.5 Pensions

The *1992 Firefighters Pension Scheme* was closed to new members from April 2006. From this date new members and retained firefighters had the option to join the *2006 Firefighters Pension Scheme*. Both schemes are unfunded. The negative net values reflect the unfunded liability facing this authority (other fire authorities face similar liabilities). The Authority is not currently required to make any financial provision for these future commitments, and there is no effect on the level of the Council Tax.

From April 2006, the Authority has had to pay employer contributions into a pensions account. These contributions consist of a flat rate contribution and an ill-health charge. Ill-

health charges are spread over three years. Contributions are used to pay pensions and any shortfall is made up by the Government.

4.6 Group Accounts

The implications of the arrangements for group accounts have been considered, but there are currently no circumstances that require their implementation.

4.7 Future Developments

The Authority has adopted a Corporate Plan containing the Strategic, Best Value Performance and Community Safety Plans intended to shape the direction and future resource needs of the Service and against which performance is measured. Proposals for budget growth or contractions incorporate a defined link to Strategic Plan priorities.

Future developments will include the transfer of the Fire Control function to a regional company part-owned by the Authority. In addition, a mutual insurance company for fire service insurance will be established in July 2007.

Andrew Vallance MBA MA(Oxon) CPFA
Treasurer to the Royal Berkshire Fire Authority

5. Accounting Policies

5.1 General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice (SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounts have been prepared on a historic cost basis (i.e. prices paid) modified by the revaluation of land and buildings.

5.2 Accruals

All material revenue income and expenditure in the accounts has been accounted for on an accruals basis. This requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

The only exceptions to this are that:

- a) Public utility payments are charged at the date of meter reading, and are not apportioned on a time basis.
- b) Salaries and wages are paid in arrears, and amounts charged correspond to the income tax year.

The effects of these policies are not considered to be material, as they are applied consistently each year.

The capital accounts are also prepared on an accruals basis in accordance with ACOP.

The cashflow statement, in accordance with requirements, is prepared on a receipts and payments basis.

5.3 Contingent Assets

Contingent assets are not recognised in the accounting statements. Instead they are disclosed by way of notes if the inflow of a receipt or economic benefit is probable.

5.4 Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements. Instead they are disclosed by way of notes if there is a possible obligation, which may require a payment or transfer of economic benefits.

5.5 Deferred Charges

Deferred charges represent expenditure which may properly be capitalised but which does not result in a tangible asset owned by the Authority. The SORP requires such expenditure to be written out to revenue in the year in which it is incurred.

5.6 Fixed Assets

i Recognition

The expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on the acquisition of a tangible or intangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as a fixed asset, provided that the fixed asset yields benefits to the authority and the service it provides is for a period of more than one year. Expenditure on routine repairs and maintenance is charged direct to the revenue account.

ii Measurement

All land and buildings have been classified as operational assets and have been included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use. The property asset values used in the accounts are based on a valuation undertaken by Vail Williams in Spring 2005 after additions in the year.

Revaluations of land and buildings are carried out by a qualified valuer and valuations are carried out every five years.

Vehicle, Plant and Equipment are included in the balance sheet at cost.

The surplus or loss arising from the revaluation of fixed assets is credited or debited to the Fixed Assets Restatement Account.

iii Impairment

The value at which each category of assets is included in the balance sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period the valuation is adjusted accordingly.

iv Disposals

Income from the sale of assets is accounted for as required by regulations issued under the Local Government and Housing Act 1989.

Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

Income from the disposal of fixed assets is credited to the usable capital receipts reserve and accounted for on an accruals basis.

v Depreciation

Assets, other than land, are being depreciated over their useful economic lives. Property is depreciated using the straight-line method using the estimated lives given as part of the 2005 revaluation exercise by Vail Williams. Equipment is being depreciated using the straight-line method. Vehicles are being depreciated using the reducing balance method.

vi Amortisation of Intangible Assets

The Authority's intangible assets consist of software licences, which are amortised over the life of the licences.

vii Charges to Revenue

General Fund service revenue accounts incur a capital charge for all tangible and intangible fixed assets used in the provision of the service. The charge covers the annual provision for depreciation and amortisation.

Capital charges are reversed out when calculating the amounts required to be raised from local taxation.

5.7 Investments

Investments are shown in the accounts at cost less any provision for loss in value.

5.8 Leases

Rental payments are charged to revenue on the basis of payments due, as this is approximately equivalent to charging on a straight-line basis over the term of the lease.

5.9 Overheads

All support service costs have been recharged on an appropriate basis to the services provided by the Authority or shown as Corporate Costs in accordance with the CIPFA Best Value Accounting Code of Practice.

5.10 Pension Costs

Pension costs have been provided for in accordance with relevant Government regulations and in accordance with FRS17 *Retirement Benefits*. This is in accordance with ACOP.

FRS 17 is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. Inclusion of the attributable share of the fund assets and liabilities does not mean that legal title or obligation has passed from the trustees to the employer. Instead it

represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme.

The Fire Authority participates in three pension schemes, which provide members with defined benefits relating to pay and service. The *1992 Firefighters' Pension Scheme* has been closed to new members since April 2006. Recruits and retained firefighters can instead join the new *2006 Firefighters Pension Scheme*.

i Uniformed Firefighters

The two firefighter pension schemes are unfunded. The latest formal valuation was as at 31 December 2004.

In previous years Fire Authorities have suffered budgetary volatility due to fluctuations in the number of Firefighters retiring in any given year. To overcome this problem, Central Government has decided that Fire Authorities must keep a separate Pensions Account from which pensions will be paid. On the income side, employer and employee contributions are paid into the account. Transfer values for firefighters that transfer into and out of the scheme are also posted to the account. If the account is in deficit at the end of the financial year, the Government will provide a top-up to bring the account into balance.

ii The Local Government Superannuation Scheme

All administrative staff, subject to certain qualifying criteria, are eligible to join. The pension costs that are charged to the Authority's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs may arise in respect of certain pensions paid to retired employees on an unfunded basis. The pension costs have been assessed in accordance with the advice of a professionally qualified actuary. The latest formal valuation was as at 31 March 2004.

5.11 Provisions

i Bad and Doubtful Debts

The carrying amount of debtors is adjusted for doubtful debts, by providing a provision for doubtful debts, providing this is material. Known uncollectable debts are written off.

ii Provisions – Other

Provisions are made for any liabilities of uncertain timing or amount that have been incurred.

5.12 Prudential Code

The 2006 SORP incorporates the *Prudential Code for Capital Finance in Local Authorities*. The Authority has fully implemented this code since its introduction on 1 April 2004. Capital expenditure has been financed in accordance with the Code.

5.13 Redemption of Debt

In accordance with Government regulations the Authority is required to make a Minimum Revenue Provision which is charged to the revenue account and which can only be used to repay outstanding debt. The charge is based on the statutory requirement of 4% of the Authority's Capital Financing Requirement.

5.14 Reserves - Capital

Capital reserves are not available for revenue purposes and some of them can only be used for specific statutory purposes. The Fixed Asset Restatement Account, Usable Capital Receipts Reserve and Capital Financing Account are examples of such reserves.

5.15 Reserves - Revenue

The Authority has both general and specific reserves.

5.16 Stocks

Stocks are reflected in the balance sheet at average historical cost. This is not consistent with SSAP9, which requires stock to be valued at the lower of cost or net realisable value. However, net realisable value would significantly understate the value to the Authority of the assets held, due to the specialised nature of the stock items. Certain immaterial stocks are treated as current expenditure and charged directly to revenue.

5.17 Value Added Tax

The Authority does not include VAT as part of income or expenditure, whether of a capital or revenue nature, except where it is not able to recover VAT, in common with the requirements of SSAP 5.

6. Statement on Internal Control

6.1 Scope Of Responsibility

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

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

In accordance with the requirements of the Accounts and Audit Regulations 2003 this statement sets out how the Authority has sought to meet these requirements during 2006/07.

6.2 The Purpose Of The System Of Internal Control

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

The system of internal control described below has been in place at the Authority for the year ended 31 March 2007 and up to the date of approval of the statement of accounts, and accords with proper practice.

6.3 The Internal Control Environment

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

- establish and monitor the achievement of the Authority's objectives
- facilitate policy and decision making
- ensure compliance with established policies, procedures, laws and regulations
- identify, assess and manage the risks to the Authority's objectives including risk management
- ensure the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the Authority's functions are exercised,

-
- having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty
- provide appropriate financial management of the Authority and the reporting of financial management
 - ensure adequate performance management of the Authority and the reporting of performance management

Internal financial control is exercised through regular financial management reports, financial regulations, financial procedures and a system of delegation and accountability. These rules and procedures include:-

- a written Scheme of Delegation (from the Authority) to Officers
- Financial Regulations governing how officers conduct financial affairs and Contract Regulations which detail fully the responsibilities of officers in ensuring that contract procedures comply with legal requirements, achieve value for money, promote public accountability and deter corruption
- a comprehensive budgeting system
- the submission of budgetary control reports to the Authority.

6.4 Review Of Effectiveness

The effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

In this regard the Authority retains the Internal Audit services of Bentley Jennison to provide an independent appraisal function to review and report on the effectiveness of the systems of internal control within the Authority. The Internal Audit team works to defined professional standards, particularly those promulgated by CIPFA in its Code of Practice for Internal Audit in Local Government. The Internal Audit Plan is prepared on the basis of a formal risk assessment and the Internal Auditor reports directly to the Treasurer and the Executive Committee on the main outcomes of audit work. The external auditor relies on some of the work of internal audit, and the District Auditor has, in his Annual Audit letter, over a number of years, been complimentary about the systems of financial control. Similarly the external auditor delivers an Annual Report to the Fire Authority.

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control.

The Authority's new internal auditors, Bentley Jennison, have undertaken a review of corporate governance, risk management and internal control. These areas were also reviewed by external auditors during the year as part of the Use of Resources audit under the Comprehensive Performance Assessment (CPA).

Both reviews identified the need to establish an audit committee, to comply with best practice in the public sector. The committee would provide independent assurance of the

adequacy of the risk management framework and the associated control environment. It would seek assurance that action was being taken on risk-related issues identified by auditors and inspectors. It would approve internal audit strategies and plans, and monitor performance.

Other areas of concern raised by the reviews include the adequacy of the Authority's asset management plans and the need to complete the full business continuity plan.

Throughout 2006/07 the Authority has maintained and reviewed its system of internal control in a number of ways. In particular:-

(a) The Fire Authority has received and/or adopted:-

Anti-fraud & corruption policy
Risk Management policy
Strategic Plan targets
Statement of Accounts 2005/06
Treasury Management Policy and Strategy
External Auditor's letter
Regular Budget Monitoring
Medium Term Financial Strategy and Budget

(b) The Authority's previous Internal Auditors, Reading Borough Council, have undertaken a number of planned reviews of systems and internal control procedures across a range of functions in the Authority. Each review contains an opinion on the internal controls in place and any unsatisfactory audit opinions result in recommendations for improvement, which are implemented by management. Copies of these reviews are sent to the Treasurer and to the external auditors. During 2006-07 each key financial system was documented and tested thoroughly to meet the requirements of the new International Standards on Auditing, in particular ISA number 315. The principal requirement of the new standard is to be able to have a clear understanding about how systems are constituted, identifying what the impact of internal controls has and about their material influence on the financial statements. These actions should then reduce the risk of material misstatement in the accounts.

(c) Senior managers have reviewed each risk on the corporate risk register as the cornerstone of a risk management strategy for the Authority during the year. The outcome has been reported to the Authority.

(d) Members have become more involved in both the budget setting and monitoring processes. A zero-based budget exercise was undertaken by members during 2006-07.

(e) New internal auditors have been appointed, with a three year contract, for 80 days a year. This has permanently doubled the internal audit resource available to the Authority.

(f) A new post was established in the 2007-08 budget to assist with business continuity planning and to address environmental risks.

(g) The Authority has joined the Association of Local Authority Risk Managers (ALARM) and CIPFA's Finance Advisory Network during 2006/07, to ensure that it

receives information and training on best practice for risk management and internal control.

6.5 Significant Internal Control Issues

The Authority faces another challenging year in 2007/08 and the following are key issues in relation to internal control:-

- The establishment of the new audit committee
- The new internal auditors to produce an Audit Needs Assessment and a three-year internal audit plan
- Further work to fully embed risk management into the culture of the Authority, including training for members
- Completion of the business continuity plan
- Improved asset management plans
- Continued development of the senior accountant role to ensure improved division of duties and contingency planning
- Strategic review of the risk management register to ensure all relevant risks are considered
- A need to address environmental risks
- IT password and access issues
- The establishment of the mutual insurance company

Iain Cox
Chief Fire Officer

Dr P Bryant
Chairman of the Fire Authority

27 June 2007

7. Statement of Responsibilities

The Fire 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. For the Fire Authority, that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting ("the Code"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

Treasurer's Certificate

I certify that the statement of accounts set out on pages 23 to 52 are an accurate summary of the accounts of the Authority for the financial year 2006/07 prepared in accordance with the accounting policies stated on pages 6 to 10.

Andrew Vallance MBA MA(Oxon) CPFA
Treasurer to the Royal Berkshire Fire Authority

27 June 2007

Approval of the Accounts

I hereby confirm that these accounts were approved by the Fire Authority at its meeting on 27 June 2007.

Dr P Bryant
Chairman of the Fire Authority

27 June 2007

8. Independent Auditor's Report to the Members of Royal Berkshire Fire Authority

8.1 Opinion on the Financial Statements

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

This report is made solely to the Royal Berkshire Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

i Respective responsibilities of the Treasurer and Auditor

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

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

I report to you my opinion as to whether the financial statements and the Firefighters' pension fund accounting statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

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

I review whether the statement on internal control reflects compliance with CIPFA's guidance *'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003'* issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

ii Basis of audit opinion

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

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

iii Opinion

In my opinion:

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

Mick West
District Auditor

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

September 2007

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

i Authority's responsibilities

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

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

ii Auditor's responsibilities

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

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

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

iii Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Royal Berkshire Fire and Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007 except that it did not have in place arrangements to maintain a sound system of internal control.

iv Best Value Performance Plan

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

v Certificate

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

Mick West
District Auditor

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

September 2007

9. Glossary of Financial Terms

Accounting Standards

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

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Amortisation

The measure of the consumption of an intangible asset over its useful life.

Balances

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

Best Value Accounting

A methodology for presenting service expenditure of the Authority in a way which identifies the total cost of each main operational activity (including an apportionment of capital charges and support service overheads). All Authorities are expected to adopt the accounting principles set out in the Best Value Accounting Code of Practice, in order to facilitate comparison of costs between Authorities.

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

The acquisition of fixed assets which will have a long-term value to the Authority e.g. land, buildings, vehicles. See also Fixed Assets.

Capital Receipts

The proceeds from the disposal of land or other fixed assets. Capital receipts can be used to finance new capital expenditure, within the rules laid down by the Government. They cannot be used to finance day-to-day spending.

Contingency

A condition which exists at the balance sheet date, where the outcome will only be confirmed on the occurrence or non-occurrence of one or more uncertain future events.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Reporting Standards

See Accounting Standards.

Fixed Assets

Intangible and tangible assets yield benefits to the Authority for more than one year. The only intangible assets that the Authority holds are software licences. See *also* Capital Expenditure.

Gross Expenditure

The total cost of providing the Authority's services before taking into account any income from specific government grants, fees and charges.

Intangible Fixed Assets

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority.

Net Cost of Service

Gross Revenue Expenditure less service income such as fees and charges.

Operating Lease

A lease other than a finance lease

Operational Assets

Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it either has a statutory or discretionary responsibility.

Provisions

Provisions are amounts set aside to cover liabilities or losses, which are likely or certain to be incurred but there is uncertainty as to the amounts or the dates on which they will arise.

Prudential Code

The purpose of the Code is to ensure that capital investment plans of local authorities are affordable, prudent and sustainable.

Reserves

See balances.

Revenue Expenditure

This is expenditure on day-to-day running costs and consists mainly of salaries and general running expenses. Sometimes abbreviated simply to "revenue".

SSAPs

See Accounting Standards

10. Core Financial Statements

10.1 Income and Expenditure Account

The Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Authority during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

INCOME AND EXPENDITURE ACCOUNT					
Restated Net Expenditure 2005/06 £000		Gross Expenditure 2006/07 £000	Gross Income 2006/07 £000	Net Expenditure 2006/07 £000	Notes
	SERVICE EXPENDITURE				
	Community Fire Safety				
3,293	Prevention and Education	3,923	-255	3,668	
1,915	Statutory Inspection	1,956	-2	1,954	
	Fire Fighting and Rescue Operations				
1,700	Communications and Mobilising	1,878	-78	1,800	
22,660	Operational Response	25,414	-670	24,744	
250	Securing Water Supplies	253		253	
	Corporate & Democratic Core				
261	Corporate Management	311		311	
435	Democratic Representation & Management	468		468	
370	Non Distributed Costs	287		287	
30,884	NET COST OF SERVICES	34,490	-1,005	33,485	
-2	(Profit) / loss on the disposal of fixed assets				
213	Interest payable and similar charges			245	
-110	Interest and investment income			-175	
8,164	Pensions interest cost and expected return on pensions assets			8,671	11.5 ii
39,149	NET OPERATING EXPENDITURE			42,226	
-14,443	Precepts			-15,236	11.13
-5,749	General Government Grants			-3,142	11.13
-9,285	Non-Domestic Rates Redistribution			-12,346	11.13
9,672	(SURPLUS) / DEFICIT FOR THE YEAR			11,502	

10.2 Statement of Movement on the General Fund Balance

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

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

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

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE			
Restated 2005/06 £000		2006/07 £000	Notes
9,672	Deficit for the year on the Income and Expenditure Account	11,502	
-9,672	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-11,502	11.2
0	Increase in General Fund Balance for the year	0	
-500	General Fund Balance brought forward	-500	
-500	General Fund Balance carried forward	-500	

10.3 Statement of Recognised Gains and Losses

The Statement of Recognised Gains and Losses brings together all the gains and losses of the Authority for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
Restated 2005/06 £000		2006/07 £000	Notes
9,672	(Surplus) / Deficit for the year on the Income and Expenditure Account	11,502	
-1,196	Reclassification of Provisions to Reserves	-	
	- Surplus arising on revaluation of fixed assets	-	
16,876	Actuarial (gains) / losses on pension fund assets and liabilities	-13,722	11.5 v
25,352	Total recognised losses / (gains) for the year	-2,220	

10.4 Balance Sheet

Balance Sheet			
Restated 2005/06 £000		2006/07 £000	Notes
	FIXED ASSETS		
-	Intangible Assets	51	11.14 iv
23,014	Land and Buildings	23,309	11.14 i
591	Vehicles, Plant and Equipment	1,097	11.14 i
399	Non Operational Assets	213	11.14 i
24,004	TOTAL LONG TERM ASSETS	24,670	
	CURRENT ASSETS		
171	Stock and Work in Progress	143	
2,000	Temporary Investments	3,057	
2,073	Cash and Bank	1,169	
843	Debtors	1,359	11.17
5,087	TOTAL CURRENT ASSETS	5,728	
	LESS: CURRENT LIABLITILES		
-2,366	Creditors	-1,883	
-323	Income in Advance	-1,208	
26,402	TOTAL ASSETS LESS CURRENT LIABLITLIES	27,307	
-5,345	Long-term Borrowing	-6,145	11.21
-	Provisions	-86	11.22
-234	Government Grants - Deferred	-378	11.26
-178,936	Pensions Liability	-176,591	11.5 iii
-158,113	TOTAL ASSETS LESS LIABLITIES	-155,893	
	FINANCED BY:		
22,449	Fixed Asset Restatement Account	22,449	11.24
-3,920	Capital Financing Account	-4,144	11.25
-	Usable Capital Receipts	-	11.27
-178,936	Pensions Reserve	-176,591	11.5 iii
1,794	Specific Reserves	1,893	11.28
500	General Fund Balance	500	
-158,113	NET WORTH	-155,893	

10.5 Cash Flow Statement

2005/06 £000		2006/07 £000	Notes
	REVENUE ACTIVITIES		
	Cash Outflows		
25,158	Cash paid to and on behalf of employees	27,269	
5,644	Other operating costs	6,310	
	Cash Inflows		
-29,477	Precepts / General Government Grants	-31,477	
-191	Specific Revenue Grants	-390	11.29 v
-2,302	Other revenue cash income	-2,191	
-1,168	Net Cash Outflow / (Inflow) From Revenue Activities	-479	11.29 i
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Cash Outflows		
213	Interest paid	245	
	Cash Inflows		
-104	Interest received	-177	
109	Net Cash Outflow from Servicing of Finance	68	
	CAPITAL ACTIVITIES		
	Cash Outflows		
1,491	Purchase of fixed assets	1,245	
	Cash Inflows		
-344	Sale of Assets	-187	11.29 v
	Capital Grants Received		
1,147	Net Cash Outflow from Capital Activities	1,058	
	MANAGEMENT OF LIQUID RESOURCES		
	Cash Outflows		
500	Short term deposits made	1,057	
	Cash Inflows		
	Repayments of amounts borrowed		
500	Net Cash Outflow / (inflow) from Management of Liquid Resources	1,057	
	FINANCING		
	Cash Outflows		
	Repayment of amounts borrowed		
-1,100	New loans raised	-800	
-1,100	Net Cash Inflow from Financing	-800	
-512	NET (INCREASE) / DECREASE IN CASH	904	

11. Notes to Core Financial Statements

11.1 Prior-Period Adjustments

The core financial statements for 2006/07 represent a substantial change from the statements that were produced for 2005/06 and earlier years. To comply with proper accounting practices, the 2006/07 Statement of Accounts requires the performance statements in the 2005/06 Accounts to be restated to follow the new format.

i Prior-Period Adjustments to the Income and Expenditure Account

In the 2006/07 Statement of Accounts, the Authority has adopted four significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts.
- Credits for government grants deferred are now posted to service revenue accounts, rather than credited as a corporate income item.
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.
- Community Fire Safety work that has been undertaken by operational response crews has been directly apportioned to Prevention and Education to comply with the latest BVACOP guidance.

These changes have had the following impact on the comparative figures for 2005/06 compared to those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table).

	CRA 2005/06 £'000	Removal of Notional Interest £'000	Relocation of Govt. Grants Deferred Credits £'000	Recognition of Gains / Losses on Disposal of Fixed Assets £'000	CFS Work Undertaken by Operational Crews £'000	I&E 2005/06 Comparative £'000
<i>Community Fire Safety</i>						
Prevention and Education	1,079	-8	-1		2,223	3,293
Statutory Inspection	1,916	-1				1,915
<i>Fire Fighting and Rescue Operations</i>						
Communications and Mobilising	1,700					1,700
Operational Response	25,693	-810	-2	2	-2,223	22,660
Securing Water Supplies	250					250
<i>Corporate & Democratic Core</i>						
Corporate Management	261					261
Democratic Representation	435					435
<i>Non Distributed Costs</i>	370					370
NET COST OF SERVICES	31,704	-819	-3	2	0	30,884
Gain on the Disposal of Fixed Assets				-2		-2
Asset Management Revenue Account (Interest Payable in I&E Comparative)	-609	819	3			213
Impact on Net Operating Expenditure	31,095	0	0	0	0	31,095

ii Prior-Period Adjustments to Statement of Total Recognised Gains & Losses

The Statement of Total Recognised Gains and Losses (STRGL) replaces the Statement of Total Movements on Reserves that was produced prior to 2006/07.

Adoption of the STRGL requires two accounting policy changes. These changes explain the differences between the outturn on the Statement of Total Movements on Reserves and the STRGL for 2005/06:

- The Government Grants Deferred balance is no longer considered to be a reserve item, rather it is treated as a receipts in advance balance.
- Employer's contributions to the pension fund that are outstanding at the year end now result in a movement in the pension liability.

	2005/06 £'000
Statement of Total Movement on Reserves	-25,001
Movement on Government Grants Deferred	-234
Pension Fund Creditor Adjustment	-117
Statement of Total Recognised Gains and Losses	-25,352

iii Prior-Period Adjustments to the Balance Sheet

The introduction of the Statement of Recognised Gains and Losses requires that the Balance Sheet should be balanced to the aggregate of:

- Fixed Asset Restatement Account
- Capital Financing Account
- Pensions Reserve
- Fund Balances and Earmarked Reserves

The Balance sheet has also been adjusted to take account of the fact that employer's contributions to the pension fund that are outstanding at the year end now result in a movement in the pension liability.

11.2 Reconciling Items for General Fund Balance

RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE		
2005/06 £000		2006/07 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year	
	- Amortisation of intangible fixed assets	-14
-664	Depreciation and impairment of fixed assets	-788
28	Government grants deferred amortisation	92
-35	Write downs of deferred charges to be financed from capital resources	-61
-14,026	Net charges made for retirement benefits in accordance with FRS 17	-15,784
-14,697		-16,555
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year	
168	Minimum revenue provision for capital financing	210
54	Capital expenditure charged in-year to the General Fund Balance	338
4,253	Employer's contributions payable to the Pensions Account and retirement benefits payable direct to pensioners	4,406
4,475		4,954
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year	
550	Net transfer to or from earmarked reserves	99
550		99
-9,672	Net additional amount required to be credited to the General Fund Balance for the year	-11,502

11.3 Publicity

Section 5 of the Local Government Act 1986 requires the Authority to keep a separate account of its expenditure on Publicity.

	2005/06 £000	2006/07 £000
Staff Recruitment Advertising	51	49
Community Fire Safety	87	64
Other Publicity	5	32
	143	145

11.4 Audit Costs

Fees relating to external audit and inspection are detailed below. Additional costs in 2006/07 relate to Use of Resources Audit.

	2005/06 £000	2006/07 £000
External Audit Fees	56	54
Other Services	-	11
Total	56	65

11.5 Pensions Costs

i Participation in Pension Schemes

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

The Authority participates in three pension schemes:

The Royal County of Berkshire Pension Fund is for non-uniformed employees and is administered by the Royal Borough of Windsor and Maidenhead under the regulations governing the Local Government Pension Scheme. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

In addition to the 1992 Firefighters Scheme (now closed to new recruits) a new scheme was set up in April 2006. The new scheme has different contribution rates for employees and employers. Both firefighter pension schemes are unfunded, meaning that no investment assets are built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

ii Transactions Relating to Retirement Benefits

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

	Local Government Pension Scheme		Fire-fighters Scheme	
	2005/06 £000	2006/07 £000	2005/06 £000	2006/07 £000
<i>Net Cost of Services:</i>				
- current service cost	495	676	4,997	6,150
- past service cost		8	370	274
- impact of settlements and curtailments		5		
<i>Net Operating Expenditure:</i>				
- interest cost	547	634	8,111	8,666
- expected return on assets in the scheme	-494	-629		
<i>Net Charge to Income and Expenditure Account</i>	548	694	13,478	15,090
<i>Statement of Movement in the General Fund Balance</i>				
Reversal of net charges made for retirement benefits in accordance with FRS 17	-548	-694	-13,478	-15,090
<i>Actual Amount Charged for Pension in the Year:</i>				
- employer's contributions payable to scheme	452	532		
- retirement benefits payable to pensioners			3,662	3,740
- net transfers			139	134
	452	532	3,801	3,874

iii Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority as at the 31 March are as follows:

	Local Government Pension Scheme		Fire-fighters Pension Scheme		Total for both Schemes	
	31/03/2006 £000	31/03/2007 £000	31/03/2006 £000	31/03/2007 £000	31/03/2006 £000	31/03/2007 £000
Estimated Liabilities in Scheme	-12,607	-13,011	-175,404	-173,795	-188,011	-186,806
Estimated Assets in Scheme	9,075	10,215	-	-	9,075	10,215
Net Asset / Liability	-3,532	-2,796	-175,404	-173,795	-178,936	-176,591

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £177m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £156m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

iv 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. These have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuations (31 March 2004 for the local government scheme and 31 December 2004 for the firefighters scheme). The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2005/06	2006/07	2005/06	2006/07
Rate of Inflation	3.10%	3.20%	3.10%	3.20%
Rate of increase in salaries	4.60%	4.70%	4.60%	4.70%
Rate of increase in pensions	3.10%	3.20%	3.10%	3.20%
Rate for discounting liabilities	4.90%	5.40%	4.90%	5.40%

The Firefighters Pension Schemes have no assets to cover their liabilities. Assets in the Local Government Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund. This table also shows the estimated rate of return that has been used in the calculation of Fund assets.

	Expected Return at 31 March 2007	Proportion of Assets held at 31 March 2006	Proportion of Assets held at 31 March 2007
Equities	7.80%	74.00%	72.00%
Bonds	4.90%	13.00%	13.00%
Property	5.80%	9.00%	10.00%
Cash	4.90%	4.00%	5.00%
		100.00%	100.00%

There is no provision under the LGPS to split the total assets of the Fund to each participating body. Therefore, for the basis of this disclosure, the above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

v Actuarial Gains and Losses

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

Local Government Scheme	2002/03		2003/04		2004/05		2005/06		2006/07	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual returns on assets	-1,282	-24.78	630	14.77	220	3.95	1,242	17.98	8	0.09
Experience gains and losses arising from salary and pension increases	-206	-3.98	-12	-0.19	46	0.65	-8	-0.12	-	-
Changes in the assumptions underlying the present value of the scheme's liabilities	-	-	-	-	-1,570	-22.08	-1,683	-24.37	890	9.82
Total	-1,488		618		-1,304		-449		898	

Firefighters Scheme	2002/03		2003/04		2004/05		2005/06		2006/07	
	£000	%	£000	%	£000	%	£000	%	£000	%
Experience gains and losses arising from salary and pension increases	700	0.70	208	0.20	-2,300	-2.08	938	0.63	1,577	0.90
Other experience gains and losses	1,034	1.04	-	-	-100	-0.09	-	-	-	-
Changes in the assumptions underlying the present value of the scheme's liabilities	-	-	-	-	-29,098	-26.33	-17,365	-11.63	11,247	6.40
Total	1,734		208		-31,498		-16,427		12,824	

11.6 Leases

The Authority has no finance leases but made rental payments on operating leases as shown below.

	2005/06 £000	2006/07 £000
Photocopiers	28	15
Vehicles	253	253
Furniture	31	31
Equipment	3	16
Building	9	9
Total	324	324

11.7 Operating Lease Commitments

At 31 March 2007, the Authority was committed to making payments under operating leases of £1,528,000 as set out below.

	Land & Buildings £000	Vehicles, Plant & Equipment £000
Leases expiring in 2007/08	9	11
Leases expiring between 2008/09 and 2011/12		710
Leases expiring after 2011/12		798
Total	9	1,519

11.8 Emoluments

Starting at £50,000, officers received emoluments in the following ranges:

	Employees 2005/06	Employees 2006/07
50,000 - 59,999	14	24
60,000 - 69,999	5	1
70,000 - 79,999	1	3
80,000 - 89,999	1	1
90,000 - 99,999	1	-
100,000 - 109,999	1	1
110,000 - 119,999	-	-
120,000 - 129,999	-	1

Emoluments refer to all amounts paid to, and receivable by, an employee (excluding pension contributions) and include sums due by way of expenses allowances, and the estimated money value of any other benefits received by an employee otherwise than in cash.

11.9 Discontinued Operations

None.

11.10 Appropriations to Earmarked Reserves

	Transfers to / (from) Earmarked Reserves £000
Capital Projects	70
Regional Control Costs	38
Release of Transitional Funding	-100
Budget Carry Forward Reserve	91
	99

11.11 Members Expenses

The budget for members' attendance allowances was £30,000 in 2006/07 while the actual amount payable was £25,000.

11.12 Related Parties

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

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

Other Public Bodies. Reading Borough Council provided Internal Audit Services for the Authority in 2006/07. This was undertaken on a commercial basis and therefore did not have a controlling influence on either body.

The Authority has entered into local public service agreements with all six Berkshire unitary authorities. 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 Berkshire.

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

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

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

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

11.13 Funding

The Fire Authority's net revenue expenditure is funded by government grants and local authority precepts. A separate government grant is now provided to assist with the payment of firefighters' pensions.

	2005/06 £000	2006/07 £000
RSG / NNDR	15,034	14,734
Pension Top-up Grant	-	754
<i>Contributions / Precepts</i>		
Bracknell Forest Council	1,918	2,014
Reading Council	2,337	2,459
Slough Council	1,781	1,880
West Berkshire Council	2,684	2,834
Windsor and Maidenhead Council	2,871	3,038
Wokingham Council	2,852	3,011
Total	29,477	30,724

11.14 Net Fixed Assets

i Movement of Tangible Fixed Assets 2006/07

	Land and Buildings £000	Vehicles, Plant and Equipment £000	Non-Operational Assets £000	Total £000
Valuation as at 31.3.05	22,545			
Additions since valuation	841			
Gross Book Value 31.3.06	23,386			
Accumulated depreciation	-372			
Net Book Value 31.3.06	23,014	591	399	24,004
Movements in year				
Additions	692	498	213	1,403
Disposals/Transfers		399	-399	0
Depreciation for Year	-397	-391		-788
Revaluation				0
Net Book Value 31.3.07	23,309	1097	213	24,619

Land and buildings have been valued by Vail Williams at 31 March 2005.

Non-operational assets comprise water tenders and specialist vehicles that are under construction.

Assets valued at less than £10,000 are normally excluded from the balance sheet. The only exceptions are for vehicles and major IT or equipment asset replacement programmes, funded through the capital programme.

ii Statement of Physical Assets

As at 31 March 2007 the Fire Authority owned the following assets:

Buildings	
Fire Stations	19
Headquarters Offices	1
Training Centre	1

Vehicles	
Water Tenders	32
Specialist Fire Support Vehicles	14
Vans and Minibuses	42
Other Vehicles	14

and leased the following assets:

Buildings	
Fire Station (Sonning)	1

Vehicles	
Water Tenders	11
Specialist Fire Support Vehicles	3
Boat	1

iii Fixed Asset Valuation

The freehold and leasehold properties held by the Royal Berkshire Fire Authority were inspected between 11 and 19 April 2005, with a valuation date of 1 April 2005. The valuations were undertaken by Vail Williams under the direction of Mr Chris Perry FRICS. The Instructing Officer was Mr Andrew Vallance CPFA, the Authority's Treasurer. The valuations were undertaken on the under-mentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (RICS). All the properties were regarded by the Authority as operational.

The sources of information and the assumptions made in producing the various valuations are set out in the Valuation Certificate below:

The valuations are on existing use value (EUV). Where the properties are specialised properties, such that it is not possible to form a view of the EUV by reference to normal market information, the basis of the method of valuation as stated in the RICS Appraisal and Valuation Standards (edition 5) is the Depreciated Replacement Cost (DRC), subject to the prospect and viability of the continuance of the occupation and use.

DRC is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation, subject to the prospect and viability of the continued occupation and use (RICS Appraisal and Valuation Standards, edition 5).

The total value of the properties is £22,545,000 and the total number of properties valued was 21.

Full details are set out in the Report and Valuation prepared for the Royal Berkshire Fire Authority.

Mr Chris Perry FRICS
27 April 2005

iv Movement of Intangible Fixed Assets 2006/07

	Software Licences £000
Balance at 1 April 2006	0
Expenditure in Year	65
Written off to Revenue	-14
Balance at 31 March 2007	51

The Authority has purchased software licences for a payroll system (written off over two years), document scanning system (written off over three years) and a requisitioning system (written off over three years).

11.15 Deferred Charges

The Authority's deferred charges in 2006/07 relate to expenditure on smoke detectors. The expenditure has been written out to revenue in accordance with the 2006 SORP.

	2005/06 £000	2006/07 £000
Balance brought forward at 1 April	0	0
Expenditure during year	35	61
Written down during year	-35	-61
Balance carried forward at 31 March	0	0

11.16 Capital Expenditure and Financing

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

Capital Expenditure and Financing		
	2005/06 £'000	2006/07 £'000
Opening Capital Financing Requirement	4,193	5,242
<i>Capital Expenditure</i>		
Intangible Assets	-	65
Operational Assets	1,099	1,190
Non-operational Assets	399	213
Deferred Charges	35	61
<i>Sources of Finance</i>		
Government Grants and other Contributions	-262	-236
Revenue Funding including MRP	-222	-548
Closing Capital Financing Requirement	5,242	5,987

<i>Explanation of Movements in the Year</i>		
Increase in the underlying need to borrow (supported by Government financial assistance)	726	738
Increase in the underlying need to borrow (unsupported by Government financial assistance)	323	7
Increase / (Decrease) in Capital Financing Requirement	1,049	745

The Fire Authority's formally approved Capital Programme for future years is shown below. However it is normal practice for the future Capital Programme to be reviewed as part of the annual budget process.

	2007/08 £000	2008/09 £000	2009/10 £000
Vehicles	990	540	415
Buildings	414	400	400
IT	95		
Equipment	266	50	45
	1,765	990	860

11.17 Debtors

	2005/06 £000	2006/07 £000
VAT Repayment	215	342
Sundry Debtors	257	259
Prepayments	371	766
Bad Debt Provision	-	-8
Total	843	1,359

11.18 Contingent Assets

There are no contingent assets to disclose.

11.19 Contingent Liabilities

There is a contingent liability in respect of current and former retained firefighters who may be eligible to join the Firefighters Pension Scheme with backdating to 2000. A House of Lords judgement has remitted the case back to the original Employment Tribunal which will be hearing further evidence in November 2007.

11.20 Post Balance Sheet Events

There are no significant post balance sheet events to report on.

11.21 Long Term Borrowing

Long-term loans consist of mortgage loans from the Public Works Loans Board, a Central Government agency.

	Debt at 31.3.06 £000	Debt at 31.3.07 £000
Maturing within 1-2 years	-	-
Maturing within 2-5 years	403	403
Maturing within 5-10 years	-	-
Maturing in more than 10 years	4,942	5,742
	5,345	6,145

11.22 Provisions

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

	31.3.06 £000	Movement £000	31.3.07 £000
Long Service Increments	0	-43	-43
Retained Pensions Employer Costs	0	-43	-43
	0	-86	-86

The Authority has a statutory obligation to ensure that the money that is no longer paid as a long service increment is ring-fenced so that it can be used to fund continuing professional development payments.

The Authority has a statutory obligation to pay employer's contributions for retained firefighters who may wish to backdate their membership of the New Firefighters Pension Scheme to April 2006.

11.23 Euro Costs

The Financial Systems used by the Authority are already Euro compliant. No specific expenditure in respect of Euro preparation is currently anticipated.

11.24 Fixed Asset Restatement Account

The balance on the Fixed Asset Restatement Account represents the gains on revaluation of fixed assets.

	2005/06 £000	2006/07 £000
Balance as at 1 April	22,449	22,449
Revaluation of Assets	-	-
Balance as at 31 March	22,449	22,449

11.25 Capital Financing Account

The Capital Financing Account contains the amount of capital expenditure financed from revenue and capital receipts.

	2005/06 £000	2006/07 £000
Balance as at 1 April	-3,471	-3,920
Revenue Financing of Capital including MRP	222	548
Write-down deferred charges	-10	-61
Depreciation / Amortisation	-664	-803
Government Grants Deferred Adjustment	3	92
Balance as at 31 March	-3,920	-4,144

11.26 Government Grants - Deferred

When a government grant has been applied to the financing of capital expenditure, a balance is established representing a deferred credit to be released to revenue to offset depreciation charged on the asset.

	2005/06 £000	2006/07 £000
Balance as at 1 April	-	234
Grant Funding of Capital Expenditure	262	236
Offset Depreciation on Grant-funded Assets	-3	-31
Reverse out effect of Amortisation on Grant-funded Deferred Charges	-25	-61
Balance as at 31 March	234	378

11.27 Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve contains the proceeds from the sale of fixed assets, pending their use to finance capital expenditure. There has been no movement on this reserve during 2005/06 and 2006/07.

11.28 Earmarked Reserves

At the end of 2006/07 the Authority had earmarked reserves as set out below.

	Opening Balance	Transfers In / (Out)	Closing Balance
Pension Reserve	1,514		1,514
Transitional Funding Reserve	200	-100	100
Budget Carry Forward Reserve	80	91	171
Capital Reserve	0	70	70
Regional Control	0	38	38
Balance as at 31 March	1,794	99	1,893

11.29 Notes to Cash Flow Statement

i Reconciliation of the Deficit on I&E to Net Cash Flow from Revenue Activities

In previous years this note to the cash flow statement contained a reconciliation of the balance on the Consolidated Revenue Account to the net cash flow. This has been replaced by a reconciliation of the deficit on the Income and Expenditure Account to net cash flow from revenue activities.

Restated 2005/06 £000		2006/07 £000
9,672	Deficit for the year on Income and Expenditure Account	11,502
	<i>Remove Non Cash Transactions in I&E</i>	
-14,026	FRS 17 Pension Entries	-15,784
	Movement in Provisions	-87
-664	Depreciation	-788
	- Amortisation	-14
-35	Deferred Charges	-61
28	Government Grants Deferred Credit	92
	<i>Add Cash Transaction not in I&E</i>	
4,114	Pensions Paid	4,272
139	Net Transfers	134
	Movement in revenue items on an accrual basis	
23	Increase / (Decrease) in Stocks	-28
14	Increase / (Decrease) in Debtors	519
-329	(Increase) / Decrease in Creditors	768
-1	(Increase) / Decrease in Income in Advance	-934
-213	Remove Interest Payable	-245
110	Remove Interest Receivable	175
-1,168	Net Cash Flow from Revenue Activities	-479

ii Reconciliation of Net Cash Flow to Movement in Net Debt

	2005/06 £000	2006/07 £000	Movement £000
Cash and Bank	2,073	1,169	-904
Investments	2,000	3,057	1,057
Borrowing	-5,345	-6,145	-800
	-1,272	-1,919	-647

Decrease in cash in the period	-904
Cash inflow from increase in debt	-800
Cash outflow from increase in liquid resources	1,057
Movement in net debt for the period	-647
Net funds at 1 April 2006	-1,272

iii Movement in Liquid Resources and Long-Term Borrowing

	2005/06 £000	2006/07 £000	Movement £000
Investments	2,000	3,057	1,057
Long-Term Borrowing	-5,345	-6,145	-800

iv Definition of Liquid Resources

Liquid resources are short-term investments, which are disclosed on the face of the balance sheet.

v Analysis of Grants

Description	Revenue £'000	Capital £'000
<i>Community Fire Safety</i>		
Fire Prevention Fund (DCLG funding)	54	
Detectors (DCLG capital grant)		68
Windsor and Maidenhead	2	
Bracknell Forest	15	
Slough Borough Council	2	
Slough Borough Council	72	
Wokingham District Council	1	39
West Berks Council	10	
Bracknell Forest	45	
Slough Borough Council	35	
Reading Reward Grant	40	
Windsor and Maidenhead	5	
<i>New Dimensions</i>		
Resilience Training (DCLG)	35	
New Dimensions Costs (DCLG)	8	
<i>Regional Control</i>		
West Sussex County Council	37	
DCLG	17	27
DCLG		53
Use of Resources Audit (DCLG)	12	
	390	187

12. Financial Statements for Firefighter Pension Fund

12.1 New Financial Arrangements for the Firefighter Pension Schemes

In previous years Fire Authorities have suffered budgetary volatility due to fluctuations in the number of Firefighters retiring in any given year. To overcome this problem, Central Government has decided that Fire Authorities must keep a separate Pensions Account from which pensions will be paid. On the income side, employer and employee contributions are paid into the account. Employer contributions consist of a flat rate contribution and an ill-health charge. Ill-health charges are spread over three years. Transfer values for firefighters that transfer into and out of the scheme are also posted to the account. If the account is in deficit at the end of the financial year, the Government will provide a top-up to bring the account into balance.

12.2 Pension Fund Account

Pension Fund Account	
	£'000
<i>Contributions Receivable</i>	
Employer Flat Rate Contributions	-2,663
Employer Ill-Health Contributions	-197
Employee Contributions	-1,399
<i>Benefits Payable</i>	
Pensions	3,729
Commutations and Lump Sum Benefits	1,194
Transfers Out	90
Net Amount Receivable from Government	754
Top-up Grant Receivable	-754
Balance on Account	0

In previous years, the pensions paid as stated in the Statement of Accounts related to the months May to April rather than April to March. The reason for this is that pensions are paid in advance. The introduction of the Pension Fund Account means that the pensions paid as shown in the Statement must now be for the months April to March. Therefore, the 2006/07 Statement shows the pensions paid for the 11 months May 2006 to March 2007. The pension paid for April 2006 appeared in the 2005/06 Statement of Accounts.

12.3 Net Assets Statement

Net Assets Statement	
	£'000
Prepayment of Pension Paid	497
Amount of Top-up Grant to be repaid to Government	-753

It should be noted that the Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 2006/07. These liabilities are shown in the Authority's main financial statements.