



ROYAL BERKSHIRE FIRE AUTHORITY
STATEMENT OF ACCOUNTS 2007/08

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Appendix A RSM Bentley Jennison Internal Audit Report

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 (until 3 May 2007) P North (until 3 May 2007) A Ward I McCracken (from 23 May 2007) C Dudley (from 23 May 2007)	J Grewal (until 21 May 2007) P O' Connor (from 21 May 2007 to 24 July 2007) D Smith S Wright M Dodds (from 24 July 2007)
<i>Reading Borough Council</i>	<i>The Royal Borough of Windsor & Maidenhead</i>
F Pugh T Crisp P Jones C Harris (from 16 May 2007) C Maskell (until 16 May 2007)	C Bateson M-R Gliksten (until 3 May 2007) D Howes (until 3 May 2007) K Newbound (from 28 June 2007) V Howes (until 28 June 2007) S Evans (from 28 June 2007) J Lenton (from 28 June 2007) P Bicknell (from 28 June 2007) D Wilson (until 28 June 2007)
<i>West Berkshire District Council</i>	<i>Wokingham Borough Council</i>
J Brooks P Bryant (Chairman) G Findlay OBE J Mole (Vice Chairman) (until 3 May 2007) E Webster A Edwards (from 21 June 2007)	A Bradley P Bray J Green (until 3 May 2007) P Helliard-Symons C Bowring (from 17 May 2007) A Ross

2. Officers of the Authority

Chief Fire Officer

Iain Cox MA BSc (Hons) MCIPD

Clerk & Monitoring Officer

Richard Taylor

Treasurer of the Combined Fire Service Fund

Andrew Vallance MBA MA(Oxon) CPFA

3. Auditors

The Audit Commission

District Auditor – Phil Sharman CPFA, NZICA

4. Explanatory Forward

4.1 The Authority

Royal Berkshire Fire and Rescue Service provides cover from 19 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 2008.

The accounts are drawn up in accordance with the Accounting Policies that are set out in detail in section 5.

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 2007/08 are show in the table below.

Revenue	Full-Year Budget £'000	Full-Year Outturn £'000	Over(Under) spend £'000	Notes
Employees	25,103	24,865	(238)	1
Premises	1,267	1,283	16	
Supplies	2,772	2,712	(60)	2
Contracted	470	504	34	3
Transport	1,432	1,425	(7)	
Income	(978)	(964)	14	
NET COST OF SERVICE	30,066	29,825	(241)	
Debt Charges	333	281	(52)	4
Investment	(146)	(249)	(103)	5
NET OPERATING EXPENDITURE	30,253	29,857	(396)	
Pensions	599	321	(278)	6
Minimum Revenue Provision	256	239	(17)	
Revenue Funding Of Capital	313	441	128	7
Appropriations to / from Reserves	(92)	(92)	0	
TO BE MET FROM GOVERNMENT GRANTS AND PRECEPTS	31,329	30,766	(563)	
Government Grants / Precepts (excluding Pension Top-up)	(31,329)	(31,329)	0	
CORPORATE UNDERSPEND	0	(563)	(563)	8

1. The pay award for uniformed staff was 2.4%. The Authority had assumed an increase of 3% so actual uniformed employee costs for the year are around £100,000 lower than forecast. Uniformed staff costs are also below the profiled budget due to vacancies that existed in Community Safety, Fire Safety, Strategic and Training. The retained firefighter budget had been increased in 2007/08 as it was hoped that a new RDS Recruitment and Retention Co-ordinator would have been able to increase the number of retained personnel. However, this has not happened due to difficulties in recruiting for the Co-ordinator post.
2. The major cause for the underspend on Supplies is lower insurance premia. The saving amounted to £103,000 and was achieved through the Authority's participation in the *Fire and Rescue Authorities Mutual Limited (FRAML)*. The saving on insurance was partly offset by higher occupational health contract costs and unbudgeted costs relating to the IRMP consultation process.

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3. The *Contracted* line shows an overspend due to unbudgeted IRMP property strategy costs.
 4. Debt charges are lower than budget because the Authority has not had to borrow as much as anticipated. This is due to some capital slippage and the use of the underspend in the 2006/07 revenue budget to finance capital expenditure.
 5. Investment income is higher than budget for several reasons. Firstly, the general underspend in 2007/08 has meant that the Authority has had greater cash balances than anticipated. A second reason is that the Authority received over £1 million in Government firefighter pension top-up grant on which the Authority has been earning interest throughout the year. Finally, interest rates were higher during 2007/08 compared to 2006/07.
 6. Pension costs are below budget for a couple of reasons. Firstly, the Authority did not have any ill-health retirements in 2007/08 with the consequence that there was no ill-health charge for 2007/08. Secondly, the Authority received pension transfer income relating to firefighters that transferred into the brigade before 1 April 2006.
 7. The variance on *Revenue Funding of Capital* is due to the Authority's investment in the share capital of FRAML. This investment has to be treated as capital expenditure and therefore needs to be funded as such. In effect, the investment has been mostly funded from the savings on insurance premia.
 8. The *Corporate Underspend* represents the revenue budget underspend after specific budget line carry forwards have been accounted for. The underspend will be transferred to specific reserves to fund the replacement of protective equipment for operational personnel and also to fund the purchase of additional operational equipment.

4.4 Capital Expenditure and Financing

Capital expenditure in 2007/08 was £1,393,000 against a budget of £2,693,000 (including budgets brought forward from the previous year and budgets derived from grant funding).

	2007/08 Budget £'000	2007/08 Outturn £'000	2007/08 Variance £'000	Notes
Buildings	414	49	-365	1
IT	216	179	-37	
Equipment	393	168	-225	2
Vehicles	1,670	869	-801	3
FRAML Share Capital		128	128	4
	2,693	1,393	-1,300	

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1. Budgets will be carried forward - all uncompleted building works are scheduled to be finished by August 2008.
 2. The BA Cylinders budget (£190,000) will need to be carried forward and will be spent by December 2008.
 3. Budgets will be carried forward. Water tenders will be completed by July 2008, the hydraulic platform by August 2008 and the multi-purpose support vehicle by December 2008.
 4. The acquisition of share capital in FRAML has been funded from revenue resources.

The Authority's current borrowing facilities are through the Public Works Loan Board. During 2007/08 the Authority took out a 30-year loan of £550,000 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

During 2007/08 the Authority has become one of nine subscribing members of the Fire and Rescue Authorities' Mutual Limited (FRAML). It is also one of five "participating members" who have placed some or all of their insurances with the company. FRAML has been authorised by the Financial Services Authority as an insurance company and started providing cover to members from 1 September 2007.

In accounting terms, FRAML is a joint arrangement to provide insurance for participating Authorities. FRAML does not carry on a trade in its own right and is therefore not itself an entity under FRS9. As a result, the Authority takes a share of the assets and liabilities of FRAML into its accounts at year end.

The Authority invested £128,000 in FRAML and its share of FRAML's surplus for 2007/08 is £2,000.

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 and the setting up of a trading company to expand the amount of commercial training that was previously done in-house.

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 2007: A Statement of Recommended Practice (SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value

Net current replacement cost is assessed as:

- Investment properties and surplus assets – market value
- Operational properties – depreciated replacement cost
- Vehicles, plant and equipment – depreciated historic cost

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

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

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.

iii Impairment

The values of each category of assets and of material individual assets are reviewed annually.

iv Disposals

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

Receipts from the disposal of fixed assets are credited to the usable capital receipts reserve and accounted for on an accruals basis. The de minimis level for capital receipts is £10,000.

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 depreciated over its useful life using the straight-line method. Vehicles are being depreciated using the reducing balance method (assumed useful lives as follows: cars 5 years, vans 7 years and fire engines 10 years). Non-operational assets are not depreciated.

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 Fair Value of Assets and Liabilities carried at Amortised Cost

Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or billed amount.

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.

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 2007.

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 2007.

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 uncollectible debts are written off.

ii Provisions – Other

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged against the provision in the balance sheet.

5.12 Prudential Code

The 2007 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

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

5.15 Government Grants and Contributions (Revenue)

Government grants and third-party contributions are recognised as income at the date that the Authority satisfies the conditions of entitlement and where expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

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 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 2008.

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 20 to 56, presents fairly the financial position of the Authority for the financial year 2007/08 and was prepared in accordance with the accounting policies stated on pages 7 to 12.

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

25 June 2008

Approval of the Accounts

I hereby confirm that these accounts were approved by the Fire Authority at its meeting on 25 June 2008.

Dr P Bryant
Chairman of the Fire Authority

25 June 2008

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

Opinion on the financial statements

I have audited the Authority's accounting statements, the fire fighters' pension fund accounting statements and related notes of Royal Berkshire Fire & Rescue Authority for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The fire fighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and fire fighters' pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Royal Berkshire Fire & 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.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the fire-fighters' 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 2007 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the accounting statements, the fire fighters' pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

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

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

I read other information published with the accounting statements, the fire fighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the fire fighters' pension fund accounting statements

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

Basis of audit opinion

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

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

Opinion

In my opinion:

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

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and, having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Royal Berkshire Fire & Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 21 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Phil Sharman 30 September 2008
District Auditor,
Audit Commission,
Unit 5 Isis Business Centre,
Horspath Road,
Cowley,
OXFORD
OX4 2RD

8. 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.

Fair Value

The value of investments or loans based on the prevailing interest rate rather than the rate payable or receivable.

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

9. Core Financial Statements

9.1 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.

Restated Net Expenditure 2006/07 £000		Gross Expenditure 2007/08 £000	Gross Income 2007/08 £000	Net Expenditure 2007/08 £000	Notes
	SERVICE EXPENDITURE				
3,668	Community Fire Safety				
1,954	Prevention and Education	4,181	-190	3,991	
	Statutory Inspection	2,048	-22	2,026	
	Fire Fighting and Rescue Operations				
1,800	Communications and Mobilising	2,084	-192	1,892	
24,744	Operational Response	25,960	-621	25,339	
253	Securing Water Supplies	221		221	
	Corporate & Democratic Core				
311	Corporate Management	264		264	
468	Democratic Representation & Management	414		414	
	Share of Operating Results of Joint Arrangement:				4.6
-	Turnover		-7	-7	
-	Other Operating Income and Expenditure	5		5	
287	Non Distributed Costs			-	
33,485	NET COST OF SERVICES	35,177	-1,032	34,145	
	(Profit) / loss on the disposal of fixed assets			-5	
245	Interest payable and similar charges			281	
-175	Interest and investment income			-304	
8,671	Pensions interest cost and expected return on pensions assets			9,388	10.5 ii
-754	Gain in relation to Government grant payable to the Pension Fund on the Authority's behalf			-1,617	
41,472	NET OPERATING EXPENDITURE			41,888	
-15,236	Precepts			-16,211	10.12
-2,388	General Government Grants			-2,173	10.12
-12,346	Non-Domestic Rates Redistribution			-12,945	10.12
11,502	(SURPLUS) / DEFICIT FOR THE YEAR			10,559	

9.2 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.

2006/07 £000		2007/08 £000	Notes
11,502	Deficit for the year on the Income and Expenditure Account	10,559	
-11,502	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-10,559	10.2
0	Increase in General Fund Balance for the year	0	
-500	General Fund Balance brought forward	-500	
-500	General Fund Balance carried forward	-500	

9.3 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.

2006/07 £000		2007/08 £000	Notes
11,502	(Surplus) / Deficit for the year on the Income and Expenditure Account	10,559	
-	Surplus arising on revaluation of fixed assets	-613	10.26
-13,722	Actuarial (gains) / losses on pension fund assets and liabilities	-37,741	10.5 v
-2,220	Total recognised losses / (gains) for the year	-27,795	

9.4 Balance Sheet

Restated 2006/07 £000		2007/08 £000	Notes
	FIXED ASSETS		
51	Intangible Assets	89	10.13 iv
23,309	Land and Buildings	22,950	10.13 i
1,097	Vehicles, Plant and Equipment	1,240	10.13 i
	Non Operational Assets		
-	Investment Properties	613	10.13 i/iii
213	Part-built Vehicles	518	
-	Long-term Investment	130	4.6
24,670	TOTAL LONG TERM ASSETS	25,540	
	CURRENT ASSETS		
143	Stock and Work in Progress	207	
3,129	Temporary Investments	3,337	
1,169	Cash and Bank	854	
521	Debtors	778	10.16
766	Prepayments	917	
5,728	TOTAL CURRENT ASSETS	6,093	
	LESS: CURRENT LIABLITILES		
-	Borrowing repayable within 12 months	-403	10.17/18
-1,883	Creditors	-1,968	
-1,208	Income in Advance	-1,009	
27,307	TOTAL ASSETS LESS CURRENT LIABLITLIES	28,253	
-6,145	Long-term Borrowing	-6,292	10.17/18
-86	Provisions	-58	10.22
-378	Government Grants - Deferred	-451	10.23
-	Unapplied Capital Contributions	-6	10.24
-176,591	Pensions Liability	-149,544	10.5 iii
-155,893	TOTAL ASSETS LESS LIABLITIES	-128,098	
	FINANCED BY:		
-	Revaluation Reserve	613	10.26
18,305	Capital Adjustment Account	17,969	10.27
-	Usable Capital Receipts	-	10.28
-176,591	Pensions Reserve	-149,544	10.5 iii
1,893	Specific Reserves	2,364	10.30
500	General Fund Balance	500	
-155,893	NET WORTH	-128,098	

9.5 Cash Flow Statement

Restated 2006/07 £000		2007/08 £000	Notes
	REVENUE ACTIVITIES		
	Cash Outflows		
27,269	Cash paid to and on behalf of employees	28,040	
6,310	Other operating costs	6,550	
	Cash Inflows		
-29,970	Precepts / General Government Grants	-31,329	
-1,897	Specific Revenue Grants	-1,404	10.31 v
-2,191	Other revenue cash income	-2,502	
-479	Net Cash Outflow / (Inflow) From Revenue Activities	-645	10.31 i
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Cash Outflows		
245	Interest paid	281	
	Cash Inflows		
-177	Interest received	-165	
68	Net Cash Outflow from Servicing of Finance	116	
	CAPITAL ACTIVITIES		
	Cash Outflows		
1,245	Purchase of fixed assets	1,225	
	Cash Inflows		
	Sale of Assets	-5	
-187	Capital Grants Received	-150	10.31 v
1,058	Net Cash Outflow from Capital Activities	1,070	
	ACQUISITIONS AND DISPOSALS		
	Cash Outflows		
	Investment in FRAML	128	
	Net Cash Outflow from Acquisitions and Disposals	128	
647	Net Cash Outflow / (Inflow) before Financing	669	
	MANAGEMENT OF LIQUID RESOURCES		
	RESOURCES		
	Cash Outflows		
1,057	Short term deposits made	196	
	Cash Inflows		
	Repayments of amounts borrowed		
1,057	Net Cash Outflow / (Inflow) from Management of Liquid Resources	196	
	FINANCING		
	Cash Outflows		
	Repayment of amounts borrowed		
	Cash Inflows		
-800	New loans raised	-550	
-800	Net Cash Outflow / (Inflow) from Financing	-550	
904	NET (INCREASE) / DECREASE IN CASH	315	

10. Notes to Core Financial Statements

10.1 Prior-Period Adjustments

i Prior-Period Adjustments to the Income and Expenditure Account

The 2007 SORP Guidance Notes have provided additional guidance on how the Firefighter Pension Account should be incorporated into the Statement of Accounts. Rather than show the Government top-up grant within *General Government Grants* it is now shown as a line within Net Operating Expenditure. The Income and Expenditure Account for 2006/07 has been restated to take account of this change. The effect has been to reduce Net Operating Expenditure by £754,000 and *General Government Grants* by the same amount.

ii Prior-Period Adjustments to the Balance Sheet

The 2007 SORP requires accrued interest from short-term investments to be posted against *Temporary Investments* on the Balance Sheet rather than shown within *Debtors*. Consequently, the restated Balance Sheet for 2006/07 shows accrued interest (£72,000) within *Temporary Investments* rather than within *Debtors*.

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve. The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £22,449,000 on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£4,144,000 debit balance) to form the new Capital Adjustment Account with a balance of £18,305,000. The Revaluation Reserve has been included in the Balance Sheet with a zero opening balance. The closing position of the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

iii Prior-Period Adjustments to the Cash-Flow Statement

The reclassification of the pension top-up grant as explained in section 10.1i has resulted in a restatement of two amounts in the 2006/07 comparative figures. The line *Precepts / General Government Grants* has decreased by £1,507,000 and *Specific Revenue Grants* has increased by £1,507,000.

10.2 Reconciling Items for General Fund Balance

Restated 2006/07 £000		2007/08 £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	
-14	Amortisation of intangible fixed assets	-40
-788	Depreciation and impairment of fixed assets	-1,008
92	Government grants deferred amortisation	122
-61	Write downs of deferred charges to be financed from capital resources	-90
-15,784	Net charges made for retirement benefits in accordance with FRS 17	-15,972
754	Gain in relation to Government grant payable to the Pension Fund on the Authority's behalf	1,617
-15,801		-15,371
	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	
210	Minimum revenue provision for capital financing	239
338	Capital expenditure charged in-year to the General Fund Balance	441
3,652	Employer's contributions payable to the Pensions Account and retirement benefits payable direct to pensioners	3,661
4,200		4,341
	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	
99	Net transfer to or from earmarked reserves	471
99		471
-11,502	Net additional amount required to be credited to the General Fund Balance for the year	-10,559

The 2006/07 comparative figures have been restated to show the *Gain in relation to Government grant* of £754,000. Employer's contributions payable have been reduced by an equivalent amount.

10.3 Publicity

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

	2006/07 £000	2007/08 £000
Staff Recruitment Advertising	49	64
Community Fire Safety	64	69
Other Publicity	32	30
	145	163

10.4 Audit Costs

Fees relating to external audit and inspection are detailed below. The fees cover a financial statements audit, a use of resources audit and a whole of government accounts audit.

	2006/07 £000	2007/08 £000
Audit Fees	65	66
Total	65	66

10.5 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 pension 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 pension 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	
	2006/07 £000	2007/08 £000	Restated 2006/07 £000	2007/08 £000
<i>Net Cost of Services:</i>				
- current service cost	676	655	6,150	5,929
- past service cost	8	-	274	-
- impact of settlements and curtailments	5	-		-
<i>Net Operating Expenditure:</i>				
- interest cost	634	723	8,666	9,425
- expected return on assets in the scheme	-629	-760		
<i>Net Charge to Income and Expenditure Account</i>	694	618	15,090	15,354
<i>Statement of Movement in the General Fund Balance</i>				
Reversal of net charges made for retirement benefits in accordance with FRS 17	-694	-618	-15,090	-15,354
<i>Actual Amount Charged for Pension in the Year:</i>				
- employer's contributions payable to scheme	532	583		
- retirement benefits payable to pensioners			3,740	4,699
- net transfers			134	-4
- government grant payable to the Pension Fund on behalf of the Authority			-754	-1,617
	532	583	3,120	3,078

The Government top-up grant has been added to the above table to show the net cost to the Authority of paying fire-fighter pensions. Comparative figures for 2006/07 have been amended to reflect this change.

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	
	31/03/2007 £000	31/03/2008 £000	31/03/2007 £000	31/03/2008 £000	31/03/2007 £000	31/03/2008 £000
Estimated Liabilities in Scheme	-13,011	-12,511	-173,795	-147,299	-186,806	-159,810
Estimated Assets in Scheme	10,215	10,266	-	-	10,215	10,266
Net Asset / Liability	-2,796	-2,245	-173,795	-147,299	-176,591	-149,544

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £150m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £128m. 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 Barnett Waddingham and Hymans Robertson, independent firms of actuaries, based on the latest full valuations (31 March 2007 for the local government scheme and 31 December 2007 for the firefighters schemes). The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2006/07	2007/08	2006/07	2007/08
Rate of Inflation	3.20%	3.70%	3.20%	3.60%
Rate of increase in salaries	4.70%	5.20%	4.70%	5.10%
Rate of increase in pensions	3.20%	3.70%	3.20%	3.60%
Rate for discounting liabilities	5.40%	6.60%	5.40%	6.90%

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 2008	Proportion of Assets held at 31 March 2007	Proportion of Assets held at 31 March 2008
Equities	7.90%	72.00%	70.34%
Gilts	4.50%	-	7.88%
Other Bonds	6.60%	13.00%	8.03%
Property	5.90%	10.00%	10.44%
Cash	5.00%	5.00%	3.31%
	7.20%	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	2003/04		2004/05		2005/06		2006/07		2007/08	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual returns on assets	630	14.77	220	3.95	1,242	17.98	8	0.09	-1,582	-15.49
Experience gains and losses arising from salary and pension increases	-12	-0.19	46	0.65	-8	-0.12	-	-	190	1.46
Other experience gains and losses	-	-	-	-	-	-	-	-	-13	-0.10
Changes in the assumptions underlying the present value of the scheme's liabilities	-	-	-1,570	-22.08	-1,683	-24.37	890	9.82	1,991	15.29
Total	618		-1,304		-449		898		586	

Firefighters Scheme	2003/04		2004/05		2005/06		2006/07		2007/08	
	£000	%	£000	%	£000	%	£000	%	£000	%
Experience gains and losses arising from salary and pension increases	208	0.20	-2,300	-2.08	938	0.63	1,577	0.9	1,389	0.80
Other experience gains and losses	-	-	-100	-0.09	-	-	-	-	-944	-0.54
Changes in the assumptions underlying the present value of the scheme's liabilities	-	-	-29,098	-26.33	-17,365	-11.63	11,247	6.4	36,710	21.11
Total	208		-31,498		-16,427		12,824		37,155	

10.6 Leases

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

	2006/07 £000	2007/08 £000
Photocopiers	15	15
Vehicles	253	253
Furniture	31	31
Equipment	16	16
Building	9	9
Total	324	324

10.7 Operating Lease Commitments

At 31 March 2008, the Authority was committed to making payments under operating leases of £1,200,000 as set out below.

	Vehicles, Plant & Equipment £000
Leases expiring in 2008/09	20
Leases expiring between 2009/10 and 2012/13	626
Leases expiring after 2012/13	554
Total	1,200

10.8 Emoluments

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

	Employees 2006/07	Employees 2007/08
50,000 - 59,999	24	22
60,000 - 69,999	1	3
70,000 - 79,999	3	-
80,000 - 89,999	1	2
90,000 - 99,999	-	2
100,000 - 109,999	1	-
110,000 - 119,999	-	-
120,000 - 129,999	1	-
130,000 - 139,999	-	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.

10.9 Discontinued Operations

None.

10.10 Members Expenses

The budget for members' attendance allowances was £31,000 in 2007/08 while the actual amount payable was £28,000.

10.11 Related Parties

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

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and prescribes the terms of many of the transactions that the Authority has with other parties. It also provided direct financial support to the Authority in 2007/08.

Other Public Bodies. The Authority had entered into the original local area agreements in all six unitary authorities of Berkshire. It has subsequently entered into the second generation local area agreements 2008/09 – 2010/11, all of which will increase capacity by further complementing the local public service agreement process and assisting with sustainability. The Authority has a statutory duty for each of the six crime and disorder reduction partnerships of each of the unitary authorities of Berkshire.

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

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. The Treasurer is a Director of the Fire and Rescue Authorities' Mutual Limited (FRAML). The relationship between FRAML and the Authority is explained in the paragraph below.

Companies and joint ventures. The Authority has invested £128,000 in FRAML, giving it a seven per cent share of the company's capital and reserves. FRAML is a company limited by guarantee and none of the nine subscribing members is able to exercise control alone. The company is a joint arrangement to provide insurance cover for participating members and does not carry on a trade in its own right.

10.12 Funding

The Fire Authority's net revenue expenditure is funded by Government grants and local authority precepts.

The pension top-up grant was previously included within Government grants. However it has been removed from the 2006/07 comparative figures as it is now shown within Net Operating Expenditure.

	Restated 2006/07 £000	2007/08 £000
RSG / NNDR	14,734	15,118
<i>Contributions / Precepts</i>		
Bracknell Forest Council	2,014	2,114
Reading Council	2,459	2,577
Slough Council	1,880	1,994
West Berkshire Council	2,834	3,130
Windsor and Maidenhead Council	3,038	3,213
Wokingham Council	3,011	3,183
Total	29,970	31,329

10.13 Net Fixed Assets

i Movement of Tangible Fixed Assets 2007/08

	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	1,533			
Gross Book Value as at 31.3.07	24,078	8,356	213	32,647
Accumulated depreciation	-769	-7,259		-8,028
Net Book Value as at 31.3.07	23,309	1,097	213	24,619
Movements in year				
Additions	50	568	479	1,097
Disposals/Transfers		174	-174	0
Depreciation for Year	-409	-599		-1,008
Revaluation			613	613
Net Book Value as at 31.3.08	22,950	1,240	1,131	25,321
Gross Book Value as at 31.03.08	24,128	8,848	1,131	34,107
Accumulated Depreciation / Impairment	-1,178	-7,608	-	-8,786
Net Book Value as at 31.03.08	22,950	1,240	1,131	25,321

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. Also included are three investment properties, valued at £613,000, that have been added to the Authority's balance sheet in 2007/08. The properties have been added now that ownership has been agreed in the Authority's favour.

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 2008 the Fire Authority owned the following assets:

Buildings		Vehicles	
Fire Stations	19	Water Tenders	32
Headquarters Offices	1	Specialist Fire Support Vehicles	14
Training Centre	1	Vans and Minibuses	45
Investment Properties	3	Other Vehicles	12

and leased the following assets:

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

As the Authority secured ownership of three investment properties in 2007/08, the Authority's Treasurer instructed Vail Williams, under the direction of David Barden, to value the properties as at 31 March 2008. The report states:

Based on the assessment of market values and the assessed age of the tenants, the total value of the properties is £612,500.

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

David Barden
24 April 2008

iv Movement of Intangible Fixed Assets 2007/08

	Software Licences £000
Original Cost	65
Amortisations to 1 April 2007	-14
Balance at 1 April 2007	51
Expenditure in Year	78
Written off to Revenue	-40
Balance at 31 March 2008	89

The Authority has purchased software licences for command and control of fire ground incidents.

10.14 Deferred Charges

The Authority's deferred charges in 2007/08 relate to expenditure on smoke detectors. The expenditure has been written out to revenue in accordance with the 2007 SORP.

	2006/07 £000	2007/08 £000
Balance brought forward at 1 April	0	0
Expenditure during year	61	90
Written down during year	-61	-90
Balance carried forward at 31 March	0	0

10.15 Capital Expenditure and Financing

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

Capital Expenditure and Financing		
	2006/07 £'000	2007/08 £'000
Opening Capital Financing Requirement	5,242	5,987
<i>Capital Expenditure</i>		
Intangible Assets	65	78
Operational Assets	1,190	618
Non-operational Assets	213	479
Deferred Charges	61	90
Investment in FRAML		128
<i>Sources of Finance</i>		
Government Grants and other Contributions	-236	-195
Revenue Funding including MRP	-548	-680
Closing Capital Financing Requirement	5,987	6,505
<i>Explanation of Movements in the Year</i>		
Increase in the underlying need to borrow (supported by Government financial assistance)	738	518
Increase in the underlying need to borrow (unsupported by Government financial assistance)	7	
Increase / (Decrease) in Capital Financing Requirement	745	518

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.

	2008/09 £000	2009/10 £000	2010/11 £000
Vehicles	620	840	480
Buildings	532	1090	3719
IT	242	83	83
Equipment	118	48	48
	1,512	2,061	4,330

Although the Authority has approved capital expenditure as shown in the above table, it has not entered into any significant long-term contracts for capital investment.

10.16 Debtors

A breakdown of debtors is given in the table below.

	Restated 2006/07 £000	2007/08 £000
VAT Repayment	342	329
Government grants owed		276
Trade Debtors	187	174
Bad Debt Provision	-8	-1
Total	521	778

The restated figure in 2006/07 for Trade Debtors is £72,000 lower as accrued interest has been posted to Temporary Investments.

10.17 Disclosure of Financial Assets and Liabilities

i Financial Instruments Balances

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

	Long Term		Current	
	31.03.07	31.03.08	31.03.07	31.03.08
	£000	£000	£000	£000
Financial liabilities at amortised cost	6,145	6,292	-	403
Financial liabilities at fair value through the I&E	-	-	-	-
TOTAL BORROWINGS	6,145	6,292	0	403
Loans and receivables	-	-	3,129	3,337
Available-for-sale financial assets	-	-	-	-
Financial assets at fair value through the I&E	-	-	-	-
Unquoted equity investment at cost in FRAML	-	128	-	-
TOTAL INVESTMENTS	-	128	3,129	3,337

Long-term investment on the Balance Sheet includes the Authority's share of profits in FRAML (£2,000).

The Authority's three investment properties have not been shown in the table above.

ii Financial Instruments Gains / Losses

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

	Financial Liabilities	Financial Assets			Total £000s
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s (1)	Fair value through the I&E £000s (2)	
Interest expense	-281	-	-	-	-281
Losses on derecognition	-	-	-	-	-
Impairment losses	-	-	-	-	-
Interest payable and similar charges	-281	-	-	-	-281
Interest income	-	180	-	-	180
Gains on derecognition	-	-	-	-	-
Interest and investment income	-	180	-	-	180
Gains on revaluation	-	-	-	-	-
Losses on revaluation	-	-	-	-	-

Amounts recycled to the I+E Account after impairment	-	-	-	-
Surplus arising on revaluation of financial assets	-	-	-	-
Net gain/(loss) for the year	-281	180	-	-

A reconciliation of the net gain on loans and receivables to investment income as shown in the Income and Expenditure Account is given below.

Financial instruments gain	180
Rental income from investment properties	55
Current account interest	69
Investment income received in I&E	304

iii Fair value of Assets and Liabilities carried at Amortised Cost

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

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. It should be noted that the redemption rules applying to PWLB debt changed on 1 November 2007, and are less favourable than the previous procedures. As a result the fair value figures for 31 March 2008 are relatively higher (more costly to redeem) than the 31 March 2007 comparators.
- The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2007		31 March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt	6,145	5,980	6,695	6,851
Trade creditors	1,883	1,883	1,968	1,968
Total Financial Liabilities	8,028	7,863	8,663	8,819
Money Market Loans less than one year	3,129	3,129	3,337	3,337
Government debtors	342	342	605	605
Trade debtors	179	179	173	173
Total loans and receivables	3,650	3,650	4,115	4,115

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.

10.18 Nature and extent of risk arising from financial instruments

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

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

i Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
the Authority's overall borrowing

- its maximum and minimum exposures to fixed and variable rates
- its maximum and minimum exposures the maturity structure of its debt
- its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in 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 in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members.

The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

ii Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The following analysis summarises the Authority's potential maximum exposure to credit risk. The table (from Moody's) gives details of default rates corporate issuers (including financial organisations) for the period 1982 – 2005 on investments out to 5 years.

	Amount at 31 March 2008 £000 (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 March 2008 % (c)	Estimated maximum exposure to default £000 (a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	-	0.001%	0.001%	-
AA rated counterparties	3,337	0.027%	0.027%	-
A rated counterparties	-	0.627%	0.627%	-
Government Depts.	605	0.001%	0.001%	-
Trade debtors	174	0.575%	0.575%	1
Total	4,116			1

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Authority maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions.

Trade debtors can be analysed by age as follows:

	31.03.08 £000s
Less than three months	171
Three to six months	1
Six months to one year	1
More than one year	-
	173

iii Liquidity risk

The Authority has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort (although it will not provide funding to an Authority whose actions are unlawful). The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

iv 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 financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day-to-day cash flow needs, and that the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	Financial Liabilities at 31.3.08 £000
Maturing less than 1 year	403
Maturing within 1-2 years	-
Maturing within 2-5 years	-
Maturing within 5-10 years	-
Maturing in more than 10 years	6,292
	6,695

The maturity analysis of financial assets is as follows:

	Financial Assets at 31.3.08 £000
Maturing less than 1 year	3,337
Maturing within 1-2 years	-
Maturing within 2-5 years	-
Maturing within 5-10 years	-
Maturing in more than 10 years	-
	3,337

All trade and other payables are due to be paid in less than one year and trade debtors are not shown in the table above.

v Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- 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; and
- investments at fixed rates – the fair value of the assets will fall.

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

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Treasurer will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns.

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

	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	-33
Increase in Government grant receivable for financing costs	-
Impact on Income and Expenditure Account	-33
Decrease in fair value of fixed rate investment assets (impact on STRGL)	-
Decrease in fair value of fixed rate borrowing liabilities (no impact on Income and Expenditure Account or STRGL)	785

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

vi Price risk

The Authority, excluding its share of assets in the Local Government Pension Scheme, does not generally invest in equity shares but did invest £128,000 in the Fire and Rescue Authorities' Mutual Limited (FRAML) during 2007/08.

vii 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.

10.19 Contingent Assets

There are no contingent assets to disclose.

10.20 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. The Employment Tribunal has decided that retained firefighters were unfairly treated in relation to pension rights. Parties to the Employment Tribunal have been granted until September 2008 to negotiate a settlement. It is currently impossible to assess what the Authority's liability may be.

The Authority was one of five Fire and Rescue Authorities that have together set up the Fire and Rescue Authorities' Mutual Limited (FRAML). Members pay the company an insurance premium for cover provided. In the event that the company incurs losses, the company may require each Authority to pay an additional contribution up to the equivalent of 100% of the insurance premia paid. The premia paid to FRAML in 2007/08 by the Authority amounted to £87,000.

10.21 Post Balance Sheet Events

Following on from the legal action that has been taken against the London Authorities Mutual Limited (LAML), the Fire and Rescue Authorities' Mutual Limited (FRAML) has taken the precaution to cease providing cover to members from April 2008. The Directors of FRAML are taking further legal advice and the Government has issued a statement in support of FRAML, indicating that legislation may be introduced to resolve the legal uncertainties. In the meantime, the Authority has arranged alternative cover.

Events after the balance sheet date have been considered up until the final sign off date of 29 September 2008.

10.22 Provisions

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

	31.3.07 £000	Movement £000	31.3.08 £000
Long Service Increments	-43	-15	-58
Retained Pensions Employer Costs	-43	43	0
	-86	28	-58

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 now paid over employer's contributions for retained firefighters who backdated their membership of the New Firefighters Pension Scheme to April 2006.

10.23 Government Grants - Deferred

When a government grant is to be 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.

	2006/07 £000	2007/08 £000
Balance as at 1 April	234	378
Grant Funding of Capital Expenditure	236	195
Offset Depreciation on Grant-funded Assets	-31	-32
Reverse out effect of Amortisation on Grant-funded Deferred Charges	-61	-90
Balance as at 31 March	378	451

10.24 Unapplied Capital Contributions

The balance of £6,000 represents S106 contributions that will in due course be spent by the Authority.

10.25 Euro Costs

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

10.26 Revaluation Reserve

The Revaluation Reserve replaces the Fixed Asset Restatement Account (see section 10.1ii). The Revaluation Reserve has been included in the Balance Sheet with a zero opening balance. The closing position of the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007. The revaluation relates to the addition of the Authority's investment properties to the Balance Sheet given that it has now been agreed that the Authority owns the properties.

	2007/08 £000
Balance as at 1 April	-
Revaluation of Assets	613
Balance as at 31 March	613

10.27 Capital Adjustment Account

The Capital Adjustment Account (see section 10.1ii) will have a credit balance where capital finance has been set aside at a faster rate than fixed assets have been consumed. It will have a debit balance where fixed assets have been consumed in advance of their being financed. However, the balance on the account is affected by the decision to implement the Revaluation Reserve with a zero balance. The effect of this is to consolidate revaluation gains accumulated up to 31 March 2007 (£22,449,000) with the "capital financing vs. consumption" deficit (£4,144,000).

	2007/08 £000
Balance as at 1 April	18,305
Revenue Financing of Capital including MRP	680
Write-down deferred charges	-90
Depreciation / Amortisation	-1048
Government Grants Deferred Adjustment	122
Balance as at 31 March	17,969

10.28 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 2006/07 and 2007/08.

10.29 Appropriations to and from Reserves

	Transfers to / (from) Earmarked Reserves £000
Capital Projects	-70
Regional Control Costs	38
Release of Transitional Funding	-100
Smoke Detector Costs	40
Operational Equipment	200
Protective Equipment	285
Budget Carry Forward Reserve	78
	471

10.30 Earmarked Reserves

At the end of 2007/08 the Authority had earmarked reserves as set out below.

	Opening Balance	Transfers In / (Out)	Closing Balance	Purpose
Pension Reserve	1,514		1,514	To cover unbudgeted pension transfers and ill-health retirements
Transitional Funding Reserve	100	-100	-	
Budget Carry Forward Reserve	171	78	249	To roll forward specific budget lines where commitments have been made but expenditure has not yet been incurred by the close of the financial year
Capital Reserve	70	-70	-	
Regional Control Reserve	38	38	76	To meet costs associated with the transition to regional control
Detectors Reserve	-	40	40	To provide on-going support to the Fire Prevention Programme as specific Government funding will no longer be available in future years
Operational Equipment Reserve	-	200	200	To enhance operational response capabilities
Protective Equipment Reserve	-	285	285	To offset the costs of the replacement programme, which are estimated to be £750,000
Balance as at 31 March	1,893	471	2,364	

10.31 Notes to Cash Flow Statement

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

2006/07 £000		2007/08 £000
11,502	Deficit for the year on Income and Expenditure Account	10,354
	<i>Remove Non Cash Transactions in I&E</i>	
-15,784	FRS 17 Pension Entries	-15,767
-87	Movement in Provisions	29
-788	Depreciation	-1,008
-14	Amortisation	-40
-61	Deferred Charges	-90
92	Government Grants Deferred Credit	122
	Share of FRAML profits	2
	<i>Add Cash Transaction not in I&E</i>	
4,272	Pensions Paid	5,282
134	Net Transfers	-4
	Movement in revenue items on an accrual basis	
-28	Increase / (Decrease) in Stocks	25
519	Increase / (Decrease) in Debtors	336
768	(Increase) / Decrease in Creditors	-6
-934	(Increase) / Decrease in Income in Advance	147
-245	Remove Interest Payable	-281
175	Remove Interest Receivable	249
	- Remove profit / loss on sale of Fixed Assets	5
-479	Net Cash Flow from Revenue Activities	-645

ii Reconciliation of Net Cash Flow to Movement in Net Debt

	Restated 2006/07 £000	2007/08 £000	Movement £000
Cash and Bank	1,169	854	-315
Investments	3,129	3,337	208
Borrowing	-6,145	-6,695	-550
	-1,847	-2,504	-657

Decrease in cash in the period	-315
Cash inflow from increase in debt	-550
Cash outflow from increase in liquid resources	208
Movement in net debt for the period	-657
Net funds at 1 April 2007	-1,847

The 2006/07 comparative figures for investments now include accrued interest.

iii Movement in Liquid Resources and Long-Term Borrowing

	Restated 2006/07 £000	2007/08 £000	Movement £000
Investments	3,129	3,337	208
Long-Term Borrowing	-6,145	-6,695	-550

The 2006/07 comparative figures for investments now include accrued interest.

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
Community Fire Safety	485	144
Regional Control	173	
New Dimensions	35	
Regional HR	123	
Pension Top-up Grant	588	
S106 Contributions		6
	1,404	150

11. Financial Statements for Firefighter Pension Fund

11.1 New Financial Arrangements for the Firefighter Pension Schemes

Before April 1 2006, Fire Authorities suffered budgetary volatility due to fluctuations in the number of Firefighters retiring in any given year. To overcome this problem, Central Government 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.

11.2 Pension Fund Account

2006/07 £'000		2007/08 £'000
	<i>Contributions Receivable</i>	
-2,663	Employer Flat Rate Contributions	-2,757
-197	Employer Ill-Health Contributions	-98
-1,399	Employee Contributions	-1,488
-	Transfers In	-133
	<i>Benefits Payable</i>	
3,729	Pensions	4,398
1,194	Commutations and Lump Sum Benefits	1,577
90	Transfers Out	118
754	Net amount payable for the year	1,617
754	Top-up Grant Receivable	1,617
-	Balance on Account	-

11.3 Net Assets Statement

Restated 2006/07 £'000		2007/08 £'000
497	Prepayment of April pension paid in March	516
-753	Top-up Grant to be repaid to the Government	-
-	Top-up Grant receivable from the Government	276
256	Amount owing (to) / from the General Fund	-792
-		-

It should be noted that the Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 2007/08. These liabilities are shown in the Authority's main financial statements.

12. Annual Governance Statement 2007/08

12.1 Scope of Responsibility

The 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 and properly accounted for, and used economically, efficiently and effectively. The Royal Berkshire Fire Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

12.2 The purpose of the governance framework

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

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

The governance framework has been in place at the Royal Berkshire Fire Authority for the year ended 31 March 2008 and up to the date of approval of the Statement of Accounts.

The governance framework elements are set out in the table overleaf.

ROYAL BERKSHIRE FIRE AUTHORITY

Code of Corporate Governance

Governance is about how local government bodies, such as fire authorities, ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, and culture and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

This Code has been written using the framework and guidance published in 2007 by a joint working group sponsored by CIPFA and SOLACE, in which good governance is defined as:

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

Within the framework, these six “core principles” have a number of supporting principles each of which in turn translates into a range of specific requirements that should be reflected in an authority’s code of governance.

This code, therefore, examines the core and supporting principles and sets out or points to the practices, procedures and documents that demonstrate the governance arrangements currently in place and how the Fire Authority proposes to review and improve those arrangements on a year-by-year basis.

FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA

The code should reflect the requirement for fire authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
Develop and promote the authority's purpose and vision.	<p><i>Used as a basis for:</i></p> <ul style="list-style-type: none"> - corporate and service planning - shaping the community strategy - local area or performance agreements <p>RBFA Corporate Plan 07/08 (includes Strategic Plan/Best value Performance Plan/Community Safety Plan) RBFA Integrated Risk Management Plan Action Plan 07/08 (including 5 year plan) Promoted through web site/consultation documents/precepting literature.</p>	4	Strategic aims are being reviewed and updated to reflect changing statutory and societal factors (FRS Act 2004 s9/CAA)
Review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements.	<p><i>Governance code</i></p> <p>RBFA Executive and CFA review, annually, the strategic aims and monitor progress against the action plans. In addition the Authority has an Overview & Scrutiny Committee, an IRMP Working Party (Member Led) and an Audit Committee which regularly consider the strategic issues relevant to their body and propose appropriate changes.</p>	4	Strategic aims are being reviewed and updated to reflect changing statutory and societal factors (FRS Act 2004 s9/CAA)
Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties.	<ul style="list-style-type: none"> - Partnership protocol. - Governance code. <p>LAA/CAA agreements with Unitary partners Thames Valley Arson Liaison Partnership Community safety partnership activity is monitored by the Community Safety Forum</p>	3	RBFA Partnership Policy being developed RBFA needs to continue to encourage other partners to work consistently towards agreed outcomes.
Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance.	<ul style="list-style-type: none"> - Annual financial statements. - Annual business plan. <p>Currently incorporated within Corporate Plan</p>	3	A summary of our non-financial performance is to be developed to accompany the publication of our final accounts (derived from Corporate Plan)

The code should reflect the requirement for fire authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.	<p><i>This information is reflected in the authority's :</i></p> <ul style="list-style-type: none"> - <i>corporate plan</i> - <i>annual business plan</i> - <i>medium-term financial strategy</i> - <i>resourcing plan</i> <p><i>in order to ensure improvement.</i></p> <p>Local Performance Indicators are derived from extensive risk information managed and monitored through a comprehensive GIS system. This produces effective data and mapsets that are available to officers and public through RBFRS intranet/internet. allowing frequent (often daily) review.</p> <p>Regular reports are given to Members, particularly Overview & Scrutiny.</p>	5	Maintain performance management systems and culture at current high levels (Especially in the run up to and introduction of Regional Control Centres)
Put in place effective arrangements to identify and deal with failure in service delivery.	<p>- <i>Complaints procedure,</i></p> <p>There is an effective complaints process. BVPI</p>	4	The complaints process is very little used and therefore its effectiveness is difficult to ascertain.
Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.	<p>- <i>The results are reflected in authority's performance plans and in reviewing the work of the authority.</i></p> <p>RBFA are in the lower quartile of cost per head of population whilst providing high levels of corporate performance (<i>viz CFA</i>). Comparison at a more granular level has proved problematic due to differing data collection processes.</p>	4	Maintain value for money and high performance levels despite the disappointing grant settlement.

**MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE
WITH CLEARLY DEFINED FUNCTIONS AND ROLES**

The code should reflect the requirement for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
<p>Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice.</p> <p>Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers.</p>	<p><i>The statutory requirements for an executive do not apply to the Fire Authority but the roles of the Executive and other Committees and members are set out in the various sections of the RBFRS Handbook approved at the June 2007 meeting of the Fire Authority.</i></p>	<p align="center">N/A</p>	<p align="center">N/A</p>
<p>Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.</p>	<ul style="list-style-type: none"> - <i>Constitution</i> - <i>Committees powers and duties</i> - <i>Standing Orders</i> <p>Standing Orders (generally and from ASD1 to ASD 90 in particular refer to delegated powers)</p>	<p align="center">4</p>	<p>Regular review and update as required</p>
<p>Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational Management.</p>	<ul style="list-style-type: none"> - <i>Conditions of employment</i> - <i>Scheme of delegation</i> - <i>Statutory provisions</i> - <i>Job descriptions/specification</i> - <i>Performance management system</i> <p>Job Description and delegated powers, (annual appraisal process and performance related pay)</p>	<p align="center">4</p>	<p>Performance management process is currently being reviewed following the last appraisal of the CFO by the Chairman and Vice Chairman of RBFA.</p>
<p>Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.</p>	<p>The Chief Fire Officer and the Chairman of the Authority have regular meetings and have a good working and professional relationship.</p>	<p align="center">4</p>	<p>Maintain effective communication with actions as required.</p>

The code should reflect the requirement for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
Make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	<ul style="list-style-type: none"> - <i>Section 151 responsibilities</i> - <i>Statutory provision</i> - <i>Statutory reports</i> - <i>Budget documentation</i> - <i>Job description/specification</i> <p>Authority Treasurer and Head of Financial Services Job Description</p>	5	Monitor & Review as Necessary
Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.	The Fire Authority has appointed a Clerk and Monitoring Officer who has these responsibilities through a specific Job Description and relevant statutory provisions	5	Job Description to be kept under review
Develop protocols to ensure effective communication between members and officers in their respective roles.	A Member/Officer Protocol was recently approved by the Authority in June 2007 (Members Handbook)	5	Protocol to be kept under review
Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable) Ensure that effective mechanisms exist to monitor service delivery	<ul style="list-style-type: none"> - <i>Pay and conditions policies and practices</i> <p>Members scheme of allowances and expenses. RBFA is not required to have a remuneration panel, but it does voluntarily submit its proposals on Member remuneration to the Standards Committee for comment prior to approval by the CFA Officers Performance Development Interviews include targets set against service performance.</p>	4	Performance management process is currently being reviewed following the last appraisal of the CFO by the Chairman and Vice Chairman of RBFA.
Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.	RBFA Corporate Plan 07/08 (includes Strategic Plan/Best value Performance Plan/Community Safety Plan) RBFA Integrated Risk Management Plan Action Plan 07/08 (including 5 year plan) Promoted through web site/consultation documents/precepting literature	4	There are difficulties as the public are becoming increasingly averse to responding to consultation (one response from 500,000 plus precepting leaflets)

The code should reflect the requirement for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
<p>When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.</p> <p>When working in partnership:</p> <p>Ensure that there is clarity about the legal status of the partnership.</p> <p>Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.</p>	<p><i>Protocols for partnership working. For each partnership there is:</i></p> <ul style="list-style-type: none"> - <i>a clear statement of the partnership principles and objectives.</i> - <i>clarity of each partner's role within the partnership.</i> - <i>definition of roles of partnership board members.</i> - <i>line management responsibilities for staff who support the partnership.</i> - <i>a statement of funding sources for joint projects and clear accountability for proper financial administration.</i> - <i>a protocol for dispute resolution within the partnership.</i> <p>RBFA Partnership Strategy LAA/CAA agreements with Unitary partners Thames Valley Arson Liaison Partnership Community safety partnership activity is monitored by the Community Safety Forum</p>	<p>3</p>	<p>RBFA needs to continue to encourage other partners to work consistently towards agreed outcomes. There also needs to be greater clarity as to how the Fire National Indicators, and other significant local indicators, are to be incorporated in the LAA process.</p>

**PROMOTING VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE
THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR**

The code should reflect the requirement for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	Members Handbook (PRO 26) and Brigade Charter	5	Endeavour to maintain open communications and good working relationships at current levels
Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the Authority, its partners and the community are defined and communicated through codes of conduct and protocols.	Members'/officers' code of conduct Performance management systems. Performance appraisal. Complaints procedures. Anti-fraud and corruption policy. Member/officer protocols. Standards Committee	4	Endeavour to maintain open communications and good working relationships at current levels
Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	Standing orders Codes of conduct Financial regulations Equality & Diversity Training Standards Committee Declarations of Interest	5	
Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners.	Codes of conduct Complaints procedures Brigade Charter Regional IdEA training Aspire Leadership Model (officers) Transformational Leadership Training (Officers)	4	Develop further leadership training for Members
Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.	Statutory code of conduct for Members and code of conduct for officers.	5	

The code should reflect the requirement for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
Develop and maintain an effective standards committee	Statutory powers Terms of reference Regular reporting and attendance by Independent Members at Executive and Fire Authority meetings Independently chaired	5	
Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.	Joint decision-making processes (Round Table/Fire Liaison Group) Brigade Charter Reports show assessment against Partnership for Common sense	4	Continue to improve the already good internal communications and working relationships
In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively	Draft Partnership Strategy	3	Strategy for partnership working Endeavour to ensure that partnerships agreements are based on shared ethical values

**TAKING INFORMED AND TRANSPARENT DECISION WHICH ARE SUBJECT
TO EFFECTIVE SCRUTINY AND MANAGING RISK**

The code should reflect the requirement for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible.	Scrutiny is carried out by the Over view & Scrutiny Committee which meets regularly and has similar powers to those contained in the Local Government Act 2000 (Terms of Reference in Members Handbook	4	Ensure that OSC Members receive appropriate training for their scrutiny role within a Combined Fire Authority.
Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decision are based.	Minutes are taken for all Fire Authority and Committee meetings. These and the relevant Agendas and supporting reports are available on the Authority's website as well as in manual format.	5	
Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	Members' code of conduct Officers code of conduct Member/Officer Protocol Declaration of Interest	5	
Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee.	Audit Committee established in 2007 with terms of reference set out in the Handbook.	5	
Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.	There is an effective complaints process. BVPI	4	Low number of complaints therefore process has not been extensively tested

The code should reflect the requirement for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.	Standard report template Scrutiny of quality of papers by OSC	4	Continue to monitor quality and effectiveness of reports
Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.	All reports have standard paragraphs for advice from the Chief Fire Officer, the Authority Treasurer and the Clerk and Monitoring Officer	4	On occasion, due to absence/time constraints there has been difficulty in getting sign off from CFO/CMO/AT comments provided at meeting as needed. OSC monitor this issue.
Ensure that risk management is embedded into the culture of the Authority, with members and managers at all levels recognising that risk management is part of their jobs.	Risk Management Group Risk Management Register Risk management section on all reports Regular reports to SMT and Fire Authority Financial standards and regulations.	4	Continue to integrate risk management practices into managerial and Member activities
Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access.	Confidential Reporting Policy (Whistle-blowing policy)	4	This has been little used and is therefore difficult to evaluate
Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.	Constitution Delegations to Officers Monitoring Officer's advice CFA has no power of 'wellbeing'	4	Continue to ensure that Members are advised and trained as to the legal parameters of their actions/decisions
Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.	Constitution Delegations to Officers Monitoring Officer's advice CFA has no power of 'wellbeing'	4	Continue to ensure that Members are advised and trained as to the legal parameters of their actions/decisions

The code should reflect the requirement for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes.	Monitoring officer provisions Job description/specification Statutory duties under Fire Safety Order and Fire & Rescue Services Act 2004	4	Issue of statutory duties is still moot as there is currently a difference of opinion between government and Fire Authorities over statutory duties for rescue from floodwaters.

DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE

The code should reflect the requirement for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.	Induction programme offered Update courses/information made available	3	Members are appointed from other Authorities and better liaison regarding Member training needs to be developed. Fire specific training can then be supplied as needed.
Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.	Job description/personal specifications Delegated powers Rigorous selection process Performance development process CMO appointed at Director level	4	Continue to monitor job descriptions through appraisal process
Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	Officers have a sophisticated learning and development plan linked to their appraisals (PDI)	4	Members are appointed from other Authorities and better liaison regarding Member training needs to be developed. Fire specific training can then be supplied as needed.
Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	Training and development plans should reflect requirements of a modern councillor including : - the ability to scrutinise and challenge. - the ability to recognise when outside advice is required. - advice on how to act as an ambassador for the community. - leadership and influencing skills.		Members are appointed from other Authorities and better liaison regarding Member training needs to be developed. Fire specific training can then be supplied as needed.
Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.	Overview & Scrutiny Standards Committee	4	The two committees are more than adequate to monitor and enforce these requirements

The code should reflect the requirement for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
Ensure that effective arrangements are in place that are designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.	Local Area Forums already exist within RBFA's constituent unitary authorities. The Authority consults widely on its Service Delivery (IRMP) and is involved as a partner in many local events (Newbury Show, Slough Mela, etc). The Authority also undertakes many local community safety initiatives (often in partnership) from the fitting of child safety seats to home fire risk assessments. These activities are risk based and overseen by the Member led Community safety Forum	4	There are potential dangers in forming parallel public involvement processes within the Unitary areas.
Ensure that career structures are in place for members and officers to encourage participation and development	Members are elected not selected and therefore career structures do not apply There is a robust career development system for operational officers the training needs are recognised through the appraisal system.	3	Succession management is difficult to manage in a relatively small single purpose organisation

**ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO
ENSURE ROBUST PUBLIC ACCOUNTABILITY**

The code should reflect the requirement for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
<p>Make clear to themselves, all staff and the community to whom they are accountable and for what.</p> <p>Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.</p>	<p>Delegated Powers within Members Handbook Clear Committee and Working Party Structures and Reporting Lines</p>	4	<p>Members have as clear a grasp of their powers and duties as is possible within a complex and often confusing statutory framework. Clarification is being sought over the status of the national framework and statutory duties as regards rescues from floodwaters.</p>
<p>Produce an annual report on the activity of the scrutiny function.</p>	<p>Annual report produced</p>	5	
<p>Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively.</p> <p>Hold meetings in public unless there are good reasons for confidentiality.</p> <p>Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.</p>	<p>Operational and community safety strategy based on risk profiles, through the IRMP'</p> <p>Meetings are held in public.</p> <p>Community Liaison Officer appointed and Equality and Diversity level 3 is being sought through a regional initiative.</p>	3	<p>Further work to improve equality and diversity level</p> <p>Difficulty in communicating with a public that is increasingly consulted on a wide range of issues.</p>

The code should reflect the requirement for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	Score	Plans for Improvement
Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.	Communications strategy IRMP Consultation Policy	2	A broader consultation policy would be beneficial but there are difficulties in deciding what issues could and should be taken to the public, particularly in the light of the public's 'consultation fatigue' noted above.
On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.	Corporate plan Annual IRMP action plan IRMP 5 Year Plan Financial Accounts	5	
Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	Constitution Partnership for Common Sense Brigade Charter Fire Liaison Group Round Table	4	Authority to develop and publish a statement of principle regarding openness and transparency
Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	Partnership for Common Sense Brigade Charter Fire Liaison Group Round Table	4	Authority to develop and publish a statement of principle regarding openness and transparency

12.3 Review of Effectiveness

The Royal Berkshire Fire Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

During 2007/08 a number of enhancements have been made to the governance arrangements.

The most significant enhancement has been the formation of the Audit Committee with the remit:

- To consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
- To seek assurances that action is being taken on risk-related issues identified by auditors and inspectors
- To be satisfied that the Authority's assurance statements, including the Statement of Internal Control, properly reflect the risk environment
- To approve internal audit's strategy, plan and monitor performance
- To review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary
- To receive the annual assurance report from the internal auditors
- To consider external audit reports

The Fire Authority has increased its internal control role:

- It has approved asset management plans for IT and premises
- It has approved a new Authority Handbook, updating standing orders, financial regulations and powers of delegation
- It now receives regular risk management reports

The Risk Management Group has reviewed each risk on the risk register and the results have been reported to the Executive Committee

The Standards Committee has reviewed the new Members Code of Conduct, declarations of interest and the hospitality register

Bentley Jennison have begun their contract as the Authority's new internal auditors. Their Internal Audit Annual Report is attached as Appendix A.

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- Their overall audit opinion is “We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of Royal Berkshire Fire and Rescue Service’s risk management, control and governance processes.
In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2008 Royal Berkshire Fire and Rescue Service has adequate and effective risk management, control and governance processes to manage the achievement of the organisation’s objectives.”
 - Substantial assurances have been given on all key financial control audits
 - Substantial assurance was given on their corporate governance audit

Controls relating to retained firefighters pay have been enhanced through the electronic recording and authorisation of activities

Tendering has become more robust as a result of using regional expertise

A new stock system has been developed to improve controls

The CPA score for internal control was only a 2, but it is expected to improve as measures become “embedded”

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

12.4 Significant Governance Issues

The table below sets out the plan to address governance issues identified during 2007/08:

	Issue	Action	Lead	By when
1	AAL – continue to develop and embed governance processes for performance and risk management	Develop the role and work of the Audit Committee	AT	Ongoing
2	AAL – ensure there is a documented annual review of the risk management process	Review to be undertaken	AT/Internal Audit	December 2008
3	AAL – ensure that all partnership arrangements are supported by appropriate governance arrangements	Arrangements to be audited	AT	March 2009
4	AAL - Improve the CPA score for internal control	It is anticipated that the score will improve in the 2008 CPA exercise as a result of the embedding of measures already taken	AT	February 2009
5	AAL - Develop a strong counter-fraud culture supported and promoted by members and senior officers	Become more pro-active & allocate resources	AT	December 2008
6	AAL - Follow up NFI matches	Matches will be investigated	AT	September 2008
7	IA – Address Firewatch password and security issues	SD manual to be updated; User accounts and privileges to be reviewed regularly	Service Delivery/ISM	September 2008
8	Interim Audit 2007/08 – The Authority should review staffing resources in Finance Department to ensure it can meet existing workloads and future additional requirements	Review of staffing levels to take place in time to prepare any necessary budget bid	AT	November 2008
10	CPA – Business Continuity Planning	Plan to be finalised	ACFO	September 2008

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:.....

Dr Paul Bryant
Chairman of the Royal Berkshire Fire Authority

Signed:

Iain Cox
Chief Fire Officer of the Royal Berkshire Fire Authority