



ROYAL BERKSHIRE FIRE AUTHORITY
STATEMENT OF ACCOUNTS 2005/06

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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

<i>Bracknell Forest Borough Council</i>	<i>Slough Borough Council</i>
M Adams T Mills (Chairman to December 2005) P North A Ward (from 18 January 2006)	J S Grewal D Maclsaac D J Smith
<i>Reading Borough Council</i>	<i>Council of the Royal Borough of Windsor and Maidenhead</i>
C Borgars T Crisp C Maskell F Pugh	C Bateson D Howes V Howes S Werner D Wilson
<i>West Berkshire District Council</i>	<i>Wokingham District Council</i>
J C G Brooks P Bryant (Chairman since 8 February 2006) G.S.Findlay OBE J.E.R Mole (Vice Chairman) E Webster	P Bray J P Green B J S Patman A J Ross R Stanton

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

2. Officers of the Authority

Chief Fire Officer

Iain Cox MA BSc (Hons) MCIPD

Clerk & Monitoring Officer

Rosemary J Lansdowne BA (Solicitor)

Treasurer of the Combined Fire Service Fund

Andrew Vallance MBA MA(Oxon) CPFA

3. Auditors

The Audit Commission

District Auditor – Mick West CPFA

4. Explanatory Forward

4.1 The Authority

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

4.2 The Accounts

The Accounting Statements which follow form the Fire Authority's Statutory Accounts for the year ended 31 March 2006.

The accounts are drawn up in accordance with the Accounting Policies set out in detail on pages 5 to 9.

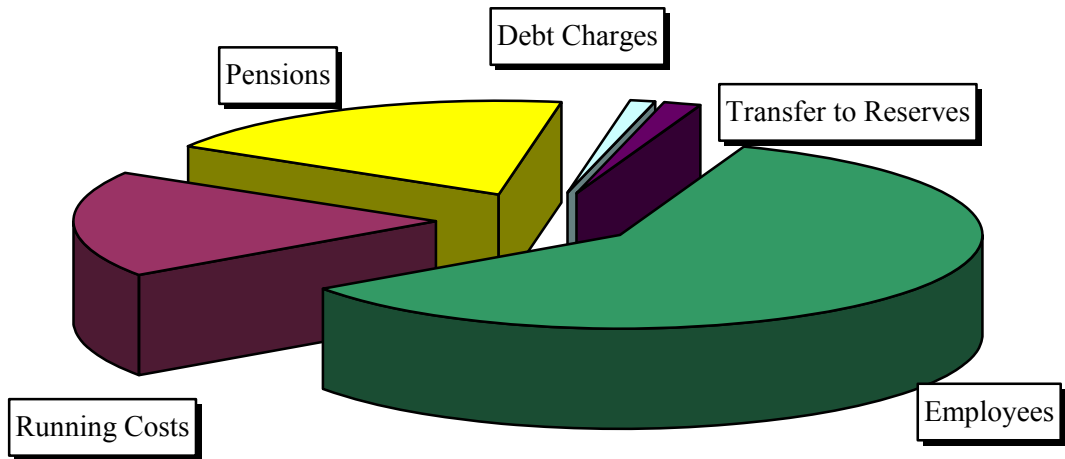
The Accounting Statements consist of:

- a) The Consolidated Revenue Account - which shows expenditure analysed in accordance with CIPFA's Best Value Accounting Code of Practice and how this was met by funding from the Unitary Authorities in Berkshire.
- b) The Balance Sheet - which shows the Authority's position as a whole and summarises its assets and liabilities.
- c) The Statement of Total Movements on Reserves - which brings together all the recognised gains and losses of the Authority during the year.
- d) The Cash Flow Statement - which summarises the in-flows and out-flows of cash arising from transactions with third parties for revenue and capital purposes.

4.3 Revenue Spending

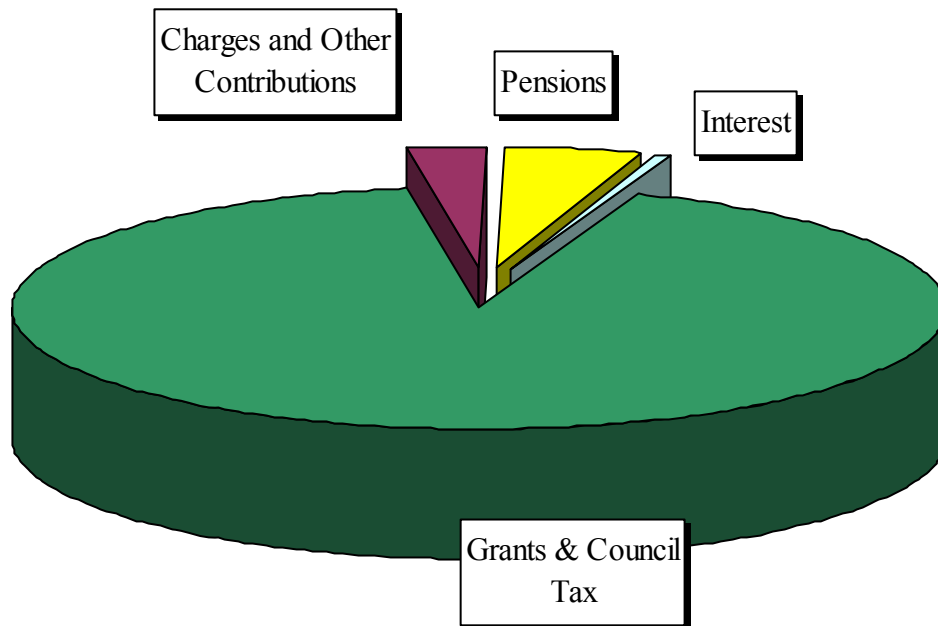
Gross expenditure in 2005/06 amounted to £32,107,000. This money was spent on:

2005/06	£000	%
Employees	20,294	63.2%
Running Costs	5,454	17.0%
Firefighters' Pensions	5,374	16.7%
Debt Charges	381	1.2%
Revenue Funding of Capital	54	0.2%
Transfers to Reserves	550	1.7%
	32,107	100.0%



Gross income amounted to £32,107,000.

2005/06	£000	%
Grants and Council Tax	29,477	91.9%
Charges and other contributions	947	2.9%
Interest	110	0.3%
Pensions - contributions and transfer values	1,573	4.9%
	32,107	100.0%



The Fire Authority's net revenue budget for the year was set at £29.477m. A comparison of actual spending compared with budget is set out in the following table:

	Budget 2005/06 £000	Actual 2005/06 £000	Variance 2005/06 £000
Service Expenditure (Net)	25,570	25,326	-244
Firefighters Pension Scheme Deficit	3,907	3,801	-106
	29,477	29,127	-350

At the year-end, the underspend was transferred to earmarked reserves. After making this adjustment, the Revenue Account surplus was eliminated and the General Fund Balance remained at £500,000.

4.4 Capital Expenditure and Financing

The capital expenditure budget for 2005/06 was £1,471,000. In addition to the budgeted resources, the Authority used capital grants of £262,000 to fund its capital expenditure. A total of £1,533,000 was spent on capital schemes and equipment.

The Authority's current borrowing facilities are through the Public Works Loan Board. During 2005/06 the Authority took out a 25-year loan of £1.1 million with the PWLB.

4.5 Pensions

The Firefighters' Pension Scheme is unfunded. The negative net value reflects 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.

4.6 Group Accounts

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

4.7 Future Developments

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

Future developments will include the transfer of the Fire Control function to a regional company part-owned by the Authority. In addition, a feasibility study has been commissioned by Firebuy into the viability of forming a mutual insurance company for fire service insurance.

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 2005: A Statement of Recommended Practice (SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

5.2 Accruals

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

The only exceptions to this are that:

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

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

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

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

5.3 Contingent Assets

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

5.4 Contingent Liabilities

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

5.5 Deferred Charges

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

5.6 Fixed Assets

i Recognition

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

ii Measurement

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

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

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

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

iii Impairment

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

iv Disposals

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

Upon disposal, the net book value of the asset disposed of is written off against the Fixed Asset Restatement Account.

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

v Depreciation

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

vi Charges to Revenue

General Fund service revenue accounts are charged with a capital charge for all fixed assets used in the provision of the service.

The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest (3.5%) to the average value at which the fixed assets have been included in the balance sheet.

External interest payable and provisions for depreciation are charged to the asset management revenue account, which is credited with the total of capital charges charged to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

vii Intangible Fixed Assets

The Authority currently does not have any intangible fixed assets.

5.7 Investments

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

5.8 Leases

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

5.9 Overheads

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

5.10 Pension Costs

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

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

in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme.

The Fire Authority participates in two pension schemes. Both provide members with defined benefits relating to pay and service.

i Uniformed Fire fighters

This scheme is unfunded and the charge to the accounts represents the net cost of pensions and other benefits after allowing for contributions made by employees for the year. The latest formal valuation was as at 31 December 2004.

ii The Local Government Superannuation Scheme

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

5.11 Provisions

i Bad and Doubtful Debts

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

ii Provisions – Other

Provisions are made for any liabilities of uncertain timing or amount that have been incurred. The Authority does not have any provisions at 31 March 2006.

5.12 Prudential Code

The 2005 SORP incorporates the *Prudential Code for Capital Finance in Local Authorities*. The Authority has fully implemented this code since its introduction on 1 April 2004. Capital expenditure has been financed in accordance with the Code.

5.13 Redemption of Debt

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

5.14 Reserves - Capital

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

5.15 Reserves - Revenue

The Authority has both general and specific reserves.

5.16 Stocks

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

5.17 Value Added Tax

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

6. Statement on Internal Control

6.1 Scope Of Responsibility

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

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

In accordance with the requirements of the Accounts and Audit Regulations 2003 this statement sets out how the Authority has sought to meet these requirements during 2005/06.

6.2 The Purpose Of The System Of Internal Control

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

The system of internal control described below has been in place at the Authority for the year ended 31 March 2006 and up to the date of approval of the statement of accounts, and accords with proper practice.

6.3 The Internal Control Environment

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

- establish and monitor the achievement of the Authority's objectives
- facilitate policy and decision making
- ensure compliance with established policies, procedures, laws and regulations
- identify, assess and manage the risks to the Authority's objectives including risk management
- ensure the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the Authority's functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty

-
- provide appropriate financial management of the Authority and the reporting of financial management
 - ensure adequate performance management of the Authority and the reporting of performance management

The Authority produces a Corporate Plan each year 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.

The Integrated Risk Management Plan sets out for the benefit of all our stakeholders the key corporate aims and the primary actions the Authority will take to achieve them. It shows how the Authority will respond to changes and challenges, identifies common aims with partners and sets priorities and targets for improvement. The IRMP is approved by the full Authority. Actions set out in the IRMP are reviewed regularly and the Plan itself is informed by the outcomes of consultation, performance results, other review programmes and factors such as local and national policies and initiatives.

The Executive Committee oversees the budget process each year and has set up a sub-committee to undertake a zero-based budget exercise prior to the 2007/08 budget. It also receives detailed budget monitoring reports at each meeting. The Overview and Scrutiny Committee recommends changes to the internal control process by reviewing the work of the Executive Committee and asking for specific reports from officers on items of concern.

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

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

The financial management of the Authority is led by the Treasurer in conjunction with the Chief Fire Officer and is integrated with and influenced by the corporate planning and monitoring processes set out above. This includes processes for forward planning of expenditure, consultation on budget proposals, setting and monitoring income and budgets, and completion of final accounts. All are intended to be accurate, informative, timely and within statutory requirements. The Directors Strategy Group reviews the Budgetary position of the Authority on a quarterly basis.

6.4 Review Of Effectiveness

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

The Overview and Scrutiny Committee recommended several changes to the system of internal control, which have all been implemented:

- a revised format of committee reports to ensure that all reports are reviewed by the Treasurer and the Clerk & Monitoring Officer
- a requirement that all reports to the Executive Committee are supported by a written paper
- monthly rather than quarterly budget monitoring reports to all members
- more detailed monitoring reports
- a sub committee of the Executive Committee has been set up to undertake a zero-based budgeting exercise prior to the formal 2007/08 budget process

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

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

Throughout 2005/06 the Authority has maintained and reviewed its system of internal control in a number of ways. In particular:-

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

Strategic Plan targets
Statement of Accounts 2004/05
Treasury Management Policy and Strategy
External Auditor's letter
Regular Budget Monitoring
Medium Term Financial Strategy and Budget

(b) Internal Audit has undertaken a number of planned reviews of systems and internal control procedures across a range of functions in the Authority. Each review contains an opinion on the internal controls in place and any unsatisfactory audit opinions result in recommendations for improvement, which are implemented by management. Copies of these reviews are sent to the Treasurer and to the external auditors.

(c) Senior managers completed the corporate risk register as the cornerstone of a risk management strategy for the Authority and have instituted a quarterly review process to ensure that each risk is re-examined at least once a year.

(d) The Senior Accountant post was filled from September 2005.

6.5 Significant Internal Control Issues

The Authority faces another challenging year in 2006/07 and the following are key issues in relation to internal control:-

- The provision of internal audit days from Reading BC will be doubled for 2006/07 to meet the requirements of the new International Standards on Auditing, in particular ISA number 315. The Audit Commission, as the Authority's external auditor has produced specific clarification and guidance about action necessary to discharge this obligation, and how internal audit can assist in this process. The principal requirement of the new standard is to be able to have a clear understanding about how systems are constituted, identifying what the impact of internal controls has and about their material influence on the financial statements. These actions should then reduce the risk of material misstatement in the accounts.
- IT security has been reviewed and requires improvements
- The final accounts must be completed in accordance with the revised timetable.
- The volume of single tender actions has been criticised by external auditors

We have been advised of the implications of the recommendations on improving internal controls made by the Overview And Scrutiny Committee, and a plan to address these weaknesses and promote continuous improvement of the internal control system is in place.

Dr Paul Bryant
Chairman of the Fire Authority

Iain Cox
Chief Fire Officer

7. Statement of Responsibilities

The Fire Authority is required:

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

Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting ("the Code"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2006.

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 43 are an accurate summary of the accounts of the Authority for the financial year 2005/06 prepared in accordance with the accounting policies stated on pages 5 to 9.

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

28 June 2006

Approval of the Accounts

I hereby confirm that these accounts were approved by the Fire Authority at its meeting on 28 June 2006.

Dr P Bryant
Chairman of the Fire Authority

28 June 2006

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

8.1 Opinion on the financial statements

I have audited the financial statements of Royal Berkshire Fire Authority for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

i Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

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

ii Basis of audit opinion

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

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

iii Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Mick West
Relationship Manager and District Auditor
Audit Commission

Date

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

i Authority's Responsibilities

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

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

ii Auditor's Responsibilities

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

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

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

iii Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for other local government bodies specified by the Audit Commission and published in August 2005, in all significant respects, Royal Berkshire Fire Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006

8.3 Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 in September 2005. 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.

8.4 Certificate

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

Mick West
Relationship Manager and District Auditor
Audit Commission

Date

9. Glossary of Financial Terms

Accounting Standards

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

Accruals

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

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 the revenue account 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 (Notional)

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

Capital Expenditure

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

Capital Receipts

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

Contingency

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

Depreciation

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

Finance Lease

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

Financial Reporting Standards

See Accounting Standards.

Fixed Assets

Tangible assets that yield benefits to the Authority for more than one year. See *also* Capital Expenditure.

Gross Expenditure

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

Intangible Fixed Assets

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

Net Cost of Service

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

Operating Lease

A lease other than a finance lease

Operational Assets

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

Provisions

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

Prudential Code

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

Reserves

See balances.

Revenue Expenditure

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

SSAPs

See Accounting Standards

10. Consolidated Revenue Account

Net Expenditure 2004/05 £000		Gross Expenditure 2005/06 £000	Gross Income 2005/06 £000	Net Expenditure 2005/06 £000	Notes
	SERVICE EXPENDITURE				
	Corporate & Democratic Core				
232	Corporate Management	261		261	
392	Democratic Representation & Management	435		435	
	Community Fire Safety				
830	Prevention and Education	1,287	-208	1,079	
1,863	Statutory Inspection	1,917	-1	1,916	
	Fire Fighting and Rescue Operations				
1,708	Communications and Mobilising	1,786	-86	1,700	
24,955	Operational Response	26,321	-628	25,693	
207	Securing Water Supplies	250		250	
30	Non Distributed Costs	370		370	10.3
30,217	NET COST OF SERVICE	32,627	-923	31,704	
	Transfer from Asset Management Revenue			-609	10.7
-595	External Interest			-110	
-130	Pensions Interest Cost & Expected Return on Assets			8,164	10.3
6,110					
35,602	NET OPERATING EXPENDITURE			39,149	
	Depreciation/ Principle Loan Repayment			-496	10.8
-545	Government Grants Deferred Adjustment			3	
-11	Reverse out Deferred Charges Amortisation			-10	
195	Transfer to Fire-fighter Pension Provision				
48	Transfer to Earmarked Reserves			550	10.9
-	Financing of Capital Expenditure			54	
-7451	Movement on Pensions Reserve			-9,656	10.3
257	Movement on Pensions Creditor			-117	10.3
28,095	AMOUNT TO BE MET FROM LOCAL TAXATION & GOVERNMENT			29,477	
	General Government Grants			-15,034	10.13
-14,889	Precepts			-14,443	10.13
-13,706					
-500	(SURPLUS) / DEFICIT FOR THE YEAR			0	
-	Balance Brought Forward			-500	
-500	BALANCE CARRIED FORWARD			-500	

10.1 Format of Revenue Accounts

This statement has been prepared in accordance with CIPFA's Code of Practice on Best Value Accounting. Service expenditure is analysed between the main operational Divisions of Service and the 'Corporate and Democratic Core'. Service expenditure includes notional capital charges for fixed assets used in the delivery of services. The notional charges are reversed out in the Asset Management Revenue Account, and therefore, there is no impact on the amount of expenditure to be met from local taxpayers. Capital financing costs are also reflected in the Asset Management Revenue Account.

10.2 Publicity

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

	2004/05 £000	2005/06 £000
Staff Recruitment Advertising	56	51
Community Fire Safety	115	87
Other Publicity	12	5
	183	143

10.3 Pensions Costs

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 two pension schemes:

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

The Uniformed Fire-fighters Scheme is an unfunded scheme, meaning that no investment assets are built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The costs of retirement benefits in the Net Cost of Services are recognised when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge made against council tax is based on the cash payable in the year,

so the real cost of retirement benefits is reversed out of the CRA after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

	Local Government Pension Scheme		Fire-fighters Scheme	
	2004/05 £000	2005/06 £000	2004/05 £000	2005/06 £000
<i>Net Cost of Services:</i>				
- current service cost	460	495	4,900	4,997
- past service cost	-	-	-	370
- impact of settlements and curtailments	30	-	-	-
<i>Net Operating Expenditure:</i>				
- interest cost	400	547	6,100	8,111
- expected return on assets in the scheme	-390	-494	-	-
<i>Amounts to be met by Govt. Grants & Precepts:</i>				
- movement on pensions reserve	-149	-96	-7,302	-9,560
- movement in pensions creditor	-	-	257	-117
	351	452	3,955	3,801
<i>Actual Amount Charged for Pension in the Year:</i>				
- employer's contributions payable to scheme	351	452	-	-
- retirement benefits payable to pensioners	-	-	3,266	3,662
- net transfers	-	-	689	139
	351	452	3,955	3,801

Note 11.11 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 12.2 to the Statement of Total Movements in Reserves details the differences between estimates made in previous years and actual experience (e.g. the expected return on investments).

10.4 Leases

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

	2004/05 £000	2005/06 £000
Photocopiers	29	28
Vehicles	253	253
Furniture	31	31
Equipment	-	3
Building	9	9
Total	322	324

10.5 Emoluments

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

	Employees 2004/05	Employees 2005/06
50,000 - 59,999	7	14
60,000 - 69,999	5	5
70,000 - 79,999	1	1
80,000 - 89,999	-	1
90,000 - 99,999	1	1
100,000 - 109,999	1	1

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

10.6 Discontinued Operations

None.

10.7 Transactions on the Asset Management Revenue Account

The Asset Management Revenue Account is necessary to convert the net cost of services (which includes notional capital charges as a measure of the use of assets) into net operating expenditure (including depreciation and external interest) as a measure of the real cost to the Authority of holding and using assets. Consequently the deficit on the account is the net figure, which results from reversing out notional capital charges made to services and debiting depreciation and external interest. The account is in no way a trading account reflecting the Authority's performance in property management.

	2004/05 £000	2005/06 £000
<i>Income</i>		
Provision for Depreciation	-664	-664
Notional Interest	-752	-819
Capital Grants Adjustment		-3
<i>Expenditure</i>		
Provision for Depreciation	664	664
External Interest Charge	157	213
Balance to Revenue Account	-595	-609

10.8 Minimum Revenue Provision

The Minimum Revenue Provision is the minimum amount that the Authority is required to set aside for debt principal repayment. It is calculated at 4% of the Authority's Capital Financing Requirement.

	2004/05 £000	2005/06 £000
Opening Capital Financing Requirement	3,030	4,193
Less 'A-Factor'	-50	-
Adjusted Capital Financing Requirement	2,980	4,193
Minimum Revenue Provision at 4% of adjusted CFR	119	168
Amount charged as Depreciation	664	664
Depreciation / Principal Loan Repayment adjustment to Revenue Account	-545	-496
Minimum Revenue Provision	119	168

10.9 Appropriations to Earmarked Reserves

	Transfers to Earmarked Reserves £000
Released Pension Provision	-1,159
Released Hydrant Accrual	-37
Appropriation to Pension Reserve	1466
Appropriation to Transitional Funding Reserve	200
Appropriation to Budget Carry Forward Reserve	80
	550

10.10 Members Expenses

The budget for members' attendance allowances was £30,000 in 2005/06 while the actual amount payable was £24,000.

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 2005/06.

Other Public Bodies. Reading Borough Council provides Internal Audit Services for the Authority. This is undertaken on a commercial basis and will therefore not have a controlling influence on either body.

The Authority has entered into local public service agreements with all six Berkshire unitary authorities. The Authority is using these agreements to build capacity within its Community Fire Safety department so that it can contribute along with its partners to the shared vision of creating a safer Berkshire.

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

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

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

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

10.12 Audit Costs

Fees relating to external audit and inspection are detailed below:

	2004/05 £000	2005/06 £000
External Audit Fees	45	56
Other Services	18	-
Total	63	56

10.13 Funding

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

	2004/05 £000	2005/06 £000
<i>Government Grants</i>		
RSG	14,476	15,034
Transitional Funding	413	-
<i>Contributions / Precepts</i>		
Bracknell Forest Council	1,822	1,918
Reading Council	2,172	2,337
Slough Council	1,682	1,781
West Berkshire Council	2,543	2,684
Windsor and Maidenhead Council	2,762	2,871
Wokingham Council	2,725	2,852
Total	28,595	29,477

11. Balance Sheet

2004/05 £000		2005/06 £000	Notes
	FIXED ASSETS		
	<i>Tangible Fixed Assets</i>		
22,545	Land and Buildings	23,014	11.1
625	Vehicles, Plant and Equipment	591	11.1
-	Non Operational Assets	399	
23,170	TOTAL LONG TERM ASSETS	24,004	
	CURRENT ASSETS		
148	Stock and Work in Progress	171	
1,500	Temporary Investments	2,000	
1,561	Cash and Bank	2,073	
823	Debtors	843	
4,032	TOTAL CURRENT ASSETS	5,087	
	LESS: CURRENT LIABLITILES		
-2,032	Creditors	-2,366	
-240	Income in Advance	-323	
24,930	TOTAL ASSETS LESS CURRENT LIABLITLIES	26,402	
-4,245	Long-term Borrowing	-5,345	11.8
	Provisions		
-1,159	Future Pensions Costs (Firefighters)	-	11.9
-152,287	Pensions Liability	-178,819	11.11
-132,761	TOTAL ASSETS LESS LIABLITIES	-157,762	
	FINANCED BY:		
22,449	Fixed Asset Restatement Account	22,449	11.12
-3,471	Capital Financing Account	-3,920	11.13
	Government Grants - Deferred	234	11.14
-	Usable Capital Receipts	-	11.15
-152,287	Pensions Reserve	-178,819	11.11
48	Specific Reserves	1,794	11.16
500	General Fund Balance	500	
-132,761	NET WORTH	-157,762	

11.1 Net Fixed Assets

i Movement of Fixed Assets 2005/06

	Land and Buildings £000	Vehicles, Plant and Equipment £000	Non-Operational Assets £000	Total £000
Valuation as at 31.3.05	22,545			
Net Book Value 31.3.05	22,545	625	-	23,170
Movements in year				
Additions	841	258	399	1,498
Disposals/Transfers				0
Depreciation for Year	-372	-292		-664
Revaluation				0
Net Book Value 31.3.06	23,014	591	399	24,004

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

Non-operational assets comprise part-built water tenders.

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 2006 the Fire Authority owned the following assets:

Buildings	
Fire Stations	19
Headquarters Offices	1
Training Centre	1

Vehicles	
Water Tenders	29
Specialist Fire Support Vehicles	13
Vans and Minibuses	38
Other Vehicles	13

and leased the following assets:

Buildings	
Fire Station (Sonning)	1

Vehicles	
Water Tenders	11
Specialist Fire Support Vehicles	3
Boat	1

iii Fixed Asset Valuation

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

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

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

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

The total value of the properties is £22,545,000 and the total number of properties valued was 20.

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

Mr Chris Perry FRICS
27 April 2005

11.2 Deferred Charges

The Authority's deferred charges in 2005/06 relate to expenditure on smoke detectors and building works on a leased fire station. The expenditure has been written out to revenue in accordance with the 2005 SORP.

	2004/05 £000	2005/06 £000
Balance brought forward at 1 April	11	0
Expenditure during year	-	35
Written down during year	-11	-35
Balance carried forward at 31 March	0	0

11.3 Capital Expenditure and Financing

Capital Expenditure	2005/06 £000
Vehicles	472
Buildings	851
IT	150
Equipment	60
	1,533

	2004/05 £000	2005/06 £000
Opening Capital Financing Requirement	3,030	4,193
<i>Capital Expenditure in Year</i>		
Operational Assets	1,282	1,099
Non-operational Assets		399
Deferred Charges		35
<i>Sources of Finance</i>		
Revenue Provision (including MRP)	-119	-222
Capital Grants		-262
Closing Capital Financing Requirement	4,193	5,242

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.

	2006/07 £000	2007/08 £000	2008/09 £000
Vehicles	582	547	512
Buildings	543	325	300
IT	157	53	40
Equipment	164	95	49
	1,446	1,020	901

11.4 Operating Lease Commitments

At 31 March 2006, the Authority was committed to making payments under operating leases of £1,737,000 as set out below.

	Land & Buildings £000	Vehicles, Plant & Equipment £000
Leases expiring in 2006/07		
Leases expiring between 2007/08 and 2010/11	18	471
Leases expiring after 2010/11		1,248
Total	18	1,719

11.5 Contingent Assets

There are no contingent assets to disclose.

11.6 Contingent Liabilities

There is a contingent liability in respect of current and former retained firefighters who may be eligible to join the Firefighters Pension Scheme with backdating to 2000. A House of Lords judgement has remitted the case back to the original Employment Tribunal so that it can reconsider its decision.

11.7 Post Balance Sheet Events

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

11.8 Long Term Borrowing

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

	Debt at 31.3.05 £000	Debt at 31.3.06 £000
Maturing within 1-2 years	-	-
Maturing within 2-5 years	403	403
Maturing within 5-10 years	-	-
Maturing in more than 10 years	3,842	4,942
	4,245	5,345

11.9 Provisions

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

	31.3.05 £000	Movement £000	31.3.06 £000
Future Pensions Costs (Firefighters)	-1,159	1,159	0

Changes made to the financing of firefighters' pensions mean that the Authority will no longer have to meet the lump sum retirement costs from the General Fund. Consequently, the amount set aside as a provision has been moved to an earmarked reserve to cover unbudgeted ill-health retirements and possible claims relating to backdating of retained firefighters' pensions.

11.10 Euro Costs

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

11.11 Pension Schemes (Disclosures under FRS17)

Note 10.3 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pension Scheme and the Fire-fighters Pension Scheme in providing civilian and uniformed officers with 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	
	31/03/2005 £000	31/03/2006 £000	31/03/2005 £000	31/03/2006 £000	31/03/2005 £000	31/03/2006 £000
Estimated Liabilities in Scheme	-9,893	-12,607	-149,300	-175,287	-159,193	-187,894
Estimated Assets in Scheme	6,906	9,075	-	-	6,906	9,075
Net Asset / Liability	-2,987	-3,532	-149,300	-175,287	-152,287	-178,819

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £179m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £158m. 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 fire-fighters pensions when the pensions are actually paid.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. These have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuations (31 March 2004 for the local government scheme and 31 December 2004 for the firefighters scheme). The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2004/05	2005/06	2004/05	2005/06
Rate of Inflation	2.90%	3.10%	2.90%	3.10%
Rate of increase in salaries	4.40%	4.60%	4.40%	4.60%
Rate of increase in pensions	2.90%	3.10%	2.90%	3.10%
Rate for discounting liabilities	5.40%	4.90%	5.40%	4.90%

The Firefighters Pension Scheme has no assets to cover its 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.

	As at 1 April 2004		As at 1 April 2005		As at 1 April 2006	
	Market Value £m	Expected Rate of Return %pa	Market Value £m	Expected Rate of Return %pa	Fair Value £m	Expected Rate of Return %pa
Equities	639.9	7.70%	778	7.70%	1,007.0	7.40%
Bonds	153	5.10%	168	4.80%	181.7	4.60%
Property	94	6.50%	104.9	5.70%	124.5	5.50%
Cash	81.5	4.00%	43.8	4.80%	52.6	4.60%
	968.4	6.90%	1,094.7	6.90%	1,365.8	6.70%

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.

11.12 Fixed Asset Restatement Account

The balance on the Fixed Asset Restatement Account represents the difference between the valuation of assets under the previous system of capital accounting and the revaluations as at 1 April 1995, 1 April 2000 and 1 April 2005. The account will be written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

	2004/05 £000	2005/06 £000
Balance as at 1 April	19,717	22,449
Revaluation of Assets	2,732	-
Balance as at 31 March	22,449	22,449

11.13 Capital Financing Account

The Capital Financing Account contains the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amount provided for depreciation and the amount charged to revenue to repay the principal element of external loans.

	2004/05 £000	2005/06 £000
Balance as at 1 April	-2,915	-3,471
Capital Financing – Revenue	-	54
Write-down deferred charges	-11	-10
Excess of Depreciation charged over the Minimum Revenue Provision	-545	-496
Government Grants Deferred Adjustment		3
Balance as at 31 March	-3,471	-3,920

11.14 Government Grants - Deferred

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

	2004/05 £000	2005/06 £000
Balance as at 1 April	-	-
Grant Funding of Capital Expenditure	-	262
Offset Depreciation on Grant-funded Assets	-	-3
Reverse out effect of Amortisation on Grant-funded Deferred Charges	-	-25
Balance as at 31 March	-	234

11.15 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 2004/05 and 2005/06.

11.16 Earmarked Reserves

At the end of 2005/06 the Authority had earmarked reserves as set out below.

	Opening Balance	Transfers In / (Out)	Closing Balance
Pension Reserve	-	1,514	1,514
Transitional Funding Reserve	-	200	200
Budget Carry Forward Reserve	-	80	80
Training Reserve	25	-25	0
Equipment Reserve	23	-23	0
Balance as at 31 March	48	1,746	1,794

12. Statement of Total Movements on Reserves

2004/05 £000		2005/06 £000	Notes
500	Revenue Surplus for the Year	-	
48	Add Back Movements on Specific Revenue Reserves	1,746	
-7,448	Deduct Appropriation from Pensions Reserve	-9,656	
-32,802	Actuarial Gains and Losses relating to Pensions	-16,876	12.2
-39,702	<i>Total Increase / (Decrease) in Revenue Resources</i>	-24,786	12.1
-	Increase in Useable Capital Receipts	-	
-	<i>Total Increase in Realised Capital Resources</i>	-	12.3
2,732	Gains on Revaluation of Fixed Assets		
2,732	<i>Total Increase in Unrealised Value of Fixed Assets</i>	-	12.4
-	<i>Value of Assets Sold, Disposed of or decommissioned</i>	-	12.5
-556	Revenue Resources Set Aside	-449	12.6
-	Movement on Government Grants Deferred	234	12.6
-556	<i>Total Decrease in Amounts set Aside to Finance Capital</i>	-215	12.6
-37,526	Total Recognised Gains and Losses	-25,001	

12.1 Movements in Revenue Resources

	General Fund Balances £000	Earmarked Reserves £000	Pensions Reserve £000
Balance brought forward at 1 April 2005	500	48	-152,287
Appropriations to / from Revenue		1,746	-9,656
Actuarial gains and losses relating to pensions			-16,876
Balance carried forward at 31 March 2006	500	1,794	-178,819

The Pensions Reserve has a large negative balance due to the fact that the Firefighters Pension Scheme has no assets to cover its liabilities.

12.2 Movements in the Pension Reserve

The actuarial gains identified as movements on the Pensions Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at the 31 March 2005.

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

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

12.3 Movements in Realised Capital Resources

The Usable Capital Receipts Reserve contains the proceeds from the sale of fixed assets, pending their use to finance capital expenditure. There were no receipts in 2005/06.

12.4 Movements in Unrealised Value of Fixed Assets

The balance on the Fixed Asset Restatement Reserve represents the difference between the valuation of assets under the previous system of capital accounting and the revaluations as at 1 April 1995, 1 April 2000 and 31 March 2005. There have been no revaluations in 2005/06.

Fixed Asset Restatement Account	£000
Balance b/f	22,449
Revaluations	-
Balance c/f	22,449

12.5 Value of Assets Sold, Disposed of, or Decommissioned

There have been no sales or disposals of assets.

12.6 Movement in Amounts Set Aside to Finance Capital Investment

	Capital Financing Account £'000	Govt Grants Deferred £'000	Total £'000
Balance b/f	-3,471	-	-3,471
<i>Revenue Resources Set Aside</i>			
Write-down of deferred charges	-10		-10
Depreciation	-496		-496
Appropriation from Revenue	57		57
<i>Movement on Government Grants Deferred</i>			
Grants applied to capital investment		262	262
Amounts charged to Asset Management Revenue Account		-3	-3
Reverse out effect of amortisation on grant funded deferred charges		-25	-25
Total Decrease in Amounts set aside to Finance Capital Investment	-449	234	-215
Balance c/f	-3,920	234	-3,686

The Capital Financing Account contains the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amount provided for depreciation and the amount charged to revenue to repay the principal element of external loans.

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

13. Cash Flow Statement

2004/05 £000		2005/06 £000
	REVENUE ACTIVITIES	
	Cash Outflows	
24,021	Cash paid to and on behalf of employees	25,158
6,419	Other operating costs	5,644
	Cash Inflows	
-28,595	Precepts / General Government Grants	-29,477
	Specific Revenue Grants	-191
-2,625	Other revenue cash income	-2,302
-780	Net Cash Outflow / (Inflow) From Revenue Activities	-1,168
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
	Cash Outflows	
157	Interest paid	213
	Cash Inflows	
-114	Interest received	-104
43	Net Cash Outflow from Servicing of Finance	109
	CAPITAL ACTIVITIES	
	Cash Outflows	
1,323	Purchase of fixed assets	1,491
	Cash Inflows	
	Sale of Assets	
	Capital Grants Received	-344
1,323	Net Cash Outflow from Capital Activities	1,147
	MANAGEMENT OF LIQUID RESOURCES	
	Cash Outflows	
	Short term deposits made	500
	Cash Inflows	
	Repayments of amounts borrowed	
-	Net Cash Outflow / (inflow) from Management of Liquid Resources	500
	FINANCING	
	Cash Outflows	
	Repayment of amounts borrowed	
	Cash Inflows	
-1,000	New loans raised	-1,100
-1,000	Net Cash Inflow from Financing	-1,100
-414	NET (INCREASE) / DECREASE IN CASH	-512

13.1 Reconciliation of the Surplus on the Revenue Account to the Movement in Cash

2004/05 £000		2005/06 £000
-500	Surplus for the year per Consolidated Revenue Account	-
	Non Cash Transactions	
-119	Minimum Revenue Provision	-168
-204	Movement in Provisions	9
-48	Movement in Reserves	-550
-	Capital Funded from Revenue	-54
	Movement in revenue items on an accrual basis	
-6	Increase / (Decrease) in Stocks	23
-52	Increase / (Decrease) in Debtors	11
412	(Increase) / Decrease in Creditors	-329
-220	(Increase) / Decrease in Income in Advance	-1
1,323	Capital activities on a cash basis	1,491
-	Management of liquid resources	500
	Capital grants received on a cash basis	-344
-1,000	Financing	-1,100
-414	Net (Increase) / Decrease in Cash	-512

13.2 Reconciliation of Net Cash Flow to Movement in Net Debt

	2004/05 £000	2005/06 £000	Movement £000
Cash and Bank	1,561	2,073	512
Investments	1,500	2,000	500
Borrowing	-4,245	-5,345	-1,100
	-1,184	-1,272	-88

Increase in cash in the period	512
Cash inflow from increase in debt	-1,100
Cash outflow from increase in liquid resources	500
Movement in net debt for the period	-88
Net funds at 1 April 2005	-1,184

13.3 Movement in Liquid Resources and Long-Term Borrowing

	2004/05 £000	2005/06 £000	Movement £000
Investments	1,500	2,000	500
Long-Term Borrowing	-4,245	-5,345	-1,100

13.4 Definition of Liquid Resources

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

13.5 Analysis of Grants

	2005/06 £000
<i>Revenue Grants</i>	
Community Fire Safety - ODPM	50
Community Fire Safety - Kidde	83
Community Fire Safety - Unitary Partners	23
High Volume Pumping - ODPM	35
	191
<i>Capital Grants</i>	
Community Fire Safety - ODPM	67
New Dimensions - ODPM	277
	344