STATEMENT OF ACCOUNTS 2013/14

ROYAL BERKSHIRE
FIRE AUTHORITY

CONTENTS

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.

Bracknell Forest Borough Council	Slough Borough Council
C Dudley (Chairman)	D Coad
I McCracken	H Dar
A Ward	E Plenty
	M Rasib
Reading Borough Council	**The Royal Borough of Windsor & Maidenhead**
A Cumpsty	C Bateson
P Gittings	P Bicknell
P Jones	D Burbage
C Maskell	J Lenton
R Rye	
West Berkshire District Council	**Wokingham Borough Council**
J Brooks	C Bowring
P Bryant	P Bray (to May 2013)
A Edwards	T McCann (from June 2013)
E Webster	P Helliar-Symons (Vice-Chairman)
	A Ross
	A Auty

2. Officers of the Authority

Chief Fire Officer and Chief Executive
Andy Fry BEng(Hons); CertEd; MA; MIFireE; MIOSH; FCMI

Director, Corporate Services
Caroline Redzikowska LLB (Hons) DipLG

Director of Resources and Authority Treasurer
Andrew Vallance MBA MA(Oxon) CPFA

3. Auditors

Ernst & Young LLP
Maria Grindley – Audit Director

4. Explanatory Foreword

4.1 The Authority

Royal Berkshire Fire Authority provides cover from 18 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 2014.

The accounts are drawn up in accordance with the accounting policies that are set out in detail in section 8.1.

A description of the core financial statements is given below:

a) Movement in Reserves Statement

   This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The *Surplus or (Deficit) on the Provision of Services* line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

b) Comprehensive Income and Expenditure Statement

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

c) Balance Sheet

   The Balance Sheet shows the value at the Balance Sheet date of assets and liabilities recognised by the Authority. The net assets (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example capital receipts may only be used to fund capital expenditure). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets were sold.

d) Cash Flow Statement

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

4.3 Revenue Spending

Industrial action and the major flooding incident in February were the main drivers of unbudgeted expenditure during 2013/14. The costs of industrial action amounted to £362,000 whilst the costs of responding to the flooding incident totalled £2,171,000. Fortunately, the Authority will be able to recover almost all of the costs of responding to the flooding via central Government’s Bellwin scheme. The Authority must pay the first £69,000 but 100% of qualifying expenditure above this threshold will be reimbursed.

Revenue budgets and expenditure for 2013/14 are shown in the table below.

	to Mar 14 Budget £000	to Mar 14 Outturn £000	to Mar 14 Variance £000	Notes
EMPLOYEE COSTS				
Uniformed	19,706	18,979	(727)	1
Non-uniformed	5,192	5,288	96	2
Training	263	262	(1)	
Other	119	191	72	3
	25,280	**24,720**	**(560)**	
PREMISES				
Repairs and Maintenance	854	862	8	
Rates	653	572	(81)	4
Cleaning	197	200	3	
Utilities	342	343	1	
	2,046	**1,977**	**(69)**	
SUPPLIES				
Insurance	332	288	(44)	5
Equipment	905	997	92	6
Clothing	318	313	(5)	
Communications	739	756	17	
Occupational Health	136	136	0	
Print/Stationery/Publications/Subscriptions	141	120	(21)	
Hydrant Repairs	63	66	3	
Community Fire Safety Supplies	91	93	2	
Flooding support from other FRSs	0	1,713	1,713	7
Other	305	372	67	8
	3,030	**4,854**	**1,824**	
CONTRACTS				
Legal	126	283	157	9
Other	267	321	54	10
	393	**604**	**211**	
TRANSPORT				
Vehicle Running Costs	885	935	50	11
Transport Leasing / Hire Charges	10	31	21	11
Travel	266	451	185	11
	1,161	**1,417**	**256**	**1**
INCOME				
Fees & Charges	(110)	(95)	15	
Other	(623)	(2,954)	(2,331)	12
	(733)	**(3,049)**	**(2,316)**	
NET COST OF SERVICES	**31,177**	**30,523**	**(654)**	
Pensions	378	344	(34)	13
Interest paid	397	393	(4)	
Interest received & other investment income	(23)	(32)	(9)	
NET OPERATING EXPENDITURE	**31,929**	**31,228**	**(701)**	
Revenue Funding of Capital	1,773	1,773	0	
Appropriation to / (from) Reserves	298	436	138	14
Minimum Revenue Provision	511	511	0	
Reversal of Accrued Holiday Pay	(19)	(19)	0	
CORPORATE (SURPLUS) / DEFICIT	**34,492**	**33,929**	**(563)**	

Explanation of Major Revenue Budget Variances

1 As in previous years, the large variance can mainly be explained by the on-going difficulties in recruiting retained firefighters. The wholetime firefighter recruitment freeze is another factor in explaining the underspend on the uniformed employee budget.

2 There is an overspend on the non-uniformed line of £96,000 as a result of overtime payments during the major flooding incident as well as during industrial action. Payments were also made to Emergency Fire Crews during the strikes.

3 Expenditure on the Other Employee Costs line is higher than the profiled budget due to recruitment and relocation costs of filling senior positions in the organisation.

4 The Valuation Office has reduced the assessments for Theale Cross Headquarters to £0 RV from 8th July 2013 while construction work takes place. This has resulted in a net saving of £81,000.

5 The insurance line is underspent as a result of reversing a provision that was previously made in 2012/13 relating to the sharing of costs of winding up the Fire and Rescue Authorities' Mutual Limited (FRAML). The final agreement that was reached by members of FRAML during 2013/14 means that the provision is no longer required.

6 Expenditure on equipment is above the profiled budget as a result of measures taken in relation to industrial action and the flooding incident.

7 Invoices from other fire and rescue services that supported RBFRS during the flooding amounted to £1,713,000. As stated above, these costs will be reimbursed through Bellwin.

8 The Strategic Miscellaneous line is over budget due to the publicity costs of industrial action.

9 Legal costs have run ahead of budget because of additional expenditure incurred in relation to the Authority's major projects and programmes.

10 The Other Contracts line is over budget as a consequence of remedial works at Wokingham Fire Station.

11 The overrun on transport costs is again due to industrial action and flooding.

12 The large variance on the Other Income line mainly relates to income due from DCLG as a result of the Bellwin Claim (£2,102,000). There was also some unbudgeted income relating to RBFRS officers seconded to work on regional policies and procedures (£101,000). Lastly, the Authority received unbudgeted in-year grant allocations from Government of £110,000.

13 The Pensions line is below budget as the costs of ill-health retirements were lower than anticipated.

14 Each year an appropriation of £138,000 from the Personal Protective Equipment (PPE) Reserve is made to fund annual maintenance expenditure of PPE. No appropriation was made in 2013/14 as it would only have added to the corporate underspend. From 2014/15 this expenditure will be funded from the base budget so the balance in the PPE Reserve will no longer be required and will be transferred to the Development Fund.

4.4 Capital Programme

Capital expenditure in 2013/14 was £4,104,000 against a budget of £5,707,000 (including budgets brought forward from the previous year and budgets that have been grant or revenue funded but excluding extended finance leases).

	to Mar 14 Budget £000	to Mar 14 Outturn £000	to Mar 14 Variance £000
Premises	4,508	3,355	(1,153)
Equipment	422	228	(194)
Vehicles	777	521	(256)
Total	**5,707**	**4,104**	**(1,603)**

The variance on the premises budget is due to slippage in the refurbishment of the new headquarters building. This work is now scheduled to be completed in the summer of 2014 rather than the spring.

The equipment budget was underspent due to delays in rolling out telemetry equipment for breathing apparatus. The delays have resulted from the need to ensure that there will be no interference from 4G technology. IT equipment was purchased for the future Thames Valley Fire Control Service using funding from Government.

Vehicle expenditure was lower than budget as the purchase of one water tender was deferred until 2014/15 and there was some slippage in the procurement of one other water tender.

4.5 Borrowing

All of the Fire Authority's loans are with the Public Works Loan Board and are used to fund capital expenditure. The Fire Authority did not need to take out additional loans during 2013/14 so total debt remained at £8.842 million as at 31 March 2014.

4.6 Pension Schemes

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 increase in the liabilities as at 31 March 2014 is due to the fall in the discount rate. The Authority is not currently required to make any financial provision for these future commitments and there is no effect on Council Tax.

The Authority pays employer contributions for uniformed staff into a separate 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 for uniformed staff and any shortfall is made up by the Government.

The Local Government Pension Scheme for non-uniformed employees is accounted for as a funded defined benefits scheme. As with the Firefighters' Pension Schemes, there has been an increase in the liabilities as at 31 March 2014 due to a fall in the real discount rate.

4.7 Royal Berkshire Fire & Rescue (Training) Limited

Royal Berkshire Fire & Rescue (Training) Limited was set up by the Authority to ensure the continued provision of fire safety training on a commercial basis. The company is a wholly-owned subsidiary of the Authority and started trading on 1 January 2009. Prior to this date the courses were run by a training team within the Authority. The company made a profit of £19,000 before tax during 2013/14. During this period, the Authority charged the company £57,500 for accommodation and provision of services.

Group accounts have not been produced as the revenue generated by the company during 2013/14 is immaterial compared to the size of the Authority's budget.

Andrew Vallance MBA MA (Oxon) CPFA
Director of Resources and Treasurer to the Royal Berkshire Fire Authority

5. Statement of Responsibilities

The Fire Authority is required:

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

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 a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2014.

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 Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom, which give a true and fair view of the financial position of the Authority.

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 presents a true and fair view of the financial position of the Authority for the financial year 2013/14 and was prepared in accordance with the accounting policies in section 8.1.

Andrew Vallance MBA MA (Oxon) CPFA
Treasurer to the Royal Berkshire Fire Authority 22 September 2014

Approval of the Accounts

I hereby confirm that these accounts were approved by the Fire Authority at its meeting on 22 September 2014.

Colin Dudley
Chairman of the Fire Authority 22 September 2014

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

Opinion on the Authority financial statements

We have audited the financial statements of Royal Berkshire Fire Authority for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes 8.1 to 8.35 and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement as shown in Note 9. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFAS/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

Respective responsibilities of the Authority Treasurer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2013/14 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Royal Berkshire Fire Authority as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Royal Berkshire Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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

Maria Grindley
for and on behalf of Ernst & Young LLP, Appointed Auditor
Apex Plaza
Forbury Road
Reading, RG1 1YE

23 September 2014

7. Core Financial Statements

7.1 Movement in Reserves Statement

Movement in 2013/14

	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2013		**2,253**	**6,412**	**0**	**1,290**	**9,955**	**(243,558)**	**(233,603)**
Surplus or (deficit) on the provision of services	CIES	(8,990)				(8,990)		(8,990)
Other Comprehensive Expenditure and Income	CIES	1,141				1,141	(17,919)	(16,778)
Total Comprehensive Income and Expenditure		**(7,849)**	**0**	**0**	**0**	**(7,849)**	**(17,919)**	**(25,768)**
Adjustments between accounting basis & funding basis under regulations	8.2	8,872			(1,290)	7,582	(7,582)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**1,023**	**0**	**0**	**(1,290)**	**(267)**	**(25,501)**	**(25,768)**
Transfers to/from Earmarked Reserves	8.3	(999)	999			0		0
Increase / (Decrease) in the year		24	999	0	(1,290)	(267)	(25,501)	(25,768)
Balance as at 31 March 2014		**2,277**	**7,411**	**0**	**0**	**9,688**	**(269,059)**	**(259,371)**

Movement in 2012/13

	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2012		**2,266**	**4,988**	**0**	**1,479**	**8,733**	**(206,585)**	**(197,852)**
Surplus or (deficit) on the provision of services	CIES	(7,371)				(7,371)		(7,371)
Other Comprehensive Expenditure and Income	CIES	(476)				(476)	(27,904)	(28,380)
Total Comprehensive Income and Expenditure		**(7,847)**	**0**	**0**	**0**	**(7,847)**	**(27,904)**	**(35,751)**
Adjustments between accounting basis & funding basis under regulations	8.2	9,258			(189)	9,069	(9,069)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**1,411**	**0**	**0**	**(189)**	**1,222**	**(36,973)**	**(35,751)**
Transfers to/from Earmarked Reserves	8.3	(1,424)	1,424			0		0
Increase / (Decrease) in the year		(13)	1,424	0	(189)	1,222	(36,973)	(35,751)
Balance as at 31 March 2013		**2,253**	**6,412**	**0**	**1,290**	**9,955**	**(243,558)**	**(233,603)**

7.2 Comprehensive Income and Expenditure Statement

2012/13					2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			Community Fire Safety				
5,973	(192)	5,781	Prevention and Education		6,200	(227)	5,973
1,440	(28)	1,412	Statutory Inspection		1,596	(8)	1,588
			Fire Fighting and Rescue Operations				
2,492	(316)	2,176	Communications and Mobilising		2,611	(447)	2,164
25,449	(140)	25,309	Operational Response		28,156	(2,350)	25,806
222	(2)	220	Securing Water Supplies		233		233
44		44	Fire Service Emergency Planning		44		44
			Corporate & Democratic Core				
276		276	Corporate Management		355		355
671		671	Democratic Representation & Management		724		724
112		112	Non Distributed Costs				
36,679	**(678)**	**36,001**	**Net Cost of Services**	8.4	**39,919**	**(3,032)**	**36,887**
		(7)	Other operating expenditure	8.5			(1)
		11,104	Financing and Investment Income and Expenditure	8.6			12,229
		(39,727)	Taxation and Non-Specific Grant Income	8.7			(40,125)
		7,371	**(Surplus) or Deficit on the Provision of Services**				**8,990**
		471	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	8.27i			(1,136)
		27,909	Actuarial (gains)/losses on pension assets/liabilities				17,914
		28,380	**Other Comprehensive Income and Expenditure**				**16,778**
		35,751	**Total Comprehensive Income and Expenditure**				**25,768**

7.3 Balance Sheet

31 March 2013 £000		Notes	31 March 2014 £000
29,692	Property, Plant & Equipment	8.13	33,344
610	Investment Property	8.14	688
30,302	**Long Term Assets**		**34,032**
2,768	Short Term Investments	8.16	2,775
170	Inventories	8.18	152
1,077	Short Term Debtors	8.19	5,371
980	Prepayments	8.19	839
9,039	Cash and Cash Equivalents	8.20	8,195
14,034	**Current Assets**		**17,332**
(2,335)	Short Term Creditors	8.21	(5,142)
(3)	Income in Advance	8.21	(2)
(183)	Short-term Provisions - holiday pay	8.27v	(202)
(80)	Provisions	8.22	(306)
(89)	Lease Liabilities	8.24	(30)
(2,690)	**Current Liabilities**		**(5,682)**
(189)	Provisions	8.22	(189)
(8,842)	Long Term Borrowing	8.16	(8,842)
(22)	Lease Liabilities	8.24	0
(266,184)	Pension Liability	8.25 iv	(296,010)
(12)	Capital Grants Receipts in Advance	8.8	(12)
(275,249)	**Long Term Liabilities**		**(305,053)**
(233,603)	**Net Assets**		**(259,371)**
9,955	Usable Reserves		9,688
(243,558)	Unusable Reserves	8.27	(269,059)
(233,603)	**Total Reserves**		**(259,371)**

7.4 Cash Flow Statement

2012/13 £000		Notes	2013/14 £000
	Net cash inflow / (outflow) from:		
3,460	Operating Activities	8.32	2,049
(2,352)	Investing Activities	8.33	(2,797)
(127)	Financing Activities	8.34	(96)
981	**Net increase or (decrease) in cash and cash equivalents**		**(844)**
8,058	Cash and cash equivalents at the beginning of the reporting period		9,039
9,039	**Cash and cash equivalents at the end of the reporting period**		**8,195**

8. Notes to Core Financial Statements

8.1 Accounting Policies

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by 30 June in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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

ii Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Supplies are recorded as expenditure when they are consumed. If there is a gap between the date supplies are received and their consumption, then they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The only exceptions to the above are that:

- Public utility payments are charged at the date of meter reading, and are not apportioned on a time basis.

- Salaries and wages are paid in arrears, and amounts charged correspond to the income tax year.

- Amounts charged on monthly procurement card statements run from March to February rather than April to March in the Accounts.

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

iii Cash and Cash Equivalents

Cash and cash equivalents for the Authority equate to monies held in the Authority's current account and linked savings account. Monies held in these accounts can be withdrawn without notice and are used for the day-to-day running of the Authority.

The Authority also holds monies in call accounts. These deposits are treated as short-term investments as the Authority does not use these balances on a day-to-day basis.

iv Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

v Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service;

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue (minimum revenue provision) towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a contribution from the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

Post Employment Benefits

Pension costs have been provided for in accordance with relevant Government regulations and in accordance with *IAS 19 Employee Benefits*.

IAS 19 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 *2006 Firefighters Pension Scheme*.

- **Uniformed Firefighters**

  The two firefighter pension schemes are unfunded defined benefits schemes.

  Central Government requires Fire Authorities to 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 grant to bring the account into balance.

  The pension costs have been assessed in accordance with the advice of a professionally qualified actuary. The latest formal valuation was at 31 March 2012.

- **The Local Government Pension Scheme**

  The Local Government Pension Scheme (LGPS) is accounted for as a funded defined benefits scheme:

  The liabilities of the Royal County of Berkshire Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees. Liabilities are discounted to their value at current prices.

  The assets of the Royal County of Berkshire Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value.

The latest formal valuation was as at 31 March 2013.

- **Measurement of the Net Liabilities of the Pension Schemes**

A revised IAS 19 standard was published in June 2011 and is effective for accounting periods starting on or after 1 January 2013. The amendments are designed to simplify the disclosures relating to defined benefit pension schemes and to improve the quality of those disclosures. There are some changes in definition. The revision means there are only three main categories: service cost, net interest on the net defined benefit liability or asset and remeasurements of the net defined benefit liability or asset.

1. Service cost comprising:

   — current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

   — past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years– debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of *Non Distributed Costs.*

2. Net interest on the net defined benefit liability (asset): the change during the period in the net defined benefit liability (asset) that arises from the passage of time which is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

3. Remeasurements comprising:

   — the return on plan assets which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

   — actuarial gains and losses are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These gains and losses are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- **Cost of Retirement Benefits in Relation to the General Fund**

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

Discretionary Benefits

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

vii Events after the Balance Sheet date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of event would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

viii Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the *Financing and Investment Income and Expenditure* line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the *Financing and Investment Income and Expenditure* line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

ix Government Grants and Contributions

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

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

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

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

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

x Interests in Companies and Other Entities

Royal Berkshire Fire & Rescue (Training) Limited was set up by the Authority to ensure the continued provision of fire safety training on a commercial basis. The company is a wholly-owned subsidiary of the Authority and started trading on 1 January 2009. Prior to this date the courses were run by a training team within the Authority.

Group accounts have not been produced as the revenue generated by the company is immaterial compared to the size of the Authority’s budget.

xi Inventories

Inventories are reflected in the balance sheet at average historical cost. This is not consistent with IAS 2, which requires inventories 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 items. Certain immaterial inventories are treated as current expenditure and charged directly to revenue.

xii Investment Property

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

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

Rentals received in relation to investment properties are credited to the *Financing and Investment Income* line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii Leases

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

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

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

The Authority as Lessee

Finance Leases

Property, plant or equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset.

Lease payments are apportioned between:

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

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

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

Operating Leases

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

xiv **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xv Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. All of the Authority's capital expenditure plans are formulated within the framework of CIPFA's Prudential Code.

Recognition

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

Measurement

An Asset is initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued every five years to ensure that their carrying amount is not materially different from their fair value.

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

Where decreases in value are identified, they are accounted for as follows:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

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

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

Depreciation

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

Deprecation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- Vehicles – reducing balance over the life of the asset, DCLG donated assets – straight line over the remaining useful life;
- Plant & Equipment – straight-line over the life of the asset.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Component accounting

New components of Property, Plant & Equipment are not shown separately on the Balance Sheet if the value of the component is less than £100,000. Furthermore, components with a value of at least £100,000 are only shown separately on the Balance Sheet where the value of the new component is at least 20 per cent of the value of the remainder of the asset.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the *Other Operating Expenditure* line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the *Other Operating Expenditure* line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xvi Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xvii Reserves

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

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

xviii Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xix VAT

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

8.2 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are required by statutory regulations to the Comprehensive Income and Expenditure Statement.

Movements in 2013/14 and 2012/13 are shown in the tables below.

2013/14	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	1,751			(1,751)
Revaluations gains on PPE	(149)			149
Movements in the market value of investment properties debited or credited to the CIES	(78)			78
Capital grant and contributions applied	(1,040)			1,040
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0			0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory Provision for the repayment of debt - (MRP)	(512)			512
Revenue contribution to finance capital	(1,773)			1,773
Upward revaluation of assets	(1,136)			1,136
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferrred to the Capital Adjustment Account			(1,290)	1,290
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	19,723			(19,723)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,450)			3,450
Gain in relation to government grant payable to the Pension Fund on the Authority's behalf	(4,364)			4,364
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(119)			119
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	19			(19)
Total Adjustments	**8,872**	**0**	**(1,290)**	**(7,582)**

2012-13	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	1,608			(1,608)
Movements in the market value of investment properties debited or credited to the CIES	(30)			30
Capital grant and contributions applied	(1,286)			1,286
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	3			(3)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory Provision for the repayment of debt - (MRP)	(555)			555
Revenue contribution to finance capital	(1,463)			1,463
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the provision of services	471			(471)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferrred to the Capital Adjustment Account			(189)	189
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	17,716			(17,716)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,504)			3,504
Gain in relation to government grant payable to the Pension Fund on the Authority's behalf	(3,633)			3,633
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(63)			63
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6)			6
Total Adjustments	**9,258**	**0**	**(189)**	**(9,069)**

8.3 Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

	Balance at 31 March 2013 £000	Transfer In (Out) £000	Balance at 31 March 2014 £000	Purpose
Budget Carry Forward Reserve	519	41	560	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
Joint Control Reserve	206	50	256	To meet costs associated with the transition to joint control
Detectors Reserve	0	179	179	To provide on-going support to the Fire Prevention Programme
Operational Equipment Reserve	40	50	90	To enhance operational response capabilities
Protective Equipment Reserve	737	(737)	0	No longer required as costs will be met from base budget
Grants Received in Advance	732	395	1,127	The unspent balance of grants including £804,000 for Thames Valley Fire Control Service
Vacancy Reserve	35	105	140	To offset fluctuations in employee numbers
Budget Contingency Reserve	496	0	496	To offset future cuts in Government funding
New Windsor Fire Station	0	170	170	To fund New Windsor Fire Station
Development Fund	3,647	746	4,393	To fund capital projects
Total	**6,412**	**999**	**7,411**	

Comparative movements in 2012/13

	Balance at 31 March 2012 £000	Transfer In (Out) £000	Balance at 31 March 2013 £000	Purpose
Budget Carry Forward Reserve	319	200	519	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
Joint Control Reserve	156	50	206	To meet costs associated with the transition to joint control
Operational Equipment Reserve	124	(84)	40	To enhance operational response capabilities
Protective Equipment Reserve	813	(76)	737	To offset the costs of the replacement programme
Grants Received in Advance	845	(113)	732	The unspent balance of grants
Vacancy Reserve	0	35	35	To offset fluctuations in employee numbers
Budget Contingency Reserve	496	0	496	To offset future cuts in Government funding
Development Fund	2,235	1,412	3,647	To fund capital projects
Total	**4,988**	**1,424**	**6,412**	

8.4 Accounts Reported for Resource Allocation Decision

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority on the basis of the budget report, which is prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The minimum revenue provision is charged instead of depreciation, revaluation and impairment losses.
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure recorded in the budget report is as follows:

2012/13 £000		2013/14 £000
24,431	Employee Costs	24,720
1,809	Premises	1,977
3,132	Supplies	4,854
500	Contracts	604
1,330	Transport	1,417
(621)	Income	(3,049)
30,581	**Net Cost of Services**	**30,523**
336	Firefighter Pension Costs	344
397	Interest Paid	393
(42)	Interest Received	(32)
31,272	**Operating Expenditure**	**31,228**
1,463	Revenue Funding of Capital	1,773
742	Appropriations to/from Reserves	436
554	Minimum Revenue Provision	511
6	Reversal of Accrued Holiday	(19)
34,037	**Total Expenditure**	**33,929**

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

This reconciliation shows how the figures in the analysis of income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2012/13 £000	Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2013/14 £000
34,037	Net Expenditure in the Budget Report	33,929
7	Services and Support Services not in Anaylsis	(19)
8,545	Add amounts not reported to management	9,367
(6,588)	Remove amounts reported to management not included in the Comprehensive Income and Expenditure Statement	(6,390)
36,001	**Cost of Services**	**36,887**

Reconciliation to Subjective Analysis

The reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis for 2013/14

Reconciliation to Subjective Analysis	Service Analysis £000	Services and Support Services not in Analysis £000	Allocation of recharges £000	Not reported to management £000	Not included in Net Cost of Services £000	Total Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(521)	(169)	50		14	(626)		(626)
Interest and investment income	(43)				43	0	(121)	(121)
Income from precepts						0	(23,336)	(23,336)
Government grants and contributions	(2,516)				110	(2,406)	(16,789)	(19,195)
Total Income	**(3,080)**	**(169)**	**50**	**0**	**167**	**(3,032)**	**(40,246)**	**(43,278)**
Employee expenses	25,064	84		7,766	(3,464)	29,450		29,450
Other service expenses	8,852	65	(50)			8,867		8,867
Depreciation, revaluation and impairment		1		1,601		1,602		1,602
Interest payments	393				(393)	0	12,350	12,350
Profit or Loss on Disposal	(1)				1	0	(1)	(1)
Appropriations	436				(436)	0		0
Revenue Funding of Capital	1,773				(1,773)	0		0
Reversal of Accrued Holiday	(19)				19	0		0
Minimum Revenue Provision	511				(511)	0		0
Total Operating Expenses	**37,009**	**150**	**(50)**	**9,367**	**(6,557)**	**39,919**	**12,349**	**52,268**
Surplus or deficit on the provision of services	**33,929**	**(19)**	**0**	**9,367**	**(6,390)**	**36,887**	**(27,897)**	**8,990**

Comparative report in 2012/13

Reconciliation to Subjective Analysis	Service Analysis £000	Services and Support Services not in Analysis £000	Allocation of recharges £000	Not reported to management £000	Not included in Net Cost of Services £000	Total Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(309)	(138)	46		9	(392)		(392)
Interest and investment income	(42)				42	0	(72)	(72)
Income from precepts						0	(18,793)	(18,793)
Government grants and contributions	(312)				26	(286)	(20,934)	(21,220)
Total Income	**(663)**	**(138)**	**46**	**0**	**77**	**(678)**	**(39,799)**	**(40,477)**
Employee expenses	24,767	104		6,937	(3,503)	28,305		28,305
Other service expenses	6,771	41	(46)			6,766		6,766
Depreciation, amortisation and impairment				1,608		1,608		1,608
Interest payments	397				(397)	0	11,176	11,176
Profit or Loss on Disposal						0	(7)	(7)
Appropriations	742				(742)	0		0
Revenue Funding of Capital	1,463				(1,463)	0		0
Reversal of Accrued Holiday	6				(6)	0		0
Minimum Revenue Provision	554				(554)	0		0
Total Operating Expenses	**34,700**	**145**	**(46)**	**8,545**	**(6,665)**	**36,679**	**11,169**	**47,848**
Surplus or deficit on the provision of services	**34,037**	**7**	**0**	**8,545**	**(6,588)**	**36,001**	**(28,630)**	**7,371**

8.5 Other Operating Expenditure

2012/13 £000		2013/14 £000
(7)	(Profit) / loss on the disposal of assets	(1)
(7)	**Total**	**(1)**

8.6 Financing and Investment Income and Expenditure

2012/13 £000		2013/14 £000
397	Interest payable and similar charges	393
10,779	Pensions interest cost and expected return on pensions assets	11,957
(31)	Interest receivable and similar income	(32)
(41)	Income and expenditure in relation to investment properties and changes in their fair value	(89)
11,104	**Total**	**12,229**

8.7 Taxation and Non Specific Grant Incomes

Restated 2012/13 £000		2013/14 £000
(18,793)	Council Tax Income	(18,995)
	Non Domestic Rates Income	(4,460)
(16,014)	General Government Grants	(11,266)
(1,286)	Capital Grants	(1,040)
(3,634)	Gain in relation to Government grant and other contributions payable to the Pension Fund on the Authority's behalf	(4,364)
(39,727)	**Total**	**(40,125)**

The figures in the table above have been reclassified to take account of localisation of business rates, although there is no change in the total.

8.8 Grant Income

	2012/13 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income:		
Council tax transition grant	27	25
Capitalisation Fund allocation		49
Transparency grant		2
Small business rates relief		34
Capital grants from Central Government	1,286	1,040
Total	**1,313**	**1,150**
Credited to Service:		
Bellwin reimbursement for severe flooding incident		2,102
Firelink	241	257
New Dimensions	44	47
Total	**285**	**2,406**

The Authority has received a number of contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year-end are as follows:

	£000
Capital Grants Receipts in Advance	(12)
Total	**(12)**

8.9 Members' Allowances

The Authority paid the following amounts to Members of the Fire Authority during the year.

	2012/13 £000	2013/14 £000
Allowances	71	72
Expenses	2	3
Total	**73**	**75**

8.10 Officers' Remuneration

Officers whose remuneration was £50,000 or more fall into the following ranges:

Remuneration band	2012/13 Restated Number of employees	2013/14 Number of employees
50,000 - 54,999	17	18
55,000 - 59,999	15	6
60,000 - 64,999	1	7
65,000 - 69,999	3	2
75,000 - 79,999	0	1
Total	**36**	**34**

The table above excludes Directors whose remuneration is shown in the table below. The 2012/13 figures have been restated to exclude Directors who were previously included.

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

Senior employees are shown by job title in the tables below. The term senior employee applies to the Chief Fire Officer and Directors.

Remuneration 2013/14	Salary including fees and allowances	Benefit in Kind (car allowance)	Total remuneration excluding pension contributions	Employer pension contributions	Total remuneration including pension contributions
Chief Fire Officer 1	26,017	2,212	28,229	-	28,229
Chief Fire Officer 2	37,708	2,212	39,920	8,032	47,952
Chief Fire Officer 3	62,903	4,425	67,328	13,398	80,726
Chief Fire Officer	**126,628**	**8,849**	**135,477**	**21,430**	**156,907**
Deputy Chief Fire Officer 1	81,782	6,637	88,419	16,614	105,033
Deputy Chief Fire Officer 2	23,833	2,212	26,045	5,077	31,122
Deputy Chief Fire Officer	**105,615**	**8,849**	**114,464**	**21,691**	**136,155**
Assistant Chief Fire Officer 1	79,599	6,637	86,236	15,675	101,911
Assistant Chief Fire Office 2	16,066	1,020	17,086	3,422	20,508
Assistant Chief Fire Officer	**95,665**	**7,657**	**103,322**	**19,097**	**122,419**
Director of Resources and Authority Treasurer	**88,397**	**8,849**	**97,246**	**13,719**	**110,965**
Director Corporate Services	**68,895**	**8,849**	**77,744**	**11,712**	**89,456**
Total	**485,200**	**43,053**	**528,253**	**87,649**	**615,902**

During 2013/14, there were three individuals who held the post of Chief Fire Officer and two individuals who held the posts of Deputy Chief Fire Officer and Assistant Chief Fire Officer.

The full-time equivalent salary of the Director, Corporate Services in 2013/14 was £76,550.

Remuneration 2012/13	Salary including fees and allowances	Benefit in Kind (car allowance)	Total remuneration excluding pension contributions	Employer pension contributions	Total remuneration including pension contributions
Chief Fire Officer	100,317	8,849	109,166	-	109,166
Deputy Chief Fire Officer	109,248	8,849	118,097	22,524	140,621
Assistant Chief Fire Officer	95,335	8,849	104,184	19,092	123,276
Director of Resources and Authority Treasurer	86,900	8,849	95,749	13,583	109,332
Director, Corporate Services	68,469	8,849	77,318	10,911	88,229
Total	**460,269**	**44,245**	**504,514**	**66,110**	**570,624**

The full-time equivalent salary of the Director, Corporate Services in 2012/13 was £74,150. The full-time equivalent salary of the Chief Fire Officer in 2012/13 was £125,400.

8.11 Exit Packages and Termination Benefits

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures		Total Number		Total Cost £	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0-£20,000	1	3	1	0	2	3	30,281	8,332
£20,001-£40,000	0	0	1	0	1	0	20,101	-
£40,001-£60,000	1	1	0	0	1	1	49,854	41,378
Total	**2**	**4**	**2**	**-**	**4**	**4**	**100,236**	**49,710**

8.12 **External Audit Costs**

Fees relating to external audit and inspection are detailed below. The fees cover a financial statements audit, a value for money audit, a whole of government accounts audit and work on the National Fraud Initiative.

	2012/13 £000	2013/14 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	46	45
Audit Commission rebate for audit fees		(9)
Total	**46**	**36**

8.13 **Property, Plant and Equipment**

i **Movement on Balances**

Movements in property, plant and equipment for 2013/14 are shown in the table below.

	Land & Building £000	Vehicles, Plant and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
At 1 April 2013	26,830	10,244	3,481	40,555
Additions		169	3,950	4,119
Derecognition-disposals		(110)		(110)
Derecognition-other		(1,167)		(1,167)
Other movements in cost or valuation	1,285	1,005	(1,005)	1,285
at 31 March 2014	**28,115**	**10,141**	**6,426**	**44,682**
Accumulated Depreciation and Impairment				
At 1 April 2013	(2,862)	(8,001)		(10,863)
Depreciation Charge	(524)	(828)		(1,352)
Impairment losses recognised in the Surplus / Deficit on the provision of services	(399)			(399)
Derecognition-disposals		110		110
Derecognition-other	(1)	1,167		1,166
at 31 March 2014	**(3,786)**	**(7,552)**	**0**	**(11,338)**
Net Book Value				
at 31 March 2013	**23,968**	**2,243**	**3,481**	**29,692**
at 31 March 2014	**24,329**	**2,589**	**6,426**	**33,344**

Comparative movements in 2012/13

	Land & Building £000	Vehicles, Plant and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
At 1 April 2012	26,460	10,341	1,117	37,918
Additions	370	143	2,431	2,944
Derecognition-disposals		(306)		(306)
Derecognition-other			(1)	(1)
Other movements in cost or valuation		66	(66)	0
at 31 March 2013	**26,830**	**10,244**	**3,481**	**40,555**
Accumulated Depreciation and Impairment				
At 1 April 2012	(1,600)	(7,487)		(9,087)
Depreciation Charge	(553)	(818)		(1,371)
Impairment losses recognised in the Revaluation Reserve	(471)			(471)
Impairment losses recognised in the Surplus / Deficit on the provision of services	(238)			(238)
Derecognition-disposals		304		304
Derecognition-other				0
at 31 March 2013	**(2,862)**	**(8,001)**	**0**	**(10,863)**
Net Book Value				
at 31 March 2012	**24,860**	**2,854**	**1,117**	**28,831**
at 31 March 2013	**23,968**	**2,243**	**3,481**	**29,692**

ii Depreciation

Depreciation has been calculated as follows:

Buildings – straight line over the life of the buildings (15-48 years)
Equipment – straight line over the life of the asset (3-15 years)
Vehicles – reducing balance over the life of the asset (5-15 years). Assets donated by the Government are depreciated straight line over the remaining useful life.

iii Capital Commitments update

At 31 March 2014, the Authority had an outstanding commitment of £727,000 relating to the refurbishment of the new headquarters building. The Authority also had a commitment to spend £30,000 on a forest water tender.

iv Fixed Asset Valuation

The freehold properties held by the Royal Berkshire Fire Authority are valued every five years. Other than the properties at Wokingham, the properties were last inspected between March and April 2010, with a valuation date of 31 March 2010. The properties at Wokingham were last inspected between March and April 2014, with a valuation date of 31 March 2014. The valuations were undertaken by Kemp & Kemp LLP. 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 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).

A review of the Authority's properties was carried out by Hub Professional Services on 31 March 2014. This review highlighted revalutation in land values amounting to £1,285,000. The net book value of the properties concerned has been adjusted to reflect this. Impairments to the property portfolio of £399,000 have also been reflected in the net book value.

8.14 **Investment Properties**

The following item of income and expenditure have been accounted for in the *Financing and Investment Income and Expenditure* line in the Comprehensive Income and Expenditure Statement.

	2012/13 £000	2013/14 £000
Rental income from investment property	(11)	(11)
Net (gain)/loss	**(11)**	**(11)**

The three investment properties were valued at 31 March 2014 by Hub Professional Services Ltd, in accordance with the RICS Red Book.

Based on the assessment of market values and the assessed age of the tenants, the total value of the properties is £688,000.

There are no restrictions on the Authority's ability to realise the value inherent in one of its investment properties. However, should the other two properties (worth £519,000) be sold, the Authority will be required to share half of the proceeds with the six unitary authorities in Berkshire.

The Authority has no contractual obligation to purchase, construct, develop or maintain investment properties.

The following table summarises the movement in the fair value of the Authority's investment properties over the year:

	2012/13 £000	2013/14 £000
Balance at start of the year	580	610
Revaluation	30	78
Balance at end of the year	**610**	**688**

8.15 **Capital Expenditure and Financing**

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

	2012/13 £000	2013/14 £000
Opening Capital Financing Requirement	8,185	7,636
Capital investment:		
Property, Plant and Equipment	2,943	4,119
Sources of Finance:		
Capital Receipts		
Government Grants and other Contributions	(1,474)	(2,330)
Revenue Funding including MRP	(2,018)	(2,285)
Closing Capital Financing Requirement	**7,636**	**7,140**
Explanation of Movements in the Year		
(Decrease) in the underlying need to borrow	(549)	(496)
Increase / (Decrease) in Capital Financing Requirement	**(549)**	**(496)**

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.

	2014/15 £000	2015/16 £000	2016/17 £000
Vehicles	362	128	134
Buildings	2,870	4,700	200
Equipment	194		
Total	**3,426**	**4,828**	**334**

8.16 **Financial Instruments**

i Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
Investments				
Loans and receivables			2,768	2,775
Total investments	**0**	**0**	**2,768**	**2,775**
Trade Debtors				
Loans and receivables			72	181
Total trade debtors	**0**	**0**	**72**	**181**
Borrowings				
Financial liabilities at amortised cost	(8,842)	(8,842)		
Total borrowings	**(8,842)**	**(8,842)**	**0**	**0**
Trade Creditors				
Financial liabilities at amortised cost			(1,002)	(3,460)
Total creditors	**0**	**0**	**(1,002)**	**(3,460)**
Other liabilities				
Finance Lease Liabilities	(22)	0	(89)	(30)
Total other long-term liabilities	**(22)**	**0**	**(89)**	**(30)**

ii Income, Expense, Gains and Losses

	2012/13			2013/14		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expenses	(397)		(397)	(393)		(393)
Total expense in Surplus or Deficit on the Provision of Services	**(397)**	**0**	**(397)**	**(393)**	**0**	**(393)**
Interest income		15	15		32	32
Total income in Surplus or Deficit on the Provision of Services	**0**	**15**	**15**	**0**	**32**	**32**
Net gain/(loss) for the year	**(397)**	**15**	**(382)**	**(393)**	**32**	**(361)**

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:

- For loans from the Public Works Loan Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- 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 2013		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
PWLB debt	(8,842)	(11,210)	(8,842)	(10,321)
Trade creditors	(1,002)	(1,002)	(3,460)	(3,460)
Total Financial Liabilities	**(9,844)**	**(12,212)**	**(12,302)**	**(13,781)**
Money market Loans less than one year	2,768	2,768	2,775	2,775
Trade debtors	72	72	181	181
Total Loans and Receivables	**2,840**	**2,840**	**2,956**	**2,956**

The fair values for loans and receivables have been determined by reference to the 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.

8.17 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 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 the adoption of a Treasury Policy Statement and treasury management clauses within its standing orders;
- by approving annually in advance prudential and treasury 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 regarding the maturity structure of its debt;
    - Its maximum annual exposure 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 Government guidance.

These are required to be reported and approved at or before the Authority's annual Council Tax setting budget or before the start of the year to which they relate. 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 annual treasury management strategy which incorporates the prudential indicators was approved by the Fire Authority on 20 February 2013 and is available on the Authority website. The key issues within the strategy were:

- The Authorised Limit for 2013/14 was set at £9.642 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £8.952 million. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 50% based on the Authority's net debt.

These policies are implemented by the Treasurer. 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 periodically.

ii Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

- This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after these initial criteria are applied.

The full Investment Strategy for 2013/14 was approved by Full Authority on 20 February 2013 and is available on the Authority's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £2,775,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

The following analysis summarises the Authority's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

	Amount at 31 March 2014 £000	Historical experience of default %	Adjustment for market conditions at 31 March 2014 %	Estimated maximum exposure at 31 March 2014 £000	Estimated maximum exposure at 31 March 2013 £000
	(a)	(b)	(c)	(a * c)	
Trade debtors (not including statutory debtors – Authority Tax/NNDR)	181	5%	5%	9	4
Total	**181**			**9**	**4**

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.

The allocation of the Authority's investments between institutions domiciled in foreign countries and in the UK was as follows:

		31 March 2014 £000	31 March 2014 %
UK	UK	2,768	99.75%
EU	Ireland	7	0.25%
	Total	**2,775**	**100.00%**

The Authority does not generally allow credit for its trade debtors. The past due amount can be analysed by age as follows:

	31 March 2013 £000	31 March 2014 £000
Less than three months	71	180
Three to six months	0	0
Six months to one year	0	1
More than one year	1	0
Total	**72**	**181**

During the reporting period the Authority held no collateral as security.

iii Liquidity risk

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 a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

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 maturity analysis of financial assets is as follows:

	31 March 2013 £000	31 March 2014 £000
Less than one year	2,768	2,775
Between one and two years		
Between two and three years		
More than three years		
Total	**2,768**	**2,775**

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

iv Refinancing and Maturity Risk

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 treasury 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 Treasurer addresses 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; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and 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, with the maximum and minimum limits for fixed interest rates maturing in each period (approved as part of the Authority's Treasury Management Strategy):

	Approved maximum limits %	Approved minimum Limits %	Actual 31 Mar 2013 £000	Actual 31 Mar 2014 £000
Less than one year	50%	0%		
Between one and two years	50%	0%		
Between two and five years	25%	0%		
Between five and ten years	40%	0%	2,920	2,920
More than ten years	100%	0%	5,922	5,922
Total			**8,842**	**8,842**

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 will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise;
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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 Consolidated Income and Expenditure Account. 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.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposures. The Treasurer will monitor markets 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 receivable on variable rate investments	(28)
Impact on (Income) and Expenditure Account	(28)
Decrease in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Account)	1,006

vi Price risk

The Authority, excluding the pension fund, does not invest in equity shares or marketable bonds.

vii Foreign exchange risk

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

8.18 Inventories

	Consumable stores	
	31 March 2013	31 March 2014
	£000	£000
Balance outstanding at start of year	205	170
Purchases	139	147
Recognised as an expense in the year	(174)	(165)
Balance outstanding at year-end	**170**	**152**

8.19 **Debtors and Prepayments**

A breakdown of debtors is given in the table below:

	31 March 2013 £000	31 March 2014 £000
Central Government	287	3,557
Local Authorities	767	1,773
Public Corporations	0	5
Other Entities	23	36
Total	**1,077**	**5,371**

A breakdown of prepayments is given in the table below:

	31 March 2013 £000	31 March 2014 £000
Local Authorities	2	4
Public Corporations	2	0
Other Entities	976	835
Total	**980**	**839**

8.20 **Cash and Cash Equivalents**

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2013 £000	31 March 2014 £000
Cash held by the Authority	5	5
Bank current accounts	9,034	8,190
Total Cash and Cash Equivalents	**9,039**	**8,195**

8.21 **Creditors and Income in Advance**

A breakdown of creditors is given in the table below:

	31 March 2013 £000	31 March 2014 £000
Central Government	(622)	(768)
Local Authorities	(754)	(2,526)
Public Corporations	(26)	(16)
Other Entities	(933)	(1,832)
Total	**(2,335)**	**(5,142)**

A breakdown of income in advance is given in the table below:

	31 March 2013 £000	31 March 2014 £000
Central Government	0	0
Local Authorities	0	0
Other Entities	(3)	(2)
Total	**(3)**	**(2)**

8.22 **Provisions**

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

	Long Term Pre-2006 Pension Transfers £000	Short Term Less favourable treatment of part-time employees £000	Short Term NDR Appeals £000	Short Term Insurance £000	Total
Balance at 1 April 2013	(189)	(33)	0	(47)	(269)
Movement in year		11	(284)	47	(226)
Balance at 31 March 2014	**(189)**	**(22)**	**(284)**	**0**	**(495)**

A provision of £189,000 is required to cover the Authority's liability with regard to outward transfers from the Firefighters' Pension Scheme before 1 April 2006. All transfers since 1 April 2006 are processed through the Pension Account and therefore have no impact on the Authority's finances.

A provision was required in respect of current and former retained firefighters who suffered unfair treatment compared to wholetime firefighters. Payment has been made but a provison is still required relating to the tax liabilities of the payments. There is also a contingent liability relating to retained firefighters who were unfairly treated in relation to pension rights.

A provision has been made for the Authority's share of outstanding Business Rates appeals. This is based on the latest list of outstanding rating list proposals provided by the Valuation Office Agency, taking into account factors such as the settled claims history, changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The provision is split between the six unitary councils of Berkshire, the Government and the Fire Authority. The Authority's share of the provision is 1% and amounts to £284,000.

The insurance provision that was previously made in 2012/13 relating to the sharing of costs of winding up the Fire and Rescue Authorities' Mutual Limited (FRAML) has been reversed. The final agreement that was reached by members of FRAML during 2013/14 means that the provision is no longer required.

8.23 **Contingent Liabilities**

As a result of an Employment Tribunal judgment, retained duty staff will have the right to buy back pensionable service for the period 1 July 2000 to 5 April 2006. A deficit will be created as members purchase past service rights. The extent of this deficit will be established at subsequent valuations of the Firefighters' Pension Schemes. Government policy is that any scheme deficit will be recovered from employers by adjusting employer contribution rates over a 15 year period. The spreading period for any deficit from this agreement will be set out in directions issued by HM Treasury.

8.24 **Leases**

i Finance Leases

The Authority's finance leases relate to vehicles.

The assets under finance leases are valued in the Balance Sheet at the following net amounts:

	31 March 2013 £000	31 March 2014 £000
Vehicles	0	8

The minimum lease payments are made up of the following amounts:

	31 March 2013 £000	31 March 2014 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	(89)	(30)
Non-current	(22)	0
Finance costs payable in future years	(1)	0
Minimum lease payments	**(112)**	**(30)**

The minimum lease payments for leases ending:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
Not later than one year	(89)	(30)	(89)	(30)
Later than one year not later than five years	(23)	0	(22)	0
	(112)	**(30)**	**(111)**	**(30)**

ii Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2013 £000	31 March 2014 £000
Not later than one year	21	21
Later than one year and not later than five years	28	7
	49	**28**

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to the leases is shown below.

	2012/13 £000	2013/14 £000
Operational Response	18	18
Statutory Inspection	1	1
Prevention and Education	1	1
Communications and Mobilising	1	1
Total minimum lease payments	**21**	**21**

8.25 **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 is required to disclose the accrued benefit in its accounts.

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 the 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 firefighters' scheme was set up in April 2006. The new scheme has different contribution rates for employees and employers. Both firefighters' 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 Post-employment 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 the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme			Fire-fighters Scheme		
	2012/13	Restated 2012/13	2013/14	2012/13	Restated 2012/13	2013/14
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Service cost comprising:						
- current service cost	917	917	1,048	6,000	6,000	6,725
- past service cost						
-(gain)/loss from settlemetns	26	26				
-administration costs		10	12			
Financing and Investment Income and Expenditure						
Net interest expense		390	411		10,500	11,534
-interest cost	1,009			10,500		
-expected return on assets in the scheme	(730)					
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**1,222**	**1,343**	**1,471**	**16,500**	**16,500**	**18,259**
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement						
- actuarial (gains) and losses	(83)			27,992		
Remeasurement of the net defined benefit liability comprising:						
- Return on plan assets (excluding the amount included in the net interest expense)		(812)	246			
- Acturial gains and losses arising on the changes in demographic assumptions		0	(1,159)			6,260
- Acturial gains and losses arising on the changes in financial assumptions		608	895		27,430	11,211
- Other			657		562	(196)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**1,139**	**1,139**	**2,110**	**44,492**	**44,492**	**35,534**
Movement in Reserves Statement						
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,216)	(1,216)	(1,464)	(16,500)	(16,500)	(18,259)
	(1,216)	**(1,216)**	**(1,464)**	**(16,500)**	**(16,500)**	**(18,259)**
Actual Amount Charged against the General Fund Balance for pensions in the year:						
- employer’s contributions payable to scheme	645	645	672			
- Retirement benefits payable to pensioners				6,448	6,448	7,069
- net transfers				43	43	73
- government grant payable to the Pension Fund on behalf of the Authority				(3,633)	(3,633)	(4,364)
	645	**645**	**672**	**2,858**	**2,858**	**2,778**

A revised IAS 19 standard was published in June 2011 and is effective for accounting periods starting on or after 1 January 2013. The amendments are designed to simplify the disclosures relating to defined benefit pension schemes and to improve the quality of those disclosures. There are some changes in definition. The revision means there are only three main categories: service cost, net interest on the net defined benefit liability or asset and remeasurements of the net defined benefit liability or asset.

However, the key change is to the calculation of interest received and chargeable to the pension fund. Previously, the calculation was based on the pension scheme's best estimate of the expected return on scheme assets less the interest charged on the scheme liabilities (using the appropriate discount rate). The amendment brings in the requirement to calculate interest on the scheme's net scheme assets or liabilities, using the appropriate discount rate for the period. The restated figures for 2012/13 shows the effect of the amendment had it been in place in 2012/13, namely, an increased charge to the Surplus or Deficit on the Provision of Services of £111,000 because the discount rate (4.6%) on the Local Government Pension Scheme is lower than the expected return on assets (5.4%). Administration costs of £10,000 would also have been charged to the Surplus or Deficit on the Provision of Services. However, these changes would not have affected the General Fund as the increased charges would have been reversed out in the Movement in Reserves Statement.

iii Liabilities and Assets in Relation to Post-employment Benefits

Reconciliation of the present value of the schemes' liabilities is shown below. The 2012/13 figures are restated to reflect the changes in definition.

	Local Government Pension Scheme			Fire-fighters Pension Scheme		
	2012/13 £000	Restated 2012/13 £000	2013/14 £000	2012/13 £000	Restated 2012/13 £000	2013/14 £000
Opening balance at 1 April	22,149	22,149	24,243	218,900	218,900	256,900
Current Service Cost	917	917	1,048	6,000	6,000	6,725
Interest Cost	1,009	1,009	1,113	10,500	10,500	11,534
Contributions by Scheme Participants	253	253	275	1,494	1,494	1,620
Remeasurement(gains) and losses						
- Actuarial (gains)/losses arising from changes in demographic assumptions			(1,159)			6,260
- Actuarial (gains)/losses arising from changes in financial assumptions		608	895		27,430	11,211
- Others			(298)		562	(196)
Actuarial losses / (gains)	608			27,992		
Past Service Cost						
Losses / (gains) on curtailments	26	26				
Liabilites assumed on entity combinations						
Benefits paid	(719)	(719)	(331)	(7,943)	(7,943)	(8,689)
Net transfers				(43)	(43)	(73)
Liabilities extinguished on settlements						
Closing balance at 31 March	**24,243**	**24,243**	**25,786**	**256,900**	**256,900**	**285,292**

Reconciliation of the fair value of the schemes' assets is shown below. The 2012/13 figures are restated to reflect the changes in definition.

	Local Government Pension Scheme		
	2012/13 £000	Restated 2012/13 £000	2013/14 £000
Opening fair value of scheme assets at 1 April	13,355	13,355	14,959
Expected return on Scheme assets	730		
Interest income		619	702
Actuarial gains/(losses)	691		
Remeasurement gain/(loss)			
- The return on plan assets, excluding the amount included in the net interest expense		812	(1,201)
- Administration costs		(10)	(12)
Contributions from employers	649	649	676
Contributions from employees into the scheme	253	253	275
Benefits paid	(719)	(719)	(331)
Closing fair value of scheme assets at 31 March	**14,959**	**14,959**	**15,068**

iv Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Fire-fighters Pension Schemes	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Present value of the defined benefit obligation	24,243	25,786	256,900	285,292
Fair value of plan assets	(14,959)	(15,068)	0	0
Net liability arising from defined benefit obligation	**9,284**	**10,718**	**256,900**	**285,292**

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £296.01 million has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £259.37 million. 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.

v Impact on the Authority's Cash Flows

In respect of the Local Government Pension Scheme, contributions are set every three years as a result of the actuarial valuation of the Fund. The next valuation will be carried out on 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements but contributions are set to target a funding level of 100%.

Government valuations of the Firefighters' Pension Scheme take place every four years. As Firefighters' Pension Schemes are unfunded there is no pot of assets to determine if sufficient contributions have been paid to meet the cost of rights accrued. Instead, the valuation is done by creating and tracking the value of a notional fund. Government policy is that any scheme deficit will be recovered from employers by adjusting employer contributions over a period of 15 years.

vi 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.

The main assumptions used in their calculations are shown in the table below.

	Local Government Pension Scheme 2012/13	2013/14	Firefighters Pension Scheme 2012/13	2013/14
Mortality Assumptions:				
Longevity (at age 65 for LGPS members and at age 60 for Firefighter Scheme members) for current pensioners:				
- Men	23.1	22.7	28.1	29.3
- Women	25.7	26.0	31.0	31.5
Longevity (at age 65 for LGPS members and at age 60 for Firefighter Scheme members) for future pensioners:				
- Men	25.1	24.9	29.7	30.9
- Women	27.6	28.3	32.5	33.0
Rate of RPI	3.4%	3.7%	3.6%	3.6%
Rate of CPI	2.6%	2.9%		
Rate of increase in salaries	4.6%	4.7%	3.8%	3.8%
Rate of increase in pensions	2.6%	2.9%	2.8%	2.8%
Rate for discounting liabilities	4.6%	4.5%	4.5%	4.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	90%	90.00%

For the accounting years beginning on or after 1January 2013, the expected return and the interest cost have been replaced with a single net interest cost, which effectively sets the expected return equal to the IAS 19 discount rate.

The Firefighters' Pension Schemes have no assets to cover their liabilities. The Local Government Pension Scheme's assets consist of the following categories:

	Bid Value	
	2012/13 £000	2013/14 £000
Cash and Cash Equivalents	**0**	**302**
Gilts		
-UK Public Sector quoted fixed interest securities	**150**	**151**
Other Bonds		
All overseas investments		
-42% Unit Trusts	1,319	1,013
-58% Private Equity	1,822	1,398
	3,141	**2,411**
Equity instruments:		
-64% overseas investments	3,925	4,051
-36% UK investments	2,208	2,279
	6,133	**6,330**
Property		
-a pooled Fund with both UK and overseas elements	**1,496**	**1,809**
Target Return Assets		
-another pooled Unit Trust investment	**0**	**2,713**
Commodities		
-overseas investments	**0**	**1,357**
Infrastructure		
-overseas investments	**0**	**603**
Alternative Assets	**4,039**	**0**
Longevity Insurance	**0**	**(603)**
Total Assets	**14,959**	**15,073**

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.

8.26 **Usable Reserves**

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

8.27 **Unusable Reserves**

31 March 2013 £000		31 March 2014 £000
1,306	Revaluation Reserve	2,379
21,359	Capital Adjustment Account	24,513
(266,175)	Pension Reserve	(296,003)
135	Collection Fund Adjustment Account	254
(183)	Accumulated Absences Account	(202)
(243,558)	**Total Unusable Reserves**	**(269,059)**

i **Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13 £000		2013/14 £000
1,863	Balance as at 1 April	1,306
0	Upward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	1,136
(471)	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	0
(86)	Difference between fair value depreciation and historic cost depreciation	(63)
	Accumulated gains on assets sold	
1,306	**Balance as at 31 March**	**2,379**

ii Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on investment properties that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8.2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £000		2013/14 £000
19,361	Balance at 1 April	21,359
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
(1,608)	Charges for depreciation and impairment of non-current assets	(1,751)
	Amortisation of intangible assets	
(3)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0
17,750		**19,608**
86	Adjusting amounts written out of the Revaluation Reserve	63
17,836	**Net written out amount of the cost of non-current assets consumed in the year**	**19,671**
	Capital financing applied in the year:	
1,286	Capital grants and contributions credited to the CIES that have been applied to capital financing	1,040
189	Application of grants to capital financing from the Capital Grants Unapplied Account	1,290
555	Statutory provision for the financing of capital investment charges against the General Fund	512
1,463	Capital expenditure charged against the General Fund	1,773
3,493		**4,615**
30	Movements in the market value of Investment Properties debited or credited to the CIES	78
0	Movements in revaluation of PPE debited or credited to the CIES	149
21,359	**Balance at 31 March**	**24,513**

iii Pension Reserve

The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provision. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed, as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2012/13 £000		2013/14 £000
(227,692)	Balance at 1 April	(266,175)
(27,904)	Actuarial gains or losses on pensions assets and liabilities	(17,919)
(17,716)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(19,723)
7,137	Employer's pensions contributions and direct payments to pensioners payable in the year	7,814
(266,175)	**Balance at 31 March**	**(296,003)**

iv Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund.

2012/13 £000		2013/14 £000
72	Balance at 1 April	135
63	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	119
135	**Balance at 31 March**	**254**

v Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2012/13 £000		2013/14 £000
(189)	Balance at 1 April	(183)
189	Settlement or cancellation of accrual made at the end of the preceding year	183
(183)	Amounts accrued at the end of the current year	(202)
(183)	**Balance at 31 March**	**(202)**

8.28 **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 2013/14.

Other Public Bodies. The Authority has signed a legal agreement with Oxfordshire County Council and Buckinghamshire and Milton Keynes Fire Authority which commits the partners to work collaboratively towards the establishment of the Thames Valley Fire

Control Service. The Authority and Hampshire Fire and Rescue Authority have contracted to work together to provide fleet maintenance services across their combined geographical area with the intention of sharing resources and reducing costs in connection with the discharge of their functions.

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. As at 31st March 2014, Mr C Dudley (Chairman of the Fire Authority) and Mr P Bicknell (Member of the Fire Authority) were Directors of Royal Berkshire Fire & Rescue (Training) Ltd. The relationship between Royal Berkshire Fire & Rescue (Training) Ltd and the Authority is described below under the heading *Companies and Joint Ventures*.

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. As at 31st March 2014, the Director, Corporate Services was the Company Secretary of Royal Berkshire Fire & Rescue (Training) Ltd.

Companies and Joint Ventures. Royal Berkshire Fire & Rescue (Training) Ltd is a fully owned subsidiary of the Fire Authority. It was set up to provide fire safety courses to commercial organisations. Any profits generated by the company are returned to the Fire Authority. Details on the performance of the company can be seen in note 4.7.

8.29 **Critical Judgements in Applying Accounting Policies**

In applying the accounting policies as set out in 8.1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has robust contingency plans to protect service provision.
- Although a judgement has been made that Royal Berkshire Fire & Rescue (Training) Ltd is a subsidiary of the Authority, a decision has been taken to account for the transactions of the company as if they occurred within the boundaries of the Authority, i.e. a decision has been made not to produce group accounts on the basis of materiality.

8.30 **Assumptions about the future and sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty could impact on the carrying amounts of assets and liabilities within the next financial year are set out below.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied.

The following table sets out the impact for the Local Government Pension Scheme of a small change in the discount rates on the defined benefit obligation and projected service cost along with an age rating adjustment of +/- one year to the mortality assumption.

Local Government Pension Scheme	£000	£000	£000
Adjustment to discount rate	+0.1%	0%	-0.1%
Present value of total obligation	25,280	25,786	26,303
Projected service cost	1,001	1,024	1,048
Adjustment to long term salary increase			
Present value of total obligation	25,890	25,786	25,683
Projected service cost	1,024	1,024	1,024
Adjustment to pension increases and deferred revaluation			
Present value of total obligation	26,207	25,786	25,375
Projected service cost	1,048	1,024	1,000
Adjustment to mortality age rating assumption	+1 year	None	- 1 year
Present value of total obligation	24,891	25,786	26,689
Projected service cost	989	1,024	1,059

The sensitivities regarding the principal assumptions used to measure the Firefighters' Scheme liabilities are set out below.

Firefighters' Pension Scheme - effect on scheme liabilities	% increase	£000
0.1% decrease in the real discount rate	2%	5,800
1 year increase in member life expectancy	3%	8,600
0.5% increase in the salary increase rate	2%	5,400
0.5% increase in the pensions increase rate	8%	24,100
Firefighters' Pension Scheme - effect on current service cost	**% increase**	**£000**
0.1% decrease in the real discount rate	4%	300
1 year increase in member life expectancy	3%	220
0.5% increase in the salary increase rate	6%	450
0.5% increase in the pensions increase rate	13%	940

8.31 **Events after the Balance Sheet date**

The date for approval of the Authority's Accounts is 22 September 2014. Events taking place after this date will not be reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2014 the figures in the financial statements and notes are adjusted in all material respects to reflect the impact of this information.

8.32 **Standards issued but not yet adopted**

The following standards issued but not yet adopted by the Code are:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011)
- IAS 1 Presentation of Financial Statements (as amended in May 2011)

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

8.33 **Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items:

2012/13 £000		2013/14 £000
	Cash Outflows:	
(19,631)	Employment costs	(19,738)
(8,648)	Pension costs	(9,215)
(378)	Interest paid	(412)
(7,157)	Other operating costs	(7,218)
(35,814)	Total Cash Outflows	(36,583)
	Cash Inflows:	
34,745	Precepts and General Government Grants	34,152
3,390	Pension top-up grant	3,545
36	Interest received	37
1,103	Other operating income	898
39,274	Total Cash Inflows	38,632
3,460	**Net cash flows from operating activities**	**2,049**

8.34 **Cash Flow Statement - Investing Activities**

2012/13 £000		2013/14 £000
(3,644)	Purchase of property, plant and equipment, investment property and intangible assets	(3,837)
(9)	Purchase of short-term and long-term investments	(7)
9	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1
1,286	Capital Grants Received	1,040
6	Proceeds from short-term and long-term investments	6
(2,352)	**Net cash outflows from investing activities**	**(2,797)**

8.35 **Cash Flow Statement - Financing Activities**

2012/13 £000		2013/14 £000
(127)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(96)
(127)	**Net cash flows from financing activities**	**(96)**

9. Financial Statements for the Firefighters' Pension Fund

i Financial Arrangements for the Firefighters' Pension Schemes

Before 1 April 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 flat rate contributions 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.

ii Pension Fund Account

2012/13 £000		2013/14 £000
	Contributions Receivable:	
(2,521)	Employer Flat Rate Contributions	(2,435)
(61)	Employer Ill-Health Contributions	(80)
(1,493)	Employee Contributions	(1,623)
	Transfers In	(65)
	Benefits Payable:	
6,052	Pensions	6,363
1,613	Commutations and Lump Sum Benefits	2,065
43	Transfers Out	139
3,633	**Net amount payable for the year**	**4,364**
3,633	**Top-up Grant Receivable**	**4,364**

iii Net Assets Statement

31 March 2013 £000		31 March 2014 £000
518	Prepayment of April pension paid in March	838
96	Top-up Grant receivable from the Government	915
0	Amount owing from the General Fund	0
614	**Total Assets**	**1,753**
(614)	Amount owing to the General Fund	(1,753)
0	Top-up Grant payable to the Government	0
(614)	**Total Liabilities**	**(1,753)**
0	**Net Assets**	**0**

It should be noted that the Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 2013/14. These liabilities are shown in the Authority's main financial statements.

10. Glossary of Financial Terms

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

Balance
The surplus or deficit on any account at the end of the year.

Capital Charge
A charge to service revenue accounts to reflect the cost of property, plant and equipment used in the provision of services.

Capital Expenditure
The acquisition of property, plant and equipment which will have a long-term value to the Authority, e.g. land, buildings, vehicles.

Capital Receipt
The proceeds from the disposal of land or other 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.

CIES
Comprehensive Income and Expenditure Statement, one of the schedules required in the Statement of Accounts.

CIPFA
Chartered Institute of Public Finance and Accountancy. The accounting body which provides accounting guidance to the public sector. The guidance provided by CIPFA is defined as 'proper practice' and has statutory backing.

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 an asset.

Fair Value
Fair value is based on market value. The fair value of investments or loans is based on the prevailing interest rates rather than the actual rates payable or receivable.

Finance Lease
A lease that transfers substantially all of the risks and rewards of ownership of an 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
These are accounting standards developed by the Accounting Standards Board which set out the correct accounting treatment for financial transactions.

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

IAS
International Accounting Standards (IASs) were issued by the International Accounting Standards Committee (IASC) from 1973 to 2001.

IFRS
International Financial Reporting Standards (IFRSs) have been issued by the International Accounting Standards Board (IASB) since 2001.

LASAAC
Local Authority (Scotland) Accounts Advisory Committee.

Minimum Revenue Provision (MRP)
The minimum amount that the Authority must set aside from its revenue each year as a provision for debt incurred in financing capital expenditure.

Operating Lease
A lease, or rental, other than a finance lease.

Operational Assets
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.

Property, Plant and Equipment
Assets that have physical substance, acquired by Capital Expenditure, to yield benefits to the Authority for more than one year.

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.

PWLB
Public Works Loan Board.

Reserves
Accumulated funds that finance the net assets. Reserves may be designated for specific purposes. Usable reserves are generated from realised gains and can be used to finance day-to-day operations. Unusable reserves are generated from unrealised gains and are not available to finance revenue deficits.

Revenue Expenditure
This is expenditure on day-to-day running costs and consists mainly of salaries and general running expenses.

SERCOP
The Service Reporting Code of Practice (SERCOP) is a methodology for presenting the 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 this approach in order to facilitate comparison of costs between authorities.

SOLACE
Society of Local Authority Chief Executives