ROYAL BERKSHIRE FIRE AUTHORITY

STATEMENT OF ACCOUNTS 2011/12

ROYAL BERKSHIRE
FIRE AUTHORITY

CONTENTS

1. Members of the Authority

The Authority is made up of 26 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 (from May 2011)
A Ward	E Plenty (from May 2011)
	M Rasib
	S Wright (to May 2011)
	R Zarait (to May 2011)
Reading Borough Council	**The Royal Borough of Windsor & Maidenhead**
A Cumpsty (from May 2011)	C Bateson
R Duveen (from May 2011)	P Bicknell
P Gittings	D Burbage (from May 2011)
C Harris (to May 2011)	J Lenton
P Jones	K Newbound (to May 2011)
F Pugh	
West Berkshire District Council	**Wokingham Borough Council**
J Brooks	C Bowring
P Bryant	A Bradley
A Edwards	P Bray
D Holtby (from May 2011)	P Helliar-Symons
O Jeffery (to May 2011)	A Ross
E Webster	

2. Officers of the Authority

Chief Fire Officer
Iain Cox QFSM MA BSc (Hons) MCIPD

Clerk & Monitoring Officer
Caroline Redzikowska LLB (Hons) DipLG

Treasurer of the Combined Fire Service Fund
Andrew Vallance MBA MA(Oxon) CPFA

3. Auditors

The Audit Commission
District Auditor – Kate Handy

4. Explanatory Foreword

4.1 The Authority

Royal Berkshire Fire and Rescue Service 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 2012.

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 as at the Balance Sheet date of the 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

Revenue budgets and expenditure for 2011/12 are shown in the tables below.

	to Mar 12 Budget £000	to Mar 12 Outturn £000	to Mar 12 Variance £000	Notes
EMPLOYEE COSTS				
Uniformed	20,106	19,888	(218)	(1)
Non-uniformed	5,014	4,664	(350)	(2)
Training	287	306	19	
Other	149	141	(8)	
	25,556	**24,999**	**(557)**	
PREMISES				
Repairs and Maintenance	753	745	(8)	
Rates	463	473	10	
Cleaning	188	190	2	
Utilities	251	259	8	
	1,655	**1,667**	**12**	
SUPPLIES				
Insurance	322	289	(33)	(3)
Equipment	992	1,005	13	
Clothing	244	244	0	
Communications	775	757	(18)	
Occupational Health	184	167	(17)	
Print/Stationery/Publications/Subscriptions	161	128	(33)	(4)
Hydrant Repairs	78	77	(1)	
Community Fire Safety Supplies	166	167	1	
Other (see table below)	401	704	303	(5)
	3,323	**3,538**	**215**	
CONTRACTS				
Administration Contracts	120	124	4	
Other	589	624	35	(6)
	709	**748**	**39**	
TRANSPORT				
Vehicle Running Costs	975	1,076	101	(7)
Transport Leasing / Hire Charges	16	4	(12)	
Travel	338	335	(3)	
	1,329	**1,415**	**86**	
INCOME				
Fees & Charges	(90)	(124)	(34)	(8)
Other	(911)	(1,847)	(936)	(9)
	(1,001)	**(1,971)**	**(970)**	
NET COST OF SERVICES	**31,571**	**30,396**	**(1,175)**	
Pensions	350	336	(14)	
Interest paid	404	403	(1)	
Interest received	(49)	(27)	22	(10)
NET OPERATING EXPENDITURE	**32,276**	**31,108**	**(1,168)**	
Revenue Funding of Capital	306	500	194	(11)
Appropriation to / (from) Reserves	153	653	500	(12)
Minimum Revenue Provision	560	538	(22)	(13)
Reversal of Accrued Holiday Pay	57	57	0	
CORPORATE (SURPLUS) / DEFICIT	**33,352**	**32,856**	**(496)**	

A breakdown of expenditure contained within the *Supplies-Other* line is shown below.

SUPPLIES - Other	to Mar 12 Budget £000	to Mar 12 Outturn £000	Variance £000	Notes
Regional Control & Collaboration	107	99	(8)	
Strategic Miscellaneous	10	18	8	
Catering	91	101	10	
Information Systems Maintenance	21	22	1	
Postage	17	15	(2)	
Performance & Review	14	14	0	
Subscriptions & Conferences	40	23	(17)	
Precept Leaflet	14	13	(1)	
Fit for Duty	5	0	(5)	
Medical Costs	17	16	(1)	
Health & Safety Miscellaneous	10	6	(4)	
Financial Services	17	16	(1)	
Equal Opportunities	2	3	1	
Business Continuity	3	1	(2)	
Swinley Forest Fire: Other Brigades' Costs	0	313	313	(5)
Other Miscellaneous	33	44	11	
	401	**704**	**303**	

Explanation of Major Revenue Budget Variances

1. Despite the additional costs of dealing with the Swinley Forest fire, uniformed employee costs are below budget as the on-going trend for expenditure on retained firefighters remains below budget.
2. Non-uniformed employee costs are below budget for the following reasons:
    - There have been some vacancies in the Fire Safety department.
    - The new posts of Information Manager and Strategic Planning Manager were filled in year.
    - Only the most essential posts are being filled when vacancies arise.
    - Some posts were left vacant pending the outcome of the organisational restructure.
3. The Treasurer has secured an extension to the existing liability contract which has resulted in a full-year saving on insurance costs of £33,000.
4. There have been savings in printing costs due to the new photocopying contract, the elimination of expensive small printers and the introduction of secure printing via access codes.

5. The Bellwin claim for the Swinley Forest fire incident was approved by Ministers. Total eligible costs amounted to £542,751 while the net grant receivable equates to £404,640. Other Fire and Rescue Services charged a total £313,353 for their response to the incident.
6. The *Contracts – Other* line shows expenditure above budget due to the high costs of administering the telecommunications mast income contracts.
7. Vehicle running costs are above budget due to the high price of fuel and the unbudgeted costs of fuel in relation to the Swinley Forest fire. Safety work also had to be undertaken on 14 vehicles to replace wheels due to corrosion.
8. The *Fees & Charges* line is ahead of budget due to increased operational income.
9. Other Income is ahead of budget due to contributions from the Government to meet the costs of the Swinley Forest fire and the Thames Valley Control project. Mast income is also slightly ahead of budget.
10. Interest rates have remained extremely low resulting in a shortfall in investment income.
11. The line *Revenue Funding of Capital* shows that, in addition to the budgeted amount, a further £194,000 has been used to fund the capital programme, thus eliminating the need to take out additional loans from the Public Works Loan Board.
12. Appropriations to reserves are £500,000 more than the budget due to the requirement to move the unbudgeted DCLG Thames Valley Control Grant into earmarked reserves.
13. The Minimum Revenue Provision is slightly below budget due to slippage in the 2010/11 Capital Programme.

4.4 Capital Expenditure and Financing

Capital expenditure in 2011/12 was £2,745,000 against a budget of £3,256,000 (including budgets brought forward from the previous year and budgets that have been grant or revenue funded).

	to Mar 12 Budget £000	to Mar 12 Outturn £000	Variance £000
Premises	1,760	1,552	(208)
Equipment	457	257	(200)
Vehicles	1,039	936	(103)
Total	**3,256**	**2,745**	**(511)**

The tables below give a breakdown of capital expenditure by project.

PREMISES	to Mar 12 Budget £000	to Mar 12 Outturn £000	Variance £000	Notes
Drainage Works	173	176	3	
Wokingham Fire Station - New Build	902	913	11	
Access Control System Upgrade	155	121	(34)	(1)
Security Fencing and Gates	110	28	(82)	(2)
Fire Alarm Works	124	66	(58)	(1)
Purchase of new HQ	248	248	0	(3)
Design fees	48	0	(48)	(4)
Total	**1,760**	**1,552**	**(208)**	

1. Actual costs were below the pre-tender estimate.
2. Only part of the original project was completed as it was felt that full implementation would not deliver value for money.
3. The amount spent during 2011/12 was for fees and the deposit for a replacement headquarters. The purchase and refurbishment is scheduled to commence during the second half of 2012.
4. This budget has remained unspent due to changing priorities.

EQUIPMENT	to Mar 12 Budget £000	to Mar 12 Outturn £000	Variance £000	Notes
Self-contained breathing apparatus	135	137	2	
Breathing apparatus telemetry	195	1	(194)	(5)
Server virtualisation	127	119	(8)	
Total	**457**	**257**	**(200)**	

5. This project has been deferred to 2012/13 due to the possible interference from 4G technology on telemetry bandwidth.

VEHICLES	to Mar 12 Budget £000	to Mar 12 Outturn £000	Variance £000	Notes
Water tenders	701	640	(61)	(6)
Purchase of leased appliances	86	86	0	
Extension of leases for appliances	35	35	0	
Light vehicles	175	135	(40)	(7)
Hydraulic cutting equipment	42	40	(2)	
Total	**1,039**	**936**	**(103)**	

6. This project is due to complete by July 2012.

7. Two vehicles from this programme will be delivered during 2012/13.

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 2011/12 so total debt remained at £8.842 million as at 31 March 2012.

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 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 into a pensions account. These contributions consist of a flat rate contribution and an ill-health charge. Ill-health charges are spread over three years. Contributions are used to pay pensions and any shortfall is made up by the Government.

The Local Government Pension Scheme (for non-uniformed employees) is accounted for as a funded defined benefits scheme.

4.7 Commentary on Comprehensive Income and Expenditure

Comprehensive Income and Expenditure is shown in section 7.2 of the accounts. Total Comprehensive Income and Expenditure for 2011/12 was £19.316 million, whereas the figure for 2010/11 was (£31.710) million.

The table below highlights the main differences in Comprehensive Income and Expenditure between the years 2010/11 and 2011/12.

	£000	Notes
Total Comprehensive Income and Expenditure in 2010/11	(31,710)	
Reduced current cost of pensions in 2011/12	(990)	(1)
Lower employee costs in 2011/12	(475)	(2)
Higher non-employee service expenditure in 2011/12	1,026	(3)
Higher revenue grants and contributions in 2011/12	(905)	(4)
Donated assets received in 2011/12	(655)	(5)
Increased charges for depreciation and impairment	831	(6)
Higher Non Distributed Costs in 2011/12	28,878	(7)
Higher capital grant income in 2011/12	(1,601)	(8)
Higher firefighter pension fund grant in 2011/12	(408)	(9)
Reduced financing costs of pensions in 2011/12	(376)	(10)
Changes in actuarial assumptions	25,626	(11)
Other	75	
Total Comprehensive Income and Expenditure in 2011/12	**19,316**	

1. The current cost of pensions accruing to employees in 2011/12 was £990,000 less than in 2010/11 due to the real discount rate increasing from 1.6% p.a. at 31 March 2010 to 2.6% p.a. at 31 March 2011.
2. Lower employee costs in 2011/12 were due in large part to the contraction of Community Safety activities with the ending of partnership funding. There were also a higher number of vacancies during 2011/12 compared to the previous year.
3. The costs of the Swinley forest fire added substantially to non-employee service expenditure in 2011/12. IRMP related property costs and premises maintenance costs were also higher in 2011/12 compared to 2010/11.
4. A revenue grant for the Joint Control project and a contribution towards the costs of the Swinley forest fire incident resulted in higher income in 2011/12.
5. The value of New Dimension assets transferred to the Authority from the Department for Communities and Local Government in 2011/12 amounted to £655,000.
6. Depreciation charges in 2011/12 were higher with the new Wokingham fire station becoming operational for the first time as well as a number of fire appliances entering operational service. There were also some impairment costs relating to the old Wokingham fire station.
7. 2010/11 saw a large, one-off credit against Non Distributed Costs due to the change in pension indexation. In addition there were past service costs of £2.8 million in 2011/12 because of changes in pension commutation factors which are more generous to members.
8. The Authority received a capital grant of £1.3 million in 2011/12. Also, the Fire Capital Grant was higher in 2011/12 compared to 2010/11.
9. The Government grant received to balance the Firefighter pension fund was higher in 2011/12 compared to 2010/11.

10. The expected return on pension scheme assets was higher in 2011/12 compared to 2010/11. In addition, the interest cost on pensions was lower in 2011/12.
11. The real discount rate has decreased from 2.6% p.a. as at 31 March 2011 to 2.2% p.a. as at 31 March 2012. This is due to the fall in Government bond yields without a corresponding fall in inflation. This fall in the real discount rate has had a negative impact on pension liabilities.

4.8 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 loss of £16,985 before tax during 2011/12 in difficult trading conditions. During this period, the Authority charged the company £67,732 for accommodation and provision of services (mainly officer time), most of which is income that the Authority would not otherwise have received.

Group accounts have not been produced as the revenue generated by the company during 2011/12 is immaterial compared to the size of the Authority's budget.

4.9 Future Developments

The Authority will continue to look for innovative ways of serving the public with cost reduction being a painful but necessary part of this process.

Andrew Vallance MBA MA (Oxon) CPFA
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;
- 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 2012.

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 2011/12 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 26 September 2012

Approval of the Accounts

I hereby confirm that these accounts were approved by the Fire Authority at its meeting on 26 September 2012.

Colin Dudley
Chairman of the Fire Authority 26 September 2012

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

6.1 Opinion on the Authority and Pension Fund financial statements

I have audited the financial statements and the firefighters' pension fund financial statements of Royal Berkshire Fire and Rescue Authority for the year ended 31 March 2012 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. The firefighters' pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Financial in the United Kingdom 2011/12.

This report is made solely to the members of Royal Berkshire Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

i Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the firefighters' pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Financial in the United Kingdom and for being satisfied that they give a true and fair view. My 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 me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

ii 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 and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant financial estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

iii Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Royal Berkshire Fire and Rescue Authority as at 31 March 2012 and of its income and expenditure for the year then ended;

- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

iv Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

v Matters on which I report by exception

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998
- I 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
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

i Authority's responsibilities

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

ii Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

iii Basis of conclusion

I have undertaken my 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 2010, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 for the year ended 31 March 2012.

iv Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Royal Berkshire Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Kate Handy.
District Auditor, Collins House, Bishopstoke Road, Eastleigh, Hampshire SO50 6AD.
26 September 2012

7. Core Financial Statements

7.1 Movement in Reserves Statement

Movement in 2011/12

	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 2011		**2,294**	**3,839**	**7**	**179**	**6,319**	**(184,855)**	**(178,536)**
Surplus or (deficit) on the provision of services	CIES	(11,482)				(11,482)		(11,482)
Other Comprehensive Expenditure and Income	CIES	(7)				(7)	(7,827)	(7,834)
Total Comprehensive Income and Expenditure		**(11,489)**	**0**	**0**	**0**	**(11,489)**	**(7,827)**	**(19,316)**
Adjustments between accounting basis & funding basis under regulations	8.2	12,610		(7)	1,300	13,903	(13,903)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**1,121**	**0**	**(7)**	**1,300**	**2,414**	**(21,730)**	**(19,316)**
Transfers to/from Earmarked Reserves	8.3	(1,149)	1,149			0		0
Increase / (Decrease) in the year		(28)	1,149	(7)	1,300	2,414	(21,730)	(19,316)
Balance as at 31 March 2012		**2,266**	**4,988**	**0**	**1,479**	**8,733**	**(206,585)**	**(197,852)**

Movement in 2010/11

	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 2010		**1,407**	**3,788**	**7**	**42**	**5,244**	**(215,490)**	**(210,246)**
Surplus or (deficit) on the provision of services	CIES	13,894				13894		13,894
Other Comprehensive Expenditure and Income	CIES	3				3	17,813	17,816
Total Comprehensive Income and Expenditure		**13,897**	**0**	**0**	**0**	**13,897**	**17,813**	**31,710**
Adjustments between accounting basis & funding basis under regulations	8.2	(12,959)		0	137	(12,822)	12,822	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**938**	**0**	**0**	**137**	**1,075**	**30,635**	**31,710**
Transfers to/from Earmarked Reserves	8.3	(51)	51					
Increase / Decrease in the year		887	51	0	137	1,075	30,635	31,710
Balance as at 31 March 2011		**2,294**	**3,839**	**7**	**179**	**6,319**	**(184,855)**	**(178,536)**

7.2 Comprehensive Income and Expenditure Statement

2010/11					2011/12		
Restated Gross Expenditure £000	Restated Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			Community Fire Safety				
6,764	(300)	6,464	Prevention and Education	8.4	6,119	(223)	5,896
1,544	(11)	1,533	Statutory Inspection	8.4	1,423	(11)	1,412
			Fire Fighting and Rescue Operations				
2,580	(255)	2,325	Communications and Mobilising	8.4	2,305	(776)	1,529
25,491	(177)	25,314	Operational Response	8.4 / 5	26,982	(1,232)	25,750
267	(4)	263	Securing Water Supplies		252	(3)	249
56		56	Fire Service Emergency Planning		54		54
			Corporate & Democratic Core				
256		256	Corporate Management		236		236
625		625	Democratic Representation & Management		607		607
			Non Distributed Costs		2,800		2,800
(26,078)		(26,078)	Exceptional Item				0
11,505	**(747)**	**10,758**	**Net Cost of Services**	8.6	**40,778**	**(2,245)**	**38,533**
			Other operating expenditure	8.7			19
		12,116	Financing and Investment Income and Expenditure	8.8			11,741
		(36,768)	Taxation and Non-Specific Grant Income	8.9			(38,811)
		(13,894)	**(Surplus) or Deficit on the Provision of Services**	8.6			**11,482**
			(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	8.29 i			24
		(17,816)	Actuarial (gains)/losses on pension assets/liabilities	8.27 ii			7,810
		(17,816)	**Other Comprehensive Income and Expenditure**				**7,834**
		(31,710)	**Total Comprehensive Income and Expenditure**				**19,316**

7.3 Balance Sheet

31 March 2011 £000		Notes	31 March 2012 £000
28,689	Property, Plant & Equipment	8.14	28,831
565	Investment Property	8.15	580
14	Intangible Assets	8.16	
29,268	**Long Term Assets**		**29,411**
2,750	Short Term Investments	8.18	2,759
150	Inventories	8.20	205
1,211	Short Term Debtors	8.21	1,494
947	Prepayments	8.21	966
5,241	Cash and Cash Equivalents	8.22	8,058
10,299	**Current Assets**		**13,482**
(2,650)	Short Term Creditors	8.23	(3,329)
(273)	Income in Advance	8.23	(154)
(246)	Short-term Provisions - holiday pay		(189)
	Provisions	8.24	(99)
(153)	Lease Liabilities	8.26	(127)
(3,322)	**Current Liabilities**		**(3,898)**
(263)	Provisions	8.24	(189)
(8,842)	Long Term Borrowing	8.18 iii	(8,842)
(219)	Lease Liabilities	8.26	(110)
(204,787)	Pension Liability	8.27 iv	(227,694)
(655)	Donated Assets Account	8.5	
(15)	Capital Grants Receipts in Advance	8.10	(12)
(214,781)	**Long Term Liabilities**		**(236,847)**
(178,536)	**Net Assets**		**(197,852)**
6,319	Usable Reserves	8.28	8,733
(184,855)	Unusable Reserves	8.29	(206,585)
(178,536)	**Total Reserves**		**(197,852)**

7.4 Cash Flow Statement

2010/11 £000		Notes	2011/12 £000
	Net cash inflow / (outflow) from:		
1,556	Operating Activities	8.35	1,915
(288)	Investing Activities	8.36	1,072
(179)	Financing Activities	8.37	(170)
1,089	**Net increase or (decrease) in cash and cash equivalents**		**2,817**
4,152	Cash and cash equivalents at the beginning of the reporting period		5,241
5,241	**Cash and cash equivalents at the end of the reporting period**		**8,058**

8. Notes to Core Financial Statements

8.1 Accounting Policies

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2011/12 and the *Service Reporting Code of Practice 2011/12*, 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.

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 Exceptional Items

When exceptional items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

v 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.

vi 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.

vii 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 and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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 December 2011.

- **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 2010.

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

Changes in the net liabilities of the Firefighters' Pension Schemes and Local Government Pension Scheme are analysed into seven components:

— current service cost – the increase in liabilities as a result 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 arising from current year decisions 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;*

— interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the *Financing and Investment Income and Expenditure* line in the Comprehensive Income and Expenditure Statement;

— expected return on assets (LGPS only) – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return, credited to the *Financing and Investment Income and Expenditure* line in the Comprehensive Income and Expenditure Statement;

— gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

— actuarial gains or losses – these are changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions. Actuarial gains or losses are dealt with in the 'Other' section of the Comprehensive Income and Expenditure Statement.

— contributions paid to the pension funds – cash paid as employer's contributions to the pension funds. The treatment of these payments is explained in the following note.

- **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 are 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.

viii 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.

ix 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.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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).

x 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.

xi Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii 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.

xiii 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.

xiv 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.

xv 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).

xvi 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 2011/12* (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.

xvii 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 previously 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. Receipts are appropriated to the Capital Receipts 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.

xviii 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.

xix 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.

xx 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.

xxi 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 2011/12 and 2010/11 are shown in the tables below.

2011-2012	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily 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	1,921			(1,921)
Movements in the market value of Investment Properties debited or credited to the CIES	(15)			15
Amortisation of intangible assets	14			(14)
Capital grant and contributions applied	(1,282)			1,282
Movements in Donated Assets Account	(655)			655
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	657			(657)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory Provision for the repayment of debt - (MRP)	(538)			538
Revenue contribution to finance capital	(500)			500
Adjustments primarily involving the Capital Grants Unapplied Account:				
Use of capital receipts reserve to finance capital expenditure		(658)		658
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(651)	651		
Capital grant and contributions unapplied credited to the CIES	(1,300)		1,300	
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	21,028			(21,028)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,596)			3,596
Gain in relation to government grant payable to the Pension Fund on the Authority's behalf	(2,335)			2,335
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	(81)			81
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	(57)			57
Total Adjustments	**12,610**	**(7)**	**1,300**	**(13,903)**

2010-2011	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	1,064			(1,064)
Movements in the market value of Investment Properties debited or credited to the CIES	(26)			26
Amortisation of intangible assets	40			(40)
Capital grant and contributions applied	(845)			845
Revenue Expenditure Funded from Capital under Statute				0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory Provision for the repayment of debt - (MRP)	(558)			558
Revenue contribution to finance capital	(522)			522
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(137)		137	0
Use of capital receipts reserve to finance capital expenditure				0
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(6,480)			6,480
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,585)			3,585
Gain in relation to government grant payable to the Pension Fund on the Authority's behalf	(1,927)			1,927
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	(56)			56
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	73			(73)
Total Adjustments	**(12,959)**	**0**	**137**	**12,822**

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 2011/12.

	Balance at 31 March 2011 £000	Transfer In /(Out) £000	Balance at 31 March 2012 £000	Purpose
Budget Carry Forward Reserve	735	(416)	319	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	0	156	To meet costs associated with the transition to joint control
Operational Equipment Reserve	146	(22)	124	To enhance operational response capabilities
Protective Equipment Reserve	849	(36)	813	To offset the costs of the replacement programme
Grants Received in Advance	329	516	845	The unspent balance of grants that do not have conditions attached to their use
Budget Contingency Reserve		496	496	To offset future cuts in Government funding
Development Fund	1,624	611	2,235	To fund capital projects such as New Fire Station/replacement of Headquarters and to manage the future Control function
Total	**3,839**	**1,149**	**4,988**	

Comparative movements in 2010/11

	Balance at 31 March 2010 £000	Transfer In /(Out) £000	Balance at 31 March 2011 £000	Purpose
Pension Reserve	1,624	(1,624)	0	To cover unbudgeted pension transfers and ill-health retirements
Budget Carry Forward Reserve	389	346	735	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
Regional Control Reserve	156	0	156	To meet costs associated with the transition to regional control
Operational Equipment Reserve	184	(38)	146	To enhance operational response capabilities
Protective Equipment Reserve	785	64	849	To offset the costs of the replacement programme
Grants Received in Advance	650	(321)	329	The unspent balance of grants that do not have conditions attached to their use
Development Fund	0	1,624	1,624	To fund capital projects such as New Fire Station/replacement of Headquarters and to manage the future Control function
Total	**3,788**	**51**	**3,839**	

8.4 Prior Period Restatement

Although the Net Expenditure figure for 2010/11 in the 2010/11 Statement of Accounts is correct, some of the figures for gross income and expenditure in the Net Cost of Services were misstated as some income was incorrectly netted off against expenditure. This has been corrected in the prior period comparatives for 2011/12 as shown below. This correction has no further impact on the accounts.

2010/11 Original				2010/11 Restated		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			Community Fire Safety			
6,698	(234)	6,464	Prevention and Education	6,764	(300)	6,464
1,535	(2)	1,533	Statutory Inspection	1,544	(11)	1,533
			Fire Fighting and Rescue Operations			
2,433	(108)	2,325	Communications and Mobilising	2,580	(255)	2,325
25,385	(71)	25,314	Operational Response	25,491	(177)	25,314
267	(4)	263	Securing Water Supplies	267	(4)	263
56		56	Fire Service Emergency Planning	56		56
			Corporate & Democratic Core			
256		256	Corporate Management	256		256
625		625	Democratic Representation &	625		625
			Non Distributed Costs			
(26,078)		(26,078)	Exceptional Item	(26,078)		(26,078)
11,177	**(419)**	**10,758**	**Net Cost of Services**	**11,505**	**(747)**	**10,758**

8.5 Material Items of Income and Expense

The Department for Communities and Local Government donated assets to the Fire Authority in the 2010/11 financial year. Conditions relating to this transfer were met during 2011/12. Therefore, the Operational Response line in the Net Cost of Services has been credited with £655, 000 and the balance in the Donated Assets Account has been reduced to zero

The Authority received £404,640 in reimbursement from the Department for Communities and Local Government for the exceptional costs that were incurred in dealing with the Swinley Forest Fire.

.

8.6 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:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the

Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- 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:

2010/11 £000		2011/12 £000
25,553	Employee Costs	24,999
1,490	Premises	1,667
3,076	Supplies	3,538
425	Contracts	748
1,338	Transport	1,415
(674)	Income	(1,971)
31,208	**Net Cost of Services**	**30,396**
257	Firefighter Pension Costs	336
410	Interest Paid	403
(23)	Interest Received	(27)
31,852	**Operating Expenditure**	**31,108**
522	Revenue Funding of Capital	500
52	Appropriations to/from Reserves	653
558	Minimum Revenue Provision	538
(74)	Reversal of Accrued Holiday	57
32,910	**Total Expenditure**	**32,856**

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.

2010/11 £000	Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2011/12 £000
32,910	Net Expenditure in the Budget Report	32,856
12	Services and Support Services not in Anaylsis	16
(8,315)	Add amounts not reported to management	10,904
(13,849)	Remove amounts reported to management not included in the Comprehensive Income and Expenditure Statement	(5,243)
10,758	**Cost of Services**	**38,533**

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 2011/12

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	(768)	(139)	44	(655)		(1,518)		(1,518)
Interest and investment income	(38)				38	0	(53)	(53)
Income from precept						0	(18,650)	(18,650)
Government grants and contributions	(1,192)				465	(727)	(20,164)	(20,891)
Total Income	**(1,998)**	**(139)**	**44**	**(655)**	**503**	**(2,245)**	**(38,867)**	**(41,112)**
Employee expenses	25,335	120		9,637	(3,595)	31,497		31,497
Other service expenses	7,355	35	(44)			7,346		7,346
Depreciation, amortisation and impairment				1,935		1,935		1,935
Interest payments	403				(403)	0	11,797	11,797
Profit or Loss on Disposal	13			(13)		0	19	19
Appropriations	653				(653)	0		0
Revenue Funding of Capital	500				(500)	0		0
Reversal of Accrued Holiday	57				(57)	0		0
Minimum Revenue Provision	538				(538)	0		0
Total Operating Expenses	**34,854**	**155**	**(44)**	**11,559**	**(5,746)**	**40,778**	**11,816**	**52,594**
Surplus or deficit on the provision of services	**32,856**	**16**	**0**	**10,904**	**(5,243)**	**38,533**	**(27,051)**	**11,482**

Comparative report in 2010/11

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	(663)	(193)	109			(747)		(747)
Interest and investment income	(34)	1	(1)	0	34	0	(34)	(34)
Income from precept						0	(15,422)	(15,422)
Government grants and contributions				(2,911)	2,911	0	(21,346)	(21,346)
Total Income	**(697)**	**(192)**	**108**	**(2,911)**	**2,945**	**(747)**	**(36,802)**	**(37,549)**
Employee expenses	25,810	135	(25)	(18,248)	(3,586)	4,086		4,086
Other service expenses	6,329	69	(83)			6,315		6,315
Depreciation, amortisation and impairment				1,104		1,104		1,104
Interest payments	410			11,740	(12,150)	0	12,150	12,150
Profit or Loss on Disposal						0		0
Appropriations	52				(52)	0		0
Revenue Funding of Capital	522				(522)	0		0
Reversal of Accrued Holiday	(74)				74	0		0
Minimum Revenue Provision	558				(558)	0		0
Total Operating Expenses	**33,607**	**204**	**(108)**	**(5,404)**	**(16,794)**	**11,505**	**12,150**	**23,655**
Surplus or deficit on the provision of services	**32,910**	**12**	**0**	**(8,315)**	**(13,849)**	**10,758**	**(24,652)**	**(13,894)**

8.7 Other Operating Expenditure

2010/11 £000		2011/12 £000
	Loss on the disposal of Cookham Fire Station	19
0	Total	19

8.8 Financing and Investment Income and Expenditure

2010/11 £000		2011/12 £000
410	Interest payable and similar charges	404
11,766	Pensions interest cost and expected return on pensions assets	11,390
(23)	Interest receivable and similar income	(27)
(37)	Income and expenditure in relation to investment properties and changes in their fair value	(26)
12,116	Total	11,741

8.9 Taxation and Non Specific Grant Incomes

2010/11 £000		2011/12 £000
(18,435)	Precepts	(18,650)
(1,956)	General Government Grants	(3,955)
(13,466)	Non-Domestic Rates Redistribution	(11,292)
(981)	Capital Grants	(2,582)
(3)	Tax Credit	3
(1,927)	Gain in relation to Government grant and other contributions payable to the Pension Fund on the Authority's behalf	(2,335)
(36,768)	Total	(38,811)

8.10 **Grant Income**

	2010/11 £000	2011/12 £000
Credited to Taxation and Non Specific Grant Income:		
Capital grants from Central Government	845	2,582
Community Fire Safety capital grant	136	
Total	**981**	**2,582**
Credited to Service:		
Operational Support	4	3
Community Fire Safety	101	17
Firelink		164
Regional Control	93	500
New Dimensions	42	43
Total	**240**	**727**

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)**

8.11 **Members' Allowances**

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

	2010/11 £000	2011/12 £000
Allowances	72	73
Expenses	3	2
Total	**75**	**75**

8.12 **Officers' Remuneration**

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

Remuneration band	2010/11 Number of employees	2011/12 Number of employees
50,000 - 54,999	19	20
55,000 - 59,999	6	9
60,000 - 64,999	1	2
65,000 - 69,999	5	4
70,000 - 74,999		1
75,000 - 79,999		
80,000 - 84,999		
85,000 - 89,999	2	2
90,000 - 94,999		
95,000 - 99,999	1	1
100,000 - 104,999		
105,000 - 109,999		
110,000 - 114,999	1	1
115,000 - 119,999		
120,000 - 124,999		
125,000 - 129,999		
130,000 - 134,999		
135,000 - 139,999	1	1

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 whose salaries in 2011/12 and 2010/11 (not total remuneration) were above £50,000 are shown by job title in the tables below.

Remuneration 2011/12					
	Salary including fees and allowances	Benefit in Kind / Car Allowance	Total Remuneration excluding pensions	Employer Pension Contributions	Total Remuneration including pensions
Chief Fire Officer	129,294	8,849	138,143	27,279	165,422
Deputy Chief Fire Officer	103,999	8,849	112,848	22,152	135,000
Assistant Chief Fire Officer	89,109	8,849	97,958	18,980	116,938
Treasurer	79,900	8,849	88,749	13,583	102,332
Director Human Resources	78,958	8,849	87,807	13,371	101,178
Area Manager	66,867	2,390	69,257	13,821	83,078
Area Manager	65,829	2,093	67,922	13,959	81,881
Area Manager	66,391	1,239	67,630	13,925	81,555
Area Manager	64,890	2,428	67,318	13,821	81,139
Clerk and Monitoring Officer *	61,920	8,849	70,769	10,084	80,853
Information Systems Manager	60,817	2,745	63,562	10,339	73,901
Group Manager	57,760	2,318	60,078	12,005	72,083
Group Manager	56,945	2,428	59,373	12,005	71,378
Group Manager	56,360	2,428	58,788	12,005	70,793
Group Manager	56,360	2,318	58,678	12,005	70,683
Group Manager	56,360	1,239	57,599	12,005	69,604
Group Manager	55,714	1,239	56,953	11,867	68,820
Group Manager	54,220	2,437	56,657	11,306	67,963
Group Manager	54,682	1,239	55,921	11,164	67,085
Group Manager	54,279	1,239	55,518	10,968	66,486
Station Manager	52,632	2,390	55,022	10,666	65,688
Group Manager	52,549	2,318	54,867	11,164	66,031
Group Manager	52,250	2,559	54,809	11,129	65,938
Group Manager	53,519	1,239	54,758	11,164	65,922
Group Manager	52,967	1,239	54,206	11,282	65,488
Group Manager	52,952	1,239	54,191	11,164	65,355
Group Manager	51,730	2,437	54,167	10,979	65,146
Station Manager	52,882	1,239	54,121	10,729	64,850
Station Manager	50,457	2,390	52,847	10,332	63,179
Station Manager	51,542	1,239	52,781	10,389	63,170
HR Manager	50,884	1,239	52,123	7,531	59,654
Station Manager	50,726	1,239	51,965	10,531	62,496
Station Manager	50,334	1,239	51,573	10,389	61,962
Station Manager	50,086	1,239	51,325	10,389	61,714
Total	**2,096,164**	**104,119**	**2,200,283**	**424,482**	**2,624,765**

Remuneration 2010/11					
	Salary including fees and allowances	Benefit in Kind / Car Allowance	Total Remuneration excluding pensions	Employer Pension Contributions	Total Remuneration including pensions
Chief Fire Officer	128,069	8,398	136,467	27,279	163,746
Deputy Chief Fire Officer	103,999	8,398	112,397	22,152	134,549
Assistant Chief Fire Officer	89,109	8,398	97,507	18,980	116,487
Treasurer	79,900	8,398	88,298	13,583	101,881
Director Human Resources	78,655	8,398	87,053	13,371	100,424
Area Manager	65,367	2,267	67,634	13,923	81,557
Area Manager	64,721	2,428	67,149	13,785	80,934
Area Manager	64,721	2,267	66,988	13,785	80,773
Area Manager	64,013	1,239	65,252	13,635	78,887
Clerk and Monitoring Officer *	59,321	8,398	67,719	10,084	77,803
Information Systems Manager	60,817	2,535	63,352	10,339	73,691
Group Manager	56,360	2,428	58,788	12,005	70,793
Group Manager	56,360	2,318	58,678	12,005	70,683
Group Manager	56,360	2,318	58,678	12,005	70,683
Group Manager	56,360	2,267	58,627	12,005	70,632
Group Manager	55,714	1,239	56,953	11,867	68,820
Group Manager	52,799	2,318	55,117	11,129	66,246
Group Manager	52,654	2,289	54,943	11,129	66,072
Group Manager	52,967	1,239	54,206	11,282	65,488
Group Manager	51,806	2,318	54,124	11,035	65,159
Group Manager	52,521	1,239	53,760	11,164	64,924
Group Manager	52,412	1,239	53,651	11,164	64,815
Group Manager	52,412	1,239	53,651	11,164	64,815
Group Manager	52,250	1,239	53,489	11,129	64,618
Group Manager	52,412	1,239	53,651	10,968	64,619
Group Manager	51,004	2,267	53,271	10,777	64,048
Total	**1,663,083**	**88,320**	**1,751,403**	**341,744**	**2,093,147**

* The Clerk & Monitoring Officer works four days per week and the wholetime equivalent salary is £74,150.

8.13 **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 and a whole of government accounts audit.

	2010/11 £000	2011/12 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	77	70
Total	**77**	**70**

8.14 **Property, Plant and Equipment**

i **Movement on Balances**

Movements in property, plant and equipment for 2011/12 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 2011	25,008	9,686	1,915	36,609
Additions	1,553	493	699	2,745
Derecognition-disposals	(670)	(766)		(1,436)
Derecognition-other				0
Other movements in cost or valuation	569	928	(1,497)	0
at 31 March 2012	**26,460**	**10,341**	**1,117**	**37,918**
Accumulated Depreciation and Impairment				
At 1 April 2011	(475)	(7,445)		(7,920)
Depreciation Charge	(503)	(808)		(1,311)
Impairment losses recognised in the Revaluation Reserve	(24)			(24)
Impairment losses recognised in the Surplus / Deficit on the provision of services	(611)			(611)
Derecognition-disposals	13	766		779
Derecognition-other				0
at 31 March 2012	**(1,600)**	**(7,487)**	**0**	**(9,087)**
Net Book Value				
at 31 March 2011	**24,533**	**2,241**	**1,915**	**28,689**
at 31 March 2012	**24,860**	**2,854**	**1,117**	**28,831**

Comparative movements in 2010/11

	Land & Building £000	Vehicles, Plant and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
At 1 April 2010	24,749	9,104	1,566	35,419
Additions	243	803	976	2,022
Derecognition-disposals		(203)		(203)
Derecognition-other		(629)		(629)
Other movements in cost or valuation	16	611	(627)	0
at 31 March 2011	**25,008**	**9,686**	**1,915**	**36,609**
Accumulated Depreciation and Impairment				
At 1 April 2010		(7,688)		(7,688)
Depreciation Charge	(475)	(589)		(1,064)
Derecognition-disposals		203		203
Derecognition-other		629		629
at 31 March 2011	**(475)**	**(7,445)**	**0**	**(7,920)**
Net Book Value				
at 31 March 2010	**24,749**	**1,416**	**1,566**	**27,731**
at 31 March 2011	**24,533**	**2,241**	**1,915**	**28,689**

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 DCLG are depreciated straight line over the remaining useful life.

iii Capital Commitments update

At 31 March 2012, the Authority had no outstanding capital commitments but had paid a deposit and fees to acquire a new headquarters, the cost of which amounted to £248,000.

iv Fixed Asset Valuation

The freehold and leasehold 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 2012, with a valuation date of 1 October 2012. The valuations were undertaken by Hub Professional Services Ltd. 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).

8.15 Investment Properties

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

	2010/11 £000	2011/12 £000
Rental income from investment property	(11)	(11)
Net gain/(loss)	**(11)**	**(11)**

The three investment properties were valued at 31 March 2012 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 £580,000.

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 £440,000) 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:

	2010/11 £000	2011/12 £000
Balance at start of the year	539	565
Revaluation	26	15
Balance at end of the year	**565**	**580**

8.16 **Intangible Assets**

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives used by the Authority are:

	Purchased Assets
3 years	Vector Licences

There were no new additions to intangible assets during 2011/12.

Amortisation of £14,000 was charged to the IT cost centre and then absorbed as an overhead across service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2010/11 £000	2011/12 £000
Balance as start of the year:		
Gross carrying amounts	224	159
Accumulated amortisation	(170)	(145)
Net carrying amount at start of year	54	14
Derecognised Assets	(65)	(78)
Derecognised amortisation	65	78
Amortisation for the period	(40)	(14)
Net carrying amount at end of year	**14**	**0**
Comprising:		
Gross carrying amounts	159	81
Accumulated amortisation	(145)	(81)
	14	**0**

8.17 **Capital Expenditure and Financing**

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

	2010/11 £000	2011/12 £000
Opening Capital Financing Requirement	8,977	8,418
Capital investment:		
Property, Plant and Equipment	1,367	2,745
Sources of Finance:		
Capital Receipts		(658)
Government Grants and other Contributions	(845)	(1,282)
Revenue Funding including MRP	(1,081)	(1,038)
Closing Capital Financing Requirement	**8,418**	**8,185**
Explanation of Movements in the Year		
(Decrease) in the underlying need to borrow	(559)	(233)
Increase / (Decrease) in Capital Financing Requirement	**(559)**	**(233)**

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.

	2012/13 £000	2013/14 £000	2014/15 £000
Vehicles	848	630	635
Buildings	3,689	1,412	
Equipment	48	48	50
Total	**4,585**	**2,090**	**685**

8.18 **Financial Instruments**

i Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2011	31 March 2012	31 March 2011	31 March 2012
	£000	£000	£000	£000
Investments				
Loans and receivables			2,750	2,759
Total investments	**0**	**0**	**2,750**	**2,759**
Debtors				
Loans and receivables			240	481
Total debtors	**0**	**0**	**240**	**481**
Borrowings				
Financial liabilities at amortised cost	(8,842)	(8,842)		
Total borrowings	**(8,842)**	**(8,842)**	**0**	**0**
Creditors				
Financial liabilities at amortised cost			(1,328)	(2,082)
Total creditors	**0**	**0**	**(1,328)**	**(2,082)**
Other liabilities				
Finance Lease Liabilities	(219)	(110)	(153)	(127)
Total other long-term liabilities	**(219)**	**(110)**	**(153)**	**(127)**

ii Income, Expense, Gains and Losses

	2010/11			2011/12		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expenses	(410)		(410)	(403)		(403)
Total expense in Surplus or Deficit on the Provision of Services	**(410)**	**0**	**(410)**	**(403)**	**0**	**(403)**
Interest income		13	13		15	15
Total income in Surplus or Deficit on the Provision of Services	**0**	**13**	**13**	**0**	**15**	**15**
Net gain/(loss) for the year	**(410)**	**13**	**(397)**	**(403)**	**15**	**(388)**

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) and other loans payable, 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 2011		31 March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB debt	(8,842)	(9,356)	(8,842)	(10,794)
Trade creditors	(1,329)	(1,329)	(2,082)	(2,082)
Total Financial Liabilities	**(10,171)**	**(10,685)**	**(10,924)**	**(12,876)**
Money market Loans less than one year	2,750	2,750	2,759	2,759
Trade debtors	240	240	481	481
Total Loans and Receivables	**2,990**	**2,990**	**3,240**	**3,240**

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 includes 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.

8.19 **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 17 February 2011 and is available on the Authority website. The key issues within the strategy were:

- The Authorised Limit for 2011/12 was set at £10.972 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £10.472 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 2011/12 was approved by Full Authority on 17 February 2011 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 £2,759,000 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 2012 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 2012 £000	Historical experience of default %	Adjustment for market conditions at 31 March 2012 %	Estimated maximum exposure at 31 March 2012 £000	Estimated maximum exposure at 31 March 2011 £000
	(a)	(b)	(c)	(a * c)	
Trade debtors (not including statutory debtors – Authority Tax/NNDR)	481	5.00%	5.00%	24	12
Total	**481**			**24**	**12**

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-Mar-12 £000	31-Mar-12 %
UK	UK	1,746	63.29%
EU	Spain	1,006	36.46%
EU	Ireland	7	0.25%
	Total	**2,759**	**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-Mar-11 £000	31-Mar-12 £000
Less than three months	239	481
Three to six months	0	0
Six months to one year	0	0
More than one year	1	0
Total	**240**	**481**

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 2011 £000	31 March 2012 £000
Less than one year	2,750	2,759
Between one and two years	-	-
Between two and three years	-	-
More than three years	-	-
Total	**2,750**	**2,759**

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 2011 £000	Actual 31 Mar 2012 £000
Less than one year	50%	0%	0	0
Between one and two years	50%	0%	0	0
Between two and five years	25%	0%	0	0
Between five and ten years	40%	0%	0	2,920
More than ten years	100%	0%	8,842	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 exposure. The Treasurer will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

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)	1,166

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 loss arising from movements in exchange rates.

8.20 **Inventories**

	Consumable stores 31 March 2011 £000	31 March 2012 £000
Balance outstanding at start of year	173	150
Purchases	417	206
Recognised as an expense in the year	(440)	(129)
Written off balances	0	(22)
Balance outstanding at year-end	**150**	**205**

8.21 **Debtors and Prepayments**

A breakdown of debtors is given in the table below.

	31 March 2011 £000	31 March 2012 £000
Central Government	307	738
Local Authorities	872	708
NHS Bodies	10	0
Other Entities	22	48
Total	**1,211**	**1,494**

A breakdown of prepayments is given in the table below.

	31 March 2011 £000	31 March 2012 £000
Central Government	0	0
Local Authorities	0	3
Public Corporations	5	0
Other Entities	942	963
Total	**947**	**966**

8.22 **Cash and Cash Equivalents**

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

	31 March 2011 £000	31 March 2012 £000
Cash held by the Authority	5	5
Bank current accounts	5,236	8,053
Total Cash and Cash Equivalents	**5,241**	**8,058**

8.23 **Creditors and Income in Advance**

A breakdown of creditors is given in the table below.

	31 March 2011 £000	31 March 2012 £000
Central Government	(555)	(639)
Local Authorities	(766)	(709)
Public Corporations	(31)	(17)
Other Entities	(1,298)	(1,964)
Total	**(2,650)**	**(3,329)**

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

	31 March 2011 £000	31 March 2012 £000
Central Government	(269)	(147)
Local Authorities	0	0
Other Entities	(4)	(7)
Total	**(273)**	**(154)**

8.24 **Provisions**

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

	Pre-2006 Pension Transfers £000	Less favourable treatment of part-time employees £000	Total
Balance at 1 April 2011	(189)	(74)	(263)
Added in 2011/12	0	(25)	(25)
Balance at 31 March 2012	**(189)**	**(99)**	**(288)**

A provision is required in respect of current and former retained firefighters who have suffered unfair treatment compared to wholetime firefighters. The Employment Tribunal asked the parties to negotiate a settlement and compensation has now been agreed. There is also a contingent liability relating to retained firefighters who were unfairly treated in relation to pension rights.

A provision 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.

8.25 **Contingent Liabilities**

As a result of an Employment Tribunal judgement, retained duty staff will have the right to buy back pensionable service for the period 1 July 2000 to 5 April 2006. DCLG has been negotiating a settlement with the FBU on retained firefighters pensions, and is intending to consult for 12 weeks on an Amendment Order to implement the settlement, with the consultation likely to be starting in July 2012. It is currently impossible to assess what the Authority's liability may be.

8.26 **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 2011 £000	31 March 2012 £000
Vehicles	1	18

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

	31 March 2011 £000	31 March 2012 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	(153)	(127)
Non-current	(219)	(110)
Finance costs payable in future years	(17)	(6)
Minimum lease payments	**(389)**	**(243)**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Not later than one year	(49)	(44)	(49)	(44)
Later than one year not later than five years	(340)	(199)	(323)	(193)
	(389)	**(243)**	**(372)**	**(237)**

ii Operating Leases

The Authority has acquired photocopiers by entering into operating leases with lives of five years. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £000	31 March 2012 £000
Not later than one year	0	21
Later than one year and not later than five years	0	70
	0	**91**

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

	2010/11 £000	2011/12 £000
Minimum lease payments	15	14
Total	**15**	**14**

8.27 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 Pension Schemes	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
- current service cost	1,033	743	6,800	6,100
- past service cost	(1,878)		(24,200)	2,800
- impact of settlements and curtailments	-		-	
Financing and Investment Income and Expenditure				
- interest cost	1,109	970	11,400	11,200
- expected return on assets in the scheme	(743)	(780)		
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(479)**	**933**	**(6,000)**	**20,100**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
- actuarial (gains) and losses	(4,531)	3,999	(13,285)	3,811
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(5,010)**	**4,932**	**(19,285)**	**23,911**
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 IAS 19	479	(928)	6,000	(20,100)
	479	**(928)**	**6,000**	**(20,100)**
Actual Amount Charged against the General Fund Balance for pensions in the year:				
- employer's contributions payable to scheme	681	650		
- retirement benefits payable to pensioners			4,850	5,264
- net transfers			(19)	12
- government grant payable to the Pension Fund on behalf of the Authority			(1,927)	(2,330)
	681	**650**	**2,904**	**2,946**

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2012 a loss of £61.6m and at 31 March 2011 was a loss of £53.7m.

iii Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of the present value of the schemes' liabilities is shown below.

	Local Government Pension Pension Scheme		Firefighters' Pension Schemes	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Opening balance at 1 April	21,345	17,279	224,387	200,271
Current Service Cost	1,033	743	6,800	6,100
Interest Cost	1,109	970	11,400	11,200
Contributions by Scheme Participants	274	260	1,474	
Actuarial gains / losses	(4,394)	3,181	(13,285)	3,811
Benefits Paid	(210)	(284)	(6,324)	(5,270)
Past Service Cost	(1,878)	-	(24,200)	2,800
Net Transfers			19	(12)
Unfunded Pension Payments				
Closing balance at 31 March	**17,279**	**22,149**	**200,271**	**218,900**

Reconciliation of the fair value of the schemes' assets:

Local Government Pension Scheme	2010/11 £000	2011/12 £000
Opening balance at 1 April	11,134	12,763
Expected return on Scheme assets	743	780
Actuarial gains / (losses)	137	(818)
Contributions by employer	685	654
Contributions by Scheme participants	274	260
Benefits paid	(210)	(284)
Closing balance at 31 March	**12,763**	**13,355**

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

The actual return on scheme assets in the year was (£34,000) compared to £857,000 in 2010/11.

iv Schemes' History

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present Value of Liabilities:					
- Local Government Pension Scheme	(12,511)	(12,150)	(21,345)	(17,279)	(22,149)
- Firefighters' Pension Schemes	(147,299)	(153,404)	(224,387)	(200,271)	(218,900)
Fair Value of Assets in Local Government Pension Scheme	10,163	7,734	11,134	12,763	13,355
Surplus / (deficit) in the statement:					
- Local Government Pension Scheme	(2,348)	(4,416)	(10,211)	(4,516)	(8,794)
- Firefighters' Pension Schemes	(147,299)	(153,404)	(224,387)	(200,271)	(218,900)
Total	**(149,647)**	**(157,820)**	**(234,598)**	**(204,787)**	**(227,694)**

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £227.694 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 £197.852 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.

Contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2013 amount to £650,000. Contributions to the Firefighters' pension schemes are expected to be £2.9 million.

v 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 2010/11	Local Government Pension Scheme 2011/12	Firefighters' Pension Schemes 2010/11	Firefighters' Pension Schemes 2011/12
Long-term expected rate of return on assets in the scheme:				
Equities	7.8%	6.7%		
Bonds	5.5%	4.6%		
Property	5.9%	4.8%		
Cash	3.0%	3.0%		
Alternative Assets	5.0%	5.0%		
Mortality Assumptions:				
Longevity (at age 65 for LGPS members and at age 60 for Firefighter Scheme members) for current pensioners:				
- Men	22.7	23.0	27.9	27.9
- Women	25.4	25.6	30.8	30.8
Longevity (at age 65 for LGPS members and at age 60 for Firefighter Scheme members) for future pensioners:				
- Men	24.8	25.0	29.5	29.5
- Women	27.4	27.6	32.3	32.3
Rate of RPI	3.5%	3.3%	3.6%	3.3%
Rate of CPI	2.7%	2.5%	2.8%	2.5%
Rate of increase in salaries	4.8%	4.5%	4.6%	3.5%
Rate of increase in pensions	2.7%	2.5%	2.8%	2.5%
Rate for discounting liabilities	5.5%	4.6%	5.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	90.0%	90.0%

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

	Proportion of Assets held at 31 March 2011	Proportion of Assets held at 31 March 2012
Equities	31%	35%
Other Bonds	27%	25%
Property	8%	10%
Cash	5%	2%
Alternative Assets	29%	28%
	100%	100%

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.

vi History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

Local Government Scheme	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual returns on assets	(15.56)	(50.63)	19.38	1.07	(6.10)
Experience gains / (losses) on liabilities	1.52	(0.69)	0.01	6.38	0.00
Changes in the assumptions underlying the present value of the scheme's liabilities	15.91	18.30	(35.95)	19.18	(14.39)
Firefighters' Schemes	**2007/08 %**	**2008/09 %**	**2009/10 %**	**2010/11 %**	**2011/12 %**
Experience gains / (losses) on liabilities	0.41	(2.35)	2.58	4.34	0.02

8.28 Usable Reserves

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

8.29 **Unusable Reserves**

31 March 2011 £000		31 March 2012 £000
2,012	Revaluation Reserve	1,863
18,181	Capital Adjustment Account	19,361
(204,793)	Pension Reserve	(227,692)
(9)	Collection Fund Adjustment Account	72
(246)	Accumulated Absences Account	(189)
(184,855)	**Total Unusable Reserves**	**(206,585)**

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 and Intangible Assets.

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.

2010/11 £000		2011/12 £000
2,085	Balance as at 1 April	2,012
	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the provision of services	(24)
(73)	Difference between fair value depreciation and historic cost depreciation	(86)
	Accumulated gains on assets sold	(39)
2,012	**Balance as at 31 March**	**1,863**

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.

2010/11 £000		2011/12 £000
17,261	Balance at 1 April	18,181
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
(1,064)	Charges for depreciation and impairment of non-current assets	(1,922)
	Revaluation losses on Property, Plant and Equipment	
(40)	Amortisation of intangible assets	(14)
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(657)
16,157		**15,588**
73	Adjusting amounts written out of the Revaluation Reserve	125
16,230	**Net written out amount of the cost of non-current assets consumed in the year**	**15,713**
	Capital financing applied in the year:	
	Use of the Capital Receipts Reserve to finance new capital expenditure	658
845	Capital grants and contributions credited to the CIES that have been applied to capital financing	1,282
558	Statutory provision for the financing of capital investment charges against the General Fund	538
522	Capital expenditure charged against the General Fund	500
1,925		**2,978**
26	Movements in the market value of Investment Properties debited or credited to the CIES	15
	Movement in the Donated Assets Account credited to the Comprehensine Income & Expenditure Statement	655
18,181	**Balance at 31 March**	**19,361**

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.

2010/11 £000		2011/12 £000
(234,598)	Balance at 1 April	(204,793)
17,813	Actuarial gains or losses on pensions assets and liabilities	(7,803)
6,480	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	(21,028)
5,512	Employer's pensions contributions and direct payments to pensioners payable in the year	5,932
(204,793)	**Balance at 31 March**	**(227,692)**

iv Collection Fund Adjustment Account

From 1 April 2009 precepts included in the Income and Expenditure Account must be accrued income for the year. This contrasts with previous accounting treatments where precepts included in the Income and Expenditure Account were amounts paid from the Collection Funds of the six Berkshire Unitary Authorities to the Fire Authority. There is no effect on the General Fund as the balance is written off to the Collection Fund Adjustment Account as shown below.

2010/11 £000		2011/12 £000
(65)	Balance at 1 April	(9)
56	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	81
(9)	**Balance at 31 March**	**72**

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.

2010/11 £000		2011/12 £000
(173)	Balance at 1 April	(246)
173	Settlement or cancellation of accrual made at the end of the preceding year	246
(246)	Amounts accrued at the end of the current year	(189)
(246)	**Balance at 31 March**	**(189)**

8.30 **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 2011/12.

Other Public Bodies. The Authority does not have any significant contractual arrangements with other public bodies.

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. A Member has been appointed as chairman 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. During 2011/12 the Director of Human Resources and the Senior Accountant were Directors of Royal Berkshire Fire & Rescue (Training) Ltd and the Clerk and Monitoring Officer was the Company Secretary.

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 from the company are returned to the Fire Authority.

8.31 **Accounting Standards that have been issued but have not yet been adopted**

The amendments to IFRS 7 – Financial Instruments were issued in October 2010 but have not been adopted. The adoption of these amendments in 2012/13 will have no impact on the Authority's accounts.

8.32 **Critical Judgements in Applying Accounting Policies**

In applying the accounting policies 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.
- Royal Berkshire Fire & Rescue (Training) Ltd made an operating loss during 2011/12. However, it is hoped that the company will make a small profit in 2012/13,

which should protect the working capital that has been provided in the form of a loan by the Authority to the company.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are explained 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%	-0.1%
Present value of total obligation	21,560	22,149	22,757
Projected service cost	893	921	962
Adjustment to mortality age rating assumption	+1 year	None	- 1 year
Present value of total obligation	21,385	22,149	22,924
Projected service cost	887	921	970

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

Firefighters' Pension Scheme - effect on scheme liabilities	£000
0.1% decrease in the real discount rate	4,000
One year increase in member life expectancy	6,600
0.5% increase in the salary increase rate	3,400
0.5% increase in the pensions increase rate	17,100

Firefighters' Pension Scheme - effect on current service costs	£000
0.1% decrease in the real discount rate	210
One year increase in member life expectancy	190
0.5% increase in the salary increase rate	320
0.5% increase in the pensions increase rate	720

8.34 Events after the Balance Sheet date

The date for approval of the Authority's Accounts is 26 September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2012 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Authority put down a ten per cent deposit relating to the purchase of land and buildings at Theale Cross in February 2012. The transaction completed on 5 September 2012. The cost of the purchase was £1.8 million.

8.35 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
	Cash Outflows:	
(20,372)	Employment costs	(20,310)
(7,012)	Pension costs	(7,291)
(410)	Interest paid	(403)
(6,933)	Other operating costs	(7,377)
	Cash Inflows:	
33,801	Precepts and General Government Grants	33,816
1,689	Pension top-up grant	2,208
33	Interest received	38
760	Other operating income	1,234
1,556	**Net cash flows from operating activities**	**1,915**

8.36 **Cash Flow Statement - Investing Activities**

2010/11 £000		2011/12 £000
(1,224)	Purchase of property, plant and equipment, investment property and intangible assets	(2,288)
(8)	Purchase of short-term and long-term investments	(16)
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	651
844	Capital Grants Received	2,719
100	Proceeds from short-term and long-term investments	6
(288)	**Net cash outflows from investing activities**	**1,072**

8.37 **Cash Flow Statement - Financing Activities**

2010/11 £000		2011/12 £000
	Cash receipts of short and long-term borrowing	
(179)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(170)
(179)	**Net cash flows from financing activities**	**(170)**

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

2010/11 £000		2011/12 £000
	Contributions Receivable:	
(2,648)	Employer Flat Rate Contributions	(2,615)
(37)	Employer Ill-Health Contributions	(98)
(1,474)	Employee Contributions	(1,464)
(19)	Transfers In	(18)
	Benefits Payable:	
5,403	Pensions	5,603
702	Commutations and Lump Sum Benefits	892
	Transfers Out	30
1,927	**Net amount payable for the year**	**2,330**
1,927	**Top-up Grant Receivable**	**2,330**

iii Net Assets Statement

31 March 2011 £000		31 March 2012 £000
464	Prepayment of April pension paid in March	1,049
-	Top-up Grant receivable from the Government	-
-	Amount owing from the General Fund	-
464	**Total Assets**	**1,049**
(195)	Amount owing to the General Fund	(902)
(269)	Top-up Grant payable to the Government	(147)
(464)	**Total Liabilities**	**(1,049)**
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 2011/12. 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.

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

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.

Intangible Assets
Intangible assets are assets that do not have physical substance and that have value beyond a single financial year. The Authority, when appropriate, capitalises computer software licences.

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.

PWLB
Public Works Loan Board.

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.

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