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CAMBRIDGESHIRE  
& PETERBOROUGH  
**FIRE AUTHORITY**

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DRAFT STATEMENT OF ACCOUNTS 2006/07

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## Introduction to the Statement of Accounts

Cambridgeshire and Peterborough Fire Authority was formed on 1 April 1998 following Local Government reorganisation in Cambridgeshire.

This booklet contains the Statement of Accounts for the Fire Authority for the year ended 31 March 2007.

Publication of these accounts is required under the Audit Commission Act 1998 and have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (more commonly known as the Statement of Recommended Practice (SORP)).

There have been significant changes to the SORP this year to align local authority statements with those in the private sector. The main changes are around the removal of notional interest charges and gains and losses on the disposal of assets.

In addition to this change, Fire Authorities now have to include a Pension Fund Account within their statements to highlight payments made into and out of the Firefighter Pension Scheme.

The main features of the accounts are:

The Statement of Accounting Policies

- which explains the basis of the figures in the accounts.

The Income and Expenditure Account

- which summarises expenditure and income of the Authority for the year to 31 March 2007.

The Statement of Movement on the General Fund

- shows whether the Authority has over or underspent against the council tax levied during the year.

The Statement of Total Recognised Gains and Losses

- summarises the gains and losses of the Authority for the year

The Balance Sheet

- which sets out the financial position of the Authority as at 31 March 2007.

The Cash Flow Statement

- which consolidates the total movements of the Authority's funds.

The Statement in Total Movements in Reserves

- which sets out the movements in the Authority's reserves during the year

The Pension Fund Account

- which sets out the payment made and received in respect of the Firefighter Pension Scheme

For further information concerning any items contained in this Statement please write to:

The Treasurer  
Cambridgeshire and Peterborough Fire Authority  
Hinchingsbrooke Cottage  
Brampton Road  
Huntingdon  
Cambs PE29 2NA

or telephone (01480) 444500.

## Summary of the 2006/07 Financial Year

Of the Authority's £24.459 million net expenditure, 79% was spent on employee related costs. The Fire Authority held £3.3 million in general reserves as at 31 March 2007. However, other financial commitments will reduce this balance to approximately £1.7 million in 2007/08.

A summarised comparison of the Authority's expenditure for the year to the revised budget is presented in the table across.

The primary reasons for the controllable elements of revenue expenditure being underspent were the delayed purchase of the new dual fire appliances, fire-fighter recruitment lagging behind retirements and support staff vacancies.

As can be seen from the table across this enabled a contribution of £958k to general reserve, of which £933k is earmarked to finance expenditure in 2007/08.

	Revised Budget	Actual Outturn	Variance between Budget and Actual	
	£000	£000	£000	%
Net Controllable Expenditure	23,063	21,579	-1,484	-6.4
Pensions (Net)	77	145	68	-
Operational Fire Budget	2,753	2,735	-18	-0.6
Net Expenditure prior to use of reserves	25,893	24,459	-1,434	-7.0
Transfer from General Reserve	-790	-790	-	-
Net contribution to/from Earmarked Reserve	-161	339	500	-
Contribution to General Reserve including surplus	-	909	909	-
<b>Net Expenditure</b>	<b>24,942</b>	<b>24,917</b>	<b>-25</b>	

## Variations

Positive variance denotes expenditure in excess of budget or income less than budget.

Negative (-) variance denotes expenditure less than budget or income more than budget.

## **Capital Spending**

The Authority purchased 21 vehicles within its fleet at a cost of £504,000, undertook equipment and building improvements totalling £307,000, and completed or commenced a number of IT projects totalling £121,000. In addition, reserve creditors of £50,000 from 2005/06 needing financing this year. The total expenditure was financed by borrowing of £690,000, the application of capital receipts of £36,000 and a revenue contribution of £257,000.

## **External Borrowing**

The Authority borrowed, from PWLB, loans totalling £1,700k during the year. The loans were used to replace previous borrowings that were repaid in advance of maturity.

## **Pensions Liability**

The Authority participates in two defined benefit pension schemes. Although the benefits will not actually be payable until employees retire, the Authority has a commitment, under Financial Reporting Standard 17, to account for the significant liability that is disclosed within the Revenue Account and the Balance Sheet. From the 1<sup>st</sup> April 2006 the Fire Fighter's pensions scheme became fully funded by a separate grant allocation from central government.

## **Opinion**

In my opinion the statement of accounts presents fairly the financial position of the Authority at 31 March 2007 and its income and expenditure for the year then ended.

**Matthew Warren CPFA**

**Treasurer**

**Date:**

## **Signed on behalf of the Fire Authority:**

I confirm that these accounts were approved by the Policy and Finance Committee on the 21 June 2007.

**Cllr R Pegram**

**Chairman of the Fire Authority**

**Date: 21 June 2007**

## **Statement of Responsibilities for the Statement of Accounts**

### **The Authority's Responsibilities**

The Authority is required:

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

### **The Treasurer's Responsibilities**

The Treasurer is responsible for the Authority's Statement of Accounts which is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2006) in accordance with the Joint Committee's 2005 Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice (SORP).

In preparing this Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with "the SORP".

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.

**Matthew Warren CPFA**

**Treasurer**

**Date:**

## **Statement of Internal Control**

### **Scope of Responsibility**

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

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

### **The Purpose of the System of Internal Control**

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

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

## **The Internal Control Environment**

The key elements of the Authority's internal control environment include:

- The system of internal control comprises a network of policies, procedures, reports and processes. These arrangements clarify the Authority's vision, objectives, priorities, risk management arrangements, performance management processes, and financial controls.
- The Authority's core objectives and priorities are set out in the Fire Authority Plan, these objectives cascade through Directorate and District/Group Plans to individual performance management plans.
- A Risk Management Strategy, Process and a Strategic Risk Register that is reviewed by Senior Management Team and the Policy and Finance Committee on a quarterly basis.
- Clear Scheme of Delegation.
- The financial management of the Authority and the reporting of financial management to the Policy and Finance Committee.
- The performance management framework of the Authority and the reporting of performance management to the Scrutiny and Performance Committee, which receives regular performance indicator reports.

More specifically, the Authority's internal financial control is exercised through:

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

### **Review of Effectiveness**

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

In this regard the Authority retains (contractually) the Internal Audit services of Cambridgeshire County Council to provide an independent appraisal function to review and report on the effectiveness of the systems of internal control within the Authority. The Internal Audit team works to defined professional standards, particularly those promulgated by CIPFA in its Code of Practice for Internal Audit in Local Government. The Internal Audit Plan is prepared on the basis of a formal risk assessment and the Internal Auditor reports directly to the Fire

Authority via the Scrutiny and Performance Committee on both the proposed plan and the main outcomes of audit work.

A full review of the internal audit function has been undertaken, incorporating a full EU tender process. This exercise has resulted in new internal auditors being appointed with effect from 1<sup>st</sup> April 2007, for an initial period of 3 years.

The external auditor relies on some of the work of internal audit, and the external auditor has, in the Annual Audit letter, over a number of years, given their assurance about the systems of financial control in operation here. Similarly the external auditor reports and delivers plans and an Annual Report to the Authority via the Scrutiny and Performance Committee.

An independent review of the Authority's Strategic Risk Strategy, process and register has been undertaken to validate progress in embedding the process and assessing the robustness of current processes.

We have been advised on the implications of the result of the reviews of the effectiveness of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## Significant Internal Control Issues

Actions to be taken to deal with significant internal control issues identified:

- Develop the Risk Management process to ensure members with formal responsibility for managing and reviewing the Strategic Risk Register receive formal risk management training to promote further member involvement in identifying and understanding the entire process.
- Embed the Asset Management Plan and Strategy so that it is fully integrated into the medium term planning process and that will ultimately drive the Authority's medium term budget.
- Implement a system for identifying, monitoring and recording efficiency gains across the service.
- Create and Embed a Partnership Strategy designed to ensure all partnership activities are appropriate and will contribute to the Authority's key objectives.

The issues raised were improvements highlighted as part of the use of resources judgement. The overall assessment did not identify any significant control weaknesses and the Authority was assessed as either meeting or performing above the minimum requirements.

**Chief Fire Officer**

**Date:**

**Chairman of the Fire Authority**

**Date:**

**Treasurer to the Fire Authority**

**Date:**

## Cambridgeshire and Peterborough Fire Authority Income and Expenditure Account

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

<b>2005/06</b> <b>Restated Net</b> <b>Expenditure</b> <b>£000</b>		<b>2006/07</b> <b>Gross</b> <b>Expenditure</b> <b>£000</b>	<b>2006/07</b> <b>Gross</b> <b>Income</b> <b>£000</b>	<b>2006/07</b> <b>Net</b> <b>Expenditure</b> <b>£000</b>
<b>1,402</b>	<b>Community Fire Safety</b>	<b>1,817</b>	<b>123</b>	<b>1,694</b>
581	Statutory Inspection and Certification	642	11	631
821	Prevention & Education	1,175	112	1,063
<b>20,725</b>	<b>Firefighting and Rescue Operations</b>	<b>22,591</b>	<b>531</b>	<b>22,060</b>
18,319	Operational Response	19,949	461	19,488
2,377	Communications & Mobilisation	2,545	69	2,476
29	Securing Water Supplies	97	1	96
<b>31</b>	<b>Emergency Planning &amp; Civil Defence</b>	<b>41</b>	<b>1</b>	<b>40</b>
<b>2,690</b>	<b>Corporate &amp; Democratic Core</b>	<b>2,787</b>	<b>45</b>	<b>2,742</b>
1,550	Democratic Representation & Management	1,597	25	1,572
1,140	Corporate Management	1,190	20	1,170
<b>544</b>	<b>Non Distributed Costs</b>	<b>558</b>	<b>0</b>	<b>558</b>
<b>25,392</b>	<b>Net Cost of Services</b>	<b>27,794</b>	<b>700</b>	<b>27,094</b>
103	Interest Payable and Similar Charges			140
-122	Interest and Investment Income			-234
6,044	Pension Interest Costs and Return on Assets			6,977
<b>31,417</b>	<b>Net Operating Expenditure</b>			<b>33,977</b>

<b>2005/06</b> <b>Restated Net</b> <b>Expenditure</b> <b>£000</b>		<b>2006/07</b> <b>Gross</b> <b>Expenditure</b> <b>£000</b>	<b>2006/07</b> <b>Gross Income</b> <b>£000</b>	<b>2006/07</b> <b>Net Expenditure</b> <b>£000</b>
<b>-4,312</b>	General government grants			<b>-1,965</b>
<b>-8,432</b>	Non-domestic rates redistribution			<b>-9,989</b>
<b>-12,333</b>	Precepts			<b>-13,004</b>
<b>6,340</b>	<b>Deficit for the year</b>			<b>9,019</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over- or under-spent against the council tax that it raised for the year, taking into account the use or reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

<b>2005/06</b>		<b>2006/07</b>	
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
6,340	Surplus (-) / Deficit for the year on the Income and Expenditure Account		9,019
	Net additional amount required by statute and non statutory proper practices to be debited or credited to the General fund Balance		-9,162
<u>-6,971</u>		<u></u>	<u>-143</u>
-631	Increase/Decrease in General Fund Balance for the year		
-2,504	General Fund Balance brought forward		-3,135
<u>-3,135</u>	General Fund Balance carried forward	<u></u>	<u>-3,278</u>

## NOTES TO THE GENERAL FUND BALANCE STATEMENT

2005/06 £'000		2006/07 £'000	£'000
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for year</b>		
-233	Amortisation of intangible fixed assets	-238	
-1,272	Depreciation and impairment of fixed assets	-1,207	
1	Government Grants Deferred amortisation	1	
184	Write downs of deferred charges to be financed from capital resources	184	
-4,194	Net charges made for retirement benefits in accordance with FRS17	-5,698	
-5,514			-6,958
	<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the movement on the General Fund Balance for year</b>		
127	Minimum revenue provision for capital financing	240	
93	Capital expenditure charged in year to the General Fund Balance	257	
3,894	Employers contributions payable to pension funds and retirement benefits payable direct to pensioners	3,853	
4,114			4,350

2005/06 £'000		2006/07 £'000	£'000
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>			
	Net transfer to/from earmarked reserves:		
503	Pension Reserve	-77	
-30	Capital Reserve	500	
-6,044	Pension FRS17	-6,977	
-5,571			-6,554
-6,971	Net transfer to/from General Fund Balance for the year		-9,162

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
6,340	Surplus (-)/Deficit for the year on the Income and Expenditure Account	9,019
-991	Surplus (-)/Deficit arising on revaluation of Fixed Assets	-3,142
23,993	Actuarial gains (-)/losses on pension fund assets and liabilities	-11,834
	Discount received deferred	-94
<hr/>		<hr/>
29,342	Total recognised gains (-)/losses for the year	-6,051







2005/06			2006/07	
£000	£000		£000	£000
		<b>Management of liquid resources</b>		
	-1,467	Net transfers from/to (-) short term deposits		-1,220
		<b>Financing Cash Inflows</b>		
1,700		New loans advanced	1,700	
-183		Capital element of finance leases	-184	
-605		Loans repaid	-1,700	
	912			-184
		<b>Net cash inflow from financing</b>		
	-	<b>Net increase/decrease (-) in cash</b>		-

## Notes to the Accounts

### 1. Fixed Assets

#### Movement on Intangible Assets

	<b>Computer Software £000's</b>
Gross Book Value 1/4/06	1,186
Cumulative Depreciation to 1/4/06	-671
Net Book Value 1/4/06	<u>515</u>
Additions	21
Depreciation for the year	-238
	<u>298</u>
Gross Book Value 31/3/07	1,207
Accumulated Depreciation to 31/3/07	-909
Net Book Value 31/3/07	<u>298</u>

#### Movement of Fixed Assets 2006/07

	<b>Land and Buildings £000</b>	<b>Vehicles Plant and Equipment £000</b>	<b>Total £000</b>
Gross Book Value 1/4/06	17,292	8,334	25,626
Cumulative Depreciation to 1/4/06	-2,474	-4,756	-7,230
Net Book Value 1/4/06	<u>14,818</u>	<u>3,578</u>	<u>18,396</u>
Additions	-	651	651
Enhancements	261	-	261
Disposals (Gross Value)	-	-71	-71
Disposals (Acc.Deprecn)	-	41	41
Depreciation for the year	-451	-755	-1,206
Revaluation (Gross Value)	2,635	-	2,635
Revaluation (Acc.Deprecn)	-	-	-
Net Book Value 31/3/07	<u>17,263</u>	<u>3,444</u>	<u>20,707</u>
Gross Book Value 31/3/07	21,148	8,913	30,061
Accumulated Depreciation to 31/3/07	-3,885	-5,469	-9,354
Net Book Value 31/3/07	<u>17,263</u>	<u>3,444</u>	<u>20,707</u>

The Authority's Land and Buildings have all been independently re-valued over the last 3-years. Future re-valuations will be conducted on a five year rolling programme.

Included within the table above are the figures relating to the lease of Fire Appliances as detailed in the table below.

<b>As at 31 March 2006 £000</b>		<b>As at 31 March 2007 £000</b>
1,657	Balance as at 1 April 2006	1,473
0	Additions	0
-184	Depreciation	-184
<b>1,473</b>	<b>Balance as at 31 March 2007</b>	<b>1,289</b>

#### Statement of Physical Assets as at 31 March 2007

	<b>2005/06 No.</b>	<b>2006/07 No.</b>
<b>Buildings</b>		
Fire Headquarters and Fire Stations	28	28
Staff Houses	5	5
	<u>33</u>	<u>33</u>
<b>Vehicles and Plant</b>		
Fire Engines	41	41
Turntable Ladders	2	2
Rescue Vehicles	3	3
Other Special Appliances	7	7
Reserve and Training Appliances	9	9
Other Vehicles	54	69
<b>Total</b>	<b><u>116</u></b>	<b><u>131</u></b>

#### Valuation of Fixed Assets carried at current value

	<b>Land and Buildings £000</b>	<b>Vehicles Plant and Equipment £000</b>	<b>Total £000</b>
Valued at historical cost		3,444	3,444
Valued at current value in:			
2006/2007	8,694		8,694
2005/2006	5,074		5,074
2004/2005	3,495		3,495
<b>Total</b>	<b><u>17,263</u></b>	<b><u>3,444</u></b>	<b><u>20,707</u></b>

The Authority's Land and Buildings are independently re-valued on a 3-year programme.

#### Financing of Capital Spending 2006/07

	<b>2005/06 £000</b>	<b>2006/07 £000</b>
Reserve Creditors	59	-50
Revenue Contributions	93	257
Borrowing under the Prudential Code	734	690
Capital Grant	20	-
Capital Receipts	188	36
<b>Total</b>	<b><u>1,094</u></b>	<b><u>933</u></b>

## 2. Debtors

A Summary of Debtors as at 31 March 2007 is as follows:

	As at 31 March 2006		As at 31 March 2007	
	£000	£000	£000	£000
Long Term Debtors				
Employee Car Loans		11		6
Short Term Debtors				
Prepayments & Accrued Income	462		594	
Customs & Excise	120		129	
Employee Car Loans	9		13	
Miscellaneous Debtors	94	685	228	964
<b>Total</b>		<b>696</b>		<b>970</b>

## 3. Creditors

A Summary of Creditors as at 31 March 2007 is as follows:

	As at 31 March 2006 £000		As at 31 March 2007 £000
923 Accruals			1,708
57 Miscellaneous Creditors			35
39 VAT			17
<b>1,019 Total</b>			<b>1,760</b>

## 4. Long term borrowing

The outstanding un-discharged obligation under the finance leases is:

	Within 12 Months £000	Within 2-5 Years £000	After 5 Years £000	Total £000
Principal	184	734	371	1,289
Interest	53	212	105	370
<b>Total</b>	<b>237</b>	<b>946</b>	<b>476</b>	<b>1,659</b>

The outstanding un-discharged obligation due to PWLB is:

	Within 12 Months £000	Within 2-5 Years £000	After 5 Years £000	Total £000
Principal	-	-	1,700	1,700
Interest	72	289	2,963	3,324
<b>Total</b>	<b>72</b>	<b>289</b>	<b>4,663</b>	<b>5,024</b>

The interest charges have not been accrued so are not shown as a liability at the balance sheet date.

## 5. Capital Financing Account

2005/06 £000		2006/07 £000
-4,887	Balance at 1 April 2006	-5,800
93	Capital Financing – Revenue	257
188	Capital Financing – Capital Receipts	36
1	Capital Grant Amortised during the year	1
-1,506	Less: Depreciation	-1,444
184	Finance Leases	184
127	Minimum Revenue Provision	240
<b>-5,800</b>	<b>Balance as at 31 March 2007</b>	<b>-6,526</b>

## 6. General Reserve

2005/06 £000		2006/07 £000
2,504	Balance at 1 April 2006	3,135
-633	Applied in 2006/07	-790
1,259	Contributions from Revenue Account	1,452
5	Revenue Account Surplus/Deficit(-)	-519
<b>3,135</b>	<b>Balance as at 31 March 2007</b>	<b>3,278</b>

## 7. Earmarked Revenue Reserves

In view of the Authority's potential liabilities for Fire-fighters that retire on grounds of ill health, the Fire Authority holds a Revenue Pension Reserve to fund the potential capital payment under the new financing arrangements. In addition, owing to the volatility and time lag on new developments, a Hydrants reserve is maintained.

2005/06 £000		2006/07 £000
	<b>Revenue Pension Reserve</b>	
460	Balance at 1 April 2006	963
-	Transfer from Pensions Provision	-77
503	Transfer from Revenue Account	-
<b>963</b>	<b>Balance as at 31 March 2007</b>	<b>886</b>
	<b>Hydrants Reserve</b>	
56	Balance at 1 April 2006	56
-	Transfer from Revenue Account	-
<b>56</b>	<b>Balance as at 31 March 2007</b>	<b>56</b>
	<b>Capital Reserve</b>	
260	Balance at 1 April 2006	230
-	Transfer from Revenue	500
-30	Transfer to Revenue	-
<b>230</b>	<b>Balance as at 31 March 2007</b>	<b>730</b>
<b>1,249</b>	<b>Total Earmarked Revenue Reserves as at 31 March 2007</b>	<b>1,672</b>

**8. Pensions for Uniformed Fire Personnel and Other Employees**

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement (See notes 8 to the Balance Sheet and the note to the Statement of Total Movement in Reserves).

The Authority participated in two pension schemes:

- The Local Government Pension Scheme for non-uniformed and control room employees, administered by Cambridgeshire County Council. This is a funded scheme, meaning that the Authority and employee pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Fire-fighter's Pension scheme for uniformed employees. The liability for this scheme now rests with the Department of Communities and Local Government. A separate account detailing the 2006/07 transactions and liabilities are shown within the Fire-fighter Pension Account on page 25.

	Fire-fighter Pension Scheme £000		Local Government Pension Scheme	
	2005/06 £000	2006/07 £000	2005/06 £000	2006/07 £000
<b>Net Cost of Services:</b>				
Current service cost	-5,000	-3,200	-508	-671
Past service costs and curtailments and settlements	-	-500	-18	-57
<b>Net Operating Expenditure:</b>				
Interest cost	-6,900	-5,900	-617	-682
Expected return on assets in the scheme			473	605
<b>Amounts to be met from Government Grants and Local Taxation:</b>				
Movement on Pension Reserve	8,500	6,100	276	352
<b>Actual Charge against council tax for pensions in the year:</b>				
Employers' contributions payable to scheme			394	453
Retirement benefits payable to pensioners	3,400	3,500		
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The liabilities show the underlying long-term retirement benefit commitments that are to be paid. The total liability has a material impact on the net worth of the Authority as recorded in the balance sheet. However, the deficit attributable to the Fire-fighter pension scheme is now funded by Communities and Local Government. The remaining deficit owing on the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

- 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.
- The financial deficit required to cover the Fire-fighters pension scheme will only be needed when the pensions are actually paid.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Hymans Robertson, an independent firm of actuaries, has assessed the County Council Fund liabilities, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2004.

The projected service cost does not take account of the removal of the Rule of 85 for service after 30 September 2006 for certain members.

	<b>Fire-fighter Pension Scheme</b>	<b>Local Government Pension Scheme</b>	<b>Total</b>
	<b>£000</b>	<b>£'000</b>	<b>£'000</b>
	<b>2006/07</b>	<b>2006/07</b>	<b>2006/07</b>
Estimated Liabilities in scheme	-137,303	-13,836	-151,139
Estimated Assets in Scheme	-	9,884	9,884
<b>Net Asset/Liability (-)</b>	<b>-137,303</b>	<b>-3,952</b>	<b>-141,255</b>

	<b>Fire-fighter Pension Scheme</b>	<b>Local Government Pension Scheme</b>	<b>Total</b>
	<b>£000</b>	<b>£'000</b>	<b>£'000</b>
	<b>2005/06</b>	<b>2005/06</b>	<b>2005/06</b>
Estimated Liabilities in scheme	-139,403	-13,511	-152,914
Estimated Assets in Scheme	-	8,647	8,647
<b>Net Asset/Liability (-)</b>	<b>-139,403</b>	<b>-4,864</b>	<b>-144,267</b>

The main assumptions used in their calculations have been:

	<b>31 March 2007</b>	<b>31 March 2006</b>
	%	%
Inflation	3.2	3.1
Rate of increase in salaries	4.7	4.6
Rate of increase for pensions	3.2	3.1
Discount rate	5.4	4.9

The discount rate applied for the year to 31 March 2007 is based on long dated, high quality corporate bond yields.

Assets in the Local Government Pension Scheme are valued at fair value, principally market value for investments, and consist of:

	<b>Value at 31 March 2007 £m</b>	<b>Long term Return %</b>	<b>Proportion of assets held at 31 March 2007 %</b>	<b>Proportion of assets held at 31 March 2006 %</b>
Equities	1,021	7.8	74	75
Bonds	155	4.9	11	13
Property	170	5.9	13	9
Cash	29	4.9	2	3
<b>Total</b>	<b>1,375</b>		<b>100</b>	<b>100</b>

Further information may be found in the Cambridgeshire County Council's Pension Fund Annual Report, which is available on request from the Cambridgeshire County Council's Pension Scheme, Shire Hall, Cambridge CB3 0AP.

#### 9. Reconciliation of surplus/deficit (-) on operating activities to net cash inflow from operating activities

<b>2005/06 £000</b>		<b>2006/07 £000</b>
<b>5</b>	<b>Net surplus on operating activities</b>	<b>-9,019</b>
1,099	Net transfer to reserves	9,479
	Non-cash transactions	
127	Minimum Revenue Provision	238
93	Revenue Contribution to Capital	257
-	Amortisation	1
	Accruals	
4	Increase (-)/Decrease in stock	-9
-187	Increase (-)/Decrease in debtors	-206
88	Decrease (-)/increase in creditors	793
183	Adjustment for Lease Payments	184
	Servicing of Finance	
-122	Interest receivable	-234
103	Interest payable	140
<b>1,393</b>	<b>Net cash flow from operating activities</b>	<b>1,624</b>

**10. Reconciliation of movements in net debt**

	<b>Balance at 1 April 2006 £000</b>	<b>Cash flows £000</b>	<b>Balance at 31 March 2007 £000</b>
Cash at bank and in hand	16	-	16
Short-term deposits	2,716	1,219	3,935
Borrowings	-3,173	184	-2,989
	<b>-441</b>	<b>1,403</b>	<b>962</b>

**11. Expenditure on Publicity**

The list below shows the expenditure by the Authority on certain categories of publicity and is published in accordance with Section 5(1) of the Local Government Act 1986. These categories are:

Staff advertising  
Costs of staff wholly or mainly engaged on publicity  
Other publicity, including press notices and newspapers or periodicals published by or on behalf of the Authority.

The amount spent by the Fire Authority on these categories in 2006/07 was £185,867 (£81,633 2005/06).

**12. Income from Bodies Under the Local Authority (Goods and Services) Act 1970**

This Act provides for public bodies to provide goods and services to one another on a trading basis. In 2006/07 the Fire Authority's income from such activities covered by this Act was £51,703 (£14,062 2005/06). This income met the related expenditure incurred in 2006/07.

**13. Minimum Revenue Provision for the Repayment of External Loans**

Each year, a local Authority must calculate an amount, to be set-aside from the revenue account, to be used in the future repayment of borrowing. This amount is known as the minimum revenue provision (MRP). The difference between the calculated MRP and depreciation charged to revenue has been credited back to the Capital Financing Account. The amount charged, for MRP, to the 2006/07 revenue account is £240,481 (£127,080 2005/06).

#### 14. Members Allowances and Officer's Emoluments

The Accounts and Audit Regulations 2003 require the disclosure of the totals of members' allowances paid in the year and the numbers of officers whose remuneration in 2006/07 exceeded £50,000, analysed in bands of £10,000.

	2005/06	2006/07
Remuneration in 2006/07		
£120,000 - £129,999	1	1
£90,000 - £99,999	1	2
£80,000 - £89,999	1	0
£70,000 - £79,999	1	1
£60,000 - £69,999	2	3
£50,000 - £59,999	9	10

In 2006/07 the total expenditure incurred by the Authority relating to the members' allowances scheme was £66,886 (£67,021 in 2005/06).

#### 15. Related Party Transactions

We have consulted with all Members and Senior Managers of the Authority with regard to Related Party Transactions for 2006/07 and there are no material transactions to disclose (Nil in 2005/06). The Authority has 17 elected members of which 13 are Cambridgeshire County Councillors and the 4 are Peterborough City Councillors.

#### 16. Finance Leases

The Authority has the use of certain fire engines under the terms of a finance lease. The amount paid under these leases in:

	2005/06 £	2006/07 £
Principal	183,527	183,528
Interest	53,022	53,021
<b>Total</b>	<b>236,549</b>	<b>236,549</b>

#### 17. External Audit

In 2006/07 the Authority incurred the following fees relating to external audit and inspection:

2005/06 £		2006/07 £
58,000	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	66,840

#### 18. Insurance Provisions

The Fire Authority has made no separate provision for insurance. Material insurance risk is covered by various external insurance policies that are reviewed annually.

## Statement of Total Movements in Reserves

The statement summarises all the movements in the Authority's reserves during the year.

	Capital Reserves				FRS17 Pension Reserve	Revenue Reserves		Other Reserves		Total
	Fixed Asset Restate ment Reserve	Capital Financing Account	Capital Receipts	Government Grants Deferred		Earmarked Reserves	General Reserve	Discounts Received		
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance as at 31 March 2006</b>	<b>19,388</b>	<b>-5,800</b>	<b>-</b>	<b>186</b>	<b>-144,267</b>	<b>1,249</b>	<b>3,135</b>	<b>0</b>	<b>-126,109</b>	
Net Surplus/Deficit (-)	-	-1,021	-	587	-	-	-9,019	104	-9,349	
Appropriation to/from revenue	-	-257	-	-85	-8,822	423	9,162	-10	925	
Actuarial gains/losses (-) relating to Pensions	-	-	-	-	11,834	-	-	-	11,834	
Unrealised gains/losses (-) on revaluation of fixed assets	2,635	-	-	-	-	-	-	-	2,635	
Effects of the disposal of fixed assets	-30	-	36	-	-	-	-	-	-6	
Financing of fixed assets	-	38	-36	-2	-	-	-	-	-	
<b>Balance as at 31 March 2007</b>	<b>21,993</b>	<b>-6,526</b>	<b>-</b>	<b>686</b>	<b>-141,255</b>	<b>1,672</b>	<b>3,278</b>	<b>94</b>	<b>-120,058</b>	

## Fire-fighter Pension Fund Account

This is a new account this year that shows the contributions made to and payment from the Fire-fighter Pension Scheme. The fund is now financed by the Department for Communities and Local Government. The net effect on the Authority will always be nil.

The fund statement does not take into account any liabilities to pay pension or other benefits after the period end.

<b>Contributions Receivable</b>	<b>£'000</b>
Employers	-1,882
Early Retirements	-77
Employees	-983
<b>Transfers In</b>	
Individual transfers in from other schemes	-
	<hr/>
	-2,942
<b>Benefits Payable</b>	
Pensions	3,696
Commutation of pension and lump sum retirement benefits	768
<b>Payments to and on account of leavers</b>	
Refund of contributions	2
Individual transfers out to other schemes	63
	<hr/>
<b>Net amount payable for the year before top up grant receivable from sponsoring department</b>	1,587
<b>Top up grant receivable from sponsoring department</b>	1,587
	<hr/>
<b>Net amount payable for the year</b>	-

## Net Assets Statement

### Net current assets and liabilities

	<b>£'000</b>
Contributions due from employer	1,587
Pension top up grant receivable	-1,827
Amount due to sponsoring department	<u>240</u>

## Statement of Accounting Policies

The general principles adopted in compiling the accounts of the Fire Authority are those required under the Accounts and Audit Regulations 2003 and specified by the Statement of Recommended Practice prepared by CIPFA/LASAAC joint committee. The accounts are prepared on an historical cost basis although the Authority's fixed assets are accounted for at current value.

### 1. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. All the Fire Authority's assets are classed as operational assets and are shown in the balance sheet at the lower of net current replacement cost or net realisable value based on existing use.

The current asset values used in the accounts are based upon a certificate issued by the Appointed Valuer (Wilks, Head and Eve); with one fifth of assets being revalued each year by a Surveyor with an ARICS qualification. New acquisitions are included in the accounts at cost.

Software costs are written off as incurred, except for purchases from third parties in respect of major systems.

With the exception of land, assets are depreciated on a straight-line basis over the length of their useful lives as follows:

- Buildings 20 - 35 years
- Vehicles 5 - 25 years
- Operational Equipment 5 – 15 years
- Software Costs Maximum of 5 years

Following professional advice taken from the Appointed Valuer all building stock is now depreciated over 35 years, on a straight line basis.

The Appointed Valuer undertook a review of land and building assets to determine whether an adjustment is required in respect of any significant impairment. There were no property related indicators that any impairment had occurred. A valuation is reflected in the balance sheet by use of the Fixed Asset Revaluation Account.

Income from the disposals of fixed assets is accounted for on an accruals basis. Such income is included in the balance sheet as usable capital receipts.

## **2. Basis of Charging for Capital**

The revenue account is charged annually with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service;
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of adjusting the transaction with the Capital Financing Account for the difference between the two.

## **3. Debtors and Creditors**

The revenue accounts of the Authority are maintained on an accruals basis in accordance with the Code of Practice and FRS18. That is, sums owing to or from the Authority during the year are included whether or not the cash has actually been received or paid in the year.

## **4. Stocks**

Stocks are generally valued at the lower of actual cost or net realisable value, which accords with the requirements of the Code of Practice and SSAP 9.

## **5. Capital Receipts**

The proceeds from the sale of Fire Authority assets are used to repay loan debt or to finance new capital expenditure. The receipts are posted to a usable receipts reserve.

## **6. Nature of Substantial Reserves and Provisions**

Funds set aside for liabilities or losses that are likely to be incurred, but for which the amounts involved or dates are uncertain, have been classified as provisions.

Reserves are contingent funds set aside to offset costs relating to unforeseen cost pressures. The following reserves have been established:

- a) Pension Reserve - created to offset the future shortfall in the Authority's pension liability in respect of ill-health capital payments.
- b) Capital Reserve - used to finance capital expenditure.
- c) General Reserve - set aside to fund unforeseen pressures that the Authority may incur.

## **7. Leasing**

Rental payments under finance leases are apportioned between the finance charge (interest) and the principal element. The finance element of rentals is charged to the asset management revenue account and the principal element is treated as capital expenditure.

## **8. Pensions**

The Financial Reporting Standard No 17 – Retirement Benefits (FRS17) was adopted on a transitional basis in the 2002/03 accounts and was fully incorporated into the accounts in 2004/05. The requirements of FRS17 apply to both the Whole-time Fire-fighters' Pension Scheme and the Cambridgeshire Local Government Pension Scheme. The purpose of FRS17 is to provide clear information on the impact of the Authority's obligation to fund the retirement benefits of its staff and the Schemes' financial position and performance.

The Whole-time Fire-fighters' Pension Scheme is a single employer defined benefit, unfunded scheme regulated by the Home Office. The annual cost of payments made under the scheme is charged to the income and expenditure account and contributions deducted from pay are credited there.

Non-uniformed and control staff are eligible for membership of the Cambridgeshire Local Government Pension Scheme administered by Cambridgeshire County Council; which is a defined benefit multi-employer funded scheme.

Charges to the income and expenditure are based on an appropriate share of the current service costs (the increase in future benefits arising from service earned in the current year) rather than employer's contributions. In addition, the policy for accounting for discretionary benefits awarded on early retirement debits (as past service costs) the projected costs of the discretionary awards in the year the award decision is made.

Recognition of interest cost and expected return on assets within the Income and Expenditure Account is debited to the net operating expenditure. However, an appropriation to the pension account removes all adjusting entries and replaces them with employer's contributions, meaning that the policy has no impact on the General Reserve balance brought forward.

## **Glossary of Terms**

### **1. Accruals**

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

### **2. Budget**

A statement of the Fire Authority's policy expressed in financial terms.

### **3. Capital Expenditure**

Expenditure on the acquisition of fixed assets or expenditure, which adds to the value of existing fixed assets (i.e. over and above maintenance).

### **4. Capital Receipts**

Income from the sale of assets. Such income may only be used to repay loan debt or to finance new capital expenditure.

### **5. Chartered Institute of Public Finance and Accountancy (CIPFA)**

The principal accountancy body dealing with local government finance.

### **6. Contingent Liabilities**

The organisation has a financial obligation which at the present time is uncertain.

### **7. Credit Ceiling**

The difference between the Authority's total liabilities in respect of capital expenditure financed by credit and the provision which has been made to meet those liabilities.

### **8. Creditors**

Amounts owed by the Fire Authority for which payment has not been made by the end of the financial year.

### **9. Debtors**

Amounts due to the Fire Authority but unpaid at the end of the financial year.

### **10. Depreciation**

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

### **11. Fixed Assets**

Tangible assets that yield benefits to the Authority for a period of more than one year.

### **12. Long Term Borrowing**

Loans raised to finance capital spending which have still to be repaid.

**13. Pension Schemes**

**13.1 Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of : (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

**13.2 Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**14. Revenue Expenditure and Income**

Expenditure and income arising from the day to day operation of the Fire Authority.

**15. Precepting**

The Fire Authority is deemed a major precepting authority and now has the power to levy a local Council Tax charge on the local taxpayer.

**16. Public Works Loan Board (PWLB)**

The government body that provides local authority loans.

**17. Royal Institute of Chartered Surveyors (ARICS)**

The body dealing with property surveys.