

Audited Annual Financial Statements

for the year ending 31 March 2017



Buckinghamshire & Milton Keynes Fire Authority

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Table of Contents

The Annual Financial Statements contains the Statement of Accounts and additional accompanying statements.

The Statement of Accounts comprises the Statement of Accounting Policies, the Financial Statements (Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement) and the Notes to the Core Financial Statements. In addition the Statement of Accounts also includes the Firefighters' Pension Fund Account and Notes to the Firefighters' Pension Fund Accounts.

The Auditor's Report and the Narrative Statement are outside the scope of the Statement of Accounts. These parts of the Annual Financial Statements are also outside the scope of the responsible financial officer's true and fair certification.

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Introduction

Welcome to our Annual Financial Statements

This document sets out the financial activities of Buckinghamshire & Milton Keynes Fire Authority (the Authority) for the year ended 31 March 2017. It shows the financial detail of the services we have provided together with explanatory notes, the resources consumed and the financial position at the end of the year compared with the previous year.

These statements are prepared for the Authority as a single entity. The Authority does not form part of a wider reporting group.

Buckinghamshire & Milton Keynes Fire and Rescue Service is a relatively small fire authority with limited resources both financially and in terms of numbers of personnel, but is constantly seeking to improve its services to the public, its performance and the value for money it delivers to its tax payers.

The economic pressures facing the country and the difficult financial decisions taken are reflected in the pressures and decisions that are being made by the Authority. These are explained in further detail in the Narrative Statement. The Authority fully recognises that there is every likelihood that financial constraints will become tighter in the future and we are already planning for that eventuality. We are proactively working with our partners and the community to reduce the risks facing our communities.

Further details about the Authority's vision and values can be found on our website:

<http://bucksfire.gov.uk/about-us/our-visions-values/>

.....
Cllr David Watson
Chairman of the Overview and Audit Committee

.....
David Sutherland CPFA
Director of Finance and Assets & Chief Finance Officer, Buckinghamshire & Milton Keynes Fire Authority

Narrative Statement

In compiling these accounts we have followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom 2016/17: Based on International Financial Reporting Standards (the Code).

The accounts are drawn up in accordance with the accounting policies set out in detail in the Statement of Accounting Policies.

The responsibility for the proper administration of the Authority's financial affairs is vested in the statutory officer (referred to as the Section 112 Officer). This is the Director of Finance and Assets & Chief Finance Officer who is required by law to confirm that the Authority's system of internal controls can be relied upon to produce an accurate Statement of Accounts.

The Statement of Accounts contains four main statements. Each of the four main statements is accompanied by supplementary notes providing additional detail to figures presented. The four main statements are:

- Movement in Reserves Statement - this statement shows the changes in the financial resources over the year. The total usable reserves held as at 31 March 2017 was £11.639m (as at 31 March 2016 was £11.159m);
- Comprehensive Income and Expenditure Statement - this statement shows the gains and losses that contributed towards the changes in resources shown in the Movement in Reserves Statement. The deficit on the provision of services for 2016/17 was £8.209m (2015/16 was a deficit of £12.036m);
- Balance Sheet - this statement shows how the resources available are held in the form of assets and liabilities. The net assets figure is balanced by the Total Reserves figure (see also Movement in Reserves Statement); and
- Cash Flow Statement - this statement shows how the movement in resources has been reflected in cash flows. The starting point for this statement is the net surplus/deficit on the provision of services (see also Comprehensive Income and Expenditure Statement). The net decrease in cash and cash equivalents during the year was £0.331m (net increase of £1.162m in 2015/16). Please refer to Note 17 for details of the movement.

These four statements are supported by notes to the accounts, which provide supplementary information to aid the understanding of these statements.

The Statement of Accounts also contains information regarding the Firefighters' Pension Fund Account.

This Narrative Statement provides information about the Authority, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2017 and is structured as below:

- An Introduction to Buckinghamshire and Milton Keynes Fire Authority
- Key Facts about the Authority
- Financial Performance in 2016/17
- Corporate Risks

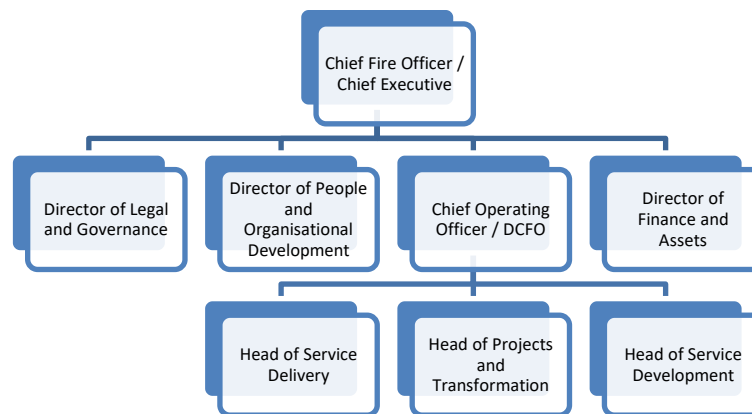
An Introduction to Buckinghamshire and Milton Keynes Fire Authority

Buckinghamshire and Milton Keynes Fire Authority is a local government body with responsibility for providing fire and rescue services for the County of Buckinghamshire and Borough of Milton Keynes. It oversees, on behalf of the public, the work of Buckinghamshire Fire and Rescue Service which undertakes the physical delivery of fire and rescue related safety and emergency response services. The Fire Authority consists of 17 elected Councillors – twelve nominated by Buckinghamshire County Council and five nominated by Milton Keynes Council in proportion to the size of their respective populations. The members of the Fire Authority make important decisions affecting the provision of fire and rescue services including:-

- Approving Buckinghamshire Fire & Rescue Service's plans, policies and strategies.
- Agreeing the staff, equipment and other resources needed to deliver an efficient and effective service.
- Setting the annual budget and Council Tax charge.

Our vision is to make Buckinghamshire and Milton Keynes the safest areas in England in which to live, work and travel.

Senior Management Structure



The Senior Management Team is responsible for the delivery of the services, directing improvements and future plans for the Authority. It provides managerial leadership and supports Councillors in:

- developing strategies;
- identifying and planning resources;
- delivering plans; and
- reviewing the Authority's effectiveness with the overall objective of providing excellent services to the public.

2015-2020 Public Safety Plan

This Public Safety Plan (PSP) sets out Buckinghamshire and Milton Keynes Fire Authority's strategy for the provision of fire and rescue services for the five year period April 2015 to March 2020. The Plan has been developed using integrated risk management planning methods and is designed to conform to the Government's guidance in relation to the preparation of integrated risk management plans. The Public Safety Plan 2015-2020 can be viewed here:

http://bucksfire.gov.uk/files/8114/2116/4524/2015_-_20_PSP_Updated_after_17_Dec_CFA.pdf

The Efficiency Plan

The Efficiency Plan sets out how the Authority plans to improve the services it provides whilst managing with reduced real-terms funding levels. The Authority's strategy for the provision of fire and rescue services for the next four years is driven by the approved Public Safety Plan 2015-2020. The key benefits that the plan brings to the local community are:

- A flexible approach to how we prevent emergencies, protect life, properties and the environment and also respond when called upon.
- Improve the services and value that we deliver to the public.

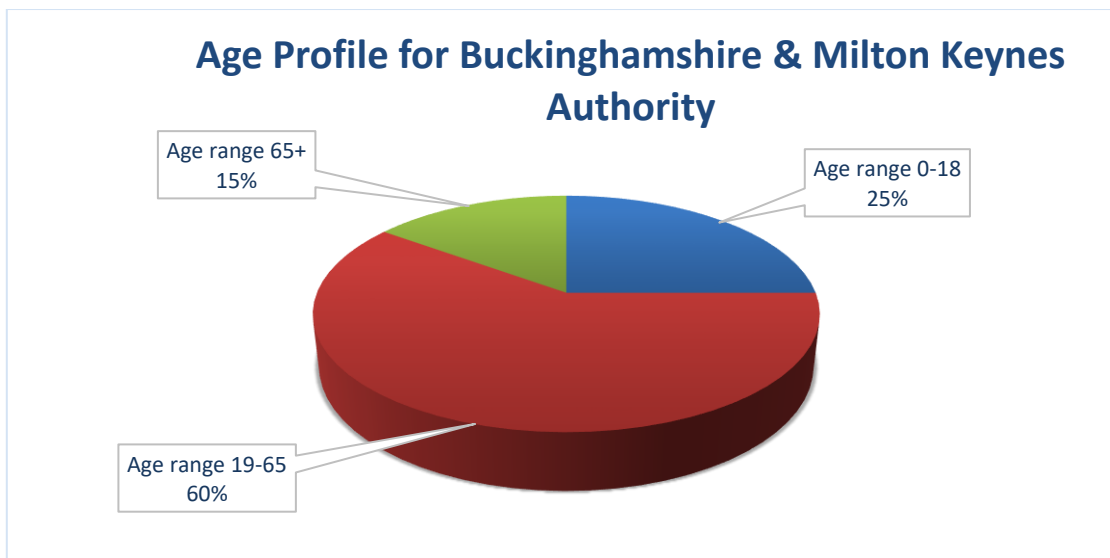
The Efficiency Plan can be viewed here:

http://bucksfire.gov.uk/files/2714/7496/8994/BMKFA_Efficiency_Plan.pdf

Key Facts about the Authority

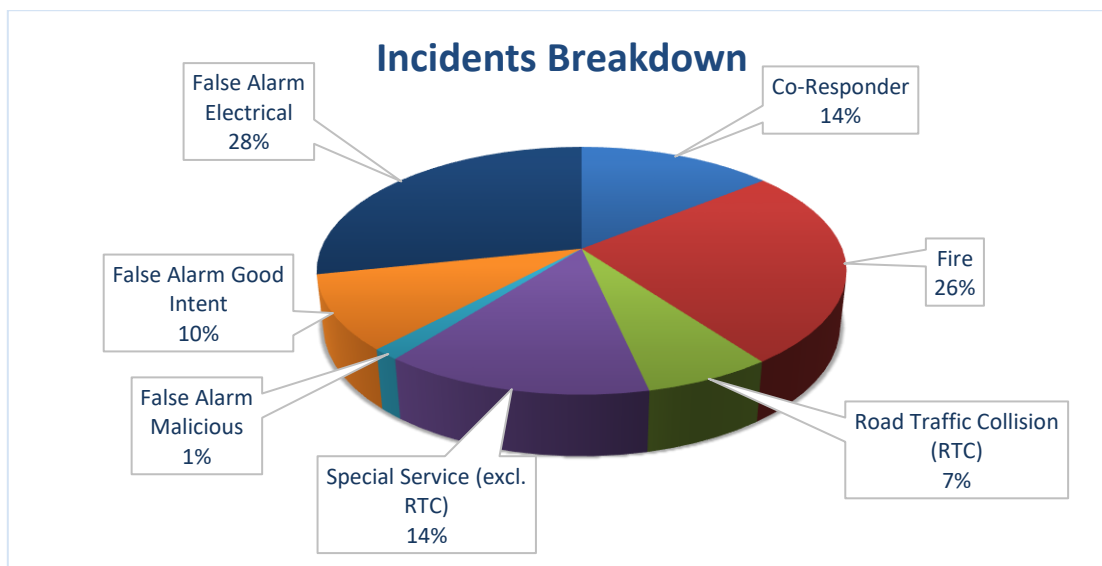
The profile of the local population dictates the direction and substance of the services provided by the Council. The Authority's aim is to align our highest station cover to those areas with the greatest demand.

The population for Buckinghamshire and Milton Keynes estimated by the Office for National Statistics (mid 2014) was 781,167. The age profile is presented below:



Incidents by type

False alarm electrical (28% of total incidents) accounts for a large proportion of incidents recorded followed by fire (26%), co-responder (14%), special service (14%), false alarm good intent (10%), road traffic collisions (7%) and false alarms malicious (1%)



In addition to attending incidents, fire-fighters carried out 3,794 Home Fire Risk Checks in our quest to target those who are most vulnerable and at risk from fire based upon our research and work with partners.

Current Operational Resourcing



The map above shows our station locations and their duty systems, number of appliances (fire engines) by type of cover and specialist appliances by location.

Our **Whole-time** stations provide full-time emergency response cover 24/7, every day of the year. These stations also have additional capacity offered by 'on-call' firefighters available on a 5 minute turn-out time.

Our **Day-Crewed** stations provide full-time cover during the day (08:00-18:00 hours) and On-Call cover at night (18:00-08:00 hours).

Our **On-Call** stations use firefighters who live/work in the area and come in as and when required. Usually they must be within 5 minutes of the station.

Since 2011, we have been operating a **Co-Responding** service in partnership with South Central Ambulance Service from Great Missenden. Since then it has extended in several other stations including Headquarters at Stocklake.

<p>South Central Ambulance Service (SCAS) cover Buckinghamshire and Milton Keynes.</p> <ul style="list-style-type: none">• They are required to meet Category A (immediately life-threatening) calls within 8 minutes on 80% of occasions.• There are some areas where the incident demand places great pressure on their capacity to respond within their target timescales• A proportion of the SCAS workforce is voluntary, which also makes it challenging to manage the capacity of their workforce.	<p>Co-responders are specially-trained firefighters who are dispatched by the SCAS Emergency Operations Centre to a range of medical emergencies to provide life-saving treatment and care to patients before an ambulance arrives on scene.</p> 	<p>Buckinghamshire Fire and Rescue Service (BFRS)</p> <ul style="list-style-type: none">• BFRS have 600 crew members who are professionally trained to deal with emergency situations and are reliably available when needed.• Our crew possess 80% of the core-skills necessary to respond to a Category A calls as part of their regular training. It is possible to integrate the additional 20% of skills into the annual training program.• BFRS have stations and crew in the locations where SCAS face significant challenges in meeting the demand for emergency response.
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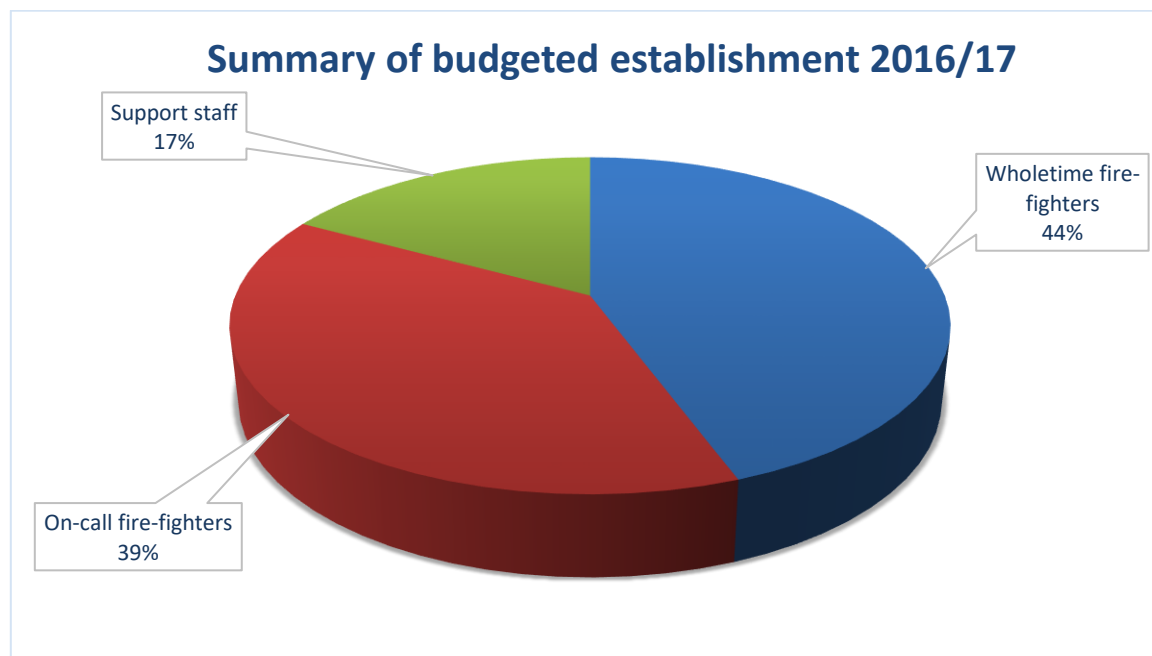
Apprenticeships

In 2016-17 we welcomed 22 apprentice firefighters and 3 support service apprentices, following our plan to recruit and develop young people into careers across the Fire Authority and in line with the Government's nationwide commitment to create three million apprenticeships by 2020.

The firefighter apprentices will train for the same qualification that trainee firefighters have to attain and are employed through the Apprentice Training Agency (ATA). They offer us an opportunity to refresh the workforce, while we continue to plan and develop our operational resources for the future.

Establishment

The breakdown of the Authority's budgeted establishment can be seen in the chart below;



Financial Performance in 2016/17

Economic Climate

Buckinghamshire and Milton Keynes Authority has faced significant financial challenges due to reductions in funding from central government over the past seven years. Despite having our Government grant support reduced by 26 per cent between 2010/11 and 2014/15, the Authority has not raised council tax since 2010/11 and decided to reduce council tax by 1 per cent in 2015/16. However, the funding settlement update announced by the Government during 2015 means that the Fire Authority now faces a reduction in its revenue support grant of 57 per cent between 2015-16 and 2019-20. With this in mind, the Fire Authority approved a 1.98 per cent increase in council tax in 2016-17. The Authority's council tax for a band D property is still the lowest of all non-metropolitan combined fire authorities in the country.

We continue to strive to make Buckinghamshire and Milton Keynes one of the safest areas in England in which to live, work and travel, but also to achieve this at best value to those we serve.

Budget Setting 2016/17

The budget for 2016/17 was set at a full Authority meeting in February 2016, figures were based on the final financial settlement announced by Central Government earlier that month. It was agreed that there would be a 1.98 percent increase in council tax. Therefore the levy for a council tax band D property to cover the services provided increased to £60.88 per annum.

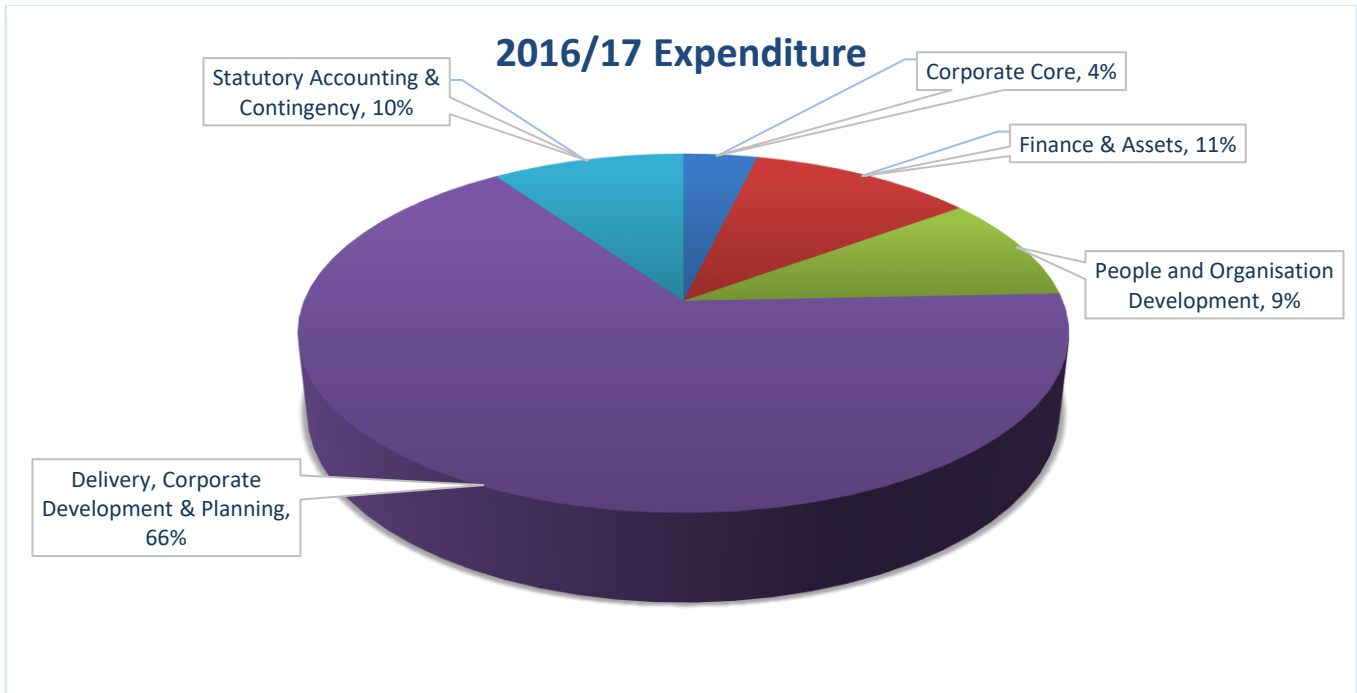
The remainder of total expenditure was funded through Central Government Grants, National Non-Domestic Rates (NNDR) redistribution and income for the recovery of costs from other agencies including grants for specific responsibilities such as Urban Search and Rescue Operations (USAR/New Dimensions).

The budget proposed for 2016/17 was a financial estimation based upon the priorities set out within our Public Safety Plan. The employee costs took account of the continued work plan to make efficiencies year on year whilst still ensuring resources were sufficient and in the right place with no reduction in our response capability.

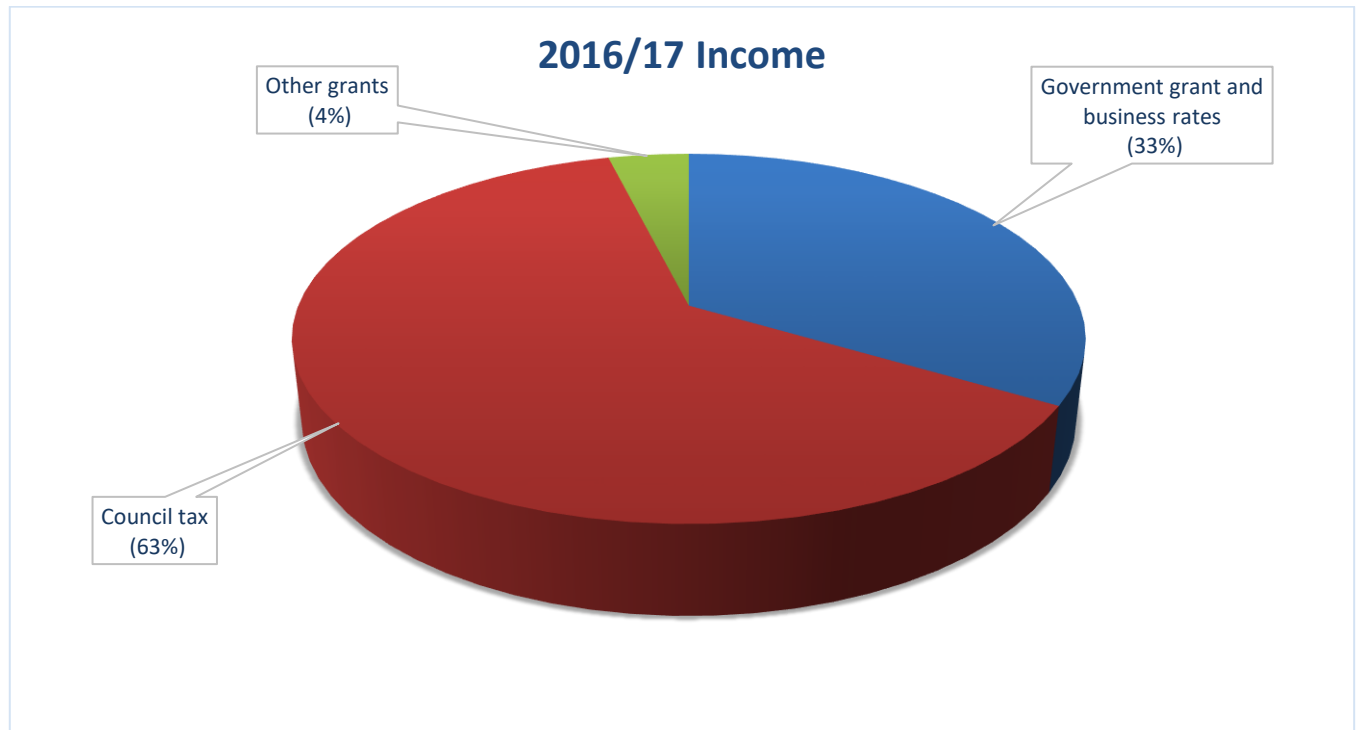
Specific items taken into account in setting the budget for 2016/17 included inflation and the increasing revenue cost for the capital programme. Amounts were also set aside as contingency to cover protected pay and other unknowns such as a national fire-fighters pay award. During the budget setting process, savings and growth bid packages were submitted to challenge and authorisation by Members.

We fund our capital programme through a mixture of government grant and revenue funding. The programme was targeted to fund the essential refurbishment of our fire stations, the replacement of fire specialist equipment and our investment in new technology.

Breakdown of Expenditure 2016/17



Breakdown of Income 2016/17



Revenue Outturn

The revenue budget for 2016/17 was £28.323m set at a full Authority meeting held in February 2016. The table below shows the revenue outturn position for the year. The Authority reported an underspend of £0.871m

Directorate	Area Manager	Total Budget £	Provisional Outturn £	Variance £
Corporate Core	Corporate Core	914,350	943,718	29,368
	Legal & Governance	84,350	63,277	-21,073
Corporate Core Total		998,700	1,006,995	8,295
Finance & Assets	Finance & Procurement	975,760	957,574	-18,186
	Resource Management	2,166,385	2,113,114	-53,271
Finance & Assets Total		3,142,145	3,070,688	-71,457
People & Organisation Development	Training & Development	1,749,616	1,832,110	82,494
	Operations & Services	794,115	739,675	-54,440
People & Organisation Development Total		2,543,731	2,571,785	28,054
Delivery, Corporate Development & Planning	Service Delivery	15,356,314	14,476,156	-880,158
	Service Development	476,335	452,246	-24,089
	Service Transformation	1,271,110	1,778,502	507,392
	IT and Communication	1,425,265	1,360,143	-65,122
Delivery, Corporate Development & Planning Total		18,529,024	18,067,047	-461,977
Statutory Accounting & Contingency	Capital Charges	211,000	177,401	-33,599
	Direct Revenue Financing	2,153,000	2,153,000	0
	Contingency	529,930	34,355	-495,575
	Non Distributed Costs	215,170	262,426	47,256
Statutory Accounting & Contingency Total		3,109,100	2,627,182	-481,918
Total Expenditure		28,322,700	27,343,697	-979,003
Total Funding		-28,322,700	-28,214,540	108,160
Net Position		0	-870,843	-870,843

The net surplus for the year 2016/17 was due to a number of factors:

- On-call establishment has remained below budgeted levels in addition to several vacant posts throughout the organisation.
- More efficient and effective ways of working.
- The over-achievement of interest earned on cash balances.

Capital Outturn

Capital expenditure is not shown in the Comprehensive Income and Expenditure Statement but is budgeted for and reported separately. The capital programme for 2016/17 was £3.236m which together with a number of carry-forward schemes and in year funding totalled £16.878m. The table below shows the final capital position at year-end for each service area.

Portfolio	Budget 16/17 £	Actuals £	Slippage £	Year End Variance £
Finance and Assets	12,619,115	1,252,479	11,282,813	-83,823
Delivery, Corporate Development & Planning	3,518,263	1,297,577	2,216,666	-4,020
Knowledge and Information Systems	740,177	661,576	42,000	-36,601
Total	16,877,555	3,211,632	13,541,479	-124,444

The largest proportion of capital expenditure during the year relates to the purchase of several appliances and equipment. Orders for eight appliances was placed in the year with delivery expected in the first quarter of 2017-18. The £1.252m spent in the Finance and Assets portfolio predominantly relates to building enhancements and major refurbishments at a number of fire stations.

The Authority's loans are borrowed from the Public Works Loan Board (PWLb) and during 2016/17 no new loans were taken out and one loan of £0.368m was repaid in May 2016. The Authority's total borrowing for capital purposes stands at £7.382m with loan repayments spread over the years 2018-2056.

Capital Programme 2017-2021

The table below summarises the provisional capital programme from 2017/18 to 2020/21. Central government funding for capital has reduced over the last few years and is expected to be ring-fenced in the future for transformation projects. Therefore the capital programme for the Authority will be funded mainly from in year revenue contributions to capital.

Financial Year	2017/18	2018/19	2019/20	2020/21
Capital Programme	£000	£000	£000	£000
Finance and Assets	500	500	500	500
Delivery, Corporate Development & Planning	747	641	646	641
Knowledge and Information Systems Total	87	87	87	87
Projected Slippage**	13,541	-	-	-
Total Spend	14,875	1,228	1,233	1,228
Funding brought forward	- 9,004	- 431	- 1,140	- 1,844
In year funding	- 6,302	- 1,937	- 1,937	- 1,937
Funding (Available) / Deficit	- 431	- 1,140	- 1,844	- 2,553

Reserves Balances

The level of reserves held by the Authority as at 31 March 2017 are shown in the table below:

31 March 2016 £000		31 March 2017 £000
(2,165)	General Fund Balance	(3,035)
(2,165)	Sub Total Non Earmarked General Fund Balance	(3,035)
-	- Fire Control Reserve	-
(250)	- Invest to Save Reserve	(250)
-	- Apprentice Reserve	(500)
-	- New Dimensions Reserve	-
-	- Vehicle Reserve	-
(250)	- Redundancy and Early Retirement Reserve	(250)
-	- Sprinklers Reserve	(200)
-	- Funding Pressure Reserve	-
(319)	- Control Room Reserve (Revenue)	(216)
-	- RDS Pension Contributions Reserve	-
(1,164)	- Continuing Projects Reserve	(737)
(50)	- Insurance Reserve	(50)
(2,033)	Sub Total Earmarked Reserves - Revenue	(2,203)
-	- Usable Capital Receipts Reserve	(245)
-	- Control Room Capital Grant Unapplied	-
-	- Other Capital Grants Unapplied	-
(6,961)	- Revenue Contribution to Capital	(6,156)
(6,961)	Sub Total Earmarked Reserves - Capital	(6,401)
(11,159)	Total Usable Reserves	(11,639)

Further information on these reserves is set out in Note 23.

Pension Fund Liability

The accounting treatment for pensions follows International Accounting Standard 19 (IAS19), the purpose of which is to ensure that organisations' accounts reflect the net position of their pension funds and account for the liability to pay accumulated employee benefits in the future. In 2016/17, the Authority's share of the five Pension Fund's net liabilities increased by £53.715m to £305.510m (for 2015/16 the net liability was £251.795m).

Effectively, the Pension Funds are in deficit by £305.510m compared with what is needed to pay the pensions of current scheme members, and the effect is to reduce the overall net worth of the Authority by that amount. However, statutory arrangements for the funding of the deficit, whereby the deficit will be made good by employer contributions over the remaining working life of employees as assessed by the scheme's actuaries, mean that the financial position of the Authority remains healthy.

Corporate Risks

The development, implementation and operation of effective corporate risk management structures, processes and procedures are considered critical to assure continuity of service to the public, compliance with relevant statutory and regulatory requirements and the successful delivery of the Authority's strategic aims, priorities and plans.

Risk Description	Consequence if untreated	Treatment of risk
<p>Staff emerging risks of;</p> <p>1/ industrial action due to pension change or pay dispute;</p> <p>2/ Staff inability to get to work due to external factors e.g. Pandemic Flu, disruption to fuel supplies etc.</p> <p>3/ Retirements proceeding more quickly than anticipated.</p>	<p>Potential detrimental effects on service delivery to the community and our reputation.</p> <p>Failure to discharge statutory duties.</p> <p>Loss of critical knowledge / skills / capacity.</p>	<p>Full business continuity plan in place & uploaded to Resilience Direct.</p> <p>Peer review of the business continuity arrangements.</p> <p>Bank System</p> <p>Flexi-Duty System Pilot</p> <p>Staff Transfer Procedure</p>
Funding and Savings Requirement	<p>The funding settlement now assumes that a council tax increase is required each year in line with the prevailing capping limit, currently 2% for the Fire Authority, and that local growth meets expectations.</p> <p>If either or both did not come to fruition there is a risk the Authority will not meet its commitment to the PSP 2015-20 and that a fundamental re-think of service provision would be required.</p>	<p>Proactive management of the MTFP is in force which has previously included a re-alignment balances to free up MRP burden and a revised risk assessed level of general fund reserve.</p> <p>In addition the MTFP is very closely aligned to workforce planning.</p> <p>For the present, USAR (S31) grant funding is assumed to continue, though notification now seems to be year on year and often after budget setting. If removed, the Authority will need to cope with a circa £800k cut in funding.</p>
Thames Valley Control Service discontinuity (Control Room continuity of service following delay to Thames Valley Control implementation)	Potential for delay in receiving and handling of calls locally, therefore affecting response times of appliances	<p>Legal agreement now in place for North Yorkshire FRS to call handle and mobilise for TVFCS in the event of service discontinuity.</p> <p>Secondary Control at Kidlington now tested and mirrors primary.</p>
Potential impact on of operational staff resources due to aging workforce profile. As of April 2015 the average age of our FF's is 39.	An aging workforce and significant retirement and leaver profile would impact on the Service providing an operational response to the community, and may also impact on the capacity and	<p>Workforce planning profile aligned with MTFP and subject to regular review.</p> <p>Improved take up of Bank and Ops resourcing pool will assist operational resilience.</p>

	<p>capability of our staff to provide a diverse range of services.</p> <p>Greater potential for increased long term Sickness absence, which would not demonstrate an effective use of salary spend, and would increase management time spent managing attendance.</p> <p>A potential increase in ill health retirements would negatively impact on the Service budget</p> <p>Pension arrangements historically have retained staff to predictable retirement dates. The NFFS 2015 may be unlikely to guarantee full service and a consequence is a more unpredictable leaver profile with staff leaving at short notice.</p>	<p>Review wellbeing support options for different workforce profiles.</p> <p>Functional hearing assessments being conducted in-house.</p> <p>Apprenticeship scheme and 'flexible' firefighter pilots to improve levels of operational resourcing.</p> <p>Measures to mitigate effects of age related fitness issues being rolled out (e.g. new gym equipment on station).</p>
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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 to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Assets & Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Responsibilities of the Director of Finance and Assets

The Director of Finance and Assets & Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance and Assets & Chief Finance Officer has:

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

The Director of Finance and Assets & Chief Finance Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Director of Finance and Assets

I hereby certify that this Statement of Accounts presents a true and fair view of the financial position of the Authority as at 31 March 2017 and its income and expenditure for the financial year 2016/17.



David Sutherland CPFA
Director of Finance and Assets & Chief Finance Officer, Buckinghamshire & Milton Keynes Fire Authority

Date: 9th June 2017

Independent Auditor's Report to Members of Buckinghamshire

To be added after the conclusion of the audit.

Statement of Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which is required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued.

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 – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) 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.

iii. Acquisitions and Discontinued Operations

There were no acquired or discontinued operations during the year.

iv. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Cash equivalents include cash on deposit that is held for short-term cash flow management rather than investment purposes.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

v. Exceptional Items

When items of income and 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. There were no exceptional items during 2016/17.

vi. 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.

vii. Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed 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 fixed 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 towards the reduction in its overall borrowing requirement.

This contribution is referred to as the Minimum Revenue Provision (MRP):

- debt relating to capital expenditure incurred prior to 1 April 2008 will be calculated broadly on the basis of 4% of the Authority's Capital Financing Requirement
- debt relating to capital expenditure incurred from 1 April 2008 will be calculated broadly on the asset life (equal instalments) method. The amount is dependent upon the estimated life of the asset for which the debt has been raised.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

A discretionary charge is also made to the revenue account to contribute towards the Revenue Contribution to Capital reserve. This will be used to help fund the capital programme in future years due to the reducing levels of capital grant funding that are expected to be available.

viii. 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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. 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 appropriate service 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

Employees of the Authority are members of five separate pension schemes:

- Uniformed Firefighters - 1992 Pension Scheme, 2006 New Firefighters' Pension Scheme, 2015 Pension Scheme and 2015 Modified Pension Scheme;
- The Local Government Pensions Scheme, administered by Buckinghamshire County Council.

Uniformed Firefighters

The funding arrangements for the Firefighters' Pension Scheme in England changed by statute with effect from 1 April 2006 and are contained within the Firefighter's Pension Scheme (Amendment) (England) Order 2006 (SI 2006/1810). Before 1 April 2006 the 1992 Scheme did not have a percentage of pensionable pay type of employer's contribution: rather each fire authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new funding arrangements the schemes remain unfunded but will no longer be on a pay-as-you-go basis as far as the individual fire authority is concerned.

Authorities no longer meet the pension outgoing directly: instead they pay an employer's pension contribution based on a percentage of pay into the Pension Fund and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation.

Transactions in the Firefighters Pension Fund include:

Credits to the Pension Fund

- Employees' contributions from firefighters
- Transfer values received from other authorities
- The employer's contributions due from the Authority
- Additional contributions required from the Authority for ill health retirements.

Debits to the Pension Fund

- Awards payable under any provision of the pension scheme
- Transfer values payable to other authorities
- Any repayment to the Authority of contributions towards ill health retirements.

Subject to scrutiny and approval by the Secretary of State and Parliament, under the new arrangements the Pension Fund will be balanced to nil at the end of the year by either paying over to the DCLG the amount by which the amounts receivable by the Fund for the year exceed the amounts payable, or by receiving cash in the form of a pension top-up grant from the DCLG equal to the amount by which the amount payable from the pension fund for the year exceeded the amount receivable.

Injury Awards

Under the Firefighters Compensation Scheme (England) Order 2006, a firefighter receives an injury award where they have retired and are permanently disabled because of an injury received in the execution of their duty. Under IAS 19 the Authority is required to account for contingent future injury benefits. The liability is based on an estimate of future benefits earned by members, and movements in the liability are treated in the same way as for the Firefighters pension schemes.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the 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 projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on the iBoxx 15 year corporate bond index).

The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price;
- property – market value.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense. 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 fund 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 transfers 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 make discretionary awards of retirement benefits in the event of early 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.

ix. 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 events 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.

x. Financial InstrumentsFinancial 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 the accrued interest shown under short-term borrowing); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. There were no repurchase or early settlements during 2016/17.

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. There were no premiums paid or discounts received during 2016/17.

Financial Assets - 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. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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.

xi Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

xii. Heritage Assets

The Authority does not hold any heritage assets.

xiii. 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 there is reasonable assurance that the conditions attached to the grant or contribution will be 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 there is not reasonable assurance that the conditions will be satisfied are carried in the Balance Sheet as creditors. 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.

xiv. 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.

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) the Capital Receipts Reserve.

xv. Interests in Companies and Other Entities

The Authority has no material interests in companies or other entities which would require it to prepare group accounts.

xvi. Inventories and Long Term Contracts

Inventories are generally included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First In First Out (FIFO) costing formula.

Where inventories are held for distribution at no charge or for a nominal charge they are measured at the lower of cost and current replacement cost. Replacement cost is defined as the cost the authority would incur to acquire the asset at the Balance Sheet date.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xvii. 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) the Capital Receipts Reserve.

xviii. Jointly Controlled Operations and Jointly Controlled Assets

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets

and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

xix. 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 and 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. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

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 and 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 benefitting 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).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Authority's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve 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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits 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 premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

In 2003/04 the Authority entered into a sale and leaseback agreement. The initial cost of the lease was matched by an increase in the value of land and buildings within fixed assets.

xx. Overheads and Support Services

The segmental reporting structure in the CIES now is now structured in the way we report to our management internally.

xxi. 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.

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. The Authority's de-minimis level for capital expenditure is £6k.

Measurement

Assets are 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 Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- 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.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued annually to ensure that their carrying amount is not materially different from their fair value at the year-end. Where amounts are materially different, the gross book value and accumulated depreciation are restated proportionately at the year-end.

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 by:

- 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 against the relevant service line(s) 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 by:

- 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 against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. In applying the principals of componentisation the de-minimis value of a property has been set at £500,000 and individual components at £50,000, i.e. 10% of the overall asset below which any component will not be calculated separately. The components that have been identified as relevant to the authority are weatherproofing (to include windows, roofs, bay doors and doors), mechanical and electrical and finally yards and drill towers (i.e. external elements). Where the life expectancy of any component would exceed the life expectancy of the main structure then the life expectancy of the component will be limited to that of the main structure.

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.

Disposals

Amounts received for the disposal of any assets previously qualifying as Capital Expenditure are categorised as capital receipts. Capital receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xxii. Private Finance Initiative (PFI) and Similar Contracts

The Authority has not entered into any PFI or similar contracts

xxiii. 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.

xxiv. 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 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 policies.

xxv. Revenue Expenditure Funded from Capital under Statute

This does not apply as the Authority does not incur expenditure which may be capitalised under statutory provision and which does not result in the creation of a non-current asset.

xxvi. 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.

xxvii. Revenue Expenditure Funded from Capital under Statute (REFCUS)

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.

Critical Judgements in Applying the Accounting Policies

The accounts are prepared with the underlying assumptions of the accruals basis and the going concern basis i.e. the Authority will continue its operations for the foreseeable future. This means in particular that, despite the high degree of uncertainty resulting from reducing levels of funding in future years, the Comprehensive Income and Expenditure Account and Balance Sheet assume no intention to curtail significantly the scale of the operation. At this stage there is no indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce the level of service provision.

Use of Estimates and Judgements

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 Comprehensive Income and Expenditure Statement for 2016/17 and the Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Depreciation (and amortisation of intangible assets) – the remaining useful lives of all assets are estimated. The Authority relies on the expertise of an external valuer to determine the lives of all building assets. The lives of vehicles, plant and equipment and intangible assets are based on historical experience and professional estimates. If the estimates were to differ from the actuals this would affect the level of depreciation and amortisation charged to the Comprehensive Income and Expenditure Statement, as well as the carrying amounts of non-current assets in the Balance Sheet. The carrying amounts of non-current assets as at 31 March 2017 was £36.499m. Total depreciation and amortisation for the year was £2.557m;
- Revaluations and Impairments – the value of non-current assets are reviewed annually by a qualified valuer based on the latest guidance from the Royal Institute of Chartered Surveyors and the recently observed market information. If the estimates were to differ from the actual results this would result in a higher or lower carrying amount for non-current assets in the Balance Sheet. Revaluations charged to the Revaluation Reserve during the year were £1.800m upwards and £0.034m downwards;
- Pensions Liability – the valuation of the liability is based on a number of actuarial assumptions (see Note 28). This figure is provided by an external actuary and is based upon actual contributions for the first 10 months and estimates calculated for the remaining two months. This is applicable to the LGPS and Fire Fighter pension fund. If the estimate was to differ from the actual it would result in a higher or lower pension liability and reserve figure on the Balance Sheet. The total pension liability as at 31 March 2017 was £305.510m;
- Financial Assets and Liabilities – further details about the assumptions made and the potential impact can be found in Note 29; and
- The Joint Control (revenue expenditure) split was based on the population, tax base and number of incidents attended for each Authority. Therefore the contribution agreed by each authority was as follow:
 - Buckinghamshire and Milton Keynes Authority – 34%
 - Royal Berkshire Fire Authority – 38%
 - Oxfordshire Fire Authority – 28%

The capital assets for the Joint Control are recognised as an equal third on the balance sheet.

- Buckinghamshire and Milton Keynes Fire Authority (BMKFA) is the Treasurer for the funding allocated to the Emergency Services Mobile Communications Programme (ESMCP) which includes BMKFA and the following brigades; Berkshire, Oxfordshire, Hampshire, Isle of Wight. The funding allocated by central government is based on control rooms and brigade sizes. The actual costs incurred are shared equally between all the partners involved.

Changes in Accounting Estimates

There have been two changes in existing accounting estimates during 2016/17 which relate to overheads and support services recharges and pension liability estimates. An additional accounting estimate has been included for the Emergency Services Communications Programme (ESMCP).

Standards Issued But Not Yet Adopted

The standards introduced in the 2016/17 Code are:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle (see Note 1 below)
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Amendment to IAS 16 and IAS 41 Agriculture (Bearer Plants)
- Amendment to IAS 27 Separate Financial Statements (Equity Method in Separate Financial Statements)
- Annual Improvements to IFRSs 2012–2014 Cycle (see Note 2 below)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)

Note 1

The issues included in the Annual Improvements to IFRSs 2010 – 2012 cycle are:

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment
- IAS 24 Related Party Disclosures

Note 2

The issues included in the Annual Improvements to IFRSs 2012 – 2014 cycle are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

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

Movement in Reserves Statement

These statements show 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 (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net (Increase) / Decrease before Transfers to Earmarked Reserves line shows the Statutory General Fund Balance before any discretionary transfers to/from earmarked reserves undertaken by the Authority. Further detail on each reserve is shown in the notes to the accounts as referenced.

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015 carried forward	(3,700)	(11,207)	(93)	(886)	(15,886)	240,917	225,031
<u>Movement in reserves during 2015/16</u>							
(Surplus) or deficit on the provision of services	12,036	-	-	-	12,036	-	12,036
Other Comprehensive Income and Expenditure	-	-	-	-	-	(29,078)	(29,078)
Total Comprehensive Income and Expenditure	12,036	-	-	-	12,036	(29,078)	(17,042)
Adjustments between accounting basis & funding basis under Regulation (Note 23)	(8,288)	-	93	886	(7,309)	7,309	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	3,748	-	93	886	4,727	(21,769)	(17,042)
Transfers to/from Earmarked Reserves (Note 23)	(2,213)	2,213	-	-	-	-	-
(Increase) / Decrease in 2015/16	1,535	2,213	93	886	4,727	(21,769)	(17,042)
Balance at 31 March 2016 carried forward	(2,165)	(8,994)	-	-	(11,159)	219,148	207,989
Amounts held for revenue purposes	(2,165)	(2,033)			(4,198)	252,243	248,045
Amounts held for capital purposes	-	(6,961)			(6,961)	(33,097)	(40,058)

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Movement in Reserves Statement continued:

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016 carried forward	(2,165)	(8,994)	-	-	(11,159)	219,148	207,989
<u>Movement in reserves during 2016/17</u>							
(Surplus) or deficit on the provision of services	8,209	-	-	-	8,209	-	8,209
Other Comprehensive Income and Expenditure	-	-	-	-	-	42,496	42,496
Total Comprehensive Income and Expenditure	8,209	-	-	-	8,209	42,496	50,705
Adjustments between accounting basis & funding basis under regulations (Note 23)	(8,444)	-	(245)	-	(8,689)	8,689	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(235)	-	(245)	-	(480)	51,185	50,705
Transfers to/from Earmarked Reserves (Note 23)	(635)	635	-	-	-	-	-
(Increase) / Decrease in 2016/17	(870)	635	(245)	-	(480)	51,185	50,705
Balance at 31 March 2017 carried forward	(3,035)	(8,359)	(245)	-	(11,639)	270,333	258,694
Amounts held for revenue purposes	(3,035)	(2,203)			(5,238)	305,664	300,426
Amounts held for capital purposes	-	(6,156)	(245)		(6,401)	(35,331)	(41,732)

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the economic cost in the year of providing services in accordance with 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.

2015/16			2016/17		
Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
		109			
1,285	(40)	1,245	1,296	(11)	1,285
3,293	(465)	2,828	4,143	(399)	3,744
2,264	(165)	2,099	3,025	(193)	2,832
22,101	(237)	21,864	22,024	(185)	21,839
3,654	-	3,654	279	(7)	272
32,597	(907)	31,690	30,767	(795)	29,972
74	-	74		(53)	(53)
74	-	74	-	(53)	(53)
380	-	380	347	-	347
-	(190)	(190)		(155)	(155)
8,918	-	8,918	6,603	-	6,603
9,298	(190)	9,108	6,950	(155)	6,795
-	(17,080)	(17,080)		(17,687)	(17,687)
-	(6,858)	(6,858)		(5,692)	(5,692)
-	(4,898)	(4,898)		(5,126)	(5,126)
-	(28,836)	(28,836)	-	(28,505)	(28,505)
41,969	(29,933)	12,036	37,717	(29,508)	8,209
		(1,592)			(1,766)
		(27,486)			44,262
		(29,078)			42,496
		(17,042)			50,705

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 of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

31 March 2016		31 March 2017
£000		£000
	<u>Property, Plant and Equipment</u>	
29,761	Land & Buildings	30,664
4,619	Vehicles, Plant & Equipment (including Donated Assets)	4,349
227	Assets under construction	1,486
34,607	Total Property, Plant & Equipment (Note 11a)	36,499
105	Investment Property (Note 12)	105
164	Intangible Assets (Note 13)	459
34,876	Non-Current Assets	37,063
19,082	Short Term Investments (Note 14)	21,073
309	Inventories (Note 15)	346
4,849	Short Term Debtors (Note 16)	3,732
2,368	Cash and Cash Equivalents (Note 17)	2,037
26,608	Current Assets	27,188
(469)	Short Term Borrowing (Note 18)	(101)
(2,285)	Short Term Creditors (Note 18)	(2,400)
(503)	Provision for Accumulated Absences (Note 19)	(504)
(140)	Provision - Part Time Workers (Note 19)	(140)
(550)	Provision - VR/Special Payments (Note 19)	(530)
(540)	NNDR Appeals Provision (Note 19)	(518)
(1,188)	Injury Pensions Provision (Note 19)	(1,188)
(5,675)	Current Liabilities	(5,381)
(7,382)	Long Term Borrowing (Note 20)	(7,382)
	<u>Other Long Term liabilities</u>	
(2,841)	Capital Grants Received in Advance (Note 21)	(2,939)
(1,780)	Finance Lease (Note 22)	(1,733)
-	Donated Asset Account (Note 25)	-
(251,795)	Liability related to the Defined Benefit Pension Scheme (Note 28)	(305,510)
(256,416)	Total Other Long Term Liabilities	(310,182)
(263,798)	Long Term Liabilities	(317,564)
(207,989)	Net Assets	(258,694)
	<u>Reserves</u>	
(11,159)	Usable Reserves (Note 23)	(11,639)
219,148	Unusable Reserves (Note 24)	270,333
207,989	Total Reserves	258,694

Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Cash Flow 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 the 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 to the Authority.

2015/16		2016/17	
£000	Cash Flow Statement	£000	
(12,036)	Net surplus or deficit on the provision of services	(8,209)	
12,820	Adjust for non-cash movements	13,414	
(34)	Adjust for items that are investing or financing activities	(288)	
750	Net Cash Flow from Operating Activities	4,917	
1,287	Investing Activities	(4,783)	
(875)	Financing Activities	(465)	
1,162	Net Increase or decrease in cash and cash equivalents	(331)	
1,206	Cash and Cash equivalents at the beginning of the reporting period	2,368	
2,368	Cash and Cash equivalents at the end of the reporting period	2,037	

Notes to the Cash Flow Statement can be found in Note 31.

Notes to the Core Financial Statements

1 - Service Information – Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16			Expenditure and Funding Analysis	2016/17		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Services	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
935	311	1,246	Corporate Core	1,171	114	1,285
2,756	72	2,828	Finance and Assets	3,639	105	3,744
1,841	258	2,099	People and Organisational Development	2,585	247	2,832
17,749	4,114	21,863	Delivery, Corporate Development & Planning	19,455	2,384	21,839
3,725	-71	3,654	Statutory Accounting and Contingency	272	0	272
27,006	4,684	31,690	Net Cost of Services	27,122	2,850	29,972
-22,279	2,625	-19,654	Other Income and Expenditure	-27,602	5,839	-21,763
4,727	7,309	12,036	Surplus or Deficit	-480	8,689	8,209
-15,886			Opening General Fund Balance	-11,159		
4,727			Less/Plus Surplus or (Deficit) on General Fund	-480		
-11,159			Closing General Fund Balance at 31 March	-11,639		

2 - Officers Remuneration

The number of employees whose remuneration excluding employer's pension contributions was £50,000 or more in bands of £5,000 is shown below.

2015/16 Totals £000	Remuneration Band	2016/17 Totals £000
19	£50,000 - £54,999	19
5	£55,000 - £59,999	6
5	£60,000 - £64,999	3
3	£65,000 - £69,999	4
2	£70,000 - £74,999	3
1	£80,000 - £84,999	1
1	£85,000 - £89,999	1
1	£95,000 - £99,999	1
-	£100,000 - £104,999	1
2	£110,000 - £114,999	2
1	£125,000 - £129,999	-
-	£130,000 - £134,999	1
1	£160,000 - £164,999	1
41	Total	43

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The following table sets out the remuneration disclosures for senior officers during 2016/17. All posts holders are included within the remuneration bands shown on the previous page.

Post Holder	Salary including Fees and Allowances	Benefits in Kind e.g. Car Allowance	Other Payments	Compensation for Loss of Office	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration Including Pension Contributions	Notes
Chief Fire Officer and Chief Executive	142,156	-	20,000	-	162,156	20,204	182,360	
Chief Operating Officer	116,762	1,266	13,000	-	131,028	24,800	155,829	
Head of Service Delivery	77,081	-	10,000	-	87,081	16,634	103,714	
Head of Service Development	93,947	-	4,000	-	97,947	20,257	118,204	
Director of People and Organisational Development	90,244	9,327	13,000	-	112,572	12,220	124,791	
Director of Finance and Assets & Chief Finance Officer	86,494	7,149	10,000	-	103,643	11,408	115,051	
Director of Legal and Governance	89,739	11,364	10,000	-	111,103	12,220	123,322	
Totals	696,424	29,107	80,000	-	805,530	117,741	923,272	

For comparison, the following table sets out the remuneration disclosures for senior officers during 2015/16:

Post Holder	Salary including Fees and Allowances	Benefits in Kind e.g. Car Allowance	Other Payments	Compensation for Loss of Office	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration Including Pension Contributions	Notes
Chief Fire Officer and Chief Executive	140,530	936	20,000	-	161,466	20,137	181,603	
Chief Operating Officer	116,678	936	12,000	-	129,614	25,407	155,021	
Head of Service Delivery	89,199	-	4,000	-	93,199	19,238	112,437	1
Head of Service Development	92,894	936	5,000	-	98,830	20,259	119,089	
Director of People and Organisational Development	90,103	8,351	12,000	-	110,454	12,056	122,510	
Director of Finance and Assets & Chief Finance Officer	82,744	924	7,000	35,250	125,918	10,710	136,628	2
Director of Legal and Governance	89,953	10,257	10,000	-	110,210	12,056	122,266	
Totals	702,101	22,340	70,000	35,250	829,691	119,863	949,554	

Notes

1 & 2 Two different post holders during the year

Exit Packages

2015/16		2016/17
Number of Redundancies	Exit Package Cost Banding	Number of Redundancies
11	£0 - £20,000	-
9	£20,001 - £40,000	-
20	Total	-

There were no exit packages in 2016/17.

3 - Provision for Doubtful Debt

The provision for doubtful debts is £0 as at 31 March 2017 (£35,851 as at 31 March 2016).

4 - Leases and Lease Type Arrangements

The operating leases held by the Authority apply to lease vehicles and radio communications equipment. The lease rentals paid during the year amounted to £244k (£248k in 2015/16). The estimated un-discharged obligations under the operational lease agreements are shown in the table below:

31 March 2016			31 March 2017		
Vehicles Plant and Equipment	Land and Buildings	Years Operational Lease Remaining	Vehicles Plant and Equipment	Land and Buildings	
£000	£000		£000	£000	
137	78	0 - 1 years	109	78	
166	313	2 - 5 years	124	313	
-	527	6 years and onwards	-	449	
303	918	Total	233	840	

The finance lease held by the Authority is for the sale and leaseback of the Gerrards Cross houses with London Quadrant (previously Opus Housing). The Authority has included the finance lease as a long term liability. The finance lease is detailed in Note 22.

5 - Capital Financing Requirement

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

2015/16 £000		2016/17 £000
8,345	Opening Capital Financing Requirement	1,778
	<u>Capital Investment</u>	
1,870	Property Plant and Equipment	2,785
-	Intangible Assets	427
	<u>Sources of Finances</u>	
(103)	Capital Receipts	(43)
(307)	Donated Assets	-
(1,460)	Government Grants and Contributions	(3,169)
(311)	Revenue Funding including MRP	(47)
(6,256)	Voluntary Minimum Revenue Provision	-
-	Other Adjustments	-
1,778	Closing Capital Financing Requirement	1,731
	<u>Explanation of movements in year</u>	
(6,567)	Increase in the underlying need to borrow (supported by Government financial assistance)	(47)
(6,567)	Increase/(Decrease) in Capital Financing Requirement	(47)

6 - Members Allowances

Total allowances paid in 2016/17 to 21 Members amounted to £58k (2015/16 amounted to £63k and 20 Members).

7 - Audit Fees

Fees paid during the year to Ernst & Young LLP, the Authority's external auditor, for work on external audit and on inspection are set out in the table below.

2015/16		2016/17
£000	Audit Fees	£000
31	Scale fee for audit work	31
-	National Fraud Initiative (NFI)	1
31	Total	32

8 - Revenue Grants

Section 31 grants received from the Department for Communities and Local Government (DCLG) by the Authority are detailed below. The grants are not ring-fenced but are given for specific streams of work. As the grants are not ring-fenced, they are shown within Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

2015/16		2016/17
£000	Revenue Grants Applied	£000
(938)	New Dimension (Urban Search and Rescue)	(818)
(236)	Firelink	(256)
(1,174)	Total	(1,074)

The New Dimension grant funds the national resilience capability provided by the Urban Search and Rescue team. Firelink funding contributes to the cost of communications within the control room.

9 - 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.

As at April 2015, the Joint Control Room became operational and operates from Royal Berkshire Fire Authority premises. All control functions are controlled jointly by Buckinghamshire and Milton Keynes Fire Authority (BMKFA), Oxfordshire Fire and Rescue and Royal Berkshire Fire Authority with the control room based in Theale, Reading.

The capital assets for the Joint Control are recognised as an equal third on the balance sheet. As at 1st of April 2015, the Joint Control room combined assets gross book value was £765k of which BMKFA share equates to £307k. The depreciation charge for the combined assets was £157k of which BMKFA share is £52k. Therefore the net book value as at 31st March 2017 was £608k from which BMKFA share is £202k.

The revenue expenditure split is based on the Joint control policy stated in the accounting estimates section. The total expenditure for 2016/17 was £2.006m from which BMKFA contributed £682k.

As of April 2016, Buckinghamshire and Milton Keynes Fire Authority was appointed as the treasurer for the ESMCP project and the funding was held on behalf of Berkshire, Oxfordshire, Hampshire, Isle of Wight. The funding is mainly for the programme management of the project and was allocated £0.342m which was split between the five partners. Therefore the income for BMKFA proportion was £66k. The expenditure incurred in 2016/17 was £28k of which BMKFA share was £6k.

Central Government

Central Government 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 in 2016/17 to the Authority.

Other Public Bodies

Buckinghamshire County Council provides Internal Audit Services, Pensions Services and SAP Systems Support. The Authority provides accommodation to the South Central Ambulance Service and Thames Valley Police.

The Authority has entered into local public service agreements with all six councils within its geographic boundaries. The Authority is using these agreements to build capacity within its Community Fire Safety department so that it can contribute along with its partners to the shared vision of creating a safer Buckinghamshire and Milton Keynes.

A Memorandum of Understanding (MOU) was agreed with Royal Berkshire and Oxfordshire Fire & Rescue Service which set out a formal arrangement for collaborating with the neighbouring Thames Valley Fire and Rescue Services.

A MOU has been established for a number of years with Hampshire Fire & Rescue Service and provides a cost effective way for the Authority to deliver a notable element of an USAR mobilisation that complies with the national requirements.

Members of the Authority

Members have direct control over the Authority's financial and operational policies. However, any contracts entered into are in full compliance with the Authority's standing orders 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. All Members have been asked to declare any related party transactions. From the replies provided there are no such transactions to be declared.

Senior Officers of the Authority

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

Assisted Organisations

The Authority provides funding to the Safety Centre Milton Keynes of £25k per annum. The Authority is one of a number of funders. An officer of the Authority is one of seven trustees of the centre, which is a registered charity. The Authority does not have a significant influence over the running of the centre.

Training Partnership – Fire Service College

The training partnership with the Fire Service College (FSC) was approved by the Members of the Executive Committee at its meeting of 15 March 2015. The partnership underpins the Service's Training Strategy and Framework for Training, Learning and Development. It will provide the Authority with external assurance that training and exercising in BMKFRS is being delivered and assessed to a CFOA endorsed nationally recognised standard.

Companies and Joint Ventures

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

10 - Funding

The Authority's net revenue expenditure is funded by local authority precepts, general government grants and non-domestic rates redistribution from the national pool.

2015/16		2016/17
£000	Funding	£000
(4,030)	Aylesbury Vale District Council	(4,184)
(2,561)	Chiltern District Council	(2,633)
(4,722)	Milton Keynes Council	(4,910)
(1,866)	South Buckinghamshire District Council	(1,916)
(3,901)	Wycombe District Council	(4,044)
(17,080)	Total Precepts	(17,687)
(5,170)	Revenue Support Grant	(4,514)
(183)	Council Tax Freeze Grant/NNDR Pooling	(104)
(1,174)	General Revenue Grants (Note 8)	(1,074)
(307)	Donated Asset	-
(24)	Capital Grants	-
(6,858)	Total General Government Grants	(5,692)
(4,898)	Non Domestic Rates redistribution	(5,126)
(4,898)	Total Non Domestic Rates redistribution	(5,126)
(28,836)	Total	(28,505)

In 2016/17 there were 291,691 Band D properties and in 2015/16 there were 287,017 Band D properties.

11 - Non Current Assets

a) Movement of Property, Plant and Equipment

	Land and Buildings	Leased Land and Buildings	Total Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
Gross Book Value as at 1 April 2016	28,900	2,357	31,257	11,281	227	42,765
Additions	461	-	461	1,065	1,259	2,785
Disposals and write offs	(237)	-	(237)	(427)	-	(664)
Reclassifications	-	-	-	-	-	-
Revaluation increase/decrease (-) recognised in Revaluation Reserve	848	-	848	-	-	848
Revaluation increase/decrease (-) recognised in surplus/deficit on provision of service	(4)	-	(4)	-	-	(4)
Other movements in cost or valuation	-	-	-	-	-	-
Gross Book Value as at 31 March 2017	29,968	2,357	32,325	11,919	1,486	45,730
Accumulated depreciation and impairment as at 1 April 2016	(925)	(571)	(1,496)	(6,662)	-	(8,158)
Depreciation for the year	(1,047)	(47)	(1,094)	(1,331)	-	(2,425)
Depreciation on disposal	7	-	7	423	-	430
Depreciation written out to Revaluation Reserve	919	-	919	-	-	919
Depreciation written out to surplus/deficit (-) on provision of service	-	-	-	-	-	-
Impairment losses/reversals(-) recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses/reversals(-) recognised in the surplus/deficit on provision	3	-	3	-	-	3
Impairment on disposal	-	-	-	-	-	-
Reclassification of depreciation or impairment	-	-	-	-	-	-
Other movements in depreciation or impairment	-	-	-	-	-	-
Depreciation c/f	(1,043)	(618)	(1,661)	(7,570)	-	(9,231)
Net Book Value as at 31 March 2017	28,925	1,739	30,664	4,349	1,486	36,499

Leased Land and Buildings refer to the Finance Lease item as detailed in Note 22

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Comparative figures for 2015/16:

	Land and Buildings	Leased Land and Buildings	Total Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
Gross Book Value as at 1 April 2015	27,799	2,357	30,156	10,175	61	40,392
Additions	417	-	417	1,226	227	1,870
Disposals and write offs	(24)	-	(24)	(120)	(61)	(205)
Reclassifications	-	-	-	-	-	-
Revaluation increase/decrease (-) recognised in Revaluation Reserve	755	-	755	-	-	755
Revaluation increase/decrease (-) recognised in surplus/deficit on provision of service	(47)	-	(47)	-	-	(47)
Other movements in cost or valuation	-	-	-	-	-	-
Gross Book Value as at 31 March 2016	28,900	2,357	31,257	11,281	227	42,765
Accumulated depreciation and impairment as at 1 April 2015	(848)	(524)	(1,372)	(5,506)	-	(6,878)
Depreciation for the year	(927)	(47)	(974)	(1,273)	-	(2,247)
Depreciation on disposal	4	-	4	117	-	121
Depreciation written out to Revaluation Reserve	837	-	837	-	-	837
Depreciation written out to surplus/deficit (-) on provision of service	-	-	-	-	-	-
Impairment losses/reversals(-) recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses/reversals(-) recognised in the surplus/deficit on provision	9	-	9	-	-	9
Impairment on disposal	-	-	-	-	-	-
Reclassification of depreciation or impairment	-	-	-	-	-	-
Other movements in depreciation or impairment	-	-	-	-	-	-
Depreciation c/f	(925)	(571)	(1,496)	(6,662)	-	(8,158)
Net Book Value as at 31 March 2016	27,975	1,786	29,761	4,619	227	34,607

b) Basis of Valuation

All land and buildings were initially revalued during the year with an effective revaluation date of 1 April 2016. The valuations were updated as at 31 March 2017 to ensure the balance sheet accurately reflected the end of year values. Valuations were provided by an external valuer, Ian S Pitt BSc (Hons) MRICS of Bruton Knowles. All valuations were prepared in accordance with the RICS Appraisal Valuation Manual and International Financial Reporting Standards. The basis of valuation adopted is Existing Use Value (EUV). For specialised properties the Depreciated Replacement Cost method was used to arrive at the EUV whilst non-specialised properties have been valued using the Comparable Method of valuation to arrive at the EUV. The one investment property was valued at Market Value.

The following significant assumptions were applied in arriving at the fair values:

- Values reported are based on a desktop exercise;
- The Authority owns the freehold, which is not subject to any unusual or onerous restrictions;
- Properties are unaffected by any matters that would be revealed by a local search;
- All parts are assumed to be in good repair and condition and all properties are free from hazardous materials; and
- Where the remaining useful life of a property is at least 20 years it is on the assumption that it will be maintained reasonably.

c) Valuation Information

The following statement shows the progress of the Authority's programme for the revaluation of assets.

Year of Valuation	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Total
	£000	£000	£000	£000
2016/17	28,925	-	-	28,925
Valued at Historic Cost	-	4,349	1,486	5,835
Total	28,925	4,349	1,486	34,760

d) Depreciation Lives

The Authority policy of depreciating assets is on a straight line basis over their remaining useful lives as below:

- Red Fleet Vehicles - 1 to 15 years
- White Fleet Vehicles – 1 to 6 years
- Plant and Equipment - 1 to 24 years
- Buildings - 6 to 51 years
- Intangibles - 2 to 7 years

e) Commitments under Capital Contracts

At 31 March 2017, the Authority has entered into a number of contracts for the acquisition or enhancement of Property, Plant and Equipment or Intangible Assets.

Capital Contract	Contractor	Amount Outstanding as at 31 March 2017
Red Fleet Appliances	Rosenbauer UK plc	152
Red Fleet Appliances	Emergency One	1518
Red Fleet Appliances	Bence	79
		<hr/>
Total		<hr/> 1,749 <hr/>

All commitments will be honoured during 2017/18.

Prior year comparators can be seen in the table below:

Capital Contract	Contractor	Amount Outstanding as at 31 March 2016
Red Fleet Appliances	Rosenbauer UK plc	616
Red Fleet Appliances	Emergency One	148
Modular Building	Elite Systems Ltd	84
Telephony	Udata	129
Water Bowser	Crossland Tankers	80
		<hr/>
Total		<hr/> 1,057 <hr/>

12 - Investment Property

An office building at Bletchley Fire Station is classified as an investment property, as it is currently held solely for the purpose of generating rental income.

2015/16		2016/17
£000	Investment Property	£000
105	Opening Balance	105
-	- Transfer from Land and Buildings	-
-	- Revaluation	-
-	- Impairment	-
105	Closing Balance	105

13 - Movement of Intangible Fixed Assets

Intangible Assets are recognised as non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. These represent the purchase of computer software and licences and other software systems and are amortised to the Comprehensive Income and Expenditure Statement on the basis of the cost and estimated useful life.

Movement of Intangible Assets	£000
Gross Book Value as at 31 March 2016	438
Accumulated Amortisation	(274)
Net Book Value as at 1 April 2016	164
Additions in year	427
Reclassifications	-
Amortisation for the year	(132)
Net Book Value as at 31 March 2017	459
Comparative figures for 2015/16:	
Movement of Intangible Assets	0
Gross Book Value as at 31 March 2015	438
Accumulated Amortisation	(224)
Net Book Value as at 1 April 2015	214
Additions in year	-
Reclassifications	-
Amortisation for the year	(50)
Net Book Value as at 31 March 2016	164

No assets were internally generated. All assets have finite useful lives and are amortised on a straight-line basis between 2 to 7 years.

14 - Short Term Investments

The Authority holds a number of short term investments in order to manage liquidity.

2015/16		2016/17
£000	Short Term Investments	£000
19,082	Short Term Investments	21,073
19,082	Total	21,073

15 – Inventories

All inventories are purchased at cost. No inventory items are purchased on deferred settlement terms or acquired by an exchange of goods and services. Inventories are distributed at cost or cost plus and do not use LIFO as a cost formula. All inventory items of a similar nature and similar use to the Authority use the same cost formula.

2015/16		2016/17
£000	Inventories	£000
36	Workshops	39
243	Stores	261
30	Fuel	46
309	Total	346

16 - Short Term Debtors

The note below shows the value of debtors as at 31 March 2017.

2015/16		2016/17
£000	Short Term Debtors	£000
3,137	Central Government Bodies	1,654
127	Other Local Authorities	651
-	NHS Bodies	-
1,042	Other Entities and Individuals	795
579	Payments in Advance	632
(36)	Provision for Doubtful Debts	-
4,849	Total	3,732

17 - Cash and Cash Equivalents

Cash and cash equivalents are short term highly liquid investments with a maturity of less than 90 days.

2015/16		2016/17
£000	Cash and cash equivalents	£000
118	Cash at bank	36
2,250	Cash on deposit	2,001
2,368	Total	2,037

18 - Short Term Borrowing and Creditors

The interest owing and shown as short term borrowing represents the Public Works Loan Board (PWLb) interest accrued to the 31 March 2017 in accordance with the Code.

2015/16		2016/17
£000	Short Term Borrowing and Creditors	£000
(469)	Short Term Borrowing	(101)
(424)	Central Government Bodies	(54)
(475)	Other Local Authorities	(578)
(1,201)	Other Entities and Individuals	(1,432)
(185)	Receipts in Advance	(336)
(2,285)	Total	(2,400)

19 - Provisions

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

	Accumulated Absences	Part Time Workers	Voluntary Redundancy and Special Payments	NNDR Appeals Provisions	Injury Pension Payments	Total
	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2016	(503)	(140)	(550)	(540)	(1,188)	(2,921)
Additional provisions made in 2016/17	(504)	-	(30)	-	-	(534)
Amounts used in 2016/17	503	-	50	22	-	575
Balance as at 31 March 2017	(504)	(140)	(530)	(518)	(1,188)	(2,880)

Accumulated Absences Account

This provision shows the value of the outstanding leave entitlement held by employees of the Authority as at the balance sheet date. Any increase or decrease in the provision is offset by the Accumulated Absences Account (see Note 24a) so that this accounting adjustment does not impact on the level of usable reserves.

Part Time Workers

This provision was established in 2009/10 (£250k) to provide for the back pay for Retained Duty System (RDS) staff following an equal pay court case. As at 31st March 2017, no payment was made but there are still further claims expected. Therefore the Authority considers the remaining provision to be sufficient to meet the total liability outstanding.

Voluntary Redundancy and Special Payments

This provision was established in 2010/11 to provide for the additional costs of redundancy and related payments as a result of restructuring within the Authority. A number of additional provisions have been made during the year to cover potential one-off payments.

NNDR Appeals Provision

This provision shows the Authority's share of the provision for appeals relating to income from business rates. Due to statutory accounting adjustments, this amount does not impact on the level of the General Fund balance.

Injury Pension Payments

This provision has arisen as a result of the potential requirement to reimburse the Home Office for pension top-up grant claimed in prior years relating to injury awards.

20 - Long Term Borrowing

The Authority undertakes long term borrowing, principally as a means of financing expenditure on fixed assets. No additional principal was borrowed but repayment of £0.368m was repaid in May 2016. The interest owing and shown as short term borrowing in Note 18 represents the Public Works Loan Board (PWLB) interest accrued to the 31 March 2017 and loans due to be repaid within one year in accordance with the Code.

2015/16		2016/17
£000	Source of Loan	£000
(7,382)	PWLB	(7,382)
(7,382)	Total	(7,382)

The interest rates applicable as at 31 March 2017 were between 3.90% and 5.32%.

Long term external borrowing by repayment dates is shown in the table below:

2015/16		2016/17
£000	Repayments Dates	£000
(585)	Maturing in less than 5 years	(585)
(1,620)	Maturing in 5 to 10 years	(1,620)
(1,000)	Maturing in 10 to 15 years	(1,626)
(1,376)	Maturing in 15 to 20 years	(750)
-	Maturing in 20 to 25 years	-
(2,801)	Maturing in over 25 years	(2,801)
(7,382)	Total	(7,382)

21 - Capital Grants Received in Advance

The balance on this account represents capital grants received by the Authority where the grant conditions had not been met as at the Balance Sheet date. In 2015/16 the Authority received a grant from the DCLG, as at 31st March 2017 the conditions on this grant were not fulfilled and therefore the grant will be treated as a capital grant received in advance. In addition to this, the Authority has received funding in relation to the ESMCP project.

2015/16		2016/17
£000	Capital Grants Received in Advance	£000
-	ESMCP Funding	(98)
(2,841)	Transformation Fund	(2,841)
(2,841)	Total	(2,939)

22 - Finance Lease

In 2003/04 the Authority entered into a sale and leaseback agreement with Opus Housing Association (now London Quadrant) in respect of the Gerrards Cross Houses for a period of 50 years. The initial cost of the lease is matched by an increase in the value of land and buildings within fixed assets. The rentals payable under this arrangement in 2016/17 were £119,880 charged as £72,880 to the Income and Expenditure account finance costs and £47,000 write down of obligation to the lessor.

	Land and Buildings
	£000
Outstanding obligations under Finance Lease	
Payable in 2017/18	47
Payable between 2018/19 and 2020/21	141
Payable after 2020/21	1,545
Total liabilities as at 31st March 2017	1,733

Comparative information for 2015/16

Rentals payable under this arrangement were £114,816, charged as £67,816 to the Income and Expenditure account finance costs and £47,000 write down of obligation to the lessor.

	Land and Buildings
	£000
Outstanding obligations under Finance Lease	
Payable in 2016/17	47
Payable between 2017/18 and 2019/20	188
Payable after 2019/20	1,545
Total liabilities as at 31st March 2016	1,780

23 - Usable Reserves

Adjustments under Regulations

2015/16					2016/17			
General Fund Balance	Usable Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves		General Fund Balance	Usable Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustments primarily involving the Capital Adjustment Account				
				<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
(2,297)	-	-	2,297	Depreciation Charges	(2,557)	-	-	2,557
(38)	-	-	38	Impairment	-	-	-	-
1,374	-	86	(1,460)	Capital grants and contributions applied	3,169	-	-	(3,169)
(800)		800	-	Revenue Expenditure Funded from Capital Under Statute	-		-	-
307	-	-	(307)	Donated assets received in year	-	-	-	-
(84)	-	-	84	Amounts of non-current assets written off on disposal as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	(234)	-	-	234
				<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>	-			
311	-	-	(311)	Minimum Revenue Provision	47	-	-	(47)
6,256		-	(6,256)	Additional Voluntary Provision	-		-	-
				Adjustments primarily involving the Capital Receipts Reserve	-			
10	(10)	-	-	Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	288	(288)	-	-
-	103	-	(103)	Use of the Capital Receipts Reserve to finance new capital expenditure	-	43	-	(43)
				Adjustments primarily involving the Financial Instruments Adjustment Account	-	-	-	-
-	-	-	-	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-
				Adjustments primarily involving the Pension Reserve	-			

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(15,806)	-	-	15,806	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(11,635)	-	-	11,635
2,734	-	-	(2,734)	Employer's pensions contributions and direct payments to pensioners payable in the year	2,182	-	-	(2,182)
				Adjustments primarily involving the Collection Fund Adjustment Account	-			
(314)	-	-	314	Precept and NNDR Income	297	-	-	(297)
				Adjustments primarily involving the Accumulated Absences Account	-			
59	-	-	(59)	Employee Absence Account	(1)	-	-	1
(8,288)	93	886	7,309	Total Adjustments	(8,444)	(245)	-	8,689

Transfers To/From Reserves

	Note	Balance at 1 April 2015	Transfers (In)/Out 2015/16	Balance at 31 March 2016	Transfers (In)/Out 2016/17	Balance at 31 March 2017
General Fund Balance	A	(3,700)	1,535	(2,165)	(870)	(3,035)
Sub Total Non Earmarked General Fund Balance		(3,700)	1,535	(2,165)	(870)	(3,035)
Fire Control Reserve	B	(150)	150	-	-	-
Invest to Save Reserve	C	(500)	250	(250)	-	(250)
Apprentice Reserve	D	-	-	-	(500)	(500)
New Dimensions Reserve	E	(1,000)	1,000	-	-	-
Vehicle Reserve	F	(191)	191	-	-	-
Redundancy and Early Retirement Reserve	G	(477)	227	(250)	-	(250)
Sprinklers Reserve	H	-	-	-	(200)	(200)
Funding Pressures Reserve	I	(1,277)	1,277	-	-	-
Control Room Reserve	J	(1,360)	1,041	(319)	(52)	(371)
RDS Pension Contributions Reserve	K	(650)	650	-	-	-
Continuing Projects Reserve	L	(1,500)	336	(1,164)	582	(582)
Insurance Reserve	M	(50)	-	(50)	-	(50)
Sub Total Earmarked Reserves - Revenue		(7,155)	5,122	(2,033)	(170)	(2,203)
Usable Capital Receipts Reserve	N	(93)	93	-	(245)	(245)
Other Capital Grants Unapplied	O	(86)	86	-	-	-
Control Room Capital Grant Unapplied	P	(800)	800	-	-	-
Revenue Contribution to Capital	Q	(4,052)	(2,909)	(6,961)	805	(6,156)
Sub Total Earmarked Reserves - Capital		(5,031)	(1,930)	(6,961)	560	(6,401)
Total Usable Reserves		(15,886)	4,727	(11,159)	(480)	(11,639)

A – General Fund Balance

This is a non-earmarked reserve and is kept at a prudent level in order to cover unforeseen eventualities and liabilities.

B – Fire Control Reserve

This was originally established in 2004/05 to assist with issues relating to regional control rooms. This reserve was realigned in 2015/16 and fully utilised as part of the reserves review carried out in 2015/16.

C – Invest to Save Reserve

This reserve provides one-off funding for initiatives that will help to generate long-term efficiencies within the Authority. The savings generated are used to top-up the reserve in order to fund further projects.

D – Apprentice Reserve

This reserve is held to fund the apprenticeship initiative over the coming years.

E – New Dimensions Reserve

This reserve has been setup to mitigate the risk of reduction or cessation of grant funding associated with Section 31 grants for Urban Search and Rescue and Incident Response Units. This reserve was realigned in 2015/16 and fully utilised as part of the reserves review carried out in 2015/16.

F – Vehicle Reserve

This reserve is used to contribute towards the cost of replacing pool cars as they reach the end of their useful lives. This reserve was realigned in 2015/16 and fully utilised as part of the reserves review carried out in 2015/16.

G – Redundancy and Early Retirement Reserve

This reserve is used to fund the cost of redundancy and early retirements incurred as part of the Moving Forward Agenda.

H – Sprinklers Reserve

This reserve is held for suitable sprinkler initiative schemes which will be match funded by the Authority.

I – Funding Pressures Reserve

This reserve was created to assist with future pressures resulting from changes in Government grant funding. This reserve was realigned in 2015/16 and fully utilised as part of the reserves review carried out in 2015/16.

J – Control Room Reserve (Revenue)

This reserve contains the renewals fund used to replenish the Joint control room assets.

K – RDS Pension Contribution Reserve

This reserve has been setup to cover any potential costs that may be incurred in relation to back-dated Retained Duty System (RDS) pensions. This reserve was realigned in 2015/16 and fully utilised as part of the reserves review carried out in 2015/16.

L – Continuing Projects Reserve

This reserve has been created to cover any future costs on a number of large scale projects currently being undertaken by the Authority.

M – Insurance Reserve

This reserve was created to smooth out any short-term fluctuations in cost as a result of increasing the voluntary excess on the Authority's insurance policies.

N – Usable Capital Receipts Reserve

This reserve receives monies from the sale of capital assets and uses these monies towards the purchase of new assets.

O – Other Capital Grants Unapplied

This reserve was fully utilised in 2015/16.

P – Control Room Capital Grant Unapplied

This reserve contains the funding received in 2011/12 to contribute towards the capital costs of combining control room services in future years. This reserve was fully utilised in 2015/16.

Q – Revenue Contribution to Capital

This reserve represents funding set aside to contribute towards future capital expenditure in order to mitigate the need to fund the expenditure through additional borrowing.

24 - Unusable Reserves

a) Accumulated Absences Account

The Accumulated Absences Account mitigates any effect on the General Fund of having to include a provision for any outstanding leave owed to employees at the end of each financial year. There is a requirement that authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to this account until the benefits are used. The carrying balance is relatively high as the authority operates a January to December leave year.

2015/16	Accumulated Absences Account	2016/17
£000		£000
562	Opening Balance	503
(562)	Reversal of provision for accumulated absences for previous year	(503)
503	Accumulated absences for the year	504
503	Closing Balance	504

b) Capital Adjustment Account

It is a statutory requirement to have a Capital Adjustment Account. The balance on this account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

2015/16	Capital Adjustment Account	2016/17
£000		£000
(18,316)	Opening Balance	(24,024)
2,297	Depreciation	2,557
320	Depreciation variance Historic to Current	426
(311)	Minimum Revenue Provision	(47)
38	Impairments	-
84	Other adjustments	234
(6,256)	Additional Voluntary Contributions	-
-	Revenue contributions	-
(10)	Usable capital receipts received in year	(92)
(1,460)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,169)
(103)	Capital receipts credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(43)
(307)	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
(24,024)	Closing Balance	(24,158)

c) Collection Fund Adjustment Account

It is a statutory requirement to have a Collection Fund Adjustment Account. The balance on this account represents the timing differences between statutory accounting requirements and full accruals accounting for council tax.

2015/16	Collection Fund Adjustment Account	2016/17
£000		£000
(370)	Opening Balance	(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	(434)
51		
	Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements.	139
263		
(56)	Closing Balance	(351)

d) Pensions Reserve

It is a statutory requirement to have a Pensions Reserve. This reserve represents a balancing figure, reported by the actuary, to allow for the liabilities of both the Local Government Pension Scheme and the Firefighter's Pension Fund, as required under IAS19.

2015/16	Pensions Reserve	2016/17
£000		£000
266,210	Opening Balance	251,796
13,072	Appropriations to and from (-) revenue	9,453
(27,486)	Actuarial gains (-) / losses relating to pensions	44,262
251,796	Closing Balance	305,511

e) Revaluation Reserve

It is a statutory requirement to have a Revaluation Reserve. This reserve records unrealised revaluation gains arising since the 1st April 2007 from the holding of fixed assets. As and when assets are revalued or revaluations are reversed then adjustments are made to this account. The revaluation reserve is also written down to the capital adjustment account over the remaining useful lives of the assets with revaluation reserve balances.

2015/16	Revaluation Reserve	2016/17
£000		£000
(7,171)	Opening Balance	(9,073)
(1,719)	Upward Asset revaluations	(1,800)
127	Downward Asset revaluations	34
10	Asset Disposal	92
(320)	Depreciation difference - historic cost to current value	(426)
-	Other adjustments	-
(9,073)	Closing Balance	(11,173)

25 - Donated Assets Account

In 2016/17 the Authority recognised on the Balance Sheet the value of the Thames Valley Control Room made available to it by Royal Berkshire Fire Authority. The fair value of the assets was recognised within Vehicles, Plant and Equipment and a credit was recognised in the Comprehensive Income Expenditure Statement (see Note 10).

26 - Contingent Assets

As at 31 March 2017, the Authority does not have any contingent assets.

27 - Contingent Liabilities

At 31 March 2017, the Authority had one contingent liability:

- The Authority is awaiting formal notification as to whether or not it will be charged interest in relation to the pension top-up grant covering injury awards between April 2007 and March 2014. No amount has been recognised in the accounts due to the uncertainty as to whether interest will be applied, and if so, the rate applicable.

28 - Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these 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. The Authority participates in four pension schemes:

- The Local Government Pension Scheme for non-firefighter staff administered locally by Buckinghamshire County Council is a funded defined benefit final salary scheme, administered in accordance with the Local Government Pension Scheme (1997) as amended. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. It is contracted out of the State Second Pension;
- The Fire-Fighter Pension Scheme for uniformed fire fighters is an unfunded defined benefit statutory scheme, administered by West Yorkshire Pension Fund in accordance with the Fire Pension Scheme Orders (1992) as amended. It is contracted out of the State Second Pension. There are no investment assets held to back the liabilities of the scheme and cash has to be generated to meet actual pensions payments as they eventually fall due; and
- The Fire-Fighter Pension Scheme for uniformed fire-fighters (retained and new entrants from 1st April 2006) is an unfunded defined benefit statutory scheme, administered by West Yorkshire Pension Fund in accordance with the Fire Pension Scheme Orders (2006) as amended. It is contracted out of the State Second Pension. There are no investment assets held to back the liabilities of the scheme and cash has to be generated to meet actual pension payments as they eventually fall due.
- The Fire Fighter Pension Scheme for uniformed fire-fighters (retained and new entrants from 1st April 2015) is an unfunded defined benefit statutory scheme, administered by West Yorkshire Pension Fund in accordance with the Firefighters' Pension Scheme regulations (2014). It is contracted out of the State Second Pension. There are no investment assets held to back the liabilities of the scheme and cash has to be generated to meet actual pension payments as they eventually fall due.
- The report provided by the actuaries has aggregated all the fire-fighter pension data. This approach was taken to condense the number of reports produced as previously there was an individual report for each pension scheme but with now having five schemes (including modified 2006 scheme), it has been condensed into two reports, LGPS and fire-fighter pensions.

Under the Firefighters' Pension Fund Regulations 2006 if the amounts receivable by the pension fund are less than amounts payable, the fire authority must annually transfer an amount required to meet the deficit to the Pension Fund. Subject to scrutiny and approval by Parliament and the Secretary of State up to 100% of this cost is met by central government top-grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Fire Authority which must then repay the amount to central government.

a) Transactions relating to retirement benefits

The Authority recognises the cost of retirement benefits 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 required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement.

Current Year 2016/17

Comprehensive Income and Expenditure Statement	LGPS	Firefighters	Total
	£000	£000	£000
<u>Cost of Services</u>			
Service Cost	854	4,178	5,032
Administration Expenses		-	-
Cost of Services Total	854	4,178	5,032
<u>Financing and Investment Income and Expenditure</u>			
Net Interest on the defined liability (asset)	(2,208)	8,811	6,603
Financing and Investment Total	(2,208)	8,811	6,603
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(1,354)	12,989	11,635
Actuarial Gains and Losses	5,416	38,846	44,262
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	4,062	51,835	55,897
Movement in Reserves Statement			
Reversal of net charges made to the surplus or deficit for post-employment benefits in accordance with the code:	1,354	12,989	14,343
Amount actually charged against the General Fund Balance for pensions in the year for:			
Employers contribution	472	1,476	1,948
Retirement benefit payable to pensioners	15	219	234

Comparative data for 2015/16

Comprehensive Income and Expenditure Statement	LGPS £000	Firefighters £000	Total £000
<u>Cost of Services</u>			
Service Cost	1,143	5,745	6,888
Administration Expenses		-	-
Cost of Services Total	1,143	5,745	6,888
<u>Financing and Investment Income and Expenditure</u>			
Net Interest on the defined liability (asset)	670	8,248	8,918
Financing and Investment Total	670	8,248	8,918
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,813	13,993	15,806
Actuarial Gains and Losses	(2,311)	(25,175)	(27,486)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(498)	(11,182)	(11,680)
Movement in Reserves Statement			
Reversal of net charges made to the surplus or deficit for post-employment benefits in accordance with the code:	(1,813)	(13,993)	(15,806)
Amount actually charged against the General Fund Balance for pensions in the year for:			
Employers contribution	489	2,011	2,500
Retirement benefit payable to pensioners	15	219	234

b) Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities 2016/17

Reconciliation of present value of the scheme liabilities	LGPS £000	Firefighters £000	Total £000
Present Value of scheme liabilities as at 1 April	(30,105)	(241,242)	(271,347)
Current Service Cost	(854)	(4,167)	(5,021)
Interest Cost	(1,132)	(8,811)	(9,943)
Change in financial assumptions	(7,928)	(56,193)	(64,121)
Change in demographic assumptions	124	12,769	12,893
Experience loss/(gain) on defined benefit obligation	1,454	-	1,454
Estimated benefits paid net of transfers in	840	7,319	8,159
Past service costs, including curtailments	-	(11)	(11)
Contribution by Scheme participants	(221)	(1,265)	(1,486)
Unfunded pension payments	15	219	234
Present Value of scheme liabilities as at 31 March	(37,807)	(291,382)	(329,189)

Prior year 2015/16

Reconciliation of present value of the scheme liabilities	LGPS	Firefighters	Total
	£000	£000	£000
Present Value of scheme liabilities as at 1 April	(30,880)	(254,654)	(285,534)
Current Service Cost	(989)	(5,520)	(6,509)
Interest Cost	(1,043)	(8,248)	(9,291)
Change in financial assumptions	2,326	17,636	19,962
Change in demographic assumptions	-	-	-
Experience loss/(gain) on defined benefit obligation		(726)	(726)
Estimated benefits paid net of transfers in	831	12,076	12,907
Past service costs, including curtailments	(154)	(225)	(379)
Contribution by Scheme participants	(211)	(1,581)	(1,792)
Unfunded pension payments	15	-	15
Present Value of scheme liabilities as at 31 March	(30,105)	(241,242)	(271,347)

Reconciliation of fair value of the scheme assets 2016/17

Reconciliation of fair value of the scheme assets	LGPS	Firefighters	Total
	£000	£000	£000
Fair Value of scheme assets as at 1 April	19,552	-	19,552
Interest on Assets	740	-	740
Return on assets less interest	2,600	-	2,600
Other actuarial gains/(losses)	949	4,578	5,527
Administration expenses	(15)	-	(15)
Contributions by employer including unfunded	487	1,695	2,182
Contributions by Scheme participants	221	1,265	1,486
Estimated benefits paid plus unfunded net of transfers in	(855)	(7,538)	(8,393)
Fair Value of scheme assets as at 31 March	23,679	-	23,679

Prior year 2015/16

Reconciliation of fair value of the scheme assets	LGPS	Firefighters	Total
	£000	£000	£000
Fair Value of scheme assets as at 1 April	19,325	-	19,325
Interest on Assets	655	-	655
Return on assets less interest	(282)	-	(282)
Other actuarial gains/(losses)	-	8,265	8,265
Administration expenses	(15)	-	(15)
Contributions by employer including unfunded	504	2,230	2,734
Contributions by Scheme participants	211	1,581	1,792
Estimated benefits paid plus unfunded net of transfers in	(846)	(12,076)	(12,922)
Fair Value of scheme assets as at 31 March	19,552	-	19,552

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 at the Balance Sheet date. Expected returns on equity investments reflect the long-term real rates of return experienced in the respective markets.

c) Scheme history

Reconciliation of present value of the scheme liabilities	2012/13	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000	£000
<u>Present Value of Liabilities</u>					
LGPS	(22,910)	(25,002)	(30,880)	(30,105)	(37,807)
1992 Firefighters Scheme	(183,585)	(205,349)	(247,893)	(241,242)	(291,382)
2006 Firefighters Scheme	(5,057)	(4,417)	(6,761)	-	-
Present Value of scheme liabilities as at 31 March	(211,552)	(234,768)	(285,534)	(271,347)	(329,189)
<u>Fair Value of Assets</u>					
LGPS	14,126	17,136	19,324	19,552	23,679
Total Assets - BMKFA estimated allocation of LGPS assets	14,126	17,136	19,324	19,552	23,679
LGPS Experience adjustments on scheme assets	1,578	-	-	-	-
<u>Surplus/Deficit (-) in the scheme</u>					
LGPS	(8,784)	(7,866)	(11,556)	(10,553)	(14,128)
1992 Firefighters Scheme	(183,585)	(205,349)	(247,893)	(241,242)	(291,382)
2006 Firefighters Scheme	(5,057)	(4,417)	(6,761)	-	-
Total	(197,426)	(217,632)	(266,210)	(251,795)	(305,510)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £305.510m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £258.694m. 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 every three years;
- Finance is only required to be raised to cover firefighter's pensions when the pensions are actually paid.

d) 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.

Both the Firefighters' and Local Government schemes have been assessed by Barnett Waddingham, an independent firm of actuaries, based on the latest valuations (31 March 2013 for the Local Government scheme and the 31 March 2005 for the Firefighters' scheme).

The main assumptions used in their calculations have been:

	LGPS		Firefighters	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
<u>Mortality Assumptions</u>				
Longevity at 65 for current pensioners				
Men	23.80	23.90	23.60	21.70
Women	26.20	26.00	25.90	24.20
Longevity at 65 for future pensioners				
Men	26.10	26.10	25.90	23.80
Women	28.50	28.30	28.20	26.50
<u>Financial Assumptions</u>				
Rate of Inflation (RPI)	3.40%	3.60%	3.30%	3.60%
Rate of Inflation (CPI)	2.50%	2.70%	2.40%	2.70%
Rate of salary inflation	4.30%	4.20%	4.20%	4.20%
Rate of pensions inflation	2.50%	2.70%	2.40%	2.70%
Rate for discounting scheme liabilities	3.80%	2.80%	3.70%	2.70%
Take up of option to convert annual pension into retirement lump sum	50.00%	50.00%	50.00%	50.00%

The Local Government Pension Scheme's assets consist of the following categories by proportion of Buckinghamshire and Milton Keynes Fire Authority's estimated allocation. The prior year figures have been restated to enable comparison with the more detailed breakdown required under the revised IAS 19 standard:

31 March 2016			31 March 2017		
£000	%	LGPS	£000	%	
2,394	12%	Gilts	2,799	12%	
10,465	55%	Equities	13,383	57%	
2,383	12%	Other Bonds	2,905	12%	
1,855	9%	Property	1,812	8%	
501	3%	Cash	744	3%	
266	1%	Alternative Assets	286	1%	
818	4%	Hedge Funds	865	4%	
870	4%	Absolute Return Portfolio	885	4%	
19,552	100%	Total	23,679	100%	

The Firefighters Pension Schemes have no assets to cover their liabilities.

e) Sensitivity Analysis

The following tables show a sensitivity analysis on the major assumptions used in the valuations:

LGPS Sensitivity Analysis	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	37,030	37,807	38,601
Projected service cost	1,345	1,379	1,413
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	37,888	37,807	37,727
Projected service cost	1,379	1,379	1,379
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	38,521	37,807	37,109
Projected service cost	1,413	1,379	1,345
Adjustment to mortality age rating assumption	+1 year	None	- 1 Year
Present value of total obligation	39,185	37,807	36,480
Projected service cost	1,423	1,379	1,336
 Firefighters	 £000	 £000	 £000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	285,889	291,382	296,991
Projected service cost	5,772	5,911	6,054
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	291,870	291,382	290,898
Projected service cost	5,927	5,911	5,895
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	296,499	291,382	286,369
Projected service cost	6,038	5,911	5,788
Adjustment to mortality age rating assumption	+1 year	None	- 1 Year
Present value of total obligation	303,213	291,382	280,026
Projected service cost	6,100	5,911	5,728

29 - Financial Instruments

a) Financial Instruments Balances

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

	Long Term		Current	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Financial liabilities at amortised cost	(9,060)	(9,115)	(2,458)	(2,065)
Total Borrowings	(9,060)	(9,115)	(2,458)	(2,065)
Loans and receivables	-	-	24,444	24,502
Total Investments	-	-	24,444	24,502

b) Financial Instruments gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement in relation to financial instruments are made up as follows.

2015/16	Financial Instruments Gains and Losses	Financial Liabilities 2016/17	Financial Assets 2016/17			Total
		Liabilities measured at amortised cost	Loans and receivables	Available for sale assets	Fair value through the CIES account	
£000		£000	£000	£000	£000	£000
380	Interest expense	347	-	-	-	347
-	- Losses on derecognition	-	-	-	-	-
-	- Impairment losses	-	-	-	-	-
380	Interest payable and similar charges	347	-	-	-	347
(190)	Interest income	-	(155)	-	-	(155)
-	- Gains on derecognition	-	-	-	-	-
(190)	Interest and investment income	-	(155)	-	-	(155)
-	- Gains on revaluation	-	-	-	-	-
-	- Losses on revaluation	-	-	-	-	-
-	- Amounts recycled to the CIES after impairment	-	-	-	-	-
-	- Surplus arising on revaluation of financial assets	-	-	-	-	-
190	Net gain/loss (-) for the year	347	(155)	-	-	192

A reconciliation of the net gain on Loans and Receivables to Investment Income as shown in the Comprehensive Income and Expenditure Statement is given below.

2015/16	2016/17
£000	£000
- Financial Instruments gain	-
(16) Rental income from investment properties	(16)
- Movement in fair value of investment properties	-
(174) Interest on investments	(139)
(190) Total Investment income received in the CIES	(155)

c) Fair value of assets and liabilities carried at amortised cost

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

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. It should be noted that the redemption rules applying to PWLB debt changed on 1 November 2007, and are less favourable than the previous procedures.
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be invoiced or billed amounts.

The fair values calculated are as follows:

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
PWLB Debt at amortised cost	(7,750)	(10,812)	(7,382)	(11,056)
Finance Lease	(1,780)	(1,780)	(1,733)	(1,733)
Creditors	(1,988)	(1,988)	(2,065)	(2,065)
Total Financial Liabilities	(11,518)	(14,580)	(11,180)	(14,854)
Cash and cash equivalents	2,250	2,250	2,001	2,001
Short Term Investments	19,082	19,082	21,073	21,073
Debtors	1,121	1,121	1,428	1,428
Total Loans and Receivables	22,453	22,453	24,502	24,502

The differences between the carrying amount and the fair value of PWLB debt are due to the fixed rate of interest on the loans being different from the prevailing rate at 31 March 2017. All creditors and other payables are due to be paid in less than one year.

d) 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; and

- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

e) Overall procedures for managing risk

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

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting;
 - i.) the Authority's overall borrowing
 - ii.) the maximum and minimum exposures to fixed and variable rates
- by approving an investment strategy for the forthcoming year setting out its criteria for investing and compliance with the Government Guidance.

These are required to be reported and approved at or before the Authority's annual council tax setting budget. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk. Actual performance is also reported annually to Members. The Authority maintains written principles for overall risk management as well as the investment of surplus cash through the Treasury Management Policy approved by the Authority.

f) Credit risk and Liquidity Risk

Investment Policy

In accordance with guidance from the DCLG and CIPFA, and in order to minimise the risk to investments, the Authority has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Capita ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Furthermore, the Authority's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Authority will engage with its advisors to maintain a monitor on market pricing such as credit default swaps (CDS) and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Capita in producing its colour codings which show the varying degrees of suggested creditworthiness.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Creditworthiness Policy

This Authority applies the creditworthiness service provided by Capita. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No colour not to be used

The Capita creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Authority use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis.

Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list. Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that supporting government. The Authority will also invest in AAA rated money market funds and UK building societies with group assets of at least £10 billion.

Country Limits

In 2014/15, the Authority determined that it would use approved counterparties based within the United Kingdom and a limited number of counterparties based in Germany and Sweden (although no deposits were actually placed outside of the UK during the year).

Counterparty Limits

The Authority has determined that the maximum balance that can be invested with a single counterparty at any point in time will be no more than 30% of the portfolio, up to a limit of £5

million. The one exception to this is Lloyds, as these are the Authority's primary banking provider. Up to £7.5 million can be invested with Lloyds, of which at least £2.5 million must be instant access.

Investment Security

Investments are defined as being in one of two categories:

- Specified investments – these are investments with high security and high liquidity. All specified investments are in sterling and have a maturity of no more than one year. They will be with the UK government, a local authority, a parish council or with an investment scheme or body of "high credit quality" (as judged against the Creditworthiness Policy detailed earlier in this paper)
- Non-specified investments – any type of investment that is not a specified investment. The Authority does plan to make any non-specified investments during the year.

Investment Training

Relevant training and updates will be provided to relevant staff by the external treasury management advisors. This will be supplemented by additional training from CIPFA where necessary.

Investment of Money Borrowed in Advance of Need

The Authority does not currently have any money that has been borrowed in advance of need. No further borrowing is planned over the medium term.

Investment Liquidity

In consultation with external treasury advisors, the Authority will review its balance sheet position, level of reserves and cash requirements in order to determine the length of time for which investments can be prudently committed. Investments will be placed at a range of maturities, including having money on-call in order to maintain adequate liquidity.

g) Refinancing and maturity risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing PWLB Loans as they mature. It is possible that provisions will be made available to meet all PWLB Loans without the direct need to replace loans as they mature, therefore no risk / impairment or other adjustment is required.

A fair value debt calculation of £10.812m has been provided by the PWLB on the Authority's behalf

The maturity analysis of financial liabilities is as follows:

31 March 2016	31 March 2017
£000	£000
(469) Maturing in less than 1 year	-
- Maturing within 2 years	(585)
(585) Maturing within 2 to 5 years	-
(1,620) Maturing within 5 to 10 years	(1,620)
(5,177) Maturing in more than 10 years	(5,177)
<u>(7,851) Total</u>	<u>(7,382)</u>

h) Market risk

Interest rate risk

The Authority is exposed to interest rate movements on its investments as borrowings are taken at fixed rate and are carried at amortised cost. 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 fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise.

Borrowings are not carried at fair value on the balance sheet but are carried at amortised cost, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Account (CIES). However, changes in interest payable on fixed rate borrowings and variable rate investments will be posted to the CIES and affect the General Fund Balance. Movements in the fair value of any variable rate investments will be reflected in Other Comprehensive Income and Expenditure, unless the investments have already been designated as fair value through the CIES.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority's prudential indicators and its expected treasury operations. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

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

	2016/17
	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	231
Increase in government grant receivable for financing costs	-
Impact on Comprehensive Income and Expenditure Statement	231
Decrease in fair value of fixed rate borrowing liabilities which has no impact on the Comprehensive Income and Expenditure Statement	-
Total Financial Effect	231

If rates had been 1% lower the amounts would be reversed.

Price risk

The Authority, excluding its share of assets in the Local Government Pension Scheme does not invest in equity shares.

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.

30 - Events after the Balance Sheet Date

There are no events after the balance sheet date which will materially impact the figures disclosed in the Statement of Accounts.

31 - Notes to the Cash Flow Statement

a) Net Cash flows from Operating Activities

2015/16		2016/17
£000		£000
(12,036)	Net Surplus or (Deficit) on the Provision of Services	(8,209)
2,335	Depreciation, amortisation, impairment and downward valuations	2,557
(188)	Net Movement in Creditors	122
(2,193)	Net Movement in Debtors	1,126
(85)	Net Movement in Stocks	(37)
13,072	Adjustment regarding Pension Liability	9,453
(205)	Contributions to/from Provisions	(41)
84	Carrying amount of non-current assets sold	234
12,820		13,414
(24)	Capital Grants Credited to surplus or deficit on the provision of services	-
(10)	Proceeds from the sale of assets	(288)
(34)		(288)
750	Net Cash Flows from Operating Activities	4,917

b) Net Cash flows from Operating Activities (Interest)

2015/16		2016/17
£000		£000
174	Ordinary interest received	164
-	Interest received on cash backed funds/reserves	-
174		164
(380)	Interest charge for year	(347)
-	Adj differences between Effective Interest Rates and actual payable	-
-	Other Interest	-
(380)		(347)
(206)	Net Cash Flows from Operating Activities (Interest)	(183)

c) Cash Flows from Investment Activities

2015/16		2016/17
£000		£000
(1,564)	Property Plant and Equipment Purchased	(3,169)
-	Purchase of short or long term investments	(2,000)
-	Movement on Capital Creditors	-
(1,564)		(5,169)
10	Proceeds from the sale of Assets	288
-	Proceeds from the sale of short or long term investments	-
2,841	Capital Grants Received	98
2,851		386
1,287	Net Cash Flows from Investing Activities	(4,783)

d) Cash Flows from Financing Activities

2015/16		2016/17
£000		£000
-	Cash receipts of short and long term borrowing	-
(515)	Repayment of short and long term borrowing	(368)
(314)	Other receipts from financing activities	(50)
(46)	Cash payments for the reduction of outstanding liabilities relating to finance leases	(47)
(875)	Net Cash Flows from Financing Activities	(465)

e) Make up of Cash and Cash Equivalents

2015/16		2016/17
£000		£000
118	Cash and bank balances	36
2,250	Cash investments	2,001
2,368	Total	2,037

Firefighters' Pension Fund Account

Firefighters' Pension Fund

2015/16 £000	Fund Account	2016/17 £000
	Income to the fund	
	<u>Contributions receivable (funds due to us during the year)</u>	
	From employer	
(1,755)	normal contributions	(1,601)
(246)	early retirements	-
-	other contributions	-
(1,496)	From members	(1,276)
(102)	Ill health charges	(39)
(726)	Milne vs GAD - additional grant received from DCLG	-
	Pension contribution holiday	(138)
	<u>Transfers in</u>	
-	Individual transfers in from other schemes	(25)
-	Other transfers in	-
(4,325)	Total Income to the Fund	(3,079)
	Spending by the fund	
	<u>Benefits payable</u>	
5,861	Pension payments	6,353
3,422	Commutation of pensions and lump sum retirement benefits	1,303
-	Lump sum death benefits	-
111	Other benefits payable	-
	<u>Payments to and on behalf of leavers</u>	
-	Refunds of contributions to people who leave the scheme	-
211	Individual transfers out of the scheme	-
726	Milne vs GAD - payments out	-
-	Pension contribution holiday	133
10,331	Total Spending by the Fund	7,789
6,006	Net amount payable/receivable for the year before top up grant receivable/amount payable to sponsoring department	4,710
(6,006)	Top up grant receivable/amount payable to sponsoring department	(4,710)
-	Net amount payable (-)/receivable for the year	-

Firefighters' Pension Fund Net Assets Statement

2015/16 £000	Net Assets Statement	2016/17 £000
	Net Current Assets and Liabilities	
-	Contributions due from employer	-
2,826	Pensions top up grant receivable from sponsoring department	1,321
-	Unpaid pensions benefits	-
-	Amount due to sponsoring department	-
(2,826)	Other current assets and liabilities (other than liabilities and other benefits in the future)	(1,321)
-	Net Assets at the End of the Year	-

Notes to the Firefighters' Pension Fund Account

1 - Pension Fund Arrangements

Before 1st April 2006 the Firefighters' Pension Scheme did not have a percentage of pensionable pay contribution from employers: rather the Authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new funding arrangements the scheme remains unfunded but will no longer be on a pay-as-you-go basis as far as the Authority is concerned. The Authority will no longer meet the pension outgoings directly: instead they will pay an employer's pension contribution based on a percentage of pay into the Pension Fund. The Authority is required by legislation to operate a Pension Fund and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation. Benefits payable are funded by contributions from employers and employees.

Employers' contribution levels are based on percentages of pensionable pay set nationally by the DCLG and subject to triennial revaluation by the Government Actuary's Department.

Subject to scrutiny and approval by the Secretary of State and Parliament, under the new arrangements the Pension Fund will be balanced to nil at the end of the year by either paying over to the sponsoring department (DCLG) the amount by which the amounts receivable by the Fund for the year exceeded the amounts payable, or by receiving cash in the form of pension top-up grant from the sponsoring department equal to the amount by which the amount payable from the pension fund for the year exceeded the amount receivable.

2 - Pension Fund Accounting Policies

The accounting policies followed are the same as for the main accounts of the Authority.

3 - Balancing the Pension Fund Account

If the Pension Fund Account is not balanced to nil by pension top-up grant receivable or by the amount payable to the sponsoring department the Pension Fund should be balanced to nil by a supplementary contribution from the authority to the Pension Fund or by the Pension Fund returning contribution to the Authority.

This is shown under Short Term Debtors in Note 16 in the notes to the core financial statements.

The Net Assets Statement does not include liabilities to pay pensions and other benefits after the Balance Sheet Date.

4 - Pension Fund Investment Assets

As the Scheme is unfunded there are no investment assets.

5 – Liabilities Shown in the Authority's Main Statements

The liabilities relating to the Firefighters' Pension scheme can be seen in Note 28 of the main statements.

6 – Holiday Contributions 18-20

Firefighters who joined the 1992 FPS aged 18-20 have previously had to contribute for up to 32 years to receive a 30 year pension at the earliest age of 50. Following a legal challenge from the FBU, they

received correspondence from the Department for Communities and Local Government conceding the case.

DCLG accepted that rules of the 1992 FPS would be amended to allow all affected members who joined before the age of 20 or affects members who have already retired and who found themselves in this position after 1 December 2006 when the age discrimination legislation for pensions came into force. Upon reaching 50, the affected member will be able to choose to:

- Retire with a pension.
- Continue employment and recommence payment of contributions (the accrual cap remains in place with a maximum thirty years pension).
- Or continue employment without paying contributions, thereby electing to defer their pension.

Payment of any additional amounts identified as due were made with simple interest calculations as well. These amounts have been disclosed separately within the Fire-Fighters Pension Fund.

Glossary of Terms

Amortisation / Amortise

The equivalent of depreciation when applied to intangible assets.

Accruals

Used to describe allocating expenditure or income to the relevant financial year. Includes Debtors, Creditors and Prepayments

BMKFA

Acronym for Buckinghamshire & Milton Keynes Fire Authority.

Budget

A statement of the Authority's expected level of service delivery plans expressed in monetary terms and spending over a set period, usually one year.

BCC

Buckinghamshire County Council. BCC provide some services to the Authority under a service level agreement.

Capitalisation

Capitalisation is the addition to the balance sheet as an asset of an amount that will benefit the Authority for more than one year.

Capital Adjustment Account

Provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

Capital Financing Requirement

Measures the Authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced, whether at the point of spend or over the longer term

Capital Receipts

Proceeds from the sale of capital assets that must be used to finance new capital expenditure or reduce the existing Capital Financing Requirement. Receipts available to finance capital expenditure in future years are held in the Usable Capital Receipts Reserve.

Carrying Amount

The carrying amount refers to the amounts that the Authority has on its books for an asset or a liability. For example, the carrying amount of the authority's rescue pump is the cost of the rescue pump minus the accumulated depreciation on the rescue pump.

CIES

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.

CIPFA

Chartered Institute of Public Finance and Accountancy.

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom. Sets out the proper practices for producing the Statement of Accounts.

CPFA

Chartered Public Finance Accountant.

CPI (see also RPI)

Consumer Price Index, a key measure of inflation in the UK.

Collection Fund Adjustment Account

Provides a balancing mechanism for the timing differences between statutory accounting requirements and full accruals accounting for council tax.

Council Tax Support Scheme

Regulations introduced in April 2013 that allow councils to design their own schemes to provide incentives for people to find and stay in work.

Creditors

Amounts owed by the Authority at the Balance Sheet date for goods received or work done.

Curtailment

The early payment of accrued pensions upon retirement.

DCLG

Department for Communities and Local Government.

Debtors

Amounts due to the Authority but remaining unpaid at the Balance Sheet date.

Depreciation

The loss of value of assets due to wear and tear, age or obsolescence.

Derecognition

The removal of a previously recognised financial asset or liability from the balance sheet following the transfer of asset to a third party or expiry of contractual rights to an asset.

EUV

Existing Use Value. The price at which a property can be sold on the open market assuming that it can only be used for the existing use for the foreseeable future.

Fair Value

Asset – the amount at which that asset could be bought or sold in a current transaction between willing parties, other than in a liquidation.

Liability – the amount at which that liability could be incurred or settled in a current transaction between willing parties, other than in liquidation.

Financial Instrument

A legal agreement involving some sort of monetary value. Financial instruments can be classified generally as equity based, representing ownership of the asset, or debt based, representing a loan made by an investor to the owner of the asset

General Fund

The balance held by the Authority against which the council tax is raised. The balance sheet shows the accumulated surplus from previous years.

HMRC

Her Majesty's Revenue & Customs.

IAS

International Accounting Standards which have come into effect with the introduction of International Financial Reporting Standards (IFRS).

IAS 19 (formerly FRS17)

The accounting standard that sets out (amongst other things) the requirements and accounting treatment for retirement benefits.

IFRS

The International Financial Reporting Standards which became applicable from the 1st April 2010. All future accounts will be presented using these standards.

Impairments

A downward movement in the value of assets; the opposite to revaluation (upwards) of asset values.

IRMP

The Integrated Risk Management Plan covers the 3 years 2010 – 13 and explains what BMKFA is going to do to develop its services for the future.

LIFO

Last in First Out is one of a number of methods for calculating the carrying value of inventories.

Loans Outstanding

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

Local Government Pension Scheme (LGPS)

Is the Pension Scheme provided by the Authority for employees not eligible to join the Firefighters' Pension Scheme.

Lower of Cost and Net Realisable Value

A method for determining an asset's value such that either the original cost or the current replacement cost, whichever is lowest, is used for financial reporting purposes

Materiality

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

Minimum Revenue Provision (MRP)

The minimum amount of the Authority's outstanding debt which must be repaid by the revenue accounts in the year.

National Non-Domestic Rates (NNDR)

Also known as Business Rates, these are collected by local authorities and are the way that those who occupy non-domestic property contribute towards the cost of local services.

NJC

National Joint Council for Local Authority Fire and Rescue Services.

Outturn

The actual level of spending and income in a particular year.

Precept

An amount of money levied by one authority (the precepting authority) which is collected by another authority (the billing authority) as part of the council tax. BMKFA is a precepting authority and the four Buckinghamshire District Councils and Milton Keynes Council are the billing authorities.

Prepayments

Where the authority pays for goods or services before they have been received, any amounts paid but not received by the end of an accounting period are shown in the balance sheet as prepayments.

Provisions

These are sums set aside for a specific purpose, the nature of which is known but the exact amount and due date is not.

Public Works Loan Board (PWLB)

A government body from which a local authority may raise long term loans.

Realised/Unrealised Gains

A realised gain is the capital gain that you make on an asset that you receive in the form of cash. An unrealised gain is an increase in the carrying value of an asset that has yet to be sold.

Revaluation

Revaluation of fixed assets is the process of increasing or decreasing their carrying value to reflect changes in fair value.

Revaluation Reserve

Records unrealised revaluation gains arising (since 1st April 2007) from holding fixed assets.

Revenue Expenditure

This is spending on the day to day running expenses of the Authority. It includes expenses such as salary and wages, heating, lighting, rent, rates and stationery.

Reserves

Amounts set aside in one year to fund expenditure in subsequent years

Revenue Support Grant (RSG)

An amount of money given by central government to local authorities each year

RICS

Royal Institute of Chartered Surveyors

RPI

Retail Price Index, a measure of inflation in the UK. CPI excludes most owner occupier housing costs while the RPI includes mortgage interest payments and house depreciation. RPI generally produces a higher inflation figure than CPI.

SAP

The accounting system software used at Buckinghamshire and Milton Keynes Fire Authority.

SeRCOP

Service reporting Code of Practice 2011/12 replaces the Best Value Accounting Code of Practice (BVACOP) produced by CIPFA to establish a reporting protocol to demonstrate transparency and best value in the provision of services to the community.

UITF

Urgent Issue Task Force abstracts are issued by the Accounting Standards Board.

Write Down

A reduction in the book value of an asset due to depreciation or a decline in market value.