

MAKING OUR COMMUNITIES SAFER



STATEMENT OF ACCOUNTS

2005 to 2006

Combined Fire Authority Statement of Accounts



**RATED AS A
'GOOD'**
FIRE AND RESCUE SERVICE

LEICESTER, LEICESTERSHIRE & RUTLAND
COMBINED FIRE AUTHORITY

Leicester, Leicestershire and Rutland Combined Fire Authority

Combined Fire Authority Statement of Accounts 2005/06

If you or anyone you know would like assistance in reading or understanding this document in your or their own language please write to Leicestershire Fire and Rescue Service, Anstey Frith, Leicester Road, Glenfield, Leicester, LE3 8HD. Please supply your name and address and specify type of assistance required.

તમને અથવા બીજા કોઈ વ્યક્તિ જેને તમે ઓળખતા હોય તેમને આ વિધિસરના કાગળને તમારી અથવા તેમની પોતાની ભાષામાં વાંચવા અથવા સમજવામાં મદદ જેઈતી હોય તો મહેરબાની કરી Leicestershire Fire and Rescue Services, Anstey Frith, Leicester Road, Glenfield, Leicester, LE3 8HD ને લેખિત જણાવો. મહેરબાની કરી તમારું નામ અને સરનામું અને જે પ્રકારની મદદની જરૂર હોય તે પૂરી પાડો.

اگر آپ کو اپنی زبان میں یا آپ کے کسی جاننے والے کو اس زبان میں اس دستاویز کو پڑھنے یا سمجھنے میں کسی مدد کی ضرورت ہو تو برائے مہربانی
Leicestershire Fire and Rescue Service, Anstey Frith, Leicester Road,
Glenfield, Leicester, LE3 8HD کو لکھیں۔ برائے مہربانی اپنا نام اور پتہ دیں اور بتائیں کہ آپ کو کونسی مدد درکار ہے۔

ਜੇਕਰ ਤੁਸੀਂ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿੱਚ ਜਾਂ ਕੋਈ ਹੋਰ ਵਿਅਕਤੀ, ਜਿਸ ਨੂੰ ਤੁਸੀਂ ਜਾਣਦੇ ਹੋ ਉਹ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿੱਚ ਇਸ ਦਸਤਾਵੇਜ਼ ਨੂੰ ਪੜ੍ਹਨ ਜਾਂ ਸਮਝਣ ਵਿੱਚ ਮਦਦ ਲੈਣੀ ਚਾਹੁੰਦਾ ਹੋਵੇ ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ Leicestershire Fire and Rescue Service, Anstey Frith, Leicester Road, Glenfield, Leicester, LE3 8HD ਨੂੰ ਚਿੱਠੀ ਲਿਖੋ। ਕਿਰਪਾ ਕਰਕੇ ਆਪਣਾ ਨਾਮ, ਸਰਨਾਵਾਂ ਅਤੇ ਜਿਸ ਕਿਸਮ ਦੀ ਮਦਦ ਦੀ ਲੋੜ ਹੈ ਲਿਖ ਕੇ ਭੇਜੋ।

আপনার বা আপনার পরিচিত কারো নিজস্ব ভাষায় এই ডকুমেন্ট পড়তে বা বুঝতে যদি কোন সহায়তার প্রয়োজন হয়, তাহলে অনুগ্রহ করে Leicestershire Fire and Rescue Service, Anstey Frith, Leicester Road, Glenfield, Leicester, LE3 8HD ঠিকানায় লিখুন। অনুগ্রহ করে আপনার নাম ও ঠিকানা এবং কি ধরনের সহায়তা প্রয়োজন, তা উল্লেখ করুন।

Haddii adiga ama qof aad garanayso uu rabo in laga caawiyo akhriska ama fahanka dukumantigan oo lagu fahansiiyo luqadaada ama iyaga lagu fahansiiyo luqadooda fadlan u soo qor Leicestershire Fire and Rescue Service, Anstey Frith, Leicester Road, Glenfield, Leicester, LE3 8HD. Fadlan inoo soo gudbi magacaaga iyo ciwaankaaga iyo waliba nooca caawimaada eed u baahan tahay.

If you ask us, we will provide the information in this document in large print, in Braille and so on.

Contents

Combined Fire Authority 2005/06 Statement of Accounts

Explanatory Foreword	Page 6
Statement of Responsibilities	Page 8
Statement of Internal Control	Page 9
Independent Auditor's Report	Page 12
Statement of accounting policies	Page 15
Revenue Account	Page 20
Notes to the Revenue Account	Page 21
Balance Sheet	Page 26
Notes to the Balance Sheet	Page 27
Statement of Total Movement in Reserves	Page 34
Notes to the Statement of Total Movement in Reserves	Page 35
Cash Flow Statement	Page 36
Notes to the Cash Flow Statement	Page 37
Glossary of Terms	Page 39

EXPLANATORY FOREWORD

The accounting statements contained in this booklet represent the Combined Fire Authority (CFA) accounts for the year ended 31st March 2006. The accounts have been presented in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement of Recommended Practice (SORP). Where full compliance is inappropriate, this is referred to in the notes to the accounts.

The following are included in the Statements of Accounts:

Revenue Account

Summarises the expenditure and income of the CFA and demonstrates how the net expenditure has been financed. The account is presented in a format that defines activities in accordance with the CIPFA Best Value Accounting Code of Practice.

Balance Sheet

Sets out the financial position of the CFA as at 31st March 2006.

Statement of Total Movement in Reserves

Brings together all gains and losses, which have not been recognised in the Revenue Account.

Cash Flow Statement

Summarises cash inflows and outflows for capital and revenue purposes, arising from transactions with third parties and excluding internal transfers.

Comparison of Revenue spend to Budget

The table below provides a comparison of actual expenditure for the financial year ending 31st March 2006 with the revised budget.

	Revised Budget	Actual	Variance
	£000	£000	£000
Employees	21,506	21,461	(45)
Fire Pensions	5,433	4,748	(685)
Indirect Employee Expenses	910	843	(67)
Premises	1,331	980	(351)
Transport	1,115	1,141	26
Supplies and Services	2,018	1,967	(51)
Support Services	166	162	(4)
Services to Combined Fire Authority	91	127	36
Capital Financing	386	374	(12)
Gross Expenditure	32,956	31,803	(1,153)
Income	(1,232)	(1,444)	(212)
Net Expenditure	31,724	30,359	(1,365)
Contribution from Pensions Reserve	(987)	(987)	0
Contribution to General Reserve	41	658	617
Contribution to Rank to Role reserve	0	300	300
Total Expenditure	30,778	30,330	(448)

The accounts for 2005/06 show an underspend on net expenditure of £1.365m compared to the revised budget. This is principally due to £0.685m on fire pensions, £0.398m on repairs and maintenance and unexpected government grants. This pensions component of the budget is particularly difficult to forecast given that the pension scheme is unfunded, therefore small changes in recruitment or retirements can have a large financial impact. The underspend of £0.685m related to a combination of fire fighters delaying their retirement, fewer than expected ill health retirements and lower basic pensions payments due to the lower number of retirements.

Comparison of Capital spend to Revised Programme

The table below provides a comparison of actual payments for the financial year ended 31st March 2006 with the revised capital programme.

Pensions Accounting

	Revised Budget	Actual	Variance
	£000	£000	£000
Appliances	1,150	306	(844)
Equipment	868	595	(273)
Property	2,909	321	(2,588)
Total Expenditure	4,927	1,222	(3,705)

These accounts comply with Financial Reporting Standard 17 (FRS17) on accounting for pension liabilities, which was introduced in 2003/04.

Capital Programme

Under the Prudential Code the CFA is able to borrow to fund capital expenditure. In 2005/06 the CFA set an authorised limit for external debt of £8,906 million. Actual debt at 31st March 2006 was £5.417 million. Actual capital expenditure in 2005/06 was £1.222 million and the CFA agreed on 28th June 2006 to carry forward capital commitments of £3.599 million in respect of vehicles, equipment and building projects.

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The CFA is required to:

- (i) make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Treasurer,
- (ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets,
- (iii) approve the statement of accounts.

These accounts were approved at a meeting of the Combined Fire Authority on 28th June 2006.



P A ROFFEY
CHAIRMAN OF THE COMBINED FIRE AUTHORITY

28th June 2006

THE TREASURER'S RESPONSIBILITIES

The Treasurer is responsible for the preparation of the CFA's Statement of Accounts in accordance with proper accounting practices as set out in the CIPFA Code of Practice on Local Authority Accounting in Great Britain.

In preparing this Statement of Accounts the Treasurer has:

- (iv) selected suitable accounting policies and then applied them consistently,
- (v) made judgements and estimates that were reasonable and prudent,
- (vi) complied with the Code of Practice.

The Treasurer has also:

- (vii) kept proper accounting records which are up to date,
- (viii) taken reasonable steps for the prevention and detection of fraud and other irregularity.

I certify that the Statement of Accounts presents fairly the financial position of the Combined Fire Authority and its income and expenditure for the year ended 31st March 2006.



T PEEL
TREASURER OF THE COMBINED FIRE AUTHORITY

28th June 2006

STATEMENT OF INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

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

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

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

The system of internal control has been in place at the Authority for the year ended 31st March 2006 and up to the date of approval of the annual accounts and, except for the details of significant internal control issues at Section 5, accords with proper practice.

3. THE INTERNAL CONTROL ENVIRONMENT

The Authority's Constitution provides the framework for its decision making processes and sets out the detailed procedures and codes of conduct by which Members and Officers operate to achieve the Authority's objectives.

By agreement between the Authority and the three Constituent Authorities, the Authority's Solicitor and Monitoring Officer is the current Service Director (Legal Services) for Leicester City Council. This has been the case since the Authority's creation in 1997. The Solicitor has the responsibility for ensuring the provision of adequate legal systems and advice to ensure lawfulness of decisions taken by the Authority, its members and officers, and has a role in performing the statutory duties of a Monitoring Officer, for example, by providing support and advice on the maintenance of ethical standards within the remit of the National Standards Board.

The Director of Finance and Corporate Risk Management as Treasurer is responsible for the proper administration of the Authority's financial affairs, in accordance with Section 112 of the Local Government Finance Act.

The Director of Corporate Resources has developed the corporate risk management strategy, which was approved by the Authority in September 2004. He has also instigated a process of risk identification through risk assessments in service and project planning based on an agreed methodology, and is responsible for ensuring that all major risks encountered by the Authority are identified, assessed and responded to at an appropriate level. The Director of Finance and Corporate Risk Management is now responsible for building upon these foundations and will lead on the further development of corporate and directorate risk management plans in 2006/07.

The effectiveness of the Authority's internal controls is examined in detail through the work of the Internal Audit section of the County Council's Resources Department. The section's work plan is based on a needs and risk assessment process that focuses resources on higher risk areas. The section meets the professional standards required by CIPFA. Their work, and the wider financial aspects of corporate governance and performance management, are examined and validated each year by the Authority's external auditors. Their annual report and all external and internal audit reports are reviewed by the Authority's Policy Committee (previously the Finance Task Group).

The Authority has established a performance management framework, which requires each Directorate to produce annual service plans setting out their objectives and targets in relation to Authority policy priorities. These plans with the Corporate Plan and Integrated Risk Management Plan contribute towards the development of the Authority's annual Best Value Performance Plan, which summarises progress against targets and sets out proposed improvements in performance and service standards. Progress against the Authority's priorities is monitored and reported to Members on a regular basis. Where it is not already in place a process of identifying individual employee targets and development needs has been established, with the aim of having a comprehensive system in place by 2006.

The system of internal financial control is based on a framework of regular management information, financial procedure rules and standard financial instructions, administration arrangements (including segregation of duties), management supervision and a system of delegation and accountability. In 2004/05 the Authority also created a Scrutiny Panel which is tasked to oversee and scrutinise the discharge of the Policy Committee and the Chief Fire and Rescue Officer, Monitoring Officer and Treasurer of their functions.

4. REVIEW OF EFFECTIVENESS

The Combined Fire Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their Annual Audit Letter and other reports. The review is also informed by the work of the Treasurer and the Monitoring Officer in performing their statutory roles.

The process by which the effectiveness of the system of internal control is reviewed is being developed. The process in existence for 2005/06 whilst further developed than in previous years is still not comprehensive, as it does not cover in sufficient detail all aspects of internal control. For example further work is required to embed risk management procedures within the Authority.

Internal financial control is reviewed on an ongoing basis by internal audit. The Chief Internal Auditor also produces a statement each year setting out any major weaknesses in financial control. The Director of Finance and Corporate Risk Management is also required to identify any weaknesses in financial controls throughout the year. In addition, an annual statement is produced that highlights areas of concern. This information is reviewed by the Director of Finance and Corporate Risk Management along with other relevant information such as budget monitoring reports in compiling this statement.

The external auditor is required to give an opinion on the Authority's 'Use of Resources' for the first time in 2005/06. The external auditor has concluded that he is not satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006, in that it failed to meet the following criterion:

The Authority has put in place arrangements for the management of its asset base, in particular the failure to put in place an asset management plan.

This issue had already been identified and addressed by the Authority. It has undertaken a procurement exercise to secure an independent review of the Authority's property base and to prepare an Asset Management Plan. It is anticipated that this review will be complete in Autumn 2006 and that immediate steps will be taken to address any issues highlighted.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

The limited corporate review of internal control that focused on financial control identified that general assurance can be given that internal financial controls are of a sufficient standard to provide for the proper administration of the Combined Fire Authority's financial affairs.

Whilst this is the second year the Authority has produced a statement of internal control, further work is still required to develop a comprehensive annual review of the effectiveness of the internal control environment. For the first time in 2005 the Authority received an annual report on its corporate governance at its meeting on the 22nd June 2005.

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

a) Risk Management

While both a Risk Management Strategy and Directorate Risk Registers are in place, there is a need to further develop risk management processes to ensure risk management principles are applied consistently throughout the Authority's operations.

b) People Strategy

Whilst the Authority approved the People Strategy in February 2005, further significant development work needs to be done to prioritise the Strategy and determine appropriate action.

c) Rank to Role – Operations Role Evaluations

This is a major project with significant financial and operational implications for the Authority. A detailed project structure is in place and this needs to be appropriately applied to manage the implementation of this strategy.

d) Treasury Management

The Authority has adopted the CIPFA code of practice on Treasury Management but detailed procedural documentation in relation to Treasury Management needs to be introduced.

Signed: -





**Chief Fire & Rescue Officer / Chief Executive
D Webb**

**Chairman of the Combined Fire Authority
P Roffey**

28th June 2006

INDEPENDENT AUDITOR'S REPORT

Opinion on the Financial Statements

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

Respective Responsibilities of the Chief Financial Officer and Auditors

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

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

This report, including the opinion, has been prepared for and only for Leicester, Leicestershire and Rutland Combined Fire Authority's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Authority's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword, the Statement of Responsibilities and the Statement of Accounting Policies. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

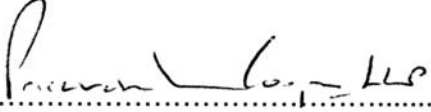
Basis of audit opinion

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

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

Opinion

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

Signature: 

PricewaterhouseCoopers LLP

28th June 2006

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

Authority's Responsibilities

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

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

Auditor's Responsibilities

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

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

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

Qualified Conclusion


We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for other local government bodies specified by the Audit Commission and published in August 2005, in all significant respects, Leicester, Leicestershire and Rutland Combined Fire Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2006 except for the failure to put in place arrangements for the management of its asset base.

Best Value Performance Plan

We issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 on 23 December 2005. We did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature: 

PricewaterhouseCoopers LLP
Birmingham
29th September 2006

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The accounts have been prepared in accordance with the Statement of Recommended Practice for Local Authority Accounts, as applicable to Fire Authorities, and the guidance notes issued by CIPFA on the application of accounting standards.

2. Fixed Assets

All expenditure on the acquisition and/or improvement of fixed assets is capitalised provided that the asset yields a benefit to the CFA for a period of more than one year. However, some relatively immaterial items may be financed from revenue.

There is no depreciation or amortisation charged in the year of addition.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS).

The basis of valuation of the various categories of assets are as follows:

(i) Land and Operational Buildings

This category of asset is included in the balance sheet at open market value for existing use, or where, due to the specialised nature of the asset this could not be assessed, at depreciated replacement cost. The current average life of all land and buildings is 48 years. Valuation is carried out every two years. The last valuation exercise was carried out by a Chartered Surveyor employed by Leicestershire County Council's Property Services Division of the Resources Department under contract to the CFA.

The current asset values used in the accounts are based on a certificate issued by the Head of Property Services as at 1 April 2005. The Fire Authority is not aware of any material change in value to any property, therefore the valuations have not been updated. Additions since that date are either included in the accounts at cost or written off to the Fixed Asset Restatement Account if the actual expenditure does not increase the asset valuation.

(ii) Vehicles and Equipment

Valuation is based upon actual cost depreciated over the appropriate number of years.

(iii) Intangible Assets

This covers the purchase of software licences and valuation is based on depreciated historical cost for all assets with an original cost in excess of £10,000.

3. Basis of Charges for Capital

Vehicles and items of plant and equipment with original values of less than £5,000 are not included in the asset register and therefore are not subject to capital charges.

(i) Depreciation

Buildings are depreciated over their remaining useful economic lives. No depreciation charge is made for land, or buildings under construction or refurbishment. Where assets suffer impairment, then dependant upon the reason for that impairment, an accelerated depreciation charge may be made to the revenue account.

Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:

- buildings - varies from asset to asset (the remaining useful economic life of each asset is reviewed at the same time as the revaluation is completed).
- vehicles, plant and furniture equipment - estimated useful life (ranging from 5 to 10 years).
- intangible assets - up to 5 years.

(ii) Interest Charges

National interest charges are based on asset valuation at the beginning of the financial year. The notional rate of interest used for those fixed assets included in the balance sheet at current value is 3.5%.

Interest payable on external debt, together with depreciation is charged to an asset management revenue account, which is credited with the capital charges made to revenue. The resultant balance is carried to the revenue account and thus the creation of these charges has a neutral impact on the overall expenditure of the CFA.

4. Capital Receipts

Proceeds from the sale of assets are initially credited to the Usable Capital Receipts Reserve, although proceeds from the sale of vehicles and equipment of less than £6,000 are generally credited to the revenue account.

5. Basis of Debtors/Creditors included in the accounts

The revenue accounts of the CFA are maintained on an accruals basis, thus sums due to, or amounts owing by the CFA in respect of goods and services rendered but not paid for at the 31st March 2006 are included in the accounts.

The exception to this policy is payments covering a period, e.g. gas, telephone and rent which are brought into account in the year they become due and are not apportioned over the years to which they may relate.

6. Stocks

Stocks where material are valued at latest cost and shown in the Balance Sheet. Other immaterial stocks, e.g. stationery, are treated as current expenditure and charged directly to revenue.

7. Pension Costs

FRS17 – Retirement Benefits, requires the recognition of the authority's share of assets and liabilities in the Local Government Pension Scheme (LGPS) as well as requiring recognition in the revenue account of the full cost of providing for future retirement benefits earned by existing employees.

The Firefighters pension scheme is unfunded therefore there are no investment assets to offset liabilities.

This accounting standard was implemented in full for the first time in 2003/04. Accounting requirements have necessitated the creation of a Pensions Reserve from which appropriations have been made in order that the additional costs of providing for retirement benefits in accordance with the accounting standard, do not impact on the level of local taxation.

The liability in respect of the LGPS is based upon data supplied to Hymans Robertson, the actuary to the fund, as at the end of 31st March 2006, whilst asset values are based upon valuations as at 1st April 2005.

The Government Actuary's Department (GAD) compiles the liability in respect of firefighters.

The change had the following effects on the results in 2005/06;

The overall amount to be met from government grants and local taxation has remained unchanged but the costs disclosed within the service expenditure analysis are 2.4% higher after the replacement of employer's contributions and net pensions paid by current service cost. Net Operating Expenditure is 35.0% higher than it would otherwise have been.

8. Allocation of Support Services Costs

The CFA purchases certain property, IT and financial services from Leicestershire County Council and Leicester City Council. The cost of these services and in-house provision is presented in line with the Best Value Accounting Code of Practice and have been apportioned between the major activities and corporate management.

9. Provisions

The insurance provision is currently nil due to the amount of expected claims being transferred to the insurance provision.

10. Reserves

REVENUE RESERVES

The CFA maintains a number of earmarked reserves to finance future expenditure as detailed below:

(i) Workshop Renewals Reserve

Created to fund improvement works and the replacement of equipment at the Workshop's site.

(ii) Pensions Reserve

This was created by the CFA to fund future pension costs due to the difficulty in estimating the number of retirements and actual transfer values in and out of the fire service scheme in any particular year. This reserve represents cash resources actually set aside, whilst the FRS 17 pensions reserve represents the offset to the long-term liability to pay the value of pensions earned as at the balance sheet date. It will disappear in 2006/07 as the Government has changed the way fire pensions are accounted for from 1st April 2006. This has the effect of removing the cost of pensions paid from the revenue account.

(iii) Insurance Reserve

The CFA's insurance policies require a degree of self-insurance, this level being recommended by the insurance officer. The insurance reserve has been established to meet future claims.

(iv) Occupational Health Reserve

Created for the purpose of investing in reducing absence, early retirements, employee retention and vocational rehabilitation.

(v) Training Reserve

Created to support the costs of management training and Technical Rescue training.

(vi) Rank to Role Reserve

Created to help finance the anticipated cost of the Rank to Role exercise.

CAPITAL RESERVES

In accordance with standard accounting practice, two non cash-backed capital reserves exist as part of the system of capital accounting. These are:

(vii) The Fixed Asset Restatement Account

This represents the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

(viii) The Capital Financing Account

This represents amounts set aside from revenue resources or capital receipts, which have been used to finance expenditure on fixed assets, or for the repayment of external loans and other capital financing transactions.

11. Leasing of Vehicles, Plant and Equipment

- (i)** Lease rentals payable under operating leases, which are used to acquire vehicles or equipment as an alternative to capital financing, are accounted for in accordance with SSAP21/FRS9. They are not capitalised and rentals are charged to the revenue account in the financial year to which they relate.
- (ii)** Finance Leases are capitalised in the balance sheet and depreciated over the life of the lease, the depreciation being charged to the revenue account

12. Grants received

Government grants are accounted for on an accruals basis. Income in respect of revenue grants has been credited to the revenue account. Grants received for capital purposes are taken to the government grants deferred account. Where the associated asset is depreciated the grant is amortised over its useful life through a contribution to the asset management revenue account. A transfer to the Capital Financing Account achieves the zero impact on the revenue account. Where an asset is not depreciated the amortisation amount is transferred to the Capital Financing Account in the financial year the asset is financed.

REVENUE ACCOUNT

Net Cost 2004/05 £000		Expenditure 2005/06 £000	Income 2005/06 £000	Net Cost 2005/06 £000
2,294	SERVICE EXPENDITURE ANALYSIS Community Fire Safety	4,442	274	4,168
26,909	Firefighting and Rescue Operations	30,781	2968	27,813
68	Fire Service Emergency Planning and Civil Defence	295	17	278
29,271	Sub Total	35,518	3,259	32,259
60	CORPORATE AND DEMOCRATIC CORE Democratic Representation and Management	324	10	314
100	Corporate Management	179	6	173
160	Sub Total	503	16	487
0	NON DISTRIBUTED COST	0	0	0
29,431	NET COST OF SERVICE	36,021	3,275	32,746
(615)	Net Income on Asset Management Revenue Account			(548)
(171)	Interest and Investment Income			(136)
10,034	Pensions Interest Cost & Expected Return on Assets			10,880
38,679	NET OPERATING EXPENDITURE			42,942
891	Transfer to/(from) Reserves			(573)
(552)	Provision for Repayment of External Loans			(702)
(10,651)	Movement on FRS 17 Pension Reserve			(12,007)
28,367	AMOUNT TO BE MET BY GOVERNMENT GRANTS AND LOCAL TAXPAYERS			29,660
12,269	FINANCED BY: Precepts			13,189
7,331	Revenue Support Grant			6,601
9,043	National Non-Domestic Rates			10,846
438	Transitional Funding (ODPM)			0
29,081	TOTAL CONTRIBUTIONS			30,636
(714)	(SURPLUS) / DEFICIT FOR THE YEAR			(976)

NOTES TO THE REVENUE ACCOUNT

1. Pension Costs

The CFA participates in two different pension schemes for its employees. Both schemes provide members with defined benefits related to pay and service. The schemes are detailed below:

(i) Uniformed Firefighters

This is an unfunded scheme which means that there are no investment assets to match with the liability thus cash has to be generated to meet actual pension payments as they fall due.

(ii) Control and Support Staff

Employees, subject to certain qualifying criteria are eligible to join the Local Government Pension Scheme administered by Leicestershire County Council. This is a funded scheme with employees and employers paying contributions into the fund calculated at a level intended to balance liabilities with investment assets.

2. Pensions - Revenue Costs

The cost of retirement benefits in the Net Cost of Services represents the cost of benefits earned during the year and past service costs, which represent the estimated liability of discretionary benefits awarded by the employer. The charge to Council Tax is based, however, upon the employers contribution paid in year to the Pension Fund, so the real cost of retirement benefits is reversed out of the revenue account after Net Operating Expenditure. The following transactions have been made in the revenue account during the year.

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2004/05	2005/06	2004/05	2005/06
Net Cost of Services				
Current service costs	379	500	5,180	7,300
Past service costs	0	0	0	0
Net Operating Expenditure				
Interest cost	429	500	9,980	10,880
Expected return on assets	(375)	(500)	0	0
Amounts to be met from Government Grants and Local Taxation (Movement on pension reserve)	(53)	(56)	(10,598)	(11,900)
	380	444	4,562	6,280
Actual amount charged against council tax for pensions in the year				
Employers contributions	(368)	(439)		
Retirement benefits paid to Pensioners			(5,444)	(6,420)
Unfunded benefits	(12)	(5)		
Employee contributions				
Transfer values received			882	140
	(380)	(444)	(4,562)	(6,280)

3. Officers Emoluments

During the year the number of Officers and Support Staff who received remuneration in excess of £50,000 excluding pension contributions were:

	Number of Employees 2004/05	Number of Employees 2005/06
£50,000 - £59,999	4	4
£60,000 - £69,999	1	3
£70,000 - £79,999	1	2
£80,000 - £89,999	0	0
£90,000 - £99,999	1	0
£100,000 - £109,999	0	1
	7	10

4. Asset Management Revenue Account

This account provides a mechanism for the CFA to offset the impact of capital charges in arriving at the total level of expenditure to be financed from local council taxpayers.

	2004/05 £000	2005/06 £000
Income		
Capital Charges	(1,501)	(1,623)
Expenditure	(1,501)	(1,623)
Depreciation	723	900
External Interest Charges	163	175
Balance Transferred to Revenue Account	(615)	(548)

5. Provision for Repayment of External Loans

The CFA is required by statute to set aside a minimum revenue provision for the redemption of debt equal to 4% of the capital financing requirement. The extent to which this amount differs from the depreciation charge is represented by a credit in the revenue account as detailed below:

	2004/05 £000	2005/06 £000
Minimum Revenue Provision	171	198
Amount Charged as Depreciation	(723)	(900)
Credit to Revenue Account	(552)	(702)

6. Publicity

Section 5 of the Local Government Act 1986 requires the CFA to maintain a separate account of expenditure on a wide range of publicity activities. The expenditure shown below is included within the revenue account:

	2004/05 £000	2005/06 £000
Recruitment Advertising	36	35
Publicity	0	0
Advertising	2	4
TOTAL	38	39

7. Agency Services

The CFA carries out work on occupational health on an agency basis, for which it is reimbursed as shown below: Any surplus or deficit is transferred to the occupational health reserve to be used for purposes previously stated.

	2004/05 £000	2005/06 £000
Reserve brought forward	70	43
Expenditure:		
Salaries	228	220
Running Costs	214	243
Premises Extension	65	0
Income:		
Income	397	475
Fire Service Contribution	83	82
Reserve carried forward	43	137

8. Leases

Operating lease rentals paid to lessors in the year totalled £264,000 (2004/05 £352,000). As at 31 March 2006, the Combined Fire Authority has a commitment to meet the following rental charges for operating leases:

	2004/05 £000	2005/06 £000
Operating Leases which expire:		
Within 1 year	0	77
2 to 5 years	888	530
Over 5 years	217	182
Total	1,105	789

9. Members Allowances

Allowances for members of the CFA were introduced with effect from 1st October 2003. The sums paid in 2005/06 are shown below.

	2004/05 £000	2005/06 £000
Members Allowances	33	59

10. Related Parties

From the information currently available, there were no material transactions with related parties during 2005/06 other than those disclosed below:

	2004/05 £000	2005/06 £000
Leicestershire County Council Services to the CFA	115	130
Leicester City Council Services to the CFA	48	96
Net Transactions with Related Parties	163	226

11. Audit Costs

In 2005/06 the CFA incurred the following fees relating to external audit, statutory inspection and other services:

	2004/05 £000	2005/06 £000
Fees payable to the appointed auditor, PriceWaterhouse Coopers with regard to external audit services	36	50
Fees payable to the Audit Commission in respect of verification work for pay settlement - Phase 2	17	0
Fees payable to the Audit Commission in respect of the Best Value Performance Plan audit	8	0
Total	61	50

£16,500 was received by the CFA from the Office of the Deputy Prime Minister (ODPM) to reimburse the cost of the audit relating to pay verification in 2004/05.

12. East Midlands Regional Management Board

The East Midlands Regional Management Board (RMB) is responsible for aspects of Fire and Rescue Services to the people of Derby, Derbyshire, Leicester, Leicestershire, Lincolnshire, Northamptonshire, Nottingham, Nottinghamshire and Rutland. It was formed on the 1st April 2004 and comprises ten elected members (two from each Fire and Rescue Authority).

The cost of many of the RMB projects that have been undertaken in 2005/06 have been met by the individual Fire and Rescue Authorities concerned. Several sets of costs have been borne regionally and the total cost and cost allocated to Leicestershire Fire and Rescue Service (and charged in the revenue account) is detailed below.

Project Description	2004/05		2005/06	
	Total Cost £	Cost to Leicestershire £	Net Cost £	Cost to Leicestershire £
RMB running costs	30,733	6,147	39,255	7,851
Regional Control *	55,404	3,321	201,030	16,276
Workforce Development	62,147	12,429	64,670	12,934
Programme Manager	0	0	61,770	12,354
Communications Strategy	0	0	4,772	954
Regional Consultation	0	0	7,305	1,461
Regional Resilience	0	0	37,625	7,525
Regional Procurement	0	0	23,755	4,751
Integrated Common Services	0	0	1,162	232
TOTAL REGIONAL PROJECTS	148,284	21,897	441,344	64,338

* The Regional Control project received New Burdens funding of £119,650 (£38,799 04/05) from the Office of the Deputy Prime Minister (ODPM), which reduced the net cost to the region to £81,380 (£16,604 04/05). In addition, £35,456 was received for recruitment and selection cover which has been carried forward into 2006/07 as the expenditure has not yet occurred.

13. Grants Received

Other grants received in 2005-06 by Leicestershire from the ODPM were as follows:

	£
Technical Rescue	612,000
Urban Search and Rescue Crewing and Training	42,469
New dimensions	87,577
New Burdens Regional Control	28,220
Home Fire Risk Assessment Grant	95,263

BALANCE SHEET

31 March 2005 £000		NOTE	31 March 2006 £000	
18,596	FIXED ASSETS			
2,520	Land and Buildings	1-6	18,294	
	Vehicles, Plant and Equipment		3,117	
21,116				21,411
50	INTANGIBLE ASSETS	2	75	75
0	Long Term Debtors			0
21,166	Total Long Term Assets			21,486
	CURRENT ASSETS			
1,634	Short Term Investments	7	3,428	
140	Stocks and Work in Progress	8	156	
2,026	Debtors	9	2,184	
17	Cash in Hand		6	
3,817				5,774
	CURRENT LIABILITIES			
(39)	Cash Overdrawn		(144)	
(2,120)	Creditors	10	(2,457)	
(2,159)				(2,601)
1,658	NET CURRENT ASSETS			3,173
	LONG TERM LIABILITIES			
(2,877)	Long Term Borrowing – over 1 year	11	(5,417)	
(95)	Government Grants deferred		(143)	
(79)	Provisions	13	0	
(203,100)	Defined Benefit Pension Schemes	17	(247,860)	
(206,151)				(253,420)
(183,327)	NET LIABILITIES			(228,761)
	REPRESENTED BY:			
19,666	Fixed Asset Restatement Account	14	19,224	
(3,315)	Capital Financing Account	14	(3,681)	
883	Unapplied Capital Receipts	14	567	
0	Unapplied Capital Contributions	14	47	
1,825	Revenue Reserves	14	1,252	
(203,100)	FRS 17 Pension Reserve	14	(247,860)	
714	General Reserves	14	1,690	
(183,327)				(228,761)

NOTES TO THE BALANCE SHEET

1. Movement of Fixed Assets

	Land and Buildings £000	Vehicles Plant and Equipment £000	Total £000
Gross Book Value as at 1st April 2005	19,379	6,644	26,023
Less – Depreciation to Date	783	4,124	4,907
Net Book Value as at 1 April 2005	18,596	2,520	21,116
Additions	306	1,341	1,647
Revaluation	(100)	0	(100)
Impairment	0	0	0
Expenditure not increasing Valuation	(66)	(239)	(305)
Disposals	0	(36)	(36)
Transfers	0	0	0
Depreciation for Year	(442)	(448)	(890)
Finance Lease Payment	0	(21)	(21)
Net Book Value as at 31st March 2006	18,294	3,117	21,411

Included in the Net Book Value of Assets at 31st March 2006 are finance lease assets for vehicles, plant and equipment of £1,035,668. During 2005/06 £20,896 of depreciation was charged against these assets.

2. Movement of Intangible Assets

	Purchased Software Licences £000	Licences, trademarks and Artistic originals £000	Patents £000	Total £000
Original Cost	50	0	0	50
Amortisation to 31 March 2005	10	0	0	10
Balance at 1 April 2005	40	0	0	40
Expenditure in Year	35	0	0	35
Balance at 31st March 2006	75	0	0	75

3. Details of Capital Expenditure

Details of capital expenditure incurred during the year are as follows:

	2004/05 £000	2005/06 £000
New Buildings and Adaptations	334	11
Vehicles	598	306
Equipment	317	580
I.T. Equipment	62	35
Minor Works	17	310
	1,328	1,242

This includes tangible and intangible assets (Notes 1 and 2). It also includes a prepayment of £30,000 in respect of stage payments for new appliances yet to be delivered.

Expenditure of £20,100 funded from Revenue in addition to the Capital Programme is included above.

4. Financing of Capital Expenditure

Capital expenditure was financed as follows:

	2004/05 £000	2005/06 £000
Credit Approvals	0	0
Supported Capital Expenditure	849	0
Capital Receipts	185	316
Revenue	0	20
Finance Lease	269	788
Grant	25	118
	1,328	1,242

5. Details of assets owned by the Fire Authority

	31 March 2005 Number	31 March 2006 Number
Buildings		
Fire Stations	20	20
Fire Authority Headquarters	1	1
Control Centre	1	1
Training Unit	1	1
Vehicles & Equipment		
Operational Vehicles	52	54
Ancillary Vehicles	24	22

6. Finance Lease Assets

Finance lease rentals paid to lessors in the year totalled £20,096 (2004/05 nil) of which £4,113 was interest and £16,783 was principal.

As at 31 March 2006, the Combined Fire Authority has a commitment to meet the following rental charges for finance leases:

	2004/05 £000	2005/06 £000
Obligations under Finance Leases are payable as follows:		
Within 1 year	0	131
2 to 5 years	0	525
Over 5 years	0	636
Total	0	1,292

7. Short Term Investments

Any surplus or overdrawn cash balances remaining on a daily basis are included in the authority's treasury management activities. Funds are currently invested in short-term deposits with a limited range of banks in accordance with the CFA's Treasury Management policy.

8. Stocks & work in progress

	31 March 2005 £000	31 March 2006 £000
Operational Equipment	70	68
Uniforms	3	3
Other	67	85
	140	156

9. Debtors

	31 March 2005 £000	31 March 2006 £000
Government Departments	258	180
Sundry Debtors	1,768	2,004
	2,026	2,184

10. Creditors

	31 March 2005 £000	31 March 2006 £000
Inland Revenue	528	562
Government Departments	1	1
Sundry Creditors	1,591	1,763
Obligations under Finance Leases	0	131
	2,120	2,457

11. Long Term Borrowing

Loan Source	31 March 2005 £000	31 March 2006 £000
Public Works Loans Board	2,877	4,512
Net Obligations under Finance Leases	0	905
TOTAL	2,877	5,417
Analysis of Loans by Maturity		
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 5 and 10 years	0	250
Over 10 years	2,877	5,167
Total	2,877	5,417

12. Prince's Trust Team and Firebreak Schemes

The CFA acts as administrator to both of the above mentioned schemes. Income and expenditure managed by the CFA in 2005/06 is detailed below. The balance outstanding as at 31st March 2006 is carried forward to fund ongoing commitments of the schemes in 2006/07.

	2004/05 £000		2005/06 £000	
	Prince's Trust	Firebreak	Prince's Trust	Firebreak
Balance at 1st April 05	27	25	86	24
Income	211	0	287	0
Expenditure	(152)	(1)	(226)	(7)
Balance at 31 March 06	86	24	147	17

The income and expenditure shown above is not included in the revenue account although the balance is included within creditors on the balance sheet.

13. Provisions Movements during the Year

The CFA holds an insurance provision for claims in progress. The amounts put aside are decided upon by reviewing the current level of claims and assessing the likelihood of their success. There are currently no material unfunded risks.

Movements in the provision in 2005/06 are as follows:

	Balance 31 March 2005 £000	Income £000	Expenditure £000	Balance 31 March 2006 £000
Insurance	79	35	114	0
TOTAL	79	35	114	0

14. Reserves

See the 'Statement of Total Movement Reserves' and notes thereto for further details on reserves.

15. Euro Costs

There are no current commitments in respect of Euro costs. The supplier of the Financial Information Service (Leicestershire County Council) is Euro compliant.

16. Contingent Liabilities

The representatives of retained firefighters nationally are claiming parity of conditions of service including pension rights, with wholtime firefighters under the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000. In a majority decision the House of Lords found for the retained firefighters. However, that is not the end of the issue. Rather than making a ruling, the House of Lords has decided that the claim should return to the employment tribunal to further consider the issues, based on guidance given by the House of Lords. Any additional employment costs to the Authority cannot be assessed at this stage, ultimately it has a potential impact on all retained firefighters.

Under the revised firefighter pension funding arrangements from the 1st April 2006, the Authority will have to recompense the new pension fund for ill health retirements in 2005/06. This authority had one and full provision for the compensation payment has been made in the 2006/07 annual budget.

17. Pension Assets and Liabilities

The underlying assets and liabilities of the Combined Fire Authority at the 31st March are as follows:

	31 March 2005			31 March 2006		
	Fire-Fighters £000	LGPS £000	Total £000	Fire-Fighters £000	LGPS £000	Total £000
Estimated liabilities in scheme						
- Funded Benefits	(201,060)	(8,551)	(209,611)	(245,360)	(11,100)	(256,460)
- Unfunded Benefits		(63)	(63)		(100)	(100)
Share of assets in scheme		6,574	6,574		8,700	8,700
Net pensions liability	(201,060)	(2,040)	(203,100)	(245,360)	(2,500)	(247,860)

The liability shows the underlying commitment that the authority has in the long run to pay retirement benefits. The reader of the accounts needs to be aware that this liability will be financed from the annual revenue budget of the authority in future years.

Unfunded benefits arise when employees retire earlier than anticipated and the Authority supplement their pension with added years. It has only been possible to get a valuation of one of the four pensioners concerned which is reflected in the statement above. It is estimated that the unfunded benefit for the other three would be no more than £60,000, however as these were not included in the actuarial valuation they have been excluded from the table above.

Assets in the LGPS are valued at fair value, principally market value for investments, and consist of the following categories:

Loan Source	31 March 2005 £000	31 March 2006 £000
Equity investments	4,727	6,300
Bonds	1,012	1,300
Property	651	800
Cash	184	300
	6,574	8,700

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The main assumptions used in the calculations are:

	2004/05		2005/06	
	Fire-Fighters	LGPS	Fire-Fighters	LGPS
Rate of inflation	2.9%	2.9%	3.2%	3.1%
Rate of increases in salaries	4.4%	4.4%	4.7%	4.6%
Rate of increase in pension	2.9%	2.9%	3.2%	3.1%
Rate for discounting scheme liabilities	5.4%	5.4%	4.9%	4.9%

The movement in the pension deficit for the year to 31 March 2006 is as follows:

	Firefighters £000	Vehicles £000	TOTAL £000
Net deficit at beginning of year	201,060	2,040	203,100
Movement in year			
Current service costs	7,300	500	7,800
Adjustment to past service costs		7	7
Pension Transfers In	140		140
Actuarial (gain)/loss	32,400	353	32,753
Finance interest cost less expected return on assets	10,880		10,880
Employer Contribution/Pension Paid	(6,420)	(400)	(6,820)
Net deficit at end of year	245,360	2,500	247,860

Other information in relation to the pension schemes is as follows:

	31 March 2006		31 March 2005	
	£000	%	£000	%
Difference between the expected and actual return on assets:				
LGPS	1,200	13.5%	216	3.3%
Firefighters	0	0%	0	0%
Experience gains/(losses) arising on scheme liabilities:				
LGPS	470	0.4%	198	2.3%
Firefighters	3,290	1.3%	(6,770)	(3.4%)
Effect of change in the demographic and financial assumptions underlying the present value of the scheme liabilities:				
LGPS	(1,600)	(0.7%)	(1,701)	(0.8%)
Firefighters	(35,690)	(14.5%)	(43,870)	(21.8%)

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	CAPITAL RESERVES			REVENUE RESERVES					TOTAL RESERVES
	Fixed Asset Restatement Account £000	Capital Financing Account £000	Capital Receipts £000	Pensions Reserve £000	Insurance Reserve £000	Other Revenue Reserves £000	FRS17 Pension Reserve £000	General Reserve £000	£000
Notes	1					2			
Balance as at 1 April 2005	19,666	(3,315)	883	1,466	193	166	(203,100)	714	(183,327)
Deficit on Revaluation Of Fixed Assets	(100)								(100)
Financing of Fixed assets		(270)							(270)
Expenditure Not increasing Valuation of Assets	(306)								(306)
Effects of the disposal of Fixed assets:									
- Cost/Value of assets Disposed of	(36)								(36)
- Proceeds of disposals	0								0
Appropriation from Pension reserve							(12,007)		(12,007)
Actuarial gains and Losses relating to Pensions							(32,753)		(32,753)
Other movements In reserves		(366)	(23)	(987)	57	357		976	14
Net Surplus / (Deficit) during The Year	(443)	(366)	(293)	(987)	57	357	(44,760)	976	(45,459)
Balance as at 31 March 2006	19,224	(3,681)	590	479	250	523	(247,860)	1,690	(228,785)

The net movement in revenue reserves of £403,000 does not equal the transfer to reserves shown in the Revenue account due to the method of accounting for self-insurance.

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

1. Capital Financing Account

	£000
Balance as at 31 March 2005	(3,315)
Capital Receipts Applied	316
Excess of Depreciation over MRP	(702)
Revenue Funding of Capital Expenditure	20
Balance as at 31 March 2006	(3,681)

2. Actuarial gain / (losses) in Pension Reserve (FRS17)

	2005/06			2004/05	2003/04	2002/03
	LGPS £000	Fire- Fighters £000	Total £000	Total £000	Total £000	Total £000
Changes in assumptions underlying the present value of liabilities	(1,600)	(35,690)	(37,290)	(42,938)	(17,090)	0
Difference between expected and actual return on assets	1,200		1,200	216	743	0
Experience gains and losses arising on the pension liabilities	47	3,290	3,337	(6,572)	1,242	2,730
	(353)	(32,400)	(32,753)	(49,294)	(15,105)	2,730

CASH FLOW STATEMENT

2004/05 £000		2004/05		
		£000	£000	£000
	REVENUE ACTIVITIES			
26,829	Cash Outflows			
3,197	Cash Paid to and on behalf of Employees	29,593		
	Other Operating Costs	5,402		
30,026			34,995	
0	Cash Inflows			
(29,081)	Income from Constituent Authorities	0		
(2,847)	Income from Government and Local Taxpayers	(30,610)		
	Cash Received for Goods and Services	(5,319)		
(31,928)			(35,929)	
(1,902)	Net Cash Outflow / (Inflow) from Revenue Activities			(934)
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
170	Cash Outflows			
0	Interest Paid on Loans		158	
	Interest paid on Finance Lease		10	
(171)	Cash Inflows			
	Interest Received		(135)	
(1)				33
	CAPITAL ACTIVITIES			
1,305	Cash Outflows			
	Purchase of Fixed Assets		1,854	
(1,010)	Cash Inflows			
	Sale of Fixed Assets		0	
295				1,854
(1,608)	Net Cash Outflow / (Inflow) Before Financing			953
	MANAGEMENT OF LIQUID RESOURCES			
1,263	Net (decrease) / increase in short term deposits		1,794	
	FINANCING			
930	Cash Outflows:			
	Repayment of amounts borrowed		0	
	Finance Lease rental payment		40	
0	Cash Inflows:			
	New Loans Raised		(2,671)	
2,193	Net Cash (Inflow) / Outflow From Management of Liquid Resources and Financing			(837)
585	(INCREASE) / DECREASE IN CASH			116

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of Revenue Account to revenue activities cash flow

2004/05 £000		2005/06	
		£000	£000
714	(Deficit) / Surplus on Revenue Account		976
	Non Cash Transactions		
(79)	Movement on Provisions	(79)	
891	Movement on Reserves	(573)	
171	Other non cash items – MRP	198	
983	Items on an accruals basis		(454)
15	Change in Stocks	(16)	
1	Change in Long Term Debtors	0	
(210)	Change in Debtors	52	
305	Change in Creditors	248	
95	change in Government Grants deferred	95	
206			379
(1)	Servicing of Finance		33
1,902	Net Cash (Outflow)/Inflow from		934

2. Reconciliation of Movement in Cash

	31 March 2005 £000	31 March 2006 £000	Movement In Year £000
Cash in Hand	17	6	(11)
Cash Overdrawn	(39)	(144)	(105)
Net Funds/(Debt)	(22)	(138)	(116)

3. Reconciliation of cash movement to net debt

	£000
Increase/(decrease) in cash in the period	(116)
Cash flow from (increase)/ decrease in debt	(2,671)
Cash flow from increase/ (decrease in liquid resources)	1,794
Movement in net debt for the period	(993)
Net debt at 1 April 2005	(1,265)
Net debt at 31st March 2006	(2,258)

4. Analysis of Net Debt

	Balance as at 1 April 2005 £000	Cash Flow £000	Balance as at 31 March 2006 £000
Cash in hand/(overdrawn)	(22)	(116)	(138)
Short term deposits	1,634	1,794	3,428
Debt due after 1 year	(2,877)	(2,540)	(5,417)
Debt due within 1 year	0	(131)	(131)
	(1,265)	(993)	(2,258)

5. Government Grants

Government Grants received and included in the Cash Inflows are as follows:

	2004/05 £000	2005/06 £000
Transitional Grant	(481)	0
Mass Decontamination Training	(43)	0
New Dimensions Grant	0	(88)
Urban Search and Rescue Grant	(104)	(42)
Technical Rescue Grant	0	(612)
Regional Control New Burdens Grant	(39)	(28)
	(667)	(770)

6. Reconciliation of Financing and Management of Liquid Resources

	Repayments Of Amounts Borrowed £000	New Loans Raised £000	Increase of Short Term Deposits £000	(Increase)/ Decrease In Cash and Cash Equivalents £000
Short term deposits	0	0	1,794	1,794
Long Term borrowing	0	(905)	0	(905)
Short Term borrowing	0	(131)	0	(131)
Public Works Loans Board	0	(1,635)	0	(1,635)
	0	(2,671)	1,794	(877)

GLOSSARY OF TERMS

1. **Accruals**

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

2. **Capital Expenditure**

Expenditure on the acquisition of fixed assets or expenditure which adds to and not merely maintains the value of existing fixed assets.

3. **Capital Receipts**

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

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

The principal accountancy body dealing with local government finance.

5. **Corporate Management**

Concerns those activities and costs which provide the infrastructure which allow services to be provided, whether by the authority or not, and the information which is required for public accountability.

6. **Creditors**

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

7. **Debtors**

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

8. **Democratic Representation and Management**

Expenditure associated with members' allowances and expenses together with support to those members by the CFA.

9. **Depreciation**

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

10. **District Auditor**

An officer of the Audit Commission, a body appointed to provide an independent examination of the accounts of the Committee.

11. **Firebreak**

An initiative developed by the Service, now gaining national recognition to combat disaffection amongst 14 to 16 year-olds.

12. Fixed Assets

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

13. Government Actuary's Department

A Government Department that provides advice upon public sector pension arrangements, social security provision and regulators of private pension policies.

14. Liquid Resources

Current asset investments that are readily disposable by the CFA and are readily convertible to known amounts of cash.

15. Long Term Borrowing

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

16. Net Debt

The CFA's borrowings less cash and liquid resources.

17. Non Distributed Costs

Costs which comprise pension scheme past service costs, settlements and curtailments.

18. Operational Leasing

A method of financing the acquisition of assets, notably equipment, vehicles, plant etc. which involves the payment of a rental by the user for a period which is normally substantially less than the useful economic life of the asset.

19. Prince's Trust Team

The Leicestershire Fire and Rescue Service has an ongoing agreement to deliver the Prince's Trust Team programme throughout Leicester, Leicestershire and Rutland. It is designed to help young people who otherwise would not have the opportunity to succeed

20. Provision

A liability or loss which is likely or certain to be incurred but uncertain as to the amount or date when it will arise.

21. Reserve

An amount set-aside for purposes falling outside the definition of a provision.

22. Revenue Expenditure and Income

Expenditure and income arising from the day to day operation of the CFA.

LEICESTER, LEICESTERSHIRE & RUTLAND
COMBINED FIRE AUTHORITY

Leicestershire Fire and Rescue Service Anstey Frith, Leicester Road, Glenfield, Leicester. LE3 8HD
Telephone: 0116 2872241 Fax: 0116 2311180 E-mail: infoservices@lfrs.org www.leicestershire-fire.gov.uk