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Combined Fire Authority 2006/07 Statement of Accounts

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Copies of the Statement of Accounts and a large print version, are available from the Service's Headquarters at Anstey Frith, Leicester Road, Glenfield, Leicester LE3 8HD.
Tel: Leicester (0116) 2872241.

EXPLANATORY FOREWORD

The accounting statements contained in this booklet represent the Combined Fire Authority (CFA) accounts for the year ended 31st March 2007. 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.

There has been a change in presentation to the Statement of Accounts from previous years and the accounts now comprise the following group of core financial statements:

Income and Expenditure Account

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

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

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

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

The account is presented in a format that defines activities in accordance with the CIPFA Best Value Accounting Code of Practice.

Statement of Movement in General Fund Balance

This statement summarises how the surplus or deficit on the Income and Expenditure Account reconciles to the actual spending power carried forward to future years.

Statement of Recognised Gains and Losses

This explains how the movement in the net worth in the Balance Sheet is made up of the surplus or deficit on the Income and Expenditure Account together with other unrealised gains and losses.

Balance Sheet

Sets out the value of assets and liabilities of the CFA as at 31st March 2007.

Cash Flow Statement

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

Comparison of Income and expenditure spend to Budget

The table below provides a comparison of actual expenditure for the financial year ending 31st March 2007 with the revised budget.

	Revised Budget £000	Actual £000	Variance £000
Employees	25,711	25,507	(204)
Fire Pensions	189	56	(133)
Indirect Employee Expenses	740	708	(32)
Premises	1,213	1,191	(22)
Transport	1,225	1,228	3
Supplies and Services	2,649	2,417	(232)
Support Services	157	148	(9)
Services to Combined Fire Authority	96	77	(19)
Capital Financing	573	622	49
Gross Expenditure	32,553	31,954	(599)
Income	(1,289)	(1,390)	(101)
Net Expenditure	31,264	30,564	(700)
Contributions from Pensions Reserve	(479)	(479)	0
Contribution to CPD Reserve	72	72	0
Contribution to Mutual Insurance Reserve	66	66	0
Revenue Contribution to Capital Outlay	304	304	0
Contribution to General Fund	313	433	120
Contribution to Ill Health Retirement Reserve	0	181	181
Contribution to Relocation Expenses Reserve	0	36	36
Total Expenditure	31,540	31,177	(363)

The accounts for 2006/07 show an underspend of £700k compared to the revised budget. Transfers to reserves of £181k and £36k for ill health retirements and relocation expenses respectively were agreed at the 14th February 2007 CFA meeting. The remaining underspend of £486k is principally due to £76k on accounting treatment of finance leases, £119k on full time firefighters pay, £133k on fire pensions and £62k on retained firefighters salaries. The underspend of £133k on fire pensions was a combination of additional income arising from pension transfers in (for those occurring before 1st April 2006) and that there were no ill health retirements in 2006/07.

Comparison of Capital spend to Revised Programme

The table below provides a comparison of actual payments for the financial year ended 31st March 2007 with the revised capital programme.

	Revised Programme £000	Actual £000	Variance £000
Appliances	1,386	1,373	(13)
Equipment	650	295	(355)
Property	1,702	1,046	(656)
Total Expenditure	3,738	2,714	(1,024)

Pensions Accounting

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 2006/07 the CFA set an authorised limit for external debt of £9.494 million. Actual debt at 31st March 2007 was £6.144million. Actual capital expenditure in 2006/07 was £2.714 million and the CFA agreed on 27th June 2007 to carry forward capital commitments of £1.032 million in respect of vehicles, equipment and building projects.

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. The accounting convention adopted is based upon historical cost modified by the re-valuation of assets as described in subsequent notes.

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 income and expenditure.

There is no depreciation or amortisation charged in the year of addition but a full years depreciation or amortisation is charged in year of disposal.

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 M O'Garro, Bsc. (Hons.) MRICS who was 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 on some properties as at 1 April 2005, with the remainder being valued at 1 April 2004. 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.

The Fire Authority has a statutory obligation to value property assets every five years but it has been our practice to undertake a valuation every 2 years. Due to staffing changes in Leicestershire County Council's Property Services Division, full property valuations to 1 April 2006 have not taken place. The property valuations in these accounts are the same as those published in the 2005/06 Statement of Accounts. A full property valuation will be carried out as at 1 April 2007 for inclusion in the 2007/08 Statement of Accounts.

(ii) Vehicles and Equipment

Valuation is based upon actual cost depreciated over the individual assets' useful economic lives.

(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 income and expenditure account.

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

buildings - The useful economic life of each asset is determined as part of the revaluation process.

vehicles, plant and furniture equipment - estimated useful life (ranging from 5 to 10 years).

intangible assets - up to 5 years.

(ii) Interest Charges

Notional interest charges are no longer required.

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 income and expenditure account.

5. Basis of Debtors/Creditors included in the accounts

The income and expenditure 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 2007 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 income and expenditure.

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 income and expenditure account of the full cost of providing for future retirement benefits earned by existing employees.

From 6th April 2006, the Firefighters pension 1992 scheme was closed to new entrants and replaced with the New Firefighters pension scheme 2006 and Firefighters compensation scheme 2006.

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 2007, whilst asset values are based upon valuations as at 1st April 2006.

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

The change had the following effects on the results in 2006/07;

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 2.9% higher after the replacement of employer's contributions and net pensions paid by current service cost. Net Operating Expenditure is 35.4% 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 £42,452 which is held in case the amount in the insurance reserve is insufficient to meet estimated claims.

10. Reserves

INCOME AND EXPENDITURE 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 represented 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. The CFA pension reserve has now closed, 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 income and expenditure 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.

(vii) Ill Health Retirement Reserve

Created to help finance any CLG imposed penalties for early retirements caused through ill health.

(viii) Relocation Reserve

Created to meet any costs associated with the employment of new employees where relocation expenses are appropriate.

(ix) Continual Professional Development (CPD) Reserve

Created to meet costs associated with the replacement of Long Service Increment awards with a new CPD scheme.

(X) Mutual Insurance Reserve

The Firebuy Alternative Risk Transfer Project proposes that a Mutual Insurance Company is created on behalf of Fire and Rescue Authorities. The reserve provides a means of funding the required guarantee.

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 income and expenditure 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 income and expenditure 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 income and expenditure account.

12. Grants received

Government grants are accounted for on an accruals basis. Income in respect of revenue grants has been credited to the income and expenditure 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 charge to the Income and Expenditure Account.

13. Redemption of External Debt

The CFA finances a proportion of its capital investment by raising loans. In accordance with the Local Government and Housing Act 1989 the income and expenditure account has been charged with an amount that is sufficient to redeem a specified statutory percentage of outstanding debt. The sum set aside each year is called the Minimum Revenue Provision (MRP).

The Authority's borrowing strategy enables debt rescheduling opportunities where advantageous.

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 in accordance with the Accounts and Audit regulations 2006.

These accounts were approved at a meeting of the Combined Fire Authority on 27th June 2007.

**P A ROFFEY
CHAIRMAN OF THE COMBINED FIRE AUTHORITY**

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 2007.

**T PEEL
TREASURER OF THE COMBINED FIRE AUTHORITY**

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 2007 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 1988 Local Government Finance Act. He is also responsible for the corporate risk management strategy, which was approved by the Authority in September 2004. A process of risk identification through risk assessments in service and project planning based on an agreed methodology exists, and is responsible for ensuring that all major risks encountered by the Authority are identified, assessed and responded to at an appropriate level. There will be further development of corporate and directorate risk management plans in 2007/08.

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.

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 "Our Plan" (which incorporates the 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. A process of identifying individual employee targets and development needs has been established and implemented.

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 2006/07 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.

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 third 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. The Authority received its first annual report on its corporate governance at its meeting on the 22nd June 2005 and this is now done annually.

The Authority faces another challenging year in 2007/08 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.

Signed: -

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

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

..... **Date**

INDEPENDENT AUDITOR'S REPORT

Independent Auditors' Report to the members of Leicester, Leicestershire and Rutland Combined Fire Authority

We have audited the financial statements of Leicester, Leicestershire and Rutland Combined Fire Authority for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Pension Fund Account and Net Assets 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 2006 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 2006, 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. 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 2006, the financial position of Leicester, Leicestershire and Rutland Combined Fire Authority as at 31 March 2007 and its income and expenditure and cash flows for the year then ended.

PricewaterhouseCoopers LLP
Birmingham
Date

Notes: (a) The maintenance and integrity of the Leicester, Leicestershire and Rutland Combined Fire Authority website is the responsibility of the Authority; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

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 December 2006, 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 2007

Best Value Performance Plan

We issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 9 December 2006. 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.

PricewaterhouseCoopers LLP
Birmingham

Date

INCOME AND EXPENDITURE ACCOUNT

Net Cost 2005/06 £000		Expenditure 2006/07 £000	Income 2006/07 £000	Net Cost 2006/07 £000
4,168	SERVICE EXPENDITURE ANALYSIS Community Fire Safety	4,527	63	4,464
27,256	Firefighting and Rescue Operations	32,693	2,147	30,546
278	Fire Service Emergency Planning and Civil Defence	300	4	296
31,702	Sub Total	37,520	2,214	35,306
314	CORPORATE AND DEMOCRATIC CORE Democratic Representation and Management	332	2	330
173	Corporate Management	168	1	167
487	Sub Total	500	3	497
0	NON DISTRIBUTED COST	0	0	0
32,189	NET COST OF SERVICES	38,020	2,217	35,803
36	(Gain)/Loss on the disposal of fixed assets			0
0	(Surpluses)/deficits on trading undertakings not included in Net Cost of Services			0
175	Interest payable and similar charges			223
0	Investment Losses			0
(136)	Interest and Investment Income			(231)
10,880	Pensions Interest Cost & Expected Return on Assets			12,064
43,144	NET OPERATING EXPENDITURE			47,859
	FINANCED BY:			
13,189	Precepts			13,921
6,601	Revenue Support Grant			2,778
10,846	Non-Domestic Rates redistribution			14,304
30,636	TOTAL CONTRIBUTIONS			31,003
12,508	DEFICIT FOR THE YEAR			16,856

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

2005-06 £000		2006-07 £000
12,508	Surplus/Deficit for the year on the Income and Expenditure Account	16,856
(13,484)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(17,420)
(976)	Increase in General Fund Balance for the Year	(564)
(714)	General Fund Balance brought forward	(1,690)
(1,690)	General Fund Balance carried forward	(2,254)

STATEMENT OF RECOGNISED GAINS AND LOSSES

2005-06 £000		2006-07 £000
12,508	(Surplus)/Deficit for the year on the Income and Expenditure Account	16,856
100	Surplus/deficit arising on revaluation of fixed assets	3
0	Other Movements	3
32,753	Actuarial (gains) / losses on pension fund assets and liabilities	(14,403)
45,361	Total recognised gains for the year	2,459

BALANCE SHEET

31 March 2006 £000		NOTE	31 March 2007 £000	
	FIXED ASSETS			
18,294	Land and Buildings	1-6	18,714	
3,117	Vehicles, Plant and Equipment		3,384	
21,411				22,098
75	INTANGIBLE ASSETS	2	58	58
0	Long Term Debtors		0	0
21,486	Total Long Term Assets			22,156
	CURRENT ASSETS			
3,428	Short Term Investments	7	1,305	
156	Stocks and Work in Progress	8	213	
2,184	Debtors	9	4,539	
6	Cash in Hand		3	
5,774				6,060
	CURRENT LIABILITIES			
(144)	Cash Overdrawn		(147)	
(2,457)	Creditors	10	(3,808)	
(2,601)				(3,955)
3,173	NET CURRENT ASSETS			2,105
	LONG TERM LIABILITIES			
(5,417)	Long Term Borrowing – over 1 year	11	(5,951)	
(47)	Government Grants Unapplied		(114)	
0	Provisions	13	(43)	
(247,860)	Defined Benefit Pension Schemes	17	(249,277)	
(253,324)				(255,385)
(228,665)	NET LIABILITIES			(231,124)
	REPRESENTED BY:			
19,367	Fixed Asset Restatement Account	14	19,205	
(3,681)	Capital Financing Account	14	(4,402)	
567	Unapplied Capital Receipts	14	0	
0	Unapplied Capital Contributions	14	0	
1,252	Income and expenditure Reserves	14	1,096	
(247,860)	FRS 17 Pension Reserve	14	(249,277)	
1,690	General Fund		2,254	
(228,665)				(231,124)

CASH FLOW STATEMENT

2005/06 £000		2006/07		
		£000	£000	£000
	INCOME AND EXPENDITURE ACTIVITIES			
29,593	Cash Outflows			
5,402	Cash Paid to and on behalf of Employees	28,127		
	Other Operating Costs	5,556		
34,995			33,683	
(30,610)	Cash Inflows			
(5,319)	Income from Government and Local Taxpayers	(31,003)		
(35,929)	Cash Received for Goods and Services	(1,705)		
(934)	Net Cash Outflow / (Inflow) from Income and expenditure Activities		(32,708)	975
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
158	Cash Outflows			
10	Interest Paid on Loans		223	
	Interest paid on Finance Lease		20	
(135)	Cash Inflows			
33	Interest Received		(231)	12
	CAPITAL ACTIVITIES			
1,854	Cash Outflows			
	Purchase of Fixed Assets		2,443	
0	Cash Inflows			
	Sale of Fixed Assets		(21)	
1,854				2,422
953	Net Cash Outflow / (Inflow) Before Financing			3,409
	MANAGEMENT OF LIQUID RESOURCES			
1,794	Net (decrease) / increase in short term deposits		(2,123)	
	FINANCING			
0	Cash Outflows:			
40	Repayment of amounts borrowed		0	
	Finance Lease rental payment		0	
(2,671)	Cash Inflows:			
	New Loans Raised		(1,280)	
(837)	Net Cash (Inflow) / Outflow From Management of Liquid Resources and Financing			(3,403)
116	(INCREASE) / DECREASE IN CASH			6

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

1. Prior Period Adjustments

Regarding Prior Year Adjustments, in the 2006/07 Statement of Accounts, the CFA has adopted new accounting policies in accordance with the 2006/07 Statement of Recognised Practice (SORP). The following policies have a significant impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

Capital financing charges for the use of fixed assets are no longer made to service revenue accounts.

Credits for government grants unapplied are now posted to service revenue accounts rather than credited as a corporate income item.

Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Statement.

Expenditure on assets not increasing valuation is recognised in the Income and Expenditure Statement.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts:

	Revenue Account in 2005/06 Statement of Accounts	Removal of Capital Financing Charges	Government Grants Unapplied	Gain/Loss on Disposal of Fixed Assets	Expenditure not Increasing Asset Valuation	Other	2005/06 Comparatives in Income and Expenditure Statement
	£	£	£	£	£	£	£
Community Fire Safety	4,168						4,168
Firefighting and Rescue Operations	27,813	-723	-47		134	79	27,256
Fire Service Emergency Planning	278						278
Democratic Representation and Management	314						314
Corporate Management	173						173
Net Cost of Services	32,746	-723	-47	0	134	79	32,189
Net Income on Asset Management Revenue Account	-548	548					0
Interest and Investment Income	(136)						(136)
Pensions Interest Cost and Expected Return on Assets	10,880						10,880
Gain/Loss on Disposal of Fixed Asset	0			36			36
Interest Payable and Similar Charges	0	175					175
Net Operating Expenditure	42,942	0	-47	36	134	79	43,144

2. 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.

3. Pensions - Income and expenditure 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 income and expenditure account after Net Operating Expenditure. The following transactions have been made in the income and expenditure account during the year.

	Local Government Pension Scheme		Fire Fighters 1992 Pension Scheme		Compensation Scheme 2006		Fire Fighters 2006 Pension Scheme	
	2005/06 £000	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000	2006/07 £000
Net Cost of Services								
Current service costs	500	699	7,300	9,130	n/a	0	n/a	160
Past service costs	0	0	0	0	n/a	0	n/a	0
Net Operating Expenditure								
Interest cost	(500)	(604)	10,880	12,040	n/a	60	n/a	0
Expected return on assets	500	568	0	0	n/a	0	n/a	0
Amounts to be met from Government Grants and Local Taxation								
Movement on pension reserve	(56)	(164)	(11,900)	(15,480)	n/a	30	n/a	(200)
	444	499	6,280	5,690	n/a	90	n/a	(40)
Actual amount charged against council tax for pensions in the year								
Employers contributions	(439)	(494)	(6,420)	(5,800)	n/a	(90)	n/a	0
Retirement benefits paid to Pensioners	(5)	(5)						
Unfunded benefits			140	110	n/a	0	n/a	40
Employee contributions								
Transfer values received								
	(444)	(499)	(6,280)	(5,690)	n/a	(90)	n/a	40

4. 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 2005/06	Number of Employees 2006/07
£50,000 - £59,999	4	5
£60,000 - £69,999	3	1
£70,000 - £79,999	2	1
£80,000 - £89,999	0	3
£90,000 - £99,999	0	0
£100,000-£109,999	1	1
	10	11

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 income and expenditure account as detailed below:

	2005/06 £000	2006/07 £000
Minimum Revenue Provision	198	318
Amount Charged as Depreciation	(900)	(810)
Credit to Income and expenditure Account	(702)	(492)

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 income and expenditure account:

	2005/06 £000	2006/07 £000
Recruitment Advertising	35	27
Publicity	0	0
Advertising	4	1
TOTAL	39	28

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.

	2005/06 £000	2006/07 £000
Reserve brought forward	43	137
Expenditure:		
Salaries	220	252
Running Costs	243	251
Income:		
Income	475	438
Fire Service Contribution	82	85
Reserve carried forward	137	157

8. Leases

Operating lease rentals paid to lessors in the year totalled £346,219 (2005/06 £289,154). As at 31 March 2007, the Combined Fire Authority has a commitment to meet the following rental charges for operating leases:

	2005/06 £000	2006/07 £000
<u>Operating Leases which expire:</u>		
Within 1 year	77	104
2 to 5 years	643	551
Over 5 years	182	116
Total	902	771

9. Members Allowances

Allowances for members of the CFA were introduced with effect from 1st October 2003. The sums paid in 2006/07 are shown below.

	2005/06 £000	2006/07 £000
Members Allowances	59	62

10. Related Parties

From the information currently available, there were no material transactions with related parties during 2006/07 other than those disclosed below:

	2005/06 £000	2006/07 £000
Leicestershire County Council Services to the CFA	130	129
Leicester City Council Services to the CFA	96	107
Net Transactions with Related Parties	226	236

11. Audit Costs

In 2006/07 the CFA incurred the following fees relating to external audit, statutory inspection and other services:

	2005/06 £000	2006/07 £000
Fees payable to the appointed auditor, PriceWaterhouse Coopers with regard to external audit services	50	52
Fees payable for other services (VAT Helpline)	0	1
Total	50	53

£11,750 was received by the CFA from the Department of Communities and Local Government (DCLG) to reimburse part of the cost of the audit relating to Comprehensive Performance Assessment (CPA) in 2006-07.

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 2006/07 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 income and expenditure account) is detailed below.

Project Description	2005/06		2006/07	
	Total Cost	Cost to Leicestershire	Total Cost	Cost to Leicestershire
	£	£	£	£
RMB running costs	39,255	7,851	44,034	8,807
Regional Control *	201,030	16,276	271,573	4,742
Workforce Development	64,670	12,934	73,276	14,655
Programme Manager	61,770	12,354	65,227	13,045
Communications Strategy	4,772	954	0	0
Regional Consultation	7,305	1,461	24,962	4,992
Regional Resilience	37,625	7,525	87,843	17,569
Regional Procurement	23,755	4,751	80,408	16,082
Regional Fire Investigation	0	0	63,625	12,725
Integrated Common Services	1,162	232	0	0
TOTAL REGIONAL PROJECTS	441,344	64,338	710,948	92,617

* The Regional Control project received New Burdens funding of £155,306 (£119,650 05/06) from the Department of Communities and Local Government (DCLG) and other secondment income which reduced the net cost to the region to £23,709 (£81,380 05/06). A carry forward of £35,456 from 2005/06 for recruitment and selection cover has been partially spent in 2006/07 with the balance carried forward to 2007/08. A net surplus of £97,664 has been carried forward into 2007/08 as the expenditure has not yet occurred.

13. East Midlands Fire Control Centre Ltd

During 2006/07, East Midlands Fire Control Centre Ltd was created as a Local Authority Company to establish and manage the new regional fire control centre at Castle Donington. A Board with two elected members from each of the five local area Fire and Rescue Authorities is constituted and meets on a regular basis.

The costs incurred by the company will be met by DCLG as Section 31 grant until cutover (expected to commence October 2009). The CFA has nominated responsibility for the financial arrangements of the company and all DCLG grant will be paid through the CFA.

2006/07 was the first year of grant, with £44,000 received for the initial establishment of the company. The table below details the expenditure incurred in 2006/07:

Expenditure Heading	2006/07 £
Professional Fees	
Administration	1,355
Mapping Services Agreement	93
TOTAL EXPENDITURE	13,491

14. Grants Received

Other grants received in 2006-07 by Leicestershire from the DCLG were as follows:

	£
New Dimensions	719,942
Urban Search and Rescue Equipment and Training	54,303
New Dimensions accommodation (capital)	102,500
FireControl / FireLink Transition	103,125
Fire Prevention Grant	78,298
Home Fire Risk Assessment Grant	95,263

NOTES TO THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	<u>2005-06</u> <u>£000s</u>	<u>2006-07</u> <u>£000s</u>
<u>Amounts in Income and Expenditure to be excluded</u>		
Amortisation of Intangible Fixed Assets	(10)	(17)
Depreciation and Impairment of Fixed Assets	(890)	(793)
Government Grants Unapplied	47	114
Write downs of deferred charges to be financed from capital	(134)	(1,115)
Insurance Provision	(79)	43
Net profit / (loss) on sale of fixed assets	(36)	0
Net charges for retirement benefits in accordance with FRS17	(12,007)	(15,814)
Sub – Total	(13,109)	(17,582)
<u>Amounts not in Income and Expenditure to be included</u>		
Minimum revenue provision for capital financing	198	318
Capital expenditure charged in year to general fund	0	0
Employees contribution payable to pensions account	0	0
Retirement benefits payable direct to pensioners	0	0
Sub – Total	198	318
<u>Transfers to or from the General Fund Balance</u>		
Voluntary income and expenditure provision for capital financing	0	0
Net transfer to/from earmarked reserves	(573)	(156)
Sub – Total	(573)	(156)
Net additional amount required to be credited to General Fund Balance	(13,484)	(17,420)

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 2006	19,518	7,690	27,208
Less – Depreciation to Date	1,225	4,572	5,797
Net Book Value as at 1 April 2006	18,293	3,118	21,411
Additions	953	1,761	2,714
2005/06 Adjustment	0	4	4
Revaluation	0	3	3
Impairment	0	0	0
Expenditure not increasing Valuation	(211)	(1,009)	(1,220)
Disposals	0	(21)	(21)
Transfers	0	0	0
Depreciation for Year	(321)	(472)	(793)
Net Book Value as at 31st March 2007	18,714	3,384	22,098

Included in the Net Book Value of Assets at 31st March 2007 are finance lease assets for vehicles, plant and equipment of £1,631,696. During 2006/07 £105,656 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
Gross Book Value as at 1st April 2006	85	0	0	85
Less- Amortisation to date	10	0	0	10
Net Book Value as at 1 April 2006	75	0	0	75
Amortisation for year	17	0	0	17
Net Book Value as at 31st March 2007	58	0	0	58

3. Details of Capital Expenditure

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

	2005/06 £000	2006/07 £000
New Buildings and Adaptations	11	93
Vehicles	306	1,373
Equipment	580	200
I.T. Equipment	35	95
Minor Works	310	953
	1,242	2,714

This includes tangible and intangible assets (Notes 1 and 2). It also includes prepayments of £709,714 in respect of stage payments for new appliances yet to be delivered.

4. Financing of Capital Expenditure

Capital expenditure was financed as follows:

	2005/06 £000	2006/07 £000
Supported Capital Expenditure	0	459
Capital Receipts	316	588
Income and expenditure	20	129
Finance Lease	788	698
CFA Reserves (to be met by future Finance Lease)	0	710
Grant	118	130
	1,242	2,714

An additional capital grant of £102,500 was received in 2006/07 for New Dimensions Accommodation, however no expenditure was incurred and the grant funding is carried over into 2007/08.

5. Details of assets owned by the Fire Authority

	31 March 2006 Number	31 March 2007 Number
Buildings		
Fire Stations	20	20
Fire Authority Headquarters	1	1
Control Centre	1	1
Training Unit	1	1
Vehicles & Equipment		
Operational Vehicles	54	54
Ancillary Vehicles	22	22

6. Finance Lease Assets

Finance lease rentals paid to lessors in the year totalled £131,212 (£20,896 2005/06) of which £50,198 was interest and £81,013 was principal.

As at 31 March 2007, the Combined Fire Authority has a commitment to meet the following rental charges for finance leases:

	2005/06 £000	2006/07 £000
<u>Obligations under Finance Leases</u> <u>are payable as follows:</u>		
Within 1 year	131	222
2 to 5 years	525	889
Over 5 years	636	963
Total	1,292	2,074

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 2006 £000	31 March 2007 £000
Operational Equipment	68	94
Uniforms	3	2
Other	85	117
	156	213

9. Debtors

	31 March 2006 £000	31 March 2007 £000
Government Departments	180	180
Sundry Debtors	2,004	4,359
	2,184	4,539

10. Creditors

	31 March 2006 £000	31 March 2007 £000
Inland Revenue	562	587
Government Departments	1	2
Sundry Creditors	1,763	2,997
Obligations under Finance Leases	131	222
	2,457	3,808

11. Long Term Borrowing

Loan Source	31 March 2006 £000	31 March 2007 £000
Public Works Loans Board	4,512	4,512
Net Obligations under Finance Leases	1,036	1,632
TOTAL	5,548	6,144
Analysis of Loans by Maturity		
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 5 and 10 years	250	1,882
Over 10 years	5,298	4,262
Total	5,548	6,144

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 2006/07 is detailed below. The balance outstanding as at 31st March 2007 is carried forward to fund ongoing commitments of the schemes in 2007/08.

	2005/06 £000		2006/07 £000	
	Prince's Trust	Firebreak	Prince's Trust	Firebreak
Balance at 1st April	86	24	147	17
Income	287	0	228	0
Expenditure	(226)	(7)	(197)	0
Balance at 31 March	147	17	178	17

The income and expenditure shown above is not included in the income and expenditure 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 2006/07 are as follows:

	Balance 31 March 2006 £000	Income £000	Expenditure £000	Balance 31 March 2007 £000
Insurance	0	52	9	43
TOTAL	0	52	9	43

14. Reserves

The authority keeps a number of reserves in the Balance Sheet. These may be held to comply with statutory requirements, to comply with proper accounting practice or to earmark resources for future spending plans.

Reserve	Opening Balance £000	Net movement in Year £000	Closing Balance £000	Purpose of Reserve	Further detail of movement
Fixed Asset Restatement Account	19,367	(162)	19,205	Accumulated gains on revaluation of fixed assets	
Capital Financing Account	(3,681)	(721)	(4,402)	Capital resources set aside to meet past expenditure	
Capital Receipts	567	(567)	0	Proceeds of fixed Asset sales to meet future capital investment	Capital receipts used to contribute towards expenditure in 2006/07 capital programme
Pensions Reserve	479	(479)	0	Resources earmarked for fluctuations within pension lump sum payments	Due to changes to the funding of the pension scheme this reserve is no longer required
Insurance Reserve	250	(52)	198	Funds earmarked For fluctuations in funding insurance claims	Transfer to provision to meet likely claims
Other Revenue Reserves	523	375	898	Agreed earmarked reserves for future spending plans	Creation of four new earmarked revenue reserves
FRS 17 Pension Reserve	(247,860)	(1,417)	(249,277)	Balancing account to allow inclusion of Pensions liability in the Balance Sheet	Refer to note 17 to the Balance Sheet
General Fund	1,690	564	2,254	Resources set aside as a contingency to the main revenue budget	To establish reserves at 5% of budget
TOTAL	(228,665)	(2,459)	(231,124)		

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.

17. Pension Assets and Liabilities

The underlying assets and liabilities of the Combined Fire Authority at the 31st March 2007 are as follows, from the valuations dated 1st May 2007 (LGPS) and 18th May 2007 (all Firefighters schemes).

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 income and expenditure budget of the authority in future years.

	31 st March 2006			31 st March 2007				
	Firefighters (1992 scheme) £000	LGPS £000	Total £000	Firefighters (1992 Scheme) £000	Compensation (2006 scheme) £000	(2006 scheme) £000	LGPS £000	Total £000
Estimated liabilities in scheme								
- Funded Benefits	(245,360)	(11,100)	(256,460)	(246,140)	(1,310)	(220)	(11,583)	(259,253)
- Unfunded Benefits		(100)	(100)				(70)	(70)
Share of assets in scheme		8,700	8,700				10,046	10,046
	(245,360)	(2,500)	(247,860)	(246,140)	(1,310)	(220)	(1,607)	(249,277)

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:

	31 March 2006 £000	31 March 2007 £000
Equity investments	6,300	7,141
Bonds	1,300	1,691
Property	800	859
Cash	300	355

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:

	31 March 2006		31 March 2007	
	Fire-Fighters	LGPS	Fire-Fighters	LGPS
Price Increases	3.2%	3.1%	3.4%	3.2%
Salaries Increases	4.7%	4.6%	4.9%	4.7%
Pension Increases	3.2%	3.1%	3.4%	3.2%
Discount Rate	4.9%	4.9%	5.4%	5.4%

The movement in the pension deficit for the year to 31 March 2007 is as follows:

	Firefighters (1992 scheme) £000	Compensation (2006 scheme) £000	Firefighters (2006 scheme) £000	LGPS £000	Total £000
Net deficit at beginning of year	245,360	0	0	2,500	247,860
Movement in year:					
Current service costs	9,130	0	160	699	9,989
Pension Transfers In	110	0	40	0	150
Actuarial (gain)/loss	(13,440)	80	20	(1,063)	(14,403)
Finance interest cost less expected return on assets	12,040	60	0	(36)	12,064
Employer Contribution/ Pension Paid	(5,800)	(90)	0	(493)	(6,383)
Net deficit at end of year	247,400	50	220	1,607	249,277

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

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

2006-07					
	LGPS £000	Firefighters (1992) scheme £000	Firefighters (2006) scheme £000	Compensation (2006) scheme £000	Total £000
Changes in assumptions underlying the present value of liabilities	873	15,500	(20)	50	16,403
Difference between expected and actual return on assets	179	0	0	0	179

Leicester, Leicestershire and Rutland Combined Fire Authority

Experience gains and losses arising on the pension liabilities	11	(2,060)	0	(130)	(2,179)
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5 year comparison

	2006/07	2005/06	2004/05	2003/04	2002/03
	Total £000	Total £000	Total £000	Total £000	Total £000
Changes in assumptions underlying the present value of liabilities	16,403	(37,290)	(42,938)	(17,090)	0
Difference between expected and actual return on assets	179	1,200	216	743	0
Experience gains and losses arising on the pension liabilities	(2,179)	3,337	(6,572)	1,242	2,730
	14,403	(32,753)	(49,294)	(15,105)	2,730

NOTES TO THE CASH FLOW STATEMENT**1. Reconciliation of Income and expenditure Account to income and expenditure activities cash flow**

2005/06 £000		2006/07	
		£000	£000
976	(Deficit) / Surplus on General Fund Balance		564
	Non Cash Transactions		
(79)	Movement on Provisions	43	
(573)	Movement on Reserves	(156)	
198	Other non cash items – MRP	318	
(454)	Items on an accruals basis		205
(16)	Change in Stocks	(57)	
0	Change in Long Term Debtors	0	
52	Change in Debtors	(3,038)	
248	Change in Creditors	1,113	
95	Change in Government Grants Unapplied	197	
379			(1,785)
33	Servicing of Finance		41
934	Net Cash (Outflow)/Inflow from Income and expenditure Activities		(975)

2. Reconciliation of Movement in Cash

	31 March 2006 £000	31 March 2007 £000	Movement In Year £000
Cash in Hand	6	3	(3)
Cash Overdrawn	(144)	(147)	(3)
Net Funds/(Debt)	(138)	(144)	(6)

3. Reconciliation of cash movement to net debt

	£000
Increase/(decrease) in cash in the period	(6)
Cash flow from (increase)/ decrease in debt	(596)
Cash flow from increase/ (decrease in liquid resources)	(2,123)
Movement in net debt for the period	(2,725)
Net debt at 1 April 2006	(2,258)
Net debt at 31st March 2007	(4,983)

4. Analysis of Net Debt

	Balance as at 1 April 2006 £000	Cash Flow £000	Balance as at 31 March 2007 £000
Cash in hand/(overdrawn)	(138)	(6)	(144)
Short term deposits	3,428	(2,123)	1,305
Debt due after 1 year	(5,417)	(505)	(5,922)
Debt due within 1 year	(131)	(91)	(222)
	(2,258)	(2,725)	(4,983)

5. Government Grants

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

	2005/06 £000	2006/07 £000
FireControl / FireLink Transition	0	(103)
New Dimensions Grant	(88)	0
Urban Search and Rescue Grant	(42)	(54)
Technical Rescue Grant	(612)	0
Fire Prevention Grant	0	(78)
Regional Control New Burdens Grant	(28)	(199)
	(770)	(434)

6. Reconciliation of Financing and Management of Liquid Resources

	Repayments Of Amounts Borrowed £000	New Loans Raised £000	Decrease of Short Term Deposits £000	(Increase)/ Decrease In Cash and Cash Equivalents £000
Short term deposits	0	0	(2,123)	(2,123)
Long Term borrowing	0	(1,280)	0	(1,280)
Short Term borrowing	0	0	0	0
Public Works Loans Board	0	0	0	0
	0	(1,280)	(2,123)	(3,403)

FIREFIGHTERS PENSION FUND

1. At the beginning of 2006/07 Government changed the way in which firefighter pensions were financed. Prior to 2006/07 outgoing pension costs (as expenditure) and employee contributions (as income) were charged directly to the then revenue account (now the Income and Expenditure Account). The difference, being the net cost of the scheme was borne on that account for Council Tax setting purposes.
2. In accordance with the requirements of FRS 17 the actual cost of pensions required for Council Tax setting purposes is replaced by the current service cost of pensions in the Income and Expenditure Account, and reversed out in the Statement of the Movement in the General Fund balance.
3. In 2006/07 the arrangement was changed whereby the employee contributions, and a new employers contribution are paid into a separate account out of which pensions are paid. Any deficit on this account is made up by direct government funding.
4. In 2006/07 it is these employer contributions (rather than the net cost of pensions) that re now replaced in the Income and Expenditure Account.
5. The government has determined that this account is deemed a pension fund separate from the Income and Expenditure Account and is thus reported on separately. There are no assets in this scheme and the difference between income and expenditure is met by direct government funding.
6. The accounts are prepared in accordance with the same code of practice and accounting policies as outlined in the Statement of Accounting Policies starting on page 5.
7. Any government funding payable is paid in two instalments, 80% of the estimated annual amount at the start of the year and the actual balance paid following completion of accounts for the year.
8. As the arrangements were only introduced in 2006/07 there are no corresponding entries in respect of 2005/06.

PENSION FUND STATEMENT

Firefighters' Pension Fund

2005/2006 £	Fund account	2006/2007 £
	Income to the fund	
	Contributions receivable:	
	- from employer	
note 8	- normal contributions	-3,056,620
note 8	- early retirements	0
note 8	- ill health contributions	-25,942
note 8	- from members	-1,582,323
	Transfers in:	0
note 8	- individual transfers in from other schemes	-37,509
note 8	- other transfers in	0
	Income to the fund	-4,702,394
	Spending by the fund	
	Benefits payable:	
note 8	- Pension payments	4,645,271
note 8	- Commutation of pensions and lump-sum retirement benefits	1,145,367
note 8	- Lump-sum death benefits	36,119
note 8	- other benefits payable	0
	Payments to and on behalf of leavers	
note 8	- Refunds of contributions to people who leave the scheme	5,547
note 8	- Individual transfers out of the scheme	0
note 8	- other payments	0
	Spending by the fund	5,832,304
	Net amount payable/receivable for the year before top up grant receivable/amount payable to sponsoring department	1,129,910
note 8	Top-up grant receivable/amount payable to sponsoring department	-678,000
	Net amount (payable)/receivable for the year	451,910

2005/2006 £	Firefighters' Pension fund net assets statement	2006/2007 £
	Net current assets and liabilities:	
note 8	- contributions due from employer	0
note 8	- pensions top up grant receivable from sponsoring department	451,910
note 8	- unpaid pension benefits	0
note 8	- amount due to sponsoring department	0
note 8	- other current assets and liabilities (other than liabilities and other benefits in the future)	0
	Net assets at the end of the year	451,910

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

Leicester, Leicestershire and Rutland Combined Fire Authority

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