

COUNTY DURHAM AND
DARLINGTON



FIRE AND RESCUE
AUTHORITY

Statement of Accounts

for the year ended 31st March 2010

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1. INTRODUCTION

The purpose of this foreword is to provide a clear guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow and provides a summary of the Authority's financial activities during 2009/10 and its financial position at 31 March 2010.

County Durham and Darlington Fire and Rescue Authority was established as a separate corporate body covering the County of Durham and Darlington Borough under the provisions of the Durham Fire Services (Combination Scheme) Order 1996. The Authority comprises members appointed by Durham County Council and Darlington Borough Council. With effect from 1 April 2004, the Fire and Rescue Authority became a precepting authority as defined under the Local Government Finance Act 1992.

The vision of the Authority is 'Safer People, Safer Places' and three strategic aims support this:

- Protecting and preventing;
- Developing motivated people to deliver effectively; and
- Value through sustainable improvement.

A published and audited statement of accounts is at the heart of ensuring proper accountability for the use of local and national taxpayer's money.

Further to the implementation of the principles of corporate governance across the public sector the Authority now issues an Annual Governance Statement. This statement, within the Authority's Statement of Accounts, gives assurance that sound systems of control are in place across the Authority's activities.

2. INFORMATION AND FINANCIAL STATEMENTS

The Authority's Accounts for the year ended 31 March 2010 are set out in the following pages and a glossary of the terms used is provided at the end of the document. In accordance with the 2009 Statement of Recommended Practice, the 'core' single entity financial statements - namely Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement - are grouped together with notes to these core statements. This is followed by the Fire Pension Fund Account.

The information and financial statements are as follows:

Auditor's Report to the Authority (page 8-10) – the Report of the External Auditor on the Fire Authority's Statement of Accounts for the year ended 31 March 2010.

Annual Governance Statement (pages 11-19) – this sets out the organisation's approach to the implementation of principles of corporate governance and the operation of effective internal control arrangements within the organisation.

Statement of Responsibilities for the Statement of Accounts (page 20) – this sets out the responsibilities of the Authority and the Treasurer, and the Chairman's certificate.

EXPLANATORY FOREWORD

Statement of Accounting Policies (pages 21-27) – this shows the policies adopted in compiling the Statement of Accounts.

Income and Expenditure Account (page 28) – this discloses the income receivable and expenditure incurred in operating the Authority for the year.

Statement of Movement on the General Fund Balance (pages 29) – this provides reconciliation with the statutory provisions that specify the net expenditure that the Authority needs to take into account when setting local taxes.

Statement of Total Recognised Gains and Losses (page 31) – this ensures that all the gains and losses experienced by the Authority are disclosed.

Balance Sheet (page 32) – this shows the financial position of the Authority as at 31 March 2010.

Cash Flow Statement (page 33) – this summarises the inflows and outflows of cash arising from transactions with other parties for revenue and capital purposes.

Notes to the Core Financial Statements (pages 34-65) – this provides further information on significant items.

Pension Fund Account (pages 66-67) – this sets out the financial position of Fire Pension Fund.

3. REVIEW OF THE FINANCIAL YEAR 2009/10

The Authority's spending is planned and controlled by a rigorous budget and financial management process. The Authority receives resources direct from the Government in the form of Revenue Support Grant and Non-Domestic Rates with the balance of funding coming from precepts on billing authorities for amounts chargeable to local taxpayers. During 2009/10 the Authority's net revenue spending, which was met from the above sources, was £3.086m while spending on capital projects totalled £2.196m.

The Authority's general reserve balance at 31 March 2010, which represents the sum set aside to meet unforeseen future circumstances, was £3m which equates to 9.86% of the 2009/10 budget requirement. This is in line with the Authority's policy on reserves which is to maintain broadly general reserves of between 7.5% and 10%, with a maximum general reserve of 15% of the budget requirement for the short to medium term.

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2009/10 to be met from Government Grants and local taxpayers was approved at £30.419m. The following table summarises the financial position for the year:

4. COMPARISON OF ACTUAL WITH BUDGET – REVENUE EXPENDITURE

EXPLANATORY FOREWORD

	Original Budget	Actual	Variance
	£000	£000	£000
Expenditure			
Gross Expenditure	30,799	30,686	113
Income	-380	-1,211	831
Net Expenditure	30,419	29,475	944
Financing			
Revenue Support Grant	2,662	2,662	-
Redistributed Non-Domestic Rates	11,531	11,531	-
Precept Income	16,226	16,226	-
Total Financing	30,419	30,419	-

Variations between original budget and actual

The major variances that contributed to the underspend during 2009/10 were as follows:

	Overspend or Underspend (-)
	£000
Employees	90
Premises	-95
Transport	27
Supplies and Services	208
Contingencies	-311
Capital Financing	-32
Earmarked Reserves	619
General Reserves	325
Income	-831
	-

Explanation of major variances

Premises - £0.095m (7.16%) Underspent

The underspend is a result of savings made against utility costs.

Transport - £0.027m (2.88%) Overspent

The overspend is a result of higher than budgeted travelling costs.

Supplies and Services - £0.208m (6.27%) Overspent

The overspend relates to costs for which Grant Income has been received.

Contingencies - £0.311m Underspent

These amounts set aside for contingencies were not required.

EXPLANATORY FOREWORD

Capital Financing - £0.032m (2.04%) Underspent

Revenue contributions during 2009/10 have been used to fund elements of the capital programme.

Transfers to Earmarked Reserves - £0.619m Not included in original budget

A transfer of £0.619m has been made to the Capital Modernisation Reserve to finance the Authority's capital building programme.

Transfer to General Reserves - £0.325m Not included in original budget

A transfer of £0.325m has been made to General Reserves.

Income - £0.831m (219%) Over achieved

The overachievement on income is largely due to Grants and Contributions received by the Authority for specific projects. This is partially offset by an underachievement of Investment and Training Income.

5. COMPARISON OF ACTUAL WITH BUDGET – CAPITAL EXPENDITURE

Variances between original budget and actual

The Authority approved a capital programme for 2009/10 of £11.317m. The actual capital expenditure for the year was £2.196m, £9.121m less than the original budget. The following table analyses the expenditure.

Project	Original Budget	Actual	Variance
	£000	£000	£000
Vehicles and Equipment	1,217	1,997	-780
Land and buildings	10,100	199	9,901
Total Expenditure	11,317	2,196	9,121

Explanation of major variances

Vehicles and Equipment - £0.780m (64%) Overspent

The over spend relates to the timing of payments in respect of fire appliances. New chassis for fire appliances originally scheduled for delivery in 2008/09 were delayed until 2009/10 and an initial payment has been made for an aerial ladder platform which is due for delivery in 2010/11.

Land and Buildings - £9.901m (98%) Underspent

The under spend relates to budgeted expenditure in relation to a new service headquarters and training centre that have not yet been progressed.

The capital expenditure was financed by Revenue Contributions and Capital Grants.

Future Capital Commitments

A significant programme of capital commitments is planned for 2010/11 to 2012/13. The Authority is planning to move headquarters and improve community facilities on stations, as well as replacing two fire stations with state of the art community fire stations through a joint project as part of the North East Fire and Rescue Authority (NEFRA) Private Finance Initiative Scheme.

Current Borrowing Facilities and Capital Borrowing Provision

The Budget Report incorporating Prudential Indicators and the Treasury Management Strategy, submitted to the Authority meeting in February 2009, detailed the 2009/10 borrowing limits for the Authority.

The specific borrowing limits set related to two of the Prudential Indicators required under the Prudential Code, introduced on 1 April 2004. The limits for 2009/10 were as follows:

- Authorised Limit for External Debt for 2009/10 of £12 million;
- Operational Boundary for External Debt for 2009/10 of £10 million.

6. LOOKING AHEAD TO 2010/2011

Looking ahead, the Authority's revenue expenditure for 2010/11 is estimated at £31.284m, together with an approved capital programme of £3.153m.

7. ACCOUNTING FOR PENSIONS

Financial Reporting Standard FRS17

The Statement of Accounts incorporates the effect of pensions liabilities accrued in order to comply with Financial Reporting Standard 17 (FRS17). Rather than accounting for the actual expenditure on pensions, an assessment must be made by the Actuary of the costs accruing during the year and this is incorporated within the accounts. The effect of the standard is to account for the annual movement in the pension liability and total liability of both the unfunded and funded schemes as a result of pension benefits earned by employees at the end of the financial year, which the Authority is potentially committed to pay.

The Balance Sheet discloses a negative net worth of the Fire Authority. The reason for this position relates to the pensions liability (FRS17) which requires that the accounts reflect the fact that retirement benefit commitments relating to current employees are recognised in the year which they are earned. The pensions liability calculated under FRS17 is £250.927m at 31 March 2010.

Arrangements for Funding and Accounting for Firefighter Pensions

From 1 April 2006, new arrangements came into effect for funding firefighter pensions with Fire and Rescue Authorities administering and paying firefighter pensions through a local firefighter's pension fund.

Employer and employee contributions meet the accruing pension liabilities of currently serving firefighters so the Authority meets all costs of employing a firefighter, including the

EXPLANATORY FOREWORD

cost of future pension liabilities, at the time of employing them. Monthly contributions are paid into the pension fund and any surplus or deficit on the fund at the end of the financial year is paid back or recovered by annual Government grant.

The pension fund is ring-fenced to ensure accounting clarity and a Pensions Fund Account and Net Assets Statement are reported as supplementary financial statements within the Authority's Statement of Accounts.

8. INTERNATIONAL FINANCIAL REPORTING STANDARDS

From the financial year 2010/11, the financial statements for the Authority will need to be prepared under the CIPFA IFRS based Code of Practice, in order to comply with the requirements of International Financial Reporting Standards. (IFRS)

In order to comply with the requirements, comparable information for 2009/10 is required. Accounting adjustments are required when implementing IFRS in order to avoid any impact on tax requirements.

The International Financial Reporting Standards have been developed to enable an entity's financial position and performance to be consistently presented across international communities.

9. ACKNOWLEDGEMENTS

I would like to take this opportunity to thank both officers of the Fire and Rescue Service and members of my own staff at Durham County Council who have co-operated to produce this Statement of Accounts.

I hope that this document proves to be both informative and of interest to readers. It is important to try and improve the quality and suitability of information provided and feedback is welcomed. If you have any suggestions or comments on either the format of the report or its contents, or you would like any further information please contact my office:

Telephone - 0191 383 4430

E-mail - treasurers@durham.gov.uk

Or write to -

The Treasurer to County Durham and Darlington Fire and Rescue Authority

Durham County Council

County Hall

Durham

DH1 5UE

Jeff Garfoot C.P.F.A

EXPLANATORY FOREWORD

**Treasurer to County Durham and
Darlington Fire and Rescue Authority**

If you require this information summarised in other languages or formats, such as Braille, large print or talking tapes, contact: (0191) 383 4430

" إذا كنت بحاجة إلى تلقي خلاصة هذه المعلومات في اللغة العربية فيرجى الاتصال بالرقم 0191 383 4430 "

如果你想得到廣東話的資訊，請致電 0191 383 4430

यदि आपनि बांग्लाएर এই তথ্যগুলির একটি সারসংক্ষেপ চান তবে অনুগ্রহ করে 0191 383 4430 নম্বরে ফোন করুন।

यदि आप इस सूचना का सार हिन्दी में चाहते हैं, तो कृपया 0191 383 4430 पर फोन करें।

ਜੇਕਰ ਤੁਸੀਂ ਇਸ ਸੂਚਨਾ ਦਾ ਸਾਰ ਪੰਜਾਬੀ 'ਚ ਚਾਹੁੰਦੇ ਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ 0191 383 4430 'ਤੇ ਫ਼ੋਨ ਕਰੋ

AUDIT REPORT AND OPINION

Independent auditor's report to the Members of County Durham and Darlington Fire and Rescue Authority

Opinion on the accounting statements

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of County Durham and Darlington Fire and Rescue Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and firefighters' pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of County Durham and Darlington Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the accounting statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its firefighters' pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to

AUDIT REPORT AND OPINION

form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the firefighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the firefighters' pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword only.

I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the firefighters' pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK 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 accounting statements, the firefighters' pension fund accounting statements and related notes.

It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the firefighters' pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the firefighters' pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the firefighters' pension fund accounting statements and related notes.

Opinion

In my opinion:

The accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and

The firefighters' pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the firefighters' pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

AUDIT REPORT AND OPINION

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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am 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 me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire and rescue authorities published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, County Durham and Darlington Fire and Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

C Waddell

Cameron Waddell (Officer of the Audit Commission)
Nickalls House
Metro Centre
Gateshead
Tyne & Wear
NE11 9NH
Date 29th September 2010

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

County Durham and Darlington Fire Authority (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 responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Authority has approved, adopted and published on its website, a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework – “Delivering Good Governance in Local Government”. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a Statement on Internal Control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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 principles of the governance framework have been in place at the Authority for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

The key elements of the systems and processes that comprise the Authority’s governance arrangements include:

ANNUAL GOVERNANCE STATEMENT

Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users

The Authority published its Strategic Vision for County Durham and Darlington as part of its Corporate Plan in a way that best meets community needs and aspirations, and takes account of partner's contributions towards the vision. The Authority, in delivering its vision, explains and reports regularly on activities, performance and the Authority's financial position. Timely, objective and understandable information about the Authority's activities, achievements, performance and financial position is provided through the publishing of:

- A Community Protection Plan and Integrated Risk Management Plan;
- An Annual Report;
- Externally audited accounts;
- Independently verified performance information.

Reviewing the Authority's vision and its implications for the Authority's governance arrangements

The Authority considers the governance implications of its actions. The Authority has established its Code of Corporate Governance in a way that is consistent with the principles of the CIPFA/SOLACE Framework – "Delivering Good Governance in Local Government".

Measuring the quality of services for users, ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources.

The Authority is committed to delivering quality services to the public in an efficient and effective way. The Authority does this by:

- Delivering services to meet local needs through the Community Plan and the Integrated Risk Management Plan, and putting in place policies and processes to ensure that they operate effectively in practice;
- Developing effective relationships and partnerships with other public sector agencies and the private and voluntary sectors;
- Responding positively to the findings and recommendations of external auditors and statutory inspectors and putting in place arrangements for the implementation of agreed actions;
- Comparing information about services with those provided by similar organisations, assessing why levels of efficiency, effectiveness and quality are different and considering other alternative means of service provision and procurement to maximise opportunities and improve value for money where appropriate.

ANNUAL GOVERNANCE STATEMENT

Defining and documenting the roles of Members and Officers in relation to the Fire Authority, Sub Committees and Panels.

The Authority ensures that the necessary roles and responsibilities for the Governance of the Authority are identified and allocated through its Constitution so that it is clear who is accountable for decisions that are made. The Authority does this by:

- Electing a Chair, Committees and nominating Member Champions with defined responsibilities
- Agreeing a scheme of delegated responsibilities to Directors;
- Undertaking a regular review of the operation of standing orders, contract procedure rules and committee structure;
- Having in place effective and comprehensive arrangements for the scrutiny of services;
 - Making the Chief Executive responsible and accountable for all aspects of operational management;
- Ensuring at all times arrangements are in place for the proper administration of its financial affairs (S151 Officer);
- Ensuring at all times arrangements are in place for ensuring actions are taken in accordance with Statute and Regulation (Monitoring Officer);
- Developing protocols that ensure effective communications between Members and Officers.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The Authority fosters a culture of behaviour based on shared values, high ethical principles and good conduct. The Authority does this by establishing and keeping under review:

- The Authority's own values on Leadership as enshrined in the Community Protection Plan and evidenced in Codes of Conduct that set a standard for behaviour;
- A Member Code of Conduct;
- An Officer Code of Conduct;
- A Protocol governing Member/Officer relations;
- A Register of Interests and declaration of Gifts and Hospitality accepted;
- Equality and Diversity arrangements;
- A Whistleblowing policy;
- The roles of Members and officers in decision-making;
- Appropriate and timely advice, guidance and training for both Members and Officers;
- Systems for reporting and dealing with any incidents of fraud and corruption.

The Authority has appointed a Standards Committee with responsibilities for promoting and monitoring the application and delivery of these codes and protocols and promoting positive and trusting relationships within the Authority.

Reviewing and updating standing orders, standing financial instructions and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

ANNUAL GOVERNANCE STATEMENT

The Constitution sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Areas of potential change to the Standing Orders are identified through the year and amended on an annual basis.

The Authority operates a risk management approach that aids the achievement of its strategic objectives, supports its decision making processes, protects the Authority's reputation and other assets and is compliant with statutory and regulatory obligations. The Authority ensures that the risk management approach:

- Enables a culture of risk awareness;
- Formally identifies and manages risks;
- Involves elected members in the risk management process;
- Maps risks to financial and other key internal controls;
- Documents and records details of risks in a risk management information system;
- Monitors the progress in mitigating significant risks, and reports this to appropriate Members;
- Reviews and, if necessary, updates its risk management processes at least annually;
- Considers risk within major projects reported to the Authority.

Ensuring the authority's financial management arrangements confirm with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

The Treasurer to the Fire Authority is professionally qualified and suitably experienced. He plays a key role in providing a strategic insight to the direction and control of Fire Authority business decisions affecting financial resources. He ensures compliance with financial standards and gives due consideration to both the risk to and economic, efficient and effective use of resources. He works closely with the Chief Executive and Director of Corporate Resources in ensuring the Finance function provided is fit for purpose and that the management of the Authority's resources is robust.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Authority established in June 2006, an Audit and Finance Committee with responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure Internal Control systems are effective and that Policies and practices are in compliance with statutory and other regulations and guidance. This includes considering the work of External Audit, Internal Audit and Risk Management and making recommendations concerning relevant governance aspects of the Standing Orders.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

ANNUAL GOVERNANCE STATEMENT

The Authority ensures that appropriate legal, financial and other professional advice is always considered as part of the decision-making process and observes both specific requirements of legislation and general responsibility by Law.

The Authority is transparent about how decisions are taken and recorded. The Authority does this by:

- Ensuring that all decisions are made in public and recording those decisions and relevant information and making them available publicly (except where that information is exempt under the provisions of the Freedom of Information Act or determined as being confidential by Government or otherwise exempt by the Authority);
- Having rules and procedures which govern how decisions are made.

Whistle-blowing and receiving and investigating complaints from the public

The Authority has adopted a Whistle Blowing policy, details of which are been communicated to staff and available electronically.

The Authority ensures that effective, transparent and accessible arrangements are in place for dealing with complaints. The Authority is accredited with Charter Mark status relating to its customer service standards. The website includes facilities for complaints to be made against the Authority by the public and processes are in place to progress any complaints that are made.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The Authority ensures that those charged with governance have the skills, knowledge and experience they need to perform well. The Authority does this by:

- Consistent application of the People Development Strategy;
- Ensuring that the Authority maintains an effective and skilled workforce by applying workforce development plans;
- Operating robust recruitment and selection processes;
- Implementing Member Development strategies;
- Maintaining the Investor in People Standard;
- Cascading regular information to Members and staff;
- Investing in Member and Officer Leadership training;
- Providing resources that support Member and Officer development;
- Promoting schemes supporting ongoing professional development;
- Undertaking the annual appraisal of the Chief Executive and setting objectives that contribute to the Authority's vision, strategy and plans and that incorporate key development needs

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

ANNUAL GOVERNANCE STATEMENT

The Authority responds to the views of stakeholders and the community. The Authority does this by:

- Forming and maintaining relationships with the leaders of other organisations;
- Ensuring Partnership arrangements demonstrate clear and appropriate governance accountabilities;
- Producing plans for service delivery within the community;
- Having a Consultation Strategy and providing access to a range of consultation methods, particularly to those groups which are harder to reach;
- Using an approach that recognises that people are different and gives everyone the same or an equal opportunity to information, advice and support in ways that are suited to the needs or circumstances of the individual;
- Encouraging and supporting the public in submitting requests for aspects of the Authority's Service to be scrutinised;
- Providing and supporting ways for Citizens to present community concerns to the Authority;
- Providing for the public the opportunity to ask questions or make representations to the Authority;
- Publishing annually a Community Protection Plan and Integrated Risk Management Plan (IRMP) providing information in relation to the Authority;
- Continually developing clear channels of communication;
- Providing a modernised Information Communication and Technology Service that meets the needs and aspirations of the organisation and the communities we serve.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements

The Authority recognises the key role it has to play in supporting partnership working within County Durham and Darlington and also the role partners have to play in assisting the Authority to deliver on its objectives.

The Authority ensures good governance in respect of partnerships by:

- Reviewing and evaluating partnerships on a regular basis;
- Auditing partnership strategies and policies through the internal audit function;
- Ensuring partnerships offer value and contribute to the Authority's strategic objectives.

Governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

The Authority is fully compliant with the principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

REVIEW OF EFFECTIVENESS

ANNUAL GOVERNANCE STATEMENT

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team within the Service who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the Chief Financial Officer, external auditors and other review agencies and inspectorates.

The Fire Authority is the main decision making body. A Standards Committee has responsibility for promoting high ethical standards across the Authority, overview of the Member and officer codes and other relevant protocols together with the Authority's complaints handling regime.

The Authority has an established Audit and Finance Committee with responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure internal control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance. This includes considering the work of External Audit, Internal Audit and Risk Management and making recommendations concerning relevant governance aspects of Standing Orders.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Service Leadership Team, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

SIGNIFICANT GOVERNANCE ISSUES

The Authority is fully committed to the principles of corporate governance, and has made further progress during the past twelve months in developing its arrangements. Following the production of the Annual Governance Statement (AGS) for 2008/09, an action plan, containing 15 recommendations was produced. The progress made in implementing each of the recommendations was monitored by the Service Leadership Team and the Audit and Finance Committee, in liaison with Internal Audit and formed the starting point of the work carried out in producing the AGS for 2009/10.

In further evidencing the issues contained within the action plan, Internal Audit, was able to place reliance upon the individual responses to a governance questionnaire issued to Service Leadership Team officers.

All of those issues, detailed below which have been identified for inclusion within the AGS have been agreed with the Service Leadership Team.

Fire and Rescue Service National Framework 2008-11

The national framework sets out a number of key challenges for the Authority, all of which require effective governance arrangements to be in place to facilitate progress. The Authority has progressed with the national framework requirements, reporting through the Authority and Committee structure. Appropriate governance arrangements are in place for progressing key areas of the framework and specific arrangements are in place for large scale projects such as the regional control centre, which will continue to be monitored throughout 2010/11.

Local Area Agreements (LAAs)

ANNUAL GOVERNANCE STATEMENT

The Authority has developed an effective approach to engagement that identifies the areas where it can contribute. An assessment of contribution to other national indicators based on the Authority's strategic aims has been completed to ensure that resources are effectively utilised and targeted. Activity within the LAA is monitored via the Themed Groups of the County Durham Partnership via a quarterly performance management process.

Partnerships

Partnership working continues to progress and arrangements for ensuring partnerships are focused on the Authority's priorities are now becoming embedded across the organisation. Partnerships will continue to be reviewed to ensure that they deliver against priorities.

Resourcing Modernisation

The Authority has implemented business improvement processes to streamline resource requirements, and utilises modeling to consider resource allocation and risk. Business Improvement techniques will be further developed with partners and the Service will continue to ensure that resources are allocated to risk.

Staff Development

Arrangements for staff development are in place and embedded and work will continue into ensuring that succession planning arrangements are effective.

Business Continuity Management

Business Continuity Management arrangements are embedded and Individual Business Continuity Plans are in place for all departments and sections within the organisation. A strategy is in place to test the business continuity arrangements that are in place to ensure that they remain fit for purpose and effective.

Disaster Contingency Planning

The Authority's service specific disaster contingency planning arrangements continue to improve. Arrangements to progress an over arching plan will be progressed in 2010/11.

New Financial Management System - DRIVE

The new financial management system has been implemented and work will progress in 2010/11 to determine efficiencies that can be realised through smarter working.

Risk management

Risk management arrangements are embedded and arrangements will continue to be reviewed during 2010/11 to ensure that the key risks and mitigating actions are effectively monitored.

Equality and Diversity

Challenging targets for improvements in equality and diversity have been established and work will continue to improve the diversification of the workforce and to ensure equality of opportunity.

Value for Money

The Authority needs to demonstrate that its services represent value for money to its communities. The Authority has undertaken work to understand its cost position and is

ANNUAL GOVERNANCE STATEMENT

progressing towards an improved understanding of the costs of providing services and the levels of performance that are being delivered. Work on analysing the Authority's Value for Money position in relation to audit commission analyses will continue in 2010/11.

Consultation

There is a requirement to ensure that the views of the public are taken into account when making decisions. The approaches to consultation on priorities and financial proposals will be reviewed in 2010/11 to ensure that they are meaningful and provide effective information to assist with decision making.

Public Sector Spending

The impact of spending reductions in the public sector is a key governance issue for the Fire Authority. Alternative delivery options for all services are being considered to ensure that plans are put in place to mitigate the anticipated reductions in spending.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: *G Tennant*

Chairman

Signed: *Susan Johnson*

Chief Executive

Signed: *J Garfoot*

Treasurer

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

The Treasurer's Responsibilities

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

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

Treasurer's Certificate

I certify that these accounts present a true and fair view of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

J Garfoot

Jeff Garfoot C.P.F.A
Treasurer to County Durham and Darlington Fire Authority

Date 28/09/10

Chairman's Certificate

I confirm that these accounts were approved by the Authority at the meeting held on 28 September 2010.

G Tennant

Chairman of the meeting approving the accounts

Date 28/09/10

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The general principles adopted in compiling the Accounts follow the 'Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice' (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA); the 'Accounts and Audit Regulations 2003' and the Best Value Code of Practice on Local Authority Accounting published by CIPFA in 2009.

2. BASIS OF ACCOUNTING FOR ITEMS OF EXPENDITURE AND INCOME

Revenue transactions are recorded on an accruals basis, so sums due to the Authority in the year are accounted for even if the cash had not yet been received.

All payments made relating to the financial year 2009/10 have been included in the accounts together with any identifiable and material sums which still remain to be paid for goods or services provided up to 31 March 2010.

3. TANGIBLE FIXED ASSETS

Recognition

Expenditure on assets is capitalised, provided that the asset yields benefits to the Authority and the services it provides, for a period of more than one financial year. Expenditure may relate to the acquisition, creation or enhancement of tangible fixed assets and is capitalised on an accruals basis.

Measurement

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed Assets are classified into the following groupings as required by the 1995 Code of Practice on Local Authority Accounting:

- Operational Assets: Land and buildings
Vehicles, plant and equipment
- Non-Operational Assets: Assets under construction
Surplus assets held for disposal

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Operational land and buildings and other operational assets at lower of net current replacement cost or net realisable value in existing use;
- Surplus assets held for disposal at the lower of net current replacement cost or net realisable value;

ACCOUNTING POLICIES

- Assets under construction at historical cost until brought into commission.

All valuations of buildings are undertaken by or under the supervision of a fully qualified Chartered Surveyor employed by Durham County Council. Fixed asset revaluations are undertaken once every five years. The most recent valuation of Land and Buildings was certified on 31 March 2010.

Increases in valuations are matched by a credit to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or during a valuation, it is accounted for as follows:

If attributable to the clear consumption of economic benefits, the loss is charged directly to the Income and Expenditure Account (but reversed out to the Capital Adjustment Account in the Statement of Movement on the General Fund).

If attributable to a general fall in market prices the loss is written off against any revaluation gains in the Revaluation Reserve attributable to the asset, with any excess charged to the Income and Expenditure Account (but likewise reversed out to the Capital Adjustment Account in the Statement of Movement on the General Fund).

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal, so netted off against the carrying value of the asset at the time of disposal. The written-off value of the disposal is appropriated to the Capital Adjustment Account in the Statement of Movement on the General Fund Balance so as not to impact on council tax. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Receipts from disposal in excess of £10,000 are categorised as capital receipts and credited to the Usable Capital Receipts Reserve to finance new capital investment.

Depreciation

Depreciation is provided for on all fixed assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Freehold land, assets with an estimated life in excess of 50 years and assets under construction are not depreciated.

Annual Depreciation is calculated on a straight line basis as valuation less residual value, divided by the estimated useful life of the asset. The useful lives of properties vary from 15

to 100 years; and that of vehicles, plant and equipment between 5 and 15 years. In rare cases, certain specialised equipment may be attributed a longer useful economic life.

4. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Authority, e.g. software licences, is capitalised when it will bring benefits to the Authority for more than one financial year.

Intangibles are valued at current written down value. Amortisation is calculated as original cost less residual value divided by the estimated useful life of the asset. (10 years)

5. CHARGES TO REVENUE FOR FIXED ASSETS

Service revenue accounts, central support services and trading accounts are charged with the following amounts to show the true cost of holding fixed assets during the year:

- Depreciation attributable to the assets used;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service, and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation attributable to the intangible fixed assets of the service.

To avoid any impact on the level of council tax, the capital charges are replaced in the Statement of Movement on the General Fund Balance by the actual costs of financing capital. This is via the minimum revenue provision; an annual provision from revenue to contribute towards the reduction of the Authority's borrowing requirement.

6. BASIS ON WHICH DEBTORS AND CREDITORS ARE INCLUDED IN THE ACCOUNTS

Revenue and capital transactions are recorded on a system of actual receipts and payments during the year. At the end of the year, receipts and payments are converted to income and expenditure by the addition of debtors and creditors based upon actual or estimated amounts outstanding at 31 March 2010. This accruals concept is in accordance with Financial Reporting Standard 18 (FRS18).

7. GOVERNMENT GRANTS AND CONTRIBUTIONS

Where the acquisition of a fixed asset is financed either wholly, or in part, by a government capital grant or other contribution, the amount of the grant or contribution is credited initially to the government grants deferred account. Amounts are released to the Income and Expenditure Account over the life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the Statement of Accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

ACCOUNTING POLICIES

8. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Previously known as deferred charges, Revenue Expenditure Funded from Capital Under Statute (REFCUS) are payments of a capital nature where no fixed asset is created for the Authority, but which may be financed over a period of years.

The expenditure is charged to the relevant service revenue account in the year. Where the Authority has determined to meet the cost of the expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account reverses out the amounts charged in the Statement of Movement on the General Fund Balance, so there is no impact on the level of Council Tax.

9. BASIS OF VALUATION OF STOCKS

Stocks are included in the Balance Sheet at average cost.

10. PROVISIONS AND RESERVES

Provisions are required for any liabilities or losses which are certain to be incurred but where there is possible uncertainty as to the amounts or the dates on which they will arise. The Fire and Rescue Authority has established provisions to meet potential legal liabilities arising from claims and possible bad debts.

The Authority has a General Reserve and several Earmarked Reserves which are defined in accordance with reporting standard FRS12. The nature of the reserves and their balances are shown in a note to the Core Financial Statements.

11. SOURCES OF FUNDS TO MEET CAPITAL EXPENDITURE AND OTHER PLANS

Resources and borrowing approvals estimated to arise in future years will be used to finance the Authority's approved three-year capital programme which is subject to rolling review.

12. REDEMPTION OF DEBT

The Authority makes provision for the repayment of debt in accordance with the statutory minimum revenue provision (MRP) requirements.

For supported borrowing MRP is 4% p.a. of the adjusted Capital Financing Requirement. For unsupported borrowing under the prudential system MRP is calculated over the estimated life of the asset for which the borrowing has been undertaken.

13. INTEREST CHARGES

All interest payable on external borrowings is accrued and accounted for in the period to which they relate. Interest payable is reported in Net Operating Cost within the Income and Expenditure Account.

14. FINANCIAL REPORTING STANDARD 17 (FRS17) RETIREMENT BENEFITS

In accordance with the requirements of Financial Reporting Standard 17 (FRS17) - Retirement Benefits, the Fire and Rescue Authority is required to disclose its share of assets and liabilities relating to pension schemes for its employees. The Authority participates in two schemes, the Firefighter's Pension Scheme which is unfunded and the Local Government Pension Scheme, a funded scheme for other employees which is administered by Durham County Council. Under the accounting arrangements full implementation of FRS17 has been required since 2004/05 resulting in Income and Expenditure Account and balance sheet entries. Further information is given in a note to the Core Financial Statements.

15. ACCOUNTING FOR LEASES

(a) Finance Leases

The Authority accounts for leases as finance leases when substantially all the risks and rewards of ownership of the asset transfer to the Authority. Rentals payable are apportioned between:

- a charge for the interest acquired in the asset, recognised as a liability in the balance sheet at the start of the lease and written down as the rent becomes payable, matched by the creation of a tangible fixed asset; and
- a finance charge debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable.

Fixed Assets under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lesser of the lease term or life of the asset.

(b) Operating Leases

Leases that do not match the definition of finance leases are accounted for as operating leases. The Authority holds various capital assets under operating leases. The annual lease rentals are charged to the Income and Expenditure Account on a straight line basis over the term of the lease.

More details of finance and operating leases are provided in notes to the Core Financial Statements.

16. TEMPORARY INVESTMENTS

The Fire Authority invests its surplus cash in temporary investments and short term deposits with a range of banks and financial institutions. This is in line with the annual Treasury Management Strategy.

ACCOUNTING POLICIES

17. VAT

VAT is separately accounted for in accordance with the Statement of Standard Accounting Practice (SSAP) 5 and is not included as income or expenditure of the Authority except where it is not recoverable.

18. GROUP ACCOUNTS

County Durham and Darlington Fire and Rescue Authority do not have any undertakings that are subject to the preparation of group accounts.

19. LICENCE PURCHASES

The Authority does not usually capitalise single user licences associated with computer software purchases.

20. COMPUTER PURCHASES

The Authority does not usually capitalise the acquisition of computer equipment.

21. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to frontline services in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2009 (BVACOP). The total absorption costing principle is used and the full cost of overheads and support services are shared between frontline services in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in BVACOP and are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

22. FIRE PENSION ACCOUNT

The SORP requires a separate Pension Account Fund Account to be produced. This is included as a supplementary Financial Statement. The accounting policies reflect those applicable to the Core Financial Statements with the exception of FRS17 charges. The Fire Pension Account includes actual income and expenditure for the year. The Income and Expenditure Account and General Fund Balance Statement features any applicable FRS17 charges.

23. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The financial instruments applicable to the Fire Authority relate to financial liabilities and financial assets.

Financial liabilities are measured at fair value. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. For borrowings that the Authority has (deferred liabilities), the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year.

The Authority's financial assets relate to loans and receivables and are assets that have fixed or determinable payments but are not quoted in an active market. The loans and receivables are measured at fair value. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Therefore the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year.

In accordance with the 2009 SORP, there is an additional requirement to detail risks to which the Authority is exposed in its dealings with financial instruments and how these risks have been managed. The main risks relate to credit risk, liquidity risk and market risk. The relevant disclosures are included in the notes to the Core Financial Statements.

24. COUNCIL TAX INCOME

Previously the SORP has required the Income and Expenditure account to include the amount of Council Tax that was required to be paid to the Fire Authority from the Billing Authorities Collection Funds.

From 1 April 2009, the SORP requires the Income and Expenditure Account to include the accrued Council Tax income for the year.

Any difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund will be taken to the Collection Fund Adjustment account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

INCOME AND EXPENDITURE ACCOUNT

INCOME AND EXPENDITURE ACCOUNT

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

2008/09 Net Expenditure (as restated) £000		2009/10 Gross Expenditure £000	2009/10 Other Income £000	2009/10 Net Expenditure £000
3,483	Community safety	3,722	-257	3,465
28,736	Fire fighting and rescue operations	26,706	-869	25,837
56	Fire service emergency planning	-	-	-
248	Corporate and democratic core	258	-	258
60	Non distributed costs (<i>Note 3</i>)	-	-	-
32,583	Net Cost of Services	30,686	-1,126	29,560
5	Gain(-)/ Loss on the disposal of fixed assets	-	-41	-41
-16	Surpluses (-) / deficits on trading undertakings not included in Net Cost of Services	60	-85	-25
97	Interest payable and similar charges	91	-	91
-354	Interest and investment income	-	-38	-38
12,700	Pensions interest cost and expected return on pensions assets	12,630	-420	12,210
-4,442	Gain in relation to Government grant payable to the Pension Fund on the Authority's behalf	-	-3,039	-3,039
40,573	Net Operating Expenditure	43,467	-4,749	38,718
-15,624	Precepts (<i>Note 7</i>)			-16,196
-1,684	Revenue Support Grant			-2,662
-12,100	Non-domestic rates redistribution			-11,531
11,165	Deficit for the Year			8,329

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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 raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

2008/09 (as restated)		2009/10
£000		£000
11,165	Deficit for the year on the Income and Expenditure Account	8,329
-11,165	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	-8,654
-	Increase in General Fund Balance for the year	-325
-2,675	General Fund Balance brought forward	-2,675
-2,675	General Fund Balance carried forward	-3,000

The following reconciling item is included as part of the Core Financial Statements rather than as part of the Notes to the Core Financial Statements in order to clearly show the relationship between the Income and Expenditure Account and the Movement on the General Fund Balance.

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

Note of reconciling items for the Statement of Movement on the General Fund

2008/09 (as restated)		2009/10
£000		£000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
-9	Amortisation of intangible fixed assets	-8
-5,017	Depreciation and impairment of fixed assets	-1,640
42	Government Grants Deferred amortisation	39
-5	Net loss on sale of fixed assets	41
-16,900	Net charges made for retirement benefits in accordance with FRS17	-15,730
4,442	Gain in relation to Government grant payable to the Pension Fund on the Authority's behalf	3,039
-16	Share of Collection Fund	-30
-17,463		-14,289
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
105	Minimum revenue provision for capital financing	101
1,608	Capital expenditure charged in-year to the General Fund Balance	1,346
3,760	Employer's contributions payable to the Pensions Account and retirement benefits payable direct to pensioners	3,569
5,473		5,016
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
825	Net transfer to earmarked reserves	619
825		619
-11,165	Net additional amount required to be credited to the General Fund Balance for the year	-8,654

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2008/09 (as restated)		2009/10
£000		£000
11,165	Deficit on the Income and Expenditure Account for the year	8,329
-16,158	Actuarial gains (-) / losses on pension fund assets and liabilities, and other pension adjustments	64,235
-4,347	Revaluation of fixed assets	753
-110	Collection Fund Adjustment	-
-9,450	Total recognised gains (-) / losses for the year	73,317

BALANCE SHEET

BALANCE SHEET

The Balance Sheet summarises in its top half all of the assets that the Authority owns and the liabilities that it owes to others. The bottom half sets out how the net assets of the Authority are allocated between usable resources, resources that have been set aside to finance capital expenditure, unrealised gains from increases in asset values and reserves needed to manage the complexities of local authority accounting.

As at 31 March 2009 (as restated)			As at 31 March 2010	
£000	£000		£000	£000
66		Intangible fixed assets (note 12)	58	
		Tangible fixed assets (note 13)		
18,969		Land and buildings	17,144	
3,157		Vehicles, plant and equipment	4,605	
609		Non operational assets	648	
	22,801	Total fixed assets		22,455
	2	Long-term debtors (note 22)		2
	22,803	Total long-term assets		22,457
		Current assets		
438		Stocks (note 18)	337	
3,665		Debtors and payments in advance (note 22)	1,950	
24		Cash in hand	21	
6,277		Investments (note 19)	8,805	
	10,404			11,113
	33,207	Total assets		33,570
		Current liabilities		
-4,070		Creditors and receipts in advance (note 23)	-3,658	
-119		Short-term borrowing (note 23)	-137	
-118		Cash overdrawn (note 23)	-331	
	-4,307			-4,126
	28,900	Total assets less current liabilities		29,444
	-1,804	Long-term borrowing (note 20)		-1,679
	-4	Deferred liabilities (note 20)		-
	-476	Government grants deferred (note 24)		-1,107
	-3	Provisions (note 25)		-6
	-177,571	Pensions liability (FRS 17) (note 33)		-250,927
	-150,958	Total assets Less liabilities		-224,275
		Financed by:		
	15,690	Capital Adjustment Account (note 29)		15,811
	4,115	Revaluation Reserve (note 29)		3,119
	94	Collection Fund Adjustment Account (note 2)		64
	4,039	Earmarked Reserves (note 27)		4,658
	2,675	General Fund balance (note 28)		3,000
	-177,571	Pensions Reserve (FRS17) (note 26)		-250,927
	-150,958	Total net worth		-224,275

CASH FLOW STATEMENT

CASH FLOW STATEMENT

This Statement shows the actual cash movement in the year and provides a link between the Balance Sheet and the Income and Expenditure Account.

2008/09			2009/10	
£000	£000		£000	£000
		REVENUE ACTIVITIES		
		Cash inflows		
1,684		Revenue Support Grant	2,662	
-		Central Government Grants	2,285	
12,100		Redistributed Non-Domestic Rates	11,531	
15,640		Council Tax Receipts	16,226	
5,309		Cash received for goods and services	4,921	
	34,733			37,625
		Cash outflows		
-28,996		Cash paid to and on behalf of employees	-28,493	
-6,228	-35,224	Other operating costs	-5,448	-33,941
	-491	NET CASH OUTFLOW (-) / INFLOW - REVENUE ACTIVITIES (Note 34)		3,684
		SERVICING OF FINANCE		
		Cash inflows		
404		Interest received	44	
4	408	Cash received relating to Home Computer Initiative	-	44
		Cash outflows		
-98		Interest paid	-91	
-4	-102	Interest element of finance lease payments	-	-91
	306	NET CASH INFLOW / OUTFLOW (-) - SERVICING OF FINANCE		-47
		CAPITAL ACTIVITIES		
		Cash inflows		
-		Capital Grants Received	723	
21	21	Sale of fixed assets	59	782
		Cash outflows		
	-1,017	Purchase of fixed assets		-1,988
	-996	NET CASH OUTFLOW – CAPITAL ACTIVITIES		-1,206
		MANAGEMENT OF LIQUID RESOURCES		
1,222		Net increase in short-term deposits	-2,528	
	1,222	NET CASH OUTFLOW – MANAGEMENT OF LIQUID RESOURCES (Note 35)		-2,528
	41	NET CASH INFLOW / OUTFLOW (-) BEFORE FINANCING		-97
		FINANCING		
		Cash inflow		
	25	Cash received relating to Home Computer Initiative		2
		Cash outflow		
-113		Repayment of amounts borrowed	-119	
-25	-138	Capital element of finance lease payments	-2	-121
	-113	NET CASH OUTFLOW – FINANCING		-119
	-72	DECREASE IN CASH		-216

NOTES TO CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

1. BEST VALUE ACCOUNTING CODE OF PRACTICE

The statement has been compiled in accordance with CIPFA's Best Value Accounting Code of Practice (BVACOP). The BVACOP establishes 'proper practice' with regard to consistent financial reporting and seeks to provide a means for the aggregation of the costs of the service on a comparable total cost basis. Total cost includes appropriate shares of capital charges and overheads.

2. PRIOR PERIOD ADJUSTMENTS

The 2009 SORP requires that the Authority (as a precepting authority) includes the accrued Council Tax income for the year.

As a result, the 2008/09 financial statements have been amended. This results in the following changes:

- **Income and Expenditure Account and Statement of Movement on General Fund Balance.**

Income from precepts is reduced by £0.016m for the year to 31 March 2009. This charge is reversed in the Statement of Movement on General Fund Balance and so has no effect on the General Fund Balance. A new line has been created in the Statement of Movement on General Fund Balance.

- **Statement of Total Recognised Gains and Losses**

A new line has been created to reflect the change in net worth.

- **Balance Sheet**

Debtors have increased by £0.598m and creditors have increased by £0.504m. A new Collection Fund Adjustment Account has been created.

	2008/09	Adjustment	2008/09
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NOTES TO CORE FINANCIAL STATEMENTS

			(as restated)
	£000	£000	£000
Income and Expenditure			
Precepts	-15,640	16	-15,624
Deficit for the year	11,149	16	11,165
Statement of Movement on General Fund Balance			
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year	-11,149	-16	-11,165
Statement of Total Recognised Gains and Losses			
Total recognised gains/losses for the year	-9,357	-94	-9,451
Balance Sheet			
Debtors	3,067	598	3,665
Creditors	-3,566	-504	-4,070
Total Assets Less Liabilities	-151,051	4,535	-146,516
Collection Fund Adjustment Account	-	94	94
Total Net Worth	-151,051	94	-150,958

3. NON DISTRIBUTED COSTS

The Best Value Accounting Code of Practice treats pension costs relating to past service costs as non distributed costs. Past service costs arise when an employer makes a commitment to provide a higher level of benefit than previously promised where such a benefit did not previously exist. Costs identified during 2009/10 were £nil (2008/09:£60,000).

4. REGIONAL MANAGEMENT BOARD (RMB)

County Durham and Darlington Fire and Rescue Authority is a member of the North East Fire and Rescue Regional Management Board; a joint committee which has been created to take forward the regional dimension of the fire and rescue modernisation agenda. The other authorities comprising the RMB are Cleveland Fire and Rescue Authority, Northumberland County Council Fire and Rescue Service, and Tyne and Wear Fire and Rescue Authority. The accounts of the RMB are administered by Cleveland Fire and Rescue Authority. All expenditure incurred by the RMB is fully met by contributions from the four constituent authorities.

County Durham and Darlington's contributions for 2008/09 and 2009/10 were:

NOTES TO CORE FINANCIAL STATEMENTS

	2008/09	2009/10
	£000	£000
Contributions	10	-

No contributions were payable for 2009/10.

Further information is available from A. Emmerson, the Treasurer to Cleveland Fire and Rescue Authority, Hartlepool Borough Council, Bryan Hanson House, Hanson Square, Hartlepool, TS24 7BT.

5. MEMBERS' ALLOWANCES

Members' allowances are paid under a scheme introduced by the Authority in December 2003. Expenses for conference and other non-routine meetings are also paid by the Fire and Rescue Authority, and total payments for allowances and expenses are as follows:

	2008/09	2009/10
	£000	£000
Members' Allowances Paid	60	65

6. EMPLOYEE REMUNERATION

In accordance with the Accounts and Audit Regulations (2009), disclosure is required for employees whose remuneration, excluding pension contributions, during the period exceeded £50,000.

Individual remuneration details are required for senior employees; in the case of County Durham and Darlington Fire and Rescue Authority, the senior employees are the Chief Executive and Directors. In accordance with the Regulations, senior employees are included by job title.

2009/10						
	Salary	Expense	Benefits in	Total	Pension	Total

NOTES TO CORE FINANCIAL STATEMENTS

	(including fees & allowances)	Allowances	Kind (eg Car Allowances)	Remuneration excluding pension contributions	contributions	Remuneration including pension contributions
	£	£	£	£	£	£
Chief Executive	131,163	-	4,032	135,195	23,794	158,989
Director of Community Safety	97,177	1,032	4,402	102,611	20,699	123,310
Director of Organisational & People Development	93,393	1,746	-	95,139	-	95,139
Director of Operations	89,159	1,012	3,906	94,077	18,991	113,068
Director of Corporate Services	81,281	475	4,246	86,002	14,306	100,308
	492,173	4,265	16,586	513,024	77,790	590,814

Comparative figures for 2008/09 are as follows:-

2008/09						
	Salary (including fees & allowances)	Expense Allowances	Benefits in Kind (eg Car Allowances)	Total Remuneration excluding pension contributions	Pension contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£
Chief Executive	129,543	-	4,032	133,575	23,509	157,084
Director of Community Safety	98,483	1,094	4,449	104,026	20,977	125,003
Director of Operations	99,593	1,068	3,947	104,608	21,213	125,821
Director of Corporate Services	69,628	404	4,291	74,323	12,255	86,578
	397,247	2,566	16,719	416,532	77,954	494,486

Other employees, whose remuneration is in excess of £50,000, are included within the bandings of £5,000.

Remuneration Band	Number of Employees	
	2008/09	2009/10
£50,000-£54,999	6	2
£55,000-£59,999	5	4
£60,000-£64,999	2	-
£65,000-£69,000	-	1

7. RELATED PARTIES

NOTES TO CORE FINANCIAL STATEMENTS

In accordance with FRS8, the financial statements must contain the disclosures necessary to draw attention to the possibility that the reported financial position of the Authority may have been affected by the existence of related parties and by material transactions with them. Transactions should be disclosed where material to either the organisation or individual with whom the transaction has been incurred. Related parties under FRS8 include:

- Central Government
- Other Local Authorities
- Subsidiary and associated companies
- Joint ventures and joint venture partners
- Members and Chief Officers

Colette Longbottom, Clerk to the Authority, is also Head of Legal and Democratic Services for Durham County Council.

Stuart Crowe, Treasurer to the Combined Fire Authority during 2009/10, was also Treasurer to Durham County Council, throughout the financial year.

Jeff Garfoot, Head of Finance at Durham County Council has taken over the role of Treasurer to the Combined Fire Authority in 2010/11, following the retirement of Stuart Crowe.

A number of Members of the Authority are also Members of Durham County Council and Darlington Borough Council. It is not considered that there have been any material transactions that could have been affected by this relationship.

Durham County Council administers the Durham County Council Pension Fund of which the Fire Authority is a member (Note 34).

The Authority obtains part of its income from precepts levied on the collection authorities in its area. During the year, transactions with related parties, excluding those disclosed elsewhere in the accounts, were as follows:

	Receipts	
	Precepts 2008/2009	Precepts 2009/2010
	£000	£000
Durham County Council	-	13,285
Darlington Borough Council	2,810	2,941
Chester-le-Street District Council	1,426	-
Derwentside District Council	2,261	-
Durham City Council	2,198	-
Easington District Council	2,272	-
Sedgefield District Council	2,235	-
Teesdale District Council	760	-
Wear Valley District Council	1,678	-
	15,640	16,226

NOTES TO CORE FINANCIAL STATEMENTS

On 1 April 2009, a single unitary council for County Durham (Durham County Council) replaced the County and District Councils in County Durham.

As a result, precepts relating to County Durham are now received from Durham County Council.

At 31 March 2010, Durham County Council owe the Authority £0.115m in respect of the Collection Fund and the Authority owe Durham County Council £0.333m relating to amounts due from Council Tax Payers.

In addition £0.104m is due to the Authority from Durham County Council relating to VAT claimed on the Authority's behalf.

At 31 March 2010, the Authority owe Darlington Borough Council £0.247m in respect of the Collection Fund and amounts due from Council Tax Payers.

8. GOVERNMENT GRANTS

The Authority has received revenue grants of £14.193m (2008/09:£13.785m) from the Department for Communities and Local Government.

9. EXTERNAL AUDIT FEES

The accounts of the Authority are audited by the Audit Commission. In accordance with the Statement of Recommended Practice 2009, authorities are required to disclose payment of fees. The fees payable to the Audit Commission for 2008/09 and 2009/10 are set out below:

	2008/09	2009/10
	£000	£000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	59	66
Fees payable to the Audit Commission for certification of grant claims	-	-
Fees payable in respect of other services provided by the appointed auditor	-	-
	59	66

10. LEASES

(a) Finance Leases

In 2006/07, the Authority acquired computer equipment under a three-year finance lease. This was to lend to employees also under a finance lease, as part of the Home Computer Initiative. The scheme came to an end during the year.

For the 'lease in', where the Authority acts as a lessee, the rentals payable in 2009/10 were £2,072 with £nil financing costs (i.e. interest) charged to the Income and Expenditure

NOTES TO CORE FINANCIAL STATEMENTS

Account and £2,072 relating to the reduction of amounts owed to the leasing company (debited to long-term liabilities).

For the 'lease out', where the Authority acts as a lessor, the rentals receivable from employees in 2009/10 were £2,072. The finance element of £nil has been credited to the Income and Expenditure Account, with the principal element of £2,072 reducing long-term debtors, both elements offsetting the costs paid as lessee.

(b) Operating Leases

The Authority uses a number of vehicles financed under the terms of operating leases. The amount paid under these arrangements in 2009/10 was £205,603 (2008/09:£206,860).

As 31 March 2010, the Authority was committed to making payments of £169,280 under operating leases in 2010/11, comprising of the following elements:

	Vehicles, Plant and Equipment
	£000
Leases expiring in 2010/11	-
Leases expiring between 2011/12 and 2014/15	89
Leases expiring after 2014/15	80
	169

11. MINIMUM REVENUE PROVISION (MRP)

The Local Authorities Capital Finance and Accounting (England) (Amendment) Regulations 2008 requires the Authority to provide for an amount of MRP which it considers to be prudent. MRP has been prepared on the basis of 4% of the capital finance requirement at the end of the preceding year.

BALANCE SHEET

12. INTANGIBLE FIXED ASSETS

The following shows the movement on intangible fixed assets during the year:

	£000
Original Cost	84
Amortisations to 1 April 2009	-18
Balance at 1 April 2009	66
Expenditure in year	-
Amortisation during year	-8
Balance at 31 March 2010	58

13. TANGIBLE FIXED ASSETS

The following shows the movement on tangible fixed assets during the year:

NOTES TO CORE FINANCIAL STATEMENTS

Operational Assets

	Operational Assets		
	Land and Buildings	Vehicles, Plant and Equipment	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2009	19,766	7,219	26,985
Additions	79	1,514	1,593
Disposals	-	-488	-488
Reclassifications	-102	546	444
Revaluations	-208	-	-208
Impairments	-2,215	-	-2,215
At 31 March 2010	17,320	8,791	26,111
Depreciation and impairments			
At 1 April 2009	-797	-4,062	-4,859
Charge for 2009/10	-810	-593	-1,403
Disposals	-	469	469
Reclassifications	-	-	-
Revaluations	433	-	433
Impairment	998	-	998
At 31 March 2010	-176	-4,186	-4,362
Balance Sheet amount at 31 March 2010	17,144	4,605	21,749
Balance Sheet amount at 1 April 2009	18,969	3,157	22,126

Non-Operational Assets

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NOTES TO CORE FINANCIAL STATEMENTS

	Non-Operational Assets- Assets Under Construction		
	Land and Buildings	Vehicles, Plant and Equipment	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2009	63	546	609
Additions	120	483	603
Disposals	-120	-	-120
Reclassifications	102	-546	-444
Revaluations	-	-	-
At 31 March 2010	165	483	648
Depreciation and impairments			
At 1 April 2009	-	-	-
Charge for 2009/10	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
Revaluations	-	-	-
At 31 March 2010	-	-	-
Balance Sheet amount at 31 March 2010	165	483	648
Balance Sheet amount at 31 March 2009	63	546	609

14. CAPITAL EXPENDITURE AND FINANCING

The capital financing requirement represents that part of the value of fixed assets that is to be met from external borrowing and capital cash overdrawn.

NOTES TO CORE FINANCIAL STATEMENTS

The requirement has decreased by £0.101m from £2.520m to £2.419m as follows:

	2008/09	2009/10
	£000	£000
Opening Capital Financing Requirement	2,623	2,520
Capital Investment		
Operational assets	1,085	1,593
Non-operational assets	609	603
Sources of Finance		
Capital receipts	-21	-180
Government Grants and Contributions	-63	-670
Minimum Revenue Provision	-105	-101
Direct Revenue Provision	-1,608	-1,346
Closing Capital Financing Requirement	2,520	2,419
Explanation of movements in the year		
Reduction in underlying need to borrow (supported by Government financial assistance)	-105	-101
Increase in underlying need to borrow (unsupported by Government financial assistance)	-	-
Increase/decrease (-) in Capital Financing Requirement	-105	-101

15. CAPITAL COMMITMENTS

The capital programme of the Fire and Rescue Authority provides for expenditure totalling £13.692m in the years 2010/11 to 2012/13. This covers the replacement programmes for both vehicles and equipment, as well as planned premises improvements and acquisition of land for a new fire station.

16. INFORMATION ON ASSETS HELD

Details concerning assets held by the Fire and Rescue Authority are shown below:

Asset Type	Number as at 01.04.09	Number as at 31.03.10
Headquarters	1	1
Fire Stations	15	15
Vehicles	128	133

17. PRIVATE FINANCE INITIATIVE (PFI) SCHEME

The 2009 SORP requires that Authorities disclose future liabilities of any non-operational PFI schemes, which have reached financial close by 31 March 2010.

NOTES TO CORE FINANCIAL STATEMENTS

The following table outlines the future liabilities of County Durham and Darlington Fire and Rescue Authority:

	Operating Costs	Interest Charges	Long Term Liability	Total Payable
Within 1 year	354	566	114	1,034
Between 2 and 5 years	1,773	3,340	503	5,616
Between 6 and 10 years	2,523	3,884	939	7,346
Between 10 and 15 years	2,946	3,372	1,434	7,753
Between 15 and 20 years	3,445	2,539	2,228	8,213
Between 20 and 25 years	4,034	1,193	3,507	8,734
After 25 years	235	-52	45	228

18. STOCKS

Stocks are shown at average cost.

	As at 31.03.09	As at 31.03.10
	£000	£000
Transport	53	61
Stores	385	276
	438	337

19. TEMPORARY INVESTMENTS

The carrying amount of loans made by the Authority, outstanding at the year end, is shown in the table below:

	As at 31.03.09	As at 31.03.10
	£000	£000
Investments	6,277	8,805
	6,277	8,805

During the year information is provided to the Authority regarding investments. In accordance with the Authority's adopted Treasury Policy Statement, the Authority is informed of transactions made with UK clearing banks and major building societies.

Under the requirements of FRS25, FRS26 and FRS29, accrued interest is reported as part of the carrying value of the borrowing/investment.

The accrued interest related to investments included in the figure above amounts to £3,871 as at 31 March 2010 (£5,426 as at 31 March 2009).

20. DEFERRED LIABILITIES

The carrying amount of deferred liabilities is shown below:

	As at 31.03.09	As at 31.03.10

NOTES TO CORE FINANCIAL STATEMENTS

	£000	£000
Debt	1,804	1,679
Leasing	4	-
	1,808	1,679

Deferred Liability – Debt

The balance relates to long-term borrowings from the Public Works Loan Board, further analysed as follows:

	2008/09	2009/10
	£000	£000
Long-term Borrowings		
Repayable within 1 – 2 years	125	131
Repayable within 2 – 5 years	414	346
Repayable within 5 – 10 years	537	474
Repayable over 10 years	728	728
	1,804	1,679

21. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Instruments Balances

The carrying amount of financial instruments is shown below:

As at 31 March 2009		As at 31 March 2010	
Long-term	Current	Long-term	Current

NOTES TO CORE FINANCIAL STATEMENTS

£000	£000		£000	£000
		Financial Liabilities at amortised cost		
1,804	119	PWLB Borrowing	1,679	137
-	118	Bank Overdraft	-	331
-	2,880	Trade Creditors	-	2,107
1,804	3,117	Total Borrowing	1,679	2,575
		Loans and Receivables at amortised cost		
-	6,277	Short-term investments	-	8,805
2	-	Long-term debtors	2	-
-	661	Trade debtors	-	651
2	6,938	Total Investments	2	9,456

Fair Value of Assets and Liabilities carried at Amortised Cost.

As at 31 March 2009			As at 31 March 2010	
Carrying amount	Fair Value		Carrying amount	Fair Value
£000	£000		£000	£000
		Financial Assets		
		Loans and receivables		
6,277	6,277	Short-term investments	8,805	8,805
2	2	Long-term debtors	2	2
661	661	Trade debtors	651	651
6,940	6,940	Financial Liabilities (current and long-term)	9,458	9,458
1,923	2,173	PWLB Borrowing	1,816	1,964
2,880	2,880	Trade creditors	2,107	2,107
118	118	Bank overdraft	331	331
4,921	5,171		4,254	4,402

Financial assets and liabilities represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the Public Works Loans Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the actual principal outstanding or the invoiced or billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Instruments Gains and Losses

NOTES TO CORE FINANCIAL STATEMENTS

The gains and losses recognised in the 2009/10 Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities measured at Amortised Cost	Financial Assets Loans and Receivables
	£000	£000
Interest expense	91	-
Interest income	-	-38
Net gain/loss for the year	53	

Comparative figures for 2008/09 are as follows:-

	Financial Liabilities measured at Amortised Cost	Financial Assets Loans and Receivables
	£000	£000
Interest expense	98	-
Interest income	-	-354
Net gain/loss for the year	-256	

Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

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

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting:
 - The Authority's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.

NOTES TO CORE FINANCIAL STATEMENTS

- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Authority's annual Council Tax setting budget. These items are reported with the annual Treasury Management Strategy that outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members.

The Treasurer is responsible for implementing the policies outlined above. The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

(a) Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposures to the Authority's customers. Deposits are not made to banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The Authority has a policy of not lending more than £3million in one institution. Customers are assessed on their financial position, past experience and other factors.

(b) Liquidity Risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

(c) Market Risk

The Authority has a number of strategies for managing interest rate risk. The Authority's policy is to aim to keep a maximum of 50% of its borrowing in variable rate loans. During periods of falling interest rates fixed rate loans could be repaid early to limit exposure to losses.

22. DEBTORS

These are sums of money due to the Authority but unpaid as at 31 March 2010. The Authority seeks to recover sums due to it as soon as possible and actively pursues outstanding accounts rendered upon debtors.

Debtors have been reviewed for impairment and the provision for doubtful debts reflects any uncertainty about amounts receivable.

	As at 31.03.09 (as restated)	As at 31.03.10
	£000	£000
Amounts falling due within one year:		

NOTES TO CORE FINANCIAL STATEMENTS

Debtors		
Government Departments	2,257	661
Other Debtors	1,327	1,297
Payments in Advance	98	-
Provision for Doubtful Debts	-17	-8
	3,665	1,950
Amounts falling due after one year:	2	2
	3,667	1,952

23. CREDITORS

These are amounts owed by the Authority for works done, goods received or services rendered which have not been paid for as at 31 March 2010.

	As at 31.03.09 (as restated)	As at 31.03.10
	£000	£000
Creditors		
Government Departments	1,062	1,834
Other Creditors	2,959	1,338
Receipts in Advance	49	486
Short-term Borrowing	119	137
Bank	118	331
	4,307	4,126

Under the requirements of FRS25, FRS26 and FRS29, the Authority must now report accrued interest as part of the carrying value of the borrowing.

The accrued interest relating to borrowing, included above, is £11,951 as at 31 March 2010.

24. DEFERRED GRANT ACCOUNT

This account shows the extent to which government grants and contributions, which have been received by the Authority, have not been applied to the Income and Expenditure Account. An allocation is made to the Income and Expenditure Account over the life of the assets being financed.

Movements during the year were as follows:

	2008/09	2009/10
	£000	£000
Balance at 1 April	-454	-476
Additional grants received	-64	-670
Released to Income and Expenditure Account	42	39

NOTES TO CORE FINANCIAL STATEMENTS

Balance at 31 March	-476	-1,107
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25. PROVISIONS

Insurance Provision

An insurance provision has been established to meet the identified potential cost to the Authority of insurance policy excesses for claims of negligence from employees for personal injury sustained during the course of their employment, and from third parties for personal injury or damage to their property. This provision is based on the Insurance Company's estimates of outstanding claims and settlement of the claims is likely to be spread over a number of years.

Movement in the Provision

	2008/09	2009/10
	£000	£000
Balance at 1 April	9	3
Increase/decrease (-) during the year	-6	3
Balance at 31 March	3	6

26. RESERVES

The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practices, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April 2009 (as restated)	Net Movement in Year	Balance 31 March 2010	Purpose of Reserve	Further details of Movement
	£000	£000	£000		
Revaluation Reserve	4,115	-996	3,119	Gains on revaluation of	Note 29 to the accounts

NOTES TO CORE FINANCIAL STATEMENTS

				fixed assets not yet realised through sales	
Collection Fund Adjustment Account	94	-30	64	Share of Collection Fund Balance outstanding	Note 2 to the accounts
Capital Adjustment Account	15,690	121	15,811	Capital resources set aside to meet capital expenditure	Note 29 to the accounts
Pensions Reserve	-177,571	-73,356	-250,927	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 33 to the accounts
Earmarked Reserves	4,039	619	4,658	Detailed below	Detailed below
General Fund	2,675	325	3,000	Resources available to meet future running costs	Statement of Movement on the General Fund Balance
Total	-150,958	-73,317	-224,275		

27. EARMARKED RESERVES

Earmarked reserves at 31 March 2010 were as follows:

Pensions Reserve

To provide resources to meet unforeseen Firefighter's pension expenditure.

Revenue Modernisation Reserve

To assist in meeting the future challenges of modernisation, this reserve has been created to allow one-off schemes to be progressed without having a significant effect on future budgets.

Capital Modernisation Reserve

To supplement the funding of capital expenditure in future years in relation to building, vehicles and equipment expenditure.

Community Safety Reserve

To enable specific community safety schemes to be undertaken.

Movements in Earmarked Reserves

The following contributions have been made to / from (-) the earmarked reserves:

	Balance at 1.4.09	Increase / decrease (-) in year	Balance at 1.4.10

NOTES TO CORE FINANCIAL STATEMENTS

	£000	£000	£000
Pensions	309	-	309
Revenue Modernisation	760	-	760
Capital Modernisation	2,556	619	3,175
Community Safety	414	-	414
Total	4,039	619	4,658

28. GENERAL FUND RESERVE

The net accumulated unapplied General Fund Revenue balance is £3m as at 31 March 2010 which equates to 9.86% of the 2009/10 budget requirement. This is in line with the Authority's policy on reserves which is to maintain broadly general reserves of between 7.5% and 10%, with a maximum general reserve of 15% of the budget requirement for the short to medium term.

29. REVALUATION RESERVE AND CAPITAL ADJUSTMENT ACCOUNT

The fundamental principle of capital accounting is that accounting for fixed assets is separated from accounting for their financing. There are two reserves that help to manage this separation:

- The Revaluation Reserve - records unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets.
- The Capital Adjustment Account - provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

These reserves are matched by fixed assets within the Balance Sheet and they are not resources available to the Authority.

(i) REVALUATION RESERVE

2008/09		2009/10
£000		£000
15	Opening Balance	4,115
4,362	Revaluation gains/losses	-754
-247	Excess of current cost depreciation	-242
-15	Balance written off on disposal of asset	-
4,115	Closing Balance	3,119

(ii) CAPITAL ADJUSTMENT ACCOUNT

2008/09		2009/10
£000		£000
18,718	Opening Balance	15,690
	Movement in year	

NOTES TO CORE FINANCIAL STATEMENTS

1,608	Capital Financing from Revenue and Capital Receipts	1,526
105	Minimum Revenue Provision/Voluntary Set Aside	101
-1,266	Amounts included in I&E Account but required by statute to be excluded from General Fund Balance (Capital Charges)	-1,411
42	Transfer to Government Grants Deferred	39
-3,759	Impairments	-238
	Amounts written off from Revaluation Reserve:	
247	Excess of current cost depreciation over historic cost depreciation	242
21	Balance on disposal of fixed asset	-
	Other amounts written off on disposal of fixed assets:	
-26	Net Book Value	-138
15,690	Closing Balance	15,811

30. CONTINGENT LIABILITIES

There are no known contingent liabilities.

31. AUTHORISATION OF ACCOUNTS FOR ISSUE/POST BALANCE SHEET EVENTS

The Statement of Accounts were authorised for issue by the Treasurer, Jeff Garfoot, on 28 September 2010. This is the date up to which events after the Balance Sheet date have been considered.

Post Balance Sheet Events

Retained Firefighters

On 17 June 2010, the National Joint Council for Local Authority Fire and Rescue Services issued a circular announcing details of a settlement in respect of Retained Firefighter pay.

County Durham and Darlington Fire and Rescue Authority has calculated that the potential impact to the Authority is £0.106m.

Indexation of Public Service Pensions

It was announced in the Budget on 22 June 2010, that the Government will adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the operation of the pension scheme that the Fire Authority provides to employees.

NOTES TO CORE FINANCIAL STATEMENTS

As CPI is generally lower than RPI, future pension increases should be lower than previously expected. Advice from the Authority's Actuary suggests that the liabilities could reduce by approximately 10%. If the assumption is applied to the Local Government Pension Scheme and the Firefighter Pension Scheme, there would be a reduction in FRS17 Retirement Benefit Liability of approximately £26m.

These changes represent a 'non-adjusting' post balance sheet event, and are reported accordingly.

32. EURO COSTS

The Authority has considered the impact of the possible introduction of the Euro on its ongoing operations and financial systems. The Authority has not incurred or committed to any significant expenditure for the adaptation of equipment and systems prior to 31 March 2010. It is not expected that there will be any significant direct costs before the decision is made for the UK to adopt the Euro.

33. FINANCIAL REPORTING STANDARD 17 (FRS17) RETIREMENT BENEFITS

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments, that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two pension schemes:

- The Local Government Pension Scheme for civilian employees, administered by Durham County Council - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Firefighter's Pension Scheme for fire officers - this is an unfunded defined benefit final salary scheme administered by County Durham and Darlington Fire and Rescue Authority, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Firefighter's Pension Scheme Order 2006, if the amounts receivable by the pensions fund for the year is less than amounts payable, the Fire Authority must annually transfer an amount to meet the deficit to the pension fund. This cost is then met by central government. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Fire Authority which then must repay the amount to central government.

Transactions Relating to Retirement Benefits

The Authority recognises the costs of retirement benefits in the Net Cost of Services part of the Income and Expenditure Account when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be

NOTES TO CORE FINANCIAL STATEMENTS

made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund during the year:

	Local Government Pension Scheme		Firefighter's Pension Scheme	
	2008/09	2009/10	2008/09	2009/10
	£000	£000	£000	£000
Income and Expenditure Account				
Net Cost of Services:				
Current service cost	400	450	3,740	3,070
Past service cost	60	-	-	-
Net Operating Expenditure:				
Interest cost	810	880	12,440	11,750
Expected return on assets in the scheme	-550	-420	-	-
Net Charge to the Income and Expenditure Account	720	910	16,180	14,820
Statement of Movement in the General Fund Balance				
Reversal of net charges made for retirement benefits in accordance with FRS17	-720	-910	-16,180	-14,820
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to scheme	723	584		
Retirement benefits payable to pensioners			3,036	2,985

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £64.54m loss (£17.45m gain 2008/09) were included in the Statement of Total Recognised Gains and Losses.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method; an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Fire Scheme and the County Council Fund liabilities have been assessed by independent actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighter's Pension Scheme	
	2008/09	2009/10	2008/09	2009/10
Mortality assumptions:				

NOTES TO CORE FINANCIAL STATEMENTS

Longevity at 65 for current pensioners:				
Men	21.1	21.2	23.1	23.3
Women	23.2	23.3	24.7	25.2
Longevity at 65 for future pensioners:				
Men	23.4	23.5	25.8	26.2
Women	25.3	25.4	27.4	28.0
Rate of Inflation	3.6	3.9	3.0	3.9
Rate of increase in salaries	5.1	5.4	4.5	5.4
Rate of increase to pensions in payment	3.6	3.9	3.0	3.9
Rate of increase to deferred pensions	3.6	3.9	N/A	N/A
Rate for discounting scheme liabilities	6.5	5.5	6.9	5.8
Take-up of option to convert annual pension into retirement lump sum –				
Pre April 2008 service	50	50	N/A	N/A
Post April 2008 service	75	75	N/A	N/A

The Firefighter's Pension Scheme has no assets to cover its liabilities. The Authority employs a building block approach in determining the rate of return on the Local Government Pension Scheme's assets. Historical markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out below. The overall rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2010.

	Long-term rate of return expected at 31.03.09	Asset split at 31.03.09	Long-term rate of return expected at 31.03.10	Asset split at 31.03.10
	% p.a	%	% p.a	%
Equity investments	7.0	45.2	8.0	57.1
Property	6.0	3.9	8.5	4.9
Government Bonds	4.0	30.0	4.5	25.4
Corporate Bonds	5.8	11.0	5.5	9.6

NOTES TO CORE FINANCIAL STATEMENTS

Cash	1.6	9.9	0.7	3.0
Total	5.4	100	6.7	100

(i) Firefighter's Pension Scheme 1992

Past Service Liabilities

	Value at 31.03.08	Value at 31.03.09	Value at 31.03.10
	£m	£m	£m
Estimated liabilities in scheme			
Active members (past service)	82.63	68.53	105.65
Deferred pensions	1.21	1.20	2.85
Pensions in Payment (excluding injury)	91.16	95.00	123.22
Total	175.00	164.73	231.72
Net pensions deficit	175.00	164.73	231.72

Analysis of movement in scheme liability

	2008/09	2009/10
	£m	£m
Net deficit at the beginning of year	175.00	164.73
Net deficit at the start of current year	175.00	164.73
Movement in the year:		
Current service cost (net of employee contributions)	3.38	2.69
Cost covered by employee contributions	1.16	1.15
Past service cost	-	-
Pension transfers-in	0.34	0.72
Interest on pension liabilities	11.96	11.25
Total benefits paid	-8.35	-7.99
Curtailment and Settlements	-	-
Actuarial gain(-)/loss	-18.76	59.17
Net deficit at the end of year	164.73	231.72

(ii) Firefighter's Pension Scheme 2006

Past Service Liabilities

	Value at 31.03.08	Value at 31.03.09	Value at 31.03.10
	£m	£m	£m
Estimated liabilities in scheme			
Active members (past service)	0.51	0.90	2.93
Deferred pensions	-	-	0.01

NOTES TO CORE FINANCIAL STATEMENTS

Pensions in Payment (excluding injury)	-	-	-
Total	0.51	0.90	2.94
Net pensions deficit	0.51	0.90	2.94

Analysis of movement in scheme liability

	2008/09	2009/10
	£m	£m
Net deficit at the beginning of year	0.51	0.90
Net deficit at the start of current year	0.51	0.90
Movement in the year:		
Current service cost (net of employee contributions)	0.36	0.38
Cost covered by employee contributions	0.16	0.20
Past service cost	-	-
Pension transfers-in	-	-
Interest on pension liabilities	0.05	0.08
Total benefits paid	-	-
Curtailment and Settlements	-	-
Actuarial gain(-)/loss	-0.18	1.38
Net deficit at the end of year	0.90	2.94

(iii) Firefighter's Compensation Scheme – Injury Awards

Past Service Liabilities

	Value at 31.03.08	Value at 31.03.09	Value at 31.03.10
	£m	£m	£m
Estimated liabilities in scheme			
Pensions in Payment (injury awards)	6.36	6.25	7.98
Net pensions deficit	6.36	6.25	7.98

Analysis of movement in scheme liability

	2008/09	2009/10
	£m	£m
Net deficit at the start of current year	6.36	6.25
Movement in the year:		
Past service cost	-	-
Interest on pension liabilities	0.43	0.42
Total benefits paid	-0.37	-0.41

NOTES TO CORE FINANCIAL STATEMENTS

Curtailment and Settlements	-	-
Actuarial gain(-)/loss	-0.17	1.72
Net deficit at the end of year	6.25	7.98

(iv) Consolidated Firefighter's Pension Scheme

Past Service Liabilities

	Value at 31.03.08	Value at 31.03.09	Value at 31.03.10
	£m	£m	£m
Estimated liabilities in scheme			
Active members (past service)	83.14	69.43	108.58
Deferred pensions	1.21	1.20	2.86
Pensions in Payment (excluding injury)	91.16	95.00	123.22
Pensions in Payment (injury awards)	6.36	6.25	7.98
Total	181.87	171.88	242.64
Net pensions deficit	181.87	171.88	242.64

Analysis of movement in scheme liability

	2008/09	2009/10
	£m	£m
Net deficit at the beginning of year	181.87	171.88
Movement in the year:		
Current service cost (net of employee contributions)	3.74	3.07
Cost covered by employee contributions	1.32	1.35
Past service cost	-	-
Pension transfers-in	0.34	0.72
Interest on pension liabilities	12.44	11.75
Total benefits paid	-8.72	-8.40
Curtailment and Settlements	-	-
Actuarial gain(-)/loss	-19.11	62.27
Net deficit at the end of year	171.88	242.64

(v) Durham County Council Pension Fund

Analysis of movement in scheme liability

	2008/09	2009/10
	£m	£m
Net deficit at the beginning of year	3.18	5.69
Movement in the year:		
Contributions towards funded liabilities	-0.71	-0.58
Unfunded benefit payment	-0.01	-0.01

NOTES TO CORE FINANCIAL STATEMENTS

Current service cost (net of employee contributions)	0.40	0.45
Past service cost	0.06	-
Curtailments/settlements	-	-
Expected return on pension fund assets	-0.55	-0.42
Interest on pension liabilities	0.81	0.88
Actuarial loss	2.51	2.27
Net deficit at the end of year	5.69	8.28

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded and Unfunded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Firefighter's Pension Scheme	
	2008/09	2009/10	2008/09	2009/10
	£m	£m	£m	£m
Opening present value	11.78	13.53	181.87	171.88
Current service cost	0.40	0.45	3.74	3.07
Interest cost	0.81	0.88	12.44	11.75
Contributions by scheme participants	0.21	0.21	1.32	1.35
Actuarial gains (-) / losses	0.85	4.65	-19.11	62.27
Benefits paid	-0.58	-0.47	-8.72	-8.40
Past service costs	0.06	-	-	-
Pension transfers-in	-	-	0.34	0.72
Closing present value	13.53	19.25	171.88	242.64

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2008/09	2009/10
	£m	£m
Opening fair value	8.60	7.84
Expected rate of return	0.55	0.42
Actuarial gains and losses	-1.66	2.38
Employer contributions	0.71	0.58
Contributions by scheme participants	0.21	0.21
Benefits paid	-0.57	-0.46

NOTES TO CORE FINANCIAL STATEMENTS

Closing fair value	7.84	10.97
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The actual return on scheme assets in the year was £2.8m gain (2008/09: £1.11m loss).

Scheme History

	2004/05*	2005/06*	2006/07 As Restated	2007/08 As Restated	2008/09	2009/10
	£m	£m	£m	£m	£m	£m
Present value of liabilities:						
Local Government Pension Scheme	9.59	11.37	12.05	11.78	13.53	19.25
Firefighter's Pension Scheme	174.04	215.25	210.78	181.87	171.88	242.64
Fair value of assets in the Local Government Pension Scheme	5.87	7.73	8.54	8.60	7.84	10.97
Surplus/ deficit (-) in the scheme:						
Local Government Pension Scheme	-3.72	-3.64	-3.51	-3.18	-5.69	-8.28
Firefighter's Pension Scheme	-174.04	-215.25	-210.78	-181.87	-171.88	-242.64

*In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous three periods are measured at current bid price. Asset values previously measured at mid-market value for periods 2006/07 and 2007/08 have been re-measured for this purpose. Asset values for periods 2004/05 and 2005/06 are shown at mid-market value and have not been re-measured as permitted by FRS17 (as revised).

Employer Contributions

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2011 are £0.604m. Expected contributions to the Firefighter's Pension Scheme in the year to 31 March 2011 are £2.558m.

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories:

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
	£m	£m	£m	£m	£m	£m
Total actuarial gain (-) / loss:						
Local Government Pension Scheme	0.92	-0.18	-0.26	-0.54	2.53	2.26
Firefighter's Pension Scheme	39.06	32.34	-16.10	-41.37	-19.11	62.27

NOTES TO CORE FINANCIAL STATEMENTS

Differences between the expected and actual return on assets:						
Local Government Pension Scheme	-0.25 -4.3%	-1.18 -15.3%	-0.07 -0.8%	0.84 9.7%	1.66 29.17%	2.38 21.70%
Experience gains (-) and losses on liabilities:						
Local Government Pension Scheme	-0.05 -0.5%	-	0.01 0.1%	0.79 6.7%	-0.01 0.02%	0.05 0.26%
Firefighter's Pension Scheme	2.40 1.4%	2.24 1.0%	-3.23 -1.5%	-5.92 -3.3%	-0.42 0.24%	-10.32 4.25%

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £250.927m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £224,275m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains unaffected:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary
- finance is only required to be raised to cover fire pensions when the pensions are actually paid.

The cumulative actuarial gain (-)/loss on the two schemes is shown below;

- Local Government Pension Scheme £4.28m
- Firefighter's Pension scheme £75.21m

CASH FLOW STATEMENT

34. RECONCILIATION OF DEFICIT TO CASH FLOW 2009/10

	£000	£000
Deficit for the year		-8,329
Non-cash transactions		
Net charges made for retirement benefits in accordance with FRS17 less employer's contributions payable to the Pension Account	12,160	

NOTES TO CORE FINANCIAL STATEMENTS

Transfers to provisions	-6	
Loss on disposal of fixed assets	-41	
Depreciation and amortisation of fixed assets	1,648	
Government grant payable to the Pension Fund on the Authority's behalf	-3,039	
REFCUS	-245	
		10,477
Items on an accruals basis		
Increase in debtors, payments in advance, stocks and work in progress	-92	
Increase in creditors and receipts in advance	1,679	
		1,587
Items classified elsewhere in the Cash Flow Statement		
Investment income	-44	
Interest paid	91	
Sale of fixed assets	-59	
Government grants deferred amortisation	-39	
		-51
Net Cash Inflow from Revenue Activities		3,684

35. LIQUID RESOURCES

Liquid resources relate to the Authority's investments. The 2009/10 movement in liquid resources was as follows:

	Investments Made	Investments Recovered	Increase in year
	£000	£000	£000
Short Term Investments	124,206	121,678	2,528

36. RECONCILIATION OF 2009/10 FINANCING AND MANAGEMENT OF LIQUID RESOURCES TO RELATED BALANCE SHEET ITEMS

	Cash Flow Statement	BALANCE SHEET		
		As at 31 March 2009	As at 31 March 2010	Movement
	£000	£000	£000	£000
Management of liquid resources				
Net increase in				

NOTES TO CORE FINANCIAL STATEMENTS

short-term deposits	-2,528			
Investments		6,277	8,805	2,528
Total	-2,528	6,277	8,805	2,528
Financing				
Repayments of amounts borrowed	-119			
Longer term borrowings		1,804	1,679	-125
Creditors				
Short term borrowing		119	125	6
Total	-119	1,923	1,804	-119

37. RECONCILIATION OF 2009/10 MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT

	£000	£000
Decrease in cash per Cash Flow Statement		-216
Less		
Revenue Activities	-3,684	
Capital Activities	1,206	
Servicing of Finance	47	-2,431
		-2,647
Movement in Net Debt		
Management of Liquid Resources	-2,528	
Financing - borrowings	-119	
		-2,647

38. ANALYSIS OF GOVERNMENT GRANTS

	As at 31.03.10
	£
Revenue Grants	
Revenue Support Grant	2,662
Pension Grant	2,285
TOTAL REVENUE GRANTS	4,947
Capital Grants	
RIEP	688
Positive Action	34

NOTES TO CORE FINANCIAL STATEMENTS

TOTAL CAPITAL GRANTS	722
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PENSION FUND ACCOUNT

FIRE PENSION FUND ACCOUNT

The funding arrangements for the fire pension scheme in England and Wales changed from 1 April 2006. Before 1 April 2006 the scheme did not have a percentage of pensionable pay type of employer's contribution; rather each Fire Authority was responsible for paying the pensions of its former employees on a pay-as-you-go basis.

Under the new funding arrangements the scheme remains unfunded but will no longer be on a pay-as-you-go basis as far as an individual Fire Authority is concerned. Authorities will no longer meet the pension outgoings directly; instead they will pay an employee's pension contribution based on a percentage of pay into the Pension Fund. Each individual Fire Authority is required to operate a Pension Fund and the amounts that must be paid into and out of the Fund are specified by regulations.

Under the new arrangements, the Pension Fund is balanced to nil at the end of the year by either paying over to Central Government the amount by which the amounts receivable by the Fund for the year exceeds the amounts payable, or by receiving cash in the form of pension top-up grant from Central Government equal to the amount by which the amount payable from the Pension Fund for the year exceeds the amount receivable.

There are no investment assets relating to the Fire Pension Fund.

The transactions of the Fire Pension Fund, together with a net assets statement, are as follows:

Fire Pension Fund Account

Dealings with members, employers and others directly involved in the scheme

	2008/09	2009/10
	£000	£000
Contributions receivable		
Fire authority contributions in relation to pensionable pay	-2,458	-2,490
Firefighter's contributions	-1,322	-1,352
Transfers in from other authorities		
Individual transfers in from other schemes	-340	-319
Ill health capital contributions	-165	-73
Benefits payable		
Pensions	5,588	6,065
Commutation and lump sum retirement benefits	3,139	1,208
Net amount payable for the year	4,442	3,039
Top-up grant payable by the Government	-4,442	-3,039
Year end balance	-	-

Net Assets Statement

PENSION FUND ACCOUNT

	2008/09	2009/10
	£000	£000
Net current assets and liabilities		
Amount due to (-) / from General Fund	-2,068	-535
Amount due to (-) / from Government	2,068	535
Total	-	-

1. Basis of Preparation

The pension fund accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (SORP).

The financial statements do not take account of liabilities to pay pensions and other benefits which fall due after the end of the financial year.

2. Accounting Policies

The principal accounting policies are as follows:

Contributions

Contributions represent the total amount receivable from the Authority and pensionable employees. The contributions are made at rates determined by the Government Actuaries Department. The employer's contributions are set at a nationally applied rate of 21.3% of pensionable pay for the 1992 Firefighter's Pension Scheme and 11.0% for the 2006 Firefighter's Pension Scheme. The employee's contributions are set at 11.0% and 8.5% respectively.

The Authority is also required to make payments into the Pension Fund in respect of ill-health retirements when they are granted.

Benefits

Benefits are accounted for in the year in which they become due for payment.

Transfer Values

Transfer values are those sums paid payable by, or receivable from, other pension schemes for individuals only and relate to periods of previous pensionable employment. Transfers are accounted for on a receipts and payments basis.

GLOSSARY OF TERMS

Accruals

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

Amortisation

The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible fixed asset, whether arising from use, effluxion of time or obsolescence through technical or other changes.

Budget

The Authority's plans and policies for the period concerned expressed in financial terms.

Capital Adjustment Account

A capital reserve that reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital Charge

A charge to the revenue account to reflect the cost of fixed assets used.

Capital Expenditure

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

Capital Receipts

Proceeds from the sale of capital assets.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local government finance.

Contingent Liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events; or a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Creditors

Persons or bodies to whom sums are owed by the Authority.

Current Assets

Items that can be readily converted into cash.

Current Liabilities

Items that are due immediately or in the short-term.

Debtors

Persons or bodies who owe sums to the Authority.

Deferred Liabilities

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technical or other changes.

Finance Lease

See 'Leasing'.

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Reporting Standards (FRS)

Statements issued by the Accounting Standards Board laying down common standards of accounting practice.

Fixed Assets

Tangible and intangible assets that yield benefits to the authority and the services it provides for a period of more than one year.

Funded Scheme

Pension scheme whereby employees' and employer's contributions, together with dividends and interest from the investment of surplus money, are paid into a fund from which benefits are paid.

Government Grants

Assistance by Government in the form of cash in return for past or future compliance with certain conditions relating to the activities of the authority.

Leasing

A method of financing capital expenditure where a rental charge for an asset is paid for a specific period. There are two main types of lease: 'finance leases' which transfer substantially all the risks and rewards of ownership to the lessee, and other leases, which are known as 'operating leases'.

Minimum Revenue Provision

The minimum amount, which must be charged in the year for the repayment of debt (credit liabilities and credit arrangements).

Non-Operational Assets

Fixed assets held by the authority but not directly occupied, used or consumed in the delivery of services. These are assets under construction for which there is no valuation and which are not yet operational, and surplus assets held for disposal.

GLOSSARY OF TERMS

Operating Lease

See 'Leasing'.

Operational Assets

Fixed assets held and occupied, used or consumed by the authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Precept Income

Fire Authorities obtain part of their income from precepts levied on the billing authorities in their area. Precepts, based on the council tax base of each district council, are levied on a collection fund, administered separately by each district council.

Provisions (including 'Provisions for Credit Liabilities')

Sums set aside to meet any liabilities or losses which are likely or certain to be incurred, but uncertain as to the amounts or dates on which they will arise. Provisions for credit liabilities comprise amounts set aside from revenue and capital receipts to repay loans and credit arrangements.

Public works Loans Board (PWLB)

A government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.

Reserves

Sums set aside for purposes falling outside the definition of a 'provision'.

Revaluation Reserve

Capital reserve to hold unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets.

Revenue Contributions

The financing of capital expenditure by a direct charge to the revenue account in the year of acquisition.

Revenue Expenditure and Income

Expenditure and income arising from the day-to-day operation of the Authority's service.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure that legislation allows to be classified as capital for funding purposes. However, it does not result in the expenditure being shown in the Balance Sheet as a fixed asset. This expenditure is charged to the relevant service revenue account in the year.

An example of this is expenditure on assets not owned by the Authority.

This accounting treatment, as defined in the CIPFA Statement of Recommended Practice (SORP), replaces the concept of deferred charges.

Revenue Support Grant

General grant given by the Government to authorities to assist in financing the overall net cost of services.

Running Expenses

All expenses other than those relating to employees and the financing costs of capital expenditure (debt charges and revenue contributions). Running expenses include expenditure on maintenance of buildings, consumable supplies, transport etc.

Specific Grant

Government grant towards expenditure.

Statements of Recommended Accounting Practice (SORP)

Statements issued by the Accounting Standards Board laying down common standards of accounting practice.

Unfunded Schemes

Pension schemes where no funds are operated. Benefits paid and employees' contributions are charged and credited directly to revenue account.

GLOSSARY OF TERMS
