County Durham and Darlington
Fire and Rescue Authority

Statement of Accounts

for the year ended 31st March 2014

CONTENTS

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 County Durham and Darlington Fire and Rescue Authority's (referred to as the Authority throughout this document) financial activities during 2013/14 and its financial position at 31 March 2014.

The 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 'Safest People, Safest 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 a separate principle of corporate governance across the public sector, the Authority now issues an Annual Governance Statement. This statement gives assurance that sound systems of control are in place across the Authority's activities.

2. INFORMATION AND FINANCIAL STATEMENTS

The accounts and statements are based on the Code of Practice on Local Authority Accounting in the UK (the Code) 2013/14.

The Code is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/ LASAAC Code Board which is overseen by the Financial Reporting Advisory Board.

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance. The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2013.

This edition of the Code applies for accounting periods commencing on or after 1 April 2013. It supersedes the edition published in February 2012 (the 2012/13 Code).

The overriding requirement of the Code remains that the Statement of Accounts gives a ‘true and fair’ view of the financial position and transactions of the Authority.

The Authority’s Accounts for the year ended 31 March 2014 are set out on the following pages:

Independent Auditor’s Report (pages 10-12) – the Report of the External Auditor on the Fire Authority’s Statement of Accounts for the year ended 31 March 2014.

Statement of Responsibilities for the Statement of Accounts (page 13) – this sets out the responsibilities of the Authority and the Treasurer, and includes the Treasurer’s certificate.

Movement in Reserves Statement (pages 14-15)

Comprehensive Income and Expenditure Account (page 16) – this discloses the income receivable and expenditure incurred in operating the Authority for the year.

Balance Sheet (page 17) – this shows the financial position of the Authority as at 31 March 2014.

Cash Flow Statement (page 18) – 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 19-78) – this provides further information on significant items.

Pension Fund Account (pages 79-80) – this sets out the financial position of the Fire Pension Fund.

3. REVIEW OF THE FINANCIAL YEAR 2013/14

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 2013/14 the Authority’s net revenue spending, which was met from the above sources, was £30.032m, while spending on capital projects totalled £9.795m.

The Authority’s general reserve balance at 31 March 2014, which represents the sum set aside to meet unforeseen future circumstances, was £2.824m, which equates to 9.4% of the 2013/14 Net Expenditure Budget. 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 Net Expenditure Budget for the short to medium term.

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2013/14 to be met from Government Grants and local taxpayers was approved at £30.032m.

4. COMPARISON OF ACTUAL WITH BUDGET – REVENUE EXPENDITURE

The following table summarises the financial position for the year:

	Original Budget	Actual	Variance
	£m	**£m**	**£m**
Expenditure			
Gross Expenditure	33.625	37.928	4.303
Income	-3.593	-7.896	-4,303
Net Expenditure	**30.032**	**30.032**	**-**
Financing			
Revenue Support Grant	9.353	9.353	-
Business Rates and Top-up Grant	6.223	6.223	-
Precept Income	14.281	14.281	-
Council Tax Freeze Grant	0.175	0.175	-
Total Financing	**30.032**	**30.032**	**-**

Variances between Original Budget and Actual

The variances are set out in the table below.

	Overspend or Underspend (-)
	£m
Employees	378
Premises	-854
Transport	-73
Supplies and Services	43
Contingencies	-212
Capital Financing	5,112
Provisions & write offs	-91
Transfers to Earmarked Reserves	-
Income	1,037
Contributions from the General Fund	-
Contributions from Reserves	-5,340
	-

Explanation of the Major Variances

Employees - £0.378m (1.72%) Overspent

The net overspend relates to one-off redundancy costs associated with the implementation of the Service Transformation Programme, together with the additional cost of staff temporarily engaged on the estates improvement and replacement mobilisation system projects.

Premises – £0.854m (25.23%) Underspent

The underspend is mainly due to a change in the allocation of the rent free periods in relation to the new headquarters and the technical services centre buildings, compared to when the original budget was set. This is offset by a reduction in government grant income. In addition, expenditure on repairs and maintenance was less than budgeted following the move to new premises.

Transport - £0.073m (9.00%) Underspent

There was a reduction in expenditure on vehicle repairs and maintenance following the recent acquisition of a number of new fire appliances.

Supplies and Services – £0.043m (1.24%) Overspent

There was a delay in the receipt of protective clothing and equipment which was originally planned for delivery in 2012/13.

Contingencies - £0.212m (100%) Underspent

The contingencies budget includes an allowance for inflation and pay awards which were not required.

Capital Financing – £5.112m (135.99%) Overspent

Expenditure on the estates improvement programme was financed from revenue contributions, which is offset by a contribution from earmarked reserves.

Transfers to Earmarked Reserves - £5.340m

The transfers from earmarked reserves include £5.014m to finance capital expenditure.

Income – £1.037m Underachieved

The level of government grant credited to the revenue account during the year was less than originally budgeted, due to change in the allocation of costs associated with the new headquarters.

CIPFA'S SERVICE REPORTING CODE OF PRACTICE

A comparison of the original budget with actual compiled in accordance with CIPFA's Service Reporting is shown below:

	2012/13 Actual £000	2013/14 Original Budget £000	2013/14 Actual £000
Net Cost of Services	**28,477**	**29,325**	**39,145**
Past Service Costs	**-**	**-**	**120**
Other Operating Expenditure			
Gain (-) / Loss on disposal of property, plant and equipment	14	-	11
Financing and Investment Income and Expenditure			
Interest payable on Debt	73	66	66
Interest Payable on PFI Unitary payments	682	658	1,322
Contingent Rents	16	18	45
Pension Interest Costs	13,380	-	14,070
Expected Return on Pension Assets	-740	-	-
Interest and Investment Income	-47	-35	-46
Gain (-) / Loss on Trading Accounts	-1	-	32
Net Operating Expenditure	**41,854**	**30,032**	**54,765**
Taxation and Non-Specific Grant Income			
Recognised Capital Grants and Contributions	-1,346	-	-1,764
Precepts	-17,357	-14,281	-14,295
Council Tax Freeze Grant	-	-175	-174
RSG	-252	-9,353	-9,353
NNDR	-13,016	-6,223	-6,163
Surplus (-) / Deficit for the year	**9,883**	**-**	**23,016**
Transfer to/from (-) Earmarked Reserves from General Fund Balance	2,911	-	-5,340
Additional amounts required to be debited/credited (-) to the General Fund Balance for the year	-12,618	-	-17,676
Increase (-) / Decrease in General Fund Balance for the year	**176**	-	-

5. COMPARISON OF ACTUAL WITH BUDGET – CAPITAL EXPENDITURE

Variances between Original Budget and Actual

The Authority approved a capital programme for 2013/14 of £11.834m. The actual capital expenditure for the year was £9.795m; £2.039m less than the original budget. The following table analyses the expenditure:

Project	Original Budget	Actual	Overspend or Underspend (-)
	£m	£m	£m
Vehicles, Plant & Equipment	0.522	2.778	2.256
Land and Buildings	11.312	7.017	-4.295
Total Expenditure	11.834	9.795	-2.039

Explanation of Major Variances

Vehicles, Plant and Equipment - £2.256m Overspent

Expenditure on replacement ICT systems which was for 2012/13 was carried forward into 2013/14 financial year.

Land and Buildings £4.295m Underspent

Changes to the estimated build times on elements of the Estates Improvement Programme resulted in expenditure on a number of projects slipping into the 2014/15 financial year.

The capital expenditure was financed by revenue contributions, capital receipts, contributions from the Capital Modernisation Reserve and Capital Grants.

Future Capital Commitments

The Authority is currently undertaking a significant programme of capital building projects which will continue into 2014/15. The projects include the building of a new fire station in Durham and the provision of new training facilities. The Authority is also investing in a number of Information Technology projects including the replacement of the mobilisation and back office systems. Vehicles and operational equipment will continue to be renewed in accordance with agreed replacement programmes.

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 2013, detailed the 2013/14 borrowing limits for the Authority. These were further revised and agreed by the Authority in February 2014, to reflect changes to the phasing of the capital programme.

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 2013/14 were as follows:

- Authorised Limit for External Debt for 2013/14 of £12.5 million;
- Operational Boundary for External Debt for 2013/14 of £11.4 million.

6. ACCOUNTING FOR POST EMPLOYMENT BENEFITS

International Accounting Standard (IAS) 19

The Statement of Accounts incorporates the effect of pensions liabilities accrued in order to comply with IAS19. 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 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 pension liability calculated under IAS19 is £319.04m at 31 March 2014.

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 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 Government grant.

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

7. PRIVATE FINANCE INITIATIVE (PFI)

The Authority has an operational PFI scheme, incorporating Bishop Auckland and Spennymoor fire stations. The assets included in the Balance Sheet are offset by a liability equal to the initial value of the assets (the capital expenditure provided for by the contactor in pricing the contract). This liability is written-down over the life of the contract by charging part of the annual payments to the contractor against the liability.

8. LOOKING AHEAD TO 2014/15

Looking ahead, the Authority's revenue expenditure for 2014/15 is estimated at £29.336m, together with an approved capital programme of £11.862m.

The Authority will face significant reductions in Government funding over the Medium Term Financial Plan period of 2014/15 to 2017/18. The 2014/15 budget has been prepared taking this funding reduction into account. Significant efficiency savings and service transformational savings have been identified to enable the Authority to set a balanced budget.

9. ACKNOWLEDGEMENTS

I would like to take this opportunity to thank both officers of the Fire and Rescue Authority and members of 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 375 5554

E-mail abankhead@ddfire.gov.uk

Write to The Treasurer to County Durham and Darlington Fire and Rescue Authority
Fire and Rescue Service Headquarters
Belmont Business Park
Durham
DH1 1TW

Anthony Hope
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 375 5554

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যদি আপনি বাংলায় এই তথ্যগুলির একটি সারসংক্ষেপ চান তবে অনুগ্রহ করে 0191 375 5554 নম্বরে ফোন করুন।

यदि आप इरा रूचना का रार हिन्दी में चाहते हैं, तो कृपया 0191 375 5554 पर फोन करें।

ਜੇਕਰ ਤੁਸੀਂ ਇਸ ਸੂਚਨਾ ਦਾ ਸਾਰ ਪੰਜਾਬੀ 'ਚ ਚਾਹੁੰਦੇ ਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ 0191 375 5554 'ਤੇ ਫ਼ੋਨ ਕਰੋ

"اگر آپ کو ان معلومات کا خلاصہ اردو میں چاهئے تو برائے مہربانی "

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COUNTY DURHAM AND DARLINGTON FIRE AND RESCUE AUTHORITY

Opinion on the Authority's financial statements

We have audited the financial statements of County Durham and Darlington Fire and Rescue Authority for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Firefighters' Pension Fund Account and Net Assets Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of County Durham and Darlington Fire and Rescue Authority as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that, in all significant respects, County Durham and Darlington Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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

C Waddell

Cameron Waddell
Director and Engagement lead

For and on behalf of Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Date: 29/09/2014

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;
- manage it's affairs to secure economic, efficient and effective use of resources and safeguard it's assets;
- 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 UK 2013/14.

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 2014 and its income and expenditure for the year ended 31 March 2014.

A J Hope **Date 29/09/2014**

Treasurer to County Durham and Darlington Fire and Rescue Authority

Chairman's Certificate

I confirm that these accounts were approved by the Authority at the meeting on 29 September 2014.

J Turnbull **Date 29/09/2014**

Chairman of the meeting approving the accounts

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘unusable reserves’.

The Surplus/ Deficit (-) on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting.

The Net Increase/ Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before discretionary transfers to or from earmarked reserves undertaken by the Authority.

Movement in Reserves Statement 2013/14							
	(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**
	General Fund Balance	**Earmarked Reserves**	**Capital Grants Unapplied**	**Capital Receipts Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2013	**2,824**	**13,726**	**53**	**248**	**16,851**	**-304,980**	**-288,129**
Surplus/Deficit (-) on provision of services	-23,016	-	-	-	-23,016	-	-23,016
Other Comprehensive Expenditure and Income	-	-	-	-	-	29,277	29,277
Total Comprehensive Expenditure and Income	**-23,016**	**-**	**-**	**-**	**-23,016**	**29,277**	**6,261**
Adjustments between accounting basis and funding under regulations (Note 5.1)	17,676	-	-	-248	17,428	-17,428	-
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	**-5,340**	**-**	**-**	**-248**	**-5,588**	**11,849**	**6,261**
Transfers to (-) / from Earmarked Reserves (Note 7.16)	5,340	-5,340	-	-	-	-	-
Increase/Decrease (-) in year	**-**	**-5,340**	**-**	**-248**	**-5,588**	**11,849**	**6,261**
Balance at 31 March 2014	**2,824**	**8,386**	**53**	**-**	**11,263**	**-293,131**	**-281,868**

Comparatives for 2012/13 are as follows:

Movement in Reserves Statement 2012/13	**(a)**	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**
	General Fund Balance	**Earmarked Reserves**	**Capital Grants Unapplied**	**Capital Receipts Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£000	**£000**	**£000**		**£000**	**£000**	**£000**
Balance at 31 March 2012	**3,000**	**10,815**	**148**	**76**	**14,039**	**-242,946**	**-228,907**
Surplus/Deficit (-) on provision of services	-9,883	-	-	-	-9,883	-	-9,883
Other Comprehensive Expenditure and Income	-	-	-	-	-	-49,339	-49,339
Total Comprehensive Expenditure and Income	**-9,883**	**-**	**-**	**-**	**-9,883**	**-49,339**	**-59,222**
Adjustments between accounting basis and funding under regulations (Note 5.1)	12,618	-	-95	172	12,695	-12,695	-
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	**2,735**	**-**	**-95**	**172**	**2,812**	**-62,034**	**-59,222**
Transfers to (-) / from Earmarked Reserves (Note 7.16)	-2,911	2,911	-	-	-	-	-
Increase/Decrease (-) in year	**-176**	**2,911**	**-95**	**172**	**2,812**	**-62,034**	**-59,222**
Balance at 31 March 2013	**2,824**	**13,726**	**53**	**248**	**16,851**	**-304,980**	**-288,129**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2012/13 Gross Expenditure	2012/13 Income	2012/13 Net Expenditure	Gross Expenditure, gross income and net expenditure of continuing operations	2013/14 Gross Expenditure	2013/14 Income	2013/14 Net Expenditure
£000	**£000**	**£000**		**£000**	**£000**	**£000**
6,437	-783	5,654	Community Fire Safety	8,067	-243	7,824
26,409	-3,795	22,614	Fire Fighting & Rescue Operations	33,341	-2,210	31,131
209	-	209	Corporate & Democratic Core	190	-	190
-	-	-	Non Distributed Costs	120	-	120
33,055	**-4,578**	**28,477**	**Net Cost of Service**	**41,718**	**-2,453**	**39,265**
			Other Operating Income & Expenditure			
14	-	14	Gain (-) / Loss on disposal of non-current assets: Property, Plant & Equipment (Note 6.3)	11	-	11
14	-	14		11	-	11
			Financing and Investment Income & Expenditure			
73	-	73	Interest payable on debt	66	-	66
682	-	682	Interest payable on PFI	1,322	-	1,322
16	-	16	Contingent Rents – PFI	45	-	45
-	-	-	Net interest on the defined benefit liability	14,070	-	14,070
13,380	-	13,380	Pensions interest costs	-	-	-
-	-740	-740	Expected return on pension assets	-	-	-
-	-47	-47	Investment interest income	-	-46	-46
73	-74	-1	Gain (-) / Loss on trading accounts (not applicable to a Service)	126	-94	32
14,224	-861	13,363		15,629	-140	15,489
			Taxation & Non-specific Grants Income			
		-1,346	Recognised capital grants and contributions			-1,764
		-17,357	Precepts (Note 6.14)			-14,295
		-	Council Tax Freeze Grant			-174
		-13,016	NNDR			-6,163
		-252	RSG			-9,353
		9,883	**Surplus (-) / Deficit on Provision of Services**			23,016
		49,338	Re-measurements of the net defined benefit liability (Note 7.21)			-26,459
		1	Deficit(-)/Surplus on revaluation of Property, Plant & Equipment			-2,818
		49,339	**Other Comprehensive Income and Expenditure**			-29,277
		59,222	**Total Comprehensive Income and Expenditure**			**-6,261**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second categories of reserves are those that the Authority is not able to use to provide services. This category of reserves includes:

- reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold;

- reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

As at 31 March 2013			As at 31 March 2014	
£000	**£000**		**£000**	**£000**
114		Intangible Assets (Note 7.1c)	605	
		Property, Plant & Equipment (Note 7.1a & 7.1b)		
22,342		Land & Buildings	23,004	
7,752		Vehicle, Plant, Furniture & Equipment	7,970	
20		Surplus Assets	23	
1,553		Assets Under Construction	4,555	
1		Long-Term Debtors (Note 7.11)	1	
	31,782	**Total Long-Term Assets**		36,158
280		Assets Held for Sale (Note 7.6)	-	
383		Inventories (Note 7.7)	497	
4,243		Short-Term Debtors (Note 7.11)	3,137	
15,702		Cash & Cash Equivalents (Note 7.13)	11,027	
	20,608	**Total Current Assets**		14,661
-154		Short Term Borrowing (Note 7.12)	-71	
-4,396		Short Term Creditors (Note 7.12)	-3,814	
	-4,550	**Total Current Liabilities**		-3,885
	47,840	**Total Assets less Current Liabilities**		46,934
-25		Provisions (Note 7.14)	-80	
-1,266		Long-term Borrowing (Note 7.9)	-1,203	
-7,672		Deferred Liability – PFI (Note 7.9)	-7,915	
-176		Other Deferred Liabilities (Note 7.9)	-564	
-326,830		Pension Liability (IAS19) (Note 7.21)	-319,040	
	-335,969	**Total Long-Term Liabilities**		-328,802
	-288,129	**Net Assets**		**-281,868**
	16,851	**Usable Reserves** (Note 7.15)	11,263	
	-304,980	**Unusable Reserves** (Note 7.15)	-293,131	
	-288,129	**Total Reserves**		**-281,868**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Indirect Method

2012/13	OPERATING ACTIVITIES	2013/14
£000		**£000**
9,883	Net surplus (-) or deficit on the provision of services	23,016
-18,075	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 8.1)	-25,764
1,517	Adjust for items received in the net surplus or deficit on the provision of services that are investing and financing activities	2,114
-6,675	**Net cash flows from operating activities**	**-634**
-2,456	Investing Activities (Note 8.3)	5,257
430	Financing Activities (Note 8.4)	52
-3,789	**Net increase (-) or decrease in cash and cash equivalents**	**4,675**
11,913	Cash and cash equivalents at the beginning of the reporting period	15,702
15,702	**Cash and cash equivalents at the end of the reporting period (Note 7.13)**	**11,027**

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2013, which require accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statements reflect the requirements of general accounting principles and concepts of:

- **Relevance** - the financial statements provide information about the Authority's performance and position that is useful to the users of the accounts to assess the stewardship of public funds and for making economic decisions.

- **Reliability** - the financial information faithfully represents the substance of the transactions, the activities underlying them and other events that have taken place are free from deliberate or systematic bias and material error and have been prudently prepared.

- **Comparability** - the information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and other Fire Authorities.

- **Understandability –** the statements have been prepared to ensure they are as easy to understand as possible.

- **Materiality** - the statements disclose items of a certain size and nature such that they provide a fair presentation of the financial position and transactions of the Authority.

- **Accruals** - other than the cashflow statement, the financial statements report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid.

- **Going Concern** - the financial statements have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

- **Legality** - where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements.

The accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Authority. Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, this has been disclosed separately.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather that the cash flows fixed or determined by the contract.

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.4 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.6 Charges to Revenue for Non-Current Assets

The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the cost of holding property, plant and equipment during the year:

- depreciation attributable to the assets used by the Authority;
- revaluation and impairment losses on assets used by the Authority where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible assets attributable to the Authority.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). Depreciation, revaluation, impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. They are recognised as an expense in the year in which the employee renders service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by an employee but not taken before the year end. The accrual is charged to the surplus or deficit on the provision of Services, but then reversed out through the Movement in Reserves Statement so that benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Net Cost of Service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or making an offer to encourage voluntary redundancy.

When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

- The 1992 Fire Pension Scheme for Firefighters which is unfunded;
- The 1996 Fire Pension Scheme for Firefighters which is unfunded;
- The Local Government Pension Scheme, administered by Durham County Council.

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority.

Discretionary Benefits (Local Government Pension Scheme)

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities, estimated to arise as a result of an award to any member of staff, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

The Fire Pension Scheme for Firefighters

The Firefighter's Pension Scheme for fire officers 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 pension fund for the year are 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. This surplus is then repaid to Central Government.

The Local Government Pension Scheme

The Local Government Pension Scheme for support staff, administered by Durham County Council, 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 pension liabilities with investment assets.

The Authority recognises the costs of retirement benefits in the Net Cost of Services section of the Comprehensive 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 made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The negative balance that arises on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.8 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes showing the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;

- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and

- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.11 Property, Plant and Equipment

Assets that have physical substance and are held for use in production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of assets is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. There is no formal de minimis level for the recognition of Property, Plant and Equipment.

Measurement

Assets are initially measured at historic cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Property, plant and equipment 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). Property, Plant and Equipment are classified into the following groupings:

• Operational Assets	Land and buildings Vehicles, plant and equipment
• Non–Operational Assets	Assets under construction Surplus assets held for disposal Assets Held for Sale

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

- Operational land and buildings and other operational assets at fair value, determined as the amount that would be paid for the assets in its existing use;
- Surplus assets held for disposal at fair value, determined as the amount that would be paid for the assets in its existing use;
- Assets under construction at depreciated historical cost until brought into commission.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

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

Increases in valuations are matched by a credit to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

An assessment is made at the year end to determine whether an asset may be impaired. If it may, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, the accounting entries are as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated balance);

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where the impairment loss is reversed subsequently, the reversal is credited to the relevant line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provisions of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as an Asset Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement 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 of assets 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 Property, Plant and Equipment 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 3 and 15 years. In rare cases, certain specialised equipment may be attributed a longer useful economic life.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.12 Donated Assets

Donated assets received by the Authority are recognised immediately on receipt at fair value as Property, Plant and Equipment. The opposite entry to this transaction (i.e. the gain to the Authority on receipt of the asset) is recognised as income in the relevant service line in the Comprehensive Income and Expenditure Statement. The Code notes that the exception to this is to the extent that the Authority might not meet the conditions attached to the donated asset. In such circumstances, the income relating to the assets will need to be recognised in the Donated Asset Account. The income will subsequently be recognised in the Comprehensive Income and Expenditure Statement when the Authority has satisfied the conditions of donation.

1.13 Intangible 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.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

1.14 Basis of Valuation of Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value and include uniforms, catering stock, smoke alarms, furniture stock, stationery, oil, diesel and vehicle spares.

The cost of inventories is assigned using the weighted average costing formula.

1.15 Accounting for Leases – Authority as Lessee

(a) Finance Leases

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Authority.

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.
Lease payments are apportioned between:

- A charge for the acquisition of the interest in the asset (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset.) The liability is written down as the rent becomes payable;

- A finance charge (debited to Net Operations Expenditure in the Comprehensive Income and Expenditure Account as the rent becomes payable).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term, if this is shorter than the asset's estimated useful life.

The Authority is not required to raise Council Tax to cover depreciation or revaluation or impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(b) Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the Comprehensive Income and Expenditure Account as an expense of the services benefiting from use of the leased assets. Charges are made on a straight-line basis over the term of the lease.

1.16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SerCoP). The total absorption costing principle is used, where the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation;

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SerCoP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.17 Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value, based on the cost to purchase the Property, Plant and Equipment, is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

The annual amounts payable to the PFI operators are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;

- finance cost – an interest charge of 10.74% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease);

- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For example, potential legal liabilities arising from claims.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset, whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.19 Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The Authority's Policy for reserves is that the Authority will:

- Set aside sufficient sums in Earmarked Reserves as it considers prudent to do so;

- Aim to maintain, broadly, General Reserves of between 7.5% and 10% of the Net Expenditure, currently between £2.25m and £3.0m respectively, with a maximum General Reserve of 15% of the Net Expenditure for the short to medium term.

Earmarked reserves relating to Pensions, Modernisation, New Dimensions, Civil Resilience, Insurance and Replacement Mobilisation System were held as at 31 March 2014 together with a General Revenue Reserve.

1.20 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Where the Authority has received capital grants which have been applied to REFCUS, they have been accounted for as revenue grants in the Comprehensive Income and Expenditure Statement, even if described as capital grants by the giver of the grant. Income is posted to the line(s) that the qualifying expenditure is charged to, in the Net Cost of Service.

Transactions are transparent in the note detailing the components of the Adjustments between Accounting Basis and Funding Basis under Regulations line in the Movement in Reserves Statement.

1.21 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.22 Group Accounts

The Authority does not have any undertakings that are subject to the preparation of group accounts.

1.23 Council Tax Income

The Code requires that the Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes a Collection Fund Adjustment Account to reflect the Collection Fund relationship between the Authority and Billing Authorities. The offset to this account is included in debtors/creditors. Debtor and creditor accounts are also included in the Balance Sheet to reflect the amounts due from Council Tax payers.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

A number of new and amended standards affecting the consolidation and reporting of subsidiaries, associates, joint ventures and investment entities have been issued which will be considered in 2014/15, following the incorporation of the Community Interest Company, which commenced trading in April 2014. Application will be required if the transactions of the Community Interest Company are considered to be material to the Authority. The amended standards define the relationship with the entity and increase the disclosure requirements relating to the financial efforts on and risks to the consolidating entity.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 the Authority has had to make certain judgements about uncertainty of future events.

There is a high degree of uncertainty about future levels of funding for fire authorities. However, it has been determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of the need to reduce levels of service provision.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

4.1 Property, Plant and Equipment

Uncertainty

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

Effect if actual results differ from assumptions

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.

It is estimated that the annual depreciation charge for buildings would increase by approximately £0.133m for every year that useful lives had to be reduced.

4.2 Pension Liability

Uncertainty

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions

The effects of changes in individual assumptions on the total pension liability can be measured. Examples of how changes in assumptions would impact upon the Firefighters' pension liability are shown in the table below.

Change in assumption *	**Increase in Liability**	
	%	£m
Rate of return :		
in excess of earnings - reduction of 0.5% per annum	2.5	7.844
in excess of pensions – reduction of 0.5% per annum	7.5	23.531
Pensioner mortality		
pensioners living (on average) 2 years longer	4.0	12.550

* Opposite changes in assumptions would produce equal and opposite changes in the liability.

5 MOVEMENT IN RESERVES STATEMENT

5.1 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2013/14	USABLE RESERVES			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Charges for depreciation, impairment and downward revaluations of non-current assets	-5,622			5,622
Amortisation of Intangible Assets	-110			110
Capital Grants and Contributions	1,764			-1,764
Revenue expenditure funded from capital under statute (REFCUS) (Income)	-			
Revenue expenditure funded from capital under statute (REFCUS) (Income)	-			
Revenue expenditure funded from capital under statute (REFCUS) (Expenditure)	-2,425			2,425
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	-361			361
Use of Capital Receipts Reserve to finance new capital	350	-350		
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income & Expenditure Statement		598		-598
Statutory provision for the financing of Capital Investment	4			-4
Capital expenditure charged against the General Fund	7,435			-7,435
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure	-22,010			22,010
Employer's pensions contributions and direct payments to pensioners payable in the year	3,341			-3,341
Adjustments by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	-46			46
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4			-4
Total Adjustments	**-17,676**	**248**	**-**	**17,428**

Comparatives for 2012/13 are as follows:

2012/13	USABLE RESERVES			
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**
Charges for depreciation impairment and downward revaluations of non-current assets	-1,791			1,791
Amortisation of Intangible Assets	-78			78
Capital Grants and Contributions	1,346		95	-1,441
Revenue expenditure funded from capital under statute (REFCUS) (Income)	-			-
Revenue expenditure funded from capital under statute (REFCUS) (Income)	-			-
Revenue expenditure funded from capital under statute (REFCUS) (Expenditure)	-			-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	-186			186
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income & Expenditure Statement	172	-172		
Statutory provision for the financing of Capital Investment	392			-392
Capital expenditure charged against the General Fund	2,533			-2,533
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure	-18,390			18,390
Employer's pensions contributions and direct payments to pensioners payable in the year	3,348			-3,348
Adjustments by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	36			-36
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-			-
Total Adjustments	**-12,618**	**-172**	**95**	**12,695**

6 COMPREHENSIVE INCOME AND EXPENDITURE

6.1 SERVICE REPORTING CODE OF PRACTICE

The statement has been compiled in accordance with the CIPFA Service Reporting Code of Practice 2013/14 (SerCoP), which establishes ‘proper practice’ with regard to consistent financial reporting. The SerCoP sets out the service expenditure analysis which local authorities are required to use to present their Net Cost of Services from 2013/14.
The Code seeks to provide a means for the aggregation of costs on a comparable total cost basis. Total cost includes appropriate shares of capital charges and overheads.

6.2 NON DISTRIBUTED COSTS

The SerCoP treats pension costs, relating to past service, as non distributed costs.

There are no exceptional items in 2013/14.

6.3 LOSS ON THE DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

In accordance with the Code, any gain or loss on disposal of an asset is to be included in the Comprehensive Income and Expenditure Account. The gain or loss is shown as a reconciling item in the Movement in Reserves Statement. The loss shown in the Comprehensive Income and Expenditure Account for 2013/14 amounts to £0.11m.

6.4 CORPORATE AND DEMOCRATIC CORE

Corporate and Democratic Core comprises two elements – democratic representation and management (DRM) and Corporate Management (CM). DRM includes all aspects of member’s activities and officer input in the provision of advice and support. CM includes those activities that provide the infrastructure that allows services to be provided.

6.5 MEMBERS’ ALLOWANCES

Members’ allowances are paid under a scheme introduced by the Fire & Rescue Authority in December 2003. Expenses for conference and other non-routine meetings are also paid by the Fire and Rescue Authority.

The total amounts for allowances and expenses paid in relation to Members are as follows:

	2012/13	**2013/14**
	£000	**£000**
Allowances	55	53
Expenses	7	12
Total	62	65

6.6 EMPLOYEE REMUNERATION

In accordance with the Accounts and Audit (England) Regulations 2012, 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.

2013/14						
	Salary (including fees & allowances)	**Expense Allowances**	**Benefits in Kind (e.g. Car Allowances)**	**Total Remuneration excluding pension contributions**	**Pension contributions**	**Total Remuneration including pension contributions**
	£	**£**	**£**	**£**	**£**	**£**
Chief Executive – S. Johnson	141,400	1,905	4,032	147,337	18,470	165,807
Deputy Chief Fire Officer	106,050	581	5,026	111,657	22,589	134,246
Deputy Chief Executive	97,783	715	6,004	104,502	12,418	116,920
Assistant Chief Fire Officer	8,152	156	419	8,727	1,183	9,910
	353,385	**3,357**	**15,481**	**372,223**	**54,660**	**426,883**

During the year, the Deputy Chief Executive left the organisation, and the duties were split between a temporary appointment of Assistant Chief Fire Officer and the Head of Corporate Resources who was appointed as Treasurer. The Assistant Chief Fire Officer previously held a different role within the Fire Authority and the remuneration details shown above relate to the period spent in the new role.

The Head of Corporate Resources is currently seconded from Durham County Council and a payment of £66,467 was made to the County Council in respect of both roles undertaken by the individual during the year.

Comparative figures for 2012/13 are as follows:

2012/13						
	Salary (including fees & allowances)	**Expense Allowances**	**Benefits in Kind (e.g. Car Allowances)**	**Total Remuneration excluding pension contributions**	**Pension contributions**	**Total Remuneration including pension contributions**
	£	**£**	**£**	**£**	**£**	**£**
Chief Executive – S. Johnson	141,400	-	4,032	145,432	18,470	163,902
Deputy Chief Fire Officer	106,050	579	4,764	111,393	22,589	133,982
Deputy Chief Executive	106,050	756	6,004	112,810	13,468	126,278
	353,500	**1,335**	**14,800**	**369,635**	**54,527**	**424,162**

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

Remuneration Band	**Number of Employees**	
	2012/13	**2013/14**
£50,000-£54,999	13	13
£55,000-£59,999	3	8
£60,000-£64,999	1	3
£65,000-£69,999	4	2
£70,000-£74,999	-	1
£75,000-£79,999	-	1

Please note: payments within the 2013/14 salary bands include any redundancy costs paid in the 2013/14 financial year. Likewise, payments within the 2012/13 salary bands include any redundancy payments made in 2012/13.

6.7 EXIT PACKAGES

The numbers and total cost of exit packages agreed in 2012/13 and 2013/14 are set out below:

Exit Package cost band	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages agreed**		**Total cost of exit packages agreed**	
	2012/13	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**
							£	**£**
£0-£20,000	-	-	2	2	2	2	9,092	28,477
£20,001-£40,000	-	-	1	1	1	1	30,343	29,508
£40,001-£60,000	-	-	3	-	3	-	142,429	-
£60,001-£80,000	-	-	-	-	-	-	-	-
£80,001-£100,000	-	-	-	-	-	-	-	-
£100,001-£120,000	-	-	1	-	1	-	115,964	-
Total	**-**	**-**	**7**	**3**	**7**	**3**	**297,828**	**57,985**

6.8 TERMINATION BENEFITS

The Authority made the decision to terminate the contracts of a number of employees in 2012/13 and 2013/14. The value of the termination payments, relating to these employees and charged to services in 2012/13 was £297,828, and in 2013/14 was £57,985.

The table below analyses the payments made:

	2012/13	**2013/14**
	£	**£**
Corporate Services	-	57,985
Organisational and People Development	96,057	-
Community Safety	201,771	-
	297,828	**57,985**

6.9 EXTERNAL AUDIT FEES

The accounts of the Authority are audited by Mazars. In accordance with the Code, authorities are required to disclose payment of fees. The fees payable to Mazars for 2013/14 and 2012/13 are set out below:

	2012/13	2013/14
	£000	**£000**
Fees payable to auditors with regard to external audit services carried out by the appointed auditor	36	39
Fees payable to auditors for certification of grant claims	-	-
Fees payable to auditors in respect of other services provided by the appointed auditor	-	-
	36	**39**

In March 2014, the Audit Commission announced that it was distributing some of its retained earnings to former clients. The Authority's share of this distribution was £5,269. The audit fee for 2012/13 is shown net of a rebate of £3,400 received from the Audit Commission.

6.10 MINIMUM REVENUE PROVISION (MRP)

The Local Authorities Capital Finance and Accounting (England) (Amendment) Regulations 2011 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.

The MRP relating to the Private Finance Initiative scheme has been calculated as a sum equivalent to the principal repayment of the outstanding liability.

6.11 OPERATING LEASES

The Authority has acquired a fleet of cars by entering into operating leases with typical lives of 3 years.

During 2012/13, the Authority took over the lease of the former Regional Control Centre in Belmont, Durham, to use as its Headquarters. The Authority entered into this lease for 15 years.

During 2013/14, the Authority entered into a lease for its new Technical Services Centre at Bowburn, Durham. The Authority has entered into this lease for 15 years.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2013		31 March 2014	
	Vehicles £000	Property £000	Vehicles £000	Property £000
Within one year	131	373	141	399
Later than one year and not later than five years	120	1,491	117	1,656
Later than 5 years	-	4,275	-	4,095
	251	**6,139**	**258**	**6,150**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £168,782 (2012/13: £170,430) for vehicles and £388,245 (2012/13: £176,152) for property.

6.12 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the SerCoP.

The Code recommends that, where appropriate, "segmental" reporting information is detailed. Reporting segments are those used by resource decision makers when determining budgets and financial control. With regard to County Durham and Darlington Fire and Rescue Authority, as the costs relate to one major type of service expenditure, segmental reporting is not identified.

6.13 GRANT INCOME

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14:

	2012/13	2013/14
	£000	**£000**
Private Finance Initiative	1,130	1,130
DCLG	3,044	864
Credited to Services	**4,174**	**1,994**
Revenue Support Grant	252	9,353
National Non-Domestic Rates	13,016	6,163
Council Tax Freeze Grant	-	174
Donated Assets	77	2
Capital Grants	1,269	1,684
Capital Contributions	-	78
Credited to Taxation and Non-Specific Grant Income	**14,614**	**17,454**
Total Grant Income	**18,788**	**19,448**

6.14 RELATED PARTIES

The Authority is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence or be controlled/ influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority may have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. Transactions should be disclosed where material to either the organisation or individual with whom the transaction has been incurred.

Central Government

Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from Government Departments are included within the Comprehensive Income & Expenditure Statement. An analysis of Government grants is shown above in Note 6.13.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. Details of transactions relating to members' interests are recorded in the Register of Members' Interest which is accessible on the Authority's website. Following a review of the register and the Related Party Transactions Declarations, it was established that there were no material related party transactions involving members.

The total of members' allowances paid in 2013/14 is shown in Note 6.5 above.

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.

Officers

Colette Longbottom, Clerk to the Authority during 2013/14, is also Head of Legal and Democratic Services for Durham County Council.

Anthony Hope, became Treasurer of the Authority during 2013/14. He is employed by Durham County Council and seconded to the Fire Authority.

There were no related party transactions involving chief officers.

Other Public Bodies

Durham County Council administers the Durham County Council Pension Fund of which the Authority is a member.

Formal agreements are in place between the Authority and Durham County Council for the provision of legal services, financial services and technical services. The agreements are signed by both parties and regularly reviewed by the Authority's Director of Corporate Resources. The value of these agreements is £0.183m (2012/13: £0.332m)

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 2012/13	**Precepts 2013/14**
	£000	**£000**
Durham County Council	14,228	11,596
Darlington Borough Council	3,094	2,685
	17,322	**14,281**
Adjustment for share of Collection Fund	35	14
	17,357	**14,295**

At 31 March 2014, the Authority owes Durham County Council £0.419m relating to amounts due from Council Tax Payers and £0.005m in respect of amounts due from Non-Domestic Rates Payers.

In addition, £0.139m is due to the Authority from Durham County Council relating to VAT claimed on the Authority's behalf.

At 31 March 2014, the Authority owes Darlington Borough Council £0.257m in respect of the Collection Fund and amounts due from Council Tax Payers and £0.022m in respect of amounts due from Non-Domestic Rates Payers. Darlington Borough Council owes the Authority £0.018m in respect of the Collection Fund.

County Durham and Darlington Community Interest Company

During 2013/14, County Durham and Darlington Community Interest Company was incorporated. The Community Interest Company is a 100% owned subsidiary of the Authority. The Directors of the company are also senior managers and members of the Authority. No trading took place during 2013/14.

7 BALANCE SHEET

7.1 PROPERTY, PLANT AND EQUIPMENT

The following movements took place:

7.1a OPERATIONAL ASSETS

	Property, Plant & Equipment			
	Vehicles, Plant & Equipment	**Land & Buildings**	**Surplus Assets**	**Total**
	£000	**£000**	**£000**	**£000**
Cost or Valuation				
At 1 April 2013	13,127	24,876	20	38,023
Additions	1,650	94	3	1,747
Derecognition - Disposals / Demolitions	-693	-	-	-693
Reclassifications	-	2,021	-	2,021
Accumulated depreciation and impairment written off to GCA	-	-3,291	-	-3,291
Revaluation increases recognised in the Surplus on the Provision of Services	-	260	-	260
Revaluation decreases recognised in the Surplus on the Provision of Services	-	-3,469	-	-3,469
Revaluation increases recognised in the Revaluation Reserve	-	2,994	-	2,994
Revaluation decreases recognised in the Revaluation Reserve	-	-165	-	-165
At 31 March 2014	**14,084**	**23,320**	**23**	**37,427**
Depreciation and Impairments				
At 1 April 2013	-5,375	-2,534	-	-7,909
Charge for 2013/14	-1,351	-978	-	-2,329
Derecognition - Disposals / Demolitions	612	-	-	612
Depreciation written off to GCA	-	3,229	-	3,229
Impairment written off to GCA	-	61	-	61
Impairment losses recognised in the Surplus on the Provision of Services	-	-83	-	-83
Impairment losses recognised in the Revaluation Reserve	-	-11	-	-11
At 31 March 2014	**-6,114**	**-316**	**-**	**-6,430**
Balance Sheet amount at 31 March 2014	**7,970**	**23,004**	**23**	**30,997**
Balance Sheet amount at 01 April 2013	**7,752**	**22,342**	**20**	**30,114**

Comparatives for 2012/13 are as follows:

	Property, Plant & Equipment			
	Vehicles, Plant & Equipment	Land & Buildings	Surplus Assets	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2012	10,798	24,873	-	35,671
Additions	2,443	3	-	2,446
Derecognition - Disposals / Demolitions	-597	-	-	-597
Reclassifications	483	-	20	503
Revaluation increases recognised in the Surplus on the Provision of Services	-	-	-	-
Revaluation decreases recognised in the Surplus on the Provision of Services	-	-	-	-
Revaluation increases recognised in the Revaluation Reserve	-	-	-	-
Revaluation decreases recognised in the Revaluation Reserve	-	-	-	-
At 31 March 2013	**13,127**	**24,876**	**20**	**38,023**
Depreciation and Impairments				
At 1 April 2012	-4,893	-1,762	-	-6,655
Charge for 2012/13	-1,021	-770	-	-1,791
Derecognition - Disposals / Demolitions	539	-	-	539
Depreciation written out to the Revaluation Reserve	-	-	-	-
Impairment	-	-	-	-
Impairment losses recognised in the Surplus on the Provision of Services	-	-1	-	-1
Impairment losses recognised in the Revaluation Reserve	-	-1	-	-1
At 31 March 2013	**-5,375**	**-2,534**	**-**	**-7,909**
Balance Sheet amount at 31 March 2013	**7,752**	**22,342**	**20**	**30,114**
Balance Sheet amount at 1 April 2012	**5,905**	**23,111**	**-**	**29,016**

All valuations of buildings are undertaken by or under the supervision of a fully qualified Chartered Surveyor, who is an employee of a related party, Durham County Council. Fixed asset revaluations are undertaken once every five years. The most recent valuation of Land and Buildings is effective from 1 April 2014. These values have been used to determine the 31 March 2014 valuations. A full valuation has taken place in 2013/14.

7.1b NON-OPERATIONAL ASSETS

	Non-Operational Assets	
	Assets Under Construction 2012/13	**Assets Under Construction 2013/14**
	£000	**£000**
Cost or valuation		
At 1 April	536	1,553
Additions	1,500	5,023
Disposals	-	-
Reclassifications	-483	-2,021
At 31 March	**1,553**	**4,555**
Depreciation and impairments		
At 1 April	-	-
Charge for year	-	-
Disposals	-	-
Reclassifications	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	-
At 31 March	**-**	**-**
Balance Sheet amount at 31 March	**1,553**	**4,555**
Balance Sheet amount at 01 April	**536**	**1,553**

7.1c INTANGIBLE ASSETS

Intangible assets are assets that continue to provide an economic benefit to the Authority but which do not have physical form.

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

	£000
Original Cost	228
Amortisations to 31 March 2013	-114
Balance at 1 April 2013	**114**
Expenditure in year	601
Disposals	-30
Amortisation during year	-80
Balance at 31 March 2014	**605**

Comparatives for 2012/13 are as follows:

	£000
Original Cost	263
Amortisations to 31 March 2012	-98
Balance at 1 April 2012	**165**
Expenditure in year	28
Disposals	-63
Amortisation during year	-16
Balance at 31 March 2013	**114**

7.2 SOURCES OF FUNDS TO MEET CAPITAL EXPENDITURE AND OTHER PLANS

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

7.3 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it.

The capital financing requirement represents that part of the value of Property, Plant and Equipment and Intangible Assets that is to be met from external borrowing and capital cash overdrawn.

The requirement has decreased by £0.004m from £9.812m to £9.808m as follows:

	2012/13	**2013/14**
	£000	**£000**
Opening Capital Financing Requirement	**10,204**	**9,812**
Capital Investment		
Property, Plant & Equipment	2,369	1,747
Non-Operational Assets	1,500	5,023
Intangible Assets	28	601
Donated Asset	77	2
Revenue Expenditure Funded from Capital Under Statute	-	2,425
Sources of Finance		
Capital Receipts	-	-597
Government Grants and Contributions	-1,441	-1,764
Minimum Revenue Provision	-100	-97
Minimum Revenue Provision – PFI	-292	-148
Minimum Revenue Provision – PFI adj re previous year	-	240
Direct Revenue Provision	-2,533	-7,436
Closing Capital Financing Requirement	**9,812**	**9,808**
Explanation of movements in the year		
Reduction in underlying need to borrow (supported by Government financial assistance)	-392	-4
Increase in underlying need to borrow (unsupported by Government financial assistance)	-	-
Assets acquired under PFI contracts	-	-
Increase/decrease (-) in Capital Financing Requirement	**-392**	**-4**

7.4 CAPITAL COMMITMENTS

At 31 March 2014, the Authority has entered into a number of contracts for the construction of Property in 2014/15, budgeted to cost £9.15m. The major commitments are:

Training Centre - £5.45m
Durham Fire Station - £3.70m

There were no capital contractual commitments as at 31 March 2013.

7.5 INFORMATION ON ASSETS HELD

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

Asset Type	Number as at 31 March 2013	Number as at 31 March 2014
Headquarters	1	1*
Fire Stations	16*	16*
Standby Accommodation Blocks	-	2
Vehicles	122	127

* including assets declared surplus (Framwellgate Moor Headquarters and Crook Fire Station in 2013/14, Spennymoor Fire Station in 2012/13).

7.6 ASSETS HELD FOR SALE

	Non Current	
	2012/13	2013/14
	£000	£000
Balance outstanding at start of year	**434**	**280**
Assets newly classified as held for sale:		
Property, Plant and Equipment	-	-
Revaluation Gains	-	-
Assets declassified as held for sale:		
Property, Plant and Equipment	-20	-
Assets sold	-134	-280
Balance outstanding at end of year	**280**	**-**

7.7 INVENTORIES

	2012/13	2013/14
	£000	£000
Balance outstanding at 1 April	494	469
Purchases	558	704
Stores Re-alignment	-	102
Recognised as an expenses in the year	-583	-778
Balance outstanding at 31 March	**469**	497
Provision for obsolete stock	-86	**-**
Balance outstanding at 31 March after provision	**383**	497

During the year, the Service moved all inventory items to one store facility at the Technical Services Centre.

7.8 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:

	31 March 2013		31 March 2014	
	Long-term £000	Current £000	Long-term £000	Current £000
Financial Liabilities at amortised cost				
PWLB Borrowing	1,266	154	1,203	71
Bank Overdraft	-	5	-	555
Trade Creditors	-	912	-	454
Other Creditors	-	1,525	-	1,145
Private Finance Initiative	7,672	312	7,915	161
Total Borrowing	**8,938**	**2,908**	**9,118**	**2,386**
Loans and Receivables at amortised cost				
Short Term Deposits	-	15,688	-	11,563
Bank Deposits	-	19	-	19
Long Term Debtors	1	-	1	-
Trade Debtors	-	359	-	1,160
Other Debtors	-	374	-	173
Total Investments	**1**	**16,440**	**1**	**12,915**

Fair Value of Assets and Liabilities carried at Amortised Cost.

	31 March 2013		31 March 2014	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets				
Short Term Deposits	15,688	15,688	11,563	11,563
Bank Deposits	19	19	19	19
Long Term Debtors	1	1	1	1
Trade Debtors	359	359	1,160	1,160
Other Debtors	374	374	173	173
	16,441	**16,441**	**12,916**	**12,916**
Financial Liabilities (current & long term)				
PWLB Borrowing	1,420	1,691	1,274	1,435
Bank Overdraft	5	5	555	555
Trade Creditors	912	912	454	454
Other Creditors	1,525	1,525	1,145	1,145
Private Finance Initiative	7,984	7,984	8,076	8,076
	11,846	**12,117**	**11,504**	**11,665**

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 payables is taken to be the invoiced or billed amount.

Financial Instruments Gains and Losses

The gains and losses recognised in the 2013/14 Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2013/14	Financial Liabilities measured at Amortised Cost	Financial Assets Loans and Receivables
	£000	£000
Interest expense	1,433	-
Interest income	-	-46
Net gain(-)/loss for the year	**1,387**	

Comparative figures as at 31 March 2013 are as follows:

2012/13	Financial Liabilities measured at Amortised Cost	Financial Assets Loans and Receivables
	£000	£000
Interest expense	771	-
Interest income	-	-47
Net gain(-)/loss for the year	**724**	

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;

- 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 £3m to any one institution. Customers are assessed on their financial position, past experience and other factors.

(b) Liquidity Risk

The Authority has a comprehensive cash flow management system which ensures cash is available as needed. As the Authority has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The table in note 7.9 analyses the scheduled repayments of long term borrowings over time.

(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. Any further reduction in interest rates would have a negligible impact on the interest earned on the Authority's investments.

7.9 DEFERRED LIABILITIES

The carrying amount of deferred liabilities is shown below:

	31 March 2013	31 March 2014
	£000	**£000**
Debt	1,266	1,203
Private Finance Initiative (PFI)	7,672	7,915
Other lease arrangements	176	564
	9,114	**9,682**

Deferred Liability – Debt

The balance relates to long-term borrowings from the PWLB, further analysed as follows:

	31 March 2013	31 March 2014
	£000	**£000**
Long-term Borrowings		
Repayable within 1 – 2 years	63	391
Repayable within 2 – 5 years	475	84
Repayable within 5 – 10 years	405	405
Repayable over 10 years	323	323
	1,266	**1,203**

7.10 PRIVATE FINANCE INTIATIVE (PFI) SCHEME

Two new community fire stations, which are being financed by a Private Finance Initiative (PFI) Scheme, became operational during 2010/11. The stations at Bishop Auckland and Spennymoor became operational on 24 May 2010 and 1 June 2010 respectively.

The PFI contract is for the design, construction and finance of the stations and their maintenance for 25 years after commencement of operations. At the end of this period the contractor is required to transfer the buildings to the Authority in a good state of repair and at nil cost.

In return for providing the buildings the contractor receives monthly payments from the Authority and the Government provides a specific grant over the life of the scheme.

The Authority's balance sheet includes both assets and liabilities arising from the contract.

The value of PFI assets at 31 March 2014

The Fire Stations were initially valued on the basis of the capital expenditure provided for by the contractor in pricing the contract. Subsequently the stations were revalued on the basis of depreciated replacement cost as an estimate of fair value, and these values are included in the Authority's Balance Sheet. The new valuations are being depreciated on a straight line basis over 50 years.

Movements in the values in 2013/14 are summarised below:

	Bishop Auckland £000	Spennymoor £000	Total £000
Initial value of assets financed by contractor	4,638	4,133	8,771
Less: Impairment upon revaluation	-507	-2	-509
Less: Impairment in 2013/14	-465	-379	-844
Gross Book Value after impairment	**3,666**	**3,752**	**7,418**
Less: Accumulated Depreciation	-235	-234	-469
Less: 2013/14 Depreciation	-95	-87	-182
Add: Accumulated Depreciation & Impairment written-off to GCA	292	283	575
Net Book Value at 31 March 2014	**3,628**	**3,714**	**7,342**

Comparatives for 2012/13 are as follows:

	Bishop Auckland £000	Spennymoor £000	Total £000
Initial value of assets financed by contractor	4,638	4,133	8,771
Less: Impairment upon revaluation	-507	-2	-509
Gross Book Value after impairment	**4,131**	**4,131**	**8,262**
Less: Accumulated Depreciation	-153	-151	-304
Less: 2012/13 Depreciation	-82	-83	-165
Net Book Value at 31 March 2014	**3,896**	**3,897**	**7,793**

The value of liabilities at 31 March 2014

The assets included in the Balance Sheet are offset by a liability equal to the initial value of the assets (the capital expenditure provided for by the contractor in pricing the contract). This liability is written down over the life of the contract by charging part of the annual payments to the contractor against the liability.

Movements in the values in 2013/14 are summarised below:

	2012/13 £000	2013/14 £000
Liability outstanding at 1 April	8,275	7,983
Adjustment re previous years	-	241
Less: Value of liability written down	-292	-148
Liability outstanding at 31 March	**7,983**	**8,076**

During the year, it was identified that PFI service costs had been incorrectly included in the value of the liability written down in previous years. Therefore an adjustment for this has been made during 2013/14. This also resulted in an adjustment being made to the PFI interest charge in the Comprehensive Income and Expenditure Statement.

Estimates of future payments due:

Period	Repayment Liability	Interest	Service Charges	Lifecycle Replacement
	£000	£000	£000	£000
2014/15	162	867	304	27
2015/16 to 2018/19	534	2,494	913	139
2019/20 to 2023/24	1,428	4,400	1,826	507
2024/25 to 2028/29	1,890	2,831	1,521	558
2029/30 to 2033/34	3,078	1,590	1,521	611
2034/35 to 2035/36	984	117	328	101
Total	**8,076**	**12,299**	**6,413**	**1,943**

The estimates do not include any allowance for inflation.

7.11 DEBTORS

These are sums of money due to the Authority but unpaid as at 31 March 2014. 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.

	31 March 2013	31 March 2014
	£000	£000
Amounts falling due within one year:		
Debtors		
Government Departments	285	284
Other Local Authorities	376	277
Other Debtors	2,821	1,935
Payments in Advance	766	651
Impairment for Doubtful Debts	-5	-10
	4,243	**3,137**
Amounts falling due after one year:	1	1
	4,244	**3,138**

7.12 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 2014.

	31 March 2013	31 March 2014
	£000	£000
Creditors		
Government Departments	436	421
Other Local Authorities	1,620	906
Other Creditors	2,018	1,591
Receipts in Advance	322	896
	4,396	**3,814**
Short-term Borrowing	154	71
	4,550	**3,885**

The accrued interest relating to short term borrowing, included above, is £8,313 as at 31 March 2014 (£9,291 as at 31 March 2013).

7.13 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2013	31 March 2014
	£000	**£000**
Cash held by the Authority	19	19
Bank current accounts	-5	-555
Short term deposits with banks and building societies	15,688	11,563
Total Cash and Cash Equivalents	**15,702**	**11,027**

During the year information is provided to the Authority regarding short term deposits. 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.

The accrued interest relating to short term deposits included in the figure above amounts to £1,201 as at 31 March 2014 (£2,635 as at 31 March 2013).

7.14 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.

Provision for Non-Domestic Rates Appeals

A provision for Non-Domestic Rates appeals has been established to meet the identified potential costs to the Authority of appeals in relation to the valuations used in the calculation of Business Rates. The provision is based on the best estimate of the expenditure that will be required to settle successful appeals, and the settlement of these appeals may be spread over a number of years.

Movement in Provisions

	Insurance Provision	Non-Domestic Rates Appeals Provision	Total Provisions
	£000	**£000**	**£000**
Balance at 1 April 2013	25	-	25
Additional provisions made in 2013/14	3	65	68
Amounts used in 2013/14	-13	-	-13
Balance at 31 March 2014	**15**	**65**	**80**

Comparatives for 2012/13 are as follows:

	Insurance Provision	Non-Domestic Rates Appeals Provision	Total Provisions
	£000	**£000**	**£000**
Balance at 1 April 2012	3	-	3
Additional provisions made in 2012/13	22	-	22
Amounts used in 2012/13	-	-	-
Balance at 31 March 2013	**25**	**-**	**25**

7.15 RESERVES

The Authority keeps a number of reserves on 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.

The movement in reserves is set out in the following table:

Reserve	Balance 1 April 2013	Net Movement in Year	Balance 31 March 2014	Purpose of Reserve	Further details of Movement
	£000	£000	£000		
Usable Reserves					
General Fund	2,824	-	2,824	Resources available to meet future running costs	Movement in Reserves Statement
Earmarked Reserves	13,726	-5,340	8,386	Detailed below	Note 7.17 to the accounts
Capital Grants Unapplied	53	-	53	Grants to be used to finance capital expenditure in future years	Movement in Reserves Statement
Capital Receipts Unapplied	248	-248	-	Receipts from the sale of capital assets to be used to finance capital expenditure in future years	Movement in Reserves Statement
Total Usable Reserves	**16,851**	**-5,588**	**11,263**		
Unusable Reserves					
Revaluation Reserve	2,066	2,492	4,558	Gains on revaluation of Property, Plant and Equipment not yet realised through sales	Note 7.18 (i) to the accounts
Capital Adjustment Account	19,808	1,608	21,416	Capital resources set aside to meet capital expenditure	Note 7.18 (ii) to the accounts
Collection Fund Adjustment Account	4	-46	-42	Share of Collection Fund Balance outstanding	Note 7.18 (iii) to the accounts
Pensions Reserve (IAS19)	-326,830	7,790	-319,040	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 7.18 (iv) to the accounts
Short-term Accumulating Absences	-28	5	-23	Balancing account to allow inclusion of employees liability in the Balance Sheet	Note 7.18 (v) to the accounts
Total Unusable Reserves	**-304,980**	**11,849**	**-293,131**		
Total Reserves	**-288,129**	**6,261**	**-281,868**		

Comparatives for 2012/13 are as follows:

Reserve	Balance 1 April 2012	Net Movement in Year	Balance 31 March 2013	Purpose of Reserve	Further details of Movement
	£000	**£000**	**£000**		
Usable Reserves					
General Fund	3,000	-176	2,824	Resources available to meet future running costs	Movement in Reserves Statement
Earmarked Reserves	10,815	2,911	13,726	Detailed in Note 7.17	Note 7.16 to the accounts
Capital Grants Unapplied	148	-95	53	Grants to be used to finance capital expenditure in future years	Movement in Reserves Statement
Capital Receipts Unapplied	76	172	248	Receipts from the sale of capital assets to be used to finance capital expenditure in future years	Movement in Reserves Statement
Total Usable Reserves	**14,039**	**2,812**	**16,851**		
Unusable Reserves					
Revaluation Reserve	2,193	-127	2,066	Gains on revaluation of Property, Plant and Equipment not yet realised through sales	Note 7.18 (i)to the accounts
Capital Adjustment Account	17,371	2,437	19,808	Capital resources set aside to meet capital expenditure	Note 7.18 (ii) to the accounts
Collection Fund Adjustment Account	-32	36	4	Share of Collection Fund Balance outstanding	Note 7.18 (iii) to the accounts
Pensions Reserve (IAS19)	-262,450	-64,380	-326,830	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 7.18 (iv) to the accounts
Short-term Accumulating Absences	-28	-	-28	Balancing account to allow inclusion of employees liability in the Balance Sheet	Note 7.18 (v) to the accounts
Total Unusable Reserves	**-242,946**	**-62,034**	**-304,980**		
Total Reserves	**-228,907**	**-59,222**	**-288,129**		

7.16 MOVEMENT IN EARMARKED RESERVES

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

	01 April 2013	Increase / decrease (-) in year	31 March 2014
	£000	£000	£000
Pensions	500	-	500
Revenue Modernisation	1,000	-1,000	-
Capital Modernisation	9,718	-9,718	-
Community Safety	414	-414	-
Insurance	100	-8	92
New Dimensions	94	-27	67
Replacement Mobilisation System	1,800	-571	1,229
Resilience	100	-	100
Modernisation	-	6,398	6,398
Total	13,726	-5,340	8,386

Comparatives for 2012/13 are as follows:

	01 April 2012	Increase / decrease (-) in year	31 March 2013
	£000	£000	£000
Pensions	500	-	500
Revenue Modernisation	1,000	-	1,000
Capital Modernisation	6,798	2,920	9,718
Community Safety	414	-	414
Insurance	100	-	100
New Dimensions	103	-9	94
Replacement Mobilisation System	1,800	-	1,800
Resilience	100	-	100
Total	10,815	2,911	13,726

7.17 EARMARKED RESERVES

Earmarked reserves at 31 March 2014 were as follows:

Pensions Reserve
To meet any unforeseen pension costs which may arise as a result of national changes to pension schemes.

Revenue Modernisation Reserve
To meet any one-off costs associated with service transformation.

Capital Modernisation Reserve
To fund capital expenditure in respect of the Estates Improvement Programme, thus avoiding the need to borrow in future years.

Community Safety Reserve
To enable specific community safety improvements to be undertaken.

Insurance
To meet any unexpected increase in the level of excesses paid on insurance claims.

New Dimensions
The balance of unspent grant, earmarked for Civil Resilience expenditure.

Replacement Mobilisation System Reserve
The balance of unspent grant, earmarked to fund the replacement mobilisation system.

Resilience Reserve
To fund continuity of service provision, following an unforeseen event.

Modernisation Reserve
To meet any one-off costs associated with service transformation.

7.18 UNUSABLE RESERVES

(i) REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account

	2012/13 £000	**2013/14 £000**
Opening Balance at 1 April	**2,193**	**2,066**
Revaluation gains/losses	-1	2,818
Excess of current cost depreciation	-126	-326
Closing Balance at 31 March	**2,066**	**4,558**

(ii) CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2012/13		2013/14	
	£000	£000	£000	£000
Opening Balance at 1 April		**17,371**		**19,808**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation, impairment and downward revaluations of non-current assets	-1,791		-5,622	
Amortisation of intangible assets	-78		-110	
Revenue Expenditure funded from Capital under Statute	-		-2,425	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-186		-361	
		-2,055		-8,518
Adjusting amounts written out of the Revaluation Reserve		126		326
Net written out amount of the cost of non-current assets consumed in the year		-1,929		-8,192
Capital financing applied in the year				
Use of Capital Receipts Reserve to finance new capital expenditure	-		598	
Application of grants to capital financing from the Capital Grants Unapplied Account	1,441		1,683	
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	-		80	
Statutory provision for the financing for capital investment charged against the General Fund	392		4	
Capital expenditure charged against the General Fund	2,533		7,435	
		4,366		9,800
Closing Balance at 31 March		**19,808**		**21,416**

(iii) Collection Fund Adjustment

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2012/13 £000	**2013/14 £000**
Opening Balance at 1 April	**-32**	**4**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	36	-46
Closing Balance at 31 March	**4**	**-42**

(iv) Pensions Reserve (IAS 19)

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The statutory arrangements will ensure that funding will have been set aside by the time benefits come to be paid.

	2012/13 £000	**2013/14 £000**
Opening Balance at 1 April	**-262,450**	**-326,830**
Remeasurements of the net defined benefit liability/(asset)	-49,338	26,459
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-18,390	-22,010
Employers pension contributions and direct payments to pensioners payable in the year	3,348	3,341
Closing Balance at 31 March	**-326,830**	**-319,040**

(v) Short-term Accumulating Absences

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2012/13 £000	2013/14 £000
Opening Balance at 1 April	**-28**	**-28**
Settlement or cancellation of accrual made at the year end of the preceding year	28	28
Amounts accrued at the end of the current year	-28	-23
Closing Balance at 31 March	**-28**	**-23**

7.19 GENERAL RESERVE

The net accumulated unapplied General Fund Revenue balance is £2.824m as at 31 March 2014 which equates to 9.4% of the 2013/14 Net Expenditure Budget. 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 Net Expenditure Budget for the short to medium term.

7.20 AUTHORISATION OF ACCOUNTS FOR ISSUE/POST BALANCE SHEET EVENTS

The Statement of Accounts was authorised for issue by the Treasurer, Anthony Hope, on 29th September 2014. This is the date up to which events after the Balance Sheet date have been considered. No such events have been identified for 2013/14.

7.21 INTERNATIONAL ACCOUNTING STANDARD 19 (IAS19) DEFINED BENEFIT PENSION SCHEMES

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 the following 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 are 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 Post-employment Benefits

The Authority recognises the costs of retirement benefits in the Net Cost of Services section of the Comprehensive 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 made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and the General Fund via the Movement in Reserves Statement during the year:

2013/14	Local Government Pension Scheme	Fire Fighter's Pension Scheme	Total
	£000	£000	£000
Comprehensive Income and Expenditure Statement			
Cost of Services:			
Current service cost	630	7,190	7,820
Past service costs	120	-	120
Financing and Investment Income and Expenditure:			
Net interest expense	360	13,710	14,070
Total Post Employment Benefits charged to the Surplus/ Deficit on the Provision of Services	1,110	20,900	22,010
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement			
Remeasurement of the net defined benefit liability comprising:			
Return on plan assets (excluding the amount included in the net interest expense)	170	-	170
Actuarial gains / losses (-) arising on changes in demographic assumptions	-810	-110	-920
Actuarial gains / losses (-) arising on changes in financial assumptions	-1,880	-9,730	-11,610
Other	-914	-13,185	-14,099
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	-2,324	-2,125	-4,449
Movement in Reserves Statement			
Reversal of net charges made to the Surplus/ Deficit for the Provision of Services for post-employment benefits in accordance with IAS19	-1,110	-20,900	-22,010
Actual amount charged against the General Fund Balance for pensions in the year:			
Employer's contributions payable to the scheme	495	2,385	2,880
Retirement benefits payable to pensioners	-	461	461

The comparative figures for 2012/13 are:

2012/13	Local Government Pension Scheme	Fire Fighter's Pension Scheme	Total
	£000	£000	£000
Comprehensive Income and Expenditure Statement			
Cost of Services:			
Current service cost	540	5,210	5,750
Past service costs	-	-	-
Financing and Investment Income and Expenditure:			
Interest cost	1,000	12,380	13,380
Expected return on scheme assets	-740	-	-740
Total Post Employment Benefits charged to the Surplus/ Deficit on the Provision of Services	800	17,590	18,390
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement			
Actuarial gains / losses(-) on Pension Fund assets and liabilities and other pension adjustments	-61	49,399	49,338
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	739	66,989	67,728
Movement in Reserves Statement			
Reversal of net charges made to the Surplus/ Deficit for the Provision of Services for post-employment benefits in accordance with IAS19	-800	-17,590	-18,390
Actual amount charged against the General Fund Balance for pensions in the year:			
Employer's contributions payable to the scheme	489	2,419	2,908
Retirement benefits payable to pensioners	-	440	440

The cumulative amount of actuarial losses to 31 March 2014 is £100.23m, made up as follows:

- Local Government Pension Scheme £1.27m
- Firefighter's Pension Scheme £98.96m

Basis for Estimating Assets and Liabilities in relation to Post-employment Benefits

Liabilities have been assessed on an actuarial basis using the projected unit credit method; an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Firefighter's 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 2013.

The pension increase assumption as at 31 March 2014 is based on the Consumer Price Index (CPI) expectation of inflation. This is a consequence of the Government's announcement that CPI is to be used for the indexation of public service pensions from April 2011.

Under IAS19, any obligation arising from long term employee benefits that depend upon length of service need to be recognised when service is rendered. As injury awards under the Firefighter's schemes are dependant on service, the liability expected to arise due to injury awards has been valued in respect of service prior to the valuation date. The liability arising from injury awards has been restated for previous years.

The principal assumptions used by the actuary have been:

	Local Government Funded Pension Scheme		**Local Government Unfunded Pension Scheme**		**Firefighter's Pension Scheme**	
	2012/13	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**
Mortality assumptions:						
Longevity at 65 for current pensioners:						
• Men	22.1	22.5	22.1	22.5	23.5	23.5
• Women	24.3	25.0	24.3	25.0	25.4	25.5
Longevity at 65 for future pensioners:						
• Men	23.9	24.7			26.7	26.6
• Women	26.2	27.3			28.4	28.6
Rate of Inflation:						
• RPI	3.7	3.4	3.5	3.2	3.65	3.7
• CPI	2.8	2.4	2.6	2.2	2.5	2.5
Rate of increase in salaries	4.7	3.9			4.75	4.5
Rate of increase to pensions in payment	2.8	2.4	2.6	2.2	2.5	2.5
Rate of increase to deferred pensions	2.8	2.4			2.5	2.5
Rate for discounting scheme liabilities	4.6	4.4	4.1	4.2	4.3	4.4
Take-up of option to convert annual pension into retirement lump sum:						
• Including any accrued lump sum from pre 2008 service	N/A	80			N/A	N/A
• Pre April 2010 service	60	N/A			N/A	N/A
• Post April 2010 service	80	N/A			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.

(i) Firefighter's Pension Scheme 1992

Past Service Liabilities

The past service liabilities for 2013/14 are:

	1992 Scheme	Injury Awards	2006 Scheme	Total
	£m	£m	£m	£m
Estimated liabilities in scheme				
Active members (past service)	112.42	13.01	12.11	137.54
Deferred pensions	3.34	-	0.14	3.48
Pensions in Payment (injury awards)	-	9.17	-	9.17
Pensions in Payment (excluding injury)	163.55	-	-	163.55
Total	**279.31**	**22.18**	**12.25**	**313.74**
Net pensions deficit	279.31	22.18	12.25	313.74

The comparative figures for 2012/13 are:

	1992 Scheme	Injury Awards	2006 Scheme	Total
	£m	£m	£m	£m
Estimated liabilities in scheme				
Active members (past service)	110.12	14.73	10.81	135.66
Deferred pensions	3.22	-	0.14	3.36
Pensions in Payment (injury awards)	-	8.59	-	8.59
Pensions in Payment (excluding injury)	171.10	-	-	171.10
Total	**284.44**	**23.32**	**10.95**	**318.71**
Net pensions deficit	284.44	23.32	10.95	318.71

Analysis of Movement in Gross Scheme Liabilities

	Firefighters' Pension Fund			
	1992 Scheme	**Injury Awards**	**2006 Scheme**	**Total**
	£m	**£m**	**£m**	**£m**
Net deficit at the start of current year	**284.44**	**23.32**	**10.95**	**318.71**
Movement in the year:				
Current service cost (net of employee contributions)	5.11	0.51	1.57	7.19
Cost covered by employee contributions	1.18	-	0.34	1.52
Past service cost	-	-	-	-
Pension transfers	-	-	0.02	0.02
Interest on pension liabilities	12.20	1.00	0.51	13.71
Total benefits paid	-7.97	-0.46	-0.02	-8.45
Curtailment and settlements	-	-	-	-
Actuarial gain (-)/loss – demographic assumptions	-0.10	0.01	-0.02	-0.11
Actuarial gain (-)/loss – financial assumptions	-6.72	-1.95	-1.06	-9.73
Actuarial gain (-)/loss – other	-8.83	-0.25	-0.04	-9.12
Net deficit at the end of year	**279.31**	**22.18**	**12.25**	**313.74**

The comparative figures for 2012/13 are:

	Firefighters' Pension Fund			
	1992 Scheme	**Injury Awards**	**2006 Scheme**	**Total**
	£m	**£m**	**£m**	**£m**
Net deficit at the start of current year	**230.76**	**18.49**	**5.33**	**254.58**
Movement in the year:				
Current service cost (net of employee contributions)	3.80	0.35	1.06	5.21
Cost covered by employee contributions	0.98	-	0.29	1.27
Past service cost	-	-	-	-
Interest on pension liabilities	11.21	0.90	0.27	12.38
Total benefits paid	-8.86	-0.44	-	-9.3
Curtailment and settlements	-	-	-	-
Actuarial gain (-)/loss	46.55	4.02	4.00	54.57
Net deficit at the end of year	**284.44**	**23.32**	**10.95**	**318.71**

Analysis of Movement in Scheme Assets

	1992 Scheme	Injury Awards	2006 Scheme	Total
	£m	£m	£m	£m
Opening fair value of asset	**-**	**-**	**-**	**-**
Movement in the year:				
Interest income	-	-	-	-
The return on plan assets, excluding the amount included in the net interest expense	-	-	-	-
Other	-4.89	-	0.71	-4.18
Contributions by employer	-1.90	-0.46	-0.39	-2.75
Contributions by participants	-1.18	-	-0.34	-1.52
Net benefits paid out	7.97	0.46	0.02	8.45
Closing fair value of assets	**-**	**-**	**-**	**-**

The comparative figures for 2012/13 are:

	1992 Scheme	Injury Awards	2006 Scheme	Total
	£m	£m	£m	£m
Opening fair value of asset	**-**	**-**	**-**	**-**
Movement in the year:				
Expected return on assets	-	-	-	-
Actuarial gain(-)/loss on assets	-6.10	-	0.62	-5.47
Contributions by employer	-1.78	-0.44	-0.33	-2.56
Contributions by participants	-0.98	-	-0.29	-1.27
Net benefits paid out	8.86	0.44	-	9.30
Closing fair value of assets	**-**	**-**	**-**	**-**

Analysis of Movement in Net Obligations

	1992 Scheme	Injury Awards	2006 Scheme	Total
	£m	£m	£m	£m
Net deficit at the start of current year	**284.44**	**23.32**	**10.95**	**318.71**
Movement in the year:				
Current service cost (net of employee contributions)	5.11	0.51	1.57	7.19
Contributions by employer	-1.90	-0.46	-0.39	-2.75
Contributions by participants	-	-	-	-
Past service cost	-	-	-	-
Pension transfers	-	-	0.02	0.02
Interest on net defined benefit liability	12.20	1.00	0.51	13.71
Return on plan assets in excess of/ below that recognised in net interest	-	-	-	-
Actuarial gain (-)/loss – change in financial assumptions	-6.72	-1.95	-1.06	-9.73
Actuarial gain (-)/loss – change in demographic assumptions	-0.10	0.01	-0.02	-0.11
Actuarial gain (-)/ loss - other	-13.72	-0.25	0.67	-13.30
Net benefits paid	-	-	-	-
Net deficit at the end of year	**279.31**	**22.18**	**12.25**	**313.74**

The comparative figures for 2012/13 are:

	1992 Scheme	Injury Awards	2006 Scheme	Total
	£m	£m	£m	£m
Net deficit at the start of current year	**230.76**	**18.49**	**5.33**	**254.58**
Movement in the year:				
Current service cost (net of employee contributions)	3.80	0.35	1.06	5.21
Contributions by employer	-1.78	-0.44	-0.33	-2.55
Contributions by participants	-	-	-	-
Past service cost	-	-	-	-
Interest on pension liabilities	11.21	0.90	0.27	12.38
Expected return on assets	-	-	-	-
Actuarial gain(-)/ loss	40.45	4.02	4.62	49.09
Net benefits paid	-	-	-	-
Net deficit at the end of year	**284.44**	**23.32**	**10.95**	**318.71**

(ii) Durham County Council Pension Fund
Analysis of Movement in Gross Scheme Liabilities

	Funded	Unfunded	Total
	£m	£m	£m
Opening Present Value of Liabilities	**22.85**	**0.05**	**22.90**
Current service cost (net of employee contributions)	0.63	-	0.63
Interest cost	1.03	-	1.03
Contributions from scheme participants	0.18	-	0.18
Remeasurement gains (-)/ losses:			
• Actuarial gains/ losses arising from changes in demographic assumptions	-0.81	-	-0.81
• Actuarial gains/ losses arising from changes in financial assumptions	-1.87	-0.01	-1.88
• Other	-0.8	-	-0.8
Past service costs	0.12	-	0.12
Benefits paid	-1.02	-	-1.02
Closing present value of liabilities	**20.31**	**0.04**	**20.35**

The comparative figures for 2012/13 are:

	Funded	Unfunded	Total
	£m	£m	£m
Opening Present Value of Liabilities	**20.55**	**0.05**	**20.60**
Movement in the year			
Current service cost (net of employee contributions)	0.54	-	0.54
Interest on pension liabilities	1.00	-	1.00
Contribution by participants	0.18	-	0.18
Actuarial gain(-)/ loss	0.82	-	0.82
Past service cost	-	-	-
Net benefits paid	-0.24	-	-0.24
Closing present value of liabilities	**22.85**	**0.05**	**22.90**

Analysis of Movement in Scheme Assets

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme		
	Funded	**Unfunded**	**Total**
	£m	**£m**	**£m**
Opening fair value	**14.78**	**-**	**14.78**
Interest income	0.67	**-**	0.67
Remeasurement gain/loss:			
• The return on plan assets (excluding the amount included in net interest expense)	-0.17	**-**	-0.17
• Other	-	**-**	-
Contributions from employer	0.61	**-**	0.61
Contributions by employees into the scheme	0.18	**-**	0.18
Benefits paid	-1.02	**-**	-1.02
Closing fair value	**15.05**	**-**	**15.05**

The comparative figures for 2012/13 are:

	Local Government Pension Scheme		
	Funded	**Unfunded**	**Total**
	£m	**£m**	**£m**
Opening fair value	**12.73**	**-**	**12.73**
Expected rate of return	0.74	**-**	0.74
Actuarial gain(-)/loss:	0.89	**-**	0.89
Contributions from employer	0.48	**-**	0.48
Contributions by scheme participants	0.18	**-**	0.18
Benefits paid	-0.24	**-**	-0.24
Closing fair value	**14.78**	**-**	**14.78**

The actual return on scheme assets in the year was a gain of £0.5m (2012/13: £1.64m gain).

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

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

Analysis of Movement in Net Obligations

	Funded	Unfunded	Total
	£m	£m	£m
Net deficit at the beginning of year	**8.07**	**0.05**	**8.12**
Current service cost	0.63	-	0.63
Contributions towards funded liabilities	-0.61	-	-0.61
Past service cost	0.12	-	0.12
Interest on net defined benefit liability	0.36	-	0.36
Return on plan assets in excess of/ below that recognised in net interest	0.17	-	0.17
Actuarial gains/ losses due to changes in financial assumptions	-1.87	-0.01	-1.88
Actuarial gains/ losses due to changes in demographic assumptions	-0.81	-	-0.81
Actuarial gains/ losses due to other changes	-0.80	-	-0.80
Net deficit at the end of year	**5.26**	**0.04**	**5.30**

The comparative figures for 2012/13 are:

	Funded	Unfunded	Total
	£m	£m	£m
Net deficit at the beginning of year	**7.82**	**0.05**	**7.87**
Movement in the year			
Contributions towards funded liabilities	-0.48	-	-0.48
Current service cost (net of employee contributions)	0.54	-	0.54
Past service cost	-	-	-
Expected return on pension fund assets	-0.74	-	-0.74
Interest on pension liabilities	1.00	-	1.00
Actuarial gain(-)/loss	-0.07	-	-0.07
Net deficit at the end of year	**8.07**	**0.05**	**8.12**

Scheme History for the Firefighter Pension Schemes and the Local Government Pension Scheme

	2009/10	2010/11	2011/12	2012/13	2013/14
	£m	£m	£m	£m	£m
Present value of liabilities:					
Local Government Pension Scheme	19.25	17.60	20.60	22.90	20.35
Firefighter’s Pension Scheme	253.62	234.35	254.58	318.71	313.74
Total Present Value of Liabilities	**272.87**	**251.95**	**275.18**	**341.61**	**334.09**
Fair value of assets					
Local Government Pension Scheme	10.97	11.93	12.73	14.78	15.05
Firefighter’s Pension Scheme	-	-	-	-	-
Total Fair Value of Assets	**10.97**	**11.93**	**12.73**	**14.78**	**15.05**
Surplus/ deficit (-) in the scheme:					
Local Government Pension Scheme	-8.28	-5.67	-7.87	-8.12	-5.30
Firefighter’s Pension Scheme	-253.62	-234.35	-254.58	-318.71	-313.74
Total Deficit	**-261.90**	**-240.02**	**-262.45**	**-326.83**	**-319.04**

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £319.04m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £281.868m. 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.

Employer Contributions

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2015 are £0.47m. Expected contributions to the Firefighter's Pension Scheme in the year to 31 March 2015 are £2.35m.

7.22 CONTINGENT ASSETS & CONTINGENT LIABILITIES

There are no Contingent Assets and Contingent Liabilities as at 31 March 2014.

8 CASH FLOW STATEMENT

8.1 ADUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2012/13		2013/14
£000		**£000**
1,791	Depreciation, impairment and downward revaluations	5,622
78	Amortisation	110
-1	Increase/Decrease(-) interest Creditors	-1
454	Increase/Decrease(-) in Creditors	-432
307	Increase(-)/Decrease in Debtors	1,102
-21	Impairment of Debtors	5
35	Increase(-)/Decrease in Inventories	-115
176	Increase/Decrease(-) in Deferred Liabilities	388
15,042	Movement in Pension Liability	18,669
22	Contributions to/from (-) Provisions	55
186	Carrying amount of non-current assets held for sale, sold or derecognised	361
6	Other adjustments	-
18,075		25,764

8.2 OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/13		2013/14
£000		**£000**
18,092	Employee Costs	22,379
-17,322	Council Tax Receipts	-14,295
-252	Revenue Support Grant	-9,353
-13,016	Redistributed NNDR	-6,163
-47	Interest receivable	-46
73	Interest payable in respect of borrowing	66
682	Interest payable in respect of PFI	1,322

8.3 INVESTING ACTIVITIES

2012/13		2013/14
£000		£000
3,974	Purchase of property, plant and equipment, investment property and intangible assets	7,371
-172	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-350
-1,346	Other receipts from investing activities	-1,764
2,456		5,257

8.4 FINANCING ACTIVITIES

2012/13		2013/14
£000		£000
292	Cash payments for the reductions of outstanding liabilities relating to on-balance sheet PFI contract	-93
138	Repayment of short and long term borrowing	145
430		52

8.5 NET INCREASE IN CASH AND CASH EQUIVALENTS

Under IFRS, cash and cash equivalents include the Authority's cash in hand, bank overdrafts and short term investments. The movement in cash and cash equivalents was as follows:

	2012/13	2013/14	Increase/ Decrease in year
	£000	£000	£000
Cash	14	-536	-550
Cash Equivalents	15,688	11,563	-4,125
	15,702	**11,027**	**-4,675**

FIRE PENSION FUND ACCOUNT

The Firefighter's Pension Scheme for fire officers 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 (Amendment) (England) Order 2006, if the amounts receivable by the pensions fund for the year are 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.

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

	2012/13	2013/14
	£000	**£000**
Contributions receivable		
Fire Authority contributions in relation to pensionable pay		
Normal	-2,302	-2,293
Early retirement	-	-
Firefighter's contributions	-1,354	-1,527
Transfers in from other schemes	-	-16
Ill health capital contributions	-56	-26
Benefits payable		
Pensions	7,197	7,413
Commutation and lump sum retirement benefits	1,434	564
Transfers out to other schemes	230	6
Net amount payable for the year	5,149	4,121
Top-up grant payable by the Government	-5,149	-4,121
Year end balance	-	-

Net Assets Statement

	2012/13	2013/14
	£000	**£000**
Net current assets and liabilities		
Amount due to (-) / from the Authority's General Fund	-1,575	-188
Amount due to (-) / from Central Government	1,575	188
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 2013/14 (there were no material changes to the Pension Fund Account as a result of the IFRS transition).

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 Actuary's 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 on a sliding scale of 11.0% to 15.0% and 8.5% to 11.1% 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.

Accruals

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

Actuarial Gains and Losses

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

Actuarial Valuation

A valuation by an actuary on behalf of a pension fund of assets held, estimate of the present value of benefits to be paid and estimate of required future contributions.

Amortisation

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

Audit Commission

An independent body established under the Local Government Finance Act 1982. It is the responsibility of the Audit Commission to appoint external auditors to the Authority.

Budget

The Authority's plans and policies expressed in financial terms.

Capital Adjustment Account

A capital reserve that reflects the difference between the cost of property, plant and equipment consumed and the capital financing set aside to pay for them.

Capital Charge

A charge to the revenue account to reflect the cost of property, plant and equipment used.

Capital Expenditure

Expenditure on the acquisition of property, plant and equipment or expenditure which adds to and not merely maintains the value of existing property, plant and equipment.

Capital Grant

Grant from Central Government used to finance capital schemes.

Capital Receipts

Proceeds from the sale of capital assets.

Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash Equivalents
Cash equivalents are investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local authority finance.

Collection Fund

A fund administered by Durham County Council and Darlington Borough Council in which individuals' Council Tax payments are paid. The Authority raises precepts on the funds to finance part of net revenue expenditure.

Collection Fund Adjustment Account

The account through which to implement the accruals basis for recording the precept without affecting the bottom line for taxpayers.

Component Accounting

Component accounting requires that where an asset has several components, which can be physically separated from the principal asset and which have significantly different useful lives, these should be recognised separately and should be depreciated based on their respective useful lives. Component accounting aims to improve depreciation accounting and improve the measurement of operating results.

Contingency

The sum of money set aside to meet unforeseen expenditure or liability.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority, or where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Council Tax

The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

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 property, plant or equipment, whether arising from use, effluxion of time or obsolescence through technical or other changes.

Earmarked Reserves

These represent monies set aside that can only be used for a specific purpose.

Employee Benefits

Short-term employee benefits are those due to be settled within 12 months of the year end. They include salary, paid annual leave, paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense in the year in which the employee renders service to the Authority. An accrual is made for the cost of the benefit earned by an employee but not taken before the year end. The accrual is charged to the surplus or deficit on the provision of Services, but then reversed out through the Movement in Reserves Statement.

Financial Instruments

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

Financial Regulations

A written code of procedures approved by the Authority intended to provide a framework for proper financial management.

GAD - The Government Actuaries Department

They provide estimates of the liabilities of the Firefighter's Pension Scheme.

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.

Impairment

A reduction in the value of an asset from the Balance Sheet value occurring as a result of a change in the condition and consumption of the asset or as a result of market conditions.

Interest Income

The money earned from the investment of surplus cash.

International Financial Reporting Standards (IFRS)

The Authority's financial statements have been prepared in accordance with the following statutory accounting standards adopted by the International Accounting Standards Board (IASB):

- International Financial Reporting Standards (IFRS)
- International Accounting Standards (IAS)
- Interpretations of the International Financial Reporting Interpretations Committee (IFRIC)
- Interpretations of the Standing Interpretations Committee (SIC)

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'. With finance leases, assets acquired are included within the property, plant and equipment in the Balance Sheet at the market value of the asset involved; monies owing to the lessor are included within deferred liabilities on the Balance Sheet. With an operating lease an annual rent is charged to the relevant service revenue account.

Minimum Revenue Provision

The minimum amount which must be charged in year for the repayment of debt.

National Non-Domestic Rates (NNDR)

The business rate in the pound is the same for all non-domestic ratepayers and is set annually by the government. Income from business rates goes into a Central Government pool that is then distributed to authorities according to resident population.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use; i.e. the cost of replacement or of the nearest equivalent asset adjusted to reflect the current condition of the existing asset.

Non-Operational Assets

Property, plant and equipment not directly occupied, used or consumed in the delivery of services. These are assets under construction and surplus assets held for disposal.

Operational Assets

Property, plant and equipment 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.

Outturn

The actual amount spent in the financial year.

Payments in Advance

These represent payments prior to 31st March for supplies and services received after 1st April.

Precept Income

The Authority obtains part of its income from precepts levied on its billing authorities (Durham County Council and Darlington Borough Council). Precepts, based on the Council Tax base of each council, are levied on a collection fund, administered separately by each council.

Private Finance Initiative (PFI)

PFI contracts are agreements to receive services where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. Where the Authority controls the services that are provided under a PFI scheme, and ownership of the assets will pass to the Authority at the end of the contract, for no additional charge, the Authority carries the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Property, Plant and Equipment

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

Provisions

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.

Receipts in Advance

These represent income received prior to 31st March for supplies and services provided after 1st April.

Reserves

Sums set aside for purposes falling outside the definition of a ‘provision’. There are two categories of reserves - see ‘Usable Reserves’ and ‘Unusable Reserves’ for further definition.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve

Capital reserve to hold unrealised revaluation gains arising (since 1 April 2007) from holding property, plant and equipment.

Revenue Contributions to Capital

Contribution from revenue to finance capital expenditure, thus reducing the requirement to borrow.

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)

Any grants receivable, including capital, that are applied to REFCUS will be accounted for as revenue grants in the Comprehensive Income and Expenditure Statement. Income is posted to the line that the qualifying expenditure is charged to.

Revenue Support Grant (RSG)

General government grant 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 (capital financing costs and revenue contributions). Running expenses include expenditure on maintenance of buildings, consumable supplies, transport etc.

Service Reporting Code of Practice (SerCoP)

Replacing the previous Best Value Accounting Code of Practice, SerCoP provides a consistent and comparable calculation of the total costs of services.

Termination Benefits

Amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Net Cost of Service in the Comprehensive Income and Expenditure Statement.

UK GAAP – Generally Accepted Accounting Standards

As IFRS is primarily drafted for the commercial sector and therefore does not address all accounting issues relevant to local government in the UK, the Code prescribes a hierarchy of alternative standards on which the accounting treatment and disclosures should be based where appropriate. The hierarchy comprises:

- Financial Reporting Standards (FRS)
- Statements of Standard Accounting Practice (SSAP)
- Pronouncements of the Urgent Issues Task Force (UITF)

Unusable reserves

Reserves the Authority is not able to use to provide services e.g. reserves that hold unrealised gains and losses, e.g. the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold.

Usable reserves

Reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, e.g. Capital Modernisation Reserve.