



County Durham and Darlington
Fire and Rescue Authority

Statement of Accounts
for the year ended 31st March 2015

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1. INTRODUCTION

The purpose of this foreword is to provide a clear guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow and provides a summary of the County Durham and Darlington Fire and Rescue Authority's (referred to as the Authority throughout this document) financial activities during 2014/15 and its financial position at 31 March 2015.

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) 2014/15.

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 2014.

EXPLANATORY FOREWORD

This is with the exception of IFRS 13 Fair Value Measurement. CIPFA/LASAAC has decided to defer the adoption of this Standard until the 2015/16 Code while it reviews its application of the Standard for local government circumstances.

This edition of the Code applies for accounting periods commencing on or after 1 April 2014. It supersedes the edition published in April 2013 (the 2013/14 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 2015 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 2015.

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 2015.

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 19-80) – this provides further information on significant items.

Pension Fund Account (pages 81-82) – this sets out the financial position of the Fire Pension Fund.

A prior period adjustment has been included in the financial statements in respect of a determination made by the Pension Ombudsman. This is outlined in Note 7.22.

3. REVIEW OF THE FINANCIAL YEAR 2014/15

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 2014/15 the Authority's net revenue spending, which was met from the above sources, was £27.910m, while spending on capital projects totalled £11.153m.

The Authority's general reserve balance at 31 March 2015, which represents the sum set aside to meet unforeseen future circumstances, was £2.824m, which equates to 9.6% of the 2014/15 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.

EXPLANATORY FOREWORD

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2014/15 to be met from Government Grants and local taxpayers was approved at £29.336m.

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	32.282	31.547	-0.735
Income	-2.946	-3.637	-0.691
Net Expenditure	29.336	27.910	-1.426
Financing			
Revenue Support Grant	-8.238	-8.238	-
Business Rates and Top-up Grant	-6.412	-6.464	-0.052
Precept Income	-14.686	-14.686	-
Total Financing	-29.336	-29.388	-0.052
Net Surplus	-	-1.478	-1.478

Variations between Original Budget and Actual

The variances are set out in the table below.

	Overspend or Underspend (-)
	£m
Employees	0.273
Premises	-0.863
Transport	-0.109
Supplies and Services	-0.054
Contingencies	-0.817
Capital Financing	0.830
Provisions & write offs	0.005
Transfers to Earmarked Reserves	1.478
Income	0.175
Contributions from Reserves	-0.866
Financing	-0.052
	-

EXPLANATORY FOREWORD

Explanation of the Major Variances

Employees - £0.273m (1.26%) Overspent

The overspend relates to expenditure on the additional cost of staff temporarily engaged on the estates improvement and replacement mobilisation system projects. This expenditure was included in the original budget under the heading of contingencies.

Premises – £0.863m (25.49%) 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.

Transport - £0.109m (13.58%) Underspent

There was a reduction in expenditure on vehicle running costs due to falling fuel prices and reduced expenditure on repairs and maintenance.

Supplies and Services – £0.054m (1.47%) Overspent

Additional expenditure was incurred on ICT support and systems as a result of a delay in the implementation of the replacement mobilisation system.

Contingencies - £0.817m (100%) Underspent

The contingencies budget includes an allowance for inflation and pay awards which were not required. In addition, the contingencies budget also included the cost of staff engaged on the Estates Improvement Programme and replacement control system projects which were charged to the Employees heading.

Capital Financing – £0.830m (42.62%) Overspent

Expenditure on the Estates Improvement Programme and replacement mobilisation system was financed from revenue contributions, which is partially offset by a contribution from earmarked reserves.

Transfers to Earmarked Reserves - £1.478m

The transfers from earmarked reserves include £0.399m to the Community Safety Reserve to finance the Safer Homes Project and £0.988m to the Modernisation Reserve to assist with further service transformation.

Income – £0.175m (5.95%) 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. This was partially offset by additional government grant in respect of the Safer Homes project and additional income from fees, charges and investment interest.

EXPLANATORY FOREWORD

Contributions from Earmarked Reserves - £0.866m

A transfer of £0.866m has been made from the Replacement Mobilisation System Reserve to finance expenditure on the project during the year.

Financing - £0.052m Overachieved

The actual amount of government grant received for small business rates relief was higher than the amount anticipated when the original budget was set.

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:

	2013/14 Actual £000	2014/15 Original Budget £000	2014/15 Actual £000
Net Cost of Services	39,145	28,181	33,943
Past Service Costs	120	-	-
Other Operating Expenditure			
Gain (-) / Loss on disposal of property, plant and equipment	11	-	91
Financing and Investment Income and Expenditure			
Interest payable on Debt	66	527	60
Interest Payable on PFI Unitary payments	1,322	633	867
Contingent Rents	45	20	68
Pension Interest Costs	14,070	-	14,020
Interest and Investment Income	-46	-25	-30
Gain (-) / Loss on Trading Accounts	32	-	-
Net Operating Expenditure	54,765	29,336	49,019
Taxation and Non-Specific Grant Income			
Recognised Capital Grants and Contributions	-1,764	-	-1,452
Precepts	-14,295	-14,686	-14,757
Council Tax Freeze Grant	-174	-	-
RSG	-9,353	-8,238	-8,238
NNDR	-6,163	-6,306	-6,357
Non Ring-fenced Government Grants	-	-106	-158
Surplus (-) / Deficit for the year	23,016	-	18,057
Transfer to/from (-) Earmarked Reserves from General Fund Balance	-5,340	-	612
Additional amounts required to be debited/credited (-) to the General Fund Balance for the year	-17,676	-	-18,669
Increase (-) / Decrease in General Fund Balance for the year	-	-	-

EXPLANATORY FOREWORD

5. COMPARISON OF ACTUAL WITH BUDGET – CAPITAL EXPENDITURE

Variances between Original Budget and Actual

The Authority approved a capital programme for 2014/15 of £11.862m. The actual capital expenditure for the year was £11.153m; £0.709m less than the original budget. The following table analyses the expenditure:

Project	Original Budget	Actual	Overspend or Underspend (-)
	£m	£m	£m
Vehicles, Plant & Equipment	0.567	1.717	1.150
Land and Buildings	11.295	9.436	-1.859
Total Expenditure	11.862	11.153	-0.709

Explanation of Major Variances

Vehicles, Plant and Equipment - £1.150m Overspent

Expenditure on the replacement mobilisation system project originally planned for 2012/13 slipped into the 2014/15 financial year.

Land and Buildings £1.859m 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 2015/16 financial year.

The capital expenditure was financed by revenue contributions, capital receipts, Capital Grants and internal borrowing.

Future Capital Commitments

The Authority is nearing the completion of a significant Estates Improvement Programme of capital building projects which will continue into 2015/16. The main project in 2015/16 will be the building of a new 'quad service' facility in Barnard Castle which will be shared with the Police, Ambulance and Mountain Rescue services. 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 2014, detailed the 2014/15 borrowing limits for the Authority.

The specific borrowing limits, set under the requirements of the Prudential Code, were as follows:

- Authorised Limit for External Debt for 2014/15 of £21.0 million;
- Operational Boundary for External Debt for 2014/15 of £19.2 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 £349.667m at 31 March 2015.

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 the total 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 from Government.

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 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.

EXPLANATORY FOREWORD

8. LOOKING AHEAD TO 2015/16

Looking ahead, the Authority's revenue expenditure for 2015/16 is estimated at £28.618m, together with an approved capital programme of £4.556m.

The Authority will face significant reductions in Government funding over the Medium Term Financial Plan period of 2015/16 to 2018/19. The 2015/16 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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यदि आपनि बांग्लाई এই তথ্যগুলির একটি সারসংক্ষেপ চান তবে অনুগ্রহ করে 0191 375 5554 নম্বরে ফোন করুন।

यदि आप इस सूचना का सार हिन्दी में चाहते हैं, तो कृपया 0191 375 5554 पर फोन करें।

नेवत डुमी एिम सूचना दा सार पंजाबी 'ਚ ਚਹੁੰਦੇ ਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ 0191 375 5554 'ਤੇ ਫ਼ੋਨ ਕਰੋ

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INDEPENDENT AUDITOR'S REPORT

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

Opinion on the Authority financial statements

We have audited the financial statements of County Durham and Darlington Fire and Rescue Authority for the year ended 31 March 2015 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 2014/15.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2015 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 2014/15.

INDEPENDENT AUDITOR'S REPORT

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 2015.

INDEPENDENT AUDITOR'S REPORT

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 2015.

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 September 2015

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the Fire and Rescue Authority that officer is the Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its 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 2014/15.

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 2015 and its income and expenditure for the year ended 31 March 2015.

A. J. Hope

Date 28/09/2015

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 28 September 2015.

J. Turnbull

Date 28/09/2015

Chairman of the meeting approving the accounts

MOVEMENT IN RESERVES STATEMENT

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 2014/15							
	(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 2014	2,824	8,386	53	-	11,263	-294,278	-283,015
Surplus/Deficit (-) on provision of services	-18,057	-	-	-	-18,057	-	-18,057
Other Comprehensive Expenditure and Income	-	-	-	-	-	-6,130	-6,130
Total Comprehensive Expenditure and Income	-18,057	-	-	-	-18,057	-6,130	-24,187
Adjustments between accounting basis and funding under regulations (Note 5.1)	18,669	-	-53	-	18,616	-18,616	-
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	612	-	-53	-	559	-24,746	-24,187
Transfers to (-) / from Earmarked Reserves (Note 7.16)	-612	612	-	-	-	-	-
Increase/Decrease (-) in year	-	612	-53	-	559	-24,746	-24,187
Balance at 31 March 2015	2,824	8,998	-	-	11,822	-319,024	-307,202

MOVEMENT IN RESERVES STATEMENT

Comparatives for 2013/14 are as follows:

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	Restated Unusable Reserves	Restated Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013	2,824	13,726	53	248	16,851	-306,127	-289,276
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	-294,278	-283,015

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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.

2013/14 Gross Expenditure	2013/14 Income	2013/14 Net Expenditure	Gross Expenditure, gross income and net expenditure of continuing operations	2014/15 Gross Expenditure	2014/15 Income	2014/15 Net Expenditure
£000	£000	£000		£000	£000	£000
8,067	-243	7,824	Community Fire Safety	6,412	-719	5,693
33,341	-2,210	31,131	Fire Fighting & Rescue Operations	30,124	-2,055	28,069
190	-	190	Corporate & Democratic Core	181	-	181
120	-	120	Non Distributed Costs	-	-	-
41,718	-2,453	39,265	Net Cost of Service	36,717	-2,774	33,943
			Other Operating Income & Expenditure			
11	-	11	Gain (-) / Loss on disposal of non-current assets: Property, Plant & Equipment (Note 6.3)	91	-	91
11	-	11		91	-	91
			Financing and Investment Income & Expenditure			
66	-	66	Interest payable on debt	60	-	60
1,322	-	1,322	Interest payable on PFI	867	-	867
45	-	45	Contingent Rents – PFI	68	-	68
14,070	-	14,070	Net interest on the defined benefit liability	14,020	-	14,020
-	-46	-46	Investment interest income	-	-30	-30
126	-94	32	Gain (-) / Loss on trading accounts (not applicable to a Service)	-	-	-
15,629	-140	15,489		15,015	-30	14,985
			Taxation & Non-specific Grants Income			
		-1,764	Recognised capital grants and contributions			-1,452
		-14,295	Precepts(Note 6.14)			-14,757
		-174	Council Tax Freeze Grant			-
		-6,163	NDR			-6,357
		-	Non Ring-fenced Government Grants			-158
		-9,353	RSG			-8,238
		23,016	Surplus (-) / Deficit on Provision of Services			18,057
		-26,459	Re-measurements of the net defined benefit liability (Note 7.19)			11,944
		-2,818	Deficit(-)/Surplus on revaluation of Property, Plant & Equipment			-5,814
		-29,277	Other Comprehensive Income and Expenditure			6,129
		-6,261	Total Comprehensive Income and Expenditure			24,187

BALANCE SHEET

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 category 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 1 April 2013 Restated		As at 31 March 2014 Restated			As at 31 March 2015	
£000	£000	£000	£000		£000	£000
114		605		Intangible Assets (Note 7.1a)	512	
22,342		23,004		Property, Plant & Equipment (Note 7.1b & 7.1c)	28,326	
7,752		7,970		Land & Buildings	8,708	
20		23		Vehicle, Plant, Furniture & Equipment	23	
1,553		4,555		Surplus Assets	5,915	
1,148		1,148		Assets Under Construction	1	
				Long-Term Debtors (Note 7.8)		
	32,929		37,305	Total Long-Term Assets		43,485
280		-		Assets Held for Sale (Note 7.6)	5,010	
383		497		Inventories (Note 7.7)	455	
4,243		3,137		Short-Term Debtors (Note 7.8)	4,832	
15,702		11,027		Cash & Cash Equivalents (Note 7.9)	3,127	
	20,608		14,661	Total Current Assets		13,424
-154		-71		Short Term Borrowing (Note 7.10)	-398	
-4,396		-3,814		Short Term Creditors (Note 7.10)	-4,489	
	-4,550		-3,885	Total Current Liabilities		-4,887
	48,987		48,081	Total Assets less Current Liabilities		52,022
-25		-80		Provisions (Note 7.12)	-111	
-1,266		-1,203		Long-term Borrowing (Note 7.13)	-812	
-7,672		-7,915		Deferred Liability – PFI (Note 7.13)	-7,745	
-1,323		-1,711		Other Deferred Liabilities (Note 7.13)	-889	
-327,977		-320,187		Pension Liability (IAS19) (Note 7.15)	-349,667	
	-338,263		-331,096	Total Long-Term Liabilities		-359,224
	-289,276		-283,015	Net Assets		-307,202
16,851		11,263		Usable Reserves (Note 7.16)	11,822	
-306,127		-294,278		Unusable Reserves (Note 7.16)	-319,024	
	-289,276		-283,015	Total Reserves		-307,202

The 2013/14 figures have been restated as a result of a ruling by the Pension Ombudsman, as outlined in Note 7.22.

CASH FLOW STATEMENT

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

2013/14	OPERATING ACTIVITIES	2014/15
£000		£000
23,016	Net surplus (-) or deficit on the provision of services	18,057
-25,764	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 8.1)	-21,535
2,114	Adjust for items received in the net surplus or deficit on the provision of services that are investing and financing activities	1,592
-634	Net cash flows from operating activities	-1,886
5,257	Investing Activities (Note 8.3)	9,562
52	Financing Activities (Note 8.4)	224
4,675	Net increase (-) or decrease in cash and cash equivalents	7,900
15,702	Cash and cash equivalents at the beginning of the reporting period	11,027
11,027	Cash and cash equivalents at the end of the reporting period (Note 7.13)	3,127

NOTES TO CORE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2011, 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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.

NOTES TO CORE FINANCIAL STATEMENTS

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 than 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.

NOTES TO CORE FINANCIAL STATEMENTS

1.4 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.

1.5 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.

1.6 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

NOTES TO CORE FINANCIAL STATEMENTS

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

NOTES TO CORE FINANCIAL STATEMENTS

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.

1.7 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.

1.8 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.

NOTES TO CORE FINANCIAL STATEMENTS

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

The financial assets of the Authority are classified as loans and receivables (assets that have fixed or determinable payments but are not quoted in an active market). They are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Debtor balances are included within loans and receivables. The Authority recognises that debts are not always paid and makes provision for impairment of bad debts where appropriate.

1.9 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

NOTES TO CORE FINANCIAL STATEMENTS

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.

1.10 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.

NOTES TO CORE FINANCIAL STATEMENTS

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

NOTES TO CORE FINANCIAL STATEMENTS

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.

1.11 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

NOTES TO CORE FINANCIAL STATEMENTS

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.

1.12 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.

1.13 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.

1.14 Accounting for Leases – Authority as Lessee

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. Where the operating lease includes a rent free period, the benefit is carried forward as a deferred liability to be released evenly over the life of the lease.

1.15 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 2014/15 (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.

NOTES TO CORE FINANCIAL STATEMENTS

1.16 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.

1.17 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 –

NOTES TO CORE FINANCIAL STATEMENTS

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.

1.18 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 £2.20m and £2.93m 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, Community Safety, Civil Resilience, Insurance and Replacement Mobilisation System were held as at 31 March 2015 together with a General Revenue Reserve.

1.19 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.

NOTES TO CORE FINANCIAL STATEMENTS

1.20 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.

1.21 Group Accounts

The Authority does not have any undertakings that are subject to the preparation of group accounts, as the aggregate turnover of the Community Interest Company has been assessed as not being material.

1.22 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

The Authority is required to disclose the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted in the CIPFA Accountancy Code of Practice for the relevant financial year.

In 2014/15, the relevant accounting standards are:

i) IFRS 13 Fair Value Measurement

This standard provides a consistent definition of fair value and enhanced disclosure requirements. The adoption will require surplus assets to be revalued at market value. Operational property, plant and equipment will not be affected. Therefore, this standard is not expected to have a material impact on the Authority's accounts.

ii) IFRIC 21 Levies

This standard provides guidance on the timing of the recognition of the payment of levies and is not expected to have a material impact on the Authority's accounts.

NOTES TO CORE FINANCIAL STATEMENTS

In addition, there are a number of annual IFRS improvements. As these are minor, and usually for clarification purposes, they will not have a material impact on the Authority's accounts.

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 2015 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 £0.112m 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

NOTES TO CORE FINANCIAL STATEMENTS

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	8.556
in excess of pensions – reduction of 0.5% per annum	7.5	25.664
Pensioner mortality		
pensioners living (on average) 2 years longer	2.5	8.556

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

Following the publication of the determination of a case concerning the lump sum paid to a Firefighter, which is relevant to many firefighters and police officers who retired in the early 2000's, prior period adjustments have been made in respect of pension liability and reserves, as detailed in Note 7.22. Due to timescales, an estimate for the adjustment has been made, based on the mid point of the percentages provided by the Government Actuary Department. However, management are satisfied that these are sufficiently robust and wouldn't be materially misstated.

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.

NOTES TO CORE FINANCIAL STATEMENTS

2014/15	USABLE RESERVES			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
Charges for depreciation, impairment and downward revaluations of non-current assets	-4,291			4,291
Amortisation of Intangible Assets	-109			109
Capital Grants and Contributions	1,452		53	-1,505
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	-230			230
Use of Capital Receipts Reserve to finance new capital	139	-139		
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income & Expenditure Statement		139		-139
Statutory provision for the financing of Capital Investment	231			-231
Capital expenditure charged against the General Fund	1,550			-1,550
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure	-20,780			20,780
Employer's pensions contributions and direct payments to pensioners payable in the year	3,244			-3,244
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	122			-122
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	3			-3
Total Adjustments	-18,669	-	53	18,616

NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2013/14 are as follows:

2013/14	USABLE RESERVES			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£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

NOTES TO CORE FINANCIAL STATEMENTS

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 2014/15 (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 2014/15. 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 2014/15.

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 2014/15 amounts to £0.091m.

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:

	2013/14	2014/15
	£000	£000
Allowances	53	55
Expenses	12	6
Total	65	61

NOTES TO CORE FINANCIAL STATEMENTS

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.

2014/15						
	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	142,650	1,100	4,032	147,782	18,629	166,411
Deputy Chief Fire Officer	107,300	188	5,026	112,514	22,855	135,369
Assistant Chief Fire Officer	89,912	1,677	5,026	96,615	14,340	110,955
	339,862	2,965	14,084	356,911	55,824	412,735

The Head of Corporate Resources (Treasurer to the Fire Authority) was seconded from Durham County Council during 2014/15 and a payment of £86,472 was made to the County Council in respect of this secondment. With effect from 1st April 2015, the individual was appointed to this role as a permanent employee of County Durham and Darlington Fire and Rescue Authority.

Comparative figures for 2013/14 are as follows:

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 2013/14, 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 in the 2013/14 table above relate to the period spent in the new role.

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

NOTES TO CORE FINANCIAL STATEMENTS

Remuneration Band	Number of Employees	
	2013/14	2014/15
£50,000-£54,999	13	9
£55,000-£59,999	8	8
£60,000-£64,999	3	11
£65,000-£69,999	2	3
£70,000-£74,999	1	2
£75,000-£79,999	1	2
£80,000-£84,999	-	1
£85,000-£89,999	-	1

Please note: Payments within the 2013/14 salary bands include any redundancy payments made in 2013/14. No redundancy payments have been made in the 2014/15 financial year.

6.7 EXIT PACKAGES

The numbers and total cost of exit packages agreed in 2013/14 and 2014/15 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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0-£20,000	-	-	2	-	2	-	£ 28,477	-
£20,001-£40,000	-	-	1	-	1	-	£ 29,508	-
Total	-	-	3	-	3	-	£ 57,985	-

6.8 TERMINATION BENEFITS

The Authority has not taken the decision to terminate any employee contracts in 2014/15. The value of the termination payments, relating to these employees and charged to services in 2013/14 was £57,985.

The table below analyses the payments made:

	2013/14	2014/15
	£	£
Corporate Services	57,985	-
Organisational and People Development	-	-
Community Safety	-	-
	57,985	-

NOTES TO CORE FINANCIAL STATEMENTS

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 2014/15 and 2013/14 are set out below:

	2013/14	2014/15
	£000	£000
Fees payable to auditors with regard to external audit services carried out by the appointed auditor	39	39
Fees payable to auditors for certification of grant claims	-	-
Fees payable to auditors in respect of other services provided by the appointed auditor	-	-
	39	39

In October 2014, the Audit Commission announced that it was distributing some more of its retained earnings to former clients. The Authority's share of this distribution was £3,957. This followed a distribution of retained earnings in March 2014, in which the Authority's share was £5,269.

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.

NOTES TO CORE FINANCIAL STATEMENTS

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

	31 March 2014		31 March 2015	
	Vehicles £000	Property £000	Vehicles £000	Property £000
Within one year	141	399	107	399
Later than one year and not later than five years	117	1,656	52	1,715
Later than 5 years	-	4,095	-	3,637
	258	6,150	159	5,751

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £139,823 (2013/14: £168,782) for vehicles and £399,356 (2013/14: £388,245) 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 2014/15:

	2013/14 £000	2014/15 £000
Private Finance Initiative	1,130	1,130
DCLG	864	1,327
Credited to Services	1,994	2,457
Revenue Support Grant	9,353	8,238
National Non-Domestic Rates	6,163	6,357
Small Business Rates Relief Grant	-	158
Council Tax Freeze Grant	174	-
Donated Assets	2	-
Capital Grants	1,684	1,352
Capital Contributions	78	100
Credited to Taxation and Non-Specific Grant Income	17,454	16,205
Total Grant Income	19,448	18,662

NOTES TO CORE FINANCIAL STATEMENTS

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, bar those relating to the Community Interest Company, which is disclosed further below.

The total of members' allowances paid in 2014/15 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 2014/15, is also Head of Legal and Democratic Services for Durham County Council.

Anthony Hope, is Treasurer and during 2014/15 he was employed by Durham County Council and seconded to the Fire Authority.

There were no related party transactions involving chief officers, bar those relating to the Community Interest Company which is disclosed further below.

Other Public Bodies

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

NOTES TO CORE FINANCIAL STATEMENTS

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 £0.208m (2013/14: £0.183m)

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 2013/14	Precepts 2014/15
	£000	£000
Durham County Council	11,596	11,893
Darlington Borough Council	2,685	2,793
	14,281	14,686
Adjustment for share of Collection Fund	14	70
	14,295	14,756

At 31 March 2015, the Authority owes Durham County Council £0.126m relating to amounts due from Council Tax Payers, Durham County Council owes the Authority £0.029m in respect of the collection fund and £0.086m in respect of amounts due from Non-Domestic Rates Payers.

In addition, £0.414m is due to the Authority from Durham County Council relating to VAT claimed on the Authority's behalf.

At 31 March 2015, the Authority owes Darlington Borough Council £0.337m in respect of amounts due from Council Tax Payers and £0.026m in respect of amounts due from Non-Domestic Rates Payers. Darlington Borough Council owes the Authority £0.059m in respect of the Collection Fund.

County Durham and Darlington Community Interest Company

In 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.

The company commenced trading during 2014/15. As at 31 March 2015, £82,610 was due to the Fire Authority from the company in respect of management and administration recharges. The company is due £4,850 from the Authority in respect of course fees.

A summary of the company's accounts are shown in Note 6.15.

6.15 COMMUNITY INTEREST COMPANY

The Fire Authority has set up a Community Interest Company for trading purposes. The company is registered as County Durham and Darlington Fire and Rescue Community Interest Company. The company is wholly owned by the Fire Authority.

NOTES TO CORE FINANCIAL STATEMENTS

The accounts of the company are audited by Mazars LLP, and are summarised below. The Authority has not produced group accounts for 2014/15 as the aggregate turnover of the company was not material. Additionally, whilst the Fire Authority is the sole member, it is not represented on the Board of Directors, and is unable to exercise a significant influence over the entity without the support of the Directors. Any decisions regarding the operating and financial policies of the company require the consent of the Directors, but not the Authority.

	2013/14 £000	2014/15 £000
Turnover	-	154
Cost of Sales	-	-87
Gross Profit	-	67
Administrative Expenses	-	-79
Profit/(Loss) for the year before taxation	-	-12
Tax on profit	-	-
Profit/(Loss) for the financial year	-	-12

NOTES TO CORE FINANCIAL STATEMENTS

7 BALANCE SHEET

7.1 PROPERTY, PLANT AND EQUIPMENT

The following movements took place:

7.1a 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:

Original Cost	£000
Amortisations to 31 March 2014	799
	-194
Balance at 1 April 2014	605
Expenditure in year	21
Disposals	-105
Amortisation during year	-109
Amortisation on disposals	100
Balance at 31 March 2015	512

Comparatives for 2013/14 are as follows:

Original Cost	£000
Amortisations to 31 March 2013	228
	-114
Balance at 1 April 2013	114
Expenditure in year	601
Disposals	-30
Amortisation during year	-110
Amortisation on disposals	30
Balance at 31 March 2014	605

7.1b OPERATIONAL ASSETS

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. Full 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 2015 valuations. A full valuation took place in 2013/14.

NOTES TO CORE FINANCIAL STATEMENTS

	Property, Plant & Equipment			
	Vehicles, Plant & Equipment	Land & Buildings	Surplus Assets	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2014	14,084	23,320	23	37,427
Additions	1,696	3,835	-	5,531
Derecognition - Disposals / Demolitions	-1,599	-195	-	-1,794
Reclassifications	527	3,714	-	4,241
Assets reclassified as held for sale	-	-5,010	-	-5,010
Accumulated depreciation and impairment written off to GCA	-	-831	-	-831
Revaluation increases recognised in the Surplus on the Provision of Services	-	2,013	-	2,013
Revaluation decreases recognised in the Surplus on the Provision of Services	-	-3,780	-	-3,780
Revaluation increases recognised in the Revaluation Reserve	-	6,419	-	6,419
Revaluation decreases recognised in the Revaluation Reserve	-	-603	-	-603
At 31 March 2015	14,708	28,882	23	43,613
Depreciation and Impairments				
At 1 April 2014	-6,114	-316	-	-6,430
Charge for 2014/15	-1,447	-981	-	-2,428
Derecognition - Disposals / Demolitions	1,561	7	-	1,568
Depreciation written off to GCA	-	736	-	736
Impairment written off to GCA	-	95	-	95
Impairment losses recognised in the Surplus on the Provision of Services	-	-96	-	-96
Impairment losses recognised in the Revaluation Reserve	-	-1	-	-1
At 31 March 2015	-6,000	-556	-	-6,556
Balance Sheet amount at 31 March 2015	8,708	28,326	23	37,057
Balance Sheet amount at 01 April 2014	7,970	23,004	23	30,997

NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2013/14 are as follows:

	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

The carrying value of operational assets is analysed according to the year in which they were valued as follows:

	Vehicles, Plant & Equipment	Land & Buildings	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost	14,708	-	23	14,731
Valued at fair value as at:				
31 March 2015	-	28,632	-	28,632
31 March 2014	-	250	-	250
Total Cost or Valuation	14,708	28,882	23	43,613

NOTES TO CORE FINANCIAL STATEMENTS

7.1c NON-OPERATIONAL ASSETS

	Non-Operational Assets	
	Assets Under Construction 2013/14	Assets Under Construction 2014/15
	£000	£000
Cost or valuation		
At 1 April	1,553	4,555
Additions	5,023	5,601
Disposals	-	-
Reclassifications	-2,021	-4,241
At 31 March	4,555	5,915
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	4,555	5,915
Balance Sheet amount at 01 April	1,553	4,555

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.

NOTES TO CORE FINANCIAL STATEMENTS

The requirement has increased by £7.729m from £9.808m to £17.537m as follows:

	2013/14	2014/15
	£000	£000
Opening Capital Financing Requirement	9,812	9,808
Capital Investment		
Property, Plant & Equipment	1,747	5,531
Non-Operational Assets	5,023	5,601
Intangible Assets	601	21
Donated Asset	2	-
Revenue Expenditure Funded from Capital Under Statute	2,425	-
Sources of Finance		
Capital Receipts	-597	-138
Government Grants and Contributions	-1,764	-1,505
Minimum Revenue Provision	-97	-70
Minimum Revenue Provision – PFI	-148	-161
Minimum Revenue Provision – PFI adj re previous year	240	-
Direct Revenue Provision	-7,436	-1,550
Closing Capital Financing Requirement	9,808	17,537
Explanation of movements in the year		
Reduction in underlying need to borrow (supported by Government financial assistance)	-4	-231
Increase in underlying need to borrow (unsupported by Government financial assistance)	-	7,960
Assets acquired under PFI contracts	-	-
Increase/decrease (-) in Capital Financing Requirement	-4	7,729

7.4 CAPITAL COMMITMENTS

The Authority is nearing the completion of a significant programme of capital building projects which will continue into 2015/16. There were no new capital commitments at 31 March 2015. The major existing commitments are shown below:

	2013/14 £m	2014/15 £m
Training Centre	5.45	0.17
Durham Fire Station	3.70	-

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 2014	Number as at 31 March 2015
Headquarters	1	1*
Fire Stations	16*	15
Standby Accommodation Blocks	2	2
Vehicles	127	127

NOTES TO CORE FINANCIAL STATEMENTS

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

7.6 ASSETS HELD FOR SALE

	Non Current	
	2013/14	2014/15
	£000	£000
Balance outstanding at start of year	280	-
Assets newly classified as held for sale:		
Property, Plant and Equipment	-	5,010
Revaluation Gains	-	-
Assets declassified as held for sale:		
Property, Plant and Equipment	-	-
Assets sold	-280	-
Balance outstanding at end of year	-	5,010

7.7 INVENTORIES

	2013/14	2014/15
	£000	£000
Balance outstanding at 1 April	469	497
Purchases	704	537
Stores Re-alignment	102	-
Recognised as an expenses in the year	-778	-579
Balance outstanding at 31 March	497	455
Provision for obsolete stock	-	-
Balance outstanding at 31 March after provision	497	455

During 2013/14, the Service moved all inventory items to one store facility at the Technical Services Centre.

7.8 DEBTORS

These are sums of money due to the Authority but unpaid as at 31 March 2015. 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.

NOTES TO CORE FINANCIAL STATEMENTS

	1 April 2013 Restated	31 March 2014 Restated	31 March 2015
	£000	£000	£000
Amounts falling due within one year:			
Debtors			
Government Departments	285	284	1,430
Other Local Authorities	376	277	589
Other Debtors	2,821	1,935	1,929
Payments in Advance	766	651	886
Impairment for Doubtful Debts	-5	-10	-2
	4,243	3,137	4,832
Amounts falling due after one year:	1,148	1,148	1
	5,391	4,285	4,833

The 2013/14 figures have been restated as a result of a ruling by the Pension Ombudsman, as outlined in Note 7.22.

7.9 CASH AND CASH EQUIVALENTS

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

	31 March 2014	31 March 2015
	£000	£000
Cash held by the Authority	19	15
Bank current accounts	-555	-193
Short term deposits with banks and building societies	11,563	3,305
Total Cash and Cash Equivalents	11,027	3,127

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 £776 as at 31 March 2015 (£1,201 as at 31 March 2014).

7.10 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 2015.

	31 March 2014	31 March 2015
	£000	£000
Creditors		
Government Departments	421	378
Other Local Authorities	906	1,098
Other Creditors	1,591	2,157
Receipts in Advance	896	856
	3,814	4,489
Short-term Borrowing	71	398
	3,885	4,887

NOTES TO CORE FINANCIAL STATEMENTS

The accrued interest relating to short term borrowing, included above, is £7,888 as at 31 March 2015 (£8,313 as at 31 March 2014).

7.11 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 2014		31 March 2015	
	Long-term £000	Current £000	Long-term £000	Current £000
Financial Liabilities at amortised cost				
PWLB Borrowing	1,203	71	812	398
Bank Overdraft	-	555	-	193
Trade Creditors	-	454	-	457
Other Creditors	-	1,145	-	868
Private Finance Initiative	7,915	161	7,745	170
Total Borrowing	9,118	2,386	8,557	2,086
Loans and Receivables at amortised cost				
Short Term Deposits	-	11,563	-	3,305
Bank Deposits	-	19	-	15
Long Term Debtors	1	-	1	-
Trade Debtors	-	1,160	-	1,026
Other Debtors	-	173	-	619
Total Investments	1	12,915	1	4,965

Fair Value of Assets and Liabilities carried at Amortised Cost.

	31 March 2014		31 March 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets				
Short Term Deposits	11,563	11,563	3,305	3,305
Bank Deposits	19	19	15	15
Long Term Debtors	1	1	1	1
Trade Debtors	1,160	1,160	1,026	1,026
Other Debtors	173	173	619	619
	12,916	12,916	4,966	4,966
Financial Liabilities (current & long term)				
PWLB Borrowing	1,274	1,435	1,210	1,408
Bank Overdraft	555	555	193	193
Trade Creditors	454	454	457	457
Other Creditors	1,145	1,145	868	868
Private Finance Initiative	8,076	8,076	7,915	7,915
	11,504	11,665	10,643	10,841

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

NOTES TO CORE FINANCIAL STATEMENTS

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 2014/15 Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2014/15	Financial Liabilities measured at Amortised Cost	Financial Assets Loans and Receivables
	£000	£000
Interest expense	995	-
Interest income	-	-30
Net gain(-)/loss for the year	965	

Comparative figures as at 31 March 2014 are 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	

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

NOTES TO CORE FINANCIAL STATEMENTS

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 7.13 analyses the scheduled repayments of long term borrowings over time.

NOTES TO CORE FINANCIAL STATEMENTS

(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.

7.12 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 2014	15	65	80
Additional provisions made in 2014/15	18	18	36
Amounts used in 2014/15	-5	-	-5
Balance at 31 March 2015	28	83	111

Comparatives for 2013/14 are as follows:

	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

NOTES TO CORE FINANCIAL STATEMENTS

7.13 DEFERRED LIABILITIES

The carrying amount of deferred liabilities is shown below:

	1 April 2013 Restated	31 March 2014 Restated	31 March 2015
	£000	£000	£000
Debt	1,266	1,203	812
Private Finance Initiative (PFI)	7,672	7,915	7,745
Other lease arrangements	176	564	889
Pension Ombudsman ruling	1,147	1,147	-
	10,261	10,829	9,446

Deferred liabilities disclosed within other lease arrangements relate to lease incentives for the Technical Services Centre and Headquarters buildings. These are accounted for as a deferred liability and released over the life of the lease.

The 2013/14 figures have been restated as a result of a ruling by the Pension Ombudsman, as outlined in Note 7.22. In 2014/15, this amount has been included within short-term creditors as the liability will be discharged within 12 months of the Balance Sheet date.

Deferred Liability – Debt

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

	31 March 2014	31 March 2015
	£000	£000
Long-term Borrowings		
Repayable within 1 – 2 years	391	42
Repayable within 2 – 5 years	84	43
Repayable within 5 – 10 years	405	727
Repayable over 10 years	323	-
	1,203	812

7.14 PRIVATE FINANCE INITIATIVE (PFI) SCHEME

Two 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.

NOTES TO CORE FINANCIAL STATEMENTS

The Authority's Balance Sheet includes both assets and liabilities arising from the contract.

The value of PFI assets at 31 March 2015

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 2014/15 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	-972	-381	-1,353
Add: Revaluations in 2014/15	642	642	1,284
Gross Book Value after impairment	4,308	4,394	8,702
Less: Accumulated Depreciation	-38	-38	-76
Less: 2014/15 Depreciation	-113	-93	-206
Add: Accumulated Depreciation & Impairment written-off to GCA	75	55	130
Net Book Value at 31 March 2015	4,232	4,318	8,550

Comparatives for 2013/14 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
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

The value of liabilities at 31 March 2015

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.

NOTES TO CORE FINANCIAL STATEMENTS

Movements in the values in 2014/15 are summarised below:

	2013/14 £000	2014/15 £000
Liability outstanding at 1 April	7,983	8,076
Adjustment re previous years	241	-
Less: Value of liability written down	-148	-161
Liability outstanding at 31 March	8,076	7,915

Estimates of future payments due:

Period	Repayment Liability	Interest	Service Charges	Lifecycle Replacement
	£000	£000	£000	£000
2015/16	170	850	304	36
2016/17 to 2019/20	569	2,437	913	162
2020/21 to 2024/25	1,522	4,247	1,826	565
2025/26 to 2029/30	2,090	2,628	1,521	561
2030/31 to 2034/35	3,455	1,259	1,521	564
2035/36	109	12	24	28
Total	7,915	11,433	6,109	1,916

The estimates do not include any allowance for inflation.

7.15 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

NOTES TO CORE FINANCIAL STATEMENTS

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:

NOTES TO CORE FINANCIAL STATEMENTS

2014/15	Local Government Pension Scheme	Fire Fighter's Pension Scheme	Total
	£000	£000	£000
Comprehensive Income and Expenditure Statement			
Cost of Services:			
Current service cost	520	6,240	6,760
Past service costs	-	-	-
Financing and Investment Income and Expenditure:			
Net interest expense	220	13,800	14,020
Total Post Employment Benefits charged to the Surplus/ Deficit on the Provision of Services	740	20,040	20,780
Other Post Employment Benefits:			
Remeasurement of the net defined benefit liability comprising:			
Return on plan assets (excluding the amount included in the net interest expense)	-950	-	-950
Actuarial gains / losses (-) arising on changes in demographic assumptions	-	-29,750	-29,750
Actuarial gains / losses (-) arising on changes in financial assumptions	2,960	49,050	52,010
Other	-105	-9,261	-9,366
Total Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	1,905	10,039	11,944
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	2,645	30,079	32,724
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	-740	-20,040	-20,780
Actual amount charged against the General Fund Balance for pensions in the year:			
Employer's contributions payable to the scheme	455	2,329	2,784
Retirement benefits payable to pensioners	-	460	460

NOTES TO CORE FINANCIAL STATEMENTS

The comparative figures for 2013/14 are:

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			
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 Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	-3,434	-23,025	-26,459
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 cumulative amount of actuarial losses to 31 March 2015 is £113.23m (2013/14 restated £101.38m), made up as follows:

- Local Government Pension Scheme £3.18m (2013/14 £1.27m)
- Firefighter's Pension Scheme £110.05m (2013/14 restated £100.11m)

NOTES TO CORE FINANCIAL STATEMENTS

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 2015 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 dependent 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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Mortality assumptions:						
Longevity at 65 for current pensioners:						
• Men	22.5	22.6	22.5	22.6	23.5	22.5
• Women	25.0	25.1	25.0	25.1	25.5	22.5
Longevity at 65 for future pensioners:						
• Men	24.7	24.8			26.6	24.8
• Women	27.3	27.4			28.6	24.8
Rate of Inflation:						
• RPI	3.4	3.0	3.2	2.9	3.7	3.6
• CPI	2.4	1.9	2.2	1.8	2.5	2.2
Rate of increase in salaries	3.9	3.4			4.5	4.2
Rate of increase to pensions in payment	2.4	1.9	2.2	1.8	2.5	2.2
Rate of increase to deferred pensions	2.4	1.9			2.5	2.2
Rate for discounting scheme liabilities	4.4	3.3	4.2	3.1	4.4	3.3
Take-up of option to convert annual pension into retirement lump sum:						
• Including any accrued lump sum from pre 2008 service	80	80			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.

NOTES TO CORE FINANCIAL STATEMENTS

(i) Firefighter's Pension Scheme

Past Service Liabilities

The past service liabilities for 2014/15 are:

	1992 Scheme	Injury Awards	2006 Scheme	Total
	£m	£m	£m	£m
Estimated liabilities in scheme				
Active members (past service)	128.22	1.42	14.73	144.37
Deferred pensions	3.84	-	0.18	4.02
Pensions in Payment (injury awards)	-	9.57	-	9.57
Pensions in Payment (excluding injury)	180.18	-	-	180.18
Retained Settlement	-	-	4.04	4.04
Total	312.24	10.99	18.95	342.18
Net pensions deficit	312.24	10.99	18.95	342.18

The comparative figures for 2013/14 are:

	1992 Scheme Restated	Injury Awards	2006 Scheme	Total Restated
	£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)	164.70	-	-	164.70
Total	280.46	22.18	12.25	314.89
Net pensions deficit	280.46	22.18	12.25	314.89

The comparative figures for 2012/13 are:

	1992 Scheme Restated	Injury Awards	2006 Scheme	Total Restated
	£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)	172.25	-	-	172.25
Total	285.59	23.32	10.95	319.86
Net pensions deficit	285.59	23.32	10.95	319.86

NOTES TO CORE FINANCIAL STATEMENTS

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	280.46	22.18	12.25	314.89
Movement in the year:				
Current service cost (net of employee contributions)	4.35	0.44	1.45	6.24
Cost covered by employee contributions	1.28	-	0.39	1.67
Past service cost	-	-	-	-
Pension transfers	-	-	0.02	0.02
Interest on pension liabilities	12.24	0.98	0.58	13.80
Total benefits paid	-8.09	-0.55	-	-8.64
Curtailment and settlements	-	-	-	-
Actuarial gain (-)/loss – demographic assumptions	-15.58	-11.13	-3.04	-29.75
Actuarial gain (-)/loss – financial assumptions	43.76	1.30	3.99	49.05
Actuarial gain (-)/loss – other	-6.18	-2.23	3.31	-5.10
Net deficit at the end of year	312.24	10.99	18.95	342.18

The comparative figures for 2013/14 are:

	Firefighters' Pension Fund			
	1992 Scheme Restated	Injury Awards	2006 Scheme	Total Restated
	£m	£m	£m	£m
Net deficit at the start of current year	285.59	23.32	10.95	319.86
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	280.46	22.18	12.25	314.89

NOTES TO CORE FINANCIAL STATEMENTS

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	-4.96	-	0.78	-4.19
Contributions by employer	-1.85	-0.55	-0.41	-2.80
Contributions by participants	-1.28	-	-0.37	-1.65
Net benefits paid out	8.09	0.55	-	8.64
Closing fair value of assets	-	-	-	-

The comparative figures for 2013/14 are:

	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	-	-	-	-

NOTES TO CORE FINANCIAL STATEMENTS

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	280.46	22.18	12.25	314.89
Movement in the year:				
Current service cost (net of employee contributions)	4.35	0.44	1.45	6.24
Contributions by employer	-1.85	-0.55	-0.40	-2.80
Contributions by participants	-	-	0.02	0.02
Past service cost	-	-	-	-
Pension transfers	-	-	0.02	0.02
Interest on net defined benefit liability	12.24	0.98	0.58	13.80
Return on plan assets in excess of/ below that recognised in net interest	-	-	-	-
Actuarial gain (-)/loss – change in financial assumptions	43.76	1.30	3.99	49.05
Actuarial gain (-)/loss – change in demographic assumptions	-15.58	-11.13	-3.04	-29.75
Actuarial gain (-)/ loss - other	-11.14	-2.23	4.08	-9.29
Net benefits paid	-	-	-	-
Net deficit at the end of year	312.24	10.99	18.95	342.18

The comparative figures for 2013/14 are:

	1992 Scheme Restated	Injury Awards	2006 Scheme	Total Restated
	£m	£m	£m	£m
Net deficit at the start of current year	285.59	23.32	10.95	319.86
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	280.46	22.18	12.25	314.89

NOTES TO CORE FINANCIAL STATEMENTS

(ii) Durham County Council Pension Fund

Analysis of Movement in Gross Scheme Liabilities

	Funded	Unfunded	Total
	£m	£m	£m
Opening Present Value of Liabilities	20.31	0.04	20.35
Current service cost (net of employee contributions)	0.52	-	0.52
Interest cost	0.89	-	0.89
Contributions from scheme participants	0.19	-	0.19
Remeasurement gains (-)/ losses:			
• Actuarial gains/ losses arising from changes in demographic assumptions	-	-	-
• Actuarial gains/ losses arising from changes in financial assumptions	2.96	-	2.96
• Other	-0.10	-	-0.10
Past service costs	-	-	-
Benefits paid	-0.50	-	-0.50
Closing present value of liabilities	24.27	0.04	24.31

The comparative figures for 2013/14 are:

	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	-0.80	-	-0.80
Past service costs	0.12	-	0.12
Benefits paid	-1.02	-	-1.02
Closing present value of liabilities	20.31	0.04	20.35

NOTES TO CORE FINANCIAL STATEMENTS

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	15.05	-	15.05
Interest income	0.67	-	0.67
Remeasurement gain/loss:			
• The return on plan assets (excluding the amount included in net interest expense)	0.95	-	0.95
• Other	-	-	-
Contributions from employer	0.46	-	0.46
Contributions by employees into the scheme	0.19	-	0.19
Benefits paid	-0.50	-	-0.50
Closing fair value	16.82	-	16.82

The comparative figures for 2013/14 are:

	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 actual return on scheme assets in the year was a gain of £1.62m (2013/14: £0.5m gain)

NOTES TO CORE FINANCIAL STATEMENTS

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	5.26	0.04	5.30
Current service cost	0.52	-	0.52
Contributions towards funded liabilities	-0.46	-	-0.46
Past service cost	-	-	-
Interest on net defined benefit liability	0.22	-	0.22
Return on plan assets in excess of/ below that recognised in net interest	-0.95	-	-0.95
Actuarial gains/ losses due to changes in financial assumptions	2.96	-	2.96
Actuarial gains/ losses due to changes in demographic assumptions	-	-	-
Actuarial gains/ losses due to other changes	-0.10	-	-0.10
Net deficit at the end of year	7.45	0.04	7.49

NOTES TO CORE FINANCIAL STATEMENTS

The comparative figures for 2013/14 are:

	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

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

	2010/11 Restated	2011/12 Restated	2012/13 Restated	2013/14 Restated	2014/15
	£m	£m	£m	£m	£m
Present value of liabilities:					
Local Government Pension Scheme	17.60	20.60	22.90	20.35	24.31
Firefighter's Pension Scheme	235.50	255.73	319.86	314.89	342.18
Total Present Value of Liabilities	253.10	276.33	342.76	335.24	366.49
Fair value of assets					
Local Government Pension Scheme	11.93	12.73	14.78	15.05	16.82
Firefighter's Pension Scheme	-	-	-	-	-
Total Fair Value of Assets	11.93	12.73	14.78	15.05	16.82
Surplus/ deficit (-) in the scheme:					
Local Government Pension Scheme	-5.67	-7.87	-8.12	-5.30	-7.49
Firefighter's Pension Scheme	-235.50	-255.73	-319.86	-314.89	-342.18
Total Deficit	-241.17	-263.60	-327.98	-320.19	-349.67

NOTES TO CORE FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £349.667m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £307.202m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains unaffected:

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

The 2013/14 figures throughout this note have been restated as a result of a ruling by the Pension Ombudsman, as outlined in Note 7.22.

Employer Contributions

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2016 are £0.47m. Expected contributions to the Firefighter's Pension Scheme in the year to 31 March 2016 are £2.16m.

7.16 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.

NOTES TO CORE FINANCIAL STATEMENTS

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

Reserve	Balance 1 April 2014 restated	Net Movement in Year	Balance 31 March 2015	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	8,386	612	8,998	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	-	-	-	Receipts from the sale of capital assets to be used to finance capital expenditure in future years	Movement in Reserves Statement
Total Usable Reserves	11,263	559	11,822		
Unusable Reserves					
Revaluation Reserve	4,558	5,393	9,951	Gains on revaluation of Property, Plant and Equipment not yet realised through sales	Note 7.18 (i) to the accounts
Capital Adjustment Account	21,416	-784	20,632	Capital resources set aside to meet capital expenditure	Note 7.18 (ii) to the accounts
Collection Fund Adjustment Account	-42	122	80	Share of Collection Fund Balance outstanding	Note 7.18 (iii) to the accounts
Pensions Reserve (IAS19)	-320,187	-29,480	-349,667	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 7.18 (iv) to the accounts
Short-term Accumulating Absences	-23	3	-20	Balancing account to allow inclusion of employees liability in the Balance Sheet	Note 7.18 (v) to the accounts
Total Unusable Reserves	-294,278	-24,746	-319,024		
Total Reserves	-283,015	-24,187	-307,202		

NOTES TO CORE FINANCIAL STATEMENTS

Comparatives for 2013/14 are as follows:

Reserve	Balance 1 April 2013 restated £000	Net Movement in Year £000	Balance 31 March 2014 restated £000	Purpose of Reserve	Further details of Movement
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 7.19 (i) to the accounts
Capital Adjustment Account	19,808	1,608	21,416	Capital resources set aside to meet capital expenditure	Note 7.19 (ii) to the accounts
Collection Fund Adjustment Account	4	-46	-42	Share of Collection Fund Balance outstanding	Note 7.19 (iii) to the accounts
Pensions Reserve (IAS19)	-327,977	7,790	-320,187	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 7.19 (iv) to the accounts
Short-term Accumulating Absences	-28	5	-23	Balancing account to allow inclusion of employees liability in the Balance Sheet	Note 7.19 (v) to the accounts
Total Unusable Reserves	-306,127	11,849	-294,278		
Total Reserves	-289,276	6,261	-283,015		

The 2013/14 figures have been restated as a result of a ruling by the Pension Ombudsman, as outlined in Note 7.22.

NOTES TO CORE FINANCIAL STATEMENTS

7.17 MOVEMENT IN EARMARKED RESERVES

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

	01 April 2014	Increase / decrease (-) in year	31 March 2015
	£000	£000	£000
Pensions	500	-	500
Community Safety	-	432	432
Insurance	92	58	150
New Dimensions	67	-	67
Replacement Mobilisation System	1,229	-866	363
Resilience	100	-	100
Modernisation	6,398	988	7,386
Total	8,386	612	8,998

Comparatives for 2013/14 are as follows:

	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

7.18 EARMARKED RESERVES

Earmarked reserves at 31 March 2015 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.

NOTES TO CORE FINANCIAL STATEMENTS

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.

7.19 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

	2013/14	2014/15
	£000	£000
Opening Balance at 1 April	2,066	4,558
Revaluation gains/losses	2,818	5,814
Excess of current cost depreciation	-326	-421
Closing Balance at 31 March	4,558	9,951

(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.

NOTES TO CORE FINANCIAL STATEMENTS

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.

	2013/14		2014/15	
	£000	£000	£000	£000
Opening Balance at 1 April		19,808		21,416
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	-5,622		-4,292	
Amortisation of intangible assets	-110		-109	
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	-361		-230	
		-8,518		-4,631
Adjusting amounts written out of the Revaluation Reserve		326		421
Net written out amount of the cost of non-current assets consumed in the year		-8,192		-4,210
Capital financing applied in the year				
Use of Capital Receipts Reserve to finance new capital expenditure	598		140	
Application of grants to capital financing from the Capital Grants Unapplied Account	1,683		1,405	
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	80		100	
Statutory provision for the financing for capital investment charged against the General Fund	4		231	
Capital expenditure charged against the General Fund	7,435		1,550	
		9,800		3,426
Closing Balance at 31 March		21,416		20,632

NOTES TO CORE FINANCIAL STATEMENTS

(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.

	2013/14	2014/15
	£000	£000
Opening Balance at 1 April	4	-42
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	-46	122
Closing Balance at 31 March	-42	80

(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.

	31 March 2014 Restated	31 March 2015
	£000	£000
Opening Balance at 1 April	-327,977	-320,187
Remeasurements of the net defined benefit liability/(asset)	26,459	-11,945
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	-22,010	-20,780
Employers pension contributions and direct payments to pensioners payable in the year	3,341	3,245
Closing Balance at 31 March	-320,187	-349,667

The figures as at 1 April 2013 and 31 March 2014 have been restated as a result of a ruling by the Pension Ombudsman, as outlined in Note 7.22.

NOTES TO CORE FINANCIAL STATEMENTS

(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.

	2013/14	2014/15
	£000	£000
Opening Balance at 1 April	-28	-23
Settlement or cancellation of accrual made at the year end of the preceding year	28	23
Amounts accrued at the end of the current year	-23	-20
Closing Balance at 31 March	-23	-20

7.20 GENERAL RESERVE

The net accumulated unapplied General Fund Revenue balance is £2.824m as at 31 March 2015 which equates to 9.6% of the 2014/15 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.

7.21 AUTHORISATION OF ACCOUNTS FOR ISSUE/POST BALANCE SHEET EVENTS

The Statement of Accounts was authorised for issue by the Treasurer, Anthony Hope, on 28 September 2015. This is the date up to which events after the Balance Sheet date have been considered. An adjusting Post Balance Sheet Event has been identified for 2014/15 in relation to a ruling by the Pension Ombudsman. This has been outlined in Note 7.22 below.

7.22 PRIOR PERIOD ADJUSTMENTS

The determination of a case concerning the lump sum paid to a firefighter on his retirement has been published by the Pensions Ombudsman. This case is relevant to many firefighters and police officers who retired in the early 2000's.

A complaint was raised concerning the frequency of commutation factor reviews between 1998 and 2006, preventing retirees the opportunity to gain the benefit of more beneficial terms which would have applied. These terms would have resulted in a higher cash sum on retirement or a higher residual pension for the same amount of lump sum.

The complaint was upheld as the Pensions Ombudsman found that failure to review these rates in a timely fashion amounted to maladministration.

NOTES TO CORE FINANCIAL STATEMENTS

The determination means that all firefighters who retired between 2001 (when the first review should have taken place, following a review in 1998) and 2006 (when a review did take place) are entitled to have their retirement benefits re-evaluated.

The work is being led by the Government Actuary's Department (GAD), who had the statutory responsibility to maintain and review the commutation factors.

A prior period adjustment has been made in the accounts, based on a management judgement of the estimation of the liability. This has been calculated as £1.147m for County Durham and Darlington Fire and Rescue Authority. The Government is to meet the costs of this liability.

The impact of the prior period adjustment on the primary statements is as follows:

- Pension liability in the Balance Sheet increased by £1.147m to £320.187m in 2013/14.
- Pension reserve in the Balance Sheet reduced by £1.147m to £320.187m in 2013/14, resulting in a corresponding reduction in unusable reserves to £294.278m in 2013/14. These reserve restatements have also been reflected in the Movement in Reserves Statement.
- In 2013/14, long term debtors in the Balance Sheet have increased by £1.147m to £1.148m to reflect the grant funding due from Central Government to cover the costs of the liability.
- In 2013/14, other deferred liabilities in the Balance Sheet have increased by £1.147m to £1.711m to reflect the estimation of amounts to be paid out to pensioners affected by the determination.
- The Net Assets Statement in the Pension Fund Accounts has been adjusted to increase amounts due to the Authority's General Fund and from Central Government by £1.147m to reflect the liability due and the corresponding funding.

Amendments have also been made to the Explanatory Foreword and the following notes, in respect of the restatement of opening balances for 2013/14 and 2014/15:

- Note 7.8 – Debtors
- Note 7.10 - Creditors
- Note 7.13 - Deferred Liabilities
- Note 7.15 - International Accounting Standard 19 (IAS19) Defined Pension Schemes
- Note 7.16 – Reserves
- Note 7.19 – Unusable Reserves

The above adjustments have had no impact upon Usable Reserves (The General Fund or Earmarked Reserves).

NOTES TO CORE FINANCIAL STATEMENTS

8 CASH FLOW STATEMENT

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

2013/14		2014/15
£000		£000
5,622	Depreciation, impairment and downward revaluations	4,292
110	Amortisation	109
-1	Increase/Decrease(-) Interest Creditors	-1
-432	Increase/Decrease(-) in Creditors	-480
1,102	Increase(-)/Decrease in Debtors	-540
5	Increase(-)/Decrease in Impairment of Debtors	-8
-115	Increase(-)/Decrease in Inventories	42
388	Increase/Decrease(-) in Deferred Liabilities	324
18,669	Movement in Pension Liability	17,536
55	Contributions to/from (-) Provisions	31
361	Carrying amount of non-current assets held for sale, sold or derecognised	230
25,764		21,535

8.2 OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2013/14		2014/15
£000		£000
22,379	Employee Costs	21,926
-14,295	Council Tax Receipts	-14,757
-9,353	Revenue Support Grant	-8,238
-6,163	Redistributed NNDR	-6,357
-46	Interest receivable	-30
66	Interest payable in respect of borrowing	60
1,322	Interest payable in respect of PFI	867

NOTES TO CORE FINANCIAL STATEMENTS

8.3 INVESTING ACTIVITIES

2013/14		2014/15
£000		£000
7,371	Purchase of property, plant and equipment, investment property and intangible assets	11,154
-350	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-140
-1,764	Other receipts from investing activities	-1,452
5,257		9,562

8.4 FINANCING ACTIVITIES

2013/14		2014/15
£000		£000
-93	Cash payments for the reductions of outstanding liabilities relating to on-balance sheet PFI contract	161
145	Repayment of short and long term borrowing	63
52		224

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:

	2013/14	2014/15	Increase/ Decrease in year
	£000	£000	£000
Cash	-536	-178	358
Cash Equivalents	11,563	3,305	-8,258
	11,027	3,127	7,900

PENSION FUND ACCOUNT

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

	2013/14	2014/15
	£000	£000
Contributions receivable		
Fire Authority contributions in relation to pensionable pay		
Normal	-2,293	-2,262
Early retirement	-	-
Firefighter's contributions	-1,527	-1,688
Transfers in from other schemes	-16	-18
Ill health capital contributions	-26	-7
Benefits payable		
Pensions	7,393	7,682
Commutation and lump sum retirement benefits	564	850
Lump sum death benefits	-	199
Refund of contributions	20	4
Transfers out to other schemes	6	-
Net amount payable for the year	4,121	4,760
Top-up grant payable by the Government	-4,121	-4,760
Year end balance	-	-

PENSION FUND ACCOUNT

Net Assets Statement

	At 1 April 2013 Restated	At 31 March 2014 Restated	At 31 March 2015
	£000	£000	£000
Net current assets and liabilities			
Amount due to (-) / from the Authority's General Fund	-2,722	-1,335	-1,566
Amount due to (-) / from Employees	-	-	15
Amount due to (-) / from Central Government	2,722	1,335	1,551
Total	-	-	-

The 2013/14 figures have been restated as a result of a ruling by the Pension Ombudsman, as outlined in Note 7.22.

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 2014/15 (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 17.0% and 8.5% to 12.5% respectively.

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

Benefits

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

Transfer Values

Transfer values are those sums paid payable by or receivable from, other pension schemes for individuals only and relate to periods of previous pensionable employment.

Transfers are accounted for on a receipts and payments basis.

GLOSSARY OF TERMS

Accruals

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

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.