County Durham and Darlington
Fire and Rescue Authority

Statement of Accounts

for the year ended 31st March 2018

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1. Message from Anthony Hope CPFA – Treasurer to County Durham and Darlington Fire and Rescue Authority.

In the face of an ongoing reduction in government funding, County Durham and Darlington Fire and Rescue Authority remains committed to protecting front line services to the public. In spite of the challenging financial circumstances, the Authority has been successful in achieving efficiency savings which has enabled it to balance the budget, whilst at the same time protecting front line services.

The Authority has set a balanced budget for the forthcoming financial year (2018/19) and needs to identify a further £0.7M of savings during the period 2019/20 to 2021/22. Work is ongoing through a comprehensive review of emergency response provision to identify further savings options to assist in balancing the budget in future years.

This document (the “Statement of Accounts”) presents the published accounts for County Durham and Darlington Fire and Rescue Authority (referred to as the “Authority” throughout this document) for the year ended 31st March 2018.

It is my intention to provide the readers of these accounts with information about the money that the Authority has received and spent during the financial year, that it has been accounted for properly, that the financial standing of the Authority continues to be secure and that the service delivered by the Authority continues to meet the principles of value for money at all times.

The presentation of the accounts has been designed to assist readers in understanding and interpreting the financial statements, which follow accounting standards and are, by their nature, complex in some areas.

I would like to take this opportunity to thank officers of the Fire and Rescue Authority and 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. The Authority is keen to improve both the quality and suitability of the information provided, so your feedback would be welcome. If you have any suggestions or comments on either the format of the report or its contents, or if you would like any further information, please contact my office:

Telephone	0191 375 5554
E-mail	PA@ddfire.gov.uk
Write to:	The Treasurer County Durham and Darlington Fire and Rescue Authority Fire and Rescue Service Headquarters Belmont Business Park Durham DH1 1TW

Anthony Hope CPFA
Treasurer to County Durham and Darlington Fire and Rescue Authority

2. Introduction

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members of the Authority, employees and other interested parties clear information about the finances of the Authority. It is important in demonstrating the stewardship of public money and shows the resources available and how they have been used to deliver services.

The purpose of this Narrative Report is to provide a clear guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow and provides a summary of the Authority's financial activities during 2017/18 and its financial position at 31 March 2018. This report focuses on the matters that are of relevance to the principal users of the accounts. In addition to complementing and supplementing the information provided in the accounts, it also provides a forward look at the issues that have affected the development, performance and position of the Authority during the financial year, which are likely to have an impact in the future.

The Narrative Report includes:

1. Message from the Treasurer
2. Introduction
3. Background to County Durham and Darlington Fire and Rescue Authority
4. Financial Performance 2017/18
5. Non-Financial Performance 2017/18
6. Operating Environment and Future Plans
7. Going Concern
8. Statement of Accounts

3. Background to County Durham and Darlington Fire and Rescue Authority

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.

4. Financial Performance 2017/18

Review of the Financial Year

The Authority's spending is planned and controlled by a rigorous budget and financial management process. The Authority received 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 2017/18, the Authority's net revenue expenditure, which was met from the above sources, was £27.826m, while spending on capital projects totalled £0.390m.

The Authority's general reserve balance, which represents the sum set aside to meet unforeseen future circumstances, was £1.388m at 31 March 2018. This equates to 5% of the 2017/18 net expenditure and is in line with the Authority's policy on reserves to maintain a general reserve of 5% of net revenue expenditure.

Financial performance against the approved budget is reported to elected members on a quarterly basis throughout the year. Further information on the Authority's financial performance is available on our website: www.ddfire.gov.uk.

Revenue Income and Expenditure

The estimated net revenue expenditure budget for 2017/18, to be met from Government Grants and local taxpayers, was approved at £27.805m.

The following table summarises the actual revenue financial position for the year in comparison with the budget:

Budget Heading	Original Budget	Actual	Variance	
	£000	£000	£000	%
Expenditure				
Employees	20,669	21,332	663	3.21
Premises	2,704	2,604	-100	-3.70
Transport	611	648	37	6.06
Supplies & Services	4,089	3,961	-128	-3.13
Contingencies	330	-	-330	-100.00
Capital Financing	1,197	2,018	821	68.59
Provisions and Write-offs	-	98	98	100.00
Transfers to Reserves	39	2,187	2,148	5,507.69
Total Expenditure	**29,639**	**32,848**	**3,209**	**10.83**
Income				
Government Grants	-1,488	-2,334	-846	56.85
Other Income	-346	-1,129	-783	226.30
Transfers from Earmarked Reserves	-	-1,559	-1,559	100.00
Total Income	**-1,834**	**-5,022**	**-3,188**	**173.83**
Net Expenditure	**27,805**	**27,826**	**21**	**0.08**
Taxation and Non Specific Grants Income	**-27,805**	**-27,826**	**-21**	**0.08**
Outturn	**-**	**-**	**-**	**-**

An explanation of the major variances is provided in the table below:

	Over spend / Under spend (-)	**Explanation for major variances**
	£m	
Employees	0.663	The overspend results from a number of factors: • The cost of Firefighter Apprentices and Trainees was included in the original budget under the contingencies heading. • During the year, the Service brought the Facilities Management (FM) function in house and now employs it's own staff; the cost of which has been offset by a saving in the FM contract payments under the Premises heading. • Costs relating to employees undertaking work on behalf of the Community Interest Company and Vital Fire Solutions have been offset by an increase in the income received from the companies. • There was an increase in the number and cost of ill health retirements compared to the original budget.
Premises	-0.100	Following the direct employment of FM staff, there has been a saving on the FM contract charge. This is offset by an increase in staff salaries reported under the Employees heading above.
Transport	0.037	Increased costs have been incurred relating to the maintenance of National Resilience Assets, following a change to the Government process for this work being undertaken. These costs have been offset by a Government Grant.
Supplies & Services	-0.128	A reduction in spending on a number of supplies and services budget headings has been achieved as a result of initiatives to reduce cost, together with strict control of non-essential items of expenditure.
Contingencies	-0.330	The contingencies budget includes an allowance for firefighter apprentices and trainees and for inflation and pay awards which was not utilised. This is partially offset by the overspend on the Employees heading.
Capital Financing	0.821	An additional revenue contribution to finance capital expenditure was made at the year end, to reduce the need for future borrowing.
Provisions	0.098	A provision has been made to cover the anticipated insurance excess costs following an ongoing claim.
Transfers to Reserves	2.148	Transfers to Reserves have been made in relation to the unspent grant for the Emergency Services Mobile Communications Programme, Emergency Medical Response and Civil Resilience. In addition, transfers have been made from the General Reserve to the Modernisation Reserve and the Resilience Reserve to assist with service transformation and continuity of service provision.
Government Grants	-0.846	The level of Government grant credited to the revenue account exceeded the amount included in the original budget, due to additional amounts received in relation to Service Headquarters, the ESMCP Project and the maintenance of National Resilience assets.
Other Income	-0.783	The increase was due to additional investment interest and contributions to the service from the Community Interest Company and Vital Fire Solutions Limited for work carried out by Service employees.
Taxation & Non-specific grants	-0.021	The amount of grant received in relation to the business rates retention scheme was more than anticipated when the original budget was set.
Contributions from Reserves	-1.559	Contributions have been made from reserves to cover the expenditure during the year on the Safer Homes Project and other Community Safety initiatives. In addition, transfers has been made from the General Reserve to the Modernisation Reserve and the Resilience Reserve to assist with service transformation and continuity of service provision.
Total	**-**	

Capital Expenditure

The Authority approved a capital programme for 2017/18 of £0.617m. The actual capital expenditure for the year was £0.390m; £0.227m less than the original budget. The following table analyses the expenditure:

Project	Original Budget	Actual	Variance	
	£m	£m	£m	%
Vehicles, Plant & Equipment	0.367	0.220	-0.147	-40.05
Land & Buildings	0.250	0.170	-0.080	-32.00
Total Expenditure	**0.617**	**0.390**	**-0.227**	**-36.79**

The variances are set out in the table below:

	Over spend / Under spend (-)	Explanation for major variances
	£m	
Vehicles, Plant & Equipment	-0.147	Changes to the planned timing of the replacement of some items of equipment has resulted in an underspend in 2017/18.
Land & Buildings	-0.080	Planned alterations at the Training Centre did not proceed during 2017/18.
Total	**-0.227**	

Capital expenditure was financed by revenue contributions and capital receipts.

The Authority's Capital Financing Requirement was £8.702m at 31 March 2018. Further details are set out in Note 8.5 to the accounts.

Future Capital Commitments

The Authority is nearing the completion of a significant Estates Improvement Programme of capital building projects, which was substantially complete at 31 March 2018. ICT, vehicles, plant 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 2017, detailed the 2017/18 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 2017/18 of £18.2 million;
- Operational Boundary for External Debt for 2017/18 of £16.5 million.

Pension Liability

The Authority's accounts are compliant with International Accounting Standard 19 (IAS19) which is based on the principle that an organisation should account for retirement benefits when it is committed to giving them, even if the actual payment of those benefits will be many years into the future.

The net overall impact of IAS19 accounting entries is neutral in the accounts. However, the overall financial position is in effect being distorted by future years' pension deficits. The fact that all pension costs would never be incurred in one year (as implied by IAS19) means the Balance Sheet Net Worth is effectively being distorted by this reporting standard. If this element is removed then the Authority has a "real" net worth of £43.329m. The Authority also has assets worth £56m and cash backed reserves of £7.3m, which support the view that the Authority's Balance Sheet and finance are in fact healthier than implied by the published accounts.

Further details of the impact of IAS19 are set out in note 8.16 to the accounts.

5. Non- Financial Performance 2017/18

Performance is monitored by management on an on-going basis and considered in detail by elected members at the end of each quarter. A comprehensive suite of performance indicators (PI's) are employed to measure both operational and corporate performance and targets are set with the aim of achieving continuous improvement. During 2017/18, 71% of strategic PI's met or exceeded their target level and 81% either maintained or improved when compared to the previous year's performance.

Information on current performance is reported to the Fire Authority on a quarterly basis and further information is available on our website: www.ddfire.gov.uk.

6. Operating Environment and Future Plans

The plans of the Authority have been developed in a very challenging economic climate and during a time of significant change for local government.

Looking ahead, the Authority's revenue expenditure for 2018/19 is estimated at £28.507m, together with a capital programme of £4.874m.

The Authority will continue to face significant reductions in Government funding over the Medium Term Financial Plan period of 2018/19 to 2021/22. The 2018/19 budget has been prepared taking this funding reduction into account. Significant efficiency savings have been identified to enable the Authority to set a balanced budget in 2018/19.

The Medium Term Financial Plan outlines the financial position of the Authority over the next 4 years, and is set out in the table below:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Net Expenditure	**28.507**	**29.010**	**29.632**	**30.230**
Total Government Funding	9.591	9.295	9.125	9.125
Local Business Rates	1.374	1.408	1.408	1.408
Council Tax	17.170	17.859	18.402	18.962
Surplus on Collection Fund	0.372	-	-	-
Total Funding	**28.507**	**28.562**	**28.935**	**29.495**
Shortfall	**-**	**-0.448**	**-0.697**	**-0.735**

The Authority needs to identify a further £0.735m of savings during the period 2019/20 to 2021/22. Work is ongoing through the Authority's Emergency Response Review to identify further savings options to assist in balancing the budget in future years.

During this continued period of austerity, the main priority of the Authority continues to be the protection of front line services to the public. Over the medium term, this needs to be balanced with the need for the Authority to reduce expenditure.

The Policing and Crime Act has significant implications for Fire and Rescue Authorities. The Act requires fire, police and ambulance services to collaborate, where the proposed collaboration would be in the interests of their own efficiency and effectiveness and one or more of the other services take the same view. The legislation also makes provision for a Police and Crime Commissioner (PCC) to take responsibility for the fire and rescue service in their area where a local business case is made, as well as to take the additional step to create a single employer for police and fire.

County Durham and Darlington Fire and Rescue Service has an excellent track record of collaboration and has secured government funding to progress a number of innovative collaboration projects. This included funding for the building of a new quad station at Barnard Castle which provides a joint facility for the Fire, Police, Ambulance and Mountain Rescue Services.

Going forward, the service will continue to work collaboratively with partners in order to secure further efficiencies to assist in protecting front line service provision.

7. Going Concern

Each year, the Authority makes an assessment of whether it should be considered a "Going Concern", and whether the accounts should be prepared on that basis. This assessment covers the period of at least 18 months from the Balance Sheet date.

The Code requires that a local authority's Statement of Accounts is prepared on a Going Concern basis; that is the accounts should be prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

In assessing its ability to continue as a Going Concern, an organisation must consider its financial performance. This should consider factors relating to historical, current and future performance.

The future plans of the Authority are set out in Section 6 and demonstrate that:

- the Authority has set a balanced budget for 2018/19 and has a plan in place to continue to deliver local services until at least 2020. On this basis, it is apparent that the Authority remains a Going Concern;
- the Authority has demonstrated robust financial management through the level of reserves it holds. This underpins its Going Concern status;
- throughout the process for the Medium Term Financial Plan, no risks were identified which would indicate that the Authority cannot continue as a Going Concern.

Based on the assessment undertaken and reported to those charged with governance of the Authority:

- the Authority has a history of financial stability and ready access to financial resources in the future;
- there are no significant financial, operating or other risks that would threaten the continuing operation of the Authority.

On this basis, the Authority is a Going Concern and it is appropriate for the Statement of Accounts to be prepared on that basis.

8. Statement of Accounts

The Statement of Accounts for the financial year 2017/18 is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (the Code) 2017/18.

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 2017.

This edition of the Code applies for accounting periods commencing on or after 1 April 2017. It supersedes the edition published in April 2016 (the 2016/17 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 2018 include the following:

- **Independent Auditor's Report**
  The report of the independent, external auditor on the Fire Authority's Statement of Accounts

- **Statement of Responsibilities for the Statement of Accounts**
  This sets out the responsibilities of the Authority and the Treasurer and includes the Treasurer's certificate.

- **Movement in Reserves Statement**
  This statement shows the movement in the year on the various reserves held by the Authority. This is analysed into "usable reserves" (those that can be applied to fund expenditure or reduce local taxation) and "unusable reserves". The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing services; more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund for the purposes of council tax setting. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from Earmarked Reserves are made.

- **Comprehensive Income and Expenditure Statement**
  This discloses the income received and expenditure incurred in operating the Authority for the year. This is the accounting cost 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, which may be different from the accounting cost. The taxation position is reflected in the Movement in Reserves Statement.

- **Balance Sheet**
  This shows the financial position of the Authority at the year end. The net assets of the Authority (assets less liabilities) are matched by the Reserves held. Reserves are reported under two categories:

  Usable Reserves - those reserves which may be used 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 may only be used to fund capital expenditure or repay debt).

  Unusable Reserves - those reserves which cannot be used 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 were sold. It also includes reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

- **Cash Flow Statement**
  This summarises the inflows and outflows of cash arising from the transactions with other parties for revenue and capital purposes. It 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 from taxation and grant income or from the receipts from services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the future service delivery of the Authority. Cash flows arising from financing activities are useful in predicting claims on the future cash flows by providers of capital (i.e. borrowing) to the Authority.

- **Notes to the Accounts**
  The notes to the accounts are fundamentally important in the presentation of a true and fair view. They aim to assist understanding and have three significant roles:

    - *presenting information about the basis of preparation of the financial statements and the specific accounting policies used;*
    - *disclosing information required by the Code that is not presented elsewhere in the financial statements;*
    - *providing information that is not provided elsewhere in the financial statements, but is relevant to the understanding of them. This applies to information that is material in a qualitative rather than quantitative sense (for example transactions with Related Parties).*

- **Pension Fund Account**
  This sets out the financial position of the Fire Pension Fund at the year end and the expenditure and income throughout the financial year. Notes providing additional information follow the accounts.

- **Glossary of Terms**
  A glossary of financial terms is provided to assist the reader’s understanding.

If you require this information summarised in other languages or formats, such as Braille, large print or talking tapes, contact: 0191 375 5554

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

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

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

Opinion on the financial statements
We have audited the financial statements of the Authority for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Authority's Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including the summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:
- give a true and fair view of the financial position of the Authority as at 31 March 2018 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 2017/18.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Treasurer use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Treasurer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Treasurer for the financial statements
As explained more fully in the Statement of 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 2017/18, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Treasurer is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting the Authority's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Respective responsibilities of the Authority and the auditor

Conclusion
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion
We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider 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 2018.

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.

Responsibilities of the Authority

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.

Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 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 Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority' arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of the Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of County Durham and Darlington Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Kirkham, Partner
For and on behalf of Mazars LLP
Mazars LLP
Salvus House
Aykley Heads
Durham
26 July 2018

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 it's assets;
- approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in UK 2017/18.

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 2018 and its income and expenditure for the year ended 31 March 2018.

Anthony Hope CPFA **Date 26/07/2018**
Treasurer to County Durham and Darlington Fire and Rescue Authority

Chairman's Certificate

I can confirm that these accounts were approved by the Authority at a meeting on 26 July 2018.

Chairman of the meeting approving the accounts **Date 26/07/2018**

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 are undertaken by the Authority.

Movement in Reserves Statement 2017/18							
	(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 2017	**2,824**	**3,865**	**-**	**-**	**6,689**	**-349,454**	**-342,765**
Surplus/Deficit (-) on provision of services	-13,211	-	-	-	-13,211	-	-13,211
Other Comprehensive Expenditure and Income	-	-	-	-	-	7,361	7,361
Total Comprehensive Expenditure and Income	**-13,211**	**-**	**-**	**-**	**-13,211**	**7,361**	**-5,850**
Adjustments between accounting basis and funding under regulations (Note 6.1)	13,839	-	-	-	13,839	-13,839	-
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	**628**	**-**	**-**	**-**	**628**	**-6,478**	**-5,850**
Transfers to (-) / from Earmarked Reserves (Note 8.18)	-2,064	2,064	-	-	-	-	-
Increase/Decrease (-) in year	**-1,436**	**2,064**	**-**	**-**	**628**	**-6,478**	**-5,850**
Balance at 31 March 2018	**1,388**	**5,929**	**-**	**-**	**7,317**	**-355,932**	**-348,615**

Comparatives for 2016/17 are as follows:

Movement in Reserves Statement 2016/17							
	(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 2016	**2,824**	**7,099**	**-**	**-**	**9,923**	**-281,874**	**-271,951**
Surplus/Deficit (-) on provision of services	-15,221	-	-	-	-15,221	-	-15,221
Other Comprehensive Expenditure and Income	-	-	-	-	-	-55,593	-55,593
Total Comprehensive Expenditure and Income	**-15,221**	**-**	**-**	**-**	**-15,221**	**-55,593**	**-70,814**
Adjustments between accounting basis and funding under regulations (Note 6.1)	11,987	-	-	-	11,987	-11,987	-
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	**-3,234**	**-**	**-**	**-**	**-3,234**	**-67,580**	**-70,814**
Transfers to (-) / from Earmarked Reserves (Note 8.18)	3,234	-3,234	-	-	-	-	-
Increase/Decrease (-) in year	**-**	**-3,234**	**-**	**-**	**-3,234**	**-67,580**	**-70,814**
Balance at 31 March 2017	**2,824**	**3,865**	**-**	**-**	**6,689**	**-349,454**	**-342,765**

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.

The presentation of the Comprehensive Income and Expenditure Statement is based upon the organisational structure that reflects the way the business is managed and operated. For the Authority, this means that income and expenditure included in the net cost of services has been analysed across subjective headings.

2016/17 Gross Expenditure	2016/17 Income	2016/17 Net Expenditure	Gross Expenditure, Gross Income and Net Expenditure on continuing operations	2017/18 Gross Expenditure	2017/18 Income	2017/18 Net Expenditure
£000	**£000**	**£000**		**£000**	**£000**	**£000**
23,708	-	23,708	Employees	25,011	-	25,011
2,440	-	2,440	Premises	2,604	-	2,604
600	-11	589	Transport	656	-8	648
3,708	-	3,708	Supplies & Services	3,961	-	3,961
-	-	-	Provisions	98	-	98
4,218	-	4,218	Capital Financing	1,161	-	1,161
-	-2,790	-2,790	Income	-	-3,437	-3,437
34,674	**-2,801**	**31,873**	**Net Cost of Service**	**33,491**	**-3,445**	**30,046**
			Other Operating Income & Expenditure			
-	-3	-3	Gain (-) / Loss on disposal of non-current assets: Property, Plant & Equipment (Note 7.2)	1	-	1
-	**-3**	**-3**		**1**	**-**	**1**
			Financing and Investment Income & Expenditure			
38	-	38	Interest payable on debt	36	-	36
831	-	831	Interest payable on PFI	813	-	813
79	-	79	Contingent Rents – PFI	96	-	96
11,114	-	11,114	Net interest on the defined benefit liability	10,176	-	10,176
-	-34	-34	Investment interest income	-	-26	-26
12,062	**-34**	**12,028**		**11,121**	**-26**	**11,095**
			Taxation & Non-specific Grants Income			
		-63	Recognised capital grants and contributions			-
		-16,093	Precepts (Note 7.12)			-16,602
		-6,541	NNDR			-6,610
		-167	Non Ring-fenced Government Grants			-190
		-5,813	RSG			-4,529
		-28,677				**-27,931**
		15,221	**Surplus (-) / Deficit on Provision of Services**			**13,211**
		57,609	Re-measurements of the net defined benefit liability (Note 8.20)			-8,107
		-2,016	Deficit(-)/Surplus on revaluation of Property, Plant & Equipment			746
		55,593	**Other Comprehensive Income and Expenditure**			**-7,361**
		70,814	**Total Comprehensive Income and Expenditure**			**5,850**

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 31 March 2017			As at 31 March 2018	
£000	**£000**		**£000**	**£000**
345		Intangible Assets (Note 8.1)	279	
		Property, Plant & Equipment		
37,138		Land & Buildings (Note 8.2)	36,711	
8,697		Vehicle, Plant, Furniture & Equipment (Note 8.2)	7,583	
23		Surplus Assets (Note 8.2)	23	
40		Assets Under Construction (Note 8.3)	97	
15		Long-term Investments (Note 8.12)	15	
1		Long-term Debtors (Note 8.9)	1	
	46,259	**Total Long-term Assets**		**44,709**
486		Inventories (Note 8.8)	419	
4,045		Short-term Debtors (Note 8.9)	4,119	
5,894		Cash & Cash Equivalents (Note 8.10)	7,139	
	10,425	**Total Current Assets**		**11,677**
-48		Short-term Borrowing (Note 8.11)	-5	
-3,555		Short-term Creditors (Note 8.11)	-3,531	
	-3,603	**Total Current Liabilities**		**-3,536**
	53,081	**Total Assets less Current Liabilities**		**52,850**
-215		Provisions (Note 8.13)	-384	
-728		Long-term Borrowing (Note 8.14)	-728	
-7,381		Deferred Liability – PFI (Note 8.14)	-7,176	
-1,331		Other Deferred Liabilities (Note 8.14)	-1,233	
-386,191		Pension Liability (IAS19) (Note 8.16)	-391,944	
	-395,846	**Total Long-term Liabilities**		**-401,465**
	-342,765	**Net Assets**		**-348,615**
6,689		**Usable Reserves** (Note 8.17)	7,317	
-349,454		**Unusable Reserves** (Note 8.17)	-355,932	
	-342,765	**Total Reserves**		**-348,615**

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

2016/17	OPERATING ACTIVITIES	2017/18
£000		**£000**
15,221	Net surplus (-) or deficit on the provision of services	13,211
-17,765	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 9.1)	-15,080
124	Adjust for items received in the net surplus or deficit on the provision of services that are investing and financing activities	33
-2,420	**Net cash flows from operating activities**	**-1,836**
5,409	Investing Activities (Note 9.3)	357
214	Financing Activities (Note 9.4)	234
3,203	**Net increase (-) or decrease in cash and cash equivalents**	**-1,245**
9,097	Cash and cash equivalents at the beginning of the reporting period	5,894
5,894	**Cash and cash equivalents at the end of the reporting period (Note 8.10)**	**7,139**

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2017/18, 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 cash flow statement, the financial statements report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid.

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

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

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

1.2 Accruals of Income and Expenditure

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

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

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

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

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

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

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

- a de minimus level of £1,000 is set for the recognition of accruals;

- there is no accrual made for petty cash at the year end. This is because the value of petty cash transactions remain consistent and of low value month on month. The Authority ensures that 12 accounting periods are included within each financial year.

1.3 Cash and Cash Equivalents

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

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

1.4 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 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 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 four separate pension schemes:

- the 1992 Fire Pension Scheme for Firefighters which is unfunded;
- the 2006 Fire Pension Scheme for Firefighters (including the Retained Modified Scheme) which is unfunded;
- the 2015 Fire Pension Scheme for Firefighters which is unfunded;
- the Local Government Pension Scheme, administered by Durham County Council.

All four 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 scheme administered by County Durham and Darlington Fire and Rescue Authority, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Under the Firefighter's Pension Scheme Order 2006, if the amounts receivable by the pension fund for the year are less than amounts payable, the Fire Authority must annually transfer an amount to meet the deficit to the pension fund. This cost is then met by Central Government. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Fire Authority. This surplus is then repaid to Central Government.

The Local Government Pension Scheme

The Local Government Pension Scheme for support staff, administered by Durham County Council, is a funded defined benefit career average scheme, with any benefits earned up to 31 March 2014 continuing to be calculated on a final salary basis. This means 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 Statement 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.

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 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. A de minimis level of £5,000 is in place 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 for its highest and best use from a market participant's perspective and;

- assets under construction at depreciated historical cost until brought into commission.

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

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as an estimate of 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) and;

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

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated balance);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Disposals

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

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

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

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement 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 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, operational equipment, 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 Statement 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 Authority's arrangements for accountability and financial performance.

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) and;
- 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 – 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 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 General Reserves of 5% of the Net Expenditure; currently £1.39m

Earmarked reserves relating to Pensions, Modernisation, Civil Resilience, Community Safety, Resilience, Insurance, Emergency Services Mobile Communications Programme, New Risks and Replacement Mobilisation System were held as at 31 March 2018 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.

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 and Vital Fire Solutions Limited have 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.

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (The Code) has introduced changes in accounting policy in relation to the following:

- IFRS 9 Financial Instruments – replaces IAS 39 from 2018/19 and changes the approach to financial assets and accounting for impairments;
- IFRS 15 Revenue from Contracts – replaces IAS18 from 2018/19 and aims to standardise practices for revenue recognition from contracts and;
- IFRS 16 Leases – replaces IAS 17 from 2019/20 and establishes a new model for lessees.

It is not anticipated that these amendments will have a material impact upon the information provided in the financial statements.

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 2018 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 £0.049m for every year that useful lives had to be reduced.

4.2 Pension Liability

Uncertainty

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

Effect if actual results differ from assumptions

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

Change in assumption *	Increase in Liability	
	%	£m
Rate of return :		
in excess of earnings - reduction of 0.5% per annum	1.5	5.7
in excess of pensions – reduction of 0.5% per annum	7.5	28.6
Pensioner mortality		
pensioners living (on average) 1 year longer	2.5	9.5

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

5 EXPENDITURE AND FUNDING ANALYSIS

5.1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17				2017/18		
Net Expenditure Chargeable to the General Fund	**Adjustments Between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund**	**Adjustments Between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
21,883	1,825	23,708	Employees	21,332	3,679	25,011
2,440	-	2,440	Premises	2,604	-	2,604
589	-	589	Transport	648	-	648
3,708	-	3,708	Supplies & Services	3,961	-	3,961
-	-	-	Provisions	98	-	98
5,169	-951	4,218	Capital Financing	1,073	88	1,161
-2,790	-	-2,790	Income	-3,437	-	-3,437
30,999	**874**	**31,873**	**Net Cost of Services**	**26,279**	**3,767**	**30,046**
-	-3	-3	Other Operating Income & Expenditure	-	1	1
914	11,114	12,028	Financing and Investment Income & expenditure	919	10,176	11,095
-28,679	2	-28,677	Taxation & Non Specific Grants Income	-27,826	-105	-27,931
3,234	**11,987**	**15,221**	**Surplus (-) or Deficit on Provisions of Services**	**-628**	**13,839**	**13,211**
-2,824			**Opening General Fund Balance**	**-2,824**		
-3,234			Transfers to / from (-) earmarked reserves	2,064		
-2,824			**Closing General Fund Balance**	**-1,388**		

5.2 Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to the Net Expenditure chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

- Adjustments for Capital Purposes

  This column adjusts for depreciation, impairment and revaluation gains / losses in the Net Cost of Services line, along with the statutory charges for capital financing (minimum revenue provision and revenue contributions) as these are not chargeable under generally accepted accounting practices.

  Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets are adjusted within other operating expenditure.

  The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions, or for which conditions were satisfied in the year.

- Net Change for the Pensions Adjustments

  This column includes the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income.

  Within Net Cost of Services, this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.

  Within Financing and Investment Income and Expenditure, the net interest in the defined benefit liability is charged to the CIES.

- Other Differences

  Other differences between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute are included in this column.

  The Net Cost of Services line includes adjustments in respect of the accrual for compensated absences earned but not taken in the year, such as annual leave entitlement carried forward at the year end.

  The charge under Taxation and Non Specific Grant Income and Expenditure represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was anticipated to be received at the start of the year, and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

2017/18				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	**Total Adjustments**
	£000	£000	£000	**£000**
Employees	-	3,684	-5	**3,679**
Premises	-	-	-	**-**
Transport	-	-	-	**-**
Supplies & Services	-	-	-	**-**
Provisions	-	-	-	**-**
Capital Financing	88	-	-	**88**
Income	-	-	-	**-**
Net Cost of Services	**88**	**3,684**	**-5**	**3,767**
Other Operating Income & Expenditure	1	-	-	**1**
Financing and Investment Income & Expenditure	-	10,176	-	**10,176**
Taxation & Non Specific Grants Income	-	-	-105	**-105**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**89**	**13,860**	**-110**	**13,839**

The comparatives for 2016/17 are shown in the table below:

2016/17				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	**Total Adjustments**
	£000	£000	£000	**£000**
Employees	-	1,824	1	**1,825**
Premises	-	-	-	**-**
Transport	-	-	-	**-**
Supplies & Services	-	-	-	**-**
Provisions	-	-	-	**-**
Capital Financing	-951	-	-	**-951**
Income	-	-	-	**-**
Net Cost of Services	**-951**	**1,824**	**1**	**874**
Other Operating Income & Expenditure	-3	-	-	**-3**
Financing and Investment Income & Expenditure	-	11,114	-	**11,114**
Taxation & Non Specific Grants Income	-63	-	65	**2**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-1,017**	**12,938**	**66**	**11,987**

6 MOVEMENT IN RESERVES STATEMENT

6.1 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.

2017/18	USABLE RESERVES			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Charges for depreciation, impairment and downward revaluations of non-current assets	-1,092			1,092
Amortisation of Intangible Assets	-70			70
Capital Grants and Contributions	-			-
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	-34			34
Use of Capital Receipts Reserve to finance new capital		33		-33
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	33	-33		
Statutory provision for the financing of Capital Investment	256			-256
Capital expenditure charged against the General Fund	818			-818
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-17,066			17,066
Employer's pensions contributions and direct payments to pensioners payable in the year	3,206			-3,206
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	105			-105
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	5			-5
Total Adjustments	**-13,839**	**-**	**-**	**13,839**

Comparatives for 2016/17 are as follows:

2016/17	USABLE RESERVES			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Charges for depreciation, impairment and downward revaluations of non-current assets	-4,136			4,136
Amortisation of Intangible Assets	-82			82
Capital Grants and Contributions	63			-63
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	-58			58
Use of Capital Receipts Reserve to finance new capital	61	-61		
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement		61		-61
Statutory provision for the financing of Capital Investment	230			-230
Capital expenditure charged against the General Fund	4,939			-4,939
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-16,130			16,130
Employer's pensions contributions and direct payments to pensioners payable in the year	3,192			-3,192
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	-65			65
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	-1			1
Total Adjustments	**-11,987**	**-**	**-**	**11,987**

7 COMPREHENSIVE INCOME AND EXPENDITURE

7.1 Non Distributed Costs

Pension costs relating to past service are treated as non distributed costs.

There are no exceptional items in 2017/18.

7.2 Gain / 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 Statement. 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 2017/18 amounts to £0.001m.

7.3 Members' Allowances

Members' allowances are paid under a scheme introduced by the Fire and 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:

	2016/17	2017/18
	£000	£000
Allowances	56	53
Expenses	8	7
Total	64	60

7.4 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; and in accordance with the Regulations, senior employees are included by job title.

2017/18						
	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 Fire Officer – S. Errington	138,850	120	-	138,970	19,855	158,825
Deputy Chief Fire Officer	110,444	-	-	110,444	23,966	134,410
Assistant Chief Fire Officer	13,294	-	-	13,294	1,901	15,195
Assistant Chief Fire Officer	9,409	-	-	9,409	1,048	10,457
Director of Corporate Resources and Treasurer	88,355	-	-	88,355	14,667	103,022
	360,352	**120**	**-**	**360,472**	**61,437**	**421,909**

In February 2018, the senior leadership team was restructured in response to the Fire Reform Programme and the new inspection regime. The revised structure comprises of the Chief Fire Officer, two Assistant Chief Fire Officers and the Director of Corporate Resources/Treasurer. The Deputy Chief Fire Officer post will remain in place until July 2018 in order to provide continuity during the transition. The Assistant Chief Fire Officers previously held different roles within the Fire Authority and the remuneration details shown above only relate to the period spent in the new role.

Comparative figures for 2016/17 are as follows:

2016/17						
	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 Fire Officer – S. Errington	138,963	120	-	139,083	19,611	158,694
Deputy Chief Fire Officer	109,741	-	-	109,741	23,670	133,411
Director of Corporate Resources and Treasurer	92,982	-	-	92,982	12,181	105,163
	341,686	**120**	**-**	**341,806**	**55,462**	**397,268**

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

Remuneration Band	**Number of Employees**	
	2016/17	**2017/18**
£50,000-£54,999	9	6
£55,000-£59,999	3	2
£60,000-£64,999	6	4
£65,000-£69,999	2	2
£70,000-£74,999	-	-
£75,000-£79,999	5	2

Note: Payments within the 2016/17 salary bands include any redundancy payments made in 2016/17. No redundancy payments are included in the 2017/18 salary bands shown above.

7.5 Exit Packages

The numbers and total cost of exit packages agreed in 2016/17 and 2017/18 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**	
	2016/17	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**
£0-£20,000	-	-	6	-	6	-	95,653	-
£20,001-£40,000	-	-	7	-	7	-	223,882	-
£40,001-£60,000	-	-	-	-	-	-	-	-
£60,001-£80,000	-	-	-	-	-	-	-	-
£80,001-£100,000	-	-	1	-	1	-	81,488	-
£100,001-£150,000	-	-	3	-	3	-	337,445	-
Total	**-**	**-**	**17**	**-**	**17**	**-**	**738,468**	**-**

The exit packages disclosed in the table above relate to redundancy payments, early release costs paid to the pension fund and compensation payments made as part of the overall restructure of the organisation in 2016/17.

7.6 Termination Benefits

In concluding the organisational restructure, undertaken in the previous year, the Authority terminated an employment contract, by mutual agreement, in 2017/18. The ‘Employee’ line of the Comprehensive Income and Expenditure Statement includes redundancy payment costs of £38,750 which had been agreed in the previous year. The 2016/17 termination benefits of £699,718 related to redundancy payments, early release costs paid to the pension fund and compensation payments.

7.7 External Audit Fees

The accounts of the Authority are audited by Mazars LLP. In accordance with the Code, authorities are required to disclose payment of fees. The fees payable to Mazars LLP for 2016/17 and 2017/18 are set out below:

	2016/17	2017/18
	£000	**£000**
Fees payable to auditors with regard to external audit services carried out by the appointed auditor	29	29
Fees payable to auditors for certification of grant claims	-	-
Fees payable to auditors in respect of other services provided by the appointed auditor	-	-
	29	**29**

7.8 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, relating to assets held prior to 2008 and 2% of the capital financing requirement at the end of the preceding year for all other assets.

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

The amount of MRP charged to the accounts is disclosed in Note 8.5.

7.9 Operating Leases

The Authority had a fleet of cars on operating leases with typical lives of 3 years. The Service has changed its procedure, and now purchases vehicles, rather than leasing them. This has resulted in the reduction in the future minimum lease payments disclosed in the table below.

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

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

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

	31 March 2017		**31 March 2018**	
	Vehicles £000	**Property £000**	**Vehicles £000**	**Property £000**
Within one year	1	399	-	458
Later than one year and not later than five years	-	1,833	-	1,882
Later than 5 years	-	2,720	-	2,268
	1	**4,952**	**-**	**4,608**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases for vehicles was £nil (2016/17: £13,026) and for property was £442,813 (2016/17: £399,356).

7.10 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement reflects the internal financial management reporting, as required by the Code.

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.

7.11 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

	2016/17	**2017/18**
	£000	**£000**
Private Finance Initiative	1,130	1,130
Central Government	997	1,204
Credited to Services	**2,127**	**2,334**
Revenue Support Grant	5,813	4,529
National Non-Domestic Rates	6,541	6,610
Small Business Rates Relief Grant	167	190
Capital Grants	62	-
Capital Contributions	1	-
Credited to Taxation and Non-Specific Grant Income	**12,584**	**11,329**
Total Grant Income	**14,711**	**13,663**

7.12 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 7.11.

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 and Vital Fire Solutions Limited, which is disclosed further below.

The total of members' allowances paid in 2017/18 is shown in Note 7.3.

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

Helen Lynch is Clerk to the Authority and also Head of Legal and Democratic Services for Durham County Council.

There were no related party transactions involving senior employees except those relating to the Community Interest Company and Vital Fire Solutions Limited which are disclosed further below.

Other Public Bodies

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

Formal agreements are in place between the Authority and Durham County Council for the provision of legal services, financial services and technical services. The agreements are signed by both parties and regularly reviewed by the Authority's Director of Corporate Resources and Treasurer. The value of these agreements is £0.193m (2016/17: £0.211m).

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 2016/17	**Precepts 2017/18**
	£000	**£000**
Durham County Council	13,238	13,393
Darlington Borough Council	3,039	3,124
	16,277	**16,517**
Adjustment for share of Collection Fund	-184	85
	16,093	**16,602**

At 31 March 2018, the Authority owes Durham County Council £0.056m relating to amounts due from Council Tax Payers. Durham County Council owes the Authority £0.410m in respect of the Collection Fund and £0.265m in respect of amounts due from Non-Domestic Rates Payers.

In addition, £0.250m is due to the Authority from Durham County Council relating to VAT claimed on the Authority's behalf.

At 31 March 2018, the Authority owes Darlington Borough Council £0.285m in respect of amounts due from Council Tax Payers and £0.016m in respect of the Collection Fund. Darlington Borough Council owes the Authority £0.016m in respect of amounts due from Non Domestic Rates Payers.

County Durham and Darlington Community Interest Company

In 2013/14, County Durham and Darlington Community Interest Company was incorporated and commenced trading during 2014/15. 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.

As at 31 March 2018, £27,909 was due to the Fire Authority from the company in respect of management and administration recharges.

A summary of the company's accounts are shown in Note 7.13.

Vital Fire Solutions Limited

In 2015/16, Vital Fire Solutions Limited was incorporated, and the Authority purchased £15,000 of share capital. The company is a 100% owned subsidiary of the Authority. The Directors of the company are also senior managers and members of the Authority.

As at 31 March 2018, £87,394 was due to the Fire Authority from the company in respect of management and administration recharges.

A summary of the company's accounts are shown in Note 7.14.

7.13 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.

The accounts of the company are summarised below.

The Authority has not produced group accounts for 2017/18 as the aggregate turnover of the company was not material. Additionally, whilst the Fire Authority is the sole member, it 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.

	2016/17 Restated £000	**2017/18 £000**
Turnover	105	68
Cost of Sales	-47	-32
Gross Profit	**58**	**36**
Administrative Expenses	-41	-29
Profit/(Loss) for the year before taxation	**17**	**7**
Tax on profit	-	-
Profit/(Loss) for the financial year	**17**	**7**

7.14 Vital Fire Solutions Limited

The Fire Authority has created Vital Fire Solutions Limited for trading purposes. This is registered as a Limited Company and wholly owned by the Fire Authority, who purchased £15,000 of share capital.

The accounts of the company are summarised below.

The Authority has not produced group accounts for 2017/18 as the aggregate turnover of the company was not material. Additionally, whilst the Fire Authority is the sole member, any decisions regarding the operating and financial policies of the company require the consent of the Directors, and the Authority 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.

The prior year figures have been restated following completion of the audit. The changes are not material.

	2016/17 Restated £000	2017/18 £000
Turnover	273	303
Cost of Sales	-150	-154
Gross Profit	**123**	**149**
Administrative Expenses	-135	-148
Profit/(Loss) for the year before taxation	**-12**	**1**
Tax on profit	-	-
Profit/(Loss) for the financial year	**-12**	**1**

8 BALANCE SHEET

8.1 Intangible Assets

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

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

	£000
Original Cost	610
Amortisations to 31 March 2017	-265
Balance at 1 April 2017	**345**
Expenditure in year	4
Disposals	-19
Amortisation during year	-70
Amortisation on disposals	19
Balance at 31 March 2018	**279**

Comparatives for 2016/17 are as follows:

	£000
Original Cost	706
Amortisations to 31 March 2016	-279
Balance at 1 April 2016	**427**
Expenditure in year	-
Disposals	-96
Amortisation during year	-82
Amortisation on disposals	96
Balance at 31 March 2017	**345**

8.2 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, unless the changes in the BCIS index during the year would have a material impact on the asset portfolio. The most recent valuation of Land and Buildings is effective from 1 April 2017. These values have been used to determine the 31 March 2018 valuations. A full valuation as part of the agreed 5 year rolling programme was last undertaken in 2013/14. However, due to the impact of changes in the BCIS index, a further revaluation of all assets valued on the basis of Depreciated Replacement Cost (DRC) was undertaken in 2014/15 and again in 2016/17.

	Property, Plant & Equipment			
	Vehicles, Plant & Equipment	Land & Buildings	Surplus Assets	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2017	16,583	38,248	24	54,855
Additions	202	73	-	275
Derecognition - Disposals / Demolitions	-265	-	-	-265
Reclassifications	55	-	-	55
Assets reclassified as held for sale	-	-	-	-
Accumulated depreciation and impairment written off to GCA	-	-972	-	-972
Revaluation increases recognised in the Surplus on the Provision of Services	-	1,459	-	1,459
Revaluation decreases recognised in the Surplus on the Provision of Services	-	-9	-	-9
Revaluation increases recognised in the Revaluation Reserve	-	712	-	712
Revaluation decreases recognised in the Revaluation Reserve	-	-1,425	-	-1,425
At 31 March 2018	**16,575**	**38,086**	**24**	**54,685**
Depreciation and Impairments				
At 1 April 2017	-7,886	-1,110	-1	-8,997
Charge for 2017/18	-1,337	-1,164	-	-2,501
Derecognition - Disposals / Demolitions	231	-	-	231
Depreciation written off to GCA	-	851	-	851
Impairment written off to GCA	-	121	-	121
Impairment losses recognised in the Surplus on the Provision of Services	-	-40	-	-40
Impairment losses recognised in the Revaluation Reserve	-	-33	-	-33
At 31 March 2018	**-8,992**	**-1,375**	**-1**	**-10,368**
Balance Sheet amount at 31 March 2018	**7,583**	**36,711**	**23**	**44,317**
Balance Sheet amount at 01 April 2017	**8,697**	**37,138**	**23**	**45,858**

Comparatives for 2016/17 are as follows:

	Property, Plant & Equipment			
	Vehicles, Plant & Equipment	Land & Buildings	Surplus Assets	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2016	15,272	33,734	24	49,030
Additions	1,413	309	-	1,722
Derecognition - Disposals / Demolitions	-527	-	-	-527
Reclassifications	425	4,634	-	5,059
Assets reclassified as held for sale	-	-	-	-
Accumulated depreciation and impairment written off to GCA	-	-1,000	-	-1,000
Revaluation increases recognised in the Surplus on the Provision of Services	-	754	-	754
Revaluation decreases recognised in the Surplus on the Provision of Services	-	-2,287	-	-2,287
Revaluation increases recognised in the Revaluation Reserve	-	2,115	-	2,115
Revaluation decreases recognised in the Revaluation Reserve	-	-11	-	-11
At 31 March 2017	**16,583**	**38,248**	**24**	**54,855**
Depreciation and Impairments				
At 1 April 2016	-7,017	-757	-1	-7,775
Charge for 2016/17	-1,337	-1,044	-	-2,381
Derecognition - Disposals / Demolitions	468	-	-	468
Depreciation written off to GCA	-	749	-	749
Impairment written off to GCA	-	251	-	251
Impairment losses recognised in the Surplus on the Provision of Services	-	-222	-	-222
Impairment losses recognised in the Revaluation Reserve	-	-87	-	-87
At 31 March 2017	**-7,886**	**-1,110**	**-1**	**-8,997**
Balance Sheet amount at 31 March 2017	**8,697**	**37,138**	**23**	**45,858**
Balance Sheet amount at 01 April 2016	**8,255**	**32,977**	**23**	**41,255**

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	16,575	9,480	24	26,079
Valued at fair value as at:				
31 March 2018	-	28,606	-	28,606
Total Cost or Valuation	**16,575**	**38,086**	**24**	**54,685**

8.3 Non-Operational Assets

	Non-Operational Assets	
	Assets Under Construction 2016/17	**Assets Under Construction 2017/18**
	£000	**£000**
Cost or valuation		
At 1 April	1,288	40
Additions	3,811	112
Disposals	-	-
Reclassifications	-5,059	-55
At 31 March	**40**	**97**
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	**40**	**97**
Balance Sheet amount at 01 April	**1,288**	**40**

8.4 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 capital programme which is subject to a rolling review.

8.5 Capital Expenditure and Capital Financing

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

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

The requirement has decreased by £0.717m from £9.419m to £8.702m as follows:

	2016/17	2017/18
	£000	**£000**
Opening Capital Financing Requirement	**9,179**	**9,419**
Capital Investment		
Property, Plant & Equipment	1,721	275
Non-Operational Assets	3,811	111
Intangible Assets	-	4
Assets Held for Sale	-	-
Investment in share capital	-	-
Revenue Expenditure Funded from Capital Under Statute	-	-
Donated Assets	1	-
Sources of Finance		
Capital Receipts	-61	-33
Government Grants and Contributions	-63	-
Minimum Revenue Provision	-58	-65
Minimum Revenue Provision – PFI	-172	-191
Direct Revenue Provision	-4,939	-818
Closing Capital Financing Requirement	**9,419**	**8,702**
Explanation of movements in the year		
Reduction in underlying need to borrow (supported by Government financial assistant)	-230	-717
Increase in underlying need to borrow (unsupported by Government financial assistance)	470	-
Increase/decrease (-) in Capital Financing Requirement	**240**	**-717**

8.6 Capital Commitments

Major capital commitments as at 31 March 2018 are shown in the table below:

	2016/17 £m	2017/18 £m
Stanhope Fire Station alterations	-	0.413

8.7 Information on Assets Held

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

Asset Type	Number as at 31 March 2017	Number as at 31 March 2018
Fire Stations	15	15
Standby Accommodation Blocks	2	2
Training Centre	1	1
Vehicles	136	136

8.8 Inventories

	2016/17	2017/18
	£000	£000
Balance outstanding at 1 April	525	486
Purchases	355	494
Recognised as an expenses in the year	-394	-561
Balance outstanding at 31 March	**486**	**419**
Provision for obsolete stock	**-**	**-**
Balance outstanding at 31 March after provision	**486**	**419**

8.9 Debtors

These are sums of money due to the Authority but unpaid as at 31 March 2018. The Authority seeks to recover sums due to it as soon as possible and actively pursues outstanding accounts rendered upon debtors.

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

	31 March 2017	31 March 2018
	£000	£000
Amounts falling due within one year:		
Debtors		
Government Departments	22	151
Other Local Authorities	1,261	1,378
Other Debtors	2,751	1,814
Payments in Advance	13	776
Impairment for Doubtful Debts	-2	-
	4,045	**4,119**
Amounts falling due after one year:	1	1
	4,046	**4,120**

8.10 Cash and Cash Equivalents

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

	31 March 2017	31 March 2018
	£000	£000
Cash held by the Authority	15	15
Bank current accounts	-212	682
Short term deposits with banks and building societies	6,091	6,442
Total Cash and Cash Equivalents	**5,894**	**7,139**

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

The accrued interest relating to short term deposits included in the figure above amounts to £1,793 as at 31 March 2018 (£1,086 as at 31 March 2017).

8.11 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 2018.

	31 March 2017	31 March 2018
	£000	**£000**
Creditors		
Government Departments	529	594
Other Local Authorities	612	847
Other Creditors	1,660	1,377
Receipts in Advance	754	713
	3,555	**3,531**
Short-term Borrowing	48	5
	3,603	**3,536**

The accrued interest relating to short-term borrowing, included above, is £4,684 as at 31 March 2018 (£4,949 as at 31 March 2017).

The financial statements for 2016/17 included disclosure of a contingent liability in relation to guidance issued by HMRC to clarify that where a retained firefighter did not join, or was not eligible to join, the pension scheme, and is awarded an injury and ill health pension under the compensation scheme rules, the ill health pension payable is not subject to income tax as it is exempt under section 644 ITEPA 2003.

At the time of preparing the prior year financial statements, no regulations had been issued so no provision could be included, as there was uncertainty about the claim period to be covered by HMRC and how refunds were to be calculated.

These regulations have now been received which has enabled the cost to the service to be calculated and included within creditors as payments will be made in 2018/19.

8.12 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 2017		31 March 2018	
	Long-term £000	Current £000	Long-term £000	Current £000
Financial Liabilities at amortised cost				
PWLB Borrowing	728	48	728	5
Bank Overdraft	-	212	-	-
Trade Creditors	-	188	-	74
Other Creditors	-	1,481	-	1,446
Private Finance Initiative	7,381	191	7,176	205
Total Borrowing	**8,109**	**2,120**	**7,904**	**1,730**
Loans and Receivables at amortised cost				
Short-term Deposits	-	6,091	-	6,442
Bank Deposits	-	15	-	698
Long-term Debtors	1	-	1	-
Trade Debtors	-	1,207	-	777
Other Debtors	-	961	-	1,063
Long-term Investments	15	-	15	-
Total Investments	**16**	**8,274**	**16**	**8,980**

Fair Value of Assets and Liabilities carried at Amortised Cost.

	31 March 2017		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets				
Short-term Deposits	6,091	6,091	6,442	6,442
Bank Deposits	15	15	698	698
Long-term Debtors	1	1	1	1
Trade Debtors	1,207	1,207	777	777
Other Debtors	961	961	1,063	1,063
Long-term Investments	15	15	15	15
	8,290	**8,290**	**8,996**	**8,996**
Financial Liabilities (current & long-term)				
PWLB Borrowing	776	953	733	861
Bank Overdraft	212	212	-	-
Trade Creditors	188	188	74	74
Other Creditors	1,481	1,481	1,446	1,446
Private Finance Initiative	7,572	7,572	7,381	7,381
	10,229	**10,406**	**9,634**	**9,762**

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

- for loans from the Public Works Loans Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;

- where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the actual principal outstanding or the invoiced or billed amount;

- the fair value of trade and other payables is taken to be the invoiced or billed amount.

Financial Instruments Gains and Losses

The gains and losses recognised in the 2017/18 Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2017/18	**Financial Liabilities measured at Amortised Cost**	**Financial Assets Loans and Receivables**
	£000	**£000**
Interest expense	944	-
Interest income	-	-26
Net gain(-)/loss for the year	**918**	

Comparative figures as at 31 March 2017 are as follows:

2016/17	**Financial Liabilities measured at Amortised Cost**	**Financial Assets Loans and Receivables**
	£000	**£000**
Interest expense	948	-
Interest income	-	-34
Net gain(-)/loss for the year	**914**	

Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;

- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;

- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

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

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:

  - the Authority's overall borrowing;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures the maturity structure of its debt;
  - its maximum annual exposures to investments maturing beyond a year;

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

These are required to be reported and approved at or before the Authority's annual Council Tax setting budget. The items are reported within 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 £4m 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 8.14 analyses the scheduled repayments of long-term borrowings over time.

(c) Market Risk

The Authority has a number of strategies for managing interest rate risk. The Authority's policy is to aim to keep a maximum of 50% of its borrowing in variable rate loans. During periods of falling interest rates, fixed rate loans could be repaid early to limit exposure to losses. Any further reduction in interest rates would have a negligible impact on the interest earned on the Authority's investments.

8.13 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 2017	22	193	215
Additional provisions made in 2017/18	100	71	171
Amounts used in 2017/18	-2	-	-2
Balance at 31 March 2018	**120**	**264**	**384**

Comparatives for 2016/17 are as follows:

	Insurance Provision	Non-Domestic Rates Appeals Provision	Total Provisions
	£000	**£000**	**£000**
Balance at 1 April 2016	22	190	212
Additional provisions made in 2016/17	-	78	78
Amounts used in 2016/17	-	-75	-75
Balance at 31 March 2017	**22**	**193**	**215**

8.14 Deferred Liabilities

The carrying amount of deferred liabilities is shown below:

	31 March 2017	31 March 2018
	£000	£000
Debt	728	728
Private Finance Initiative (PFI)	7,381	7,176
Other lease arrangements	791	716
Deferred income – training centre	540	517
	9,440	**9,137**

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.

Deferred income relates to the income received from Durham Police towards the Training Centre. This enables them to use the building for training purposes over a period of 26 years from 2015/16 and as such the income is treated as deferred and released to the Comprehensive Income and Expenditure Statement over the term of the agreement.

Deferred Liability – Debt

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

	31 March 2017	31 March 2018
	£000	£000
Long-term Borrowings		
Repayable within 1 – 2 years	-	-
Repayable within 2 – 5 years	405	405
Repayable within 5 – 10 years	323	323
Repayable over 10 years	-	-
	728	**728**

8.15 Private Finance Initiative (PFI) Scheme

The Authority has two community fire stations, which are financed by a Private Finance Initiative (PFI) Scheme. The stations at Bishop Auckland and Spennymoor became operational during 2010/11.

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

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

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

The value of PFI assets at 31 March 2018

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 2017/18 are summarised below:

	Bishop Auckland	Spennymoor	Total
	£000	**£000**	**£000**
Initial value of assets financed by contractor	4,638	4,133	8,771
Add: Accumulated Revaluations	296	772	1,068
Add: Revaluations in 2017/18	-431	-426	-857
Gross Book Value after impairment	**4,503**	**4,479**	**8,982**
Less: Accumulated Depreciation	-152	-154	-306
Less: 2017/18 Depreciation	-38	-38	-76
Net Book Value at 31 March 2018	**4,313**	**4,287**	**8,600**

Comparatives for 2016/17 are as follows:

	Bishop Auckland	Spennymoor	Total
	£000	**£000**	**£000**
Initial value of assets financed by contractor	4,638	4,133	8,771
Less: Impairment upon revaluation	-13	465	452
Add: Revaluations in 2016/17	309	307	616
Gross Book Value after impairment	**4,934**	**4,905**	**9,839**
Less: Accumulated Depreciation	-114	-115	-229
Less: 2016/17 Depreciation	-38	-39	-77
Net Book Value at 31 March 2017	**4,782**	**4,751**	**9,533**

The value of liabilities at 31 March 2018

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

Movements in the values in 2017/18 are summarised below:

	2016/17	2017/18
	£000	£000
Liability outstanding at 1 April	7,745	7,572
Less: Value of liability written down	-173	-191
Liability outstanding at 31 March	**7,572**	**7,381**

Estimates of future payments due:

Period	Repayment Liability	Interest	Service Charges	Lifecycle Replacement
	£000	£000	£000	£000
2018/19	205	792	304	58
2019/20 to 2022/23	941	2,938	1,217	343
2023/24 to 2027/28	1,715	3,015	1,521	549
2028/29 to 2032/33	2,775	1,888	1,521	617
2033/34 to 2035/36	1,745	305	632	209
Total	**7,381**	**8,938**	**5,195**	**1,776**

The estimates do not include any allowance for inflation.

8.16 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 corporate employees, administered by Durham County Council - this is a funded defined benefit 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 scheme administered by County Durham and Darlington Fire and Rescue Authority, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Firefighter's Pension Scheme Order 2006, if the amounts receivable by the pensions fund for the year are less than amounts payable, the Fire Authority must annually transfer an amount to meet the deficit to the pension fund. This cost is then met by Central Government. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Fire Authority which then must repay the amount to Central Government.

Transactions Relating to Post-employment Benefits

The Authority recognises the costs of retirement benefits in the Net Cost of Services section of the Comprehensive Income and Expenditure Statement 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 Statement and the General Fund via the Movement in Reserves Statement during the year:

2017/18	Local Government Pension Scheme	Fire Fighter's Pension Scheme	Total
	£000	£000	£000
Comprehensive Income and Expenditure Statement			
Cost of Services:			
Current service cost	833	5,650	6,483
Past service costs	177	230	407
Financing and Investment Income and Expenditure:			
Net interest expense	236	9,940	10,176
Total Post Employment Benefits charged to the Surplus/ Deficit on the Provision of Services	**1,246**	**15,820**	**17,066**
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)	93	-	93
Actuarial gains / losses (-) arising on changes in demographic assumptions	-	-9,520	-9,520
Actuarial gains / losses (-) arising on changes in financial assumptions	-	11,170	11,170
Other	-18	-9,832	-9,850
Total Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	75	-8,182	-8,107
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	**1,321**	**7,638**	**8,959**
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	-1,246	-15,820	-17,066
Actual amount charged against the General Fund Balance for pensions in the year:			
Employer's contributions payable to the scheme	504	2,218	2,722
Retirement benefits payable to pensioners	4	480	484

The comparative figures for 2016/17 are:

2016/17	Local Government Pension Scheme	Fire Fighter's Pension Scheme	Total
	£000	**£000**	**£000**
Comprehensive Income and Expenditure Statement			
Cost of Services:			
Current service cost	605	4,201	4,806
Past service costs	-	210	210
Financing and Investment Income and Expenditure:			
Net interest expense	234	10,880	11,114
Total Post Employment Benefits charged to the Surplus/ Deficit on the Provision of Services	**839**	**15,291**	**16,130**
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)	-3,352	-	-3,352
Actuarial gains / losses (-) arising on changes in demographic assumptions	-130	-5,460	-5,590
Actuarial gains / losses (-) arising on changes in financial assumptions	6,457	68,140	74,597
Other	-872	-7,174	-8,046
Total Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	2,103	55,506	57,609
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	**2,942**	**70,797**	**73,739**
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	-839	-15,291	-16,130
Actual amount charged against the General Fund Balance for pensions in the year:			
Employer's contributions payable to the scheme	453	2,255	2,708
Retirement benefits payable to pensioners	4	480	484

The cumulative amount of actuarial losses to 31 March 2018 is £114.01m (2016/17 £121.95m), made up as follows:

- Local Government Pension Scheme £4.44m (2016/17 £4.20m)
- Firefighter's Pension Scheme £109.57m (2016/17 £117.75m)

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 2016.

The pension increase assumption as at 31 March 2018 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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Mortality assumptions:						
Longevity at 65 for current pensioners:						
• Men	23.2	23.3	23.2	23.3	22.4	21.9
• Women	24.9	25.0	24.9	25.0	22.4	21.9
Longevity at 65 for future pensioners:						
• Men	25.4	25.5	n/a	n/a	24.7	23.9
• Women	27.2	27.3	n/a	n/a	24.7	23.9
Rate of Inflation:						
• RPI	3.1	3.1	3.1	3.1	3.50	3.45
• CPI	2.0	2.0	2.0	2.0	2.35	2.30
Rate of increase in salaries	3.5	3.5	n/a	n/a	4.35	4.30
Rate of increase to pensions in payment	2.0	2.0	2.0	2.0	2.35	2.30
Rate of increase to deferred pensions	2.0	2.0	n/a	n/a	2.35	2.30
Rate for discounting scheme liabilities	2.6	2.6	2.6	2.6	2.65	2.55
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	n/a	n/a

The Firefighter's Pension Scheme has no assets to cover its liabilities. The Authority employs a building block approach in determining the rate of return on the Local Government Pension Scheme's assets. Historical markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

The weighted average duration of the defined benefit obligation is 19 years for Firefighter Pension Scheme and 21.2 years for the Local Government Pension Scheme.

(i) Firefighter's Pension Scheme

Past Service Liabilities

The past service liabilities for 2017/18 are:

	1992 Scheme	Injury Awards	2006 Scheme	2015 Scheme	Total
	£m	£m	£m	£m	£m
Estimated liabilities in scheme					
Active members (past service)	135.42	1.68	20.20	12.59	169.89
Deferred pensions	7.22	-	1.03	-	8.25
Pensions in Payment (injury awards)	-	10.06	-	-	10.06
Pensions in Payment (excluding injury)	192.83	-	0.31	-	193.14
Retained Settlement	-	-	0.39	-	0.39
Total	**335.47**	**11.74**	**21.93**	**12.59**	**381.73**
Net pensions deficit	335.47	11.74	21.93	12.59	381.73

The comparative figures for 2016/17 are:

	1992 Scheme	Injury Awards	2006 Scheme	2015 Scheme	Total
	£m	£m	£m	£m	£m
Estimated liabilities in scheme					
Active members (past service)	127.04	1.61	25.76	7.94	162.35
Deferred pensions	7.43	-	1.37	-	8.80
Pensions in Payment (injury awards)	-	11.25	-	-	11.25
Pensions in Payment (excluding injury)	193.38	-	0.26	-	193.64
Retained Settlement	-	-	0.75	-	0.75
Total	**327.85**	**12.86**	**28.14**	**7.94**	**376.79**
Net pensions deficit	327.85	12.86	28.14	7.94	376.79

The comparative figures for 2015/16 are:

	1992 Scheme	Injury Awards	2006 Scheme	2015 Scheme	Total
	£m	£m	£m	£m	£m
Estimated liabilities in scheme					
Active members (past service)	103.58	1.96	18.13	2.72	126.39
Deferred pensions	6.00	-	0.99	-	6.99
Pensions in Payment (injury awards)	-	9.33	-	-	9.33
Pensions in Payment (excluding injury)	165.30	-	0.16	-	165.46
Retained Settlement	-	-	0.56	-	0.56
Total	**274.88**	**11.29**	**19.84**	**2.72**	**308.73**
Net pensions deficit	274.88	11.29	19.84	2.72	308.73

Analysis of Movement in Gross Scheme Liabilities

	Firefighters' Pension Fund				
	1992 Scheme	**Injury Awards**	**2006 Scheme**	**2015 Scheme**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Net deficit at the start of current year	**327.85**	**12.86**	**28.14**	**7.94**	**376.79**
Movement in the year:					
Current service cost (net of employee contributions)	1.86	0.11	0.08	3.60	5.65
Cost covered by employee contributions	0.46	-	0.05	1.07	1.58
Past service cost	0.23	-	-	-	0.23
Pension Transfers	-	-	-	0.03	0.03
Interest on pension liabilities	8.58	0.34	0.75	0.27	9.94
Total benefits paid	-10.70	-0.60	-0.06	-0.01	-11.37
Curtailment and settlements	-	-	-	-	-
Actuarial gain (-)/loss – demographic assumptions	-8.30	-0.39	-0.37	-0.46	-9.52
Actuarial gain (-)/loss – financial assumptions	9.45	0.09	1.57	0.06	11.17
Actuarial gain (-)/loss – other	6.04	-0.67	-8.23	0.09	-2.77
Net deficit at the end of year	**335.47**	**11.74**	**21.93**	**12.59**	**381.73**

The comparative figures for 2016/17 are:

	Firefighters' Pension Fund				
	1992 Scheme	**Injury Awards**	**2006 Scheme**	**2015 Scheme**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Net deficit at the start of current year	**274.88**	**11.29**	**19.84**	**2.72**	**308.73**
Movement in the year:					
Current service cost (net of employee contributions)	1.93	0.11	0.10	2.06	4.20
Cost covered by employee contributions	0.60	-	0.03	0.91	1.54
Past service cost	0.20	0.01	-	-	0.21
Pension Transfers	-	-	-	0.01	0.01
Interest on pension liabilities	9.63	0.39	0.71	0.15	10.88
Total benefits paid	-9.96	-0.58	-0.08	-0.06	-10.68
Curtailment and settlements	-	-	-	-	-
Actuarial gain (-)/loss – demographic assumptions	-4.85	-0.67	0.06	-	-5.46
Actuarial gain (-)/loss – financial assumptions	56.27	2.04	7.40	2.43	68.14
Actuarial gain (-)/loss – other	-0.85	0.27	0.08	-0.28	-0.78
Net deficit at the end of year	**327.85**	**12.86**	**28.14**	**7.94**	**376.79**

Analysis of Movement in Scheme Assets

	1992 Scheme	Injury Awards	2006 Scheme	2015 Scheme	Total
	£m	£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	-9.42	-	0.03	2.30	-7.09
Contributions by employer	-0.82	-0.60	-0.04	-1.27	-2.73
Contributions by participants	-0.46	-	-0.05	-1.04	-1.55
Net benefits paid out	10.70	0.60	0.06	0.01	11.37
Closing fair value of assets	-	-	-	-	-

The comparative figures for 2016/17 are:

	1992 Scheme	Injury Awards	2006 Scheme	2015 Scheme	Total
	£m	£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	-8.35	-	-	1.95	-6.40
Contributions by employer	-1.01	-0.58	-0.05	-1.11	-2.75
Contributions by participants	-0.60	-	-0.03	-0.90	-1.53
Net benefits paid out	9.96	0.58	0.08	0.06	10.68
Closing fair value of assets	-	-	-	-	-

Analysis of Movement in Net Obligations

	1992 Scheme	Injury Awards	2006 Scheme	2015 Scheme	Total
	£m	£m	£m	£m	£m
Net deficit at the start of current year	**327.85**	**12.86**	**28.14**	**7.94**	**376.79**
Movement in the year:					
Current service cost (net of employee contributions)	1.86	0.11	0.08	3.60	5.65
Contributions by employer	-0.82	-0.60	-0.04	-1.27	-2.73
Contributions by participants	-	-	-	0.03	0.03
Past service cost	0.23	-	-	-	0.23
Pension transfers	-	-	-	0.03	0.03
Interest on net defined benefit liability	8.58	0.34	0.75	0.27	9.94
Return on plan assets in excess of/ below that recognised in net interest	-	-	-	-	-
Actuarial gain (-)/loss – change in financial assumptions	9.45	0.09	1.57	0.06	11.17
Actuarial gain (-)/loss – change in demographic assumptions	-8.30	-0.39	-0.37	-0.46	-9.52
Actuarial gain (-)/ loss - other	-3.38	-0.67	-8.20	2.39	-9.86
Net benefits paid	-	-	-	-	-
Net deficit at the end of year	**335.47**	**11.74**	**21.93**	**12.59**	**381.73**

The comparative figures for 2016/17 are:

	1992 Scheme	Injury Awards	2006 Scheme	2015 Scheme	Total
	£m	£m	£m	£m	£m
Net deficit at the start of current year	**274.88**	**11.29**	**19.84**	**2.72**	**308.73**
Movement in the year:					
Current service cost (net of employee contributions)	1.93	0.11	0.10	2.06	4.20
Contributions by employer	-1.01	-0.58	-0.05	-1.11	-2.75
Contributions by participants	-	-	-	0.01	0.01
Past service cost	0.20	0.01	-	-	0.21
Pension transfers	-	-	-	0.01	0.01
Interest on net defined benefit liability	9.63	0.39	0.71	0.15	10.88
Return on plan assets in excess of/ below that recognised in net interest	-	-	-	-	-
Actuarial gain (-)/loss – change in financial assumptions	56.27	2.04	7.40	2.43	68.14
Actuarial gain (-)/loss – change in demographic assumptions	-4.85	-0.67	0.06	-	-5.46
Actuarial gain (-)/ loss - other	-9.20	0.27	0.08	1.67	-7.18
Net benefits paid	-	-	-	-	-
Net deficit at the end of year	**327.85**	**12.86**	**28.14**	**7.94**	**376.79**

(ii) Durham County Council Pension Fund

Analysis of Movement in Gross Scheme Liabilities

	Funded	Unfunded	Total
	£m	£m	£m
Opening Present Value of Liabilities	**30.09**	**0.04**	**30.13**
Current service cost (net of employee contributions)	0.83	-	0.83
Interest cost	0.78	-	0.78
Contributions from scheme participants	0.18	-	0.18
Remeasurement gains (-)/ losses:			
• Actuarial gains/ losses arising from changes in demographic assumptions	-	-	-
• Actuarial gains/ losses arising from changes in financial assumptions	-	-	-
• Other	0.14	-	0.14
Past service costs	0.18	-	0.18
Benefits paid	-0.60	-	-0.60
Closing present value of liabilities	**31.60**	**0.04**	**31.64**

The comparative figures for 2016/17 are:

	Funded	Unfunded	Total
	£m	£m	£m
Opening Present Value of Liabilities	**23.60**	**0.04**	**23.64**
Current service cost (net of employee contributions)	0.61	-	0.61
Interest cost	0.82	-	0.82
Contributions from scheme participants	0.19	-	0.19
Remeasurement gains (-)/ losses:			
• Actuarial gains/ losses arising from changes in demographic assumptions	-0.13	-	-0.13
• Actuarial gains/ losses arising from changes in financial assumptions	6.46	-	6.46
• Other	-0.87	-	-0.87
Past service costs	-	-	-
Benefits paid	-0.59	-	-0.59
Closing present value of liabilities	**30.09**	**0.04**	**30.13**

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	**20.73**	**-**	**20.73**
Interest income	0.54	-	0.54
Remeasurement gain/loss:			
• The return on plan assets (excluding the amount included in net interest expense)	-0.09	-	-0.09
• Other	-	-	-
Contributions from employer	0.67	-	0.67
Contributions by employees into the scheme	0.18	-	0.18
Benefits paid	-0.60	-	-0.60
Closing fair value	**21.43**	**-**	**21.43**

The comparative figures for 2016/17 are:

	Local Government Pension Scheme		
	Funded	Unfunded	Total
	£m	£m	£m
Opening fair value	**16.73**	**-**	**16.73**
Interest income	0.59	-	0.59
Remeasurement gain/loss:			
• The return on plan assets (excluding the amount included in net interest expense)	3.35	-	3.35
• Other	-	-	-
Contributions from employer	0.46	-	0.46
Contributions by employees into the scheme	0.19	-	0.19
Benefits paid	-0.59	-	-0.59
Closing fair value	**20.73**	**-**	**20.73**

The actual return on scheme assets in the year was a gain of £0.449m (2016/17: £3.939m loss)

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.

Fair Value of Scheme Assets

The Local Government Pension Scheme assets are comprised of the following categories:

	2017/18			2016/17		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equity Investments	10.72	**-**	**10.72**	9.78	-	**9.78**
Property	0.26	1.22	**1.48**	0.25	1.31	**1.56**
Government Bonds	6.30	-	**6.30**	5.62	1.12	**6.74**
Corporate Bonds	1.91	-	**1.91**	-	1.70	**1.70**
Cash	1.03	-	**1.03**	0.95	-	**0.95**
Total	**20.22**	**1.22**	**21.44**	**16.60**	**4.13**	**20.73**

Analysis of Movement in Net Obligations

	Funded £m	Unfunded £m	Total £m
Net deficit at the beginning of year	**9.36**	**0.04**	**9.40**
Current service cost	0.83	-	0.83
Contributions towards funded liabilities	-0.67	-	-0.67
Past service cost	0.18	-	0.18
Interest on net defined benefit liability	0.24	-	0.24
Return on plan assets in excess of/ below that recognised in net interest	0.09	-	0.09
Actuarial gains/ losses due to changes in financial assumptions	-	-	-
Actuarial gains/ losses due to changes in demographic assumptions	-	-	-
Actuarial gains/ losses due to other changes	0.14	-	0.14
Net deficit at the end of year	**10.17**	**0.04**	**10.21**

The comparative figures for 2016/17 are:

	Funded	Unfunded	Total
	£m	£m	£m
Net deficit at the beginning of year	**6.87**	**0.04**	**6.91**
Current service cost	0.61	-	0.61
Contributions towards funded liabilities	-0.46	-	-0.46
Past service cost	-	-	-
Interest on net defined benefit liability	0.23	-	0.23
Return on plan assets in excess of/ below that recognised in net interest	-3.35	-	-3.35
Actuarial gains/ losses due to changes in financial assumptions	6.46	-	6.46
Actuarial gains/ losses due to changes in demographic assumptions	-0.13	-	-0.13
Actuarial gains/ losses due to other changes	-0.87	-	-0.87
Net deficit at the end of year	**9.36**	**0.04**	**9.40**

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

	2013/14 Restated	2014/15 Restated	2015/16	2016/17	2017/18
	£m	£m	£m	£m	£m
Present value of liabilities:					
Local Government Pension Scheme	20.35	24.31	23.64	30.13	31.64
Firefighter's Pension Scheme	314.89	342.18	308.73	376.79	381.73
Total Present Value of Liabilities	**335.24**	**366.49**	**332.37**	**406.92**	**413.37**
Fair value of assets					
Local Government Pension Scheme	15.05	16.82	16.73	20.73	21.43
Firefighter's Pension Scheme	-	-	-	-	-
Total Fair Value of Assets	**15.05**	**16.82**	**16.73**	**20.73**	**21.43**
Surplus/ deficit (-) in the scheme:					
Local Government Pension Scheme	-5.30	-7.49	-6.91	-9.40	-10.21
Firefighter's Pension Scheme	-314.89	-342.18	-308.73	-376.79	-381.73
Total Deficit	**-320.19**	**-349.67**	**-315.64**	**-386.19**	**-391.94**

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £391.94m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £348.615m. 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 figures shown as restated in the table above were revised in 2014/15 as a result of a ruling by the Pension Ombudsman, relating to the frequency of commutation factor reviews between 1998 and 2006, which would have resulted in a higher cash sum on retirement or a higher residual pension for the same amount of lump sum. All compensation payments relating to the ruling were made during 2015/16, with the costs of the liability being met by the Government, via additional Top-Up Grant.

During 2015/16, the Department for Communities and Local Government (DCLG) agreed to settle a case brought by the Fire Brigade Union (FBU) to provide a contributions holiday. The case is relevant to regular firefighters who joined the 1992 Firefighters' Pension Scheme before the age of 20, and who served for over 30 years before reaching the minimum retirement age of 50. The decision was applied retrospectively to 1 December 2006. This was included in the 2015/16 financial statements as a contingent liability rather than a provision, as the regulations had not been drafted, and therefore there was insufficient certainty about how to calculate any redress payments. The regulations were issued during 2016/17, and all payments to affected individuals were made during the financial year. The liability for the backdated payments was met by the Government via additional Top-Up Grant.

Employer Contributions

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2019 are £0.55m. Expected contributions to the Firefighter's Pension Scheme in the year to 31 March 2019 are £1.91m.

8.17 Reserves

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

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

Reserve	Balance 1 April 2017	Net Movement in Year	Balance 31 March 2018	Purpose of Reserve	Further details of Movement
	£000	**£000**	**£000**		
Usable Reserves					
General Fund	2,824	-1,436	1,388	Resources available to meet future running costs	Movement in Reserves Statement
Earmarked Reserves	3,865	2,064	5,929	Detailed below	Note 8.19 to the accounts
Capital Grants Unapplied	-	-	-	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	**6,689**	**628**	**7,317**		
Unusable Reserves					
Revaluation Reserve	11,275	-1,161	10,114	Gains on revaluation of Property, Plant and Equipment not yet realised through sales	Note 8.20 (i) to the accounts
Capital Adjustment Account	25,189	326	25,515	Capital resources set aside to meet capital expenditure	Note 8.20 (ii) to the accounts
Collection Fund Adjustment Account	289	105	394	Share of Collection Fund Balance outstanding	Note 8.20 (iii) to the accounts
Pensions Reserve (IAS19)	-386,191	-5,753	-391,944	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 8.20 (iv) to the accounts
Short-term Accumulating Absences	-16	5	-11	Balancing account to allow inclusion of employees liability in the Balance Sheet	Note 8.20 (v) to the accounts
Total Unusable Reserves	**-349,454**	**-6,478**	**-355,932**		
Total Reserves	**-342,765**	**-5,850**	**-348,615**		

Comparatives for 2016/17 are as follows:

Reserve	Balance 1 April 2016	Net Movement in Year	Balance 31 March 2017	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	7,099	-3,234	3,865	Detailed below	Note 8.19 to the accounts
Capital Grants Unapplied	-	-	-	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	**9,923**	**-3,234**	**6,689**		
Unusable Reserves					
Revaluation Reserve	9,621	1,654	11,275	Gains on revaluation of Property, Plant and Equipment not yet realised through sales	Note 8.20 (i) to the accounts
Capital Adjustment Account	23,810	1,379	25,189	Capital resources set aside to meet capital expenditure	Note 8.20 (ii) to the accounts
Collection Fund Adjustment Account	354	-65	289	Share of Collection Fund Balance outstanding	Note 8.20 (iii) to the accounts
Pensions Reserve (IAS19)	-315,644	-70,547	-386,191	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 8.20 (iv) to the accounts
Short-term Accumulating Absences	-15	-1	-16	Balancing account to allow inclusion of employees liability in the Balance Sheet	Note 8.20 (v) to the accounts
Total Unusable Reserves	**-281,874**	**-67,580**	**-349,454**		
Total Reserves	**-271,951**	**-70,814**	**-342,765**		

8.18 Movement in Earmarked Reserves

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

	01 April 2017	Increase / decrease (-) in year	31 March 2018
	£000	£000	£000
Pensions	500	-	500
Community Safety	236	76	312
Insurance	250	-	250
Civil Resilience (New Dimensions)	141	15	156
Replacement Mobilisation System	363	-	363
Resilience	100	400	500
Modernisation	1,821	1,000	2,821
Capital Modernisation	-	-	-
ESMCP	334	625	959
New Risks	120	-52	68
Total	**3,865**	**2,064**	**5,929**

Comparatives for 2016/17 are as follows:

	01 April 2016	Increase / decrease (-) in year	31 March 2017
	£000	£000	£000
Pensions	500	-	500
Community Safety	272	-36	236
Insurance	200	50	250
Civil Resilience (New Dimensions)	108	33	141
Replacement Mobilisation System	363	-	363
Resilience	100	-	100
Modernisation	2,500	-679	1,821
Capital Modernisation	3,056	-3,056	-
ESMCP	-	334	334
New Risks	-	120	120
Total	**7,099**	**-3,234**	**3,865**

8.19 Earmarked Reserves

Earmarked reserves at 31 March 2018 were as follows:

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

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, avoiding the need to borrow in future years.

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

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

Civil Resilience (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.

Emergency Services Mobile Communications Programme (ESMCP)
The balance of unspent grant, earmarked to fund the replacement mobile communications systems.

New Risks
The balance of unspent grant, earmarked to fund the response to emerging new risks.

8.20 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

	2016/17	**2017/18**
	£000	**£000**
Opening Balance at 1 April	**9,621**	**11,275**
Revaluation gains/losses	2,016	-746
Excess of current cost depreciation	-362	-415
Balance written off on disposal of asset	-	-
Closing Balance at 31 March	**11,275**	**10,114**

(ii) Capital Adjustment Account

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

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

	2016/17		2017/18	
	£000	£000	£000	£000
Opening Balance at 1 April		**23,810**		**25,189**
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	-4,136		-1,092	
Amortisation of intangible assets	-82		-70	
Revenue Expenditure funded from Capital under Statute	-		-	
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	-58		-34	
		-4,276		-1,196
Adjusting amounts written out of the Revaluation Reserve		362		415
Net written out amount of the cost of non-current assets consumed in the year		-3,914		-781
Capital financing applied in the year				
Use of Capital Receipts Reserve to finance new capital expenditure	61		33	
Application of grants to capital financing from the Capital Grants Unapplied Account	63		-	
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	-		-	
Statutory provision for the financing for capital investment charged against the General Fund	230		256	
Capital expenditure charged against the General Fund	4,939		818	
		5,293		1,107
Closing Balance at 31 March		**25,189**		**25,515**

(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.

	2016/17	2017/18
	£000	£000
Opening Balance at 1 April	**354**	**289**
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	-65	105
Closing Balance at 31 March	**289**	**394**

(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.

	2016/17	2017/18
	£000	£000
Opening Balance at 1 April	**-315,644**	**-386,191**
Remeasurements of the net defined benefit liability/ asset (-)	-57,609	8,107
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	-16,130	-17,066
Employers pension contributions and direct payments to pensioners payable in the year	3,192	3,206
Closing Balance at 31 March	**-386,191**	**-391,944**

(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.

	2016/17	2017/18
	£000	**£000**
Opening Balance at 1 April	**-15**	**-16**
Settlement or cancellation of accrual made at the year end of the preceding year	15	16
Amounts accrued at the end of the current year	-16	-11
Closing Balance at 31 March	**-16**	**-11**

8.21 General Reserve

The net accumulated unapplied General Fund Revenue balance is £1.388m as at 31 March 2018 which equates to 5% of the 2017/18 Net Expenditure Budget. This is in line with the Authority's policy on reserves which is to maintain a General Reserve of 5% of the Net Expenditure Budget for the short to medium term.

8.22 Contingent Assets and Contingent Liabilities

There are no contingent assets or liabilities for 2017/18.

8.23 Authorisation of Accounts for Issue/Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Treasurer, Anthony Hope, on 26 July 2018. This is the date up to which events after the Balance Sheet date have been considered. No such events have been identified for 2017/18.

9 CASH FLOW STATEMENT

9.1 Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

2016/17		2017/18
£000		£000
4,136	Depreciation, impairment and downward revaluations	1,092
82	Amortisation	70
-	Increase/Decrease(-) Interest Creditors	-
857	Increase/Decrease(-) in Creditors	-39
-276	Increase(-)/Decrease in Debtors	-73
-	Increase(-)/Decrease in Impairment of Debtors	-2
39	Increase(-)/Decrease in Inventories	67
-72	Increase/Decrease(-) in Deferred Liabilities	-98
12,938	Movement in Pension Liability	13,860
3	Contributions to/from (-) Provisions	169
58	Carrying amount of non-current assets held for sale, sold or derecognised	34
17,765		15,080

9.2 Operating Activities

The cash flows for operating activities include the following items:

2016/17		2017/18
£000		
21,884	Employee Costs	21,332
-16,093	Council Tax Receipts	-16,602
-5,813	Revenue Support Grant	-4,529
-6,541	Redistributed NNDR	-6,610
-34	Interest receivable	-26
38	Interest payable in respect of borrowing	36
831	Interest payable in respect of PFI	813

9.3 Investing Activities

2016/17		2017/18
£000		£000
5,533	Purchase of property, plant and equipment, investment property and intangible assets	390
-61	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-33
-63	Other receipts from investing activities	-
5,409		357

9.4 Financing Activities

2016/17		2017/18
£000		£000
173	Cash payments for the reductions of outstanding liabilities relating to on-balance sheet PFI contract	191
41	Repayment of short and long term borrowing	43
214		234

9.5 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:

	2016/17	2017/18	Increase/ Decrease in year
	£000	£000	£000
Cash	-197	697	894
Cash Equivalents	6,091	6,442	351
	5,894	**7,139**	**1,245**

FIRE PENSION FUND ACCOUNT

The Firefighter's Pension Scheme for fire officers is an unfunded defined benefit 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.

Details of the Authority's long-term pension obligations can be found in Note 8.16 of the financial statements.

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

	2016/17	**2017/18**
	£000	**£000**
Contributions receivable		
Fire Authority contributions in relation to pensionable pay		
Normal	-2,004	-1,933
Early retirement	-	-
Firefighter's contributions	-1,595	-1,573
Transfers in from other schemes	-5	-29
Ill health capital contributions	-180	-204
Benefits payable		
Pensions	8,273	8,703
Commutation and lump sum retirement benefits	1,714	2,260
Lump sum death benefits	-	-
Refund of contributions	204	-
Transfers out to other schemes	-	-
Net amount payable for the year	6,407	7,224
Top-up grant payable by the Government	-6,407	-7,224
Year end balance	**-**	**-**

Net Assets Statement

	At 31 March 2017	At 31 March 2018
	£000	**£000**
Net current assets and liabilities		
Amount due to (-) / from the Authority's General Fund	-1,087	-901
Amount due to (-) / from Central Government	1,087	901
Total	-	-

1. Basis of Preparation

The pension fund accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 Retained Modified Scheme rate of 21.7% of pensionable pay for the 1992 Firefighter's Pension Scheme, 11.9% for the 2006 Firefighter's Pension Scheme and 14.3% for the 2015 Firefighter's Pension Scheme. The employee's contributions are set on a sliding scale of 11.0% to 17.0%, 8.5% to 12.5% and 10.5% to 14.5% 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 payable by or receivable from other pension schemes and relate to periods of previous pensionable employment.

Transfers are accounted for on a receipts and payments basis.

Accruals

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

Actuarial Gains and Losses

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

Actuarial Valuation

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

Amortisation

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

Budget

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

Capital Adjustment Account

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

Capital Charge

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

Capital Expenditure

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

Capital Grant

Grant from Central Government used to finance capital schemes.

Capital Receipts

Proceeds from the sale of capital assets.

Cash

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

Cash Equivalents

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local authority finance.

Collection Fund

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

Collection Fund Adjustment Account

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

Component Accounting

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

Contingency

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

Contingent Liabilities

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

Contingent Assets

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

Council Tax

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

Creditors

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

Current Assets

Items that can be readily converted into cash.

Current Liabilities

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

Debtors

Persons or bodies who owe sums to the Authority.

Deferred Liabilities

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

Depreciation

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

Earmarked Reserves

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

Employee Benefits

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

Financial Instruments

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

Financial Regulations

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

GAD - The Government Actuaries Department

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

Government Grants

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

Impairment

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

Interest Income

The money earned from the investment of surplus cash.

International Financial Reporting Standards (IFRS)

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

- International Financial Reporting Standards (IFRS)
- International Accounting Standards (IAS)

- Interpretations of the International Financial Reporting Interpretations Committee (IFRIC)
- Interpretations of the Standing Interpretations Committee (SIC)

Leasing

A method of financing capital expenditure where a rental charge for an asset is paid for a specific period. There are two main types of lease: ‘finance leases’ which transfer substantially all the risks and rewards of ownership to the lessee, and other leases, which are known as ‘operating leases’. With finance leases, assets acquired are included within the property, plant and equipment in the Balance Sheet at the market value of the asset involved; monies owing to the lessor are included within deferred liabilities on the Balance Sheet. With an operating lease an annual rent is charged to the relevant service revenue account.

Minimum Revenue Provision

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Net Current Replacement Cost

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

Non-Operational Assets

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

Operational Assets

Property, plant and equipment held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Outturn

The actual amount spent in the financial year.

Payments in Advance

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

Precept Income

The Authority obtains part of its income from precepts levied on its billing authorities (Durham County Council and Darlington Borough Council). Precepts, based on the

Council Tax base of each council, are levied on a collection fund, administered separately by each council.

Private Finance Initiative (PFI)

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

Property, Plant and Equipment

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

Provisions

Sums set aside to meet any liabilities or losses which are likely or certain to be incurred, but uncertain as to the amounts or dates on which they will arise.

Receipts in Advance

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

Reserves

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

Retirement Benefits

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

Revaluation Reserve

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

Revenue Contributions to Capital

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

Revenue Expenditure and Income

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Revenue Support Grant (RSG)

General government grant to assist in financing the overall net cost of services.

Running Expenses

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

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.