

COUNTY DURHAM AND
DARLINGTON



FIRE AND RESCUE
AUTHORITY

Statement of Accounts

for the year ended 31st March 2011

CONTENTS

	Page
Explanatory Foreword	2
Independent Auditor's Report	11
Statement of Responsibilities for the Statement of Accounts	14
Movement in Reserves Statement	15
Comprehensive Income and Expenditure Account	17
Balance Sheet	18
Cash Flow Statement	19
Notes to the Financial Statements	20
Pension Fund Account	78
Glossary of Terms	80

1. INTRODUCTION

The purpose of this foreword is to provide a clear guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow and provides a summary of the County Durham and Darlington Fire and Rescue Authority's (referred to as the Authority throughout this document) financial activities during 2010/11 and its financial position at 31 March 2011.

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

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

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

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

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

2. INFORMATION AND FINANCIAL STATEMENTS

The accounts and statements are based on the Code of Practice on Local Authority Accounting in the UK (the Code) 2010/11.

The Code is the first to be based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/ LASAAC Code Board under the oversight of 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 2010.

EXPLANATORY FOREWORD

This edition of the Code applies to accounting periods commencing on or after 1 April 2010. It supersedes the edition published in June 2009 Statement of Recommended Practice (the SORP 2009).

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 2011 are set out on the following pages:

Independent Auditor's Report (page 11-13) – the Report of the External Auditor on the Fire Authority's Statement of Accounts for the year ended 31 March 2011.

Statement of Responsibilities for the Statement of Accounts (page 14) – this sets out the responsibilities of the Authority and the Treasurer's certificate.

Movement in Reserves Statement (pages 15-16)

Comprehensive Income and Expenditure Account (page 17) – this discloses the income receivable and expenditure incurred in operating the Authority for the year.

Balance Sheet (page 18) – this shows the financial position of the Authority as at 31 March 2011.

Cash Flow Statement (page 19) – this summarises the inflows and outflows of cash arising from transactions with other parties for revenue and capital purposes.

Notes to the Core Financial Statements (pages 20-77) – this provides further information on significant items.

Pension Fund Account (pages 78-79) – this sets out the financial position of the Fire Pension Fund.

3. REVIEW OF THE FINANCIAL YEAR 2010/11

The Authority's spending is planned and controlled by a rigorous budget and financial management process. The Authority receives resources direct from the Government in the form of Revenue Support Grant and Non-Domestic Rates with the balance of funding coming from precepts on billing authorities for amounts chargeable to local taxpayers. During 2010/11 the Authority's net revenue spending, which was met from the above sources, was £29.053m, while spending on capital projects totalled £1.064m.

The Authority's general reserve balance at 31 March 2011, which represents the sum set aside to meet unforeseen future circumstances, was £3m which equates to 9.59% of the 2010/11 budget requirement. This is in line with the Authority's policy on reserves which is to maintain broadly general reserves of between 7.5% and 10%, with a maximum general reserve of 15% of the budget requirement for the short to medium term.

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2010/11 to be met from Government Grants and local taxpayers was approved at £31.284m. The following table summarises the financial position for the year:

EXPLANATORY FOREWORD

4. COMPARISON OF ACTUAL WITH BUDGET – REVENUE EXPENDITURE

	Original Budget	Actual	Variance
	£m	£m	£m
Expenditure			
Gross Expenditure	32.176	31.585	0.591
Income	-0.892	-2.532	1.640
Net Expenditure	31.284	29.053	2.231
Financing			
Revenue Support Grant	1.842	1.842	-
Redistributed Non-Domestic Rates	12.687	12.687	-
Precept Income	16.755	16.755	-
Total Financing	31.284	31.284	-

Variations between Original Budget and Actual

The variances which contributed towards the underspend in 2010/11 are set out in the table below.

	Overspend or Underspend (-)
	£m
Employees	-0.268
Premises	0.205
Transport	-0.103
Supplies and Services	-0.255
Contingencies	-0.658
Capital Financing	0.488
Transfers to Earmarked Reserves	2.231
Income	-1.758
Contributions from Reserves	0.118
	-

Explanation of the Major Variances

Employees - £0.268m (1.10%) Underspent

The net under spend relates to vacant posts and savings in overtime costs.

Premises - £0.205m (14.56%) Overspent

The overspend is related to backdated electricity charges and essential repairs and maintenance on the Authority's estate.

EXPLANATORY FOREWORD

Transport - £0.103m (11.60%) Underspent

Under IFRS, lease agreements for fire appliances have been reclassified from operating to finance leases. The budget for these leases was originally included in the transport heading. Under IFRS, actual expenditure is allocated to capital financing.

Supplies and Services - £0.255m (7.35%) Underspent

The underspend relates to savings against a number of budget headings, predominantly savings in ICT and smoke alarm expenditure.

Contingencies - £0.658m Underspent

The amounts set aside for contingencies were not required in year.

Capital Financing - £0.488m (33.63%) Overspent

The overspend is due to expenditure funded from grants, not originally budgeted for, and the requirement to code finance leases differently following the introduction of IFRS accounting. This offset by additional grant funding received in year and the underspend on transport.

Transfers to Earmarked Reserves - £2.231m

A transfer of £2.231m has been made to the Capital Modernisation Reserve to finance the Authority's Estate Improvement Programme.

Income - £1.758m (227.13%) Over-achieved

The over-achievement of income is largely due to additional grants received for specific projects. This additional funding offsets the increased expenditure within capital financing.

Contributions from Reserves - £0.118m Underspent

The transfer of £0.118m from Reserves was not required.

EXPLANATORY FOREWORD

CIPFA'S BEST VALUE ACCOUNTING CODE OF PRACTICE

A comparison of the original budget with actual compiled in accordance with CIPFA's Best Value Code of Practice is shown below:

	2009/10 Actual	2010/11 Original Budget	2010/11 Actual
	£000	£000	£000
Net Cost of Services	29,877	34,193	5,599
Other Operating Expenditure			
(Gain)/Loss on disposal of fixed assets	-41	-	11
Financing and Investment Income and Expenditure			
Interest payable on Debt	91	86	86
Interest Payable on Finance leases	29	30	22
Interest Payable on PFI Unitary payments	-	571	609
Contingent Rents	-	-	-21
Pension Interest Costs	13,070	13,935	14,500
Expected Return on pension Assets	-420	-600	-730
Interest and Investment Income	-38	-35	-57
(Gain)/Loss on Trading Accounts	-25	-30	-42
Net Operating Expenditure	42,543	48,150	19,977
Taxation and Non-Specific Grant Income			
Recognised Capital Grants and Contributions	-1,112	-788	-1,600
Precepts	-16,196	-16,755	-16,704
RSG	-2,662	-1,842	-1,842
NNDR	-11,531	-12,687	-12,687
Gain on Government Pension Grant	-3,039	-3,973	-3,973
(Surplus)/Deficit for the year	8,003	12,105	-16,829
Transfer to/(from) Earmarked Reserves from General Fund Balance	619	-118	2,231
Additional amounts required to be debited/(credited) to the General Fund Balance for the year	-8,947	-11,987	14,598
(Increase)/Decrease in General Fund Balance for the year	-325	-	-

EXPLANATORY FOREWORD

5. COMPARISON OF ACTUAL WITH BUDGET – CAPITAL EXPENDITURE

Variances between Original Budget and Actual

The Authority approved a capital programme for 2010/11 of £3.153m. The actual capital expenditure for the year was £1.064m, £2.089m less than the original budget. The following table analyses the expenditure:

Project	Original Budget	Actual	Overspend or Underspend (-)
	£m	£m	£m
Vehicles, Plant & Equipment (excl. Donated Assets)	1.092	0.743	-0.349
Land and Buildings (excl. PFI)	2.061	0.321	-1.740
Total Expenditure	3.153	1.064	-2.089

Explanation of Major Variances

Vehicles and Equipment - £0.349m (31.96%) Underspent

The under spend relates to the timing of payments for vehicles and equipment.

Land and Buildings - £1.740m (84.43%) Underspent

Work to develop a new service headquarters and training centre has not progressed as quickly as planned resulting in an under spend within this budget heading.

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

Future Capital Commitments

A significant programme of capital commitments is scheduled for 2011/12 to 2014/15. Existing plans to move headquarters and improve community facilities in stations will continue, whilst the Authority aims to invest in a number of Information Technology projects aimed to improve information management across the organisation. Vehicles and operational equipment will continue to be renewed in accordance with agreed replacement programmes.

Current Borrowing Facilities and Capital Borrowing Provision

The Budget Report, incorporating Prudential Indicators and the Treasury Management Strategy, submitted to the Authority meeting in February 2010, detailed the 2010/11 borrowing limits for the Authority.

The specific borrowing limits set related to two of the Prudential Indicators required under the Prudential Code, introduced on 1 April 2004. The limits for 2010/11 were as follows:

- Authorised Limit for External Debt for 2010/11 of £12 million;
- Operational Boundary for External Debt for 2010/11 of £10 million.

6. ACCOUNTING FOR POST EMPLOYMENT BENEFITS

International Accounting Standard (IAS) 19

The Statement of Accounts incorporates the effect of pensions liabilities accrued in order to comply with IAS19. Rather than accounting for the actual expenditure on pensions, an assessment must be made by the Actuary of the costs accruing during the year and this is incorporated within the accounts. The effect of the standard is to account for the annual movement in the pension liability and total liability of both the unfunded and funded schemes as a result of pension benefits earned by employees at the end of the financial year, which the Authority is potentially committed to pay.

The Balance Sheet discloses a negative net worth of the Fire Authority. The reason for this position relates to the pensions liability which requires that the accounts reflect the fact that retirement benefit commitments relating to current employees are recognised in the year which they are earned. The pension liability calculated under IAS19 is £240.02m at 31 March 2011.

Arrangements for Funding and Accounting for Firefighter Pensions

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

Employer and employee contributions meet the accruing pension liabilities of currently serving firefighters so the Authority meets all costs of employing a firefighter, including the cost of future pension liabilities, at the time of employing them. Monthly contributions are paid into the pension fund and any surplus or deficit on the fund at the end of the financial year is paid back or recovered by annual Government grant.

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

Change from Retail Price Index (RPI) to Consumer Price Index (CPI) Indexation

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the CPI rather than RPI. CPI is generally lower than RPI therefore future pension increases are lower than previously expected.

This change has resulted in negative past service costs, in 2010/11, of £28.110m. The past service costs have been recorded within the Comprehensive Income and Expenditure Statement as Non Distributed Costs – Exceptional Item.

EXPLANATORY FOREWORD

7. PRIVATE FINANCE INITIATIVE (PFI)

A PFI scheme, incorporating Bishop Auckland and Spennymoor fire stations, became operational during 2010/11. In accordance with IFRS, assets used by the Authority under PFI arrangements are required to be shown on their balance sheet as soon as they are made available for use. The assets included in the balance sheet are offset by a liability equal to the initial value of the assets (the capital expenditure provided for by the contactor in pricing the contract). This liability is written-down over the life of the contract by charging part of the annual payments to the contractor against the liability.

8. DONATED ASSETS

The Department of Communities and Local Government (DCLG) bought specialist equipment that it made available for Fire and Rescue Authorities to use when dealing with major disruptive events. These assets are known as 'New Dimension assets'. DCLG is transferring the legal titles of New Dimension assets to individual Fire and Rescue Authorities between 2010/11 and 2012/13.

The Authority signed a transfer of ownership agreement in 2010/11 and has accounted for these New Dimension assets as donated assets as at 1st April 2010. The Authority has recognised these assets on the Balance Sheet at 1st April 2010 at fair value; that is £0.812m. As there are no conditions attached to the transfer, income of £0.812m, equivalent to the fair value of the asset, has been recognised in the Comprehensive Income and Expenditure Statement in 2010/11.

9. LOOKING AHEAD TO 2011/12

Looking ahead, the Authority's revenue expenditure for 2011/12 is estimated at £29.863m, together with an approved capital programme of £3.402m.

The Authority will face significant reductions in Government funding over the Medium Term Financial Plan period of 2011/12 to 2014/15. The 2011/12 budget has been prepared taking this funding reduction into account. Significant efficiency savings and service transformational savings have been identified to enable the authority to set a balanced budget. A freeze in Council Tax has been approved for 2011/12 to facilitate access to a special Government grant.

10. ACKNOWLEDGEMENTS

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

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

EXPLANATORY FOREWORD

Telephone 0191 383 4430

E-mail fire.tax@durham.gov.uk

Write to The Treasurer to County Durham and Darlington Fire and Rescue Authority
Durham County Council
County Hall
Durham
DH1 5UE

Jeff Garfoot CPFA
Treasurer to County Durham and
Darlington Fire and Rescue Authority

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

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यदि आपनि बांग्ला एह तथानुलि एकटि सारसंक्षेप चान तबे अनुग्रह करे 0191 383 4430 नहरे फोन करन।

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion on the Authority and Pension Fund accounting statements

I have audited the accounting statements and the firefighters' pension fund accounting statements of County Durham and Darlington Fire and Rescue Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of County Durham and Darlington Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the firefighters' pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of County Durham and Darlington Fire and Rescue Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;

INDEPENDENT AUDITOR'S REPORT

- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

INDEPENDENT AUDITOR'S REPORT

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself 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 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, County Durham and Darlington Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts, including the firefighters' pension fund accounting statements, of County Durham and Darlington Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Cameron Waddell

Officer of the Audit Commission

Audit Commission,
Metro Centre
Gateshead
NE8 1HH
Date September

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in UK 2010/11.

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 2011 and its income and expenditure for the year ended 31 March 2011.

Jeff Garfoot C.P.F.A

Treasurer to County Durham and Darlington Fire and Rescue Authority

Date

Chairman's Certificate

I confirm that these accounts were approved by the Authority at the meeting on 27th September 2011

Chairman of the meeting approving the accounts

Date

MOVEMENT IN RESERVES STATEMENT

MOVEMENT IN RESERVES STATEMENT

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

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

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

Movement in Reserves Statement 2009/10						
	(a)	(b)	(c)	(d)	(e)	(f)
	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	2,675	4,039	0	6,714	-163,746	-157,032
Surplus/Deficit (-) on provision of services:-	-8,003	-	-	-8,003	-	-8,003
Other Comprehensive Expenditure and Income	-	-	-	-	-	-
Total Comprehensive Expenditure and Income	-8,003	-	-	-8,003	-	-8,003
Adjustments between accounting basis and funding under regulations (Note 5)	8,947	-	443	9,390	-78,187	-68,797
Net Increase/Decrease before Transfers to Earmarked Reserves	944	-	443	1,387	-78,187	-76,800
Transfers to/from Earmarked Reserves	-619	619	-	-	-	-
Increase/Decrease in year	325	619	443	1,387	-78,187	-76,800
Balance at 31 March 2010	3,000	4,658	443	8,101	-241,933	-233,832

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement 2010/11						
	(a)	(b)	(c)	(d)	(e)	(f)
	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	3,000	4,658	443	8,101	-241,933	-233,832
Surplus/Deficit (-) on provision of services:-	16,829	-	-	16,829	-	16,829
Other Comprehensive Expenditure and Income	-	-	-	-	-	-
Total Comprehensive Expenditure and Income	16,829	-	-	16,829	-	16,829
Adjustments between accounting basis and funding under regulations (Note 5)	-14,598	-	-411	-15,009	20,860	5,851
Net Increase/Decrease before Transfers to Earmarked Reserves	2,231	-	-411	1,820	20,860	22,680
Transfers to/from Earmarked Reserves (Note 7.17)	-2,231	2,231	-	-	-	-
Increase/Decrease in year	-	2,231	-411	1,820	20,860	22,680
Balance at 31 March 2011	3,000	6,889	32	9,921	-221,073	-211,152

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2009/10 Restated Gross Expenditure	2009/10 Restated Income	2009/10 Restated Net Expenditure	Gross Expenditure, gross income and net expenditure of continuing operations	2010/11 Gross Expenditure	2010/11 Income	2010/11 Net Expenditure
£000	£000	£000		£000	£000	£000
3,755	-254	3,501	Community Fire Safety	5,763	-206	5,557
26,951	-834	26,117	Fire Fighting & Rescue Operations	29,670	-1,750	27,920
258	1	259	Corporate & Democratic Core	232	-	232
-	-	-	Non Distributed Costs – Exceptional Item (Note 6.2)	-28,110	-	-28,110
30,964	-1,087	29,877	Net Cost of Service	7,555	-1,956	5,599
-	-41	-41	Other Operating Income & Expenditure			
-	-3,039	-3,039	Gain/Loss on disposal of non-current assets (fixed assets) (Note 6.3)	11	-	11
-	-3,080	-3,080	Pension Top Up Grant receivable from Government	-	-3,973	-3,973
				11	-3,973	-3,962
			Financing and Investment Income & Expenditure			
91	-	91	Interest payable on debt	86	-	86
29	-	29	Interest element of finance leases	22	-	22
-	-	-	Interest payable on PFI	609	-	609
-	-	-	Contingent Rents – PFI	-	-21	-21
13,070	-	13,070	Pensions interest costs	14,500	-	14,500
-	-420	-420	Expected return on pension assets	-	-730	-730
-	-38	-38	Investment interest income	-	-57	-57
60	-85	-25	Gain /Loss on trading accounts (not applicable to a Service)	48	-90	-42
13,250	-543	12,707		15,265	-898	14,367
			Taxation & Non-specific Grants Income			
		-1,112	Recognised capital grants and contributions			-1,600
		-16,196	Precepts (Note 6.13)			-16,704
		-11,531	NNDR			-12,687
		-2,662	RSG			-1,842
		8,003	(Surplus) or Deficit on Provision of Services			-16,829
		65,005	Actuarial gain(-)/loss on pension fund assets and liabilities, and other pension adjustments			-10,500
		3,039	Transfer to Firefighter's Pension Fund (Top Up Grant)			3,973
		753	Deficit(-)/Surplus on revaluation of fixed assets			676
		76,800	Total Comprehensive Income and Expenditure			-22,680

BALANCE SHEET

BALANCE SHEET

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

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

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

- reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold;
- reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated as at 31 March 2009		Restated as at 31 March 2010			As at 31 March 2011	
£000	£000	£000	£000		£000	£000
66		58		Intangible Assets (Note 7.1c)	124	
18,969		17,144		Property, Plant & Equipment (Note 7.1a & 7.1b)	23,630	
3,828		5,117		Land & Buildings	6,125	
		-		Vehicle, Plant, Furniture & Equipment	350	
609		648		Surplus Assets	54	
2		2		Assets Under Construction	1	
	23,474		22,969	Long-Term Debtors (Note 7.11)		
				Total Long-Term Assets		30,284
438		337		Inventories (Note 7.6)	370	
3,665		1,950		Short-Term Debtors (Note 7.11)	2,140	
6,183		8,495		Cash & Cash Equivalents (Note 7.13)	10,358	
	10,286		10,782	Total Current Assets		12,868
-119		-137		Short Term Borrowing (Note 7.12)	-142	
-4,294		-3,414		Short Term Creditors (Note 7.12)	-4,026	
	-4,413		-3,551	Total Current Liabilities		-4,168
	29,347		30,200	Total Assets less Current Liabilities		38,984
-3		-6		Provisions (Note 7.14)	-6	
-1,804		-1,679		Long-term Borrowing (Note 7.8)	-1,548	
-		-		Deferred Liability – PFI (Note 7.8 & 7.10)	-8,275	
-591		-440		Other Deferred Liabilities (Note 7.8 & 7.9)	-287	
-183,981		-261,907		Pension Liability (IAS19) (Note 7.21, pg. 74)	-240,020	
	-186,379		-264,032			-250,136
	-157,032		-233,832	Net Assets		-211,152
	6,714		8,101	Usable Reserves (Note 7.15 to 7.19)		9,921
	-163,746		-241,933	Unusable Reserves (Note 7.15 to 7.19)		-221,073
	-157,032		-233,832	Total Reserves		-211,152

CASH FLOW STATEMENT

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2009/2010 Restated			2010/2011	
£000	£000		£000	£000
16,478		OPERATING ACTIVITIES		
16,226		Cash Inflow		
1,671		Grants	19,641	
3,250		Council Tax Receipts	16,755	
-		Sales of goods and rendering of services	236	
44		Other receipts from operating activities	1,383	
		Contingent Rents	21	
		Interest received	58	
	37,669	Cash inflows generated from operating activities		38,094
		Cash Outflow		
-28,493		Cash paid to and on behalf of employees	-18,809	
-5,242		Other payments for operating activities	-15,882	
-91		Interest paid (PWLb)	-87	
-		Interest paid in respect PFI	-609	
-29		Interest element of finance lease payments	-22	
	-33,855	Cash outflows generated from operating activities		-35,409
	3,814	Net cash flows from operating activities (Note 8.1)		2,685
		INVESTING ACTIVITIES		
		Cash Inflow		
723		Other receipts from investing activities	788	
59	782	Sale of fixed assets	23	811
		Cash Outflows		
	-1,988	Purchase of fixed assets		-1,133
	-1,206	Net cash outflows (-) - Investing Activities		-322
	2,608	NET CASH INFLOW / OUTFLOW (-) BEFORE FINANCING		2,363
		FINANCING		
		Cash Inflow		
	2	Cash receipts in relation to the Home Computer Initiative		-
		Cash Outflow		
-119		Repayment of short and long term borrowing	-125	
-		Cash payments for the reductions of outstanding liabilities relating to the on-balance sheet PFI contract	-228	
-179	-298	Cash payments for the reductions of outstanding liabilities relating to finance leases	-147	-500
	-296	NET CASH OUTFLOW (-) – FINANCING (Note 8.3)		-500
	2,312	DECREASE (-) / INCREASE I CASH AND CASH EQUIVALENT		1,863
	6,183	Cash and cash equivalents at the beginning of the reporting period (Note 8.2)		8,495
	8,495	Less		
	2,312	Cash and cash equivalents at the end of the reporting period (Note 8.2)		10,358
				1,863

NOTES TO CORE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2003 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, 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.

1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance or debtors is written down and a charge made to revenue for the income that might not be collected.

NOTES TO THE FINANCIAL STATEMENTS

1.3 Cash and Cash Equivalents

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

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

1.4 Exceptional Items

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

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

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

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

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

1.6 Charges to Revenue for Non-Current Assets

The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the cost of holding fixed assets 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 fixed assets attributable to the Authority.

NOTES TO CORE FINANCIAL STATEMENTS

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

1.7 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Discretionary Benefits

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

The Fire Pension Scheme for Firefighters

The Firefighter's Pension Scheme for fire officers is an unfunded defined benefit final salary scheme administered by County Durham and Darlington Fire and Rescue Authority, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Under the Firefighter's Pension Scheme Order 2006, if the amounts receivable by the 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.

The Local Government Pension Scheme

The Local Government Pension Scheme for support staff, administered by Durham County Council, is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Authority recognises the costs of retirement benefits in the Net Cost of Services section of the Comprehensive Income and Expenditure Account when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows than as benefits are earned by employees.

1.8 Events after the Balance Sheet Date

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

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

NOTES TO CORE FINANCIAL STATEMENTS

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

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

1.9 Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

1.10 Government Grants and Contributions

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

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

NOTES TO CORE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Impairment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Disposals

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

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

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

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

Receipts from disposal of assets are categorised as Capital Receipts and credited to the Usable Capital Receipts Reserve to finance new capital investment.

Depreciation

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

Annual Depreciation is calculated on a straight line basis as valuation less residual value, divided by the estimated useful life of the asset. The useful lives of properties vary from 15 to 100 years; and that of vehicles, plant and equipment between 5 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.

NOTES TO CORE FINANCIAL STATEMENTS

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

1.12 Donated Assets

Donated assets received by an authority should be 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) should be recognised as income in 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. To the extent the authority has not met the conditions relating to the donated asset, the income relating to the assets will need to be recognised in the Donated Asset Account. The income will subsequently be recognised in the Comprehensive Income and Expenditure Statement when the authority has satisfied the conditions of donation.

1.13 Intangible Fixed Assets

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

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

1.14 Basis of Valuation of Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value and include uniforms, forensics dry goods, stationery, petrol, oil, diesel and ammunition.

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

1.15 Accounting for Leases - Authority as Lessee

(a) Finance Leases

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

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

NOTES TO THE FINANCIAL STATEMENTS

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the asset (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable).
- A finance charge (debited to Net Operations Expenditure in the Comprehensive Income and Expenditure Account as the rent becomes payable).

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

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

(b) Operating Leases

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

1.16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of practice (BVACOP) 2010/11. The total absorption costing principle is used, where the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

NOTES TO CORE FINANCIAL STATEMENTS

1.17 Private Finance Initiative (PFI)

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

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of 8.05% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

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.

Provisions for Back Pay Arising from Unequal Pay Claims

The Authority has made a provision of £102,947 in 2010/11 for the costs of settling claims for back pay arising from a national settlement for retained duty system (RDS) staff who claimed to have been unfavourably treated in accordance with the Scheme of Conditions of Service – the Grey Book. The settlement applies to all RDS staff with service between 1 July 2000 and 30 June 2010 and is the full and final settlement in respect of any such claims.

Contingent Liabilities

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

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

Contingent Assets

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

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

1.19 Reserves

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

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

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

NOTES TO CORE FINANCIAL STATEMENTS

- Aim to maintain, broadly, General Reserves of between 7.5% and 10% of the budget requirement, currently between £2.3m and £3.0m respectively, with a maximum General Reserve of 15% of the budget requirement for the short to medium term.

Earmarked reserves relating to Pensions, Revenue Modernisation, Capital Modernisation and Community Safety were held as at 31 March 2011 together with a General Revenue Reserve.

1.20 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

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

1.21 VAT

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

1.22 Group Accounts

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

1.23 Council Tax Income

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL DIFFERENCES BETWEEN THE AMOUNTS PRESENTED IN THE 2009/10 FINANCIAL STATEMENTS (SORP) AND THE EQUIVALENT AMOUNTS PRESENTED IN THE STATEMENTS PREPARED ON AN IFRS BASIS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following statements show the impact of the adoption of international financial reporting standards:

NOTES TO CORE FINANCIAL STATEMENTS

Reconciliation of net worth reported under previous GAAP to net worth under IFRS at the date of transition to IFRS (1 April 2009)

	Previous GAAP £000	EFFECT OF TRANSITION TO IFRS				IFRS £000
		Employee Benefits £000	Grants £000	Pensions (IAS19) £000	Leases £000	
Fixed Assets						
Intangible Fixed Assets	66					66
Property, Plant & Equipment						
Land and Buildings	18,969					18,969
Vehicles, plant and equipment	3,157				671	3,828
Non-Operational Assets						
Assets Under Construction	609					609
Total Fixed Assets	22,801	-	-	-	671	23,472
Long Term Debtors	2					2
Total Long-Term Assets	22,803	-	-	-	671	23,474
Current Assets						
Stocks and stores	438					438
Debtors & payments in advance	3,665					3,665
Cash & Cash Equivalents	6,183					6,183
Total Current Assets	10,286	-	-	-	-	10,286
Total Assets	33,089	-	-	-	671	33,760
Current Liabilities						
Creditors & receipts in advance	-4,070	-47			-177	-4,294
Short term borrowing	-119					-119
Total Current Liabilities	-4,189	-47	-	-	-177	-4,413
Total Assets less Current Liabilities	28,900	-47	-	-	494	29,347
Long Term Borrowing	-1,804					-1,804
Deferred liabilities	-4				-587	-591
Government Grants	-476		476			-
Deferred Provisions	-3					-3
Pension Liability (IAS19)	-177,571			-6,410		-183,981
Total Assets less liabilities	-150,958	-47	476	-6,410	-93	-157,032
Financed By:						
General Fund	2,675					2,675
Earmarked Reserves	4,039					4,039
Capital Grants Unapplied	0					0
Capital Adjustment Account	15,690		476		-93	16,073
Revaluation Reserve	4,115					4,115
Collection Fund Adjustment Account	94					94
Pension Reserve (IAS19)	-177,571			-6,410		-183,981
Short Term Accumulating Absences Account	-	-47				-47
Total Equity	-150,958	-47	476	-6,410	-93	-157,032

NOTES TO CORE FINANCIAL STATEMENTS

Reconciliation of net worth reported under previous GAAP to net worth under IFRS at the end of the latest period presented in the most recent financial statements under previous GAAP (31 March 2010)

	Previous GAAP £000	EFFECT OF TRANSITION TO IFRS				IFRS £000
		Employee Benefits £000	Grants £000	Pension (IAS19) £000	Leases £000	
Fixed Assets						
Intangible Assets	58					58
Property, Plant & Equipment						
Land and Buildings	17,144					17,144
Vehicles, plant and equipment	4,605				512	5,117
Non-Operational Assets						
Assets Under Construction	648					648
Total Long Term Assets	22,455	-	-	-	512	22,967
Long Term Debtors	2					2
Total long-term Assets	22,457	-	-	-	512	22,969
Current Assets						
Stocks and stores	337					337
Debtors & payments in advance	1,950					1,950
Cash & Cash Equivalents	8,495					8,495
Total Current Assets	10,782	-	-	-	-	10,782
Total Assets	33,239	-	-	-	512	33,751
Current Liabilities						
Creditors & receipts in advance	-3,215	-52			-147	-3,414
Capital Grants Unapplied	-443		443			0
Short term borrowing	-137					-137
Total Current Liabilities	-3,795	-52	443	-	-147	-3,551
Total Assets less Current Liabilities	29,444	-52	443	-	365	30,200
Long Term Borrowing	-1,679					-1,679
Deferred Liabilities	0				-440	-440
Government Grants	-1,107		1,107			-
Deferred Provisions	-6					-6
Pension Liability (IAS19)	-250,927			-10,980		-261,907
Total Assets less liabilities	-224,275	-52	1,550	-10,980	-75	-233,832
Financed By:						
General Fund	3,000					3,000
Earmarked Reserves	4,658					4,658
Capital Grants Unapplied	0		443			443
Capital Adjustment Account	15,811		1,107		-75	16,843
Revaluation Reserve	3,119					3,119
Collection Fund Adjustment Account	64					64
Pension Reserve (IAS19)	-250,927			-10,980		-261,907
Short Term Accumulating Absences Account	-	-52				-52
Total Equity	-224,275	-52	1,550	-10,980	-75	-233,832

NOTES TO CORE FINANCIAL STATEMENTS

Reconciliation to total comprehensive income and expenditure under IFRS for the latest period in the most recent annual financial statements (year ended 31 March 2010)

	Previous GAAP £000	NET EXPENDITURE EFFECT OF TRANSITION TO IFRS				IFRS £000
		Employee Benefits £000	Grants £000	Pension (IAS19) £000	Leases £000	
Gross expenditure, gross income and net expenditure of continuing operations						
Community Safety	3,465	1	3	38	-6	3,501
Fire Fighting & Rescue Operations	25,837	4	35	282	-41	26,117
Fire Service Emergency Planning	-					-
Corporate & Democratic Core	258		1			259
Non Distributed Costs	-					-
Net cost of services	29,560	5	39	320	-47	29,877
Other operating expenditure						
Gain/Loss on disposal of non-current assets (fixed assets)	-41					-41
Financing and Invest Income and Expenditure						
Interest payable on debt	91					91
Interest element of finance leases	-				29	29
Pensions interest costs	12,630			440		13,070
Expected return on pension assets	-420					-420
Investment interest income	-38					-38
Gain/Loss on trading accounts (not applicable to a Service)	-25					-25
Taxation and non-specific revenue grant income						
Recognised capital grants and contributions	-		-1,112			-1,112
Council Tax	-16,196					-16,196
NNDR	-11,531					-11,531
RSG	-2,662					-2,662
Gain on Government Pension Grant	-3,039					-3,039
(Surplus) or deficit o Provision of services for the year	8,329	5	-1,073	760	-18	8,003
(Deficit) / Surplus on revaluation of fixed assets	753					753
Actuarial (gain) / loss on pension fund assets and liabilities, and other pension adjustments	64,235			3,809		68,044
Total comprehensive income and expenditure	73,317	5	-1,073	4,569	-18	76,800

NOTES TO CORE FINANCIAL STATEMENTS

Employee Benefits

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Short Term Accumulating Absences Account until the benefits are used.

Grants

The adjustments included in this head relate to capital grants. Previously, under GAAP, capital grants were 'drip-fed' to the income and expenditure account over the life of the asset. Under IFRS, grants relating to capital expenditure are accounted for on an accruals basis, and recognised immediately as income in the comprehensive income and expenditure statement, except to the extent that the grant has a condition that the Authority has not satisfied. The amounts involved are transferred to the capital adjustment account.

Finance Leases

In accordance with the requirements of IFRS, seven leases for Fire Appliances have been reclassified as Finance Leases. The lease terms are between 12 and 15 years with expiry dates from May 2010 to June 2018.

Pension Costs

Due to the implementation of IAS 19, an IFRS based code, there is now a requirement to provide for an expected injury liability for active members within the Firefighter's Pension Scheme. The Pension Liability and Pension Reserve balances at 01/04/09 and 31/03/10 have been restated to allow for this change.

Cash and Cash Equivalents

In accordance with the Code the Authority has approved a policy of including investments made by the Authority and bank overdrafts as cash equivalents.

For the year ended 31st March 2010 cash and cash equivalents totalled £8,495,000 (Cash £21,000, Investments £8,805,000 and Cash Overdraft £331,000).

NOTES TO CORE 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 local 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 2011 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 £0.030m 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.

NOTES TO CORE FINANCIAL STATEMENTS

Effect if actual results differ from assumptions

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

Change in assumption *	Increase in Liability	
	%	£m
Rate of return :		
in excess of earnings - reduction of 0.5% per annum	2.5	5.859
in excess of pensions - reduction of 0.5% per annum	7.5	17.576
Pensioner mortality		
pensioners living (on average) 2 years longer	4.0	0.094

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

5 MOVEMENT IN RESERVES STATEMENT

5.1 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

NOTES TO CORE FINANCIAL STATEMENTS

2010/11	USABLE RESERVES			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
Charges for depreciation and impairment of non-current assets	-2,601			2,601
Revaluation Loss				676
Amortisation of Intangible Assets	-17			17
Capital grants and contributions applied	1,600		-19	-1,581
Revenue expenditure funded from capital under statute (Income)	73			-73
Revenue expenditure funded from capital under statute (Expenditure)	-73			73
Revenue expenditure funded from capital under statute (Income)	-430		430	
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	-11			11
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income & Expenditure Statement		-24		24
Use of capital receipts reserve to finance new capital expenditure		24		-24
Statutory provision for the financing of capital investment (MRP)	472			-472
Capital expenditure charged against the General Fund and (RCCO)	269			-269
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	7,610			-7,610
Employer's pensions contributions and direct payments to pensioners payable in the year	3,777			-3,777
Grant Contributions to the Fire Pension Fund Account	3,973			
Actuarial gain on Pensions Fund Assets & Liabilities				-10,500
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	-51			51
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	7			-7
Total Adjustments	14,598	-	411	-20,860

NOTES TO CORE FINANCIAL STATEMENTS

2009/10	USABLE RESERVES			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
Charges for depreciation and impairment of non-current assets	-1,799			1,799
Revaluation Loss				753
Amortisation of Intangible Assets	-8			8
Capital Grants and Contributions	669			-669
Capital Grants and Contributions	443		-443	
Revenue expenditure funded from capital under statute (REFCUS) (Income)	245			-245
Revenue expenditure funded from capital under statute (REFCUS) (Expenditure)	-245			245
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	41			-41
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income & Expenditure Statement		-180		180
Use of capital receipts reserve to finance new capital expenditure		180		-180
Statutory provision for the financing of Capital Investment	278			-278
Capital expenditure charged against the General Fund	1,346			-1,346
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure	-16,490			16,490
Employer's pensions contributions and direct payments to pensioners payable in the year	3,569			-3,569
Contributions to the Fire Pension Fund Account	3,039			
Actuarial loss on Pension Fund Assets & Liabilities				65,005
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	-30			30
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	-8,947	0	-443	78,187

NOTES TO CORE FINANCIAL STATEMENTS

6 COMPREHENSIVE INCOME AND EXPENDITURE

6.1 BEST VALUE ACCOUNTING CODE OF PRACTICE

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

The 2009/10 Net Expenditure has been re-stated to account for changes in the method of reporting.

6.2 NON DISTRIBUTED COSTS – EXCEPTIONAL ITEM

The BVACOP treats pension costs, relating to past service, as non distributed costs. The negative past service costs of £28.110m are caused by basing annual pension increases on Consumer Price Index (CPI) rather than Retail Price Index (RPI). (See note 7.22, page 66).

6.3 LOSS ON THE DISPOSAL OF FIXED ASSETS

In accordance with the Code any gain or loss on disposal of an asset is to be included in the Comprehensive Income and Expenditure Account. The gain or loss is shown as a reconciling item in the Movement in Reserves Statement. The loss shown in the Comprehensive Income and Expenditure Account amounts to £11,109.

6.4 CORPORATE AND DEMOCRATIC CORE

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

6.5 MEMBERS' ALLOWANCES

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

	2009/10	2010/11
	£000	£000
Members' Allowances Paid	65	64

NOTES TO CORE FINANCIAL STATEMENTS

6.6 EMPLOYEE REMUNERATION

In accordance with the Accounts and Audit Regulations (2011), disclosure is required for employees whose remuneration, excluding pension contributions, during the period exceeded £50,000.

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

2010/11						
	Salary (including fees & allowances)	Expense Allowances	Benefits in Kind (e.g. Car Allowances)	Total Remuneration excluding pension contributions	Pension contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£
Chief Executive – S. Johnson	164,986	3	4,032	169,021	29,747	198,768
Director of Community Safety	126,351	581	5,370	132,302	26,913	159,215
Director of Organisational & People Development	83,082	715	4,714	88,511	16,208	104,719
Director of Corporate Services	92,091	0	4,246	96,337	17,753	114,090
	466,510	1,299	18,362	486,171	90,621	576,792

Comparative figures for 2009/10 are as follows:-

2009/10						
	Salary (including fees & allowances)	Expense Allowances	Benefits in Kind (e.g. Car Allowances)	Total Remuneration excluding pension contributions	Pension contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£
Chief Executive	131,163	-	4,032	135,195	23,794	158,989
Director of Community Safety	97,177	1,032	4,402	102,611	20,699	123,310
Director of Organisational & People Development	93,393	1,746	-	95,139	-	95,139
Director of Corporate Services	81,281	475	4,246	86,002	14,306	100,308
Director of Operations	89,159	1,012	3,906	94,077	18,991	113,068
	492,173	4,265	16,586	513,024	77,790	590,814

NOTES TO CORE FINANCIAL STATEMENTS

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

Remuneration Band	Number of Employees	
	2009/10	2010/11
£50,000-£54,999	2	3
£55,000-£59,999	4	6
£60,000-£64,999	-	2
£65,000-£69,999	1	-
£70,000-£74,999	-	-
£75,000-£79,999	-	1
£80,000-£84,999	-	-
£85,000-£89,999	-	-
£90,000-£94,999	-	-
£95,000-£99,999	-	-
£100,000-£104,999	-	-
£105,000-£109,999	-	1

Please note: payments within the 2010/11 salary bands include any redundancy costs paid in the 2010/11 financial year.

6.7 EXTERNAL AUDIT FEES

The accounts of the Authority are audited by the Audit Commission. In accordance with the Code, authorities are required to disclose payment of fees. The fees payable to the Audit Commission for 2009/10 and 2010/11 are set out below:

	2009/10	2010/11
	£000	£000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	66	65
Fees payable to the Audit Commission for certification of grant claims	-	-
Fees payable in respect of other services provided by the appointed auditor	-	-
	66	65

6.8 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.

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

NOTES TO CORE FINANCIAL STATEMENTS

6.9 OPERATING LEASES

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

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

	31 March 2010 £000	31 March 2011 £000
Within one year	132	93
Later than one year and not later than five years	72	56
Later than 5 years	-	-
	204	149

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £160,330.

6.10 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

6.11 REGIONAL MANAGEMENT BOARD (RMB)

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

During 2010/11 the RMB was dissolved and the balance held by the RMB was distributed to the four constituent Fire Authorities.

County Durham and Darlington’s contributions and receipts for 2009/10 and 2010/11 were:

	2009/10 £000	2010/11 £000
Contributions	10	-
Receipts	-	-23
	10	-23

NOTES TO CORE FINANCIAL STATEMENTS

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

6.12 GRANT INCOME

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2010/11:

- Credited to Services: £1.489m
- Credited to Taxation and Non Specific Grant Income: £16.129m

6.13 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 the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are included within the Comprehensive Income & Expenditure Statement. An analysis of government grants is shown above in Note 6.12.

Members

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

The total of members' allowances paid in 2010/11 is shown in Note 6.5 above.

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

Officers

Colette Longbottom, Clerk to the Authority during 2010/11, is also Head of Legal and Democratic Services for Durham County Council.

NOTES TO CORE FINANCIAL STATEMENTS

Jeff Garfoot, Treasurer to the Authority during 2010/11, is also Head of Finance for Durham County Council.

There were no related party transactions involving chief officers.

Other Public Bodies

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

Formal agreements are in place between the Authority and Durham County Council for the provision of legal services, financial services, technical services and occupational health provision. The agreements are signed by both parties and regularly reviewed by the Authority's Director of Corporate Services.

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 2009/10	Precepts 2010/11
	£000	£000
Durham County Council	13,285	13,756
Darlington Borough Council	2,941	2,999
	16,226	16,755

At 31 March 2011, Durham County Council owes the Authority £0.037m in respect of the Collection Fund and the Authority owes Durham County Council £0.345m relating to amounts due from Council Tax Payers.

In addition £0.140m is due to the Authority from Durham County Council relating to VAT claimed on the Authority's behalf.

At 31 March 2011, the Authority owes Darlington Borough Council £0.280m in respect of the Collection Fund and amounts due from Council Tax Payers.

North East Fire Control Company

The North East Fire Control Company Limited (NEFCC) was incorporated on 24 January 2007 as a private company limited by guarantee, with its principal activity being the operation of a fire control centre for the North East region. The members of the company are Cleveland Fire Authority, Northumberland County Council, Tyne and Wear Fire and Rescue Authority and County Durham and Darlington Fire and Rescue Authority. Cleveland Fire Authority acts as the lead authority on this project.

NOTES TO CORE FINANCIAL STATEMENTS

7. BALANCE SHEET

7.1 PROPERTY, PLANT AND EQUIPMENT

The following movements in fixed assets took place:

7.1a OPERATIONAL ASSETS

	Property, Plant & Equipment			
	Vehicles, Plant & Equipment	Land & Buildings	Surplus Assets	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2010	10,737	17,320	-	28,057
Additions	1,470	9,039	-	10,509
Derecognition - Disposals / Demolitions	-693	-901	-	-1,594
Reclassifications	483	-244	350	589
Revaluation increases recognised in the Surplus on the Provision of Services	-	230	-	230
Revaluation decreases recognised in the Surplus on the Provision of Services	-	-603	-	-603
Revaluation increases recognised in the Revaluation Reserve	-	44	-	44
Revaluation decreases recognised in the Revaluation Reserve	-	-314	-	-314
At 31 March 2011	11,997	24,571	350	36,918
Depreciation and Impairments				
At 1 April 2010	-5,620	-176	-	-5,796
Charge for 2010/11	-909	-794	-	-1,703
Derecognition - Disposals / Demolitions	657	901	-	1,558
Depreciation written out to the Revaluation Reserve	-	7	-	7
Impairment	-	-8	-	-8
Impairment losses recognised in the Surplus on the Provision of Services	-	-466	-	-466
Impairment losses recognised in the Revaluation Reserve	-	-405	-	-405
At 31 March 2011	-5,872	-941	-	-6,813
Balance Sheet amount at 31 March 2011	6,125*	23,630	350	30,105
Balance Sheet amount at 01 April 2010	5,117	17,144	-	22,261

* £0.378m of the £6.125m relates to Finance Leases

NOTES TO CORE FINANCIAL STATEMENTS

Comparative figures for 2009/10 are as follows:

	Property, Plant & Equipment			
	Vehicles, Plant & Equipment	Land & Buildings	Surplus Assets	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2009	9,165	19,766	-	28,931
Additions	1,514	79	-	1,593
Disposals / Demolitions	-488	-	-	-488
Reclassifications	546	-102	-	444
Revaluation decreases recognised in the Revaluation Reserve	-	-208	-	-208
Impairments	-	-2,215	-	-2,215
At 31 March 2010	10,737	17,320	-	28,057
Depreciation and impairments				
At 1 April 2009	-5,337	-797	-	-6,134
Additions	-752	-810	-	-1,562
Disposals / Demolitions	469	-	-	469
Reclassifications	-	-	-	-
Depreciation written out to the Revaluation Reserve	-	433	-	433
Impairments	-	998	-	998
At 31 March 2010	-5,620	-176	-	-5,796
Balance Sheet amount at 31 March 2010	5,117	17,144	-	22,261
Balance Sheet amount at 01 April 2009	3,828	18,969	-	22,797

All valuations of buildings are undertaken by or under the supervision of a fully qualified Chartered Surveyor, who is an employee of a related party, Durham County Council. Fixed asset revaluations are undertaken once every five years. The most recent valuation of Land and Buildings is effective from 1 April 2010. These values have been used to determine the 31 March 2011 valuations.

NOTES TO CORE FINANCIAL STATEMENTS

7.1b NON-OPERATIONAL ASSETS

	Non-Operational Assets		
	Assets Under Construction	Assets Held for Disposal	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2010	648	-	648
Additions	54	-	54
Disposals	-	-	-
Reclassifications	-589	-	-589
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-59
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	-59	-	-
At 31 March 2011	54	-	54
Depreciation and impairments			
At 1 April 2010	-	-	-
Charge for 2010/11	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	-	-
At 31 March 2011	-	-	-
Balance Sheet amount at 31 March 2011	54	-	54
Balance Sheet amount at 01 April 2010	648	-	648

Comparative figures for 2009/10 are as follows:

	Non-Operational Assets		
	Assets Under Construction	Assets Held for Disposal	Total
	£000	£000	£000
Cost or valuation			
At April 2009	609	-	609
Additions	603	-	603
Disposals	-120	-	-120
Reclassifications	-444	-	-444
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-
Revaluation increases/(decreases) recognised in the Surplus on the Provision of Services	-	-	-
At 31 March 2010	648	-	648
Depreciation and impairments			
At 1 April 2009	-	-	-
Charge for 2009/10	-	-	-
Disposals	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	-	-
Revaluations	-	-	-
At 31 March 2011	-	-	-
Balance Sheet amount at 31 March 2010	648	-	648
Balance Sheet amount at 01 April 2009	609	-	609

NOTES TO CORE FINANCIAL STATEMENTS

7.1c INTANGIBLE FIXED 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 fixed assets during the year:

	£000
Original Cost	84
Amortisations to 31 March 2010	-26
Balance at 1 April 2010	58
Expenditure in year	83
Amortisation during year	-17
Balance at 31 March 2011	124

Comparative figures for 2009/10 are as follows:

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

7.2 SOURCES OF FUNDS TO MEET CAPITAL EXPENDITURE AND OTHER PLANS

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

7.3 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

NOTES TO CORE FINANCIAL STATEMENTS

The requirement has decreased by £0.097m from £2.417m to £2.321m as follows:

	2009/10	2010/11
	£000	£000
Opening Capital Financing Requirement	2,518	2,417
Capital Investment		
Property, Plant & Equipment	1,593	9,698
Non-Operational Assets	603	54
Intangible Assets	-	83
Sources of Finance		
Capital Receipts	-180	-24
Government Grants and Contributions	-670	-9,542
Minimum Revenue Provision	-101	-97
Direct Revenue Provision	-1,346	-269
Closing Capital Financing Requirement	2,417	2,320
Explanation of movements in the year		
Reduction in underlying need to borrow (supported by Government financial assistance)	-101	-97
Increase in underlying need to borrow (unsupported by Government financial assistance)	-	-
Increase/decrease (-) in Capital Financing Requirement	-101	-97

7.4 CAPITAL COMMITMENTS

There are no capital contractual commitments as at 31 March 2011.

7.5 INFORMATION ON ASSETS HELD

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

Asset Type	Number as at 01 April 2009	Number as at 31 March 2009	Number as at 31 March 2010
Headquarters	1	1	1
Fire Stations	15	15	16*
Vehicles	128	133	134

* including one Fire Station declared surplus (Spennymoor)

NOTES TO CORE FINANCIAL STATEMENTS

7.6 INVENTORIES

	Transport		Stores		Total	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
	£000	£000			£000	£000
Balance outstanding at 1 April	53	61	385	276	438	337
Purchases	20	33	440	411	460	444
Recognised as an expenses in the year	-12	-23	-549	-388	-561	-411
Balance outstanding at 31 March	61	71	276	299	337	370

7.7 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:

	01 April 2009		31 March 2010 (as restated)		31 March 2011	
	Long-term £000	Current £000	Long-term £000	Current £000	Long-term £000	Current £000
Financial Liabilities at amortised cost						
PWLB Borrowing	1,804	119	1,679	137	1,548	142
Bank Overdraft	-	118	-	331	-	1
Trade Creditors	-	776	-	740	-	819
Finance Leases	591	177	440	147	287	153
Private Finance Initiative	-	-	-	-	8,275	268
Total Borrowing	2,395	1,190	2,119	1,355	10,110	1,383
Loans and Receivables at amortised cost						
Short Term Deposits	-	6,277	-	8,805	-	10,333
Long Term Debtors	2	-	2	-	1	-
Trade Debtors	-	661	-	649	-	221
Total Investments	2	6,938	2	9,454	1	10,554

NOTES TO CORE FINANCIAL STATEMENTS

Fair Value of Assets and Liabilities carried at Amortised Cost.

	01 April 2009 (as restated)		31 March 2010 (as restated)		31 March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets						
Short Term Deposits	6,277	6,277	8,805	8,805	10,333	10,333
Long Term Debtors	2	2	2	2	1	1
Trade Debtors	661	661	649	649	221	221
	6,940	6,940	9,456	9,456	10,555	10,555
Financial Liabilities (current & long term)						
PWLB Borrowing	1,923	2,173	1,816	1,964	1,690	1,849
Bank Overdraft	118	118	331	331	1	1
Trade Creditors	776	776	740	740	819	819
Finance Leases	768	768	587	587	440	440
Private Finance Initiative	-	-	-	-	8,275	8,275
	3,585	3,835	3,474	3,622	11,225	11,384

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

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

Financial Instruments Gains and Losses

The gains and losses recognised in the 2010/11 Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2010/11	Financial Liabilities measured at Amortised Cost	Financial Assets Loans and Receivables
	£000	£000
Interest expense	717	-
Interest income	-	-78
Net gain(-)/loss for the year	639	

NOTES TO CORE FINANCIAL STATEMENTS

Comparative figures as at 1 April 2009 and the 31 March 2010 are as follows:-

01 April 2009	Financial Liabilities measured at Amortised Cost	Financial Assets Loans and Receivables
	£000	£000
Interest expense	98	-
Interest income	-	-354
Net gain(-)/loss for the year	-256	

2009/10	Financial Liabilities measured at Amortised Cost	Financial Assets Loans and Receivables
	£000	£000
Interest expense	91	-
Interest income	-	-38
Net gain(-)/loss for the year	53	

Nature and Extent of Risks Arising from Financial Instruments

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

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

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

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting:
 - The Authority's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

NOTES TO CORE FINANCIAL STATEMENTS

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

(a) Credit Risk

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

(b) Liquidity Risk

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

(c) Market Risk

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

7.8 DEFERRED LIABILITIES

The carrying amount of deferred liabilities is shown below:

	01 April 2009 (as restated)	31 March 2010 (as restated)	31 March 2011
	£000	£000	£000
Debt	1,804	1,679	1,548
Private Finance Initiative (PFI)	-	-	8,275
Leasing	4	-	-
Finance Leases	587	440	287
	2,395	2,119	10,110

NOTES TO CORE FINANCIAL STATEMENTS

Deferred Liability – Debt

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

	01 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
Long-term Borrowings			
Repayable within 1 – 2 years	125	131	138
Repayable within 2 – 5 years	413	346	598
Repayable within 5 – 10 years	538	474	84
Repayable over 10 years	728	728	728
	1,804	1,679	1,548

7.9 FINANCE LEASES

The Authority uses a number of vehicles financed under the terms of finance leases.

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	01 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
Finance lease liabilities (Net Present Value of minimum lease payments)			
Current	177	147	153
Non Current	587	440	287
Finance costs payable in future years	93	64	42
Minimum lease payments	857	651	481

The minimum lease payments will be payable over the following periods.

	Minimum Lease Payments			Finance Lease Liability		
	01 April 2009	31 March 2010	31 March 2011	01 April 2009	31 March 2010	31 March 2011
	£000	£000	£000	£000	£000	£000
Within one year	206	169	169	177	147	153
Later than one year and not later than five years	606	452	297	545	412	273
Later than five years	45	30	15	42	28	14
	857	651	481	764	587	440

NOTES TO CORE FINANCIAL STATEMENTS

7.10 PRIVATE FINANCE INITIATIVE (PFI) SCHEME

Two new community fire stations, which are being financed by a Private Finance Initiative (PFI) Scheme, became operational during 2010/11. The stations at Bishop Auckland and Spennymoor became operational on 24/5/10 and 1/6/10 respectively.

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

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

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

The value of PFI assets at 31 March 2011

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 2010-11 are summarised below:

	Bishop Auckland £000	Spennymoor £000	Total £000
Initial value of assets financed by contractor	4,638	4,133	8,771
Less: Impairment upon revaluation	-507	-2	-509
Gross Book Value after impairment	4,131	4,131	8,262
Less: 2010/11 Depreciation	-70	-69	-139
Net Book Value at 31 March 2011	4,061	4,062	8,123

The value of liabilities at 31 March 2011

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 2010/11 are summarised below:

	£000
Capital expenditure incurred by contractor	8,771
Less: Value of liability written down in 2010/11	-228
Liability outstanding at 31 March 2011	8,543

NOTES TO CORE FINANCIAL STATEMENTS

Estimates of future payments due:

Period	Repayment Liability £000	Interest £000	Contingent Rent £000	Service Charges £000	Lifecycle Replacement £000
2011/12	268	704	12	427	-
2012/13 to 2015/16	1,254	2,579	72	1,556	327
2016/17 to 2020/21	1,554	2,637	-27	2,130	1,292
2021/22 to 2025/26	1,476	2,017	-369	2,510	2,388
2026/27 to 2030/31	1,852	1,350	-714	2,962	3,070
2031/32 to 2035/36	2,139	480	-772	2,907	2,695
Total	8,543	9,767	-1,798	12,492	9,772

Contract payments are partially linked to inflation as measured by the RPI index. These estimates assume that after 2011/12 RPI increases at 2.5% a year for the remainder of the contract.

7.11 DEBTORS

These are sums of money due to the Authority but unpaid as at 31 March 2011. 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.

	01 April 2009 (as restated) £000	31 March 2010 (as restated) £000	31 March 2011 £000
Amounts falling due within one year:			
Debtors			
Government Departments	2,131	542	884
Other Local Authorities	789	223	240
Other Debtors	663	1,193	1,019
Payments in Advance	98	-	-
Provision for Doubtful Debts	-16	-8	-3
	3,665	1,950	2,140
Amounts falling due after one year:	2	2	1
	3,667	1,952	2,141

NOTES TO CORE FINANCIAL STATEMENTS

7.12 CREDITORS

These are amounts owed by the Authority for works done, goods received or services rendered which have not been paid for as at 31 March 2011.

	01 April 2009 (as restated)	31 March 2010 (as restated)	31 March 2011
		£000	£000
Creditors			
Government Departments	558	570	553
Other Local Authorities	573	1,330	996
Other Creditors	3,114	1,471	2,269
Receipts in Advance	49	43	208
Short-term Borrowing	119	137	142
	4,413	3,551	4,168

The accrued interest relating to short term borrowing, included above, is £11,108 as at 31 March 2011 and £11,951 as at 31 March 2010.

7.13 CASH AND CASH EQUIVALENTS

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

	01 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
Cash held by the Authority	24	21	26
Bank current accounts	-118	-331	-1
Short term deposits with banks and building societies	6,277	8,805	10,333
Total Cash and Cash Equivalents	6,183	8,495	10,358

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 £3,243 as at 31 March 2011 (£3,871 as at 31 March 2010).

7.14 PROVISIONS

Insurance Provision

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

NOTES TO CORE FINANCIAL STATEMENTS

Movement in the Provision

	01 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
Balance at 1 April	9	3	6
Increase/decrease (-) during the year	-6	3	0
Balance at 31 March	3	6	6

NOTES TO CORE FINANCIAL STATEMENTS

7.15 RESERVES

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

Reserve	Balance 1 April 2010 (as restated)	Net Movement in Year	Balance 31 March 2011	Purpose of Reserve	Further details of Movement
	£000	£000	£000		
Usable Reserves					
General Fund	3,000	-	3,000	Resources available to meet future running costs	Movement in Reserves Statement
Earmarked Reserves	4,658	2,231	6,889	Detailed below	Note 7.16 to the accounts
Capital Grants Unapplied	443	-411	32	Grants to be used to finance capital expenditure in future years	Movement in Reserves Statement
Total Usable Reserves	8,101	1,820	9,921		
Unusable Reserves					
Revaluation Reserve	3,119	-829	2,290	Gains on revaluation of fixed assets not yet realised through sales	Note 7.18 to the accounts
Capital Adjustment Account	16,843	-153	16,690	Capital resources set aside to meet capital expenditure	Note 7.18 to the accounts
Collection Fund Adjustment Account	64	-52	12	Share of Collection Fund Balance outstanding	Note 2 to the accounts
Pensions Reserve (IAS19)	-261,907	21,887	-240,020	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 7.21 to the accounts
Short-term Accumulating Absences	-52	7	-45	Balancing account to allow inclusion of employees liability in the balance sheet	Note 2 to the accounts
Total Unusable Reserves	-241,933	20,860	-221,073		
Total Reserves	-233,832	22,680	-211,152		

NOTES TO CORE FINANCIAL STATEMENTS

Reserve	Balance 1 April 2009 (as restated)	Net Movement in Year (including IFRS adjustments)	Balance 31 March 2010	Purpose of Reserve	Further details of Movement
	£000	£000	£000		
Usable Reserves					
General Fund	2,675	325	3,000	Resources available to meet future running costs	Movement in Reserves Statement
Earmarked Reserves	4,039	619	4,658	Detailed below	Note 7.16 to the accounts
Capital Grants Unapplied	0	443	443	Grants to be used to finance capital expenditure in future years	Movement in Reserves Statement
Total Usable Reserves	6,714	1,387	8,101		
Unusable Reserves					
Revaluation Reserve	4,115	-996	3,119	Gains on revaluation of fixed assets not yet realised through sales	Note 7.18 to the accounts
Capital Adjustment Account	16,073	770	16,843	Capital resources set aside to meet capital expenditure	Note 7.18 to the accounts
Collection Fund Adjustment Account	94	-30	64	Share of Collection Fund Balance outstanding	Note 2 to the accounts
Pensions Reserve (IAS19)	-183,981	-77,926	-261,907	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 7.21 to the accounts
Short-term Accumulating Absences	-47	-5	-52	Balancing account to allow inclusion of employees liability in the balance sheet	Note 2 to the accounts
Total Unusable Reserves	-163,746	-78,187	-241,933		
Total Reserves	-157,032	-76,800	-233,832		

NOTES TO CORE FINANCIAL STATEMENTS

7.16 MOVEMENT IN EARMARKED RESERVES

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

	01 April 2010	Increase / decrease (-) in year	01 April 2011
	£000	£000	£000
Pensions	309	-	309
Revenue Modernisation	760	-	760
Capital Modernisation	3,175	2,231	5,406
Community Safety	414	-	414
Total	4,658	2,231	6,889

Comparative figures for 2009/10 are as follows:

	01 April 2009	Increase / decrease (-) in year	01 April 2010
	£000	£000	£000
Pensions	309	-	309
Revenue Modernisation	760	-	760
Capital Modernisation	2,556	619	3,175
Community Safety	414	-	414
Total	4,039	619	4,658

7.17 EARMARKED RESERVES

Earmarked reserves at 31 March 2011 were as follows:

Pensions Reserve

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

Revenue Modernisation Reserve

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

Capital Modernisation Reserve

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

Community Safety Reserve

To enable specific community safety improvements to be undertaken.

NOTES TO CORE FINANCIAL STATEMENTS

7.18 REVALUATION RESERVE AND CAPITAL ADJUSTMENT ACCOUNT

The fundamental principle of capital accounting is that accounting for fixed assets is separated from accounting for their financing.

There are two reserves that help to manage this separation:

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

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

(i) REVALUATION RESERVE

	2009/10	2010/11
	£000	£000
Opening Balance at 1 April	4,115	3,119
Revaluation gains/losses	-754	-675
Excess of current cost depreciation	-242	-154
Balance written off on disposal of asset	-	-
Closing Balance at 31 March	3,119	2,290

(ii) CAPITAL ADJUSTMENT ACCOUNT

	2009/10 (as restated)	2010/11
		£000
Opening Balance at 1 April	16,073	16,843
Movement in year		
Capital Financing from Revenue and Capital Receipts	1,526	293
Minimum Revenue Provision	278	472
Amounts included in the Comprehensive I&E but required by statute to be excluded from the General Fund Balance (Capital Charges)	-1,570	-1,720
Transfer to Government Grants Deferred	39	-
Impairments	-238	-898
Receipt of Capital Grants	-	1,581
Deferred Grant Account adjustment as per IFRS	631	-
Amounts written off from Revaluation Reserve:		
Excess of current cost depreciation over historic cost depreciation	242	154
Balance on disposal of fixed asset	-	-
Net Book Value of disposed fixed assets	-138	-35
Closing Balance at 31 March	16,843	16,690

NOTES TO CORE FINANCIAL STATEMENTS

7.19 GENERAL RESERVE

The net accumulated unapplied General Fund Revenue balance is £3m as at 31 March 2011 which equates to 9.59% of the 2010/11 budget requirement. This is in line with the Authority's policy on reserves which is to maintain broadly general reserves of between 7.5% and 10%, with a maximum general reserve of 15% of the budget requirement for the short to medium term.

7.20 AUTHORISATION OF ACCOUNTS FOR ISSUE/POST BALANCE SHEET EVENTS

The Statement of Accounts were authorised for issue by the Treasurer, Jeff Garfoot, on 27 September 2011. This is the date up to which events after the Balance Sheet date have been considered. No such events have been identified for 2010/11.

7.21 INTERNATIONAL ACCOUNTING STANDARD (IAS) 19 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 two pension schemes:

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

Transactions Relating to Post-employment Benefits

The Authority recognises the costs of retirement benefits in the Net Cost of Services section of the Comprehensive Income and Expenditure Account when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the

NOTES TO CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Account and the General Fund via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Firefighter's Pension Scheme	
	2010/11	2009/10	2010/11	2009/10 as Restated
	£000	£000	£000	£000
Comprehensive Income and Expenditure Account				
Cost of Services:				
Current service cost	620	450	6,110	3,390
Past service costs	-1,970	-	-26,140	-
Financing and Investment Income and Expenditure:				
Interest cost	980	880	13,520	12,190
Expected return on scheme assets	-730	-420	-	-
Total Post Employment Benefit Charged to the Surplus/ Deficit on the Provision of Services	-1,100	910	-6,510	15,580
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Actuarial gains/losses(-) on pension fund assets and liabilities and other pension adjustments	934	-2,270	9,566	-62,735
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-166	-1,360	3,056	-47,155
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	1,100	-910	6,510	-15,580
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme	583	584		
Employer's contributions payable to the scheme and retirement benefits payable to pensioners			3,194	2,985

The cumulative amount of actuarial losses to 31 March 2011 is £76.21m, made up as follows:

- Local Government Pension Scheme £3.42m
- Firefighter's Pension Scheme £72.79m

NOTES TO CORE FINANCIAL STATEMENTS

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

Liabilities have been assessed on an actuarial basis using the projected unit credit method; an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Firefighter's Scheme and the County Council Fund liabilities have been assessed by independent actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The pension increase assumption as at 31 March 2011 is based on the Consumer Price Index (CPI) expectation of inflation rather than the Retail Price Index (RPI). 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. CPI is generally lower than RPI therefore future pension increases are lower than previously expected.

The change from RPI to CPI indexation has been treated as a change in benefits and is therefore shown as a negative past service cost measured as at 22 June 2010, the date of the Government announcement. This change will also impact on the current service cost and interest cost which is measured on CPI expectation between 22 June 2010 and 31 March 2011.

This has the effect of reducing the Authority's liabilities in the Local Government Pension Scheme by £1.97m and in the Firefighter's Pension Scheme by £26.14m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit adjustment entitlement. There is no impact upon the General Fund.

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

NOTES TO CORE FINANCIAL STATEMENTS

The principal assumptions used by the actuary have been:

	Local Government Funded Pension Scheme		Local Government Unfunded Pension Scheme		Firefighter's Pension Scheme	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Mortality assumptions:						
<i>Longevity at 65 for current pensioners:</i>						
Men	21.2	21.9			23.3	23.4
Women	23.3	24.0			25.2	25.3
<i>Longevity at 65 for future pensioners:</i>						
Men	23.5	23.7			26.2	26.3
Women	25.4	26.0			28.0	28.0
<i>Rate of Inflation:</i>						
RPI	3.9	3.7	3.8	3.6	3.9	3.8
CPI	N/A	2.8	N/A	2.7	N/A	3.0
Rate of increase in salaries	5.4	5.2			5.4	5.3
Rate of increase to pensions in payment	3.9	2.8	3.8	2.7	3.9	3.0
Rate of increase to deferred pensions	3.9	2.8			3.9	3.0
Rate for discounting scheme liabilities	5.5	5.4	5.5	5.5	5.8	5.7
<i>Take-up of option to convert annual pension into retirement lump sum:</i>						
Pre April 2008 service	50	60			N/A	N/A
Post April 2008 service	75	80			N/A	N/A

The Firefighter's Pension Scheme has no assets to cover its liabilities. The Authority employs a building block approach in determining the rate of return on the Local Government Pension Scheme's assets. Historical markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out below. The overall rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2011.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	Long-term rate of return expected at 31/03/09	Asset split at 31/03/09	Long-term rate of return expected at 31/03/10	Asset split at 31/03/10	Long-term rate of return expected at 31/03/11	Asset split at 31/03/11
	% p.a	%	% p.a	%	% p.a	%
Equity investments	7.0	45.2	8.0	57.1	8.4	55.9
Property	6.0	3.9	8.5	4.9	7.9	5.6
Government Bonds	4.0	30.0	4.5	25.4	4.4	25.4
Corporate Bonds	5.8	11.0	5.5	9.6	5.1	10.2
Cash	1.6	9.9	0.7	3.0	1.5	2.9
Total	5.4	100	6.7	100	6.8	100

NOTES TO CORE FINANCIAL STATEMENTS

(i) Firefighter's Pension Scheme 1992

Past Service Liabilities

	Value at 31/03/09	Value at 31/03/10	Value at 31/03/11
	£m	£m	£m
Estimated liabilities in scheme			
Active members (past service)	68.53	105.65	92.98
Deferred pensions	1.20	2.85	2.88
Pensions in Payment (excluding injury)	95.00	123.22	118.40
Total	164.73	231.72	214.26
Net pensions deficit	164.73	231.72	214.26

Analysis of movement in scheme liability

	2009/10	2010/11
	£m	£m
Net deficit at the beginning of year	164.73	231.72
Net deficit at the start of current year	164.73	231.72
Movement in the year:		
Current service cost (net of employee contributions)	2.69	4.50
Cost covered by employee contributions	1.15	1.13
Past service cost	-	-23.74
Pension transfers-in	0.72	0.01
Interest on pension liabilities	11.25	12.32
Total benefits paid	-7.99	-7.88
Curtailment and Settlements	-	-
Actuarial gain(-)/loss	59.17	-3.80
Net deficit at the end of year	231.72	214.26

(ii) Firefighter's Pension Scheme 2006

Past Service Liabilities

	Value at 31/03/09	Value at 31/03/10	Value at 31/03/11
	£m	£m	£m
Estimated liabilities in scheme			
Active members (past service)	0.90	2.93	3.75
Deferred pensions	-	0.01	0.04
Pensions in Payment (excluding injury)	-	-	-
Total	0.90	2.94	3.79
Net pensions deficit	0.90	2.94	3.79

NOTES TO CORE FINANCIAL STATEMENTS

Analysis of movement in scheme liability

	2009/10	2010/11
	£m	£m
Net deficit at the beginning of year	0.90	2.94
Net deficit at the start of current year	0.90	2.94
Movement in the year:		
Current service cost (net of employee contributions)	0.38	1.03
Cost covered by employee contributions	0.20	0.24
Past service cost	-	-0.34
Pension transfers-in	-	-
Interest on pension liabilities	0.08	0.19
Total benefits paid	-	-
Curtailment and Settlements	-	-
Actuarial gain(-)/loss	1.38	-0.27
Net deficit at the end of year	2.94	3.79

(iii) Firefighter's Compensation Scheme – Injury Awards

Past Service Liabilities

	Value at 31/03/09 as restated	Value at 31/03/10 as restated	Value at 31/03/11
	£m	£m	£m
Estimated liabilities in scheme			
Active Members (injury awards)	6.41	10.98	9.06
Pensions in Payment (injury awards)	6.25	7.98	7.24
Net pensions deficit	12.66	18.96	16.30

Analysis of movement in scheme liability

	2009/10 (as restated)	2010/11
	£m	£m
Net deficit at the start of current year	12.66	18.96
Movement in the year:		
Current service cost	0.32	0.58
Past service cost	-	-2.06
Interest on pension liabilities	0.86	1.01
Total benefits paid	-0.41	-0.42
Curtailment and Settlements	-	-
Actuarial gain(-)/loss	5.53	-1.77
Net deficit at the end of year	18.96	16.30

NOTES TO CORE FINANCIAL STATEMENTS

(iv) Consolidated Firefighter's Pension Scheme

Past Service Liabilities

	Value at 31/03/09 as Restated	Value at 31/03/10 as Restated	Value at 31/03/11
	£m	£m	£m
Estimated liabilities in scheme			
Active members (past service)	75.84	119.56	105.79
Deferred pensions	1.20	2.86	2.92
Pensions in Payment (excluding injury)	95.00	123.22	118.40
Pensions in Payment (injury awards)	6.25	7.98	7.24
Total	178.29	253.62	234.35
Net pensions deficit	178.29	253.62	234.35

Analysis of movement in scheme liability

	2009/10 as Restated	2010/11
	£m	£m
Net deficit at the beginning of year	178.29	253.62
Movement in the year:		
Current service cost (net of employee contributions)	3.39	6.11
Cost covered by employee contributions	1.35	1.37
Past service cost	-	-26.14
Pension transfers-in	0.72	0.01
Interest on pension liabilities	12.19	13.52
Total benefits paid	-8.40	-8.30
Curtailment and Settlements	-	-
Actuarial gain(-)/loss	66.08	-5.84
Net deficit at the end of year	253.62	234.35

NOTES TO CORE FINANCIAL STATEMENTS

(v) Durham County Council Pension Fund

Analysis of movement in scheme liability

	2009/10	2010/11
	£m	£m
Net deficit at the beginning of year	5.69	8.28
Movement in the year:		
Contributions towards funded liabilities	-0.58	-0.64
Unfunded benefit payment	-0.01	-0.01
Current service cost (net of employee contributions)	0.45	0.62
Past service cost	-	-1.97
Curtailments/settlements	-	-
Expected return on pension fund assets	-0.42	-0.73
Interest on pension liabilities	0.88	0.98
Actuarial gain(-)/loss	2.27	-0.86
Net deficit at the end of year	8.28	5.67

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities:

	Funded and Unfunded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Firefighter's Pension Scheme	
	2009/10	2010/11	2009/10 (as restated)	2010/11
	£m	£m	£m	£m
Opening present value	13.53	19.25	178.29	253.62
Current service cost	0.45	0.62	3.39	6.11
Interest cost	0.88	0.98	12.19	13.52
Contributions by scheme participants	0.21	0.22	1.35	1.37
Actuarial gains (-) / losses	4.65	-0.93	66.08	-5.84
Benefits paid	-0.47	-0.57	-8.40	-8.30
Past service costs	-	-1.97	-	-26.14
Pension transfers-in	-	-	0.72	0.01
Closing present value	19.25	17.60	253.62	234.35

NOTES TO CORE FINANCIAL STATEMENTS

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2009/10	2010/11
	£m	£m
Opening fair value	7.84	10.97
Expected rate of return	0.42	0.73
Actuarial gains(-) / losses	2.38	-0.07
Employer contributions	0.58	0.64
Contributions by scheme participants	0.21	0.22
Benefits paid	-0.46	-0.56
Closing fair value	10.97	11.93

The actual return on scheme assets in the year was a gain of £0.66m (2009/10: £2.8m gain).

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

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

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

	2006/07	2007/08	2008/09	2009/10	2010/11
	As Restated	As Restated	As Restated	As Restated	
	£m	£m	£m	£m	£m
Present value of liabilities:					
Local Government Pension Scheme	12.05	11.78	13.53	19.25	17.60
Firefighter's Pension Scheme	210.78	181.87	178.29	253.62	234.35
Fair value of assets in the Local Government Pension Scheme	8.54	8.60	7.84	10.97	11.93
Surplus/ deficit (-) in the scheme:					
Local Government Pension Scheme	-3.51	-3.18	-5.69	-8.28	-5.67
Firefighter's Pension Scheme	-210.78	-181.87	-178.29	-253.62	-234.35
Total Deficit	-214.29	-185.05	-183.98	-261.90	-240.02

Employer Contributions

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2012 are £0.57m. Expected contributions to the Firefighter's Pension Scheme in the year to 31 March 2012 are £2.27m.

NOTES TO CORE FINANCIAL STATEMENTS

History of Experience Gains and Losses

The actuarial gains/ losses identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories:

	2006/07	2007/08	2008/09 as restated	2009/10 as restated	2010/11
	£m	£m	£m	£m	£m
Total actuarial gain (-) / loss:					
Local Government Pension Scheme	-0.26	-0.54	2.51	2.27	-0.86
Firefighter's Pension Scheme	-16.10	-41.37	-19.50	66.08	-5.84
Difference between the expected and actual return on assets [gain (-)/ loss]:					
Local Government Pension Scheme	-0.07	0.84	1.66	-2.38	0.07
Percentage of assets	-0.8%	9.7%	21.17%	-21.70%	0.6%
Experience gains (-) and losses on liabilities:					
Local Government Pension Scheme	0.01	0.79	-0.01	-0.05	-0.61
Percentage of the liability	0.1%	6.7%	-0.07%	-0.26%	-3.5%
Firefighter's Pension Scheme	-3.23	-5.92	-0.99	-8.9	-2.49
Percentage of the liability	-1.5%	-3.3%	-0.56%	-3.51%	-1.1%

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £240.02m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £211.793m. 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.

7.22 CONTINGENT ASSETS & CONTINGENT LIABILITIES

There are no Contingent Assets and Contingent Liabilities as at 31 March 2011.

NOTES TO CORE FINANCIAL STATEMENTS

8 CASH FLOW STATEMENT

8.1 RECONCILIATION OF SURPLUS TO CASH FLOW 2010/11

2009/10			2010/11	
£000	£000		£000	£000
	-8,003	Surplus/Deficit (-) for the year		16,829
		Non-cash transactions		
-6		Transfer from provisions	-5	
5		Employee benefits taken	-7	
-41		Loss/Gain (-) on disposal of fixed assets (Note 6.3)	11	
1,807		Depreciation and amortisation of fixed assets	2,618	
-245		REFCUS	-	
-		Collection fund adjustment	51	
	1,520			2,668
		Pension Fund Adjustments		
12,920		Net charges made for retirement benefits in accordance with IAS19 less employer's contributions payable to the Pension Account	-11,387	
-3,039		Government grant payable to the Pension Fund on the Authority's behalf	-3,973	
	9,881			-15,360
		Items classified elsewhere in the Cash Flow Statement		
-1,112		Capital grants & contributions	-1,600	
-59		Sale of fixed assets	-	
	-1,171			-1,600
		Items on an accruals basis		
-92		Increase in debtors, payments in advance, stocks and work in progress	-314	
1,679		Increase in creditors and receipts in advance	462	
	1,587			148
	3,814	Net Cash Inflow from Operating Activities		2,685

8.2 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 2010/11 movement in cash and cash equivalents was as follows:

	2009/10	2010/11	Increase in year
	£000	£000	£000
Cash	-310	25	335
Cash Equivalents	8,805	10,333	1,528
	8,495	10,358	

NOTES TO CORE FINANCIAL STATEMENTS

8.3 RECONCILIATION OF 2010/11 MOVEMENT IN CASH AND CASH EQUIVALENTS TO THE MOVEMENT IN NET DEBT

2009/10			2010/11	
£000	£000		£000	£000
	-2,312	Increase in cash and cash equivalents per the Cash Flow Statement		-1,863
		Less		
3,814		Operating Activities	2,685	
-1,206	2,608	Investing Activities	-322	2,363
	296			500
		Movement in Net Debt		
	-296	Financing Activities – Borrowing		-500

PENSION FUND ACCOUNT

FIRE PENSION FUND ACCOUNT

The Firefighter's Pension Scheme for fire officers is an unfunded defined benefit final salary scheme administered by County Durham and Darlington Fire and Rescue Authority, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Under the Firefighter's Pension Scheme (Amendment) (England) Order 2006, if the amounts receivable by the pensions fund for the year are less than amounts payable, the Fire Authority must annually transfer an amount to meet the deficit to the pension fund. This cost is then met by central government. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Fire Authority which then must repay the amount to central government.

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

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

Fire Pension Fund Account

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

	2009/10	2010/11
	£000	£000
Contributions receivable		
Fire Authority contributions in relation to pensionable pay	-2,490	-2,503
Firefighter's contributions	-1,352	-1,372
Transfers in from other schemes	-319	-12
Ill health capital contributions	-73	-39
Benefits payable		
Pensions	6,065	6,276
Commutation and lump sum retirement benefits	1,208	1,621
Transfers out to other schemes	0	2
Net amount payable for the year	3,039	3,973
Top-up grant payable by the Government	-3,039	-3,973
Year end balance	-	-

PENSION FUND ACCOUNT

Net Assets Statement

	2008/09	2009/10	2010/11
	£000	£000	£000
Net current assets and liabilities			
Amount due to (-) / from the Authority's General Fund	-2,068	-535	-884
Amount due to (-) / from Central Government	2,068	535	884
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 2010/11 (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 Actuaries Department. The employer's contributions are set at a nationally applied rate of 21.3% of pensionable pay for the 1992 Firefighter's Pension Scheme and 11.0% for the 2006 Firefighter's Pension Scheme. The employee's contributions are set at 11.0% and 8.5% respectively.

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

Benefits

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

Transfer Values

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

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 fixed asset, whether arising from use, effluxion of time or obsolescence through technical or other changes.

Audit Commission

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

Best Value Accounting Code of Practice (BVACOP)

A CIPFA recognised standard to accounting for best value, which provides a consistent and comparable calculation of the total costs of services.

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 fixed assets consumed and the capital financing set aside to pay for them.

Capital Charge

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

Capital Expenditure

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

Capital Grant

Grant from Central Government used to finance capital schemes.

Capital Receipts

Proceeds from the sale of capital assets.

GLOSSARY OF TERMS

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 fixed asset, 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.

Fixed Assets

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

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.

GLOSSARY OF TERMS

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 fixed assets 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, ie 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

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

Operational Assets

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

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.

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 fixed assets.

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.

GLOSSARY OF TERMS

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.