

COUNTY DURHAM AND  
DARLINGTON



FIRE AND RESCUE  
AUTHORITY

**Statement of Accounts**

for the year ended 31<sup>st</sup> March 2009

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## 1. INTRODUCTION

The purpose of this foreword is to provide a clear guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow and provides a summary of the Authority's financial activities during 2008/09 and its financial position at 31 March 2009.

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

As from 1 April 2006 the responsibility for reporting on the financial performance of the Civil Contingencies Unit was transferred from Durham County Council to the Authority.

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

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

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

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

## 2. INFORMATION AND FINANCIAL STATEMENTS

The Authority's Accounts for the year ended 31 March 2009 are set out in the following pages and a glossary of the terms used is provided at the end of the document. In accordance with the 2008 Statement of Recommended Practice the 'core' single entity financial statements, namely Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement, are grouped together with notes to these core statements. This is followed by the Fire Pension Fund Account.

The information and financial statements are as follows:

**Auditor's Report to the Authority (page 8)** – the Report of the External Auditor on the Fire Authority's Statement of Accounts for the year ended 31 March 2009.

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

## **EXPLANATORY FOREWORD**

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

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

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

**Statement of Movement on the General Fund Balance (pages 29-30)** – this provides reconciliation with the statutory provisions that specify the net expenditure that the Authority needs to take into account when setting local taxes.

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

**Balance Sheet (page 32)** – this shows the financial position of the Authority as at 31 March 2009.

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

**Notes to the Core Financial Statements (pages 34-59)** – this provides further information on significant items.

**Pension Fund Account (pages 60-61)** – this sets out the financial position of the Fire Pension Fund.

### **3. REVIEW OF THE FINANCIAL YEAR 2008/09**

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 2008/09 the Authority's net revenue spending, which was met from the above sources, was £29.424m while spending on capital projects totalled £1.694m.

The Authority's general reserve balance at 31 March 2009, which represents the sum set aside to meet unforeseen future circumstances, was £2.675m which equates to 9.1% of the 2008/09 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 2008/09 to be met from Government Grants and local taxpayers was approved at £29.424m. The following table summarises the financial position for the year:

#### **Capital Expenditure and Income**

## EXPLANATORY FOREWORD

### 4. COMPARISON OF ACTUAL WITH BUDGET – REVENUE EXPENDITURE

	Original Budget	Actual	Variance
	£000	£000	£000
<b>Expenditure</b>			
Gross Expenditure	30,633	31,542	909
Income	-1,209	-2,118	-909
<b>Net Expenditure</b>	<b>29,424</b>	<b>29,424</b>	<b>0</b>
<b>Financing</b>			
Revenue Support Grant	1,684	1,684	-
Redistributed Non-Domestic Rates	12,100	12,100	-
Precept Income	15,640	15,640	-
<b>Total Financing</b>	<b>29,424</b>	<b>29,424</b>	<b>-</b>

#### Variations between original budget and actual

The major variances that contributed to the underspend during 2008/09 were as follows:

	Overspend or Underspend (-)
	£000
Employees	-588
Premises	-207
Transport	43
Supplies and Services	453
Support Costs	14
Capital Financing	370
Earmarked Reserves	824
Income	-909
	-

#### Explanation of major variances

##### **Employees - £0.588 (2.47%) Underspent**

The under spend is related to uniformed and non uniformed vacancies that have arisen during the financial year. Savings relating to a reduction in ill health retirements have also been made that contribute to the under spend.

##### **Premises- £0.207m (14.32%) Underspent**

## EXPLANATORY FOREWORD

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The Authority planned to incur expenditure in relation to the lease of a new headquarters building, however, negotiations with the developer have not yet been concluded.

### **Transport - £0.043m (4.82%) Overspent**

The overspend is a result of higher than anticipated vehicle running costs, in particular fuel costs, as well as increased expenditure in respect of car allowances.

### **Supplies and Services - £0.453m (14.68%) Overspent**

The Authority approved a number of 'one-off investments' in 2008/09 and under spends in other budget areas were identified to fund these investments. The over spend also relates to increased expenditure on furniture, provisions and telephones together with expenditure that is offset by grant income.

### **Capital Financing - £0.370m (25.68%) Overspent**

Revenue contributions during 2008/09 have been used to fund elements of the capital programme.

### **Transfers to/from Earmarked Reserves - £0.824m Not included in original budget**

A transfer of £9,000 has been made from the Regional Control Centre Reserve to finance human resource support to the regional control work. A transfer of £833,000 has been made to the Capital Modernisation Reserve to finance the Authority's capital building programme.

### **Income - £0.909m (75.19%) Over achieved**

Grants received in year that were not originally budgeted for and higher than anticipated investment returns resulted in a significant increase in income.

## 5. COMPARISON OF ACTUAL WITH BUDGET – CAPITAL EXPENDITURE

### **Variances between original budget and actual**

The Authority approved a capital programme for 2008/09 of £8.265m. The actual capital expenditure for the year was £1.69m was, £ 6.571m less than the original budget. The following table analyses the expenditure.

<b>Project</b>	<b>Original Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Vehicles and Equipment	732	1,116	384
Land and buildings	7,533	578	-6,955
<b>Total Expenditure</b>	<b>8,265</b>	<b>1,694</b>	<b>-6,571</b>

### **Explanation of major variances**

### **Vehicles and Equipment - £0.384m (52.46%) Overspent**

The over spend relates to capital expenditure that was incurred as part of the Authority's decision conferencing outcomes in relation to specific equipment and to payments for appliances that were originally scheduled for delivery in 2009/10. Vehicles and Equipment

### **Land and Buildings - £6.955m (92.33%) Underspent**

The under spend relates to budgeted expenditure in relation to a new service headquarters that has not yet been progressed.

The capital expenditure was financed by Revenue Contributions.

### **Future Capital Commitments**

A significant programme of capital commitments is planned for 2009/10 to 2011/12. The Authority is planning to move headquarters and improve community facilities on stations, as well as replacing two fire stations with state of the art community fire stations through a joint project as part of the North East Fire and Rescue Authority (NEFRA) Private Finance Initiative Scheme.

### **Current Borrowing Facilities and Capital Borrowing Provision**

The Budget Report incorporating Prudential Indicators and the Treasury Management Strategy, submitted to the Authority meeting in February 2008, detailed the 2008/09 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 2008/09 were as follows:

- Authorised Limit for External Debt for 2008/09 of £10 million;
- Operational Boundary for External Debt for 2008/09 of £7 million.

## **6. LOOKING AHEAD TO 2009/2010**

Looking ahead, the Authority's revenue expenditure for 2009/10 is estimated at £30.419m, together with an approved capital programme of £11.317m.

## **7. ACCOUNTING FOR PENSIONS**

### **Financial Reporting Standard FRS17**

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

## **EXPLANATORY FOREWORD**

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The Balance Sheet discloses a negative net worth of the Fire Authority. The reason for this position relates to the pensions liability (FRS17) which requires that the accounts reflect the fact that retirement benefit commitments relating to current employees are recognised in the year which they are earned. The pensions liability calculated under FRS17 is £177.570m at 31 March 2009.

### **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 and a Pensions Fund Account and Net Assets Statement are reported as supplementary financial statements within the Authority's Statement of Accounts.

### **8. 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 and comments on both the format of the report and its contents, or you would like any further information please contact my office:

Telephone - 0191 383 3520

E-mail - [treasurers@durham.gov.uk](mailto:treasurers@durham.gov.uk)

Or write to -

The Treasurer to County Durham and Darlington Fire and Rescue Authority

Durham County Council

County Hall

Durham

DH1 5UE

**Stuart Crowe C.P.F.A**  
**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 3520

"إذا كنت بحاجة إلى تلقي خلاصة هذه المعلومات في اللغة العربية فيرجى الاتصال بالرقم 0191 383 3520"

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यदि आप इस सूचना का सार हिन्दी में चाहते हैं, तो कृपया 0191 383 3520 पर फोन करें।

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# **AUDIT REPORT AND OPINION**

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

### **Opinion on the financial statements**

I have audited the accounting statements, the fire pension fund accounting statements and related notes of County Durham and Darlington Fire and Rescue Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The fire pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and fire pension fund accounting statements have been prepared under the accounting policies set out within them.

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

### **Respective responsibilities of the Treasurer and auditor**

The Treasurer's responsibilities for preparing the financial statements, including the fire pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the accounting statements, the fire pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

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

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

I read other information published with the accounting statements, the fire pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the fire pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the fire pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the fire pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the fire pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The fire pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the fire pension fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

# **AUDIT REPORT AND OPINION**

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

### **Authority's Responsibilities**

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

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

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

### ***Certificate***

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

Cameron Waddell (Officer of the Audit Commission)

Nickalls House, Gateshead, NE11 9NH

24 September 2009

# **ANNUAL GOVERNANCE STATEMENT**

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## **ANNUAL GOVERNANCE STATEMENT**

### **SCOPE OF RESPONSIBILITY**

County Durham and Darlington Fire Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

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

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The principles of the governance framework have been in place at the Authority for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

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

# **ANNUAL GOVERNANCE STATEMENT**

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

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

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

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

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

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

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

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

# ANNUAL GOVERNANCE STATEMENT

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

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

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

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

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

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

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

The Authority will also look to agree a set of behavioural values with key partners.

# **ANNUAL GOVERNANCE STATEMENT**

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

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

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

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

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

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

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

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

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

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

# **ANNUAL GOVERNANCE STATEMENT**

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## **Whistle-blowing and receiving and investigating complaints from the public**

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

The Authority ensures that effective, transparent and accessible arrangements are in place for dealing with complaints. The Authority is accredited with Charter Mark status relating to its customer service standards.

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

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

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

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

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

- Forming and maintaining relationships with the leaders of other organisations;
- Ensuring Partnership arrangements demonstrate clear and appropriate governance accountabilities;
- Producing plans for service delivery within the community;
- Having a Consultation Strategy and providing access to a range of consultation methods, particularly to those groups which are harder to reach;
- Using an approach that recognises that people are different and gives everyone the same or an equal opportunity to information, advice and support in ways that are suited to the needs or circumstances of the individual;
- Encouraging and supporting the public in submitting requests for aspects of the Authority's Service to be scrutinised;
- Providing and supporting ways for Citizens to present community concerns to the Authority;
- Providing for the public the opportunity to ask questions or make representations to the Authority;

# **ANNUAL GOVERNANCE STATEMENT**

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- Publishing annually a corporate plan and Integrated Risk Management Plan (IRMP) providing information in relation to the Authority;
- Continually developing clear channels of communication;
- Providing a modernised Information Communication and Technology Service that meets the needs and aspirations of the organisation and the communities we serve

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

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

The Authority ensures good governance in respect of partnerships by:

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

## **REVIEW OF EFFECTIVENESS**

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

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

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

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

## **SIGNIFICANT GOVERNANCE ISSUES**

The Authority is fully committed to the principles of corporate governance, and has made further progress during the past twelve months in developing its arrangements. Following

# ANNUAL GOVERNANCE STATEMENT

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the production of the Annual Governance Statement (AGS) for 2007/08, an action plan, containing 15 recommendations was produced. The progress made in implementing each of the recommendations was monitored by the Service Leadership Team and the Audit and Finance Committee, in liaison with Internal Audit and formed the starting point of the work carried out in producing the AGS for 2008/09.

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

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

## ***Fire and Rescue Service National Framework 2008-11***

A new National Framework has been produced for the period 2008-11 by Communities and Local government. The framework sets out a number of key challenges for the Authority, all of which require effective governance arrangements to be in place to facilitate progress. The Authority has progressed with the national framework requirements, reporting through the Authority and Committee structure. Appropriate governance arrangements are in place for progressing key areas of the framework and specific arrangements are in place for large scale projects such as the regional control centre, which will continue to be monitored throughout 2009/10.

## ***Local Government Review***

The new unitary Council for County Durham was created in April 2009. Whilst not impacting directly on the work of the Authority, key partnerships across the district structure have assisted in working towards the achievement of key objectives. The Authority has ensured that it has been proactive in developing its partnership arrangements and representation with the new Council. The Authority has engaged with the new Area Action Partnership approach and will continue to assess the contribution it can make and receive from these new arrangements.

## ***Local Area Agreements (LAAs)***

The Authority has a statutory duty to engage with the priorities and targets set out in the Local Area Agreement and the implications for the Fire Authority are significant in terms of the interaction with other partners in the LAA. The Authority has developed an effective approach to engagement that identifies the areas where it can contribute. An assessment of contribution to other national indicators based on the Authority's strategic aims has also been completed to ensure that the Authority's resources are effectively utilised and targeted.

## ***Partnerships***

The Authority has developed its approach to partnerships and a new toolkit approach has been implemented that will ensure that partnership engagement, inputs, outcomes and evaluation are considered. This approach will be further embedded in 2009/10 as the Authority progresses its partnership working.

## ***Resourcing Modernisation***

The Fire Service is undergoing a period of significant modernisation that brings with it a requirement to resource modernisation projects. The Authority has implemented business improvement processes to streamline resource requirements, and utilises modeling to consider resource allocation and risk. Business Improvement techniques will be further

# **ANNUAL GOVERNANCE STATEMENT**

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developed with partners and the Service will continue to ensure that resources are allocated to risk.

## ***Staff Development***

The Authority has progressed a number of initiatives relating to staff development as part of the implementation of the People Development Strategy. Leadership and Management development has been introduced and audit and review arrangements continue to become integrated into the Services core work. Succession planning arrangements will be further considered in 2009/10.

## ***Business Continuity Management***

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

## ***Disaster Contingency Planning***

Work is ongoing to continue to improve the Authority's disaster contingency planning arrangements. The Authority will continue to strengthen arrangements during 2009/10 and will finalise an overarching plan to consolidate all disaster contingency arrangements.

## ***New Financial Management System - DRIVE***

A new financial management system has been implemented and work will continue in 2009/10 to ensure that the system is fully embedded and that the efficiencies available through the implementation of a modern system are realised.

## ***Risk management***

The Authority reviewed its risk management arrangements during 2008/09 and streamlined the risk management reporting processes that are in place. The Corporate Risk Register is reported to the relevant Committees and the Fire Authority and officers and members have the opportunity to comment and scrutinise the risk register through the reporting structures that are in place. The governance arrangements relating to risk management will continue to be reviewed to ensure best practice is being followed.

## ***Governance Arrangements***

The Authority's governance arrangements are now embedded and will be built upon further in 2009/10 by incorporating the key governance documentation into a Fire Authority constitution.

## ***Project Management***

The Authority is progressing a number of large scale modernisation projects including a significant investment in the improvement and renewal of the estate. Partnership arrangements are in place with Durham County Council to provide specific advice and support and a cross functional Fire Service team has been established to lead on all major estates issues. Ongoing resource and project governance requirements will be considered on a regular basis.

## ***Equality and Diversity***

The Fire and Rescue Service has been signed up for challenging targets for equality and diversity. The Authority will continue to embrace the agenda for equality and diversity and will progress initiatives as part of the Human Resources Strategy. The Authority has

# ANNUAL GOVERNANCE STATEMENT

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achieved level 3 of the equality standard and will work towards developing this achievement.

## **Value for Money**

The Authority needs to demonstrate that its services represent value for money to its communities. The Authority has undertaken work to understand its cost position and is progressing towards an improved understanding of the costs of providing services and the levels of performance that are being delivered. The Authority has considered the latest Audit Commission report “Rising to the Challenge” and is considering the extent to which it can further contribute to the efficiency agenda.

## **Consultation**

There is a requirement to ensure that the views of the public are taken into account when making decisions. The Authority utilizes citizen’s panels to discuss budgetary issues and utilises a facilitated panel that includes representation from under represented groups to consider IRMP priorities. The Authority will continue to review communication channels with the public and businesses within the area to ensure that decision making is clear and transparent.

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

**Signed:**.....

Chairman

**Signed:**.....

Chief Executive

**Signed:**.....

Treasurer

# **STATEMENT OF RESPONSIBILITIES**

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## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

The Authority is required:

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

### **The Treasurer's Responsibilities**

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

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

### **Treasurer's Certificate**

I certify that these accounts fairly state the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

**Stuart Crowe C.P.F.A**  
**Treasurer to County Durham and Darlington Fire Authority**

**Date**

### **Chairman's Certificate**

I confirm that these accounts were approved by the Authority at the meeting held on 30 September 2009.

**Chairman of the meeting approving the accounts**

**Date**

## STATEMENT OF ACCOUNTING POLICIES

### 1. GENERAL PRINCIPLES

The general principles adopted in compiling the Accounts follow the 'Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice' (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA); the 'Accounts and Audit Regulations 2003' and the Best Value Code of Practice on Local Authority Accounting published by CIPFA in 2008.

### 2. BASIS OF ACCOUNTING FOR ITEMS OF EXPENDITURE AND INCOME

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

All payments made relating to the financial year 2008/09 have been included in the accounts together with any identifiable and material sums which still remain to be paid for goods or services provided up to 31 March 2009.

### 3. TANGIBLE FIXED ASSETS

#### Recognition

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

#### Measurement

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

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

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

Operational land and buildings and other operational assets at lower of net current replacement cost or net realisable value in existing use; surplus assets held for disposal at the lower of net current replacement cost or net realisable value; and assets under construction at historical cost until brought into commission.

All valuations of buildings are undertaken by or under the supervision of a fully qualified Chartered Surveyor employed by Durham County Council. Fixed asset revaluations are

## **ACCOUNTING POLICIES**

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undertaken once every five years. The most recent valuation of Land and Buildings was certified on 31 March 2008. These values have been used to determine the 31 March 2009 valuations.

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

### **Impairment**

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

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

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

### **Disposals**

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

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

### **Depreciation**

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

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

## **4. INTANGIBLE FIXED ASSETS**

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

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

### **5. CHARGES TO REVENUE FOR FIXED ASSETS**

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

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

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

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

Revenue and capital transactions are recorded on a system of actual receipts and payments during the year. At the end of the year receipts and payments are converted to income and expenditure by the addition of debtors and creditors based upon actual or estimated amounts outstanding at 31 March 2009. This accruals concept is in accordance with Financial Reporting Standard 18 (FRS18).

### **7. GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

### **8. BASIS OF VALUATION OF STOCKS**

## **ACCOUNTING POLICIES**

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Stocks are included in the Balance Sheet at average cost. Following the introduction of a new financial system (DRIVE) all stores are now included in the Balance Sheet as an asset. The introduction of the policy has resulted in an initial adjustment of £354,744 between the Revenue Account and the Balance Sheet

### **9. PROVISIONS AND RESERVES**

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

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

### **10. SOURCES OF FUNDS TO MEET CAPITAL EXPENDITURE AND OTHER PLANS**

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

### **11. REDEMPTION OF DEBT**

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

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

### **12. INTEREST CHARGES**

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

### **13. FINANCIAL REPORTING STANDARD 17 (FRS17) RETIREMENT BENEFITS**

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

### 14. ACCOUNTING FOR LEASES

#### (a) Finance Leases

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

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

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

#### (b) Operating Leases

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

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

### 15. TEMPORARY INVESTMENTS

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

### 16. VAT

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

### 17. GROUP ACCOUNTS

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

### 18. LICENCE PURCHASES

## **ACCOUNTING POLICIES**

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

### **19. COMPUTER PURCHASES**

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

### **20. OVERHEADS AND SUPPORT SERVICES**

The costs of overheads and support services are charged to frontline services in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used and the full cost of overheads and support services are shared between frontline services in proportion to the benefits received, with the exception of:

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

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

### **21. FIRE PENSION ACCOUNT**

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

### **22. FINANCIAL INSTRUMENTS**

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

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

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

## **ACCOUNTING POLICIES**

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Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year.

In accordance with the 2008 SORP there is an additional requirement to detail risks to which the Authority is exposed in its dealings with financial instruments and how these risks have been managed. The main risks relate to credit risk liquidity risk and market risk. The relevant disclosures are included in the notes to the Core Financial Statements.

## INCOME AND EXPENDITURE ACCOUNT

### INCOME AND EXPENDITURE ACCOUNT

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

2007/08 Net Expenditure £000		2008/09 Gross Expenditure £000	2008/09 Other Income £000	2008/9 Net Expenditure £000
3,425	Community safety	3,751	-268	3,483
26,310	Fire fighting and rescue operations	29,480	-744	28,736
114	Fire service emergency planning	770	-714	56
258	Corporate and democratic core	248	-	248
730	Non distributed costs ( <i>Note 2</i> )	60	-	60
30,837	<b>Net Cost of Services</b>	34,309	-1,726	32,583
4	Loss on the disposal of fixed assets	5	-	5
-33	Surpluses (-) / deficits on trading undertakings not included in Net Cost of Services	107	-123	-16
104	Interest payable and similar charges	97	-	97
-489	Interest and investment income	-	-354	-354
11,420	Pensions interest cost and expected return on pensions	13,250	-550	12,700
-2,371	Gain in relation to Government grant payable to the Pension Fund on the Authority's behalf	-	-4,442	-4,442
39,472	<b>Net Operating Expenditure</b>	47,768	-7,195	40,573
-15,000	Precepts ( <i>Note 7</i> )			-15,640
-1,876	Revenue Support Grant			-1,684
-11,182	Non-domestic rates redistribution			-12,100
<b>11,414</b>	<b>Deficit for the Year</b>			<b>11,149</b>

## **STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE**

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### **STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Authority has over or under spent against the council tax raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

<b>2007/08</b>		<b>2008/09</b>
<b>£000</b>		<b>£000</b>
11,414	Deficit for the year on the Income and Expenditure Account	11,149
-11,414	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	-11,149
-	Increase in General Fund Balance for the year	-
-2,675	General Fund Balance brought forward	-2,675
-2,675	General Fund Balance carried forward	-2,675

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

## **STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE**

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

<b>2007/08</b>		<b>2008/09</b>
<b>£000</b>		<b>£000</b>
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
-7	Amortisation of intangible fixed assets	-9
-1,047	Depreciation and impairment of fixed assets	-5,017
42	Government Grants Deferred amortisation	42
-4	Net loss on sale of fixed assets	-5
-18,360	Net charges made for retirement benefits in accordance with FRS17	-16,900
2,371	Gain in relation to Government grant payable to the Pension Fund on the Authority's behalf	4,442
-17,005		-17,447
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>	
109	Minimum revenue provision for capital financing	105
1,417	Capital expenditure charged in-year to the General Fund Balance	1,608
3,588	Employer's contributions payable to the Pensions Account and retirement benefits payable direct to pensioners	3,760
5,114		5,473
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
477	Net transfer to earmarked reserves	825
477		825
<b>-11,414</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>-11,149</b>

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

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### **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

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

<b>2007/08</b>		<b>2008/09</b>
<b>£000</b>		<b>£000</b>
11,414	Deficit on the Income and Expenditure Account for the year	11,149
-41,571	Actuarial gains (-) / losses on pension fund assets and liabilities, and other pension adjustments	-16,159
-15	Revaluation of fixed assets	-4,347
14	Disposal of fixed assets	-
<b>-30,158</b>	<b>Total recognised gains (-) / losses for the year</b>	<b>-9,357</b>

## BALANCE SHEET

### BALANCE SHEET

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

As at 31 March 2008			As at 31 March 2009	
£000	£000		£000	£000
75		<b>Intangible fixed assets</b> (note 12)	66	
18,341		<b>Tangible fixed assets</b> (note 13)	18,969	
3,032		Land and buildings	3,157	
362		Vehicles, plant and equipment	609	
	21,810	Non operational assets		
	5	<b>Total fixed assets</b>		22,801
	21,815	Long-term debtors (note 22)		2
		<b>Total long-term assets</b>		22,803
63		<b>Current assets</b>	438	
773		Stocks (note 17)	3,067	
7,494		Debtors and payments in advance (note 22)	6,277	
	8,330	Investments (note 18)		9,782
	30,145	<b>Total assets</b>		32,585
-2,976		<b>Current liabilities</b>	-3,566	
-113		Creditors and receipts in advance (note 23)	-119	
-21		Short-term borrowing (note 23)	-94	
	-3,110	Cash overdrawn (note 23)		-3,779
	27,035	<b>Total assets less current liabilities</b>		28,806
	-1,923	Long-term borrowing (note 20)		-1,804
	-27	Deferred liabilities (note 20)		-4
	-454	Government grants deferred (note 26)		-476
	-9	Provisions (note 27)		-3
	-185,030	Pensions liability (FRS 17) (note 35)		-177,570
	<b>-160,408</b>	<b>Total assets Less liabilities</b>		<b>-151,051</b>
		<b>Financed by:</b>		
	18,718	Capital Adjustment Account (note 31)		15,690
	15	Revaluation Reserve (note 31)		4,115
	3,214	Earmarked Reserves (note 29)		4,039
	2,675	General Fund balance (note 28)		2,675
	-185,030	Pensions Reserve (FRS17) (note 35)		-177,570
	<b>-160,408</b>	<b>Total net worth</b>		<b>-151,051</b>

## CASH FLOW STATEMENT

### CASH FLOW STATEMENT

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

2007/08			2008/09	
£000	£000		£000	£000
		<b>REVENUE ACTIVITIES</b>		
		<b>Cash inflows</b>		
1,876		Revenue Support Grant	1,684	
-		Central Government Grants	-	
11,182		Redistributed Non-Domestic Rates	12,100	
15,000		Precepts	15,640	
5,968		Cash received for goods and services	5,309	
	34,026			34,733
		<b>Cash outflows</b>		
-25,906		Cash paid to and on behalf of employees	-28,996	
-5,869	-31,775	Other operating costs	-6,228	-35,224
	2,251	<b>NET CASH INFLOW - REVENUE ACTIVITIES</b> (Note 36)		-491
		<b>SERVICING OF FINANCE</b>		
		<b>Cash inflows</b>		
453		Interest received	404	
4	457	Cash received relating to Home Computer Initiative	4	408
		<b>Cash outflows</b>		
-104		Interest paid	-98	
-4	-108	Interest element of finance lease payments	-4	-102
	349	<b>NET CASH INFLOW -SERVICING OF FINANCE</b>		306
		<b>CAPITAL ACTIVITIES</b>		
		<b>Cash inflows</b>		
-		Capital Grants Received	-	
14	14	Sale of fixed assets	21	21
		<b>Cash outflows</b>		
	-1,364	Purchase of fixed assets		-1,017
	-1,350	<b>NET CASH OUTFLOW - CAPITAL ACTIVITIES</b>		-996
		<b>MANAGEMENT OF LIQUID RESOURCES</b>		
		Net increase in short-term deposits	1,222	
-1,152		<b>NET CASH OUTFLOW - MANAGEMENT OF LIQUID RESOURCES</b> (Note 38)		1,222
	-1,152	<b>NET CASH INFLOW BEFORE FINANCING</b>		41
	98	<b>FINANCING</b>		
		<b>Cash inflow</b>		
-		New loans raised	-	
25	25	Cash received relating to Home Computer Initiative	25	25
		<b>Cash outflow</b>		
-108		Repayment of amounts borrowed	-113	
-25	-133	Capital element of finance lease payments	-25	-138
	-108	<b>NET CASH OUTFLOW - FINANCING</b>		-113
	-10	<b>DECREASE IN CASH</b>		-72

# NOTES TO CORE FINANCIAL STATEMENTS

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## NOTES TO THE CORE FINANCIAL STATEMENTS

### INCOME AND EXPENDITURE ACCOUNT

#### 1. BEST VALUE ACCOUNTING CODE OF PRACTICE

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

#### 2. NON DISTRIBUTED COSTS

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

#### 3. REGIONAL MANAGEMENT BOARD (RMB)

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

County Durham and Darlington's contributions for 2007/08 and 2008/09 were:

	<b>2007/08</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Contributions	12	10

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

#### 4. PUBLICITY

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of expenditure on publicity. Some items to be included in this account are prescribed by the Local Authorities (Publicity Account) (Exemption) Order 1987 while other items, specifically exempted by the Order can be included at the local authority's discretion.

Expenditure on publicity (including that which is exempt) was £27,938 and is included in supplies and services in the Income and Expenditure Account. The figures exclude

## **NOTES TO CORE FINANCIAL STATEMENTS**

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expenditure on staff and equipment not wholly engaged upon, or related to, publicity. The corresponding 2007/08 expenditure was £11,929.

### **5. MEMBERS' ALLOWANCES**

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

	<b>2007/08</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Members' Allowances Paid	61	60

### **6. EMPLOYEE REMUNERATION**

In accordance with the requirements of the Accounts and Audit Regulations 2003, the number of employees whose remuneration during the period was in excess of £50,000 is detailed below:

<b>Remuneration Band</b>	<b>Number of Employees</b>	
	<b>2007/08</b>	<b>2008/09</b>
£50,000-£59,999	8	11
£60,000-£69,999	2	2
£70,000-£79,999	-	1
£80,000-£89,999	2	-
£90,000-£99,999	1	-
£100,000-£109,999	-	2
£110,000-£119,999	-	-
£120,000-£129,999	-	-
£130,000-£139,999	1	1

### **7. RELATED PARTIES**

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

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

Lesley Davies, Clerk and Monitoring Officer to the Authority, is also Acting Director of Corporate Services for Durham County Council and Clerk to Durham Police Authority.

## NOTES TO CORE FINANCIAL STATEMENTS

Stuart Crowe, Treasurer to the Combined Fire Authority, is also Treasurer to Durham County Council and to Durham Police Authority.

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

Durham County Council administers the Durham County Council Pension Fund of which the Fire Authority is a member (Note 35).

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 2007/2008	Precepts 2008/2009
	£000	£000
Chester-le-Street District Council	1,394	1,426
Darlington Unitary Authority	2,702	2,810
Derwentside District Council	2,185	2,261
Durham City Council	2,108	2,198
Easington District Council	2,566	2,272
Sedgefield District Council	1,706	2,235
Teesdale District Council	743	760
Wear Valley District Council	1,596	1,678
	15,000	15,640

### 8. GOVERNMENT GRANTS

The Authority has received grants of £13.785m from the department for Communities and Local Government.

### 9. EXTERNAL AUDIT FEES

The accounts of the Authority are audited by the Audit Commission. In accordance with the Statement of Recommended Practice 2003, authorities are now required to disclose payment of Fees. The fees payable to the Audit Commission for 2007/08 and 2008/09 are set out below:

	2007/08	2008/09
	£000	£000
Audit Fees – Accounts	53	59

## **NOTES TO CORE FINANCIAL STATEMENTS**

Certification of Grant Claims	-	-
Other Fees payable	-	-
	53	59

### **10. LEASES**

#### **(a) Finance Leases**

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

For the 'lease in', where the Authority acts as a lessee, the rentals payable in 2008/09 were £29,221 with £4,352 financing costs (i.e. interest) charged to the Income and Expenditure Account and £24,869 relating to the reduction of amounts owed to the leasing company (debited to long-term liabilities).

For the 'lease out', where the Authority acts as a lessor, the rentals receivable from employees in 2008/09 were £29,221. The finance element of £4,352 has been credited to the Income and Expenditure Account, with the principal element of £24,869 reducing long-term debtors, both elements offsetting the costs paid as lessee.

#### **(b) Operating Leases**

The Authority has acquired the use of a number of vehicles by way of operating leases and the total leasing payments during 2008/09 were £206,860. Commitments relating to these operating leases are as follows:

	<b>2007/08</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Repayable in 1 year	206	206
Repayable in 2 to 5 years	545	445
Repayable in 5 years or more	312	206
	1,063	857

### **11. MINIMUM REVENUE PROVISION (MRP)**

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

## **BALANCE SHEET**

### **12. INTANGIBLE FIXED ASSETS**

## NOTES TO CORE FINANCIAL STATEMENTS

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

	£000
Original Cost	84
Amortisations to 1 April 2008	-9
Balance at 1 April 2008	75
Expenditure in year	-
Amortisation during year	-9
Balance at 31 March 2009	<b>66</b>

### 13. TANGIBLE FIXED ASSETS

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

	Operational Assets		
	Land and Buildings	Vehicles, Plant and Equipment	Total
	£000	£000	£000
<b>Cost or valuation</b>			
At 1 April 2008	<b>21,773</b>	<b>6,889</b>	<b>28,662</b>
Additions	515	570	1,085
Disposals	-	-281	-281
Reclassifications	306	41	347
Revaluations Gains	1,157	-	1,157
Impairments	-3,985	-	-3,985
At 31 March 2009	<b>19,766</b>	<b>7,219</b>	<b>26,985</b>
<b>Depreciation and impairments</b>			
At 1 April 2008	-3,431	-3,857	-7,288
Charge for 2008/09	-797	-460	-1,257
Disposals	-	255	255
Reclassifications	-	-	-
Revaluations	3,206	-	3,206
Impairment	225	-	225
At 31 March 2009	-797	-4,062	-4,859
<b>Balance Sheet amount at 31 March 2009</b>	<b>18,969</b>	<b>3,157</b>	<b>22,126</b>
<b>Balance Sheet amount at 1 April 2008</b>	<b>18,341</b>	<b>3,033</b>	<b>21,373</b>

	Non-Operational Assets		
	Assets Under Construction	Surplus Assets held	Total

## NOTES TO CORE FINANCIAL STATEMENTS

	£000	for disposal £000	£000
<b>Cost or valuation</b>			
At 1 April 2008	347	15	362
Additions	609	-	609
Donations	-	-	-
Disposals	-	-15	-15
Reclassifications	-347	-	-347
Revaluations	-	-	-
At 31 March 2009	<b>609</b>	-	<b>609</b>
<b>Depreciation and impairments</b>			
At 1 April 2008	-	-	-
Charge for 2008/09	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
Revaluations	-	-	-
At 31 March 2009	-	-	-
<b>Balance Sheet amount at 31 March 2009</b>	<b>609</b>	-	<b>609</b>
<b>Balance Sheet amount at 31 March 2008</b>	<b>347</b>	<b>15</b>	<b>362</b>

### 14. CAPITAL EXPENDITURE AND FINANCING

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

The requirement has decreased by £0.351m from £2.623m to £2.520m as follows:

	2007/08 £000	2008/09 £000

## NOTES TO CORE FINANCIAL STATEMENTS

<b>Opening Capital Financing Requirement</b>	<b>2,732</b>	<b>2,623</b>
<b>Capital Investment</b>		
Operational assets	1,065	1,085
Non-operational assets	347	609
Intangible assets	16	-
Donated asset	-12	-
<b>Sources of Finance</b>		
Capital receipts	-	-21
Government Grants and Contributions	-	-63
Minimum Revenue Provision	-109	-105
Direct Revenue Provision	-1,416	-1,608
<b>Closing Capital Financing Requirement</b>	<b>2,623</b>	<b>2,520</b>
<b>Explanation of movements in the year</b>		
Reduction in underlying need to borrow (supported by Government financial assistance)	-109	-105
Increase in underlying need to borrow (unsupported by Government financial assistance)	-	-
<b>Increase/decrease (-) in Capital Financing Requirement</b>	<b>-109</b>	<b>-105</b>

### 15. CAPITAL COMMITMENTS

The capital programme of the Fire and Rescue Authority provides for expenditure totalling £17.212m in the years 2009/10 to 2011/12. This covers the replacement programmes for both vehicles and equipment, as well as planned premises improvements and acquisition of land for a new fire station.

### 16. INFORMATION ON ASSETS HELD

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

<b>Asset Type</b>	<b>Number as at 01.04.08</b>	<b>Number as at 31.03.09</b>
Fire Stations	15	15
Vehicles	120	128

### 17. STOCKS

Stocks are shown at average cost.

	<b>As at 31.03.08</b>	<b>As at 31.03.09</b>
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## **NOTES TO CORE FINANCIAL STATEMENTS**

	<b>£000</b>	<b>£000</b>
Transport	63	53
Stores	-	385
	63	438

### **18. TEMPORARY INVESTMENTS (LOANS AND RECEIVABLES)**

Loans outstanding represent the net amount owing to external lenders. During the year information is provided to the Authority regarding investments. In accordance with the Authority's adopted Treasury Policy Statement the Authority is informed of transactions made with UK clearing banks and major building societies.

	<b>As at 31.03.08</b>	<b>As at 31.03.09</b>
	<b>£000</b>	<b>£000</b>
<b>Investments</b>	7,549	6,277
	7,549	6,277

The accrued interest related to investments included in the figure above amounts to £5,426 as at 31 March 2009 (£55,219 as at 31 March 2008). (Note 20).

### **19. ACCRUED INTEREST**

Prior to 2007/08 the SORP allowed the Authority to show accrued interest on borrowing (financial liabilities) and investments (loans and receivables) as a short term creditor or debtor on the balance sheet. This treatment is no longer an option and under the requirements of FRS25, FRS26 and FRS29 the Authority must now report accrued interest as part of the carrying value of the borrowing/investment. See note 23.

### **20. DEFERRED LIABILITIES**

The carrying amount of deferred liabilities is shown below:

	<b>As at 31.03.08</b>	<b>As at 31.03.09</b>
	<b>£000</b>	<b>£000</b>
Debt	1,923	1,804
Leasing	27	4
	1,950	1,808

#### **Deferred Liability – Debt**

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

## NOTES TO CORE FINANCIAL STATEMENTS

	2007/08	2008/09
	£000	£000
Long-term Borrowings		
Repayable within 1 - 2 years	119	125
Repayable within 2 - 5 years	394	414
Repayable within 5 - 10 years	682	537
Repayable over 10 years	728	728
	1,923	1,804

### 21. FINANCIAL INSTRUMENTS BALANCES

The borrowings and investments in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31.03.08	31.03.09	31.03.08	31.03.09
	£000	£000	£000	£000
Financial liabilities at amortised cost	1,923	1,804	113	119
Financial liabilities at fair value through profit and loss	-	-	-	-
<b>Total Borrowings</b>	1,923	1,804	113	119
Loans and receivables	-	-	7,494	6,277
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
<b>Total Investments</b>	-	-	7,494	6,277

### 22. DEBTORS

These are sums of money due to the Authority but unpaid as at 31 March 2009. The Authority seeks to recover sums due to it as soon as possible and actively pursues outstanding accounts rendered upon debtors.

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

	As at 31.03.08	As at 31.03.09
	£000	£000
<b>Amounts falling due within one year:</b>		
<b>Debtors</b>		
Government Departments	263	2,129

## NOTES TO CORE FINANCIAL STATEMENTS

Other Debtors	360	857
<b>Payments in Advance</b>	98	98
<b>Provision for Doubtful Debts</b>	-3	-17
	718	3,067
<b>Amounts falling due after one year:</b>	5	2
	723	3,069

### 23. CREDITORS

These are amounts owed by the Authority for works done, goods received or services rendered which have not been paid for as at 31 March 2009.

	As at 31.03.08	As at 31.03.09
	£000	£000
<b>Creditors</b>		
Government Departments	866	558
Other Creditors	1,975	2,959
<b>Receipts in Advance</b>	135	49
<b>Short-term Borrowing</b>	113	119
<b>Bank</b>	21	94
	3,110	3,779

### 24. FINANCIAL INSTRUMENTS GAINS AND LOSSES

The gains and losses recognised in the 2008/09 Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

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

Comparative figures for 2007/08 are as follows:-

	Financial Liabilities measured at Amortised Cost	Financial Assets Loans and Receivables
	£000	£000

## NOTES TO CORE FINANCIAL STATEMENTS

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Interest expense	104	-
Interest income	-	-489
Net gain/loss for the year		-385

### Fair value Calculations

#### 25. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

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

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

#### (a) Credit Risk

## **NOTES TO CORE FINANCIAL STATEMENTS**

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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 £5million in one institution. Customers are assessed on their financial position, past experience and other factors.

### **(b) Liquidity Risk**

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

### **(c) Market Risk**

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

## **26. DEFERRED GRANT ACCOUNT**

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

Movements during the year were as follows:

	<b>2007/08</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	-484	-454
Additional grants received	-	-64
Donated asset	-12	-
Released to Income and Expenditure Account	42	42
Balance at 31 March	-454	-476

## **27. PROVISIONS**

### **Insurance Provision**

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

### **Movement in the Provision**

## NOTES TO CORE FINANCIAL STATEMENTS

	2007/08	2008/09
	£000	£000
Balance at 1 April	10	9
Increase/decrease (-) during the year	-1	-6
Balance at 31 March	9	3

### 28. 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 2008 £000	Net Movement in Year £000	Balance 31 March 2009 £000	Purpose of Reserve	Further details of Movement
Revaluation Reserve	15	4,100	4,115	Gains on revaluation of fixed assets not yet realised through sales	Note 31 to the accounts
Capital Adjustment Account	18,718	-3,028	15,690	Capital resources set aside to meet capital expenditure	Note 31 to the accounts
Pensions Reserve	-185,030	7,460	-177,570	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 35 to the accounts
Earmarked Reserves	3,214	825	4,039	Detailed below	Detailed below
General Fund	2,675	-	2,675	Resources available to meet future running costs	Statement of Movement on the General Fund Balance
Total	-160,408	9,357	-151,051		

### 29. EARMARKED RESERVES

Earmarked reserves at 31 March 2009 were as follows:

#### **Pensions Reserve**

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

## **NOTES TO CORE FINANCIAL STATEMENTS**

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### **Revenue Modernisation Reserve**

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

### **Capital Modernisation Reserve**

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

### **Community Safety Reserve**

To enable specific community safety schemes to be undertaken.

### **Regional Control Centre Reserve**

To provide human resource support to the regional control work.

### **Movements in Earmarked Reserves**

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

	<b>Balance at 1.4.08</b>	<b>Increase / decrease (-) in year</b>	<b>Balance at 1.4.09</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Pensions	309	-	309
Revenue Modernisation	760	-	760
Capital Modernisation	1,722	834	2,556
Community Safety	414	-	414
Regional Control Centre Reserve	9	-9	-
<b>Total</b>	<b>3,214</b>	<b>825</b>	<b>4,039</b>

### **30. GENERAL FUND RESERVE**

The net accumulated unapplied General Fund Revenue balance is £2.675m as at 31 March 2009 which equates to 9% of the 2008/09 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.

### **31. 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.

## NOTES TO CORE FINANCIAL STATEMENTS

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The Capital Adjustment Account - provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

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

### (i) REVALUATION RESERVE

	<b>2008/09</b>
	<b>£000</b>
Opening Balance	-15
Revaluation gains/losses	-4,362
Excess of current cost depreciation	247
Balance written off on disposal of asset	15
Closing Balance	-4,115

### (ii) CAPITAL ADJUSTMENT ACCOUNT

	<b>2008/09</b>
	<b>£000</b>
Balance at 1 April	-18,718
Provision for repayment of debt	-105
Depreciation/Amortisation	1,266
Revenue contributions	-1,608
Release of deferred grant	-42
Disposal of fixed assets	-21
Depreciation	-247
Impairment	3,759
Disposals	26
Balance at 31 March	-15,690

### 32. CONTINGENT LIABILITIES

There are no known contingent liabilities.

### 33. AUTHORISATION OF ACCOUNTS FOR ISSUE/POST BALANCE SHEET EVENTS

The Statement of Accounts were authorised for issue by the Finance Office, Stuart Crowe, on 24 September 2009. This is the date up to which events after the Balance Sheet date have been considered. No such events have been identified for 2008/09.

### 34. EURO COSTS

## **NOTES TO CORE FINANCIAL STATEMENTS**

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The Authority has considered the impact of the possible introduction of the Euro on its ongoing operations and financial systems. The Authority has not incurred or committed to any significant expenditure for the adaptation of equipment and systems prior to 31 March 2009. It is not expected that there will be any significant direct costs before the decision is made for the UK to adopt the Euro.

### **35. FINANCIAL REPORTING STANDARD 17 (FRS17) RETIREMENT BENEFITS**

#### **Participation in Pension Schemes**

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

The Authority participates in two pension schemes:

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

#### **Change of accounting policy**

Under the 2008 SORP the Authority has adopted the amendment to FRS17, Retirement Benefits. As a result, quote securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

#### **Transactions Relating to Retirement Benefits**

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

	<b>Local Government</b>	<b>Firefighter's</b>
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## NOTES TO CORE FINANCIAL STATEMENTS

	Pension Scheme		Pension Scheme	
	2007/08	2008/09	2007/08	2008/09
	As restated		As restated	
	£000	£000	£000	£000
<b>Income and Expenditure Account</b>				
<i>Net Cost of Services:</i>				
- Current service cost	520	400	5,690	3,740
- Past service cost	170	60	560	-
<i>Net Operating Expenditure:</i>				
- Interest cost	650	810	11,400	12,440
- Expected return on assets in the scheme	-630	-550	-	-
<i>Net Charge to the Income and Expenditure Account</i>	710	720	17,650	16,180
<b>Statement of Movement in the General Fund Balance</b>				
- Reversal of net charges made for retirement benefits in accordance with FRS17	-710	-720	-17,650	-16,180
Actual amount charged against the General Fund Balance for pensions in the year:				
- Employer's contributions payable to scheme	527	723		
- Retirement benefits payable to pensioners			3,061	3,036

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £17.45m (£40.53m 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses.

### Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighter's Pension Scheme	
	2007/08	2008/09	2007/08	2008/09
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	20.3	21.1	N/A	23.1
Women	22.4	23.2	N/A	24.7

## NOTES TO CORE FINANCIAL STATEMENTS

Longevity at 65 for future pensioners:				
Men	22.2	23.4	N/A	25.8
Women	23.6	25.3	N/A	27.4
Rate of Inflation	3.7	3.6	3.7	3.0
Rate of increase in salaries	5.2	5.1	5.2	4.5
Rate of increase to pensions in payment	3.7	3.6	3.7	3.0
Rate of increase to deferred pensions	3.7	3.6	N/A	N/A
Rate for discounting scheme liabilities	6.8	6.5	6.9	6.9
Take-up of option to convert annual pension into retirement lump sum –				
Pre April 2008 service	50	50	N/A	N/A
Post April 2008 service	75	75	N/A	N/A

The Firefighter's Pension Scheme has no assets to cover its liabilities. The Authority employs a building block approach in determining the rate of return on the Local Government Pension Scheme's assets. Historical markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out below. The overall rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2009.

	Long-term rate of return expected at 31.03.08	Asset split at 31.03.08	Long-term rate of return expected at 31.03.09	Asset split at 31.03.09
	% p.a	%	% p.a	%
Equity investments	7.6	47.8	7.0	45.2
Property	6.6	4.7	6.0	3.9
Government Bonds	4.6	32.2	4.0	30.0
Corporate Bonds	6.8	7.9	5.8	11.0
Cash/Other	6.0	7.4	1.6	9.9
<b>Total</b>	<b>6.4</b>	<b>100</b>	<b>5.4</b>	<b>100</b>

### (i) Firefighter's Pension Scheme 1992

#### Past Service Liabilities

	Value at 31.03.07	Value at 31.03.08	Value at 31.03.09
	£m	£m	£m
Estimated liabilities in scheme			
Active members (past service)	110.34	82.63	68.53
Deferred pensions	1.84	1.21	1.20

## NOTES TO CORE FINANCIAL STATEMENTS

Pensions in Payment (excluding injury)	92.40	91.16	95.00
Pensions in Payment (injury awards)	N/A	N/A	N/A
<b>Total</b>	<b>204.58</b>	<b>175.00</b>	<b>164.73</b>
<b>Net pensions deficit</b>	<b>204.58</b>	<b>175.00</b>	<b>164.73</b>

### Analysis of movement in scheme liability

	<b>2007/08</b>	<b>2008/09</b>
	<b>£m</b>	<b>£m</b>
<b>Net deficit at the beginning of year</b>	<b>204.58</b>	<b>175.00</b>
Removal of provision for injury awards	N/A	N/A
<b>Net deficit at the start of current year</b>	<b>204.58</b>	<b>175.00</b>
<b>Movement in the year:</b>		
Current service cost (net of employee contributions)	5.21	3.38
Cost covered by employee contributions	1.20	1.16
Past service cost	-	-
Pension transfers-in	0.19	0.34
Interest on pension liabilities	11.05	11.96
Total benefits paid	-6.40	-8.35
Curtailment and Settlements	-	-
Actuarial gain	-40.83	-18.76
<b>Net deficit at the end of year</b>	<b>175.00</b>	<b>164.73</b>

### (ii) Firefighter's Pension Scheme 2006

#### Past Service Liabilities

	<b>Value at 31.03.07</b>	<b>Value at 31.03.08</b>	<b>Value at 31.03.09</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Estimated liabilities in scheme			
Active members (past service)	0.16	0.51	0.90
Deferred pensions	-	-	-
Pensions in Payment (excluding injury)	-	-	-
Pensions in Payment (injury awards)	N/A	N/A	N/A
<b>Total</b>	<b>0.16</b>	<b>0.51</b>	<b>0.90</b>
<b>Net pensions deficit</b>	<b>0.16</b>	<b>0.51</b>	<b>0.90</b>

### Analysis of movement in scheme liability

	<b>2007/08</b>	<b>2008/09</b>
	<b>£m</b>	<b>£m</b>
<b>Net deficit at the beginning of year</b>	<b>0.16</b>	<b>0.51</b>
Removal of provision for injury awards	N/A	N/A
<b>Net deficit at the start of current year</b>	<b>0.16</b>	<b>0.51</b>
<b>Movement in the year:</b>		

## NOTES TO CORE FINANCIAL STATEMENTS

Current service cost (net of employee contributions)	0.48	0.36
Cost covered by employee contributions	0.12	0.16
Past service cost	-	-
Pension transfers-in	-	-
Interest on pension liabilities	0.02	0.05
Total benefits paid	-	-
Curtailment and Settlements	-	-
Actuarial gain	-0.27	-0.18
<b>Net deficit at the end of year</b>	<b>0.51</b>	<b>0.90</b>

### (iii) Firefighter's Compensation Scheme – Injury Awards

#### Past Service Liabilities

	Value at 31.03.07	Value at 31.03.08	Value at 31.03.09
	£m	£m	£m
Estimated liabilities in scheme			
Pensions in Payment (injury awards)	6.04	6.36	6.25
Net pensions deficit	6.04	6.36	6.25

#### Analysis of movement in scheme liability

	2007/08	2008/09
	£m	£m
<b>Net deficit at the start of current year</b>	<b>6.04</b>	<b>6.36</b>
<b>Movement in the year:</b>		
Past service cost	0.56	-
Interest on pension liabilities	0.33	0.43
Total benefits paid	-0.30	-0.37
Curtailment and Settlements	-	-
Actuarial gain	-0.27	-0.17
<b>Net deficit at the end of year</b>	<b>6.36</b>	<b>6.25</b>

### (iv) Consolidated Firefighter's Pension Scheme

#### Past Service Liabilities

	Value at 31.03.07	Value at 31.03.08	Value at 31.03.09
	£m	£m	£m
Estimated liabilities in scheme			
Active members (past service)	110.50	83.14	69.43
Deferred pensions	1.84	1.21	1.20
Pensions in Payment (excluding injury)	92.40	91.16	95.00

## NOTES TO CORE FINANCIAL STATEMENTS

Pensions in Payment (injury awards)	6.04	6.36	6.25
Total	210.78	181.87	171.88
Net pensions deficit	210.78	181.87	171.88

### Analysis of movement in scheme liability

	2007/08	2008/09
	£m	£m
<b>Net deficit at the beginning of year</b>	<b>210.78</b>	<b>181.87</b>
<b>Movement in the year:</b>		
Current service cost (net of employee contributions)	5.69	3.74
Cost covered by employee contributions	1.32	1.32
Past service cost	0.56	-
Pension transfers-in	0.19	0.34
Interest on pension liabilities	11.40	12.44
Total benefits paid	-6.70	-8.72
Curtailment and Settlements	-	-
Actuarial gain	-41.37	-19.11
<b>Net deficit at the end of year</b>	<b>181.87</b>	<b>171.88</b>

### (v) Durham County Council Pension Fund

#### Analysis of movement in scheme liability

	2007/08	2008/09
	£m	£m
<b>Net deficit at the beginning of year</b>	<b>3.53</b>	<b>3.18</b>
<b>Movement in the year:</b>		
Contributions towards funded liabilities	-0.51	-0.71
Unfunded benefit payment	-0.01	-0.01

## NOTES TO CORE FINANCIAL STATEMENTS

Current service cost (net of employee contributions)	0.52	0.40
Past service cost	0.17	0.06
Curtailments/settlements	-	-
Expected return on pension fund assets	-0.63	-0.55
Interest on pension liabilities	0.65	0.81
Actuarial gain	-0.54	2.51
<b>Net deficit at the end of year</b>	<b>3.18</b>	<b>5.69</b>

### Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded and Unfunded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Firefighter's Pension Scheme	
	2007/08	2008/09	2007/08	2008/09
	£m	£m	£m	£m
Opening present value	12.05	11.78	210.78	181.87
Current service cost	0.52	0.40	5.69	3.74
Interest cost	0.65	0.81	11.40	12.44
Contributions by scheme participants	0.17	0.21	1.32	1.32
Actuarial gains (-) / losses	-1.38	0.85	-41.37	-19.11
Benefits paid	-0.40	-0.58	-6.70	-8.72
Past service costs	0.17	0.06	0.56	-
Pension transfers-in	-	-	0.19	0.34
Closing present value	11.78	13.53	181.87	171.88

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2007/08	2008/09
	£m	£m
Opening fair value	8.52	8.60
Expected rate of return	0.63	0.55
Actuarial gains and losses	-0.84	-1.66
Employer contributions	0.51	0.71
Contributions by scheme participants	0.17	0.21
Benefits paid	-0.39	-0.57

## NOTES TO CORE FINANCIAL STATEMENTS

Closing fair value	8.60	7.84
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The actual return on scheme assets in the year was £1.11m (2007/08: £0.21m).

### Scheme History

	2004/05*	2005/06*	2006/07 As Restated	2007/08 As Restated	2008/09
	£m	£m	£m	£m	£m
Present value of liabilities:					
Local Government Pension Scheme	9.59	11.37	12.05	11.78	13.53
Firefighter's Pension Scheme	174.04	215.25	210.78	181.87	171.88
Fair value of assets in the Local Government Pension Scheme	5.87	7.73	8.54	8.60	7.84
Surplus/ deficit (-) in the scheme:					
Local Government Pension Scheme	-3.72	-3.64	-3.51	-3.18	-5.69
Firefighter's Pension Scheme	-174.04	-215.25	-210.78	-181.87	-171.88
Total	11.74	15.46	20.59	17.2	15.68

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

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories:

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

## NOTES TO CORE FINANCIAL STATEMENTS

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

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £177.57m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £151.051m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains unaffected:

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

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

- Local Government Pension Scheme £2.01m
- Firefighter's Pension scheme £12.94m

### CASH FLOW STATEMENT

#### 36. RECONCILIATION OF DEFICIT TO CASH FLOW 2008/09

	£000	£000
<b>Deficit for the year</b>		-11,149
<b>Non-cash transactions</b>		
Net charges made for retirement benefits in accordance with FRS17 less employer's contributions payable to the Pension Account	13,140	

## NOTES TO CORE FINANCIAL STATEMENTS

Transfers to provisions	8	
Loss on disposal of fixed assets	5	
Depreciation and amortisation of fixed assets	5,026	
Government grant payable to the Pension Fund on the Authority's behalf	-4,442	
		13,737
<b>Items on an accruals basis</b>		
Increase in debtors, payments in advance, stocks and work in progress	-510	
Increase in creditors and receipts in advance	-2,199	
		-2,709
<b>Items classified elsewhere in the Cash Flow Statement</b>		
Investment income	-404	
Interest paid	97	
Sale of fixed assets	-21	
Government grants deferred amortisation	-42	-370
<b>Net Cash Inflow from Revenue Activities</b>		-491

### 37. LIQUID RESOURCES

Liquid resources relate to the Authority's investments. The 2008/09 movement in liquid resources was as follows:

	<b>Investments Made</b>	<b>Investments Recovered</b>	<b>Decrease in year</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Short Term Investments	74,533	75,755	-1,222

### 38. RECONCILIATION OF 2008/09 FINANCING AND MANAGEMENT OF LIQUID RESOURCES TO RELATED BALANCE SHEET ITEMS

	<b>Cash Flow Statement</b>	<b>BALANCE SHEET</b>		
		<b>As at 31 March 2008</b>	<b>As at 31 March 2009</b>	<b>Movement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Management of liquid resources</b>				
Net decrease in short-term				

## NOTES TO CORE FINANCIAL STATEMENTS

deposits				
<b>Investments</b>	1,222	7,494	6,272	-1,222
<b>Total</b>	1,222	7,494	6,272	1,222
<b>Financing</b>				
Repayments of amounts borrowed	-113			
New loans raised	-			
<b>Longer term borrowings</b>		1,923	1,804	-119
<b>Creditors</b>				
Short term borrowing		113	119	6
<b>Total</b>	-113	2,036	1,923	-113

### 39. RECONCILIATION OF 2008/09 MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT

	£000	£000
<b>Decrease in cash per Cash Flow Statement</b>		-72
Less		
Revenue Activities	491	
Capital Activities	996	
Servicing of Finance	-306	1,181
		1,109
<b>Movement in Net Debt</b>		
Management of Liquid Resources	1,222	
Financing - borrowings	-113	1,109

## **PENSION FUND ACCOUNT**

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### **FIRE PENSION FUND ACCOUNT**

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

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

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

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

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

#### **Fire Pension Fund Account**

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

	<b>2007/08</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
<b>Contributions receivable</b>		
Fire authority contributions in relation to pensionable pay	-2,477	-2,458
Firefighter's contributions	-1,320	-1,322
<b>Transfers in from other authorities</b>		
Individual transfers in from other schemes	-187	-340
<b>Ill health capital contributions</b>	-165	-165
<b>Benefits payable</b>		
Pensions	5,114	5,588
Commutation and lump sum retirement benefits	1,406	3,139
<b>Net amount payable for the year</b>	<b>2,371</b>	<b>4,442</b>
Top-up grant payable by the Government	-2,371	-4,442
<b>Year end balance</b>	<b>-</b>	<b>-</b>

#### **Net Assets Statement**

## **PENSION FUND ACCOUNT**

	<b>2007/08</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
<b>Net current assets and liabilities</b>		
Amount due to (-) / from General Fund	335	-2,068
Amount due to (-) / from Government	-335	2,068
<b>Total</b>	-	-

### **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 2008: A Statement of Recommended Practice (SORP).

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

### **2. Accounting Policies**

The principal accounting policies are as follows:

#### **Contributions**

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

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

#### **Benefits**

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

#### **Transfer Values**

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

## ***GLOSSARY OF TERMS***

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### **Accruals**

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

### **Amortisation**

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

### **Budget**

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

### **Capital Adjustment Account**

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

### **Capital Charge**

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

### **Capital Expenditure**

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

### **Capital Receipts**

Proceeds from the sale of capital assets.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The principal accountancy body dealing with local government finance.

### **Contingent Liabilities**

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

### **Creditors**

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

### **Current Assets**

Items that can be readily converted into cash.

### **Current Liabilities**

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

### **Debtors**

Persons or bodies who owe sums to the Authority.

### **Deferred Liabilities**

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

### **Depreciation**

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

### **Finance Lease**

See 'Leasing'.

### **Financial Instruments**

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

### **Financial Reporting Standards (FRS)**

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

### **Fixed Assets**

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

### **Funded Scheme**

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

### **Government Grants**

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

### **Leasing**

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

### **Minimum Revenue Provision**

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

### **Non-Operational Assets**

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

### **Operating Lease**

See 'Leasing'.

## **GLOSSARY OF TERMS**

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### **Operational Assets**

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

### **Precept Income**

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

### **Provisions (including 'Provisions for Credit Liabilities')**

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

### **Reserves**

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

### **Revaluation Reserve**

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

### **Revenue Contributions**

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

### **Revenue Expenditure and Income**

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

### **Revenue Support Grant**

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

### **Running Expenses**

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

### **Specific Grant**

Government grant towards expenditure.

### **Statements of Recommended Accounting Practice (SORP)**

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

### **Unfunded Schemes**

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

