

**NORTH YORKSHIRE FIRE & RESCUE AUTHORITY**  
**STATEMENT OF ACCOUNTS**  
**12 MONTH PERIOD TO THE 31st MARCH 2011**

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## **EXPLANATORY FOREWORD**

### **INTRODUCTION**

1. The North Yorkshire Fire and Rescue Authority was constituted on 5 December 1995 under the North Yorkshire Fire Services (Combination Scheme) Order 1995. The accounts presented cover the year ended 31st March 2011.
2. For the purpose of preparing these accounts, the Fire Authority has to be treated as a Local Authority. Therefore the accounts for the year ended 31 March 2011 are presented in the format laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 issued by the Chartered Institute of Public Finance and Accountancy and franked as 'the Code' by the Financial Reporting Advisory Board (FRAB) who conclude it is consistent with International Financial Reporting Standards.
3. The statements included are as follows:
  - (a) the **Explanatory Foreword**, which acts as a guide to the most significant issues impacting on the Authority's finances. It gives an indication of where the Authority's money comes from and what it is spent on, as well as its financial position and assisting in the interpretation of the accounting statements.
  - (b) the **Annual Governance Statement** which sets out the framework within which financial control and corporate governance is managed and reviewed and the main components of the system. It also reports on significant identified weaknesses and the actions undertaken to rectify these.
  - (c) the **Auditors Report** which explains the auditors' responsibilities in relation to the Statement of Accounts. It also expresses an opinion on the accounts and shows how the opinion was reached.
  - (d) the **Movement in Reserves Statement** which shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line show the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.
  - (e) the **Comprehensive Income and Expenditure Statement** which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement of Reserves Statement.
  - (f) the **Balance Sheet** which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'

- (g) the **Cashflow Statement** which shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cashflows arising from financing activities are useful in predicting claims on future cash flow by providers of capital (i.e. borrowing) to the Authority.
- (h) the **Pension Fund Accounts** which show the income and expenditure of the North Yorkshire Firefighters Pension Fund together with the financial position of the Fund on 31st March 2011.

#### **4. CHANGES IN ACCOUNTING POLICIES AND PRESENTATION OF THE ACCOUNTS**

##### **(a) Implementation of International Financial Reporting Standards (IFRS)**

The Authority is required to comply with International Financial Reporting Standards (IFRS) with effect from 1st April 2010, except in the case of PFI Contracts where the implementation date was 1st April 2009.

IFRS perform a similar role to UK Standards and Generally Accepted Accounting Practice (GAAP) however they are intended to be applied consistently and universally across the world. The decision for a country to use IFRS when preparing Statements of Account lies with its Government.

The implementation will provide a number of advantages over previously used UK GAAP:

- (i) To allow comparison of Government performance with other countries
- (ii) To ensure consistency with other countries in the European Union
- (iii) Utilising best practice in terms of financial reporting from the private sector which already use IFRS

The Authority undertook a detailed specific project to prepare for the transition to IFRS which ran between July 2009 to March 2011.

As well as changes to the names and format of the primary statements which are detailed above, the Authority's accounting policies which are set out on Pages 23 to 36 and have been developed to comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards.

Adoption of the IFRS based code has resulted in the restatement of various balances and transactions with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statements of Account for 2009/10 prepared under UK Standards and GAAP.

The prominent issues requiring restatement which have arisen by virtue of IFRS relate to:

- (i) Short Term Accumulating Compensated Absences
- (ii) Government Grants - Capital
- (iii) Government Grants - Revenue
- (iv) Cash and Cash Equivalents
- (v) Cashflow Statement - Other payments for operating activities
- (vi) Pension & Compensation Scheme Liability

Note 2 to the Accounts on pages 37 to 41 detail the accounting adjustments that have taken place along with explanations as to why this has been necessary.

## **5. PENSION SCHEMES**

The Authority participates in two pension schemes. Both Schemes provide members with defined benefits related to pay and service. The schemes are as follows:

- (a) Local Government Pension Scheme** for non uniformed employees, administered by North Yorkshire County Council - this is a funded scheme, meaning that the Authority and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.
- (b) Firefighters Pension Schemes** - these are unfunded, meaning that there are no assets built up to meet pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. There are two schemes administered by the Authority - the Firefighters Pension Scheme 1992 (FPS) and the New Firefighters Pension Scheme 2006 (NFPS).  
Each Fire and Rescue Authority in England is required by legislation to operate a Pension Fund and the amounts that must be paid into and out of the fund are specified by regulation. The fund is topped up as necessary by Government Grant if the contributions are insufficient to meet the pension payments. In the event of a surplus, this will be recouped by the Government. The 2010 Code prescribes the presentation and disclosure of the Pension Fund within the Financial Statements.
- (c)** Details of the Authority's pension liability calculated under IAS 19 is shown at Note 32 on pages 68 to 74. Effectively the pension scheme is in deficit by £238,398,000 compared with what is needed to pay the pensions of current scheme members and the effect is to reduce the overall net worth of the Authority by that amount. However, statutory arrangements for funding the deficit in place mean that the financial position of the Authority remains healthy because:
- (i)** 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. Contribution rates are based on triennial valuations, the last review being on 31st March 2011.
- (ii)** finance is only required to be raised to cover Firefighters' pensions when the pensions are actually due to be paid. Regular monitoring of movements relating to retirements is carried out in order to accurately forecast when retirements and payments will occur.
- (d) Current Issues regarding the Pension Schemes :**  
The Authority is aware of the recommendations of the Hutton Report on the future of Public Service Pensions and awaits the Government's response, including details of any increase in employer's contributions.

### **Firefighters Pension Schemes**

A settlement between the National Joint Council (NJC) for Local Authority Fire and Rescue Services and the Fire Brigade Union (FBU) in respect of the employment tribunal cases in relation to Part Time Workers (Prevention of Less Favourable Treatment Regulations 2000) was reached in March 2011.

However, an outstanding aspect of these negotiations is that of pension scheme access which is being handled by the Department for Communities and Local Government (CLG). It is currently expected that a decision will not be reached until 2012. Should access to a pension scheme be agreed and backdated to 1st July 2000, the current estimate of potential backdated Employer's Contributions to be paid is a maximum of £2,450,000 (dependant upon the number of Retained Staff exercising their right to access).

## **6. CURRENT ECONOMIC CLIMATE - FUTURE FUNDING SETTLEMENTS**

2010/2011 has been another volatile year in terms of the financial climate. The international nervousness around certain national economies, whilst not directly affecting the Authority, has meant a continued focus on Treasury Management activities given the potential exposure of a number of the Authority's counterparties to those economies.

More locally, undoubtedly the key impact on the Authority was the announcement of the two year Local Government Finance Settlement. The Authority noted with some disappointment not only the reduction in Grant for 2011/2012 but also the absence of figures for the latter two years of the Settlement. This uncertainty together with the potential outcome of the Local Government Resource Review will make for an equally uncertain 2012/2013.

Recognising the need to make savings in response to real reductions in grant rather than requiring substantial increases in Council Tax, the Authority is continuing with its plan to achieve £4,000,000 savings in the period 2010/11 to 2014/15.

Savings of £200,000 were achieved in 2010/11 and council tax frozen for 2011/12. The savings in part are due to redundancies and provision for costs is to be made from appropriate reserves. Balances and reserves will continue to be important. As required by the Local Government Act 2003, these were assessed as adequate in February 2011 as part of the 2011/2012 Budget deliberations.

A further review following closure of the 2010/11 Accounts confirmed that the level of balances and reserves remains adequate in terms of meeting foreseeable demands.

Although the economic numbers have been variable throughout the year, in particular those for inflation, the Authority was not affected directly except in the case of fuel prices. However, the estimates process for 2012/2013, already commenced, will be monitoring the situation so as to anticipate how these inflationary pressures might feed through into pay awards, particularly as the Authority moves into the second year of a two year pay freeze.

Specific service factors have been the cancellation of the RCC project in December 2010 which now requires the Authority to find and implement alternative arrangements by its deadline date of April 2013.

## **7. UNUSUAL AND MATERIAL CHARGES OR CREDITS IN THE ACCOUNTS**

### **(a) Donated Assets**

As detailed in paragraph 8 below the Authority spent £2,099,300 on fixed assets during the year. In addition, five New Dimension Assets and related equipment were transferred from CLG to the Authority on 1st April 2010. Prior to this date, these assets were owned by the CLG. However, as the National New Dimensions Project comes to a close, the assets have been transferred to the Authorities which host them in order that they have full and direct responsibility for their management as well as their use.

These assets have been accounted for as Donated Assets in these financial statements and transferred at a total net book value of £938,174 as held by the CLG as at 1st April 2010. Further details of the accounting treatment is provided in Note 10 to the financial statements on pages 49 to 52.

### **(b) Impairment Losses on Assets**

The Authority carries out a rolling asset revaluation programme that ensures that all Land and Property required to be measured at fair value is revalued at least every four years. All valuations were carried out by Mouchel Consulting, an independent external Valuer. Where the Valuer has determined that the book value within the accounts of any of the Authority's assets have fallen, the impact is shown as either a revaluation loss (when due to a general fall in prices within the market) or an impairment loss (when due to either a consumption of economic benefits or a specific fall in prices specific to the asset).

In 2010/11, an impairment loss of £2,142,460 has arisen on elements of the Northallerton Fire Station site at Crosby Road - the former headquarters building, the second floor offices and the warehouse at the rear. This follows from a comparative method of valuation being used as these parts of the site are currently not in use. The financial impact is a charge against the revaluation reserve of £589,730 (writing out the impairment to the value of past accumulated gains) and a charge to the cost of services within the

Comprehensive Income and Expenditure Account for the remaining balance of £1,553,090. However, this charge is not one against council tax nor the Authority's General Fund, and is reversed out within the Movement in Reserves Statement via an adjustment between accounting basis and funding basis under regulations.

**(c) Past Service Gain**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up rated in with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The actuarial assumptions upon which the Authority's pension liabilities as at 31st March 2011 have been calculated allow for this change.

This has the effect of reducing the Authority's total pension liabilities by £27,349,000 and has been recognised as a past service gain in accordance with UITF Abstract 48, since the change is considered to be a change in benefit entitlements. This credit is reported within the Comprehensive Income and Expenditure account on page 20. Again, this credit is not against council tax, nor the Authority's General Fund, and is reversed out within the Movement in Reserves Statement via an adjustment between accounting basis and funding basis under regulations.

The Authority recognises however that a proposed future judicial review, following claims that Representative Bodies were not properly consulted regarding the change in benefits, could reverse the decision. Should this occur, pension liabilities will increase and as such a past service cost be recognised accordingly in the year of change.

**(d) Termination Benefits**

Provision for termination benefits expected to be paid in 2011/12 due to redundancies referred to in paragraph 6 above has been made within the 2010/11 accounts. The liability is estimated to be £319,000, of which £164,000 is in the form of compensation for loss of office (funded from the earmarked Pay and Price reserve) and £155,000 being the employer's contribution to enhanced pension benefits (funded from the earmarked Pensions reserve). Further details of this provision is provided in note 22 on page 58.

**8. CAPITAL EXPENDITURE**

**(a)** In the year ended 31 March 2011, the Authority spent £2,099,300 on capital expenditure and a comparison with the original approved Capital Plan is set out below :

	Approved Plan £000	Actual £000	Difference £000
Vehicles	1,371.0	1,400.6	29.6
Property & Accommodation	1,075.3	425.4	(649.9)
Information Technology	555.0	273.3	(281.7)
	<u>3,001.3</u>	<u>2,099.3</u>	<u>(902.0)</u>

**(b)** The underspend on Property & Accommodation is primarily due to difficulties in finding and procuring land and temporary accommodation to take forward accommodation schemes.

**(c)** The underspend on Information Technology is due to slippage in a number of projects planned for 2010/11.

**(d)** Capital expenditure was funded as follows:

	£000	%
Borrowing	1,490.0	71.0
Capital Grants & Contributions	425.4	20.3
Capital Receipts	183.9	8.8
	<u>2,099.3</u>	<u>100.0</u>

**9. BORROWING**

Under the statutory regulations, the Authority was constituted as debt free and all debt has arisen since its constitution. Total external borrowing at 31st March 2011 was £13,352,525, all of which has been for capital purposes, and is equivalent to £16.76 per head of population.

## 10. SUMMARY OF REVENUE SPENDING

(a) The main components of the budget for 2010/11 and a comparison with the actual position are set out below.

	Note 11	Original Budget £000	Actual £000	Difference £000
<b>Expenditure:</b>				
Employees	(a)	21,098.0	20,914.9	(183.1)
Pensions	(b)	3,085.9	3,152.1	66.2
Premises	(c)	1,665.0	1,775.6	110.6
Transport	(d)	864.2	806.6	(57.6)
Supplies and Services	(e)	2,689.6	2,386.8	(302.8)
Operating Leases		255.5	246.5	(9.0)
External Service Agreements	(f)	282.6	365.6	83.0
PFI	(g)	557.0	584.2	27.2
Capital Financing Costs	(h)	2,215.1	2,329.6	114.5
New Developments	(j)	125.0	22.3	(102.7)
		<u>32,837.9</u>	<u>32,584.0</u>	<u>(253.9)</u>
<b>Income :</b>				
General Income	(k)	(352.2)	(616.8)	(264.6)
Interest on Balances		(100.0)	(89.8)	10.2
PFI Grant		(649.0)	(648.9)	0.1
Other Grants	(l)	(207.8)	(242.9)	(35.1)
		<u>(1,309.0)</u>	<u>(1,598.3)</u>	<u>(289.3)</u>
<b>Net Service Expenditure</b>		<u>31,528.9</u>	<u>30,985.7</u>	<u>(543.2)</u>
<b>Financed By :</b>				
Revenue Support Grant		(1,644.3)	(1,644.3)	(0.0)
Business Rate Proceeds		(11,323.7)	(11,323.7)	0.0
Precept Income		(18,560.9)	(18,558.1)	2.8
End of Year		<u>(31,528.9)</u>	<u>(31,526.1)</u>	<u>2.8</u>
<b>(Surplus) / Deficit in year before transfers from reserves</b>		<u>0.0</u>	<u>(540.4)</u>	<u>(540.4)</u>
<b>Balances</b>				
As at 1st April 2010 - General Fund		(1,565.8)	(1,565.8)	0.0
(Surplus) / Deficit in Year		0.0	(540.4)	(540.4)
Transfer (from) / to Contingency Reserve		0.0	0.0	0.0
Transfer (from) / to Pensions Reserve		0.0	(66.2)	(66.2)
Transfer (from) / to Capital Reserve		0.0	0.0	0.0
Transfer (from) / to Pay & Price Reserve		0.0	279.4	279.4
Transfer (from) / to New Developments Reserve		0.0	102.7	102.7
Transfer (from) / to Earmarked Revenue Grants Reserve		0.0	16.7	16.7
<b>As at 31st March 2011 - General Fund</b>		<u>(1,565.8)</u>	<u>(1,773.6)</u>	<u>(207.8)</u>

(b) In November 2003, the Fire Authority was designated a major precepting Authority, meaning that with effect from 1st April 2004, it was required to calculate a Budget Requirement and basic amount of Council Tax. The Authority collects precepts from the 7 District Councils and also City of York Council.

Precept income received of £18,558,067 is made up of the following:

	£000
2010/11 Precept Charge	(18,552.6)
Prior Year District Collection Fund Surplus	(35.5)
	<u>(18,588.1)</u>

The 2010/11 charge of £18,522,621 is equivalent to a basic amount of Council Tax per Band D property of £62.10

## 11. VARIANCES AGAINST BUDGET

The variances against budgets shown above arise for a variety of reasons. The significant variances are as follows:

### (a) **Employees £(183,100)**

No pay award was awarded to staff in 2010/11. As an increase of 1% had been budgeted for, the saving in year totalling £162,000 has been transferred back to the earmarked pay and price reserve for use in funding future years' pay increases.

### (i) **Wholetime Firefighters £43,200**

There were 2 non established posts occupied during the year at an additional cost of £60,000. However, the budget for these is within the Administrative, Professional and Technical Staff establishment. In addition, there are a further five project posts costing an additional £153,000. Ordinarily these posts would have been funded by Firefighter vacancies within the establishment. However turnover has not been as high as originally forecast and savings of only £104,000 (primarily due to cover and pay movements) are available for offset

The HMRC carried out a compliance review in July 2010. The review highlighted that the Authority had unpaid National Insurance (NI) contributions of £23,000 relating to Uniformed Officers' lease car benefits between 2006/07 and 2009/10 due to the use of an incorrect calculation method. In addition, advice was provided that home to work mileage claimed by Officers in the course of their duties is a taxable benefit. As a result, an unpaid tax and NI liability has arisen for 2010/11 which has been calculated and accrued for at £18,000.

Other major variances include:

	£	<u>Explanation:</u>
Pay awards	(99,000)	Nil pay award in year.
Turnout & Attendance	10,000	Expenditure dependant on incident activity.
Overtime - Operational	(15,000)	Expenditure dependant on incident activity.
Overtime - Vacancy Cover	36,000	Overtime costs incurred covering Retained Duty Staff vacancies - see note a(ii) below.
Overtime - Projects	16,000	Overtime costs incurred on project based activities funded by income.
CFS Activities	(50,000)	Planned budget set aside to off set in part the predicted overspend on the Wholetime budget due to low staff turnover.
CPD Payments	(5,000)	Lower numbers than budgeted of staff eligible for CPD.

### (ii) **Retained Firefighters £(96,000)**

The underspend is in the main due to Firefighter strength remaining at some 89% of establishment during the year resulting in an underspend of £(187,000).

In February 2011, a settlement was agreed in relation to the compensation under the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000. This liability totals £191,000, unbudgeted in 2010/11 as it relates to prior years and therefore will be funded from the pay and price reserve.

Other major variances include:

	£	<u>Explanation:</u>
Pay awards	(15,000)	Nil pay award in year.
Training Salaries	(61,000)	Less claims for training salary pay than originally predicted.
CCBRN Training Salaries	(35,000)	Training undertaken on normal drill nights rather than through additional sessions.
Turnout & Attendance	83,000	Expenditure dependant on incident activity.
Paid Work	(39,000)	Again, less claims than originally predicted.
Overtime - Projects	5,000	Overtime costs incurred on project based activities funded by income.
National Insurance	(38,000)	Result of vacancies and less claim based payments.

**(iii) Administrative and Clerical Staff £(42,700)**

The major variances are:

	£	<u>Explanation:</u>
Pay awards	(34,000)	Nil pay award in year.
Vacancies filled by Wholetime Firefighters	(60,000)	As detailed in note a(i) above.
Dis-establishment of posts	(60,000)	Through Efficiency Reviews.
Other vacancies in year	(34,000)	Net of the cost of agency staff to provide cover.
Termination Benefits	177,000	Provided for in respect of Efficiency Reviews due to conclude in 2011/12.
Employers NI & Pension costs	(32,000)	Result of vacancies and less claim based payments.

**(iv) Control Room Staff £(16,400)**

The major variances are:

	£	<u>Explanation:</u>
Pay awards	(7,000)	Nil pay award in year.
Secondment to RCC Project	35,000	Funded by income reported in note (k) below.
Pay Movements	(35,000)	Temporary posts starting later than planned and at lower rates of pay
Temporary Duty	(8,000)	
Overtime	(1,000)	Less claims for pay than originally predicted.

**(v) Indirect Staff Costs £(69,400)**

The major variances are:

	£	<u>Explanation:</u>
Course Fees	(27,000)	Courses cancelled due to bad weather plus a lack of staff capacity to organise courses in year.
Course Travel & Subsistence	7,000	Extrication Team expenses at the World Games in New Zealand funded by income reported in note (k) below.
CRB Checks	(7,000)	Less checks undertaken than planned.
Staff Advertising	(47,000)	Reduction in recruitment.
Employers Liability Insurance	(23,000)	As advised by the Authority's Insurers, there are less potential claims outstanding at year end than budgeted for.
Unbudgeted payments	27,000	

**(b) Pensions £66,200**

As detailed in note (5) above, under the new arrangements for the Firefighters Pension Scheme, the Authority pays an employers' contribution based on a percentage of pay into the Pension Fund along with lump sum payments in respect of ill health retirements.

The employers' contributions in to the fund were £89,000 less than anticipated for the following reasons:

**(i) Pensionable Pay Contributions £(66,400)**

Lower than estimated numbers of members within the NFPS. In addition, a nil pay award in year reduced actual pensionable pay on which contributions are based, compared to budget.

**(ii) Ill Health contributions £(22,400)**

The budget for ill health contributions was based on the assumption of 2 retirements during the year, one at the higher tier level and one at the lower tier level. Both ill health retirements in year were at the lower level.

In addition, provision for early Retirement contributions to the Local Government Pension Scheme resulting from efficiency reviews to be concluded in 2011/12 has been made of £155,000.

The net effect of these variances totals £66,200 over budget which has been transferred from the earmarked pension reserve in year.

**(c) Premises £110,600**

The major variances are:

	£	<u>Explanation:</u>
General Maintenance	30,000	Unbudgeted in year reactive maintenance costs.
Care Servicing	70,000	Unbudgeted reactive repair work of which £43,000 is the repair of appliance bay doors.
Minor Improvements	6,000	Equality and diversity improvements at Stations.
Grounds Maintenance	3,000	Purchase of rock salt during bad winter.
Rates	(4,000)	Transitional relief via national revaluation exercise.
Water	6,000	Increased usage in year.

**(d) Transport £(57,600)**

The major variances are:

	£	<u>Explanation:</u>
Fuel	(22,000)	Budget based upon a higher than actual price increase which occurred in year.
Special Repair Costs	(5,000)	Repairs expected to an Aerial Appliance in year have been delayed until April 2012.
Purchase of vehicles	30,000	Purchase of land rovers at the end of their lease term (two of which have been subsequently sold).
Other Vehicles Costs	(45,000)	No major reactive repair works undertaken in year.
Vehicle Insurance Claims	14,000	Unbudgeted claim costs in year which can be offset by matched settlement income - see note k below.
Vehicles Insurance Premiums	(30,000)	Low user rebate for 2008/09 received in July 2010, plus a refund in relation to 2010/11.

**(e) Supplies and Services £(302,800)**

The major variances are:	£	<u>Explanation:</u>
Uniforms	(37,000)	Reduction of existing stock levels due to negotiation of new PPE contract and reduced purchase of corporate work wear.
Other Hired & Contracted	(48,000)	Variable expenditure year on year dependant upon the need for specialist contracted services.
Phone Rental	(42,000)	Renegotiation of user tariffs.
IT Maintenance	(35,000)	Renegotiation of contract agreements.
Smoke Alarms	(22,000)	} Reduction in planned activities at district level.
Fire Safety Publicity	(20,000)	
Water Rescue Equipment	(9,000)	Equipment not required due to cancellation of courses planned for March due to bad weather.
Other Operational Equipment	20,000	Unbudgeted purchase of foam stock in March 2011.
Hydrant Installations	36,000	Unbudgeted in year reactive maintenance costs.
Travel & Subsistence	(15,000)	Less claims for pay than originally predicted.
Conference Expenses	(13,000)	Managed reduced attendance at conferences in year.
Corporate Information Unit	(25,000)	Cancellation of National Places survey (£10,000) plus non replacement of display materials in year due to re-design of corporate branding in 2011/12.
Commercial Services Expenses	(8,000)	Cessation of department in June 2010.
Ordnance Survey Royalty Fee	(9,000)	Reduction in 2010/11 fee not anticipated at time of budget setting.
Postage	(7,000)	No wholetime recruitment in year plus electronic application processes for advertised vacancies.
Consultant Fees	(10,000)	Slippage on capital projects in year (see 8b above)
Medical Fees	(10,000)	Budget assumed fees to support an ill health retirement which did not occur.
Legal Expenses	(6,000)	Legal advice outside of the Service Level Agreement with North Yorkshire County Council was not required in year.
Special Printing	(6,000)	No wholetime recruitment in year.
Subscriptions	(11,000)	Managed non renewal of subscriptions in year.
Extrication Team	(9,000)	Realignment of budget to specific area of expenditure - overtime, course fees and travel & subsistence.
Advertising & Marketing	(7,000)	Managed reduction in need for advertisements.
Insurances Premiums	(7,000)	

**(f) External Services Agreements £83,000**

The major variances are:	£	<u>Explanation:</u>
Cross Border Agreements	46,000	Primarily due to an unexpected backdated invoice from Cleveland Fire Authority for attendance at cross border incidents during 2008/09 and 2009/10.
Legal Services - Service Level Agreement	41,000	Variable expenditure year on year dependant upon the nature and amount of advice requested. 50% of the total fees in year relate to Human Resources issues.
Committee Services - Service Level Agreement	(3,000)	Expenditure dependant upon work activity in year.

**(g) Private Finance Initiative £27,200**

Unbudgeted legal fees of £18,000 were incurred in year associated with the future move of Easingwold Fire Station onto the Training Centre site. In addition, £9,000 relates to unbudgeted inflation for 2010/11.

**(h) Capital Financing Costs £114,500**

(i) The decision was taken during 2009/10 to provide for additional minimum revenue provision for debt repayment on finance leases taken out between 2004/05 and 2006/07 in order to better match the repayments of the principal element of the lease charges over the life of the lease. This decision occurred after budget setting for 2010/11 resulting in a £137,000 overspend in year.

(ii) Interest on borrowing was £24,000 less than budgeted for due to:

- A reduction in capital expenditure in year to be financed by borrowing.
- Lower interest rates than originally forecast.
- Loans taken later within the financial year than originally planned.

**(j) New Developments £(102,700)**

A budget of £125,000 was set in 2010/11 for costs incurred in implementing new developments and also initiatives with a view of 'invest to save'. £22,300 was incurred in year being the cost of agency staff employed on the implementation of the IFRS project. The underspend has been transferred to an earmarked reserve to fund new development work in future years.

**(k) General Income £(264,600)**

Additional unbudgeted general income during the year relates to the following:

	£	<u>Explanation:</u>
Seconded Officers	(165,000)	Salary and subsistence reimbursements in respect of Officers seconded to other Organisations. The variance reflects changes to the number and length of secondments in year.
Insurance Income	(10,000)	In respect of vehicle claims.
Sale of old Vehicles & Equipment	(21,000)	
Commercial Services	(14,000)	Received prior to cessation of the service in June 2010.
Extrication Team Donation	(5,000)	
Rental Income	(10,000)	Contributions for IT data lines between Crosby Road site and County Hall
Salary Sacrifice Employer Savings	(10,000)	Via Employee Benefits Scheme.
Officer lease car contributions	(6,000)	
BTEC Fire Training for Schools	(25,000)	Fees for provision of courses.

**(l) Other Grants £(35,100)**

Additional unbudgeted grant income of £35,100 has been received in year which is matched with related project expenditure. The material contributions being £23,000 in respect of 95 Alive and £10,000 for City of York CFS Projects.

**12. REGIONAL MANAGEMENT BOARD**

The Yorkshire and Humberside Regional Management Board (RMB) was a joint committee set up by the four Fire Authorities in the region (Humberside, North, South and West Yorkshire) in March 2004. It was responsible for carrying forward six strategic tasks on behalf of all four Authorities - resilience, common services, regional control rooms, procurement, training and personnel management. A decision to disestablish the Board was taken in July 2010.

The four Authorities agreed to bear their own costs of contributing to its work other than any significant expenditure specifically incurred, the latter being shared pro rata to Council Tax base which for this Authority in 2010/11 was £15,485.

I.R Young  
Director of Finance & Service Development  
30th June 2011

## **NORTH YORKSHIRE FIRE & RESCUE AUTHORITY**

### **ANNUAL GOVERNANCE STATEMENT**

#### **Scope of Responsibility**

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 and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework. A copy of the code is on the website at [www.northyorksfire.gov.uk](http://www.northyorksfire.gov.uk) or can be obtained from the Corporate Information Unit, NYFRA Headquarters, Thurston Road, Northallerton. 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 (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

#### **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 governance framework has been in place at the Authority for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

#### **The Governance Framework**

The key elements of the Authority's governance framework include:

- a) the maintenance and review of:
  - Standing Orders
  - Financial Regulations
  - Conventions
  - Committee Membership and Terms of Reference
  - Scheme of Delegation to Officers
  - Members Code of Conduct
  - Staff Code of Conduct

- b) the Audit and Performance Review Committee which, as well as the Authority itself, receives regular reports monitoring and reporting the Service's performance and governance arrangements
- c) an approved Corporate Risk Management Strategy and Policy which includes the maintenance of a comprehensive Risk Register
- d) an approved "Local Code of Corporate Governance" in accordance with the CIPFA/SOLACE Framework for Corporate Governance
- e) the designation of the Chief Fire Officer as Chief Executive responsible to the Authority for all aspects of operational management
- f) the designation of the Director of Corporate Services as Chief Financial Officer in accordance with Section 112 of the Local Government Finance Act 1988
- g) the designation of the Legal Advisor as Monitoring Officer with the requirement to report to the full Authority if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration
- h) the maintenance and review of an Asset Management Strategy
- i) the maintenance and review of a Human Resources Strategy
- j) the production of an annual Corporate Report
- k) the production of the Integrated Risk Management Plan
- l) Partnership Evaluation arrangements
- m) Anti Fraud and Corruption Policy
- n) Whistleblowing Policy
- o) Complaints Procedure
- p) The work of the Standards Committee
- q) The Consultation Strategy
- r) Members and Staff Development Programmes
- s) The establishment of an Information Governance Group

#### **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 executive managers within the Authority 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 Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. That review is informed by:

- a) The work of Managers within the Authority
- b) The work of the internal auditors as described above
- c) The external auditors in their annual audit letter and other reports
- d) Other review mechanisms such as the Health and Safety Inspectorate

During 2010/2011 the Member level Steering Group met on 6 occasions and considered a report on budget monitoring at each meeting. In addition the full Authority met on 4 occasions. Monitoring against the Local Code of Corporate Governance was considered by the Audit Performance Review Committee at its meeting on 20th April 2011 whilst an assurance reporting system at Directorate level was introduced by Corporate Management Board.

During the year the Internal Audit Service issued 14 reports to the Audit and Performance Review Committee which met on 5 occasions. As well as Audit Reports, the Committee considered Operational and Human Resources performance reports.

The Internal Auditor's overall conclusion that the system of internal control offered **Substantial Assurance** was issued on 8th April 2011. The Audit and Performance Review Committee considered the external auditor's Annual Governance Report for 2009/2010 on the 24th September 2010.

Progress on addressing the issues raised last year continued. The External Auditor's Annual Audit and Inspection Letter considered by APRC in December 2010 identified no significant weaknesses in governance arrangements.

The Authority's Standards Committee met 3 times during the year.

We have been advised on the implications of the result of the internal review of the effectiveness of the governance framework by the Audit and Performance Review Committee. A system to address weaknesses and ensure continuous improvement is in place.

#### **Significant Governance Issues**

No significant weaknesses in Governance or Internal Control have been identified by the reviews for 2010/2011. The External Auditor's Report for 2010/2011 is planned for receipt in September 2011

**Approved by the Authority at its meeting on 22nd June 2011**

**Signed**

Cllr J Fort BEM  
Chairman of the Authority

N M Hutchinson  
Chief Fire Officer/  
Chief Executive

I R Young  
Director of Finance & Service  
Development/Treasurer to the  
Authority

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

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

The Authority is required:

- a) 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. In this authority, that officer is the Treasurer.
- b) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- c) 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 the United Kingdom (the Code).

In preparing this statement of accounts, the Treasurer has:

- a) selected suitable accounting policies and then applied them consistently;
- b) made judgements and estimates that were reasonable and prudent; and
- c) complied with the Code of Practice.

The Treasurer has also:

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

### **CERTIFICATE OF TREASURER**

I certify that the financial statements set out on pages 19 to 85 present a true and fair view of the financial position of North Yorkshire Fire & Rescue Authority as at 31 March 2011 and its income and expenditure for the year then ended.

Signed

I R Young  
Director of Finance & Service Development/Treasurer

The Statement of Accounts was approved by the Authority's Audit, Performance and Review Committee on 26th September 2011.

Signed

Cllr A Backhouse  
Chair of the Audit and Performance Review Committee

## **Independent auditor's report to the Members of North Yorkshire Fire and Rescue Authority**

### **Opinion on the Authority's accounting statements**

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

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

### **Respective responsibilities of the Director of Finance and Service Development and auditor**

As explained more fully in the Statement of Responsibilities, the Director of Finance and Service Development 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 the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Audit Practice's Boards Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and the Pension Fund; and the overall presentation of the accounting statements.

I read all the information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or material inconsistencies I consider the implications for my report.

### **Opinion on the accounting statements**

In my opinion the Authority's accounting statements:

- give a true and fair view of the state of North Yorkshire Fire and Rescue Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the Firefighters' pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011; and
- have been properly prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### **Opinion on other matters**

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

### **Matter on which I report by exception**

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

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

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

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

#### **Auditor's Responsibilities**

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

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

#### **Basis of conclusion**

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

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

**Conclusion**

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

**Certificate**

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

Gavin Barker  
Officer of the Audit Commission  
Audit Commission  
2nd Floor  
Nickalls House  
GATESHEAD  
NE11 9NH  
28th September 2011

## MOVEMENT IN RESERVES STATEMENT 2010/11

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves (Note 25)	Total Authority Reserves £000
<b>Balance at 31 March 2009</b>	<b>1,911.7</b>	<b>2,306.6</b>	<b>194.3</b>	<b>-</b>	<b>4,412.6</b>	<b>(158,467.8)</b>	<b>(154,055.2)</b>
<u>Movements in Reserves during 2009/10</u>							
Surplus or (deficit) on the provision of services	(9,091.5)	-	-	-	(9,091.5)	0.0	(9,091.5)
Other Comprehensive Income and Expenditure	-	-	-	-	0.0	(73,646.7)	(73,646.7)
<b>Total Comprehensive Income and Expenditure</b>	<b>(9,091.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(9,091.5)</b>	<b>(73,646.7)</b>	<b>(82,738.2)</b>
Adjustments between accounting basis & funding basis under regulations ( <b>Note 9</b> )	9,759.6	-	(4.5)	-	9,755.1	(9,755.1)	0.0
<b>Net increase/(decrease) before Transfers to earmarked reserves</b>	<b>668.1</b>	<b>0.0</b>	<b>(4.5)</b>	<b>0.0</b>	<b>663.6</b>	<b>(83,401.8)</b>	<b>(82,738.2)</b>
Transfers to / (from) Earmarked Reserves ( <b>Note 23</b> )	(1,014.0)	1,014.0	-	-	0.0	0.0	0.0
<b>Increase / (Decrease) in 2009/10</b>	<b>(345.9)</b>	<b>1,014.0</b>	<b>(4.5)</b>	<b>0.0</b>	<b>663.6</b>	<b>(83,401.8)</b>	<b>(82,738.2)</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>1,565.8</b>	<b>3,320.6</b>	<b>189.7</b>	<b>-</b>	<b>5,076.2</b>	<b>(241,869.6)</b>	<b>(236,793.4)</b>
<u>Movements in Reserves during 2010/11</u>							
Surplus or (deficit) on provision of services	12,446.6	-	-	-	12,446.6	0.0	12,446.6
Other Comprehensive Income and Expenditure	-	-	-	-	0.0	9,525.7	9,525.7
<b>Total Comprehensive Income and Expenditure</b>	<b>12,446.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>12,446.6</b>	<b>9,525.7</b>	<b>21,972.2</b>
Adjustments between accounting basis & funding basis under regulations ( <b>Note 9</b> )	(11,906.2)	-	(184.0)	-	(12,090.2)	12,090.2	0.0
<b>Net increase/(decrease) before Transfers to earmarked reserves</b>	<b>540.3</b>	<b>0.0</b>	<b>(184.0)</b>	<b>0.0</b>	<b>356.3</b>	<b>21,615.9</b>	<b>21,972.2</b>
Transfers to / (from) Earmarked Reserves ( <b>Note 23</b> )	(332.6)	332.6	-	-	0.0	0.0	0.0
<b>Increase / (Decrease) in 2010/11</b>	<b>207.7</b>	<b>332.6</b>	<b>(184.0)</b>	<b>0.0</b>	<b>356.3</b>	<b>21,615.9</b>	<b>21,972.2</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>1,773.6</b>	<b>3,653.1</b>	<b>5.7</b>	<b>0.0</b>	<b>5,432.4</b>	<b>(220,253.6)</b>	<b>(214,821.2)</b>

**COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR YEAR ENDED 31st MARCH 2011**

2009/10			2010/11			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
3,592.7	(129.6)	3,463.1	Community Safety	3,666.0	(109.9)	3,556.0
			Fire Fighting and Rescue			
27,225.6	(910.0)	26,315.7	Operations	32,057.5	(930.9)	31,126.6
167.3	(90.8)	76.5	Fire Service Emergency Planning	350.9	(110.2)	240.8
633.0	(5.4)	627.6	Management and Support	747.8	(4.9)	742.9
723.5	(12.0)	711.5	Corporate and Democratic Core	698.3	(2.5)	695.9
(170.0)	0.0	(170.0)	Past Service Gain (Note 32)	(27,349.0)	0.0	(27,349.0)
<b>32,172.2</b>	<b>(1,147.8)</b>	<b>31,024.4</b>	<b>Cost Of Services</b>	<b>10,171.6</b>	<b>(1,158.4)</b>	<b>9,013.1</b>
			<b>Other Operating Expenditure</b>			
			Gain/loss on the Disposal of non			
24.7	-	24.7	current assets	163.1	-	163.1
			(Surpluses)/deficits on trading			
-	-	0.0	undertakings	-	-	0.0
<b>24.7</b>	<b>0.0</b>	<b>24.7</b>		<b>163.1</b>	<b>0.0</b>	<b>163.1</b>
			<b>Financing and Investment Income and Expenditure</b>			
			Interest Payable and similar			
1,052.8	-	1,052.8	charges	1,114.3	-	1,114.3
			Pension Interest cost and expected			
12,640.0	(345.0)	12,295.0	return on pensions assets (Note	14,507.0	(564.0)	13,943.0
			32)			
			Interest receivable and similar			
-	(75.9)	(75.9)	income	-	(89.8)	(89.8)
<b>13,692.8</b>	<b>(420.9)</b>	<b>13,271.9</b>		<b>15,621.3</b>	<b>(653.8)</b>	<b>14,967.6</b>
			<b>Taxation and Non-Specific Grant Income</b>			
-	(18,143.5)	(18,143.5)	Council tax income	-	(18,572.7)	(18,572.7)
-	(10,483.7)	(10,483.7)	Non domestic rates	-	(11,323.7)	(11,323.7)
			Non ringfenced government grants			
-	(2,762.9)	(2,762.9)	(Gain) on government pension	-	(1,994.5)	(1,994.5)
			grant			
-	(3,626.0)	(3,626.0)		-	(3,440.3)	(3,440.3)
-	(213.4)	(213.4)	Capital grants and contributions	-	(1,259.3)	(1,259.3)
<b>0.0</b>	<b>(35,229.5)</b>	<b>(35,229.5)</b>		<b>0.0</b>	<b>(36,590.4)</b>	<b>(36,590.4)</b>
			<b>9,091.5 (Surplus) or Deficit on Provision of Services</b>			<b>(12,446.6)</b>
			- (Surplus) or deficit on revaluation of fixed assets			160.3
			73,646.7 Actuarial (gains) / losses on pension assets / liabilities			(9,686.0)
			<b>73,646.7 Other Comprehensive Income and Expenditure</b>			<b>(9,525.7)</b>
			<b>82,738.2 Total Comprehensive Income and Expenditure</b>			<b>(21,972.2)</b>

**BALANCE SHEET AS AT 31st MARCH 2011**

01 April 2009	31 March 2010		Note	31 March 2011
£000	£000			£000
		Property, Plant & Equipment	<b>10</b>	
32,319.5	31,514.5	Other Land & Buildings		28,525.8
5,464.4	5,593.2	Vehicles		6,999.7
1,196.1	1,071.5	Plant & Equipment		847.4
2.2	86.1	Assets Under Construction		350.9
<u>38,982.2</u>	<u>38,265.3</u>			<u>36,723.8</u>
		Intangible Assets	<b>12</b>	
306.9	316.6	Software		478.0
<u>306.9</u>	<u>316.6</u>			<u>478.0</u>
-	-	Long Term Debtors		-
<b>39,289.1</b>	<b>38,581.9</b>	<b>Long Term Assets</b>		<b>37,201.8</b>
-	-	Short Term Investments		-
5.0	-	Assets held for sale	<b>14</b>	-
273.4	271.1	Stock	<b>17</b>	248.7
3,562.4	4,842.0	Short Term Debtors	<b>18</b>	3,353.2
4,253.1	4,992.1	Cash and Cash Equivalents	<b>19</b>	7,719.5
<u>8,093.9</u>	<u>10,105.2</u>	<b>Current Assets</b>		<u>11,321.3</u>
(25.4)	(27.2)	Short Term Borrowing		(863.4)
(3,473.5)	(4,390.0)	Short Term Creditors	<b>20</b>	(4,473.7)
-	-	Provisions	<b>21</b>	(389.6)
<u>(3,498.9)</u>	<u>(4,417.2)</u>	<b>Current Liabilities</b>		<u>(5,726.7)</u>
-	-	Long Term Creditors		-
(116.2)	-	Provisions		-
(11,399.9)	(11,862.5)	Long Term Borrowing		(12,489.1)
		Other Long Term Liabilities		
(179,376.0)	(261,838.0)	Pensions Liability	<b>32</b>	(238,398.0)
(3,707.6)	(4,091.3)	Finance Lease obligations	<b>35</b>	(3,614.5)
(3,339.6)	(3,233.7)	PFI Obligations	<b>35</b>	(3,116.0)
-	(37.8)	Capital Grants Receipts in Advance		-
<u>(197,939.3)</u>	<u>(281,063.3)</u>	<b>Long Term Liabilities</b>		<u>(257,617.7)</u>
<u>(154,055.2)</u>	<u>(236,793.4)</u>	<b>Net Assets</b>		<u>(214,821.2)</u>
		<b>Usable reserves</b>		
-	-	Capital Grants Unapplied Reserve	<b>9</b>	-
194.3	189.8	Usable Capital Receipts Reserve	<b>9</b>	5.7
1,911.7	1,565.8	General Fund Balance		1,773.6
2,306.6	3,320.6	Earmarked Reserves	<b>23</b>	3,653.1
<u>4,412.6</u>	<u>5,076.2</u>			<u>5,432.4</u>
		<b>Unusable Reserves</b>	<b>25</b>	
4,100.3	3,986.6	Revaluation Reserve		3,650.9
16,929.0	16,035.5	Capital Adjustment Account		14,509.7
(4.5)	73.1	Collection Fund Adjustment Account		87.7
(116.6)	(126.8)	Accumulated Absences Account		(103.9)
(179,376.0)	(261,838.0)	Pensions Reserve	<b>32</b>	(238,398.0)
<u>(158,467.8)</u>	<u>(241,869.6)</u>			<u>(220,253.6)</u>
<u>(154,055.2)</u>	<u>(236,793.4)</u>	<b>Total Reserves</b>		<u>(214,821.2)</u>

**CASHFLOW STATEMENT FOR YEAR ENDED 31st MARCH 2011**

2009/10 £000		2010/11 £000
	<b>Operating Activities</b>	
	Taxation	
18,065.9	- Council Tax Income	18,558.1
	Grants	
12,903.5	- General Government Funding	12,968.0
4,524.7	- Other government grants	4,294.4
2,323.7	Cash received for goods and services	3,280.8
96.1	Interest received	81.6
<hr/>		<hr/>
37,913.9		39,182.8
(18,196.9)	Cash paid to and on behalf of employees	(18,409.2)
(8,626.7)	Cash paid to suppliers of goods and services	(7,336.5)
(1,050.4)	Interest Paid	(1,111.2)
(9,201.1)	Other payments for operating activities ( <b>Note 37</b> )	(9,084.7)
<hr/>		<hr/>
(37,075.1)		(35,941.7)
<hr/>	<b>838.9 Net Cash Flow from Operating Activities</b>	<hr/>
		<b>3,241.1</b>
	<b>Investing Activities</b>	
	Purchase of PPE, investment property and intangible assets	
(692.6)		(2,114.7)
	Proceeds from the sale of PPE, investment property and	
0.0	intangible assets	0.0
0.0	Other receipts from investing activities	0.0
676.7	- Capital grants received	831.0
<hr/>		<hr/>
<b>(15.9)</b>	<b>Net Cash Flow from Investing Activities</b>	<b>(1,283.7)</b>
	<b>Financing Activities</b>	
490.0	Cash receipts of short and long term borrowing	1,490.0
0.0	Other receipts from financing activities	0.0
	Cash payments for the reduction of the outstanding liability	
	relating to finance leases and on balance sheet PFI contracts	
(548.6)	(principal)	(692.8)
(25.4)	Repayments of short and long term borrowing	(27.3)
<hr/>		<hr/>
<b>(84.0)</b>	<b>Net Cash Flow from Financing Activities</b>	<b>769.9</b>
	<b>739.0 Net increase or (decrease) in cash and cash equivalents</b>	<b>2,727.3</b>
	Cash and cash equivalents at the beginning of the reporting	
4,253.1	period ( <b>Note 19</b> )	4,992.1
<hr/>		<hr/>
	<b>Cash and cash equivalents at the end of the reporting period</b>	
<b>4,992.1</b>	<b>(Note 19)</b>	<b>7,719.4</b>
<hr/>		<hr/>

## **NOTES TO THE ACCOUNTS**

### **1 Accounting Policies**

#### **(a) General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which these regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

#### **(b) Accruals of Income and Expenditure**

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

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

#### **(c) Cash and Cash Equivalents**

Cash is represented by cash in hand. Cash equivalents are deposits invested on behalf of the Authority by North Yorkshire County Council as part of a blanket investment fund in accordance with the Finance Service Level Agreement. These deposits can be withdrawn giving seven days notice and are readily convertible to known amounts of cash with insignificant risk of change in value.

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

**(d) Exceptional Items**

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

**(e) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

**(f) Charges to Revenue for Non-Current Assets**

Operational and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

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

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

**(g) Employee Benefits**

**(i) Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. Cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. Flexi-time)

earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

## **(ii) Termination Benefits**

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

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

## **(iii) Post Employment Benefits**

The Authority participates in two pension schemes. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

**Local Government Pension Scheme** for non uniformed employees, administered by North Yorkshire Pension Fund - this is a funded scheme, meaning that the Authority and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

**Firefighters Pension Schemes** - these are unfunded, meaning that there are no assets built up to meet pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. With effect from 6th April 2006 there are two schemes administered by the Authority - the Firefighters Pension Scheme 1992 (FPS) and the New Firefighters Pension Scheme 2006 (NFPS).

Pension schemes are accounted for in accordance with IAS 19 Employee Benefits. IAS 19 is based on the principle that an organisation should account for retirement benefits when it is committed to give them even if the actual giving will be many years into the future. This includes the recognition of a net asset/liability and a pensions reserve in the Balance Sheet, and entries in the Comprehensive Income and Expenditure Statement for movements in the asset/liability relating to defined benefit schemes (with reconciling entries back to contributions payable for council tax purposes).

A net pensions asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned by its employees. A net liability shows an effective underpayment.

The liabilities for the Local Government Pension Scheme have been assessed by an independent firm of Actuaries, Mercers Limited. The estimates being based upon the latest full valuation of the scheme as at 31st March 2011. The liabilities for the Firefighters Pension Schemes have been assessed by the Government Actuary Department (GAD). The estimates being based upon the latest full valuation of all schemes as at 31st March 2007.

### **The Local Government Pension Scheme**

The Local Government Pension Scheme is accounted for as a defined benefit scheme:

The liabilities of the North Yorkshire Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds.

The assets of the North Yorkshire pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value.

The change in the net pensions liability is analysed into seven components:

- Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Expected return on assets - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the Financing and Investment Income Expenditure line in the Comprehensive Income and Expenditure Statement
- Gains or losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve
- Contributions paid to the pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **Change in Estimation Technique - Disclosure of effect of change in discount rate for liabilities**

In assessing liabilities for retirement benefits, Actuaries are required to use a discount rate appropriate to each Authority's circumstances, with the rate potentially changing each year with fluctuations in market circumstances. The effect of this change on the Authority's pension scheme liabilities are:

### **Local Government Pension Scheme**

In assessing liabilities for retirement benefits at 31 March 2010 for the 2009/10 Statement of Accounts, the Actuary assumed a discount rate of 5.7%, a rate based upon the current rate on a high quality corporate bond of equivalent currency and term to scheme liabilities. For the 2010/11 Accounts, the Actuary has advised that a rate of 5.5% is appropriate. Application of this rate has resulted in a decrease in liabilities at today's prices of £626,600 (4.0% of liabilities), adjusted for by an actuarial gain recognised for the year in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

### **Firefighters Pension Scheme & Compensation Scheme**

In assessing liabilities for retirement benefits at 31 March 2010 for the 2009/10 Statement of Accounts, the Actuary assumed a discount rate of 5.8%, a rate based upon the current rate on a high quality corporate bond of equivalent currency and term to scheme liabilities. For the 2010/11 Accounts, the Actuary has advised that a rate of 5.7% is appropriate. Application of this rate has resulted in a decrease in liabilities at today's prices of £3,630,000 (1.6% of liabilities), adjusted for by an actuarial gain recognised for the year in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

### **Injury Awards - Firefighters Compensation Scheme**

Under the Firefighters Compensation Scheme injury awards are payable to those firefighters who have sustained a qualifying injury in the exercise of their duties as a firefighter. As these benefits are payable through the Firefighters Pension scheme, under IAS 19 they are accounted for as part of the pension arrangements. Although not required, separate disclosures have been provided for the Firefighters Compensation Scheme.

### **Discretionary Benefits - The Local Government Pension Scheme**

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

## **(h) Events After the Balance Sheet Date**

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

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

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

## **(j) Financial Instruments**

### **(i) Financial Liabilities**

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

discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

**(ii) Financial Assets**

Financial assets are classified into two types:

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

**Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for that instrument.

Where receivables are identified as impaired because of a likelihood of default or uncollectable debts, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. The Authority makes provision for uncollected debts outstanding at the year end based upon historical experience of default.

**(k) Government Grants and Contributions**

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

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

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

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

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

## **(l) Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Expenditure on the development of websites is not capitalised because the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the Information Technology & Support Service, the cost of which is then apportioned to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the Information Technology & Support Service. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Amortisation, impairment losses and disposal gains and losses on Intangible Assets are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **(m) Inventories**

inventories are included in the Balance Sheet at lower of cost and net realisable value. The cost of inventories is assigned using the average basis costing formula.

## **(n) Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## **(i) The Authority as Lessee**

### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in

the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

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

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. There is a rent-free period at the commencement of the lease).

## **(ii) The Authority as Lessor**

### **Operating Leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **(o) Best Value Accounting Code of Practice (BVACOP) - Comprehensive Income and Expenditure Statement**

Under CIPFA's Best Value Accounting Code of Practice, every item of expenditure within the Net Cost of Services has to be reported in accordance with the Service Expenditure Analysis for Fire Services which includes the following mandatory headings (divisions of service):

- Community Fire Safety
- Fire Fighting and Rescue Operations
- Fire Service and Emergency Planning
- Management and Support Services
- Corporate and Democratic Core
- Non Distributed Cost

The aim of the analysis is to promote consistency between authorities in terms of the format and also the comparability of financial performance reporting.

(i) The apportionment of expenditure and income across the headings of Community Safety, Fire Fighting and Rescue Operations and Fire Service Emergency Planning has been done so primarily on the basis of the number of staff directly employed within each service, adjusted for Community Safety work performed by Operational Firefighters using time recording information supplied by the Authority's Community Fire Risk Management Information System. Fire Service and Emergency Planning relates to work undertaken to assess, plan and advise in respect of a wide range of emergencies under the Civil Contingencies Act 2004.

(ii) Support function costs are allocated on the following bases:

<u>Function:</u>	<u>Split into:</u>	<u>Apportionment basis:</u>
Information Technology		Number of users
Financial Services	Finance	Numbers of invoices processed
	Payroll	Number of payslips produced
Personnel Services		Number of staff employed
Staff Risk		Number of courses attended
Technical Services		Occupancy of premises in metres squared

(iii) Management and Support Services include the cost of the time spent by Directors, and Senior Managers on direct management of the Authority (rather than within their own Function), which is established via a time analysis undertaken annually.

(iv) Corporate and Democratic Core is defined as comprising 2 elements:

- Democratic Representation and Management:

Concerns policy making and all other member-based activities that relate to the general running of the Authority.

Examples of the costs included are:

- Meetings of the Fire Authority and of all policy and service committees
- Joint Officer/Member groups
- Officer advice and support to Members including clerical support

- Corporate Management:

Concerns those activities that provide the infrastructure that allows services to be provided and the information that is required for public accountability. Examples of the costs included are:

- Functions of the Chief Fire Officer, except those concerned with the direct management of services, or the provision of advice and support to Members.
- The cost of the Authority's Business Data Unit including the completion and publishing of statistical returns, performance management information and local performance plans.
- Treasury management and bank charges, external audit and external inspections.

(v) Non Distributed Costs are those which are specifically excluded from being charged, allocated or apportioned to the service divisions within the service expenditure analysis. The two main areas are costs relating to retirement benefits, and also the costs of unused assets as a result of reduced activity or loss of work caused by either voluntary competitive tendering or the loss of a function of work.

Firefighters pensions costs are included within the service headings as appropriate in line with the principles of the code of practice. This apportionment has been done on the basis of pensionable pay per service division.

**(p) Property, Plant and Equipment**

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

**(i) Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

In accounting for fixed asset acquisitions, a deminimis level of £10,000 is set and where capital expenditure is deminimis', this is charged direct to cost of services. The cost of enhancement work to existing fixed assets is added to the appropriate fixed asset balance where the enhancement increases the value of the asset.

**(ii) Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- assets under construction - historical cost
- land and Buildings (Fire Stations) - fair value (depreciated replacement cost - instant build)
- land and Buildings (other than Fire Stations) - fair value (existing use value or comparative method)
- vehicles, plant and equipment - fair value (depreciated historical cost)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, e.g. fire stations, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every four years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount

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

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

### **(iii) Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

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

### **(iv) Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- fire stations and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment - straight-line allocation over the useful life of the plant/machinery

### **Componentisation**

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. This is to ensure that both the depreciation charge in the Net Cost of Services and also the asset carrying value in the Balance Sheet are materially correct. The Authority undertakes an annual review to evaluate whether the componentisation of any of its assets would lead to a materially different depreciation charge and asset carrying value being reported. To date this review has identified no such assets, therefore with the exception of the split between land and buildings, no further componentisation is necessary.

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

### **(v) Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale

transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipt is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### **(q) Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for a nominal charge, the Authority carried the assets used under the contracts on its Balance Sheet as part of the Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into four elements:

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost - an interest charge of 7.5% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to

the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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

## **(r) Provisions, Contingent Liabilities and Contingent Assets**

### **(i) Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

### **(ii) Contingent Liabilities**

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

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

### **(iii) Contingent Assets**

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

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

### **(s) Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service

in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

**(t) VAT**

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

**(u) Council Tax**

From 2009 new guidance on how local authorities account for Council Tax income was issued. Billing authorities in England are currently required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National non-domestic rates. In its capacity as a billing authority, an authority acts as an agent - it collects and distributes Council Tax on behalf of itself and other major preceptors such as the Fire Authority.

Council Tax income collected by billing authorities is credited to their collection fund and represents accrued income for the year. Regulations determine when this income should be released from the collection fund and transferred to the general fund of the billing authority and other major preceptors (which in turn is credited to their general funds). The amount credited under statute is an authority's precept or demand for the year, plus the authority's share of the surplus (or deficit) on the collection fund for the previous year.

The council tax of the Fire Authority included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. However, the difference between the accrued income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to actually be credited to the general fund in year is taken to the Collection Fund Adjustment Account. This account is held on the Balance Sheet, and included as a reconciling item in the Total Movement in Reserves Statement. Hence the difference between accrued precepts received and actual precepts received does not impact on the General Fund or the revenue budget of the Authority.

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax payers belongs proportionately to the billing authority and major preceptors who share the risks and rewards that the amount of council tax could be more or less than predicted. The effect of any bad debts written off or impairment provision are also shared proportionately.

The Authority therefore makes provision for the following items in its balance sheet at the financial year end:

- Debtors for the Authority's share of Council Tax arrears at 31 March
- Provision for bad debts of Debtors in relation to Council Tax arrears as at 31 March
- Income in advance from Council Tax payers who have paid their Council Tax Bills early
- Creditor provision where the billing authorities have over-collected Council Tax in-year compared to the value of Council Tax precepts actually paid over to the Authority in 2010/11

## 2 Transition to IFRS

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

The following tables explain the material differences between the amounts presented in the 2009/10 financial statement and the equivalent amounts presented in the 2010/11 financial statements.

### (a) Short Term Accumulating Compensated Absences

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

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

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

Accruing for short term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

<b>(i) Opening 1 April 2009 Balance Sheet</b>	2009/10 Statements £000	Adjustments Made £000
Creditors	(116.6)	(116.6)
Accumulated Absences Account	(116.6)	(116.6)

<b>(ii) 31 March 2010 Balance Sheet</b>	2009/10 Statements £000	Adjustments Made £000
Creditors	(126.8)	(126.8)
Accumulated Absences Account	(126.8)	(126.8)

<b>(iii) 2009/10 Comprehensive Income and Expenditure Statement</b>	2009/10 Statements £000	Adjustments Made £000
Cost of Services (Net):		
Community Safety	3,463.1	1.2
Fire Fighting and Rescue Operations	26,315.7	8.5
Fire Service Emergency Planning	76.5	0.0
Management and Support	627.6	0.2
Corporate and Democratic Core	711.5	0.3
Non Distributed Costs	(170.0)	0.0

## **(b) Government Grants - Capital**

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the asset which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- A grant was received in 2009/10 but only partially used. Previously, no income was recognised in the Income and Expenditure Statement in respect of this grant, which was shown in the Government Grants Deferred Account within the liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been partially recognised, and transferred to the Capital Adjustment Account within the reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

<b>(i) Opening 1 April 2009 Balance Sheet</b>	2009/10 Statements £000	Adjustments Made £000
Government Grants Deferred Account	0.0	95.9
Capital Adjustment Account	16,929.0	95.9

<b>(ii) 31 March 2010 Balance Sheet</b>	2009/10 Statements £000	Adjustments Made £000
Government Grants Deferred Account	0.0	292.8
Capital Adjustment Account	16,035.5	292.8
Creditors and Income in Advance	(3,210.0)	463.3
Capital Grants Receipts in Advance	(463.3)	(463.3)

<b>(iii) 2009/10 Comprehensive Income and Expenditure Statement</b>	2009/10 Statements £000	Adjustments Made £000
Cost of Services (Net):		
Community Safety	3,463.1	2.0
Fire Fighting and Rescue Operations	26,315.7	13.6
Fire Service Emergency Planning	76.5	0.0
Management and Support	627.6	0.4
Corporate and Democratic Core	711.5	0.5
Non Distributed Costs	(170.0)	0.0
Capital grants and contributions	(213.4)	(213.4)

**(c) Government Grants - Revenue**

Under the Code, all revenue grants and contributions are recognised as income when they become receivable. Previously, general revenue grants were recognised when they became receivable, however specific revenue grants were held as Income in Advance (Creditors) and recognised as income when the grant was used to finance expenditure.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- Revenue Grants held as Income in Advance (Creditors) at 31 March 2009 which have become receivable have been transferred to the reserves section of the balance sheet (Earmarked Reserves)
- Revenue Grants which became receivable in 2009/10 have been recognised in full in the Comprehensive Income and Expenditure Statement. Outstanding revenue grant balances have then been transferred to the reserves section of the balance sheet (Earmarked Reserves)

This has resulted in the following changes being made to the 2009/10 financial statements:

<b>(i) Opening 1 April 2009 Balance Sheet</b>	2009/10 Statements	Adjustments Made
Creditors and Income in Advance	(2,808.2)	25.4
Earmarked Reserves	2,306.6	25.4

<b>(ii) 31 March 2010 Balance Sheet</b>	2009/10 Statements £000	Adjustments Made £000
Creditors and Income in Advance	3,210.0	41.5
Earmarked Reserves	3,320.6	41.5

<b>(iii) 2009/10 Comprehensive Income and Expenditure Statement</b>	2009/10 Statements £000	Adjustments Made £000
Cost of Services (Net):		
Community Safety	3,463.1	(16.1)
Fire Fighting and Rescue Operations	26,315.7	0.0
Fire Service Emergency Planning	76.5	0.0
Management and Support	627.6	0.0
Corporate and Democratic Core	711.5	0.0
Non Distributed Costs	(170.0)	0.0

**(d) Cash and Cash Equivalents**

Under the Code, cash equivalents - "short term, highly liquid investments that are readily convertible to know amounts of cash and which are subject to an insignificant risk of changes in value" are presented in the Balance Sheet along with cash under the heading "Cash and Cash equivalents" and reported as cash flows in the Cash Flow Statement. Previously, cash equivalents were held as Investments on the Balance Sheet and were treated as liquid resources on the Cash Flow Statement

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

<b>(i) Opening 1 April 2009 Balance Sheet</b>	2009/10 Statements £000	Adjustments Made £000
Short Term Investments	0.0	(4,610.1)
Cash and Cash Equivalents	4,612.0	4,610.1

  

<b>(ii) 31 March 2010 Balance Sheet</b>	2009/10 Statements £000	Adjustments Made £000
Short Term Investments	0.0	(5,173.6)
Cash and Cash Equivalents	5,176.8	5,173.6

  

<b>(iii) 2009/10 Cash Flow Statement</b>	2009/10 Statements £000	Adjustments Made £000
Net increase/(decrease) in short term deposits	0.0	(563.5)
Net Increase / Decrease in Cash	(739.0)	(563.5)

**(f) Pension & Compensation Scheme Liability**

Under the Code, where the level of long term disability benefit depends on the length of service, an obligation arises when the service is rendered. Prior to IFRS, long term disability benefit was calculated based upon past actual injury awards. Under IFRS, the Actuary now assumes a level of disability for active members (i.e. current employees) within the schemes. In doing so, the liabilities for both 2008/09 and 2009/10 have been restated accordingly.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

<b>(i) Opening 1 April 2009 Balance Sheet</b>	2009/10 Statements £000	Adjustments Made £000
Pension & Compensation Scheme Liability	(179,376.0)	(7,090.0)
Pension & Compensation Scheme Reserve	(179,376.0)	(7,090.0)

<b>(ii) 31 March 2010 Balance Sheet</b>	2009/10 Statements £000	Adjustments Made £000
Pension & Compensation Scheme Liability	(261,838.0)	(12,260.0)
Pension & Compensation Scheme Reserve	(261,838.0)	(12,260.0)

<b>(iii) 2009/10 Comprehensive Income and Expenditure Statement</b>	2009/10 Statements £000	Adjustments Made £000
Cost of Services (Net):		
Community Safety	3,463.1	277.9
Fire Fighting and Rescue Operations	26,315.7	39.2
Fire Service Emergency Planning	76.5	0.4
Management and Support	627.6	7.1
Corporate and Democratic Core	711.5	5.4
Non Distributed Costs	(170.0)	(170.0)

### 3 Adjustments to 2009/10 Financial Statements

#### (a) Correction on Net Cost of Services for Financial Year 2009/10 (Gross Income and Gross Expenditure)

During the IFRS restatement of the 2009/10 accounts, it was discovered that the FRS 17 adjustment to replace the actual pension contributions in year with current and past service costs within the Net Cost of Services had been accounted for by adjusting both gross expenditure and gross income, instead of a net adjustment to gross expenditure only. This, in effect, overstated both gross expenditure and income within the Income and Expenditure Account by £3,466,000. However, the net service expenditure was reported correctly. The Authority has since reviewed and amended the process in relation to this year end adjustment.

In order to correct this the 2009/10 comparator figures for both gross expenditure and gross income within the Comprehensive Income and Expenditure Statement have been restated, adjusting for the £3,466,000 over the reported service lines accordingly. The following are the relevant extracted lines from the Statement. The Comprehensive Income and Expenditure Statement with appropriate restatement (including IFRS restatements detailed above) can be found on page 20 of these financial statements.

	Originally Stated 2009/10		Restated * 2009/10		Amount of Restatement	
	Gross Expenditure	Gross Income	Gross Expenditure	Gross Income	Gross Expenditure	Gross Income
	£000	£000	£000	£000	£000	£000
Community Safety	3,964.8	(528.0)	3,552.3	(115.5)	(412.5)	(412.5)
Rescue Operations	29,857.7	(3,842.0)	26,939.3	(923.6)	(2,918.4)	(2,918.4)
Emergency Planning	170.7	(94.6)	166.9	(90.8)	(3.8)	(3.8)
Support	700.4	(80.5)	625.7	(5.8)	(74.7)	(74.7)
Democratic Core	774.4	(69.1)	717.8	(12.5)	(56.6)	(56.6)
Non Distributed Costs	0.0	0.0	0.0	0.0	0.0	(0.0)
Net Cost of Services	<u>35,468.0</u>	<u>(4,614.2)</u>	<u>32,002.0</u>	<u>(1,148.2)</u>	<u>(3,466.0)</u>	<u>(3,466.0)</u>

\* Restated amounts shown are prior to being adjusted for the transition to International Financial Reporting Standards.

#### (b) Correction of Deferred Liability/Creditors on Balance Sheet

It was also identified that the Deferred Liability held under the Long Term Liabilities section of the Balance Sheet included short term liabilities. The Long Term Liabilities consist of the PFI and Finance Lease liabilities. These liabilities should be separated between long term and short term. Payments due within twelve months of the Balance Sheet date should be classified as a current liability and payments due after twelve months of the Balance Sheet date should be classified as a long term liability. Despite this overstatement of long term liabilities and understatement of current liabilities by £627,700 within the Balance Sheet, the overall net worth of the Authority was correctly reported.

In order to correct this, the 2009/10 comparator figures within the Balance Sheet have been restated. They are the relevant extracted lines from the Balance Sheet. The Balance sheet with appropriate restatement (including IFRS restatements detailed above) can be found on page 21 of these financial statements.

Deferred Liability	Originally Stated	Restated *	Amount of Restatement
	Finance Leases	4,613.1	4,091.3
PFI	3,339.6	3,233.7	(105.9)
Total	<u>7,952.7</u>	<u>7,325.0</u>	<u>(627.7)</u>
Creditors	3,714.8	4,342.5	(627.7)

\* Restated amounts shown are prior to being adjusted for the transition to International Financial Reporting Standards.

#### **4 Accounting Standards that have been issued but not yet adopted by the Authority**

FRS 30 Heritage Assets has been issued but is not yet adopted becoming applicable for accounting periods on or after 1 April 2011. The Authority does not hold any Heritage Assets.

#### **5 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- (i)** There is a high degree of uncertainty about future levels of funding for local government. However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that its assets might be impaired as a result of a need to close facilities and reduce levels of service provision.
- (ii)** The Authority is deemed to control the services provided under the PFI arrangement for the provision and management of the Huntingdon Fire Station and Easingwold Training Centre, and also to control the residual value of these buildings at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the assets (valued at £4,141,000) are recognised as Property, Plant and Equipment on the Authority's Balance Sheet.
- (iii)** The Authority leases property, vehicles and equipment from third party lessors. The accounting policies for Leases and Lease Type Arrangements have been applied to these agreements. Assets under finance leases (with a net book value of £3,630,000) are recognised as Land, Plant and Equipment of the Authority's Balance Sheet. In determining the fair value of the asset and liability under finance lease arrangements, it has been assumed that assets have a nil residual value at the end of the lease period.

#### **6 Assumptions Made About The Future and other Major Sources of Estimation Uncertainty**

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows overleaf:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>The total depreciation charge in 2010/11 was £2,447,600 and the net book value of non current assets at 31 March 2011 is £37,201,800.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £168,000 for every year that useful lives have to be reduced.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about assumptions to be applied.	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in a decrease in the pension liability of £19m (8.3% of the total liabilities of £238.398m).</p> <p>However, the assumptions interact in complex ways. During 2010/11 the Authority's actuaries advised that the net pensions liability had decreased by £5.4m as a result of experience and decreased by £4.2m attributable to updating the assumptions.</p>
Collection Fund	<p>Accrued council tax reported in the Comprehensive Income and Expenditure Account includes creditors, debtors and a provision for bad debts which are shared between the eight Billing Authorities and three Precepting Authorities within county of North Yorkshire and the city of York.</p> <p>The Authority's share of council tax and net debtors is approximately 4%. Calculations are based on estimated collection rates using past experience and assumptions of the Billing Authorities as to future collectability.</p>	<p>As at 31 March 2011, council tax debtors of the Authority were £767,000 with an impairment of £361,000 (47%) for doubtful debts. However, in the current economic climate it is not certain that the such an allowance would be sufficient.</p> <p>If collection rates were to deteriorate, a 10% rise in impairment would require an additional £76,000 set aside as an allowance via the Collection Fund Adjustment Account (not the General Fund).</p>

## 7 Material Items of Income and Expense

Material items of income and expense are detailed on pages 5 and 6 of the explanatory foreword. Those not disclosed on the face of the Comprehensive Income and Expenditure are:

- Donated Assets (see page 4)
- Impairment Losses on Assets (see pages 4 and 5)
- Termination Benefits (see page 5)

## **8 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Treasurer on 30th June 2010. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no events taking place after 31 March 2011 which provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions as at that date.

## 9 Adjustments between accounting basis & funding basis under regulations

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

2010/11	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000
<b>Adjustments involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the comprehensive Income and Expenditure Statement</b>						
Charges for depreciation and impairment of non current assets	2,269.2				2,269.2	(2,269.2)
Revaluation Losses on Property Plant and Equipment	1,796.8				1,796.8	(1,796.8)
Amortisation of Intangible assets	130.7				130.7	(130.7)
Capital Grants and Contributions	(1,259.3)				(1,259.3)	1,259.3
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	163.1				163.1	(163.1)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Statutory provision for the financing of capital investment	(1,215.3)				(1,215.3)	1,215.3
Capital expenditure charged against the General Fund	0.0				0.0	0.0
<b>Adjustments involving the Capital Receipts Reserve</b>						
Use of capital receipts reserve to finance new capital expenditure			(184.0)		(184.0)	184.0
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(10,341.3)				(10,341.3)	10,341.3
Employer's pension contributions and direct payments to pensioners payable in the year	(3,412.7)				(3,412.7)	3,412.7

## 9 Adjustments between accounting basis & funding basis under regulations (continued)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Movement in Unusable Reserves £000
<b>Adjustments involving the Collection Fund Adjustment Account</b>						
Amount by which Council Tax income credited to the Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(14.6)				(14.6)	14.6
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(22.9)				(22.9)	22.9
<b>Total Adjustments in 2010/11</b>	<b>(11,906.2)</b>	<b>0.0</b>	<b>(184.0)</b>	<b>0.0</b>	<b>(12,090.2)</b>	<b>12,090.2</b>

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000
<b>2009/10 Comparatives</b>						
<b>Adjustments involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the comprehensive Income and Expenditure Statement</b>						
Charges for depreciation and impairment of non current assets	2,155.3				2,155.3	(2,155.3)
Revaluation Losses on Property Plant and Equipment	0.0				0.0	0.0
Amortisation of Intangible assets	145.4				145.4	(145.4)
Capital Grants and Contributions	(213.4)				(213.4)	213.4
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	24.7				24.7	(24.7)

## 9 Adjustments between accounting basis & funding basis under regulations (continued)

### Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000
Statutory provision for the financing of capital investment	(1,100.0)				(1,100.0)	1,100.0
Capital expenditure charged against the General Fund	0.0				0.0	0.0
<b>Adjustments involving the Capital Receipts Reserve</b>						
Use of capital receipts reserve to finance new capital expenditure			(4.5)		(4.5)	4.5
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	12,281.0				12,281.0	(12,281.0)
Employer's pension contributions and direct payments to pensioners payable in the year	(3,466.0)				(3,466.0)	3,466.0
<b>Adjustments involving the Collection Fund Adjustment Account</b>						
Amount by which Council Tax income credited to the Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(77.6)				(77.6)	77.6
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	10.2				10.2	(10.2)
<b>Total Adjustments in 2009/10</b>	<b>9,759.6</b>	<b>0.0</b>	<b>(4.5)</b>	<b>0.0</b>	<b>9,755.1</b>	<b>(9,755.1)</b>

## 10 Property, Plant and Equipment

### Movements on Balances

In 2010/11 Cost or Valuation:	Other Land and Buildings £000	Vehicles £000	Plant & Equipment £000	Assets under Construction £000	Total £000	PFI Assets (Note 15) Included in Property, Plant and Equipment £000
As at 1st April 2010	32,449.0	11,554.2	3,777.2	86.1	47,866.6	4,350.0
Additions	160.7	1,400.7	188.0	264.7	2,014.1	0.0
Donations*	0.0	833.8	0.0	0.0	833.8	0.0
Revaluation increases / (decreases) recognised in the Revaluation Reserve*	310.1	104.4	0.0	0.0	414.4	0.0
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the provision of services	(243.5)	0.0	0.0	0.0	(243.5)	0.0
Derecognition - disposals	(180.5)	(222.3)	(32.5)	0.0	(435.2)	0.0
Other movements in cost or valuation	0.0	14.6	0.0	0.0	14.6	0.0
<b>At 31st March 2011</b>	<b>32,495.8</b>	<b>13,685.4</b>	<b>3,932.7</b>	<b>350.9</b>	<b>50,464.8</b>	<b>4,350.0</b>

#### \* Donated Assets

Five New Dimension vehicles and related equipment were transferred from CLG to the Authority on 1st April 2010. Prior to this date, these assets were owned by the CLG.

These assets have been accounted for as Donated Assets in these financial statements and transferred at the total net book value of £833,795 held by the CLG plus the Revaluation Reserve balance of £104,738 as at 31st March 2010 (i.e. 1st April 2010).

## Movements on Balances

	Other Land and Buildings	Vehicles	Plant & Equipment	Assets under Construction	Total	PFI Assets (Note 15) Included in Property, Plant and Equipment
<b>In 2010/11</b>	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation &amp; Impairment:</b>	£000	£000	£000	£000	£000	£000
As at 1st April 2010	(934.5)	(5,961.0)	(2,705.7)	0.0	(9,601.2)	(104.5)
Depreciation Charge	(922.6)	(949.5)	(429.1)	0.0	(2,301.3)	(104.5)
Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation written out to the Surplus / Deficit on the provision of services Impairment losses/ (reversals) recognised in the Revaluation Reserve	(589.4)	0.0	0.0	0.0	(589.4)	0.0
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,553.1)	0.0	0.0	0.0	(1,553.1)	0.0
Derecognition - Disposals	27.1	215.2	29.8	0.0	272.1	0.0
Derecognition - Other	0.0	0.0	0.0	0.0	0.0	0.0
Other movements in Depreciation and Impairment	2.5	9.7	19.7	0.0	31.9	0.0
<b>At 31st March 2011</b>	<b>(3,970.0)</b>	<b>(6,685.6)</b>	<b>(3,085.3)</b>	<b>0.0</b>	<b>(13,741.0)</b>	<b>(209.0)</b>
<b>Net Book Value</b>						
<b>At 31st March 2011</b>	<b>28,525.8</b>	<b>6,999.7</b>	<b>847.4</b>	<b>350.9</b>	<b>36,723.8</b>	<b>4,141.0</b>
<b>At 31st March 2010</b>	<b>31,514.5</b>	<b>5,593.2</b>	<b>1,071.5</b>	<b>86.1</b>	<b>38,265.3</b>	<b>4,245.5</b>

## Comparative Movements in 2009/10

	Other Land and Buildings £000	Vehicles £000	Plant & Equipment £000	Assets under Construction £000	Total £000	PFI Assets (Note 32) Included in Property, Plant and Equipment
<b>Cost or Valuation:</b>						
As at 1st April 2009 -						
Restated	32,319.5	10,898.5	3,669.1	2.2	46,889.3	4,350
Additions	129.5	885.7	359.3	83.9	1,458.4	-
Derecognition - disposals	-	(230.0)	(251.1)	-	(481.1)	-
<b>As at 31st March 2010</b>	<b>32,449.0</b>	<b>11,554.2</b>	<b>3,777.2</b>	<b>86.1</b>	<b>47,866.6</b>	<b>4,350.0</b>
<b>Accumulated Depreciation &amp; Impairment:</b>						
As at 1st April 2009 -						
Restated	-	(5,434.1)	(2,473.2)	-	(7,907.4)	-
Depreciation Charge	(934.5)	(750.6)	(470.1)	-	(2,155.2)	(104.5)
Derecognition - Disposals		223.7	237.7	-	461.4	
Other movements in Depreciation an Impairment	-	-	-	-	-	
<b>As at 31st March 2010</b>	<b>(934.5)</b>	<b>(5,961.0)</b>	<b>(2,705.7)</b>	<b>0.0</b>	<b>(9,601.2)</b>	<b>(104.5)</b>
<b>Net Book Value At 31st March 2010</b>	<b>31,514.5</b>	<b>5,593.2</b>	<b>1,071.5</b>	<b>86.1</b>	<b>38,265.4</b>	<b>4,245.5</b>
<b>At 31st March 2009</b>	<b>32,319.5</b>	<b>5,464.4</b>	<b>1,195.8</b>	<b>2.2</b>	<b>38,982.0</b>	<b>4,350.0</b>

### Depreciation

The following useful lives have been used in the calculation of depreciation:

- Land - not depreciated
- Buildings 10 - 50 years
- Vehicles 6 - 15 years
- Plant & Equipment 5 - 6 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. To date the Authority has identified no such assets.

### Capital Commitments

At 31st March 2011, the Authority is within a contract for the construction of Danby Fire Station. The associated capital expenditure commitments in future years are:

	£
2011/12	464,000
2012/13	60,000

## Revaluations

As stated in accounting policy 1(p)(ii) on pages 32 and 33, assets are then carried in the Balance Sheet using the following measurement bases:

- assets under construction - historical cost
- land and Buildings (Fire Stations) - fair value (depreciated replacement cost - instant build)
- land and Buildings (other than Fire Stations) - fair value (existing use value or comparative method)
- vehicles, plant and equipment - fair value (depreciated historical cost)

The Authority carries out a rolling programme that ensures that all Land and Property required to be measured at fair value is revalued at least every four years. All valuations were carried out by Mouchel Consulting, an independent external valuer. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

For elements of the Northallerton site - the former headquarters building, the second floor offices and the warehouse at the rear - a comparative method has been used as these elements are currently not in use. Despite this, the Valuers have advised the Authority that they view the site remains one operational asset.

The significant assumptions applied in estimating the fair values are:

- depreciated replacement cost valuations are carried out subject to the prospect and viability of the continued occupation and use
- That all properties are free of dry rot and potentially deleterious material
- That good title can be shown
- That the properties and values are unaffected by any matters which would be revealed in a local search or inspection of any register, and that the use and occupations are both lawful
- That land and properties where relevant are not contaminated
- For the depreciated replacement cost method, the cost of constructing the property is calculated and then depreciated to reflect factors of age and obsolescence. An addition is then made for the value of the land on which the property is situated.
- Remaining useful lives are based upon the assumption that the Authority continues to undertake appropriate maintenance and repair which will enable the estate to continue to provide existing services

	Other Land and Buildings £000	Vehicles £000	Plant & Equipment £000	Assets under Construction £000	Total £000
carried at historical cost	-	-	-	350.9	350.9
valued at fair value as at					
31 March 2011	4,844.5	6,999.7	847.4	-	12,691.7
31 March 2010	9,734.4	-	-	-	9,734.4
31 March 2009	13,946.9	-	-	-	13,946.9
<b>Total Cost or Valuation</b>	<b>28,525.8</b>	<b>6,999.7</b>	<b>847.4</b>	<b>0.0</b>	<b>36,723.8</b>

## 11 Impairment Losses

During 2010/11, the Authority has recognised an impairment loss of £2,142,460 in relation to Northallerton Fire Station site at Crosby Road. This follows from a comparative method of valuation being used as parts of the site - the former HQ building, the second floor offices and the warehouse at the rear - are currently not in use.

The financial impact of this impairment is a charge against the revaluation reserve of £589,370 (writing out the impairment to the value of past accumulated gains) and a charge to the Comprehensive Income and Expenditure Account for the remaining balance of £1,553,090 shown in note 10 above.

## 12 Intangible Assets

The Authority's Intangible assets consist wholly of Software licenses for the Authority's IT systems. The useful lives of the licences are based on assessment of the period that the license is expected to be of use to the Authority. The useful lives assigned to the software licences range from 4- 5 years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £130,665 in 2010/11 (2009/10 £145,432) was charged to revenue to the Information Technology Service and Support cost centre and then apportioned to each service heading within the Comprehensive Income and Expenditure Account based upon the number of PC users in each:

	2010/11 £000	2009/10 £000
Community Safety	9.0	6.0
Fire Fighting and Rescue Operations	120.0	136.9
Fire Service Emergency Planning	0.3	0.1
Management and Support	1.3	2.5
Corporate and Democratic Core	0.0	0.0
	<u>130.6</u>	<u>145.5</u>

The movement on Intangible Asset balances during the year is as follows:

	31 March 2011 £000	31 March 2010 £000
<b>Balance at the start of the year:</b>		
Gross carrying amounts	867.3	712.2
Accumulated amortisation	<u>(550.7)</u>	<u>(405.3)</u>
<b>Net carrying amount at start of year</b>	<b>316.6</b>	<b>306.9</b>
<b>Additions</b>		
Internal development	-	-
Purchases	292.1	155.1
<b>Amortisation for the period</b>	<b>(130.7)</b>	<b>(145.4)</b>
<b>Net carrying amount at end of year</b>	<b><u>478.0</u></b>	<b><u>316.6</u></b>
<b>Comprising:</b>		
Gross carrying amount	1,159.4	867.3
Accumulated amortisation	<u>(681.4)</u>	<u>(550.7)</u>
	<b><u>478.0</u></b>	<b><u>316.6</u></b>

## 13 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note overleaf:

	2010/11 £000	2009/10 £000
<b>Opening Capital Financing Requirement</b>	<b>18,559.8</b>	<b>18,264.2</b>
<b>Capital investment</b>		
Property, Plant and Equipment	2,847.9	1,458.4
Investment Properties	-	-
Intangible Assets	292.1	155.1
Revenue Expenditure Funded from Capital under Statute	-	-
<b>Sources of finance</b>		
Capital receipts	(183.9)	(4.5)
Government grants and other contributions	(1,259.3)	(213.4)
Sums set aside from revenue	-	-
Direct revenue contributions	-	-
Minimum Revenue Provision	(1,215.3)	(1,100.0)
<b>Closing Capital Financing Requirement</b>	<b>19,041.4</b>	<b>18,559.8</b>
<b>Explanation of movements in year</b>		
Increase/(decrease) in underlying need to borrowing (supported by government financial assistance)	506.2	144.2
Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	461.4	(189.6)
Assets acquired under finance leases	(380.1)	428.7
Assets acquired under PFI/PPP contracts	(105.9)	(87.7)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>481.6</b>	<b>295.6</b>

#### 14 Assets Held for Sale

As at both years ended 31st March 2011 and 31st March 2010, the Authority held no current assets for sale.

#### 15 Private Finance Initiatives and Similar Contracts

The PFI Scheme is an arrangement under which a Contractor designs, builds, finances and operates a Fire Station (at Huntington) and a Fire Training School (at Easingwold) for the Authority. The contract was signed in July 2001 and the fire station and training centre were completed and opened in May 2002. The contract period is for 25 years and commenced in May 2002. During the contract period the Contractor is responsible for maintaining the assets and for the provision of certain Facilities Management services (cleaning, window cleaning, catering, janitorial, grounds maintenance, waste management and pest control). The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The Contract may be extended by mutual agreement between the two parties. Should the Contract run to its natural close the Authority can purchase the land and buildings at a nominal cost of £10 per site. The element of the contract payable for the Facilities Management Service is market tested at five yearly intervals throughout the contract period. The testing is based upon the basket of services being supplied by the Contractor at the time.

#### Property Plant and Equipment

The assets used to provide services at the sites are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement of Property, Plant and Equipment balances in Note 10.

#### Payments

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which otherwise is fixed unless the agreed maximum usage is exceeded. The total payment in the year to 31st March 2011 was £1,040,208. (2009/10 £1,023,182).

Payments remaining to be made under the PFI contract at 31 March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Reimbursement of Capital Expenditure £000	Interest Charge £000	Payment for Service £000	Total £000
payable within one year	117.7	241.4	598.8	957.9
payable in the 2nd to 5th year (inclusive)	617.1	856.6	2,603.4	4,077.1
payable in the 6th to 10th year	924.3	785.6	3,986.7	5,696.6
payable in the 11th to 15th year	1,183.6	435.3	4,826.3	6,445.2
payable in the 16th to 20th year	390.9	22.0	974.3	1,387.3
	<u>3,233.7</u>	<u>2,340.9</u>	<u>12,989.5</u>	<u>18,564.2</u>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the contractor for capital expenditure is as follows:

	2010/11 £000	2009/10 £000
Balance outstanding at 1 April	3,339.6	3,427.4
Payments during the year	(105.9)	(87.7)
Capital expenditure incurred in the year		-
Balance outstanding at 31 March	<u>3,233.7</u>	<u>3,339.6</u>

## 16 Leases

### (a) Authority as Lessee

#### (i) Finance Leases

The Authority has acquired fire appliances, support vehicles, breathing equipment and photocopiers under finance lease arrangements. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2011 £000	31 March 2010 £000
Other Land and Buildings	-	-
Vehicles, Plant, Furniture and Equipment	3,630.1	3,951.8
	<u>3,630.1</u>	<u>3,951.8</u>

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

	31 March 2011 £000	31 March 2010 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	618.5	521.8
Non-current	3,614.5	4,091.3
Finance costs payable in future years	952.6	1,168.0
Minimum lease payments	<u>5,185.6</u>	<u>5,781.2</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	£000	£000	£000	£000
No later than one year	814.1	741.2	618.5	521.8
Later than one year and not later than five years	2,486.4	2,700.4	1,983.1	2,098.9
Later than five years	1,885.1	2,339.5	1,631.4	1,992.5
	<b>5,185.6</b>	<b>5,781.2</b>	<b>4,233.0</b>	<b>4,613.1</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents were payable by the Authority in either 2010/11 or 2009/10.

## (ii) Operating Leases

The Authority has acquired buildings, vehicles, Information Technology equipment and mobile phones by entering into operating leases, with lives ranging from two to fifteen years. A number of these arrangements include payments for non lease elements (Internet bandwidth, mobile phone airtime etc) where the payment cannot be accurately identified between the lease element and the non lease element. These arrangements are disclosed separately from those arrangements which contain a lease element only.

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

	Agreements containing lease and non lease payments		Agreements containing only lease payments	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	£000	£000	£000	£000
No later than one year	299.7	296.7	157.8	168.9
Later than one year and not later than five years	-	-	631.1	631.1
Later than five years	-	-	591.2	749.0
	<b>299.7</b>	<b>296.7</b>	<b>1,380.1</b>	<b>1,549.0</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	Agreements containing lease and non lease payments		Agreements containing only lease payments	
	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000
Minimum lease payments	296.7	314.0	168.9	155.6
Contingent rents	-	-	9.8	-
(Sublease payments receivable)	-	-	-	-
	<b>296.7</b>	<b>314.0</b>	<b>178.7</b>	<b>155.6</b>

## (b) Authority as Lessor

### (i) Operating Leases

The Authority leases out property and equipment under operating leases for the following purposes:

- Part of the building at Bedale Fire Station is leased to North Yorkshire Police Authority for use as a police station. The 99 year lease began in March 2003 and the annual rent is peppercorn. The building construction costs were met equally by the two Authorities.
- Easements for underground power cables
- Office space leased to other government organisations let at commercial rates

As all leased property is let at either peppercorn rent or for short term agreements there are no future minimum payments receivable under non - cancellable leases to disclose.

The income credited to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2010/11 £000	2009/10 £000
Minimum lease payments	11.0	13.3
Contingent rents	-	-
[Sublease payments receivable]	-	-
	<b>11.0</b>	<b>13.3</b>

## 17 Inventories

2010/11	Uniform £000	Transport £000	Fuel £000	Other £000	Total £000
<b>Balance at 1st April</b>	111.1	58.9	31.9	69.2	271.1
Purchases	246.7	232.3	258.8	486.0	1,223.8
Recognised as an expense in the year	(251.5)	(227.1)	(258.8)	(503.0)	(1,240.3)
Written off balances	-	-	-	(5.8)	(5.8)
Reversals of write-offs in previous years	-	-	-	-	0.0
<b>Balance at 31st March</b>	<b>106.3</b>	<b>64.1</b>	<b>31.9</b>	<b>46.4</b>	<b>248.7</b>
<b>2009/10 Comparatives</b>	Uniform £000	Transport £000	Fuel £000	Other £000	Total £000
<b>Balance at 1st April</b>	126.0	57.2	24.5	65.8	273.4
Purchases	218.6	274.0	253.1	316.3	1,062.0
Recognised as an expense in the year	(233.5)	(272.3)	(245.7)	(311.6)	(1,063.2)
Written off balances	0.0	0.0	0.0	(1.2)	(1.2)
Reversals of write-offs in previous years	-	-	-	-	0.0
<b>Balance at 31st March</b>	<b>111.1</b>	<b>58.9</b>	<b>31.9</b>	<b>69.2</b>	<b>271.1</b>

## 18 Short-Term Debtors

	31 March 2011 £000	31 March 2010 £000
Central Government bodies	1,375.4	1,745.3
Other Local Authorities	842.3	823.1
NHS Bodies	0.0	0.0
Public corporations and trading funds	0.0	0.0
Other entities and individuals	1,135.4	2,273.6
<b>Total</b>	<b>3,353.2</b>	<b>4,842.0</b>

## 19 Cash and Cash Equivalents

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

	31 March 2011	31 March 2010
	£000	£000
Cash held by the Authority	1.9	3.2
Bank current accounts	3.0	(184.7)
Short-term deposits with building societies	7,714.5	5,173.6
<b>Total Cash and Cash Equivalents</b>	<b>7,719.5</b>	<b>4,992.1</b>

## 20 Short-Term Creditors

	31 March 2011	31 March 2010
	£000	£000
Central Government bodies	1,849.3	2,033.9
Other Local Authorities	579.6	519.5
NHS Bodies	-	-
Public corporations and trading funds	23.0	20.9
Other entities and individuals	2,021.8	1,815.7
<b>Total</b>	<b>4,473.7</b>	<b>4,390.0</b>

## 21 Provisions

	Employee Related Insurance Claims £000	Termination Benefits (Note 20) £000	Total £000
Balance as at 1 April 2010	0.0	0.0	0.0
Provisions Made 2010/11	70.6	319.0	389.6
Amounts used in 2010/11	-	-	0.0
Unused amounts reversed in 2010/11	-	-	0.0
<b>Balance as at 31 March 2011</b>	<b>70.6</b>	<b>319.0</b>	<b>389.6</b>

### Employee Related Insurance Claims

A provision has been made for the future settlement of claims under the Authority's Employers Liability insurance policy. Following advice from the Insurers, the amount of future liabilities has been estimated at £70,600.

However, the timing of eventual settlement and payment is not known. Under the insurance policy, the Authority is liable for the first £10,000 of each claim.

## 22 Termination Benefits

The Authority terminated the contracts of four employees in 2010/11, incurring liabilities of £15,000 (£0 in 2009/10). Of this total, £13,900 was in the form of compensation for loss of office and £1,100 being the employer's contribution to enhanced pension benefits.

The Authority announced a restructuring plan for a reduction in the capacity of its Administrative Support during 2010/11 which included seeking expressions of interest in voluntary redundancy from all Local Government Support Staff in November 2010. A formal consultation process with affected staff commenced on 17th March 2011 and concluded on 18th April 2011.

The selection process for the revised structure commenced following this consultation period. It is expected that all posts will be offered by 30th June 2011 after which voluntary redundancies will be made. A provision for estimated cost of these redundancies has been made of £319,000. Of this amount, £164,000 is in the form of compensation for loss of office and £155,000 being the employer's contribution to enhanced pensions benefits.

### 23 Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	Balance at 1 April £000	Transfers Out £000	Transfers In £000	Balance at 31 March £000
Pensions	1,260.1	(66.2)	-	1,193.9
Pay and Prices	1,419.0	-	279.3	1,698.3
Contingency	600.0	-	-	600.0
New Developments	-	-	102.7	102.7
Earmarked Revenue Grants	41.5	(19.9)	36.6	58.2
<b>Total</b>	<b>3,320.6</b>	<b>(86.1)</b>	<b>418.6</b>	<b>3,653.1</b>

### 2009/10 Comparatives

	Balance at 1 April £000	Transfers Out £000	Transfers In £000	Balance at 31 March £000
Pensions	1,069.4	-	190.7	1,260.1
Pay and Prices	611.8	-	807.2	1,419.0
Contingency	600.0	-	-	600.0
Earmarked Revenue Grants	25.4	-	16.1	41.5
<b>Total</b>	<b>2,306.6</b>	<b>-</b>	<b>1,014.0</b>	<b>3,320.6</b>

The Earmarked Revenue Grants consist of grants and contributions that the Authority has recognised as income, however the remainder of the expenditure is anticipated in a subsequent financial year.

### 24 Usable Reserves

Movement in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 19 and also note 9 on pages 46 to 48.

### 25 Unusable Reserves

	31 March 2011 £000	31 March 2010 £000
Revaluation Reserve	3,650.9	3,986.6
Capital Adjustment Account	14,509.7	16,035.5
Pensions Reserve	(238,398.0)	(261,838.0)
Collection Fund Adjustment Account	87.7	73.1
Accumulating Compensated Absences Adjustment Account	(103.9)	(126.8)
<b>Total Unusable Reserves</b>	<b>(220,253.7)</b>	<b>(241,869.6)</b>

#### (a) Revaluation Reserve

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

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

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

The Total Movement in Reserves Statement on page 19 provides details of the source of all transactions posted to the Account detailed overleaf:

<b>Revaluation Reserve</b>	2010/11 £000	2009/10 £000
<b>Balance at 1st April</b>	<b>3,986.6</b>	<b>4,100.3</b>
Upward revaluation of assets	472.1	-
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(632.5)	-
	<u>3,826.3</u>	<u>4,100.3</u>
Difference between fair value depreciation and historical cost depreciation	(130.0)	(113.7)
Accumulated gains on assets sold or scrapped	(45.4)	-
Amount written off to the Capital Adjustment Account	(175.4)	(113.7)
	<u>(175.4)</u>	<u>(113.7)</u>
<b>Balance at 31st March</b>	<b><u>3,650.9</u></b>	<b><u>3,986.6</u></b>

**(b) Capital Adjustment Account**

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

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

The Total Movement in Reserves Statement on page 19 provides details of the source of all transactions posted to the Account detailed below:

<b>(b) Capital Adjustment Account</b>	2010/11 £000	2009/10 £000
<b>Balance at 1st April</b>	<b>16,035.5</b>	<b>16,929.3</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(3,822.5)	(2,155.3)
Revaluation losses on Property, Plant and Equipment	(243.5)	-
Amortisation of intangible assets	(130.7)	(145.4)
Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(163.1)	(24.7)
	<u>(4,359.8)</u>	<u>(2,325.4)</u>
Adjusting amounts written out of the Revaluation Reserve	175.4	113.7
Net written out amount of the cost of non-current assets consumed in year	<u>(4,184.4)</u>	<u>(2,211.7)</u>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	183.9	4.5
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,259.3	213.4
Statutory provision for the financing of Capital investment charged against the General Fund balance	1,215.3	1,100.0
	<u>2,658.5</u>	<u>1,317.9</u>
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
<b>Balance at 31st March</b>	<b><u>14,509.7</u></b>	<b><u>16,035.5</u></b>

### (c) Pension Reserve

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

	2010/11 £000	2009/10 £000
<b>Balance at 1st April</b>	(261,838.0)	(179,376.0)
Actuarial gains or losses on pensions assets and liabilities	9,686.0	(73,646.7)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	10,341.3	(12,281.0)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,412.7	3,466.0
<b>Balance at 31st March</b>	<b>(238,398.0)</b>	<b>(261,838.0)</b>

### (d) Collection Fund Adjustment Account

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

	2010/11 £000	2009/10 £000
<b>Balance at 1st April</b>	73.1	(4.5)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated in accordance with statutory requirements	14.6	77.6
<b>Balance at 31st March</b>	<b>87.7</b>	<b>73.1</b>

### (e) Accumulating Compensated Absences Adjustment Account

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

	2010/11 £000	2009/10 £000
<b>Balance at 1st April</b>	(126.8)	(116.6)
Settlement or cancellation of accrual made at the end of the preceding year	126.8	116.6
Amounts accrued at the end of the current year	(103.9)	(126.8)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	22.9	(10.2)
<b>Balance at 31st March</b>	<b>(103.9)</b>	<b>(126.8)</b>

## 26 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Fire Authority Members on the basis of budget reports for the Authority as a whole.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

(a) The income and expenditure of the Authority recorded in the Provisional Outturn 2010/2011 and 2011/2012 Budget Update report to Members 22nd June 2011 is as follows:

	2010/11 £000	2009/10 £000
Fees, charges & other service income	(859.7)	(858.6)
Interest and investment income	(89.8)	(75.9)
Government grants	(648.9)	(648.9)
<b>Total Income</b>	<u>(1,598.3)</u>	<u>(1,583.3)</u>
Employee expenses	24,004.5	23,177.3
Other operating expenses	7,465.1	7,654.5
Interest Payments	1,114.3	1,052.8
<b>Total Expenditure</b>	<u>32,584.0</u>	<u>31,884.6</u>
<b>Net Expenditure</b>	<u><b>30,985.7</b></u>	<u><b>30,301.4</b></u>

(b) **Reconciliation of Authority Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of the Authority's income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement:

	2010/11 £000	2009/10 £000
Net expenditure in the Authority analysis	30,985.7	30,301.4
Net expenditure of services and support services not included in the analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis *	(20,082.9)	2,456.9
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,889.7)	(1,733.8)
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<u><b>9,013.1</b></u>	<u><b>31,024.4</b></u>

### (c) Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of the Authority's income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:

	Authority Analysis £000	Amounts not reported to management for Decision Making * £000	Amounts not included in Cost of Services £000	Cost of Services £000	Corporate Amounts £000	Total £000
<b>2010/11</b>						
Fees, charges & other service income	(859.7)	-	-	<b>(859.7)</b>	(564.0)	<b>(1,423.7)</b>
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-
Interest and investment income	(89.8)	-	89.8	-	(89.8)	<b>(89.8)</b>
Income from council tax	-	-	-	-	(18,572.7)	<b>(18,572.7)</b>
Government grants and contributions	(648.9)	-	350.2	<b>(298.7)</b>	(18,017.7)	<b>(18,316.4)</b>
<b>Total Income</b>	<b>(1,598.3)</b>	-	<b>439.9</b>	<b>(1,158.4)</b>	<b>(37,244.1)</b>	<b>(38,402.6)</b>
Employee expenses	24,004.5	(24,279.6)	-	<b>(275.1)</b>	14,507.0	<b>14,231.9</b>
Other service expenses	7,465.1	-	(1,215.3)	<b>6,249.9</b>	-	<b>6,249.9</b>
Support Service recharges	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	4,196.7	-	<b>4,196.7</b>	-	<b>4,196.7</b>
Interest Payments	1,114.3	-	(1,114.3)	-	1,114.3	<b>1,114.3</b>
Precepts & Levies	-	-	-	-	-	-
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	163.1	<b>163.1</b>
<b>Total expenditure</b>	<b>32,584.0</b>	<b>(20,082.9)</b>	<b>(2,329.6)</b>	<b>10,171.5</b>	<b>15,784.4</b>	<b>25,955.9</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>30,985.7</b>	<b>(20,082.9)</b>	<b>(1,889.7)</b>	<b>9,013.1</b>	<b>(21,459.7)</b>	<b>(12,446.6)</b>

\* Certain amounts are not reported monthly to management under the Authority's Budget Monitoring procedures as such amounts do not fall to be met from council tax and hence do not form part of the annual revenue budget. These include:

	2010/11	
Accounting for Employee Benefits	(24,256.7)	Post Employment Benefits (see Note 32)
Accounting for Employee Benefits	(22.9)	Accruing for untaken leave as at 31 March 2011 (see Note 25e)
Accounting for Depreciation, Amortisation & Impairment	4,196.7	See Notes 10 and 11
	<b>(20,082.9)</b>	

## 2009/10 Comparative Figures

	Authority Analysis £000	Amounts not reported to management for Decision Making* £000	Amounts not included in I & E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(858.6)	16.5	-	<b>(842.1)</b>	-	<b>(842.1)</b>
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-
Interest and investment income	(75.9)	-	75.9	-	(75.9)	<b>(75.9)</b>
Income from council tax	-	-	-	-	(18,143.5)	<b>(18,143.5)</b>
Government grants and contributions	(648.9)	-	343.2	<b>(305.7)</b>	(17,086.0)	<b>(17,391.8)</b>
<b>Total Income</b>	<b>(1,583.3)</b>	<b>16.5</b>	<b>419.0</b>	<b>(1,147.8)</b>	<b>(35,305.4)</b>	<b>(36,453.2)</b>
Employee expenses	23,177.3	156.2	-	<b>23,333.5</b>	12,295.0	<b>35,628.5</b>
Other service expenses	7,654.5	-	(1,100.1)	<b>6,554.5</b>	-	<b>6,554.5</b>
Support Service recharges	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	2,284.2	-	<b>2,284.2</b>	-	<b>2,284.2</b>
Interest Payments	1,052.8	-	(1,052.8)	-	1,052.8	<b>1,052.8</b>
Precepts & Levies	-	-	-	-	-	-
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	24.7	<b>24.7</b>
<b>Total expenditure</b>	<b>31,884.6</b>	<b>2,440.4</b>	<b>(2,152.8)</b>	<b>32,172.2</b>	<b>13,372.5</b>	<b>45,544.7</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>30,301.4</b>	<b>2,456.9</b>	<b>(1,733.8)</b>	<b>31,024.4</b>	<b>(21,933.0)</b>	<b>9,091.5</b>

\* Certain amounts are not reported monthly to management under the Authority's Budget Monitoring procedures as such amounts do not fall to be met from council tax and hence do not form part of the annual revenue budget. These include:

	2009/10	
Accounting for Employee Benefits	146.0	Post Employment Benefits (see Note 32)
Accounting for Employee Benefits	10.2	Accruing for untaken leave as at 31 March 2011 (see Note 25e)
Accounting for Depreciation, Amortisation & Impairment	<u>2,300.7</u>	See Note 10
	<b><u>2,456.9</u></b>	

## 27 Members' Allowances

The Authority paid the following amounts to members of the Authority during the year.

	2010/11 £000	2009/10 £000
Allowances	77.6	76.2
Expenses	6.3	7.1
<b>Total</b>	<b>83.9</b>	<b>83.3</b>

## 28 Officers' Remuneration

### 2010/11 remuneration

The following table sets out the 2010/11 remuneration disclosures for Senior Employees whose salary is less than £150,000 but equal to or more than £50,000 per year:

	Salary (inc. Fees & Allowances) £	Pay award Arrears £	Expense Allowances £	Total Remuneration excluding Pension Contributions £	Employer Pension Contributions £	2010/11 Total Remuneration £
Chief Fire Officer/ Chief Executive	149,229	-	-	149,229	30,508	179,737
Deputy Chief Fire Officer	127,745	-	-	127,745	25,932	153,677
Assistant Chief Fire Officer	120,584	-	-	120,584	24,406	144,990
Treasurer (S151)	97,399	-	-	97,399	14,151	111,550
	<b>494,957</b>	<b>0</b>	<b>0</b>	<b>494,957</b>	<b>94,997</b>	<b>589,954</b>

### 2009/10 comparative remuneration

	Salary (inc. Fees & Allowances) £	Pay award Arrears £	Expense Allowances £	Total Remuneration excluding Pension Contributions £	Employer Pension Contributions £	2009/10 Total Remuneration £
Chief Fire Officer/ Chief Executive	149,229	785	-	150,014	30,675	180,689
Deputy Chief Fire Officer	127,745	668	96	128,509	26,074	154,583
Assistant Chief Fire Officer	120,584	628	-	121,212	24,540	145,752
Treasurer (S151)	97,399	511	-	97,910	14,229	112,139
	<b>494,957</b>	<b>2,592</b>	<b>96</b>	<b>497,645</b>	<b>95,518</b>	<b>593,163</b>

The pension contributions payable by Employers and Employees are prescribed by the Pension Schemes' Regulations:

	Employer	Employee
1992 Firefighters Pension Scheme	21.3%	11.0%
Local Government Pension Scheme	15.2%	7.5%

The following table sets out the 2010/11 remuneration disclosures for all employees (including those in the table above) whose total remuneration (excluding employer's pension contributions) is over £50,000:

Band:	2010/11 Number of employees	2009/10 Number of employees
£50,000 - £54,999	4	4
£55,000 - £59,999	10	10
£60,000 - £64,999	2	-
£65,000 - £69,999	-	-
£70,000 - £74,999	2	3
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	1	1
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	1
£125,000 - £129,999	1	1
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £149,999	1	-
£150,000 - £154,999	-	1
	22	21

Remuneration is all amounts receivable by an employee, including expenses and allowances chargeable to tax and the estimated money value of any other benefits received.

## 29 Audit Fees

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2010/11 £000	2009/10 £000
Fees payable to the Audit Commission with regard to external audit services carried out by appointed auditor	71.7	69.7
Fees payable to the Audit Commission in respect of statutory inspection under Section 10 of the Local Government Act 1999	0.0	0.0
Fees payable to the Audit Commission in respect of other services provided by the appointed auditor	0.0	4.7
	<b>71.7</b>	<b>74.4</b>

The fees for other services provided in 2009/10 relate to a review of the proposed arrangements for transition to International Financial Reporting Standards with effect from 1st April 2010.

### 30 Grant Income

The Authority credited the following grants, contributions and donations (over £10,000) to the Comprehensive Income and Expenditure Statement in 2010/11.

	2010/11 £000	2009/10 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	1,644.3	2,419.8
PFI Grant (to match interest charge)	350.2	343.1
Firefighters Pension Grant	3,440.3	3,626.0
Fire Capital Grant	425.5	213.4
<b>Total</b>	<b>5,860.2</b>	<b>6,602.3</b>
<b>Credited to Services</b>		
New Dimension Grant	28.6	49.0
Fire Control Grant	137.1	133.0
ARSON Grant	-	16.3
ECSV Project Grant	23.5	21.7
Smoke Alarms Grant & Donations	1.9	29.3
Station equipment Donations	2.9	-
Northallerton Fire Work Display Donations	7.1	-
Extrication Team Grant	8.0	-
PFI Grant	298.7	305.7
<b>Total</b>	<b>507.7</b>	<b>555.0</b>

The Authority has received some grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows

#### Capital Grants Receipts in Advance

Fire Capital Grant	868.8	463.3
<b>Total</b>	<b>868.8</b>	<b>463.3</b>

#### Income in Advance

New Dimension grant	286.7	250.4
Fire Control Grant	-	43.9
<b>Total</b>	<b>1,155.5</b>	<b>757.6</b>

### 31 Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

#### Central Government

Central government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are set out in the subjective analysis in Note 26 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 30.

#### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2010/11 is shown in Note 27. No material related party transactions occurred

with Members in 2010/11.

### **Officers**

Officers have day to day control of the running of the Authority's affairs. No material related party transactions occurred with Officers in 2010/11.

## **32 Defined Benefit Pension Schemes**

### **(a) Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment 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:

- (i) Local Government Pension Scheme** for non uniformed employees, administered by North Yorkshire 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 pension liabilities with investment assets.
- (ii) Firefighters Pension Scheme** - these are unfunded schemes, meaning that there are no assets built up to meet pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. There are two schemes administered by the Authority - the Firefighters Pension Scheme 1992 (FPS) and the New Firefighters Pension Scheme 2006 (NFPS)

### **(b) Injury Allowances - Firefighters Compensation Scheme 2006**

Injury Awards and awards payable on the death of a firefighter attributable to a qualifying injury are not part of the Firefighters Pension Scheme because they are payable irrespective of whether an employee is a member of the scheme. New tax rules with effect from 1st April 2006 prevent Injury Awards from being part of the Pension Scheme Regulations and the opportunity was taken to move the injury awards into a separate Firefighters Compensation Scheme 2006 with all injury awards previously covered by the FPS being paid from the Authority's Income and Expenditure account, not their Pension Fund.

### **Transactions relating to Retirement and Injury Benefits**

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

	Local Govt. Pension Scheme 2010/11 £000	Firefighters Pension Scheme 2010/11 £000	Firefighters Compensation Scheme 2010/11 £000	Total 2010/11 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<b>Cost Of Services :</b>				
Current Service Cost	(554.0)	(5,370.0)	(580.0)	(6,504.0)
Past Service Cost / (Gain)	989.0	23,780.0	2,580.0	27,349.0
Settlements and Curtailments	(1.0)	-	-	(1.0)
<b>Financing and Investment Income and Expenditure</b>				
Interest Cost	(907.0)	(12,360.0)	(1,240.0)	(14,507.0)
Expected return on assets	564.0	-	-	564.0
<b>Taxation and Non Specific grant income</b>				
DCLG Pensions Grant	-	3,440.3	-	3,440.3
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<u>91.0</u>	<u>9,490.3</u>	<u>760.0</u>	<u>10,341.3</u>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
Actuarial Gains and Losses	1,726.0	6,270.0	1,690.0	9,686.0
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<u>1,817.0</u>	<u>15,760.3</u>	<u>2,450.0</u>	<u>20,027.3</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with FRS 17	<u>(91.0)</u>	<u>(9,490.3)</u>	<u>(760.0)</u>	<u>(10,341.3)</u>
<b>Actual Amount charged against the General Fund Balance for pensions in the year</b>				
Employers contributions and benefits payable to Pensioners	<u>(433.0)</u>	<u>(2,459.7)</u>	<u>(520.0)</u>	<u>(3,412.7)</u>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £9,686,000.

## 2009/10 Comparative Figures

	Local Govt. Pension Scheme 2009/10 £000	Firefighters Pension Scheme 2009/10 £000	Firefighters Compensation Scheme 2009/10 £000	Total 2009/10 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<b>Cost Of Services :</b>				
Current Service Cost	(318.0)	(2,964.0)	(330.0)	(3,612.0)
Past Service Cost / (Gain)	-	-	-	-
Settlements and Curtailments	-	-	-	-
<b>Financing and Investment Income and Expenditure</b>				
Interest Cost	(720.0)	(10,880.0)	(1,040.0)	(12,640.0)
Expected return on assets	345.0	-	-	345.0
<b>Taxation and Non Specific grant income</b>				
DCLG Pensions Grant	-	3,626.0	-	3,626.0
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(693.0)</b>	<b>(10,218.0)</b>	<b>(1,370.0)</b>	<b>(12,281.0)</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
Actuarial Gains and Losses	(2,046.7)	(64,550.0)	(7,050.0)	(73,646.7)
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(2,739.7)</b>	<b>(74,768.0)</b>	<b>(8,420.0)</b>	<b>(85,927.7)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with FRS 17	693.0	10,218.0	1,370.0	12,281.0
<b>Actual Amount charged against the General Fund Balance for pensions in the year</b>				
Employers contributions and benefits payable to Pensioners	(428.0)	(2,528.0)	(510.0)	(3,466.0)

## Assets and Liabilities in Relation to Post employment Benefits

Reconciliation of present value of scheme liabilities (defined benefit obligation):

	Funded liabilities:		Unfunded liabilities:		Total
	Local	Firefighters	Firefighters	Firefighters	
	Govt. Pension Scheme	Pension Scheme	Pension Scheme	Compensation Scheme	
	2010/11	2010/11	2010/11	2010/11	2010/11
	£000	£000	£000	£000	£000
Opening Balance at 1 April	(15,655.0)	(231,514.0)	(23,250.0)		(270,419.0)
Current Service Cost	(554.0)	(5,370.0)	(580.0)		(6,504.0)
Transfers In	-	(180.0)	-		(180.0)
Interest Cost	(907.0)	(12,360.0)	(1,240.0)		(14,507.0)
Contributions by scheme participants	(188.0)	(1,330.0)	-		(1,518.0)
Actuarial Gains / (Losses)	547.0	6,270.0	1,690.0		8,507.0
Benefits paid	230.0	7,410.0	520.0		8,160.0
Past Service Gain*	989.0	23,780.0	2,580.0		27,349.0
Settlements and Curtailments	(1.0)	-	-		(1.0)
Closing Balance at 31 March	<u>(15,539.0)</u>	<u>(213,294.0)</u>	<u>(20,280.0)</u>		<u>(249,113.0)</u>

\* In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be uprated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Authority's total pension liabilities by £27,349,000 and has been recognised as a past service gain in accordance with UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

Reconciliation of present value of scheme liabilities - comparative figures :

	Funded liabilities :		Unfunded liabilities:		Total
	Local	Firefighters	Firefighters	Firefighters	
	Govt. Pension Scheme	Pension Scheme	Pension Scheme	Compensation Scheme	
	2009/10	2009/10	2009/10	2009/10	2009/10
	£000	£000	£000	£000	£000
Opening Balance at 1 April	(9,958.0)	(159,274.0)	(15,340.0)		(184,572.0)
Current Service Cost	(318.0)	(2,964.0)	(330.0)		(3,612.0)
Transfers In	-	(86.0)	-		(86.0)
Interest Cost	(720.0)	(10,880.0)	(1,040.0)		(12,640.0)
Contributions by scheme participants	(187.0)	(1,300.0)	-		(1,487.0)
Actuarial Gains / (Losses)	(4,621.0)	(64,550.0)	(7,050.0)		(76,221.0)
Benefits paid	149.0	7,540.0	510.0		8,199.0
Past Service Cost	-	-	-		-
Closing Balance at 31 March	<u>(15,655.0)</u>	<u>(231,514.0)</u>	<u>(23,250.0)</u>		<u>(270,419.0)</u>

Reconciliation of fair value of scheme assets:

	Local Government Pension Scheme	
	2010/11	2009/10
	£000	£000
Opening Balance at 1 April	8,581.0	5,196.0
Expected return on plan assets	564.0	345.0
Actuarial Gains / (Losses)	1,179.0	2,574.0
Employer contributions	433.0	428.0
Contributions by scheme participants	188.0	187.0
Benefits paid	(230.0)	(149.0)
Closing Balance at 31 March	<u>10,715.0</u>	<u>8,581.0</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £694,000 (2009/10 £2,919,000).

#### Scheme History

	2010/11	2009/10	2008/09	2007/08	2006/07
	£000	£000	£000	£000	£000
Present Value of Liabilities:					
Local Govt. Pension Scheme	(15,539.0)	(15,655.0)	(9,958.0)	(9,958.0)	(9,537.0)
Firefighters' Pension Scheme	(213,294.0)	(231,514.0)	(159,274.0)	(169,930.0)	(195,760.0)
Firefighters' Comp. Scheme	(20,280.0)	(23,250.0)	(15,340.0)	(8,260.0)	(8,670.0)
Fair value of assets in the					
Local Govt. Pension Scheme	10,715.0	8,581.0	5,196.0	7,404.0	6,777.0
Surplus/(deficit) in the scheme:					
Local Govt. Pension Scheme	(4,824.0)	(7,074.0)	(4,762.0)	(2,554.0)	(2,760.0)
Firefighters' Pension Scheme	(213,294.0)	(231,514.0)	(159,274.0)	(169,930.0)	(195,760.0)
Firefighters' Comp. Scheme	(20,280.0)	(23,250.0)	(15,340.0)	(8,260.0)	(8,670.0)
Total	<u>(238,398.0)</u>	<u>(261,838.0)</u>	<u>(179,376.0)</u>	<u>(180,744.0)</u>	<u>(207,190.0)</u>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £283,398,000 has a sustained impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £214,821,200. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy because:

- (a) 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. Contribution rates are based on triennial valuations, the last review being on 31st March 2011.
- (b) finance is only required to be raised to cover Firefighters' pensions when the pensions are actually due to

be paid. Regular monitoring of movements relating to retirements is carried out in order to accurately forecast when retirements and payments will occur. Under the current financial arrangements for Firefighters Pensions, employee and employer contributions are paid into a separate pension fund which is topped up as necessary by Government Grant if contributions are insufficient to meet the pension payments. In the event of a surplus, this will be recouped by the Government.

The total contributions expected to be made into the Local Government Pension Scheme by the Authority in the year to 31st March 2012 are £456,900. Expected contributions for the Firefighters' Pension and Compensation Schemes in the year to 31st March 2012 are £2,453,000.

### 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. The Local Government Pension Scheme liability has been assessed by Mercer, and the Firefighters Pensions and Compensation Schemes' liabilities have been assessed by the Government Actuary Department, both firms of Actuaries. The main actuarial assumptions are:

	Local Government Pension Scheme		Firefighters Pension Scheme and Compensation Scheme	
	31st Mar 2011	31st Mar 2010	31st Mar 2011	31st Mar 2010
	%	%	%	%
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.5	7.5	-	-
Government Bonds	4.4	4.5	-	-
Other Bonds	5.1	5.2	-	-
Property	n/a	n/a	-	-
Cash/Liquidity	0.5	0.5	-	-
Other	n/a	n/a	-	-
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	22.1 years	21.2 years	23.4 years	23.3 years
Women	24.7 years	24.1 years	25.3 years	25.2 years
Longevity at 65 for future pensioners :				
Men	23.5 years	22.2 years	26.3 years	26.2 years
Women	26.3 years	25.0 years	28.0 years	28.0 years
Rate of CPI inflation	2.9	3.0	3.0	3.9
Rate of increase in salaries	4.65	5.25	5.3	5.4
Rate of increase in pensions	2.9	3.5	3.0	3.9
Proportion of employees opting to take a commuted lump sum	50.0	50.0	n/a	n/a
Rate for discounting scheme liabilities	5.5	5.7	5.7	5.8

The Firefighters' Pension and Compensation Scheme has no assets to cover its liabilities. Assets in the Local Government Pension Scheme are valued at fair value, principally market value for investments and consist of the following categories, by proportion of the total assets held by the Fund :

	Split of assets between investment categories	
	31st Mar 2011 %	31st Mar 2010 %
Equity investments	74.7	76.2
Government Bonds	8.9	7.8
Other Bonds	15.9	13.9
Property	0.0	0.0
Cash/Liquidity	0.5	2.1
Other	0.0	0.0
	<u>100.0</u>	<u>100.0</u>

### History of Experience Gains and Losses

The actuarial losses identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011 :

<b>Local Government Pension Scheme</b>	2010/11 %	2009/10 %	2008/09 %	2007/08 %	2006/07 %
Difference between the expected and actual return on assets	3.5	(30.0)	(62.2)	(4.2)	0.5
Experience gains and (losses) on liabilities	(9.8)	(29.5)	32.4	(6.5)	6.5
<b>Firefighters' Pension Scheme</b>	2010/11 %	2009/10 %	2008/09 %	2007/08 %	2006/07 %
Difference between the expected and actual return on assets	-	-	-	-	-
Experience gains and (losses) on liabilities	7.0	(66.7)	19.7	44.8	2.4
<b>Firefighters' Compensation Scheme</b>	2010/11 %	2009/10 %	2008/09 %	2007/08	No further comparatives available
Difference between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	8.3	(30.3)	2.7	4.8	-

### 33 Contingent Liabilities

- (a) The Authority and Fire Brigade Union Officials have, since July 2009, been in discussion over the issue of the pay point on which certain Retained Duty System employees, who have been appointed into Wholetime Firefighter posts should start. No agreement can be reached and the Authority has declined to back pay competent rates to the relevant employees. Therefore no provision has been made within the accounts.

The matter has been considered by the National Joint Council for Local Authority Fire and Rescue Services Joint Secretaries in May 2011 in order to assist in reaching a resolution on this matter. They have advised the Authority to seek further legal advice on whether or not it is liable to pay. The current estimate of the liability should back dated payments be made in the future is £195,000 (inclusive of Employers National Insurance contributions).

### 34 Contingent Assets

The Authority holds no contingent assets.

### 35 Financial Instruments

- (a) The Authority has adopted CIPFA's Treasury Management in the Public Services Code of Practice and has a set of treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

#### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31st Mar 2011 £000	31st Mar 2010 £000	31st Mar 2011 £000	31st Mar 2010 £000
<b>Investments</b>				
Loans and Receivables	0.0	0.0	7,714.5	5,173.6
<b>Total Investments</b>	0.0	0.0	7,714.5	5,173.6
<b>Debtors</b>				
Loans and receivables	0.0	0.0	0.0	0.0
Financial Assets carried at contract amount	0.0	0.0	785.5	1,441.5
<b>Total Debtors</b>	0.0	0.0	785.5	1,441.5
<b>Borrowing</b>				
Financial liabilities at amortised cost	12,489.1	11,862.5	863.4	25.4
<b>Total Borrowings</b>	12,489.1	11,862.5	863.4	25.4
<b>Other Long Term liabilities</b>				
PFI Scheme	3,116.0	3,233.7	117.7	87.7
Finance Leases	3,614.5	4,091.3	618.5	460.9
<b>Total Other Long Term Liabilities</b>	6,730.6	7,325.0	736.2	548.6
<b>Creditors</b>				
Financial liabilities at amortised cost	0.0	0.0	0.0	0.0
Financial liabilities carried at contract amount	0.0	0.0	2,562.8	1,967.5
<b>Total Creditors</b>	0.0	0.0	2,562.8	1,967.5

**(b) Income, Expense, Gains and Losses**

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

	Financial Liabilities at Amortised Cost 2010/11 £000	Financial Assets - Loans and Receivables 2010/11 £000	Total 2010/11 £000
Interest Expense	1,114.3	0.0	1,114.3
Impairment Losses	0.0	(3.4)	(3.4)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>1,114.3</b>	<b>(3.4)</b>	<b>1,110.9</b>
Interest income	0.0	(89.8)	(89.8)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(89.8)</b>	<b>(89.8)</b>
<b>Net Gain/(Loss) for the year</b>	<b>1,114.3</b>	<b>(93.1)</b>	<b>1,021.2</b>
<b>2009/10 Comparatives</b>			
	Financial Liabilities at Amortised Cost 2009/10 £000	Financial Assets - Loans and Receivables 2009/10 £000	Total 2009/10 £000
Interest Expense	1,052.8	-	1,052.8
Impairment Losses	-	(5.2)	(5.2)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>1,052.8</b>	<b>(5.2)</b>	<b>1,047.6</b>
Interest income	-	(75.9)	(75.9)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(75.9)</b>	<b>(75.9)</b>
<b>Net Gain/(Loss) for the year</b>	<b>1,052.8</b>	<b>(81.1)</b>	<b>971.7</b>

**(c) Fair Value of Assets and Liabilities**

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

- (i) estimated ranges of interest rates at 31 March 2011 of 2.3% and 8.0% for loans from the PWLB. All long term borrowing at 31 March was with Public Works Loans Board (PWLB).
- (ii) No early repayment or impairment is recognised.
- (iii) where the instrument will mature in the next 12 months (short term investments and bank overdraft), the carrying amount is assumed to approximate to fair value.
- (iv) the fair value of trade payables and receivables is taken to be the invoiced or billed amount i.e. the carrying amount is a reasonable approximation of fair value.

(v) the carrying amounts of PFI and Finance Lease liabilities (calculated in accordance with the requirements of IAS 17 Leases) are taken to be a reasonable approximation of fair value.

The fair value of PWLB loans is calculated by the Board by reference to the 'premature repayment' set of rates in force on 31st March each year.

	31st March 2011		31st March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities	13,352.5	14,299.2	11,889.8	12,413.5
Other liabilities (Finance leases/PFI)	7,466.8	7,466.8	7,952.7	7,952.7
Loans and Receivables	7,714.5	7,714.5	5,173.6	5,173.6

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

### 36 Nature and Extent of Risks Arising from Financial Instruments

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

- (a) **Credit Risk** - the possibility that other parties might fail to pay amounts due to the Authority.
- (b) **Liquidity Risk** - the possibility that the Authority might not have funds available to meet its commitments to make payments.
- (c) **Market Risk** - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The procedures are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (both revised in 2009). Overall, these procedures require the Authority to manage risks in the following ways:

- adopt the requirements of the Code of Practice
- approve annually in advance, prudential indicator limits for the following three years regarding:
  - the Authority's overall borrowing,
  - maximum and minimum exposure to fixed and variable interest rates; and
  - maximum annual exposures to investments maturing beyond a year.
- approve an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

The Annual Treasury Management Strategy includes these procedures in order to manage the risks of the Authority's financial instrument exposure. It is approved at the Authority's annual budget meeting before the beginning of the financial year. A mid year report covering in year performance is submitted to the Audit, Performance and Review Committee in September each year. In addition this report includes a review of the strategies and policies approved in February and include any revisions as required. At the end of the financial year, an outturn report on the Authority's investment and borrowing activity is submitted in June.

**(a) Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Treasury Management Strategy.

North Yorkshire County Council provide Treasury Management arrangements for short term investment of the Authority's daily balances. As such, the investment credit criteria applied by the Authority is in line with County Council's Treasury Management Advisor's (Sector) credit matrix.

Credit scores are derived based upon:

- (a)** Ratings published by three credit rating agencies (Fitch, Moodys and Standard & Poor) to establish the credit quality (ability to meet financial commitments) of counterparties to whom the County Council lends.
- (b)** Ratings are supplemented with a sovereign rating for each country in which a financial institution is domiciled. This rating recognises the country's ability to support these institutions should they get into difficulty.
- (c)** Regular review of the 'ratings watch' and 'outlook' notices issued by the three agencies.
- (d)** No combination of ratings can be viewed as entirely fail safe and all credit ratings, watches and outlooks are monitored on a daily basis. This is achieved through the Treasury Management Advisor's creditworthiness service. This uses a modelling approach to convert all information into a weighted score for each organisation which is then combined with an overlay of CDS (Credit Default-Swap) spreads for which the end product is a series of colour codes which indicate the relative creditworthiness of counterparties. These colour codes are used to determine the duration of investments.

Final scores will, therefore, reflect the credit quality of an organisation - the lower the score, the higher the credit quality. As only low scoring organisations will be included on the Approved Lending List, this should ensure that investments are made only with high quality credit rated organisations.

The score boundaries and consequential colour duration bands are currently as follows:

Current Score Boundaries		Colour	Maximum Investment Duration
N/A	N/A	Blue	1 Year (UK nationalised/semi nationalised banks only)
4.00	8.50	Purple	2 years
8.50	10.50	Orange	1 year
10.50	12.50	Red	6 months
12.50	14.50	Green	3 months
14.50	30.00	No colour	No investments can be made

The above is seen as a practical response to the current money market uncertainty, instability and volatility and enables the Authority to manage its money market risk exposure but also to ensure that it can still achieve a return that is consistent with available market rates.

The Authority does not generally allow credit for Customers. Information disclosed by Company Liquidators is circulated within the Authority by the Income Officer to ensure that such companies are not granted a chargeable service.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five years, adjusted to reflect current market conditions.

	Amount at 31st Mar 2011 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31st Mar 2011 % C	Estimated maximum exposure to default & un- collectability £000 (A x C)
Deposits with banks and financial institutions	7,714.5	-	-	-
Customers	51.9	0.0	0.0	0.0

As the Authority does not generally allow credit for customers, £34,760 of the £51,888 balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000s
Less than 3 months	32.9
Between 3 to 6 months	1.3
Between 6 months to one year	0.4
More than 1 year	0.2
	<u>34.8</u>

### Liquidity Risk

The Authority has ready access to borrowings from the money markets to cover day to day cash flow need, whilst the PWLB provides access to longer term funds. There is, therefore, no significant risk that it will be unable to meet its commitments under financial instruments.

The approved prudential indicator of limits for the maturity structure of debt is the key parameter used by the Authority to address liquidity risk and is used in planning when new loans are to be taken and when it is economic to do so, making early loan repayments.

All long term borrowing as at the 31st March 2011 was with the Public Works Loan Board (PWLB). Interest is payable at rates between 2.39% and 8.00%. An analysis of loans by maturity is as follows:

	31st Mar 2011 £000	31st Mar 2010 £000
Less than 1 year	863.4	27.2
Between 1-2 years	149.7	749.3
Between 2-5 years	1,579.9	701.5
Between 5-10 years	1,785.4	1,868.3
Between 10-15 years	2,082.5	1,651.7
Between 15-20 years	3,436.7	1,136.8
More than 20 years	3,455.0	5,755.0
	<u>13,352.5</u>	<u>11,889.8</u>

All trade and other payables are due to be paid in less than one year.

### Market Risk

#### (i) Market Risk - Interest Rate risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at fixed rates - the fair value of the liabilities for borrowings will fall.

- Investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance pound for pound.

The Authority has a number of strategies for managing interest rate risk. During periods of relatively stable long term rates, the Authority will borrow at suitable stages throughout the year. The main strategy for undertaking new borrowing will be to take advantage of the lowest rates possible. In addition, the strategy will focus on borrowing over periods where there is currently no concentration of debt so as to achieve a balanced spread in the Authority's debt maturity profile.

The debt position of the Authority is reviewed as part of the Authority's medium term financial strategy included as part of the annual Budget Setting process and also the five year revenue and capital estimates. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(79.5)
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	<u>(79.5)</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	1,301.1

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**(ii) Market Risk - Price risk**

The Authority does not generally invest in equity shares and thus has no exposure to losses arising in movements in the price of shares.

**(iii) Market Risk - Foreign exchange risk**

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

**PFI Contract - Management of Risks**

The PFI Contract allocates the majority of risks to the service provider. There are no significant risks to the Authority arising from the contract. However, the affordability of the contract relies on the annual grant of £649,000 from Central Government. Any reduction in that provision would necessarily impact adversely upon the Authority's financial position.

**37 Other Payments for Operating Activities**

As required under the Code, other payments for Operating Activities within the Cashflow Statement of £9,084,700 (2009/10 £9,201,100) comprise Employers National Insurance and pension contributions, and also payments to Pensioners of the Firefighters Pension Schemes.

**FIREFIGHTERS PENSION FUND**  
**FUND ACCOUNT FOR YEAR ENDED 31ST MARCH 2011**

<u>2009/10</u> £000		£000	<u>2010/11</u> £000
	<b>CONTRIBUTIONS AND BENEFITS</b>		
	<b>Contributions receivable</b>		
	Fire Authority:		
(2,353.6)	Contributions in relation to pensionable pay	(2,368.8)	
(181.1)	Early Retirements	(99.4)	
<u>(1,297.3)</u>	Firefighters contributions	<u>(1,322.1)</u>	
<b>(3,832.0)</b>			<b>(3,790.3)</b>
	<b>Transfers in</b>		
(86.8)	Individual transfers in from other schemes		<b>(182.4)</b>
	<b>Benefits payable</b>		
6,101.8	Pensions	6,251.9	
1,440.7	Commutations & lump sum retirement benefits	951.5	
0.0	Lump sum death benefits	0.0	
<u>7,542.5</u>			<b>7,203.4</b>
	<b>Payments to and an account of leavers</b>		
2.0	Individual transfers out to other schemes		<b>209.6</b>
<b>3,625.7</b>	<b>Net amount payable for the year</b>		<b>3,440.3</b>
<b>(3,625.7)</b>	<b>Top up grant receivable from Government</b>		<b>(3,440.3)</b>
<u><b>0.0</b></u>	<b>Net amount payable / (receivable) for the year</b>		<u><b>0.0</b></u>

**FIREFIGHTERS PENSION FUND**  
**NET ASSETS STATEMENT AS AT 31ST MARCH 2011**

<u>2009/10</u> £000		<b>Note</b>	£000	<u>2010/11</u> £000
	<b>Current Assets</b>	<b>6a</b>		
23.1	Contributions due from Authority		4.5	
16.5	Transfers in		0.0	
<u>825.7</u>	Pension top up grant receivable from Government		<u>614.1</u>	
<b>865.3</b>				<b>618.5</b>
	<b>Current Liabilities</b>	<b>6b</b>		
(0.9)	Unpaid pension benefits		(1.5)	
(101.3)	Contributions paid in advance		(90.1)	
0.0	Transfers out		0.0	
(575.2)	Bank		(526.9)	
<u>(187.9)</u>	Amount payable to Central Government		<u>0.0</u>	
<b>(865.3)</b>				<b>(618.5)</b>
<u><b>0.0</b></u>	<b>Total Net Assets</b>			<u><b>0.0</b></u>

## NOTES TO THE PENSION FUND ACCOUNTS

### 1 General Description of the Fund

With effect from 6th April 2006 there have been two schemes administered by the Authority:

- (a) Firefighters Pension Scheme 1992 (FPS) operated under the Firefighters Pension Scheme (Amendment) (No. 2) (England) Order 2006
- (b) New Firefighters Pension Scheme 1992 (NFPS) operated under the Firefighters' Pension Scheme (England) Order 2006

Entrants to the Service after 5th April 2006 are eligible to join the 2006 NFPS. In addition, Retained Firefighters are now able to join the scheme if they so wish. Existing members of the 1992 FPS have also had the option to transfer their benefits into the new scheme.

Both Schemes are unfunded meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual payments as they fall due.

Under both schemes, the Authority pays firefighters pensions operated via a separate Firefighters Pension Fund Account. An employer's contribution based on a percentage of pay is paid into the fund. The Authority is also required to make lump sum payments in respect of ill health retirements to meet locally at least some of the cost of retiring an employee on the grounds of ill health. Employee contributions are also paid into the fund. The fund is topped up as necessary by Government Grant if the contributions are insufficient to meet the pension payments. In the event of a surplus, this will be recouped by the Government.

Each Fire and Rescue Authority in England is required by legislation to operate a Pension Fund and the amounts that must be paid into and out of the fund are specified by regulation.

The fund is administered and managed by the Authority with assistance from Sunderland City Council in the form of a service level agreement for Pensions Administration.

The contributions payable by Employees and Employers are prescribed by the Regulations above :

	<b>2010/11 1992FPS</b>	<b>2010/11 2006 NFPS</b>
Employer	21.3%	11.0%
Employee	11.0%	8.5%

### 2 Membership

The following summarises the membership of the Pension Fund at 31st March 2011 :

<b>Category of Member</b>	<b>31/03/2011 1992 FPS</b>	<b>31/03/2011 2006 NFPS</b>
Contributors	277	331
Deferred Pensioners	22	40
Pensioners	491	5

### **3 Accounting Policies**

The Pension Fund Accounts for the year ended 31 March 2011 are presented in the format laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 issued by the Chartered Institute of Public Finance and Accountancy and known as "the Code".

### **4 Transition to IFRS**

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in no material changes to the Firefighters pension fund accounts or their associated notes.

### **5 Basis of Preparation**

Except where otherwise stated below the accounts have been prepared on an accruals basis.

### **6 Fund Account Transactions**

Benefits payable and withdrawal of contributions have been brought into the Accounts on the basis of all valid payments due in the year. Transfer values are those sums receivable from, or payable to, other pension schemes for individuals and relate to periods of previous pensionable employment. Where possible, transfer values within the financial year are brought into the accounts at the net assets statement date. In a small number of cases it is not possible to obtain sufficient information from other pension schemes and these transfers are accounted for on a cash basis.

#### **(a) Current Assets**

Debtors are raised for known contributions due at 31st March 2011. The following have been included as debtors in the accounts in line with the Code :

- (i) Transfer values where the date of transfer was up to and including 31st March 2011 and sufficient information is known to enable the Authority to reasonably estimate the debtor.
- (ii) Top up grant receivable from Central Government for the financial year ending 31st March 2011.

#### **(b) Current Liabilities**

The following have been included as creditors in the accounts in line with the Code :

- (i) Employer and employee contributions received into the fund before 31st March 2011, but which relate to periods after that date due to the payment of salaries to Wholetime employees made two weeks in arrears and two weeks in advance.
- (ii) Transfer values where the date of transfer was up to and including 31st March 2011 and sufficient information is known to enable the Authority to reasonably estimate the creditor.

No allowance has been made for liabilities to pay pensions and other benefits after the 31st March 2011.

### **7 Contingent Liabilities**

- (a) The Authority and Fire Brigade Union Officials have, since July 2009, been in discussion over the issue of the pay point on which certain Retained Duty System employees, who have been appointed into Wholetime Firefighter posts should start. No agreement can be reached and the Authority has declined to back pay competent rates to the relevant employees. Therefore no provision has been made within the accounts.

The matter has been considered by the National Joint Council for Local Authority Fire and Rescue Services Joint Secretaries in May 2011 in order to assist in reaching a resolution on this matter. They have advised the Authority to seek further legal advice on whether or not it is liable to pay. The current estimate for Employers pension contributions should back dated payments be made in the future is £38,000.

- (b) A settlement between the National Joint Council (NJC) for Local Authority Fire and Rescue Services and the Fire Brigade Union (FBU) in respect of the employment tribunal cases in relation to Part Time Workers (Prevention of Less Favourable Treatment Regulations 2000 was reached in March 2011.

However, an outstanding aspect of these negotiations is that of pension scheme access which is being handled by the Department for Communities and Local Government (CLG). It is currently expected that a decision will not be reached until 2012. Should access to a pension scheme be agreed and backdated to 1st July 2000, the current estimate of potential backdated Employer's Contributions to be paid is a maximum of £2,450,000 (dependant upon the number of Retained Staff exercising their right to access).

## **8 Long Term Pension Obligations**

Details of the Authority's long term pension obligations in respects of the Firefighters Pension Schemes can be found in Note 32 to the Statement of Accounts on pages 68 to 74.

## GLOSSARY OF TERMS

### **ACCOUNTING PERIOD**

The period of time covered by the accounts, normally a period of twelve months commencing on 1st April and ending as at the balance sheet date, 31st March.

### **ACCRUALS**

The concept that income and expenditure is accounted for as it is earned or incurred, not as money is received or paid.

### **AMORTISATION**

Written off over a suitable period of time, usually in line with the useful life of an asset.

### **ASSET**

An item owned by the Authority, which has a monetary value. Assets are defined as **current** or **fixed** :

- **Current assets** will be consumed or cease to have value within the next financial year, e.g. stocks and debtors
- Non current **assets** provide benefits to the Authority and to services it provides for a period of more than one year, for example, land, buildings, vehicles and equipment.

### **AUDIT**

An independent examination of the Authority's activities, either by internal audit or the Authority's external auditor, which is the Audit Commission.

### **BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period or, expenditure which adds to an existing fixed asset.

### **CAPITAL FINANCING**

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contribution, revenue reserves and earmarked reserves.

### **CAPITAL RECEIPTS**

The proceeds from the disposal of land or other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government, but they cannot be used for revenue purposes.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is the professional institute governing how public money is used and how it has to be reported.

**CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

**CONTINGENT LIABILITY**

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability

**CORPORATE AND DEMOCRATIC CORE (CDC)**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

**COUNCIL TAX**

This is a banded property tax which is levied on domestic properties. The banding is based on estimated property values as at 1st April 1991.

**CREDITOR**

Amounts owed by the Authority for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.

**DEBTOR**

Amounts due to the Authority for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that period.

**DEPRECIATION**

The amount charged to revenue accounts to represent the reducing value of fixed assets through consumption.

**DEPRECIATED REPLACEMENT COST**

A method of valuation based on the gross cost of replacing the asset/building less an allowance for depreciation.

#### **EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

#### **EXISTING USE VALUE**

A method of valuation based on the amount that would be paid for an asset/building based on its existing use.

#### **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arms length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

#### **GENERALLY ACCEPTED ACCOUNTING PRACTICE (GAAP)**

Accounting treatments and practice that Local Authorities in the United Kingdom were prior to 1st April 2010 expected to apply in the preparation of their financial statements which are determined by accounting standards, legislation and regulation.

#### **GOVERNMENT GRANTS**

Grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of the Authority's services. These grants may be given specifically towards the cost of particular defined schemes, or to support the revenue spend of the Authority (known as the Revenue Support Grant)

#### **IMPAIRMENT**

A reduction in the value of a fixed asset, below it's carrying amount on the balance sheet.

#### **INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)**

Standards for the presentation and preparation of financial statements set by the International Accounting Standards Board (IASB) that organisations must follow. These standards were previously called **International Accounting Standards (IAS)**.

#### **INVENTORIES**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later accounting period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

#### **LIABILITY**

A liability is where an authority owes payment to an individual or another organisation:

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which, by arrangement is payable beyond the next year at some point in the future, or to be paid off by an annual sum over a period of time.

**LONG TERM BORROWING**

The main element of long term borrowing is comprised of loans that have been raised to finance capital investment projects.

**MARKET VALUE**

The monetary value of an asset as determined by current market conditions.

**MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to distortion of the financial statements to a reader of the statements.

**MINIMUM REVENUE PROVISION (MRP)**

Represents the statutory minimum amount that must be charged to a revenue account in each financial year to repay external borrowings.

**NET BOOK VALUE**

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

**NET CURRENT REPLACEMENT COST**

The cost of replacing an asset in its existing condition and use.

**NET REALISABLE VALUE**

The open market value of the asset in its existing use, less the expenses to be incurred in realising the asset.

**NON-OPERATIONAL ASSETS**

Fixed assets held by an Authority but not directly occupied, used or consumed in the delivery of services. Examples of Non-Operational Assets are investment properties and assets that are surplus to requirements pending sale or development.

**OPERATIONAL ASSETS**

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

**PRECEPT**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf e.g. Police Authority and Parish Councils.

**PRIVATE FINANCE INITIATIVE (PFI)**

A means of securing new assets and associated services in partnership with the private sector.

**PROVISION**

An amount put aside in the accounts for liabilities or losses which have occurred but uncertainty surrounds the exact amounts involved or the dates on which they will arise.

**PRUDENCE**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

**PUBLIC WORKS LOAN BOARD (PWLB)**

This is a Central Government Agency which provides loans for one year and above to Authorities at interest rates only slightly higher than those at which the Government itself can borrow.

**RELATED PARTIES**

Two or more parties are related, when at any one time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

The materiality of related party transactions is judged not only in terms of their significance to the Authority, but also in relation to its related party.

**RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority.

Some capital reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do represent usable resources for the Authority.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services. It is usually of a constantly recurring nature and produces no permanent asset, e.g. salaries, wages, supplies and services, and debt charges.

**REVENUE SUPPORT GRANT**

This is a Central Government grant to authorities, contributing towards the cost of their services. It is based on the Government's assessment of how much an authority needs to spend to provide a standard level of service.

**SECTION 151 OFFICER**

The Officer designated as Chief Financial Officer under the terms of S151 of the Local Government Act 1972 and S112 of the Local Government Finance Act 1988 to assume overall responsibility for the administration of the financial affairs of the Fire Authority and for the preparation of the Authority's Statement of Accounts.

**SHORT TERM INVESTMENT**

Short term investments comprise of deposits of temporary surplus funds with banks or similar institutions.

**SOLACE**

Society of Local Authority Chief Executives

**TOTAL COST**

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and overheads, which need to be apportioned.

**URGENT ISSUES TASK FORCE (UITF)**

The main role of the UITF is to assist the International Accounting Standards Board where unsatisfactory or conflicting interpretations have developed about the requirement of an accounting standard. The UITF seeks to arrive at a consensus on the accounting treatment to be adopted in such cases, and these are published in the form of UITF Abstracts.

**USEFUL LIFE**

The period over which the Authority will derive benefits from the use of a fixed asset.