Tyne and Wear
Fire and Rescue Authority

Audited
Statement of Accounts
2009/2010

Contents

Authority Membership 2009/2010

Chairman
Councillor T. Wright (Sunderland City Council)

Vice-Chairman
Councillor N. Forbes (Newcastle City Council)

Councillors
Sunderland City Council
Councillor E. Ball from 15th June 2009 up to 13th June 2010
Councillor M. Essl from 14th June 2010
Councillor R. Heron up to 14th June 2009
Councillor M. Forbes
Councillor B. Scaplehorn up to 13th June 2010
Councillor D. Trueman from 14th June 2010

Newcastle City Council
Councillor R. Clark
Councillor R. Renton
Councillor T. Woodwark

Gateshead MBC
Councillor G. Haley
Councillor P. Mole
Councillor D. Boyes

North Tyneside MBC
Councillor D. Charlton
Councillor K. Jordan
Councillor S. Mortimer from 9th July 2009 to 13th June 2010
Councillor M. Huscroft from 14th June 2010
Councillor P. McIntyre up to 8th July 2009

South Tyneside MBC
Councillor J. Bell
Councillor M. Clare from 15th June 2009
Councillor A. McMillan up to14th June 2009

Independent Members
Mr. G.N. Cook
Mr. J.P. Paterson
Miss G.M. Goodwill

Chief Officers
I. Bathgate, Chief Fire Officer
V. Bowman, Chief Emergency Planning Officer
G.W. Blyth, C.P.F.A., Finance Officer
D. Smith, Clerk to the Authority

Introduction

We are pleased to present the Statement of Accounts for the year 2009/2010 for the Tyne and Wear Fire and Rescue Authority. A published and audited Statement of Accounts is at the heart of ensuring proper accountability for the use of local and national taxpayers money. We recognise, however, that the Authority's accounts can only tell part of the story. The Authority needs to demonstrate that it is aiming to operate to the highest standard of conduct in accordance with the principles of Corporate Governance and has a robust system of internal control in place.

With regard to Corporate Governance, the Authority considers, annually, a review of its Code of Corporate Governance. A report on the annual review was received at a full meeting of the Authority in June 2010. The Code follows the framework recommended by CIPFA / SOLACE and the review specifically assesses the Authority's arrangements for compliance with the Code, which identifies the underlying principles of Corporate Governance – openness and inclusivity, integrity, and accountability. The review has found that the Authority has the majority of documentary evidence, processes and measures in place and identified a small number of areas for improvement and development, which will be acted upon during 2010/2011.

In line with guidance issued by CIPFA, the Authority has established a Governance Committee to take on the remit of an audit committee. The role of this committee involves not only approving the Statement of Accounts, but also reviewing arrangements for areas such as risk management, the wider internal control environment and also consideration of internal and external audit plans and annual reports.

Elsewhere within the Statement of Accounts, an Annual Governance Statement has been included, which confirms that there are sound systems of internal control in place. We will also continue to ensure action is taken, where necessary, to maintain and develop the system of internal control in the future.

Cllr Tom Wright Chairman of the Authority	Iain Bathgate Chief Fire Officer	George W Blyth Finance Officer
Dave Smith Clerk to the Authority	Val Bowman Chief Emergency Planning Officer	

Dated: 28th June 2010

Certification of the Statement of Accounts

As Chairman of the Governance Committee held on the 28th June 2010, I hereby acknowledge receipt of the Statement of Accounts (Subject to Audit) for 2009/2010 of this Authority, in accordance with the Accounts and Audit Regulations 2003 Regulation 7(1), and confirm that the Statement of Accounts (Subject to Audit) was approved at the Governance Committee of 28th June 2010 in accordance with sub-paragraph 10 (3) (a) with regard to the aforementioned Regulations.

Mr G.N. Cook
Chairman of the Governance Committee

Dated: 28th June 2010

Foreword by the Finance Officer

This Statement of Accounts shows in the following pages the Authority's final accounts for 2009/2010. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009'. The Code of Practice constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2003, and Amendments to those Regulations in 2006, and the Local Government and Housing Act 1989.

Certain financial statements are required to be prepared under the Code of Practice as follows:

1. **Statement of Responsibilities for the Statement of Accounts**
   This discloses the respective responsibilities of the Authority and the Finance Officer.

2. **Statement of Accounting Policies**
   This discloses the accounting policies that are significant to the understanding of the Statement of Accounts and the Authority's financial position.

3. **Annual Governance Statement**
   This sets out the principal arrangements that are in place to ensure that a sound system of internal and financial control is maintained.

4. **The Core Financial Statements**

   Income and Expenditure Account
   This statement reports the net cost for the year of all the functions for which the Authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

   Statement of Movement on the General Fund Balance
   The balance on the General Fund is established by applying the relevant statutory provisions, which the Authority needs to take into account when setting local taxes. The Statement of Movement on the General Fund Balance reconciles the outturn position reported on the Income and Expenditure Account to the balance on the General Fund.

   Statement of Total Recognised Gains and Losses
   This statement brings together all of the recognised gains and losses of the Authority for the year, and shows the aggregate increase, or decrease, in its net worth.

   Balance Sheet
   This shows the balances and reserves available to the Authority, its long-term indebtedness, the fixed and net current assets employed in its operations and summarised information on its fixed assets and its long-term and current liabilities.

   Cash Flow Statement
   This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

5. **Notes to the Core Financial Statements**
   In addition to the above, further statements are included to show, in more detail, the financial position of the Authority, including summaries of expenditure which are categorised and accounted for in accordance with the Best Value Accounting Code of Practice (BVACOP) requirements, and the accounts of other funds in order to allow comparisons to be made with other similar local authorities.

6. **Supplementary Statements**

   Firefighter's Pensions – Fund Account, Net Assets Statement and Notes
   These statements summarise the transactions and the net assets relating to the Firefighter's Pension Fund.

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2009/2010 to be met from Government Grants and local taxpayers was approved at £58.714 million. This meant that the precept, represented at the Band D level of Council Tax, after allowing for Revenue Support Grant and National Non Domestic Rates receipts, was set at £72.50 for 2009/2010. This represented an increase of 1.24% over the 2008/2009 Band D level of £71.61, the lowest % increase of any Fire and Rescue Authority in England.

The following table summarises the financial position for the year:

	2009/2010 Original Estimate	2009/2010 Revised Estimate	2009/2010 Actual Outturn	2008/2009 Actual Outturn
	£000	£000	£000	£000
Community Safety	9,589	9,115	7,896	8,308
Fire Fighting and Rescue Operations	46,432	46,779	36,110	40,369
Fire Service Emergency Planning	0	0	2	(10)
Corporate and Democratic Core	342	342	317	315
Non Distributed Costs	0	556	430	520
Net Cost of Services	56,363	56,792	44,755	49,502
Gain / Loss on Disposal	0	0	66	0
Cleaning DSO	0	0	(5)	(17)
Interest Payable	811	620	2,533	2,828
Contingencies	938	0	0	0
Interest on Balances	(447)	(147)	(112)	(1,161)
Pension Interest Cost and Expected Return on Pension Assets	580	1,070	31,030	32,560
Net Operating Expenditure	58,245	58,335	78,267	83,712
Capital Financing:				
Reversal of Capital Charges and Impairments	(1,467)	(1,965)	(2,559)	(4,478)
Government Grants Deferred Amortisation	0	0	4	0
Minimum Revenue Provision	736	736	1,214	1,236
Revenue Contribution to Capital Outlay	1,910	2,510	4,683	1,848
Reversal of Loss on Disposal of Fixed Assets	0	0	(66)	0
	59,424	59,616	81,543	82,318
Contribution to/(from) FRS 17 Pension Reserve	99	(595)	(21,640)	(25,320)
Contribution to Collection Fund Account	0	0	201	(124)
Contribution to/(from) Earmarked Reserves	(809)	(529)	(1,191)	961
	58,714	58,492	58,913	57,835
Revenue Support Grant, Non Domestic Rates, Collection Fund and Precepts and General Revenue Grant	(58,714)	(58,714)	** (58,915)	(57,949)
(Increase) / Reduction to Balances in year	(0)	(222)	(2)	(114)
General Fund Balance Brought Forward	(2,299)	(2,299)	(2,299)	(2,185)
General Fund Balance Carried Forward	(2,299)	(2,521)	(2,301)	(2,299)

** This includes Revenue Support Grant, Non Domestic Rates, Collection Fund and Precepts and General Revenue Grant also an increase of £0.201 million due to Council Tax debtors and creditors as per Accounting Policy 25 on page 32.

Quarterly reports are made to the Authority which detail the outcome of the review of budgets and spending forecasts for both capital and revenue expenditure. The table overleaf, shows an increase in General Fund Balances of £0.002 million, which is less than the £0.222 million increase projected at the revised estimate (Third Quarter Review) stage. The General Fund Balance of the Authority as at 31st March 2010, has increased marginally from £2.299 million to £2.301 million.

The principal reasons for the net reduction in balances of £0.220 million, from the revised estimate, are outlined below:

a) net change in appropriations to and from various earmarked reserves, totalling £0.541 million, as agreed by set out in the report to the full Authority meeting on 14th June 2010;

b) net overspendings on a number of budget headings, totalling £0.761 million, including:

- employee costs – an underspend of £0.239 million due to staffing numbers being reduced since the 2009/2010 budget was set;
- firefighter recruits course – an underspend of £0.177 million due to the recruits course not taking place;
- firefighter ill health retirements – an underspend of £0.082 million as there were no ill health retirements during 2009/2010;
- premises – an underspend of £0.157 million, primarily in relation to lower utilities costs;
- insurances – an underspend of £0.018 million on insurance budgets, reflecting the lower contribution to the provision in 2009/2010 in light of the latest actuarial review, and reduced insurance premiums;
- transport – an underspend of £0.214 million following the decision to purchase outright vehicles previously assumed to be financed through operating leases. This followed a detailed options appraisal which identified this method as providing the best value for money for the Authority;
- supplies – an underspend of £0.249 million on delegated budgets, this included uniform provision due to phasing out of existing stocks in preparation for a new supplier contract coming into effect;
- capital financing – an overspend of £2.173 million due to capital financing increasing to facilitate the outright purchase of 12 fire tenders;
- interest payable – an underspend of £0.098 million following a restructuring of the lead authority's debt portfolio;
- interest received – an overspend of £0.035 million due to the decrease in interest rates during the year being more significant than previously anticipated;
- income – an underspend of £0.131 million, due principally to the Authority exceeding its anticipated levels of fees and charges across a number of areas including the provision of commercial training;
- other – minor variations have resulted in a net underspend of £0.082 million.

Capital Expenditure and Income

The Authority approved a capital programme for 2009/2010 of £2.110 million, which was subsequently revised to £2.710 million during the year. Actual expenditure for the year was £4.688 million, and this has been financed from revenue contributions (£4.683 million) and a capital contribution (£0.005 million).

The increased spending of £1.978 million has arisen due to a number of reasons:

- expenditure of £0.407 million, planned for 2009/2010, has slipped into 2010/2011, which is mainly due to delays in the procurement of operational equipment (including IT equipment and fireground radios) and on a number of estates schemes, including works to Barmston Training Centre;
- the addition to the Capital Programme of schemes totalling £2.321 million, including the purchase of vehicles (£2.146 million which included the purchase of 12 Fire Tenders), operational equipment (£0.020 million) and computers and software (£0.155 million) during the year. The vehicles were originally included within the Vehicle Replacement Programme (normally financed through operating lease) but were purchased outright, and financed by a revenue contribution, as a result of the outcome of an option appraisal;
- cost variations, where the total scheme costs for a number of schemes is higher than estimated, by £0.064 million.

Tangible Fixed Asset Impairments

In response to the economic downturn the accounts for 2008/2009 had the entire land and buildings portfolio was assessed by the valuer for impairment which resulted in a 13.41% decrease in the total portfolio value. Due to the prolonged impact of the downturn, this exercise is to be reviewed annually but there were no such impairments during 2009/2010.

Authority's Current Borrowing and Capital Borrowing Provision

The Capital Programme report, incorporating Prudential Indicators and Treasury Management Strategy, submitted to the Authority meeting on 23rd February 2009, detailed the 2009/2010 borrowing limits for the Authority. This relates to borrowing undertaken by the Lead Authority (Sunderland City Council) on the Authority's behalf.

The specific borrowing limits set related to two of the Prudential Indicators required under the Prudential Code, which was introduced from 1st April 2004. The Authority is required to set borrowing limits for the following three financial years. The limits for 2009/2010 were updated at the Authority meeting on 22nd February 2010 as follows:

- Authorised Limit for External Debt for 2009/2010 of £51.137 million;
- Operational Boundary for External Debt for 2009/2010 of £46.137 million.

The Lead Authority administers all of the Authority's borrowing through its Consolidated Advances and Borrowing Pool (CABP). These two Prudential Indicators are monitored on a daily basis and neither limit has been exceeded during 2009/2010. The highest level of external debt incurred by the Authority during 2009/2010 was £39.584 million on 1st April 2009, this includes £21.258 million in relation to the long term liability of PFI.

Trading Account (Cleaning DSO)

The Authority operates a trading account for its Cleaning function, which came into operation in 1989. Following the abolition of Compulsory Competitive Tendering, with effect from January 2000, there is no longer a statutory requirement to achieve a rate of return. The Cleaning DSO needs to demonstrate Best Value and one method of showing this is through setting and achieving a requirement to break even.

In 2009/2010, the Cleaning DSO recorded a trading surplus of £5,042 (£4,079 excluding adjustments for FRS 17 costs) (£14,620 in 2008/2009, £16,887 excluding adjustments for FRS17 adjustments), which has been added to surpluses accumulated by the DSO in earlier years. This position is detailed further at Note 12 to the Income and Expenditure Account on page 65.

Private Finance Initiative (PFI)

The Authority entered into a contract on 28th March 2003 to provide facilities at 6 new Community Fire Stations, a Service Headquarters and a new Technical Services Centre. The final facility (Low Fell Community Fire Station) was handed over to the Authority on 27th March 2006.

The new PFI facilities are located on more effective sites, designed and located to meet the Authority's strategic objectives. Improved community outcomes are being delivered through better engagement with communities through these facilities. Additionally, the scheme enabled a major redesign of service delivery, with the Authority achieving annualised efficiency savings of £910,629 in 2009/2010.

Accounting for Pensions

Financial Reporting Standard 17
The Authority's accounts are fully compliant with Financial Reporting Standard 17 (FRS 17). Although FRS 17 is regarded as a complex accounting standard it is based on a simple principle, namely that an organisation should account for retirement benefits when it is committed to giving them, even if the actual payment of those benefits will be many years into the future. FRS 17 compliance, therefore, reflects the economic reality of the relationship between an employer and the pension fund.

Accounting Policy 12 and Note 4 to the Income and Expenditure Account on page 59, Note 16 to the Statement of Total Recognised Gains on page 68 and Note 28 to the Balance Sheet on page 77 provide details of the necessary disclosures required.

The net overall impact of FRS 17 accounting entries is neutral in the accounts and, as the Authority is making the necessary pension deficiency payments to address any assessed shortfall in the pension fund by the Actuary over time, the Balance Sheet net worth is, in effect, reporting future years deficits, against the Pension Fund Reserve.

The financial health of the Authority is consequently being affected by the accounting requirements in respect of FRS 17 but this needs to be taken in context, as the Pension Fund Reserve Deficit reflected in the Balance Sheet, as assessed by the Actuary, as at 31st March 2010 is being addressed by the Authority in line with government regulations (whereby a period of up to 25 years to correct the deficit position has been agreed) which the Authority can meet with planned and agreed future years contributions based on independent actuarial advice.

Arrangements for Funding and Accounting for Firefighter Pensions
From 1st April 2006, revised arrangements came into effect for funding firefighter pensions, with Fire and Rescue Authorities administering and paying firefighters' pensions through a local firefighters' pension fund.

Together, employee and employer contributions meet the accruing pension liabilities of currently serving firefighters, meaning that Fire and Rescue Authorities meet all of the costs of employing a firefighter, including the cost of future pension liabilities, at the time of employing them.

Ill-health costs are paid by the Authority from its pension fund. Employer payments towards the future cost of ill-health retirements come from a combination of a flat rate employer contribution applicable to all authorities and from an individual charge payable by the relevant authority where an ill-health retirement occurs. The Authority has invested in health awareness and intervention measures through its Occupational Health Unit and it is pleasing to report that there were no firefighter ill health retirements in 2009/2010.

Employee and employer contributions are paid into the pension fund each year, with the fund being topped up by annual Government grant if the contributions are insufficient to meet the cost of pension payments. Any surplus is recouped by the Government. The pension fund is ring-fenced to ensure accounting clarity. As such, a Pensions Fund Account and Net Assets Statement are reported as supplementary financial statements within the Authority's Statement of Accounts.

Major Acquisitions, Capital Works and Disposals during 2009/2010

Acquisitions and Capital Works
The Authority has not made any major acquisitions of either land or property during 2009/2010.

The Authority is involved in a number of major capital works projects. The main schemes are listed below, for information, together with the amounts of expenditure incurred during 2009/2010, the total estimated gross cost of each scheme, and the status of the project at the end of the financial year.

Scheme / Project	Expenditure During 2009/2010 £000	Total Estimated Scheme Costs £000	Completed / In Progress as at 31st March 2010
Brigade Training Centre – Security Improvements and Incident Management Training Facilities	511	906	In Progress
Safetyworks	258	487	Completed
Purchase of 12 Fire Tenders	2,146	2,146	Completed

Disposals
As part of the Authority's PFI contract, a number of stations were relocated, necessitating exchanges of land between the Fire Authority and the constituent authorities. Accordingly, Fossway Fire Station has been written out of the Authority's Balance Sheet. The transaction involved a land exchange with no cash consideration.

Changes to the Statement of Recommended Practice (SORP) 2009

The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice 2009 (SORP) introduced some significant changes to the Statement of Accounts for 2009/2010. These are the last accounts to be prepared using the SORP, as from 2010/2011 fire authority accounts are required to comply with International Financial Reporting Standards (IFRS) rather than United Kingdom Generally Accepted Accounting Practice (UKGAAP). To assist in this transition, guidance has been prepared by CIPFA in the form of a Code of Practice for Local Authority Accounting The changes introduced by the SORP 2009 are designed to help ease the transition towards IFRS compliance and are set out below for information.

Council Tax
Council Tax income included in the Income and Expenditure Account, for the year is to include accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is included in the Collection Fund Adjustment Account and also as a reconciling item in the Statement of Movement on the General Fund Balance.

The collection of Council Tax is essentially an agency arrangement, whereby the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and its major preceptors of which the Fire Authority belongs. There will therefore be a debtor/creditor relationship between the billing authority and each major preceptor that needs to be recognised since the net cash paid to each major preceptor in the year will not totally reflect its share of all cash collected from Council Taxpayers.

Full details of this change and the required restatement of the 2008/2009 comparative figures are set out in Note 1 to the Statement of Accounts on pages 49 to 57.

Private Finance Initiative (PFI)
PFI Transactions and similar contracts are to be accounted for in a manner that is consistent with the adoptation of IFRIC 12 'Service Concession Arrangements'. PFI contracts typically involve a private sector

entity constructing or enhancing property or assets used in the provision of a public service, and operating and maintaining that property or assets for a specified period of time. The operator is paid for its services over the period of the arrangement. The Authority has a PFI contract which provides 6 new Community Fire Stations.

Property or assets used in a PFI or similar contract will be recognised as an asset or assets of the authority. A related liability will also be recognised at the same time. The asset will be recognised in accordance with the SORP and this will be when the asset is made available for use. In accordance with the SORP, separate assets will be recognised in respect of land and buildings where appropriate. The related liability will initially measured at the value of the related asset, and subsequently will be calculated using the same actuarial method used for finance leases under the SORP.

Full details of this very complex change and the required restatement to the 2008/2009 comparative figures are set out in detail in Note 1 to the Statement of Accounts on pages 49 to 57. The changes have a neutral impact on the accounts.

Removal of several notes to the Statement of Accounts

In 2008/2009 CIPFA carried out a 'Back to Basics' review of the Statement of Accounts for Local Authorities and several Notes to the Statement of Accounts were identified as not adding value to the document and as such could be removed. These changes have been incorporated into the SORP 2009 and for this Authority, the note in relation to expenditure on publicity is no longer required.

Officer Emoluments

The Department for Communities and Local Government (CLG) has issued revised disclosure requirements in respect of officer emoluments that are required to be included in the Statement of Accounts for 2009/2010. These include:

- An analysis of the number of employees, whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000.
- The specific remuneration information disclosure in relation to 'Senior' officers is prescribed as follows:
- Officers whose salary is £50,000 or more per year but less than £150,000 are listed individually by way of job title.
- Officers whose salary is £150,000 or more per year are also identified by name. In addition the disclosure requires the following categories to be reported for each 'senior officer':
    - salaries, fees and allowances;
    - bonuses;
    - expenses allowance;
    - compensation for loss of employment;
    - benefits in kind;
    - employees pension contributions.

Full details of the change are set out in Note 7 to the Statement of Accounts on pages 62.

The Statement of Accounts for 2009/2010 complies with the Statement of Recommended Practice 2009 with any departures from the SORP being noted, including the reasons for the departure.

Euro

The adaptation of operational and information systems to accommodate the euro is likely to become a priority for local authorities at some stage in the future. The Authority continues to assess the euro's potential impact on its business affairs. The Authority's Financial Management System is euro compliant.

Efficiency

The Department for Communities & Local Government set a target for efficiency for the Fire Service nationally of 1.6% per year for the 3 year period from 2008/09 to 2010/11 (4.8% cumulatively by the end of 2010/11). This equates to approximately £912,000 pa for Tyne and Wear (£2.736m cumulatively). Additionally, in December 2008, the Audit Commission published "Rising to the Challenge – Improving Fire Service Efficiency", a review of the fire service which identified that the service, nationally, could achieve efficiency savings of £200 million a year through adopting "good practice from pioneering fire services".

The Authority has responded very positively to the requirements of the government's national efficiency review, and its approach to securing efficiency and value for money is encapsulated in the Authority's Value for Money Framework. The duty to continually examine, evaluate and realise efficiency gains is embedded within the Authority's approach to corporate and service strategies and plans, across Authority processes and within its Partnership Arrangements. The Authority continues to seek and achieve efficiency savings in its budget and spending plans and has an excellent past record of achievement of efficiencies and improving services by using resources effectively.

The Authority has exceeded national targets for efficiency savings, achieving £2.8m (4.91%) in ongoing cashable efficiencies over the period 2008/09 to 2009/10, compared to a target of £1.8m (3.2%). The Authority's projection for cumulative ongoing efficiency savings to the end of 2010/2011 is £3.7 million (6.6%), which exceeds the Government target of 4.8%.

Single Status

Following the Single Status Agreement 1997, the Authority continues to work towards implementing its revised Pay and Grading structure for all green book employees, with a planned implementation date to be agreed by all parties.

Equal Pay Claims

Following the receipt of legal advice from leading Counsel, the Authority successfully settled two equal pay claims in 2006/2007 on a "without prejudice" basis, where claimants were seeking financial redress in respect of periods when unequal pay is alleged to have been applied by the Authority.

There are currently no outstanding claims in respect of unequal pay as at 31st March 2010.

Annual Report and Summary Statement of Accounts

The Authority publishes an Annual Report to highlight its successes over the previous twelve months, including its performance against national indicators and the opinions of external inspectors, as well as outlining details of the improvements introduced to meet the Authority's vision of "Creating the Safest Community".

The latest Annual Report includes a summary of the Statement of Accounts, designed to encourage more people to take an interest in the Authority's financial position in an easy to read format. Further details can be found on the Authority's website at www.twfire.gov.uk.

Authority Performance

The Authority's key strategic priority is to prevent loss of life and injury from fires and other emergencies. In order to achieve this goal, wide ranging community safety services, legislative fire safety services and operational response services are provided to the public of Tyne and Wear. The primary focus is to prevent fires and other emergencies from occurring whilst also ensuring that if they do occur, every attempt is made to limit their impact.

The primary mechanism for achieving this is the Authority's Integrated Risk Management Plan (IRMP), which is focused on improving overall community safety through the more effective and efficient use of resources, achieved through reinvesting efficiency savings into service provision. In line with previous years, significant progress has been made during 2009/2010 through the IRMP Action Planning framework, including:

- Carrying out a detailed quality assurance audit of the Home Safety Check (HSC) process. The audit's recommendations indentified actions that were implemented to provide the most effective use of our resources to drive down fires in the home.

- Introducing dual staffing arrangements for the Special Emergency Response Vehicle (SERV) at Newcastle South Community Fire Station and monitoring its effectiveness. Following a successful evaluation of the changes in Newcastle a similar staffing model was implemented for the SERV based at South Tyneside West Community Fire Station in March 2010. This has resulted in efficiency savings without having any impact on the services delivered.

- Reviewing equipment carried on emergency response vehicles. Information was collected and analysed with relation to equipment usage and incident risk data. This information has been used to inform decisions about the specification for new front line appliances.

- Implementing an appropriate environmental process, due to the size of the organisation the accreditation achieved through BS 8555 was determined to be unnecessary. An Environmental Strategy has been developed and was presented to Members on 29 March 2010.

In addition, the Authority continues to work with local schools, businesses, residents and community groups with the overall aim of reducing the risk of injuries and death from fire. The main thrust of community safety, however, is home safety checks, which involve community firefighters and Prevention and Education staff visiting homes to deliver fire safety advice and, where necessary, fit smoke detectors. In a small number of cases, staff will also provide a deep fat fryer (free of charge) where the occupiers are still using a chip pan, and are deemed to be at risk of a kitchen fire.

During 2009/2010, the Authority has:

- Carried out approximately 22,299 home safety checks.

- Fitted 18,399 smoke alarms, including 59 sensory alarms for the hard of hearing.

- Distributed approximately 778 deep fat fryers.

One of the most significant improvements has been in relation to the number of accidental dwelling fires occurring within the Tyne and Wear area. The figure of 422 fires recorded in 2009/2010 represents a reduction of 11.3% on the 2008/2009 figure of 476 fires. This is a notable achievement for the service.

During 2009/2010, the Authority has:

- Attended 8,382 fire calls, a decrease of 6% on the number attended in 2008/2009. This figure includes a reduction in the number of deliberate primary fires of 211.

- Reduced the number of injuries arising from accidental dwelling fires by 8% from 2008/2009.

Planned Future Developments

Estates Development Plan

The Authority is undertaking a major review of its property portfolio in conjunction with the Lead Authority, in response to a range of emerging issues, including:

- the undertaking of various building and alteration works to training structures within the Barmston Training Centre to ensure that the continued operation of essential training facilities to meet the changing risk profile of our society;

- the erecting of a suitable facility at Newcastle North Community Fire Station; to house a new special appliance; ALP (aerial ladder platform) due for delivery to the service in the Summer of 2010;

- the alteration of former rest areas to ensure that facilities continue to comply with the developing issues of equality, diversity, dignity and health and safety;

- modifications to our buildings in order to minimise our carbon emissions; the requirement to comply with our organisational targets to reduce our Carbon footprint and to conserve more energy;

- continued modifications to our estate as a proactive preventative maintenance programme; to ensure that our buildings are of a suitable, modern and acceptable standard in order to best deliver our services;

- the delivery of the replacement station at North Tyneside East; to comply with meeting the needs of delivering a modern and effective service; this will allow the Authority to participate and engage more fully with communities, as well as offering opportunities to deliver enhanced programmes of fire safety advice and training;

- the continuation to source and secure appropriate land for the future replacement of two community fire stations in the Sunderland district; to comply with meeting the needs of delivering a modern and effective service.

The Authority has retained a Development Reserve to assist in funding the outcome of this major review of the property portfolio over the medium to long term, and specific earmarked reserves have been established to address issues arising from the Carbon Management Plan and equality and diversity measures.

NEFRA PFI Scheme

The North East Fire and Rescue Authorities (NEFRA) successfully submitted a collaborative application in January 2004 for Notional Credit Approvals in the 4th Round of PFI Initiatives. Within the application, the element directly affecting the Tyne and Wear Fire and Rescue Authority was the replacement of Tynemouth Fire Station with a new community fire station.

Following approval by the Authority, on 15th June 2009, of the final terms of the Agreement, it is planned that financial close will take place towards the end of June 2009. The new Tynemouth Community Fire Station will open on 21st June 2010.

Regional Control Centre (FireControl)

The FireControl business case outlined a need for Regional Control Centres to enhance resilience, support improved performance for fire and rescue services and to deliver value for money. The new Regional Control Centres will be governed and operated by local authority controlled companies, wholly owned by the local Fire and Rescue Authorities in the region.

The Regional Control Centre (RCC) for the North East region, situated near the city of Durham, is planned to commence operations during 2011/2012, although the costs have been met from 2007/2008 onwards through transitional funding arrangements from the government. The final cost of the RCC to the Authority has yet to be fully determined, although the previous government confirmed that it is committed to funding any increased costs by fire authorities for three years, with the position to be reviewed following that period. The Authority established a Regional Control Centre Reserve of £350,000 in 2007/2008 to provide a means of offsetting any costs associated with the RCC Project on the basis that the government position does not provide an absolute assurance to the Authority that all additional costs will be funded by the government in perpetuity and this is especially relevant with proposals from the new coalition government to curtail public sector spending in 2010/2011 and beyond. Further information is provided in relation to the North East Fire Control Company Limited (established to operate as the region's fire control centre) in Note 10 on page 65.

Firelink

The government-supported Firelink project represents a significant investment in radio communications for the fire and rescue service, with the aim of improving resilience and inter-operability within the service and with other blue light services.

The project is currently nearing the end of the third of three phases of implementation, and the government continues to provide funding for the transitional arrangements. Further detailed information is still awaited in terms of the ongoing funding beyond 2009/2010, in terms of both implementation and future operating costs. However, previous government indicated that it will continue to meet additional costs.

Financial Outlook for the Authority

The outcome of the previous government's Comprehensive Spending Review 2007 saw a tightening of the national funding position in the three years of the review (2008/2009, 2009/2010 and 2010/2011), with this Authority receiving grant increases of 2.40%, 1.26% and 1.10% respectively. There was an expectation from the Labour government that Fire and Rescue Authorities would continue to identify and realise efficiency savings over this three-year period.

In addition, in his April 2010 budget report, the then Chancellor set out the future spending intentions of the government at a national level, which saw a further tightening of public sector expenditure and also a pay freeze for public sector workers. Significantly higher efficiency savings were also released. The new coalition government has recently announced cuts in funding for 2010/2011. It is to provide more details of its spending plans in its Emergency Budget on 22nd June 2010 and its spending review to be completed in the Autumn. The indications are that government grant funding is to be significantly reduced over the life of the new government.

Against this context of probable grant reductions and more stretching of efficiency targets, the Authority has published a Medium Term Financial Strategy, which covers the period 2010/2011 to 2014/2015, to:

- provide an analysis of the financial position likely to face the Authority over the medium term and establish approaches to address the Strategic Priorities of the Authority through its Strategic Plan (and other key strategic documents, such as the Integrated Risk Management Plan), to enable the Authority's aims and objectives by protecting front line services to the public whilst still providing value for money;

- inform a budget planning framework for each year for the preparation of Revenue and Capital Budgets, that are balanced and affordable respectively.

George W Blyth C.P.F.A.
Finance Officer

Dated: 27th September 2010

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer (the Finance Officer) is the Director of Financial Resources of the Lead Authority (Sunderland City Council);

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- approve the Statement of Accounts.

The Finance Officer's Responsibilities

The Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to show a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2010.

In preparing this Statement of Accounts, the Finance Officer has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates which were reasonable and prudent;

- complied with the Code, except where disclosed.

The Finance Officer has also:

- kept proper accounting records, which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The draft accounts are authorised for issue on 28th June 2010.

George W Blyth C.P.F.A.
Finance Officer

Dated: 27th September 2010

Independent auditor's report to the Members of the Tyne and Wear Fire and Rescue Authority

Opinion on the financial statements

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of Tyne and Wear Fire and Rescue Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and firefighters' pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Tyne and Wear Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Chief Finance Officer and auditor

The Finance Officer's responsibilities for preparing the accounting statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

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

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

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

Basis of audit opinion

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

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

Opinion

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and

- The firefighters' pension fund accounting statements present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009, the financial transactions of the firefighters' pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Steve Nicklin
District Auditor
Nickalls House
Gateshead
NE11 9NH
September 2010

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire and rescue authorities published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Tyne and Wear Fire and Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

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

Steve Nicklin
District Auditor
Nickalls House
Gateshead
NE11 9NH
September 2010

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2009/2010 financial year and its position at the year-end of 31st March 2010. It has been prepared in accordance with the principles of the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) 2009 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) except where disclosed below.

The analysis of service expenditure included in the Income and Expenditure Account reflects the requirements of the Best Value Accounting Code of Practice (BVACOP) standard classification of expenditure at the mandatory level.

2. Fixed Assets

Intangible Fixed Assets

Intangible assets are defined in FRS 10 – Goodwill and Intangible Assets as being non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. For the Tyne and Wear Fire and Rescue Authority, the only category of intangible assets are software licences, where these are assessed as bringing benefits to the Authority for more than one financial year. These assets are included at cost and amortised to services over the life of the software licences, to reflect the pattern of consumption of benefits. These are estimated to have a useful life of 5 years.

Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition of Fixed Assets: expenditure on the acquisition, creation or enhancement of tangible fixed assets is accounted for on an accruals basis and capitalised in the Balance Sheet, provided that it yields benefits to the Authority, and the services that it provides, for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred. The Authority also operates a de-minimis level, under which expenditure on fixed assets is charged to revenue as it is incurred. The de-minimis level has been established at a value of £20,000 for the recording of capital assets in respect of properties. The de-minimis level for equipment remains at a value of £10,000. All vehicles are recorded as fixed assets irrespective of cost.

Measurement of Fixed Assets: fixed assets are initially valued at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then included in the Balance Sheet using the measurement basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 1995 Code of Practice on Local Authority Accounting. Different categories of fixed assets have been valued on different bases as follows:

Operational land and buildings has been valued on a net current replacement cost basis by either:

- Depreciated Replacement Cost where an asset is one which is of a specialised nature or where there is no evidence of market value of suitable comparable properties. This method estimates the market value for the existing use of land, plus the current gross replacement costs of improvement, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation, or;
- Existing Use Value where there is sufficient evidence of market transactions for that use to support the value of the asset.

Non-operational assets are fixed assets not directly occupied, used, or consumed in the delivery of services, including investment properties and assets surplus to requirements. They have been included in the Balance Sheet on an open market value basis.

Capital projects that are still in progress are classed as ‘fixed assets under construction’ and are shown in the Balance Sheet as non-operational assets on a historic cost basis. These historic values are transferred to operational assets once the capital scheme has been completed.

Vehicles, plant, furniture and equipment have been included at historical cost, net of depreciation.

From 1st April 1994, assets acquired under finance leases are also capitalised in the Authority's accounts, together with the liability to pay future rentals.

Revaluation Gains and Impairment of Fixed Assets: a full revaluation of both PFI and non-PFI property assets of the Authority was undertaken as at 1st April 2006, with subsequent revaluations of fixed assets planned on the basis of a three-year rolling programme.

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

Asset values may decrease following a review of asset categories for reductions in value, following revaluation or following a reassessment of an asset’s value once the historic cost of capital projects has been added to the assets value. In such circumstances this impairment is accounted for by either, charging the loss to the relevant service revenue account where the impairment is attributable to a clear consumption of economic benefits, or writing the loss off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

All assets not subject to depreciation are assessed, in accordance with FRS 11, by the Authority’s Valuer each year for any material impairment.

As part of the revaluation programme, the valuer makes an assessment of the asset life, the gross value of each asset and also determines a value for use in determining the depreciable amount. The assessment of the depreciable amount is solely carried out to enable depreciation to be calculated and charged to the Income and Expenditure Account. The movement in the gross value of the asset (rather than the value of individual elements that make up the asset value) is used to assess revaluation gains and impairment losses.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts, which are credited to the Usable 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 Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against revenue, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are reflected in the Capital Adjustment Account on the Balance Sheet and also in the Statement of Movement on the General Fund Balance.

Grants and Contributions: Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

3. Depreciation

Depreciation is provided for on all assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

All buildings have been depreciated in line with Financial Reporting Standard (FRS) 15. Depreciation has not been provided for on non-depreciated land, and this approach complies with the SORP requirements.

Depreciation is calculated on the following bases:

- Operational buildings are depreciated over the anticipated useful life of the asset, which can be any length of time between 1 and 60 years. Where an asset is assessed as having a life in excess of 50 years (but no specific useful life is provided) depreciation is charged over 60 years;
- Vehicles, plant furniture and equipment are depreciated over the anticipated useful life of the asset, generally between 3 and 10 years.

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.

4. Charges to Revenue for Fixed Assets

General Fund service revenue accounts, central support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- A credit to reflect government grants used in financing the asset, which is held in the Grants and Contribution Deferred Account, during the useful life of the asset, to match the depreciation of the asset to which it relates;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service, and other losses where there no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible fixed assets attributable to the service.

The Authority is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement).

On 22nd March 2010 the Authority revised its MRP policy to accommodate changes in which PFI transactions are required to be reflected in the accounts for 2009/2010. The amended MRP statement is set out below:

a) For all government supported borrowing the Authority will adopt Option 1 as set out in the government's guidance which is a continuation of the basis upon which the Authority currently calculates MRP.

b) For all unsupported borrowing the Authority will adopt Option 3 and make MRP repayments using the equal instalment method with the estimated useful life of an asset being assessed by the Finance Officer in consultation with appropriate officers.

c) For MRP payments in relation to finance leases and PFI contracts previously held off-balance sheet but now included on-balance sheet to comply with IFRS requirements, the amount of MRP to be made will be set to ensure that the finance charge and MRP for finance leases and on-balance sheet PFI schemes is equal to the rental or service charge payable in the income and expenditure account for the year, which writes down the balance sheet liability of those assets. The Authority will therefore follow DCLG guidance which states:

   'IFRS requires these changes to be accounted for retrospectively, with the result that an element of the rental or service charge payable in previous years (and previously charged to the revenue accounts) will be taken to the balance sheet to reduce the liability. On its own, this change in the accounting arrangements would result in a one-off increase to the capital financing requirement, and an equal increase in revenue account balances. This is not seen as a prudent course of action, and guidance aims to ensure that authorities are in the same position as if the change had not occurred. It does this by recommending the inclusion in the annual MRP charge of an amount equal to the amount that has been taken to the balance sheet to reduce the liability, including the retrospective element in the first year.'

   Following the above DCLG guidance will ensure that, if the impending move to IFRS in local government has the effect of bringing more PFI schemes and leases on balance sheet, there will be no effect on the charge to the revenue account and no impact on council taxpayers arising from changes made to accounting standards that must be followed by the Authority.

d) The Authority will make additional voluntary MRP payments to that indicated by the adoption of Option 3, with reference to the Authority's existing framework, in order to make an increased voluntary MRP where this is considered to be both prudent and affordable. This requirement may be relaxed by the Finance Officer where appropriate, in particular for any unsupported borrowing taken out on behalf of trading services, which are subject to market pressures.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to earmarked reserves are disclosed separately as appropriations in the Statement of Movement on the General Fund Balance. Depreciation, impairment losses and amortisations are, therefore, replaced by the revenue provision in the Statement of Movement on the General Fund Balance. Capital charges, therefore, have a neutral impact on the amounts required to be raised from local taxation.

5. Debtors and Creditors

Revenue transactions are recorded on a system of receipts and payments during the year.

The treatment of expenditure and income, which relates to periods that span the 31st March year-end requires further explanation:

a. Periodical Payments relating to periods not ending on 31st March
In these cases the charges made in the financial year reflect a 12 monthly charge for the service provided.

b. Wages
The majority of the Authority's staff (i.e. Firefighters) are paid on a fortnightly basis. This results in 26 payments being incurred for most years, however, a 27th payment occurs in every tenth year. In order to smooth the effect of this additional payment, an adjustment has been made in the 2009/2010 accounts to reflect the appropriate cost for 365 days.

c. Debtors
The debtors in the Authority’s Balance Sheet represent sums due to the Authority which had not been paid by the year-end, and which are regarded as collectable.

d. Prepayments
Prepayments in the Balance Sheet represent sums paid prior to the year-end, which relate to services or activity relevant to the following financial year.

e. Creditors
The Authority uses a procurement module within its Financial Management System to account for the bulk of its creditors each year. This means that all orders for goods and services must be processed through the system with the effect that the system now automatically records and identifies all creditors as being both:

- where the goods have been received by 31st March 2010 but not yet invoiced, and;
- where the goods have been received and invoiced but not paid until the following financial year.

The method of accounting for creditors is an important aspect of the Statement of Accounts and the policy adopted by the Authority complies fully with the SORP.

f. Receipts in Advance
The Authority occasionally receives funds from third parties, including grants, ahead of their intended use. Such receipts are posted to the Balance Sheet in order that they can be matched in the following year with the expenditure to which they relate.

6. Stocks and Stores

All stocks and stores at the year-end are valued at average cost price.

7. Cost of Support Services

External support services are provided to the Authority by Sunderland City Council, based upon a scheme approved by the Home Office. Support service costs from Sunderland City Council are charged on an estimated time or actual time spent basis, with the exception of the Financial Resources and Personnel Departments, which are charged on the basis of a Service Level Agreement. External support service costs are allocated to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice.
Internal support services are also charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice. The total absorption costing principle is used, and the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

8. Provisions

Provisions are made where an event has taken place that gives the Authority an obligation that will probably require settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the revenue account in the year that the Authority becomes aware of the probable obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Note 27 to the Balance Sheet on page 76 provides information on the provisions set up by the Authority.

9. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts "below the line" in the Statement of Movement on the General Fund Balance. When expenditure is to be financed from a reserve, it is charged to the revenue account in that year to score against the Net Cost of Services, in the Income and Expenditure Account. The reserve is then appropriated into the General Fund Balance statement to meet this expenditure so that there is no net charge against council tax for the expenditure. Details on the movement on earmarked reserves during 2009/2010 is provided in note 32 to the Balance Sheet on page 82.

In addition, certain accounts and reserves are maintained in respect of tangible fixed assets (Capital Adjustment Account and Revaluation Reserve and retirement benefits (FRS 17 Reserve). These do not represent usable resources for the Authority, however, as they are accounting requirements not physical cash reserves. Note 28 to the Balance Sheet on page 77, note 29 and note 30 to the Balance Sheet on page 81 provide further detail on these reserves.

10. Internal Interest

Interest is credited to the General Fund from the Lead Authority's Capital Advances and Borrowing Pool based on cash flow and fund balances. The amounts are calculated using 7-day money market rates in accordance with guidance contained within the SORP.

11. Delegated Budgets

The delegated budget scheme allows the carry forward of any under-spending to the following financial year. For 2009/2010, an appropriation has been made into the Budget Carry Forward Reserve for this purpose, as detailed in note 32 to the Balance Sheet on page82.

12. Pension Costs

The pension costs that are charged to the Authority's accounts can be divided into two types of pension arrangements, both of which have different accounting treatments which are set out below for information:

Firefighters Pension Scheme
The Firefighters pension scheme is an unfunded, Defined Benefit Scheme. Employer and employee contributions are paid into the pension fund, together with a contribution from the Authority for the cost of ill health early retirements. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments, with any surplus being recouped by Government.

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

Local Government Pension Scheme
All non-uniformed staff of the Authority have the right to join the Local Government Pension Scheme (LGPS), which South Tyneside Metropolitan Council administers on behalf of all of the Tyne and Wear local authorities and other admitted bodies. The scheme is classified as a Defined Benefit Scheme based on final pensionable pay and as such must comply with FRS 17. This requires the Authority to disclose certain information concerning assets, liabilities, income and expenditure related to the LGPS for its employees.

The liabilities of the pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the roll forward method.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds.

The assets of the 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 pension's liability is analysed into seven components:

- Current Service Costs – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked;
- Past Service Costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
- Interest Costs – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account;
- 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 Net Operating Expenditure in the Income and Expenditure Account;
- Gains / 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 to the Net Cost of Service in the Income and Expenditure Accounts 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 Statement of Total Recognised Gains and Losses;
- Contributions paid to the pension fund – cash paid as employers contributions to the pension fund.

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 in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance 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 the debits for the cash paid to the pension fund and any amount payable to the fund but un-paid at the year end.

The net overall impact of FRS 17 accounting entries is neutral in the Statement of Accounts and, in reality, as the Authority is making the necessary pension deficiency payments to address any assessed shortfall in the pension fund by the Actuary over time, the Balance Sheet net worth is, in effect, reporting future years deficits, which are being addressed. This consequently has the effect of distorting the real financial health of the Authority's finances.

13. General Government Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, and there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched with the expenditure to which they relate.

General Government Grants, not aligned to any particular service, are included as a separate line in the Income and Expenditure Account, including Revenue Support Grant (RSG). National Non Domestic Rates redistribution, more commonly known as Business Rates, is separately disclosed in the Income and Expenditure Account, in accordance with the SORP requirements.

Grants relating to capital expenditure are treated in accordance with the SORP, where the grant is treated as a deferred credit, this is then written off to the Income and Expenditure Account over the useful life of the asset.

An analysis of General Government Grants is provided in Note 13 to the Income and Expenditure Account on page66.

14. Deferred Liabilities

The Lead Authority administers all of the Authority's borrowing through its Consolidated Advances and Borrowing Pool (CABP) and, as such, the Authority does not undertake borrowing in its own name. The amount of borrowing undertaken by the Lead Authority on the Authority's behalf has been recognised as a deferred liability within the Statement of Accounts for 2009/2010.

15. Redemption of Debt

The Authority complies with the accounting requirements of the SORP and, in accordance with the Local Government Act 2003, is required to set aside a Minimum Revenue Provision (MRP) for the repayment of debt, undertaken by the Lead Authority on the Authority's behalf. All amounts set aside for the repayment of external loans and to finance capital expenditure are disclosed separately in the Income and Expenditure Account below net operating expenditure.

In accordance with the MRP Policy Statement, incorporated in the Capital Programme 2009/2010 report to Members in February 2009, the Minimum Revenue Provision is based upon 4% of the value of the Authority's Capital Financing Requirement as at 1st April 2009. The Statement of Accounts for 2009/2010 has been prepared to fully comply with statutory and Prudential Code requirements, as referred to in Note 11 to the Income and Expenditure Account on page65.

16. External Interest

All interest payable on external borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

17. Other Investments

Investments in companies and in marketable securities are shown in the Authority's Balance Sheet at cost. Provision for losses are made, where appropriate, in accordance with SORP. No such provisions have been considered necessary at this time.

Investments are all made via the Lead Authority's Consolidated Advances and Borrowing Pool.

18. Long Term Contracts - Private Finance Initiative (PFI)

PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. The relevant note and information relating to the Authority's PFI scheme is detailed in Note 19 to the Balance Sheet on page73.

Recognising assets and liabilities
Property used in a PFI and similar contract shall be recognised as an asset or assets of the local authority. A related liability shall also be recognised at the same time. The asset shall be recognised in accordance with the SORP; this will be when the asset is made available for use unless the local authority bears an element of the construction risk, which will not be the case where standard PFI contract terms are used. Where an authority does bear the construction risk, it shall recognise an asset under construction prior to the asset being made available for use where it is probable that the expected future benefits attributable to the asset will flow to the authority. In accordance with the SORP, separate assets shall be recognised in respect of land and buildings where appropriate. The related liability shall initially be measured at the value of the related asset, and subsequently shall be calculated using the same actuarial method used for finance leases under the SORP.

Prepayments
PFI and similar contracts may be structured to require payments to be made (either as part of a unitary payment or a lump sum contribution) before the related property is recognised as an asset on the Balance Sheet. Such payments shall be recognised as prepayments. At the point that the infrastructure is recognised as an asset, the related liability shall also be recognised. The prepayments shall be applied to reduce the outstanding liability.

Depreciation, impairment and revaluation
Once recognised on the Balance Sheet, property under a PFI and similar contract is depreciated, impaired and re-valued in the same way as for any other fixed asset.

MRP (England and Wales)
Assets acquired under a PFI and similar contract that are recognised on the authority's Balance Sheet are subject to MRP in the same way as assets acquired using other forms of borrowing. The

amounts of MRP to be charged to the General Fund for the year shall be in accordance with the appropriate regulations and statutory guidance. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Statement of Movement on the General Fund Balance.

Capital financing requirement
Where PFI contracts or similar arrangements come 'on-Balance Sheet' as a result of the SORP changes, the Capital Financing Requirement will be adjusted to reflect this and the authorised limits and operational boundaries will be set accordingly.

19. Accounting for Leases

Finance Leases
The Authority accounts for leases as finance leases when, substantially, all the risks and rewards relating to the leased property transfer to the Authority. Rentals payable are apportioned between:

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

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases
Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to revenue on a fixed amount basis over the term of the lease, generally meaning that rentals are charged when they become payable.

20. VAT

The Income and Expenditure Account excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

21. Related Companies and Group Accounts

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

This Authority's interest in NEFCC is to be treated as a joint venture in the Statement of Accounts. At this stage, however, NEFCC has no assets, with ownership of any assets (and the interim running costs) being the responsibility of central government until the partner authorities transfer operation of their fire control rooms into the new facility. The latest schedule is for this Authority to transfer operations in May 2011.

On this basis, there was no financial impact arising from this arrangement within the Statement of Accounts for the year ended 31st March 2010.

The Authority has no other financial relationships through related companies, joint ventures or joint arrangements. Consequently on this basis group accounts have not been prepared.

22. Estimation

Pensions Liabilities
Pensions liabilities included in the Balance Sheet have been assessed on an actuarial basis using the roll-forward method. The Pension Fund liabilities have been assessed by Hewitt Associates Limited (LGPS) and by the Government Actuary's Department (Firefighters Pensions), both independent actuaries, who also estimate the Pension position as at 31st March 2010 based on the latest full valuation of the scheme as at 31st March 2007 and their assessments of future movements in the return on pension assets and future pension liabilities. See Note 28 to the Balance Sheet on page77.

Apportionment of costs for Community Safety
As required by CIPFA's Best Value Accounting Code of Practice, the Authority is required to present its expenditure and income at the mandatory reporting levels, including Community Safety and Fire Fighting and Rescue Operations. The majority of transactions are classified directly as relating to either of these categories, however, the Authority also makes a transfer for the cost of Community Safety related activities undertaken by Fire Fighting staff. This transfer is based on actual activity figures, recorded by the Authority through the year.

The approach to quantifying the transfer uses actual activity figures for home fire risk assessments and fire inspections to estimate the time taken to undertake these community safety activities. This is then applied to an average rate of pay to estimate the total cost to be transferred from Firefighting to Community Safety in the Authority's Income and Expenditure Account.

Utilities
Utilities costs contained within the Service Expenditure Analysis are calculated using estimation. The final period charge for the financial year is estimated based upon the previous year's consumption for the same period multiplied by the latest price information. An adjustment is made for any significant variances when the actual utilities bills are received.

Creditor Provisions
In a small number of cases, estimation is used to calculate payments outstanding to creditors where the Authority has yet to be billed for services delivered prior to the year-end. The impact of any such estimations is not material to the Authority's Accounts.

23. Financial Instruments

With effect from 1 April 2007, local authorities were required to adopt a major change of accounting policy in respect of the way in which they account for financial instruments, in order to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom – the Statement of Recommended Practice 2007, issued by the Chartered Institute of Public Finance and Accountancy.

This covers the accounting treatment of all financial instruments, such as loans, investments, soft loans (loans below market value) and financial guarantees, which have been designed to present a higher quality of information on financial instruments, in line with the private sector. In addition, in order to help identify, quantify and inform on the exposure to and management of risk, new "fair value" disclosure requirements have been introduced. This need has arisen in recent years through the high profile failure of a number of financial institutions e.g. Barings, Enron, World Com etc.

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) have, in 2009/2010, to be valued on an amortised costs basis using the effective interest rate (EIR) method.

Although the changes apply to the Authority, the transactions are not considered to be material to the

Statement of Accounts. This is, in the main, due to the fact that the lead authority (Sunderland City Council) carries out all of the Authority's investment and borrowing arrangements on its behalf, and the accounting entries, although included in Sunderland City Council's Statement of Accounts, are of a very low and insignificant value for the Council as a whole.

To apportion and amend the Authority's elements would only constitute a minimal level of adjustments that would add no value to the Accounts presented.

24. Events After the Balance Sheet Date

Where an event after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date occurs, (an adjusting event), the amounts recognised in the Statement of Accounts have to be adjusted to take into account any new information about that adjusting event.

25. Council Tax Accounting

Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from Council Tax debtors/creditors in the year the billing authority shall recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor shall recognise a credit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year. If the cash paid to a major preceptor is less than its proportionate share of net cash collected in the year from Council Tax debtors/creditors the billing shall recognise a credit adjustment for the amount underpaid to the major preceptor in the year and the major preceptor shall recognise a debit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

The Cash Flow Statement of a major preceptor shall include the net Council Tax cash received from the Collection Fund in the year (i.e. precept for the year plus share of Collection Fund surplus for the previous year or less the amount paid to the Collection Fund in respect of share of the previous year's Collection Fund deficit). The difference between the net cash received from the Collection Fund and the major preceptor's share of cash collected from Council Tax debtors by the billing authority in the year shall be included as a net increase/decrease in other liquid resources.

Any residual community charge income 'adjustments' (losses or gains) are also required to be included in the Collection Fund. Such adjustments, which will now often be nil or negligible, are borne wholly by the billing authority and are excluded from the Collection Fund surplus or deficit in calculating the amount that is shared between the billing authority and major preceptors. The community charge adjustment for the year shall be taken to the Income and Expenditure Account; and the difference between this and the amount required by regulation to be taken to the General Fund (i.e. the previous year's community charge adjustment) shall be taken to the Collection Fund Adjustment Account.

Annual Governance Statement

1 **SCOPE OF RESPONSIBILITY**

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

1.2 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.

1.3 The Authority has had a Code of Corporate Governance in place since 2003, and has been in 2008/2009. This Code has been drafted alongside the annual governance review required for the production of this Statement and will be submitted to the Authority and its Governance Committee in June 2010 for approval and adoption. The revised Code will then be made available on the Authority's website (www.twfire.gov.uk) or can be obtained from the Fire and Rescue Service Headquarters.

1.4 This Statement explains how the Authority has complied with the SOLACE/CIPFA Framework and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2 **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

2.1 The governance framework primarily includes systems and processes by which the Authority directs and controls its activities and engages with the community. Further 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.

2.2 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.

2.3 The governance framework has been in place at the Authority for the year ended 31st March 2010 and up to the date of approval of the Annual Report and Statement of Accounts.

3 **THE GOVERNANCE FRAMEWORK**

3.1 **There is a clear vision of the Authority's purpose and intended outcomes for service users that is clearly communicated, both within the organisation and to external stakeholders**:

- The Strategic Community Safety Plan draws together a shared vision, principles for action and priorities (strategic objectives). For each strategic objective, key targets have been identified. The Plan sets out explicitly the key actions and performance targets for the future, and these are clearly linked with functional/departmental/district/station service plans and resources. The Plan outlines the Authority's roles and responsibilities, the context in which it operates, what the Strategic Priorities and improvement objectives are, how the Authority will realise its vision, what its performance improvement and monitoring arrangements are, performance indicators, CAA framework and a financial overview. The financial overview section provides background commentary to the issues the Authority has considered in setting the Budget and in preparing the Medium Term Financial Strategy.

- The Authority's Integrated Risk Management Plan (IRMP) 2009/2012 is the Authority's own overarching Plan for recognising the risks within the Authority boundaries that need to be addressed, and providing detail on how those risks are being mitigated.
- Communication of objectives to staff and stakeholders takes place through the following means:
  - Wide distribution of the Strategic Community Safety Plan, as well as a summary version, including on the Authority's website and intranet;
  - Wide distribution of the Authority's Integrated Risk Management Plan;
  - The issue of an Annual Report setting out the Authority's priorities, how the Authority spent money on achieving these during the last financial year, and how successful the Authority has been;
  - Through the Authority's Investors in People (IIP) processes;
  - Advertisements in local and Council newspapers;
  - Focus groups with members of the public.

3.2 **Arrangements are in place to review the Authority's vision and its implications for the Authority's governance arrangements**:

During 2009/2010, the Strategic Community Safety Plan 2009-2012 and the Integrated Risk Management Plan and all priorities were reviewed to provide a refined, longer-term focus for the Authority.

- Through reviews by the Audit Commission and other external bodies the Authority constantly seeks ways of securing continuous improvement. The Authority has professional and objective relationships with these external bodies.
- There are comprehensive annual reviews of the local Code of Corporate Governance to ensure that it is up to date and effective.

3.3 **Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources**:

- There are clear and effective performance management arrangements including personal development plans for all staff, which address financial responsibilities and include equality objectives.
- There is regular reporting of performance against key targets and priorities to the Authority's Strategic Management Team, the Governance Committee and the Performance and Review Committee.
- Services are delivered by suitably qualified / trained / experienced staff and all posts have detailed job profiles / descriptions and person specifications.

3.4 **The roles and responsibilities of all Officers and staff are clearly defined and documented, with clear delegation arrangements and protocols for effective communication**:

- Standing Orders and Financial Regulations are in place and these set out how the Authority operates and how decisions are made, including a clear Delegation Scheme.

- The Standing Orders and Delegation Scheme indicates responsibilities for functions and sets out how decisions are made.

- A system of scrutiny is in place which allows the Governance Committee to:

  - review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Authority's functions;
  - make reports and/or recommendations to the full Authority and/or the Strategic Management Team in connection with the discharge of any functions;
  - consider any matter affecting the Authority; and
  - exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the Authority and/or Strategic Management Team.

3.5 **Codes of Conduct defining the standards of behaviour for Members and staff are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation**:

- The following are in place:

  - Members' Codes of Conduct;
  - Employees' Code of Conduct;
  - Registers of Interests, Gifts and Hospitality;
  - Monitoring Officer Protocols.

3.6 **Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks**:

- The Director of Financial Resources of Sunderland City Council is the designated Finance Officer in accordance with Section 151 of the Local Government Act 1972 ensuring lawfulness and financial prudence of decision-making, and is responsible for the proper administration of the Authority's financial affairs.

- The Deputy Clerk is the Authority's Monitoring Officer who has maintained an up-to-date version of the Standing Orders and has endeavoured to ensure lawfulness and fairness of decision making.

- The Authority has in place up to date Financial Procedure Rules and procurement rules which are subject to regular review.

- Written procedures are in place covering financial and administrative matters, as well as HR policies and procedures. These include:

  - Whistle Blowing Policy;
  - Anti Fraud and Corruption Policy;
  - Codes of Conduct;
  - Health and Safety Policy;
  - Compliments, Comments and Complaints Policy;

- Corporate Risk Management Strategy
- Procurement Strategy;
- Procurement Codes of Practice
- Partnerships procedure;
- Treasury Management Strategy based upon CIPFA's Treasury Management Codes;
- Functional budget management schemes.

- There are robust and well embedded risk management processes in place, including;

  - Risk Management Strategy and Policy Statement;
  - Corporate Risk Profile
  - Integrated Risk Management Plan;
  - Risk Management Manual;
  - Nominated Risk Manager;
  - Corporate and Risk Management Groups;
  - Risk Management Training Programme;
  - Partnerships Risk Register;
  - Risk Management Annual Report;
  - Member Risk Champion;

- There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts.

- Business Continuity Plans are in place, which are subject to ongoing review, development and testing.

- There are clearly defined capital expenditure guidelines and capital appraisal procedures in place.

- Appropriate project management disciplines are utilised.

- The Authority participates in the National Fraud Initiative and subsequent investigations.

3.7 **The core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities,* are undertaken by members**.

The Authority has a Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:

- consider the effectiveness of the Authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anticorruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;

- be satisfied that the Authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it;

- to receive and consider (but not direct) internal audit's strategy, plan and monitor performance;

- receive and consider the external audit plan;

- review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary;

- receive and consider the annual report of internal audit;

- consider the reports of external audit and inspection agencies, including the Annual Audit and Inspection Letter;

- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;

- review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit; and

- make recommendations or comments to the Authority as appropriate.

3.8 **Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to members**:

- The Deputy Clerk is the Authority's designated Monitoring Officer and a protocol is in place with all Principal Officers, to safeguard the legality of all Authority activities.

- The Authority maintains an Internal Audit Service, provided by Sunderland City Council. An independent annual review of its effectiveness is undertaken which concluded that it operated in accordance with professional standards. Internal audit work is planned on the basis of risk.

3.9 **Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised**:

- The Authority is committed to establishing and maintaining effective reporting arrangements to ensure that, where an individual, whether an employee of the Authority, an Elected Member, or any member of the public, has serious concerns regarding the conduct of any aspect of the Authority's business, they can do so through a variety of avenues, promptly and in a straight forward way.

- The framework in place to ensure the aims of this Policy are met are set out in the 'Whistle Blowing Policy Arrangements' procedure for Authority staff. Members of the public currently raise issues through the Compliments, Comments and Complaints procedure and there has recently been developed a whistle blowing policy and procedure for members of the public.

- Monitoring records held by the Deputy Clerk on behalf of Members, and the Chief Fire Officer on behalf of staff and members of the public reveal that the whistle blowing arrangements are being used, and that the Authority is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.

3.10 **Arrangements exist for identifying the development needs of members and Principal officers in relation to their strategic roles**:

- The Authority has a Members Learning and Development Policy and Programme in place which sets out a clear commitment to Members to provide a range of Learning and development opportunities which will improve their knowledge, skills and abilities in their individual or collective roles in meeting Authority strategic objectives. In addition Members have access to their nominating authority learning and development policies, plans and procedures.

- The Elected Member Learning and Development Strategy aims:

  - To provide a comprehensive Member Development programme;
  - To ensure that all newly Elected Members are properly inducted into the Authority;

- To ensure that all emerging needs for both individuals and across the board are identified and addressed;
- To ensure that resources available for Member Development are effectively used.

- The Authority has a Human Resource Strategy that identifies the need to enable and support the organisation in managing the performance of all of its employees through effective policies, procedures and working practices is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role, annual performance review focusing on strengths and highlighting areas of weakness, job related training, and ongoing evaluation and includes the extent to which an employee understands and supports the values of the Authority.

- The Authority is also an active member of the Regional People Management Group which identifies and delivers regional learning and development whilst also developing regional framework policies for its constituent members.

- The Authority is a member of the Regional Equality and Diversity Steering Group which provides strategic direction and advice in terms of equality and diversity including improving community engagement for fire and rescue authorities.

3.11 **Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**:

- The Authority has a Consultation Strategy which aims to ensure that consultation activity is effectively co-ordinated across the Authority and with partner agencies, impacts on service delivery, and is delivered to a high standard.

- The strategy is complemented by the Community Engagement Strategy which outlines the Authority's approach to consulting with minority and vulnerable sectors of society.

3.12 Governance arrangements with respect to partnerships and other group working incorporate good practice as identified by the Audit Commission's report on the governance of partnerships, and are reflected in the Authority's overall governance arrangements:

- The Authority has published a Partnerships procedure which includes a template for Partnership Agreements and a Partnership Toolkit. The procedure is designed to provide a corporate framework for all staff involved in considering new partnership working, and to assist Members and officers to review existing arrangements.

- A Register of Partnerships is maintained. The deliverables of all prospective and existing partnerships is closely measured using a standard framework.

- A review of all partnerships is presented to the Strategic Management Team on an annual basis.

4 REVIEW OF EFFECTIVENESS

4.1 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 the effectiveness is informed by feedback from Members and the work of all senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:

- The role of the Authority:

- Elected Members have participated in the annual review of the Authority's Corporate Governance arrangements;
- The Chair of the Authority, the Chief Fire Officer and the Finance Officer have overseen the review and signed the Annual Governance Statement.

- The role of the Strategic Management Team:

  - The findings of the Annual Governance Review have been reported to the Strategic Management Team for their consideration and approval of the Annual Governance Statement.

- The role of the Governance Committee:

  - The findings of the Annual Governance Review have been reported to the Governance Committee. Under their Terms of Reference the Governance Committee has satisfied themselves that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

- There is a system of scrutiny which allows the Governance Committee and the Performance and Review Committee to:

  - review decisions made or actions taken in connection with the discharge of any of the Authority's functions;
  - make reports and recommendations to the full Authority or the Strategic Management Team in connection with the discharge of any functions;
  - consider any matter affecting the delivery of service; and
  - exercise the right to call-in, for reconsideration, decisions made but not yet implemented.

- The role of the Authority's Governance Committee also includes the following:

  - promoting and maintaining high standards of conduct by Members, co-opted members and Officers;
  - monitoring the operation of the Members' Code of Conduct;
  - monitoring the operation of the Authority's Anti-Fraud and Corruption Policy so far as it relates to the actions of Members of the Authority;
  - considering reports and complaints relating to the conduct of Members of the Authority;
  - supporting the Monitoring Officer in his role.

- All Area Managers have participated in the annual governance review through carrying out self-assessments relating to their areas of responsibility and have provided Controls Assurance Statements relating to their area of responsibility, having considered the detailed self-assessments.

- Internal audit planning processes include consultation with the Principle Officers, reviews of the Strategic Community Safety Plan, Integrated Risk Management Plan and the Corporate Risk Profile. Audit work is risk based audit work and includes risks in relation to the achievement of service objectives, and Internal Audit Services carries out regular systematic auditing of key financial and non-financial systems. The Audit Commission have conducted a review of the effectiveness of Internal Audit Services and concluded that there are robust arrangements in place to comply with the standards of the 2006 CIPFA Code of Practice for Internal Audit.

- Under the Annual Audit Inspection, the most recent assessment states that:

  The Authority has demonstrated strong performance across a number of the Key Lines of Enquiry (KLOE). In particular the Authority:

    - *Integrates financial and service planning, is well placed financially and maintains good budgetary control. There is a clear commitment to high quality financial reporting;*

    - *Works well in partnership with others to contribute to wider community outcomes;*

    - *Has a clear understanding of what skills and staffing levels are required to deliver service improvements, and invests accordingly. Effective processes are in place to manage sickness absence and prevent accidents at work;*

    - *Communicates well with staff and partners, and has successfully managed significant organisational change whilst maintaining a highly motivated workforce;*

    - *Collects comprehensive, accurate performance data; and*

    - *Has good systems of governance and internal control.*

The Authority has delivered significant efficiency savings in recent years. Real costs have fallen by 6% since 2004, and precept increases were the lowest of all fire authorities nationally in 2008/2009 and 2009/2010. The organisation is becoming much more successful at targeting resources where they are needed most, and evaluating the outcomes and improvements that have been delivered.

A small number of improvement areas have been identified which include the following:

  - *The cost and quality of back office functions has not yet been subject to review;*

  - *The Authority provides little information to stakeholders and the public in relation to policies on sustainability and its environmental footprint; and*

  - *Although there is a strong commitment to equality and diversity, with much improved female representation in the workforce, the Authority employs a very low proportion of minority staff.*

- Findings of external bodies / audits are collated / monitored by the Strategic Management Team.

5 ASSURANCE STATEMENTS

5.1 The Strategic Management Team, the Authority and the Governance Committee have advised us of the findings of the review of the effectiveness of the governance framework, and an action plan has been agreed for the continuous improvement of the Authority's Corporate Governance and Internal Control Arrangements.

5.2 We propose over the coming year to take steps to implement the action plan to further enhance the Authority's governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Tom Wright Chair of the Authority	Iain Bathgate Chief Fire Officer	George W Blyth Finance Officer

27th September 2010

Income and Expenditure Account

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

	Notes	2009/2010 Gross Expenditure £000	2009/2010 Gross Income £000	2009/2010 Net Expenditure £000	2008/2009 Net Expenditure Restated £000
Community Safety		8,335	(439)	7,896	8,308
Fire Fighting and Rescue Operations		38,067	(1,957)	36,110	40,369
Fire Service Emergency Planning		569	(567)	2	(10)
Corporate and Democratic Core		317	0	317	315
Non Distributed Costs		430	0	430	520
Net Cost of Services	1-11	47,718	(2,963)	44,755	49,502
Loss on Disposal of Fixed Assets				66	0
Cleaning DSO	12			(5)	(17)
Interest Payable				2,533	2,828
Interest and Investment Income				(112)	(1,161)
Pension Interest Cost and Expected Return on Pensions Assets	4			31,030	32,560
Net Operating Expenditure				78,267	83,712
Income					
Council Tax Income				(23,731)	(23,203)
Revenue Support Grant	13			(6,598)	(4,246)
Non Domestic Rate Income				(28,586)	(30,500)
(Surplus)/Deficit For The Year				19,352	25,763

Statement of Movement on the General Fund Balance

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

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

The General Fund Balance compares the Authority's spending against the precept that it levied for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

	Notes	2009/2010 £000	2008/2009 Restated £000
(Surplus)/Deficit for the year on the Income and Expenditure Account		**19,352**	25,763
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	15	**(19,354)**	(25,877)
(Increase) / Decrease in General Fund Balance for the year		**(2)**	**(114)**
General Fund Balance brought forward		**(2,299)**	(2,185)
General Fund Balance carried forward		**(2,301)**	**(2,299)**

Statement of Total Recognised Gains and Losses

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

	Notes	2009/2010 £000	2008/2009 Restated £000
(Surplus)/Deficit for the year on the Income and Expenditure Account		**19,352**	25,763
(Surplus)/Deficit arising on revaluation of Fixed Assets	29	**0**	2,726
(Surplus)/Deficit arising on revaluation of PFI	1	**0**	(2,818)
Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	16b	**175,760**	(47,620)
Movement in the Collection Fund Balance	1	**91**	0
		195,203	(21,949)
Prior Period Adjustment - PFI	1	**0**	388
Total Recognised (Gains)/Losses for the year		**195,203**	(21,561)

Balance Sheet

	Notes	31st March 2010 £000		31st March 2009 Restated £000	
Fixed Assets					
Intangible Fixed Assets			**140**		97
Tangible Fixed Assets					
Operational Assets:					
Operational Land and Buildings		**56,020**		56,472	
Vehicles, Plant, Furniture and Equipment		**5,187**	**61,207**	2,729	59,201
Non Operational Assets:					
Assets Under Construction		**820**		706	
Surplus Assets held for Disposal		**210**	**1,030**	308	1,014
Total Fixed Assets	17&18		**62,377**		60,312
Long Term Investments - NEFCC	10		**0**		0
Long Term Debtors					
Other	20		**127**		16
Total Long Term Assets			**62,504**		60,328
Current Assets					
Stocks and Stores	21	**258**		325	
Debtors	22	**8,784**		6,547	
Short Term Investments	23	**27,514**		27,176	
Cash at Bank		**1,798**		4,492	
Cash in Hand (Officers' Imprests)		**3**	**38,357**	3	38,543
Current Liabilities					
Creditors	24		**(6,375)**		(5,619)
Net Current Assets			**31,982**		32,924
Total Assets Less Current Liabilities			**94,486**		93,252
Deferred and Long Term Liabilities	25		**(17,655)**		(18,394)
Long Term Liability- PFI	19		**(20,781)**		(21,258)
Grants and Contributions Deferred Account	26		**(20)**		(18)
Provisions	27		**(438)**		(278)
Liability related to Defined Benefit Pension Scheme	16&28		**(650,900)**		(453,500)
Total Assets Less Liabilities			**(595,308)**		(400,196)
Reserves					
Revaluation Reserve	29		**4,627**		4,627
Capital Adjustment Account	30		**19,278**		16,001
Usable Capital Receipts	31		**3,285**		3,285
Collection Fund Adjustment Account			**76**		(124)
Earmarked Reserves :	32				
PFI Smoothing Reserve		**4,794**		4,961	
Insurance Reserve		**707**		686	
Early Retirement Reserve		**44**		47	
Development Reserve		**14,703**		14,703	
Contingency Planning Reserve		**2,250**		2,250	
Budget Carry Forward Reserve		**795**		2,548	
New Dimensions Reserve		**363**		452	
Community Safety Reserve		**250**		250	
Civil Emergency Reserve		**200**		200	
Regional Control Centre Reserve		**350**		350	
Carbon Management Plan Reserve		**600**		0	
Equality and Diversity Reserve		**200**	**25,256**	0	26,447
General Fund Balance	33		**3,070**		3,068
FRS 17 Pension Reserve	16&28		**(650,900)**		(453,500)
Total Net Worth			**(595,308)**		(400,196)

Cash Flow Statement

	Notes	2009/2010 £000		2008/2009 Restated £000	
Revenue Activities					
Cash Outflows					
Cash Paid to and on behalf of Employees		**59,225**		60,544	
Other Operating Cash Payments		**15,040**		9,801	
			74,265		70,345
Cash Inflows					
Council Tax Receipts		**(23,654)**		(23,327)	
National Non Domestic Rate Receipts from Pool		**(28,586)**		(30,500)	
Revenue Support Grant		**(6,598)**		(4,246)	
Other Government Grants	42	**(13,828)**		(11,646)	
Cash Received for Goods and Services		**(5,348)**		(1,405)	
Other Operating Cash Receipts		**(1,686)**		(2,215)	
			(79,700)		(73,339)
			(5,435)		(2,994)
Returns on Investments and Servicing of Finance					
Cash Outflows					
Interest Paid			**2,531**		2,825
Interest Element of Finance Lease			**2**		3
Cash Inflows					
Interest Received			**(112)**		(1,161)
Net Cash Flow from Revenue Activities	37		**(3,014)**		(1,327)
Capital Activities					
Cash Outflows					
Purchase of Fixed Assets			**4,637**		2,124
Cash Inflows					
Sale of Fixed Assets		**0**		0	
Other Capital Cash Receipts		**(6)**		(18)	
			(6)		(18)
Net Cash Flow before Financing	38		**1,617**		779
Management of Liquid Resources					
Liquid Resources	40		**338**		3,034
Financing					
Cash Outflows					
Repayments of Amounts Borrowed	41		**733**		763
Capital Element of Finance Lease	38		**6**		6
Cash Inflows					
New Long Term Loans Raised	41		**0**		0
(Increase) / Decrease in Cash and Cash Equivalents	39		**2,694**		4,582

Notes to the Core Financial Statements - Index

Page

Notes to the Cash Flow Statement

Supplementary Statements

Notes to the Firefighter's Pension Fund Account

Notes to the Income and Expenditure Account

Note 1 - Prior Period Adjustment

Council Tax Income

Up to 2008/2009 the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the billing authority, or, in the case of major preceptors, the amount that under regulation was paid from the Collection Fund to the major preceptor. From the year commencing 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year. Each major preceptor's share of the accrued Council Tax income would be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

For both the billing authority and major preceptors, the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from Council Tax debtors/creditors in the year the billing authority shall recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor shall recognise a credit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year. If the cash paid to a major preceptor is less than its proportionate share of net cash collected in the year from Council Tax debtors/creditors the billing shall recognise a credit adjustment for the amount underpaid to the major preceptor in the year and the major preceptor shall recognise a debit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

The Cash Flow Statement of a major preceptor shall include the net Council Tax cash received from the Collection Fund in the year (i.e. precept for the year plus share of Collection Fund surplus for the previous year or less the amount paid to the Collection Fund in respect of share of the previous year's Collection Fund deficit). The difference between the net cash received from the Collection Fund and the major preceptor's share of cash collected from Council Tax debtors by the billing authority in the year shall be included as a net increase/decrease in other liquid resources.

Any residual community charge income 'adjustments' (losses or gains) are also required to be included in the Collection Fund. Such adjustments, which will now often be nil or negligible, are borne wholly by the billing authority and are excluded from the Collection Fund surplus or deficit in calculating the amount that is shared between the billing authority and major preceptors. The community charge adjustment for the year shall be taken to the Income and Expenditure Account; and the difference between this and the amount required by regulation to be taken to the General Fund (i.e. the previous year's community charge adjustment) shall be taken to the Collection Fund Adjustment Account.

The change of accounting policy for Council Tax and residual community charge will require prior year adjustment to the 2008/2009 corresponding amounts.

Private Finance Initiative

SORP 2009 requires that PFI Transactions and Similar Contracts are accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements contained in the government's Financial Reporting Manual (FReM) as this will assist in the transition to IFRS for 2010/2011. IFRIC 12 is the interpretation of IFRS that applies to operators of PFI and similar contracts, and is expected to form part of UK GAAP in due course. The 2009 SORP is consistent with the accounting treatment required of other public sector bodies in the UK set out in the FReM and approved by the Financial Reporting Advisory Board.

Terminology

The following terminology is used throughout; **Property** is the term used to refer to the assets used by the operator to deliver the PFI services for the Authority. **Construction payments/element** refers to the finance lease elements of the payment made; this only applies where the service element and the construction element (liability and interest) can be separated rather than estimated. **Asset** is reserved for assets recognised on the local Council's Balance Sheet.

Overview of Basic Principles

PFI contracts typically involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

The accounting treatment set out shall apply where:
(a) the local authority controls or regulates what services the operator must provide with the property, to whom it must provide them, and at what price; and where
(b) the local authority controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the property at the end of the term of the arrangement. Where the property is used for its entire life, and there is little or no residual interest, the arrangement would fall within the scope of IFRIC12 where the authority controls or regulates the services as described in the first condition.

Where these control tests are met, these accounting arrangements apply to all property acquired, constructed or enhanced by the operator for the purpose of the PFI or similar contract, including property to which the local authority gives the operator access. This also applies to property provided by the operator that previously appeared on the operator's Balance Sheet. Where the control tests are not met, the arrangement shall be accounted for in accordance with the general provisions of the SORP, as follows:
(i) Where neither test is met, expenditure shall be recognised as it is incurred.
(ii) Where test (a) is met but test (b) is not, an authority shall consider whether the arrangement is in substance a lease, and if so shall account for it as such.
(iii) Where test (b) is met but test (a) is not, an authority shall recognise as an asset the excess of the expected fair value of the property at the end of the arrangement over the amount it will be required to pay the operator upon reversion. This asset shall be built up from payments made by the authority to the operator over the life of the arrangement.

Recognising assets and liabilities

Property used in a PFI and similar contract shall be recognised as an asset or assets of the local authority. A related liability shall also be recognised at the same time. The asset shall be recognised in accordance with the SORP; this will be when the asset is made available for use unless the local authority bears an element of the construction risk, which will not be the case where standard PFI contract terms are used. Where an authority does bear the construction risk, it shall recognise an asset under construction prior to the asset being made available for use where it is probable that the expected future benefits attributable to the asset will flow to the authority. In accordance with the SORP, separate assets shall be recognised in respect of land and buildings where appropriate. The related liability shall initially be measured at the value of the related asset, and subsequently shall be calculated using the same actuarial method used for finance leases under the SORP.

Where the operator enhances property already recognised on the Balance Sheet of the local authority, the local authority shall recognise the fair value of the enhancement in the carrying value of the property. The SORP requires the different components of an asset to be accounted for separately if they have a substantially different useful life, and this approach shall be adopted where appropriate. A new liability shall be recognised or the existing liability increased to reflect the authority's requirement to pay for the enhancement.

Where a PFI and similar contract can be separated into a service element and a construction element, the service element shall be expensed as incurred, and the construction element accounted for as if it were a finance lease.

Where a PFI and similar contract cannot be separated due to commercial reality, the service element of the payments must be estimated, which could be achieved by obtaining information from the operator or by estimating the fair value of the services. The fair value of the property (the cost to purchase the property) determines the amount to be recorded as an asset with an offsetting liability. The total unitary payment is then divided into three: the service charge element, repayment of the liability and the interest element (using the interest rate implicit in the contract). Where it is not possible to determine the rate implicit in the contract, the authority shall use its cost of capital rate (including inflation). It is expected that this situation would be rare.

Specific Issues

Existing local authority assets used in a PFI and similar contracts
A PFI and similar contract may make use of the existing assets of a local authority. A local authority shall recognise enhancements to those assets and any additional property provided by the operator.

Existing local authority assets not used in a PFI and similar contract
A local authority may provide the operator with access to existing assets of the authority that are not to be used in the PFI and similar contract in exchange for reduced or eliminated payments. This may involve a permanent transfer of the assets to the operator, or may allow the operator access for a specified period (which may or may not be the same as the period of the PFI and similar contract). Where the contract involves a permanent transfer of an asset to the operator, the local authority shall account for the disposal of the asset. The authority shall also recognise on the Balance Sheet the consideration received for the asset transferred to the operator. Depending on the circumstances of the arrangement, this may be the reduction or elimination of an existing liability; a prepayment; or property provided by the operator. Any difference between the carrying value of the asset given up and the consideration received from the operator shall be recognised in the Income and Expenditure Account.

Where the arrangement does not involve a permanent transfer of the assets to the operator, a local authority shall account for the arrangement as a lease.

Where the asset provided by the authority is provided in the form of an operating lease, there is not a disposal of the asset, which remains on the authority's Balance Sheet. The granting of the operating lease is one element of the consideration provided to the operator for the provision of the property and services. Over the period of the operating lease, the authority shall recognise income from the operating lease in the Income and Expenditure Account along with a corresponding expense in the Income and Expenditure Account in respect of a reduction in the liability to pay for the property.

Where the asset provided by the authority is provided in the form of a finance lease, the local authority shall account for the disposal of the asset. The authority shall also recognise on the Balance Sheet the consideration received from the operator. Depending on the circumstances of the arrangement, this may be the reduction or elimination of an existing liability; a prepayment; or property provided by the operator. Any difference between the carrying value of the asset given up and the consideration received from the operator shall be recognised in the Income and Expenditure Account.

Prepayments
PFI and similar contracts may be structured to require payments to be made (either as part of a unitary payment or a lump sum contribution) before the related property is recognised as an asset on the Balance Sheet. Such payments shall be recognised as prepayments. At the point that the infrastructure is recognised as an asset, the related liability shall also be recognised. The prepayments shall be applied to reduce the outstanding liability.

Depreciation, impairment and revaluation
Once recognised on the Balance Sheet, property under a PFI and similar contract is depreciated, impaired and re-valued in the same way as for any other fixed asset.

Income earned
Any income earned by the local authority as part of a PFI and similar contract and not reflected in the unitary charge (for example, where the authority is entitled to a share of any third party income earned by the operator) shall be accounted for in accordance with the provisions of the SORP for income recognition.

MRP (England and Wales)
Assets acquired under a PFI and similar contract that are recognised on the authority's Balance Sheet are subject to MRP in the same way as assets acquired using other forms of borrowing. The amounts of MRP to be charged to the General Fund for the year shall be in accordance with the appropriate regulations and statutory guidance. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Statement of Movement on the General Fund Balance.

Guarantees
Any guarantees given as part of a PFI and similar contract shall be accounted for in accordance with the requirements of the SORP.

Disclosure
The following information shall be disclosed in relation to PFI and similar contracts, in addition to the disclosures relating to assets and liabilities required elsewhere in the SORP:

The value of assets held under PFI and similar contract at each Balance Sheet date, and an analysis of the movement in those values.

- The value of liabilities resulting from PFI and similar contracts at each Balance Sheet date, and an analysis of the movement in those values.
- Details of the payments due to be made under PFI and similar contracts (separated into repayments of liability, interest and service charges):
    - — within one year
    - — within two to five years
    - — within six to ten, and
    - — in each additional five-year period.

Capital financing requirement
Where PFI contracts or similar arrangements come 'on-Balance Sheet' as a result of the FReM based approach, there will be a requirement to adjust the Capital Financing Requirement, and authorities will therefore need to ensure their authorised limits and operational boundaries are set accordingly.

The full required prior period adjustment in respect of PFI is set out on pages 49 to 57.

Income and Expenditure Account

	2008/2009	Adjustments		2008/2009
	Net Expenditure	Council Tax	PFI	Adjusted Net Expenditure
	£000	£000	£000	£000
Community Safety	8,565		(257)	8,308
Fire Fighting and Rescue Operations	41,946		(1,577)	40,369
Fire Service Emergency Planning	(10)			(10)
Corporate and Democratic Core	315			315
Non Distributed Costs	520			520
Net Cost of Services	**51,336**	**0**	**(1,834)**	**49,502**
Loss on Disposal of Fixed Assets	0			0
Cleaning DSO	(17)			(17)
Interest Payable	777		2,051	2,828
Interest and Investment Income	(1,161)			(1,161)
Pension Interest Cost and Expected Return on Pensions Assets	32,560			32,560
Net Operating Expenditure	**83,495**	**0**	**217**	**83,712**
Income				
Precept Income	(23,159)	23,159		0
Collection Fund (Surplus) / Deficit	(168)	168		0
Council Tax Income	0	(23,203)		(23,203)
Revenue Support Grant	(4,246)			(4,246)
Non Domestic Rates	(30,500)			(30,500)
(Surplus) / Deficit for the Year	**25,422**	**124**	**217**	**25,763**

Statement of the Movement on the General Fund Balance

	2008/2009	Adjustments		2008/2009
	Net Expenditure	Council Tax	PFI	Adjusted Net Expenditure
	£000	£000	£000	£000
(Surplus) / Deficit for the year on the Income and Expenditure Account	25,422	124	217	25,763
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(25,536)	(124)	(217)	(25,877)
(Increase) / decrease in General Fund Balance for the year	**(114)**	**0**	**0**	**(114)**
General Fund Balance brought forward	(2,185)	0	0	(2,185)
General Fund Balance carried forward	**(2,299)**	**0**	**0**	**(2,299)**

Balance Sheet

	2008/2009 Net Expenditure £000	Adjustments Council Tax £000	PFI £000	2008/2009 Adjusted Net Expenditure £000
Fixed Assets				
Intangible Assets	97			97
Tangible Assets				
Operational Assets:				
Operational Land and Buildings	32,018		24,454	56,472
Vehicles, Plant, Furniture and Equipment	2,729			2,729
Non Operational Assets:				
Assets Under Construction	706			706
Surplus Assets held for Disposal	308			308
Total Fixed Assets	**35,858**	**0**	**24,454**	**60,312**
Long Term Investments - NEFCC				
Long Term Debtors				
Deferred Asset Prepayment			(568)	(568)
Residual Interest in PFI Scheme	415		(415)	0
Pre-payments re PFI Scheme	568			568
Other	16			16
Total Long Term Assets	**36,857**	**0**	**23,471**	**60,328**
Current Assets				
Stocks and Stores	325			325
Debtors	4,903	1,644		6,547
Short Term Investments	27,176			27,176
Cash at Bank	4,492			4,492
Cash in Hand (Officers' Imprests)	3			3
Current Liabilities				0
Creditors	(3,851)	(1,768)		(5,619)
Reciepts in Advance	0			0
Net Current Assets	**33,048**	**(124)**	**0**	**32,924**
Total Assets Less Current Liabilities	**69,905**	**(124)**	**23,471**	**93,252**
Deferred Liabilities	(18,394)			(18,394)
Long Term Liability - PFI			(21,258)	(21,258)
Grants and Contributions Deferred Account	(18)			(18)
Provisions	(278)			(278)
Liabilities related to Defined Benefit Pension Scheme	(453,500)			(453,500)
Total Assets Less Liabilities	**(402,285)**	**(33)**	**2,213**	**(400,196)**
Reserves				
Revaluation Reserve	1,808		2,818	4,626
Capital Adjustment Account	16,607		(605)	16,002
Usable Capital Reciepts	3,285			3,285
Collection Fund Adjustment Account	0	(124)		(124)
Earmarked Reserves:				
PFI Smoothing reserve	4,961			4,961
Insurance Reserve	686			686
Early Retirement Reserve	47			47
Development Reserve	14,703			14,703
Contingency Planning Reserve	2,250			2,250
Budget Carry Forward Reserve	2,548			2,548
New Dimensions Reserve	452			452
Community Safety reserve	250			250
Innovation Fund reserve	0			0
Civil Emergency Reserve	200			200
Regional Control Centre Reserve	350			350
General Reserves:				
General Reserve	2,299			2,299
Delegated Surplus	560			560
DSO Accumulated Surplus	71			71
Emergency Planning Reserve	138			138
FRS17 Pensions Reserve	(453,500)			(453,500)
	(402,285)	**(33)**	**2,213**	**(400,196)**

Statement of Total Recognised Gains and Losses

	2008/2009	Adjustments		2008/2009
	Net Expenditure	Council Tax	PFI	Adjusted Net Expenditure
	£000	£000	£000	£000
(Surplus)/Deficit for the year on the Income and Expenditure Account	25,422	124	217	25,763
Surplus on revaluation - PFI			(2,818)	(2,818)
(Surplus)/Deficit arising on revaluation of Fixed Assets	2,726			2,726
Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	(47,620)			(47,620)
Movement in the Collection Fund Balance		0		0
Total Recognised (Gains)/Losses for the year	**(19,472)**	**124**	**(2,601)**	**(21,949)**
Prior Period Adjustment - PFI			388	388
Total Recognised (Gains)/Losses for the year	**(19,472)**	**124**	**(2,213)**	**(21,561)**

Note 15 - Statement of the Movement on the General Fund Balance

	2008/2009 Net Expenditure £000	Adjustments Council Tax £000	Adjustments PFI £000	2008/2009 Adjusted Net Expenditure £000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund balance for the year				
Depreciation and Impairement of Fixed Assets	(3,970)		(508)	(4,478)
Net loss on sale of fixed assets	0			0
Net charges made for retirement benefits in accordance with FRS17 (Firefighters Pension Scheme)	(44,320)			(44,320)
Net charges made for retirement benefits in accordance with FRS17 (Tyne and Wear Pension Scheme)	(1,460)			(1,460)
	(49,750)	**0**	**(508)**	**(50,258)**
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the movement on the General Fund balance for the year				
Minimum Revenue Provision for Capital Financing	767		469	1,236
Capital Expenditure in year charged to the General Fund	1,848			1,848
Employer's contributions payable to the Firefighters Pension Fund and retirement benefits payable to pensioners	18,960			18,960
Employer's contributions payable to the Tyne and Wear Pension Fund and retirement benefits payable to pensioners	1,500			1,500
	23,075	**0**	**469**	**23,544**
Transfers to or from the General Fund balance that are required to be taken into account when determining the movement on the General Fund balance for the year				
Appropriations to Reserves:				
Pfi Smoothing Reserve	170			170
Budget Carry Forward Reserve	615			615
New Dimensions Reserve	97			97
Innovation Fund reserve	(30)			(30)
Early Retirement Reserve	(3)			(3)
Insurance Fund	(75)			(75)
DSO Reserve	14			14
Emergency Planning Revenue Reserve	5			5
Development reserve	168			168
Regional Control Centre reserve	0			0
Collection Fund Adjustment Account		(124)		(124)
Appropriations to Capital Reserves	0			0
Build up of Residual Interest in PFI scheme	206		(206)	0
Deferred PFI debtors	(27)		27	0
	1,140	**(124)**	**(179)**	**837**
Movement	**(25,535)**	**(124)**	**(218)**	**(25,877)**

Note 22 - Debtors

	2008/2009 Net Expenditure	Adjustments		2008/2009 Adjusted Net Expenditure
		Council Tax	PFI	
	£000	£000	£000	£000
Amounts falling in less than one year				
Sundry Debtors	3,505			3,505
Employee Loans	28			28
Council Tax Payer Arrears	0	2,532		2,532
Sundry Prepayments	220			220
Pension Prepayments	1,150			1,150
Less: Provision for Bad Debts				0
Council Tax	0	(888)		(888)
	4,903	**1,644**	**0**	**6,547**

Note 25 - Creditors

	2008/2009 Net Expenditure	Adjustments		2008/2009 Adjusted Net Expenditure
		Council Tax	PFI	
	£000	£000	£000	£000
Sundry Creditors	(3,432)	(1,456)		(4,888)
Payroll Creditors	(419)			(419)
Receipts in Advance	0	(312)		(312)
	(3,851)	**(1,768)**	**0**	**(5,619)**

Note 2 - Subjective Summary

This note reflects the expenditure and income of the Tyne and Wear Fire and Rescue Authority for the year ended 31st March 2010. The analysis reflects the requirements of the BVACOP, where internal recharges have been allocated to the service recipient and ensures that this expenditure appears only once in the accounts and that it reflects the total cost principle of BVACOP. This treatment eliminates double counting of the same recharges, and has been applied consistently for both 2009/2010 and 2008/2009.

	2009/2010		2008/2009 Restated	
	£000	**%**	£000	%
Expenditure				
Employee Expenses	**39,783**	**42.29**	42,746	43.93
Premises Related Expenses	**2,238**	**2.38**	2,269	2.33
Transport Related Expenses	**1,779**	**1.89**	1,956	2.01
Supplies, Services and Other Expenses	**6,266**	**6.66**	8,487	8.72
Capital Charges	**11,051**	**11.74**	7,361	7.56
Cleaning DSO Reserve	**75**	**0.08**	71	0.07
Contribution to Earmarked Reserves	**821**	**0.87**	1,050	1.08
Delegated Budget C/Fwd	**560**	**0.59**	560	0.58
Contribution to Emergency Planning Reserve	**133**	**0.14**	138	0.14
Contribution to Insurance Provision	**161**	**0.17**	0	0.00
Contribution to Collection Fund Adjustment Account	**200**	**0.21**	0	0.00
Pension Interest Cost and Expected Return on Pension Asset	**31,030**	**32.98**	32,560	33.46
Increase in General Balances	**2**	**0.00**	114	0.12
	94,099	**100.00**	97,312	100.00
Income				
Government Grants	**3,891**	**4.13**	4,111	4.22
Other Grants, Reimbursements and Contributions	**1,353**	**1.44**	1,507	1.55
Customer and Client Receipts	**2,787**	**2.96**	2,202	2.26
Interest on Revenue Balances	**112**	**0.12**	1,161	1.19
Revenue Support Grant	**6,598**	**7.01**	4,246	4.36
National Non Domestic Rates	**28,586**	**30.38**	30,500	31.35
Council Tax Income	**23,731**	**25.22**	23,203	23.84
Cleaning DSO Appropriation Account	**71**	**0.08**	57	0.06
Contribution from Capital Reserves	**0**	**0.00**	28	0.03
Reversal of Impairment Charges	**574**	**0.61**	2,648	2.72
Reversal of Loss on Disposal of Fixed Asset	**66**	**0.07**	0	0.00
Reversal of Depreciation Charges	**1,980**	**2.10**	1,322	1.36
Contribution from Insurance Provision	**0**	**0.00**	24	0.02
PFI Provision	**0**	**0.00**	58	0.06
Delegated Budget B/Fwd	**560**	**0.59**	560	0.58
Contribution from Emergency Planning Reserve	**138**	**0.15**	133	0.14
Contribution from FRS 17 Pension Reserve	**21,640**	**23.00**	25,320	26.02
Contribution from Earmarked Reserves	**2,012**	**2.14**	232	0.24
	94,099	**100.00**	97,312	100.00

Note 3 - Long Term Contracts – Private Finance Initiative (PFI)

In March 2003, the Authority entered into a PFI contract to provide 6 new Fire Stations, a Service Headquarters and a new Technical Services Centre. The contract expires in May 2029.

The Authority accounts for the net amount of the unitary charge for the PFI contract but reduced by the effect of the PFI Credit Government grant support received in the financial year to which it relates. The Authority is committed to making further payments estimated at £81.512 million over the remaining term of the 25 year contract, but this figure is reduced by the impact of the PFI Credits, which has been estimated at totaling £53.620 million worth of central government grant support over the same period as the contract.

The estimated contract payments for the PFI contract are analysed over the life of the contract, as shown in the table below.

	2010/2011 £ million	2011/2012 - 2014/2015 £ million	2015/2016 - 2019/2020 £ million	2020/2021 - 2024/2025 £ million	2025/2026 - 2029/2030 £ million	Total 2010/2011 - 2029/2030 £ million
Operating costs	1.289	5.813	9.051	10.074	8.682	34.909
Finance costs - lease interest	1.913	7.119	7.507	5.294	1.788	23.621
Finance costs - contingent rental	0.067	0.314	0.362	0.588	0.870	2.201
Long term liabilities - lease creditor repayment	0.549	2.469	3.809	6.128	7.826	20.781
Total Expenditure	**3.818**	**15.715**	**20.729**	**22.084**	**19.166**	**81.512**
PFI Grant	**2.804**	**11.215**	**14.018**	**14.018**	**11.565**	**53.620**
Net Cost	**1.014**	**4.500**	**6.711**	**8.066**	**7.601**	**27.892**

The Authority's estimated contract payments for the NEFRA PFI contract are analysed over the life of the contract, as shown in the table below.

	2010/2011 £ million	2011/2012 - 2014/2015 £ million	2015/2016 - 2019/2020 £ million	2020/2021 - 2024/2025 £ million	2025/2026 - 2029/2030 £ million	2030/2031 - 2034/2035 £ million	2035/2036 - 2039/2040 £ million	Total 2010/2011 - 2039/2040 £ million
Operating costs	0.184	0.920	1.309	1.528	1.787	2.092	0.122	7.942
Finance costs - lease interest	0.297	1.754	2.047	1.787	1.354	0.639	(0.03)	7.851
Long term liabilities - lease creditor repayment	0.056	0.239	0.454	0.706	1.120	1.799	0.024	4.398
Total Expenditure	**0.537**	**2.913**	**3.810**	**4.021**	**4.261**	**4.530**	**0.119**	**20.191**

Note 4 - Pensions

The Authority participates in two pension schemes, both of which are defined benefit schemes:

The Firefighters Pension Scheme for uniformed employees is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities. The cost of pension payments is met from employer and employee contributions, with the balance being funded by the government through a top-up grant. The employer's contributions to the Firefighters Pension Fund Account was 21.3% in respect of the 1992 Scheme and 11.0% in respect of the 2006 Scheme.

The Local Government Pension Scheme for non-uniformed employees, administered by South Tyneside Metropolitan Borough Council is a funded scheme meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The pension costs that are charged to the Authority's accounts in respect of non-uniformed staff are equal to the contributions paid to the funded pension scheme for those employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The total of these costs in 2009/2010 was £499,975 (2008/2009 - £476,928), which represented 8.34% (8.25% in 2008/2009) of pensionable pay. These costs have been determined on the basis of contribution rates that were re-established to meet 100% of the liabilities for the Pension Fund. The Fund's actuary, based on triennial actuarial valuations, the last review being 31st March 2007, determines the contribution rate. The employer's contributions certified by the actuary to the Fund in respect of the period 1st April 2008 to 31st March 2011 is 13.6% of pensionable pay for each year.
As part of the terms and conditions of employment of its employees, the Authority offers retirement benefits. Whilst these benefits will not actually be payable until employees retire, the Authority has a commitment to make these payments, and this needs to be disclosed at the time that employees earn their future entitlement.

FRS 17 Disclosures

The Authority recognises the cost of retirement 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 required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account with accounting entries shown in the Statement of Movement on General Fund Balance. The following transactions have been made during the year:

	Local Government Pension Scheme		Firefighters Pension Scheme		Total	
	2009/2010 £000	2008/2009 £000	**2009/2010 £000**	2008/2009 £000	**2009/2010 £000**	2008/2009 £000
Net Cost of Services:						
Current Service Costs	**(1,040)**	(870)	**(9,980)**	(11,830)	**(11,020)**	(12,700)
Past Service Costs	**0**	0	**(430)**	(520)	**(430)**	(520)
Impact on Net Cost of Services	**(1,040)**	(870)	**(10,410)**	(12,350)	**(11,450)**	(13,220)
Net Operating Expenditure:						
Interest Costs	**(2,140)**	(1,920)	**(29,940)**	(31,970)	**(32,080)**	(33,890)
Expected return on assets in the scheme	**1,050**	1,330	**0**	0	**1,050**	1,330
Impact on Net Operating Expenditure	**(1,090)**	(590)	**(29,940)**	(31,970)	**(31,030)**	(32,560)
Amounts to be met from Government Grants and Local Taxation:						
Movement on Pensions Reserve	**520**	(40)	**21,120**	25,360	**21,640**	25,320
Actual amount charged against Council Tax for pensions in the year:						
Employer's contributions payable to the scheme	**(1,610)**	(1,500)			**(1,610)**	(1,500)
Retirement benefits payable to pensioners			**(19,230)**	(18,960)	**(19,230)**	(18,960)

Note 5 - Finance and Operating Leases

The Authority uses various equipment and vehicles e.g. water tenders, which are financed under the terms of operating and finance leases. The following is a summary of transactions involving leases.

	2009/2010		2008/2009	
	Operating Leases £000	**Finance Leases £000**	Operating Leases £000	Finance Leases £000
Capital value of assets acquired	**0**	**0**	38	0
Total lease rentals paid	**683**	**8**	786	8
Liability for remaining period rentals	**1,482**	**72**	2,054	81
The total liability can be analysed as follows:				
Obligations payable in 2009/2010	**427**	**8**	612	8
Obligations payable between 2010/2011 and 2013/2014	**840**	**32**	1,114	32
Obligations payable thereafter	**215**	**32**	328	41
	1,482	**72**	2,054	81

Note 6 - Members Allowances

The amount paid to Authority members during the year was:

	2009/2010 £000	2008/2009 £000
Total Member's Allowances Paid	**73**	68

Note 7 - Officers Emoluments

The number of employees, whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000:

Remuneration Band	**2009/2010** **Number of Employees**	2008/2009 Restated Number of Employees
£50,000-£54,999	**16**	22
£55,000-£59,999	**11**	8
£60,000-£64,999	**2**	1
£65,000-£69,999	**1**	1
£70,000-£74,999	**3**	1
£75,000-£79,999	**0**	1
£80,000-£84,999	**0**	0
£85,000-£89,999	**0**	1
£90,000-£94,999	**0**	0
£95,000-£99,999	**1**	0
£100,000-£104,999	**0**	0
£105,000-£109,999	**1**	0
£110,000-£114,999	**0**	1
£115,000-£119,999	**1**	1
£120,000-£124,999	**0**	0
£125,000-£129,999	**0**	0
£130,000-£134,999	**0**	0
£135,000-£139,999	**0**	1
£140,000-£144,999	**1**	0
	37	38

The following table discloses the specific remuneration information in relation to 'Senior' officers, for the purpose of this Note 'Senior' officers have been defined as those officers on the Senior Management team who have the power to inform the strategic direction of the Authority. Officers whose salary is £50,000 or more per year but less than £150,000 are listed individually by way of job title. Officers whose salary is £150,000 or more per year are also identified by name. The disclosure is made for 2009/2010 and 2008/2009 in the following categories:

- salaries, fees and allowances;
- bonuses;
- expenses allowance;
- compensation for loss of employment;
- benefits in kind;
- employers pension contributions.

Post Holder Information	Salary (Including Fees and Allowances)	Benefits in Kind	Total Remuneration excluding Pension Contributions 2009/2010	Pension Contributions	Total Remuneration including Pension Contributions 2009/2010
2009/2010					
Senior Officer Emoluments exceeding £150,000					
Chief Fire Officer - Iain Bathgate	136,709	5,614	**142,323**	29,099	**171,422**
Senior Officer Emoluments exceeding £50,000 but less than £150,000					
Deputy Chief Fire Officer - Human resources	116,018	3,295	**119,313**	24,734	**144,047**
Assistant Chief Fire Officer - Community Safety	105,350	2,835	**108,185**	22,410	**130,595**
Assistant Chief Fire Officer - Strategy and Performance	91,998	4,708	**96,706**	12,500	**109,206**

Post Holder Information	Salary (Including Fees and Allowances)	Benefits in Kind	Total Remuneration excluding Pension Contributions 2009/2010	Pension Contributions	Total Remuneration including Pension Contributions 2008/2009
2008/2009					
Senior Officer Emoluments exceeding £150,000					
Chief Fire Officer - Iain Bathgate	135,266	3,202	**138,468**	28,731	**167,199**
Senior Officer Emoluments exceeding £50,000 but less than £150,000					
Deputy Chief Fire Officer - Human resources	115,141	2,322	**117,463**	24,530	**141,993**
Assistant Chief Fire Officer - Community Safety	114,788	0	**114,788**	24,364	**139,152**
Acting Assistant Chief Fire Officer - Strategy and Performance *	88,749	0	**88,749**	18,900	**107,649**
Acting Assistant Chief Fire Officer - Strategy and Performance *	79,168	482	**79,650**	16,836	**96,486**
Assistant Chief Fire Officer - Strategy and Performance *	36,776	0	**36,776**	5,019	**41,795**

* Officer not in post for full year

Note 8 - External Audit Fees

	2009/2010 £000	2008/2009 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	**74**	80
Fees payable in respect of other services provided by the appointed auditor	**1**	1
	75	81

Note 9 - Related Party Transactions

The Statement of Recommended Practice requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the amount and implications of such transactions.

North East Fire Control Company: This Authority is a member of the North East Fire Control Company, which, although not operational at this stage, is reflected as a joint venture in the Authority's Balance Sheet. All grant funding is pooled at a regional level by the lead authority, Cleveland Fire Authority.

Authority Members: Disclosures in respect of members' interests are required to be reported. After consultation with Members there are no disclosures to report.

Chief Officers: Disclosures in respect of Chief Officers' interests are also required to be reported. After consultation with Chief Officers there are no disclosures to report.

Other Relevant Information: Details of the Authority's transactions with Sunderland City Council for provision of support services are shown in the appropriate sections of the Income and Expenditure Account as disclosed in Accounting Policy 7. The cost of Support services received by the Authority total £601,104 (£586,734 in 2008/2009).

Note 10 - North East Fire and Rescue Regional Management Board

The Regional Management Board (RMB) is presently constituted as a joint committee under sections 101 and 102 of the Local Government Act 1972. Representatives of the Northumberland, Cleveland, Durham and Darlington and Tyne and Wear Fire and Rescue Authorities make up the joint committee. Each of the constitutuent authorities are joint signatories to an Agreement which details the constitution, voting powers, political group aspects, corporate governance, financial aspects, advice and support arrangements.

The Authority has provided defined delegated powers to the RMB for particular policy issues and to promote and consider the business case for specific regional initiatives on a collaborative basis, through a designated lead authority or alternative responsible body, for consideration and approval by constituent authorities.

The Authority has reviewed their current arrangements and fees and a contribution to the RMB is no longer required therefore no contribution was made during 2009/2010 (£10,000 in 2008/2009).

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

This Authority's interest in NEFCC is to be treated as a joint venture in the Statement of Accounts. At this stage, however, NEFCC has no assets, with ownership of any assets (and the interim running costs) being the responsibility of central government until the partner authorities transfer operation of their fire control rooms into the new facility. The latest schedule is for this Authority to transfer operations in April 2011.

On this basis, there was no financial impact arising from this arrangement within the Statement of Accounts for the year ended 31st March 2010.

Note 11 - Minimum Revenue Provision

For 2009/2010, the Minimum Revenue Provision is determined by reference to statutory guidelines and is approved annually by the Authority as part of the budget setting exercise. The Accounting Policy number 15 on page 28 provides more detail on accounting for MRP and the provision set out below complies with the requirements of the SORP.

	2009/2010 **£000**	2008/2009 Restated £000
Statutory MRP	**1,214**	1,236

Note 12 - Trading Services

The Authority is required to publish the results of services it operates on a trading basis. The Cleaning Trading Account continues to be maintained on a trading basis and is included in the Best Value Accounting Code of Practice Cost of Service analysis. In 2009/2010, the Cleaning DSO recorded a trading surplus of £4,079 (£5,042 inclusive of FRS 17 costs), which has been added to surpluses accumulated by the DSO in earlier years.

	2009/2010 **£000**	2008/2009 £000
Income		
Charges to other accounts of the Authority	**204**	213
Expenditure		
Labour	**181**	180
Materials	**14**	12
Overheads	**5**	7
Total Expenditure	**200**	199
Surplus / (Deficit) for the year	**4**	14

Appropriation Account

	2009/2010 **£000**	2008/2009 £000
Balance at start of year	**71**	57
Surplus / (deficit) for the year	**4**	14
Balance as at end of year	**75**	**71**

Note 13 - Government Grants

The Authority received the following government grants that are not allocated to specific services.

	2009/2010 £000	2008/2009 £000
Revenue Support Grant	(6,598)	(4,246)
Total Government Grant Received	**(6,598)**	(4,246)

Notes to the Statement of Movement on the General Fund Balance

Note 14 - Statement of Movement on General Fund Balance

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated for the year ended 31st March 2010. However, the Authority is required to raise council tax on a different basis, the main differences being:

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

The Statement of Movement on General Fund Balance compares the Authority's spending against the precept that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

Note 15 - Statement of Movement on General Fund Balance - Reconciliation

	2009/2010 £000		2008/2009 Restated £000	
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund balance for the year				
Depreciation and Impairment of fixed assets	**(2,558)**		(4,478)	
Net loss on sale of fixed assets	**(66)**		0	
Government Grants Deferred amortisation	**4**		0	
Net charges made for retirement benefits in accordance with FRS 17 (Firefighter's Pension Fund)	**(40,020)**		(44,320)	
Net charges made for retirement benefits in accordance with FRS 17 (Tyne and Wear Pension Fund)	**(2,130)**		(1,460)	
		(44,770)		(50,258)
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the movement on the General Fund balance for the year				
Minimum Revenue Provision for capital financing	**1,214**		1,236	
Capital Expenditure in-year charged to the General Fund (RCCO)	**4,683**		1,848	
Employer's contributions payable to the Firefighter's Pension Fund and retirement benefits payable direct to pensioners	**18,900**		18,960	
Employer's contributions payable to the Tyne and Wear Pension Fund and retirement benefits payable direct to pensioners	**1,610**		1,500	
		26,407		23,544
Transfers to or from the General Fund balance that are required to be taken into account when determining the movement on the General Fund balance for the year				
Appropriations to reserves:				
PFI Smoothing Reserve	**(167)**		170	
Budget Carry Forward Reserve	**(1,753)**		615	
New Dimensions Reserve	**(89)**		97	
Innovation Fund Reserve	**0**		(30)	
Early Retirement Reserve	**(3)**		(3)	
Insurance Fund	**21**		(75)	
DSO Reserve	**4**		14	
Emergency Planning Revenue Reserve	**(4)**		5	
Development Reserve	**0**		168	
Collection Fund Adjustment Account	**200**		(124)	
Carbon Management Plan Reserve	**600**		0	
Equality and Diversity Reserve	**200**	**(991)**	0	837
Movement		**(19,354)**		(25,877)

Notes to the Statement of Total Recognised Gains and Losses

Note 16 – Movement on the Pension Reserve and Details of the Actuarial Gains and Losses

Note 16a – Movement on the Pensions Reserve

	Balance at 1 April 2008 £000	Movement 2007/2008 £000	Balance at 1 April 2009 £000	**Movement 2009/2010 £000**	**Balance at 31 March 2010 £000**
Pensions Reserve					
Firefighters Pension Scheme	466,580	(28,440)	438,140	**192,160**	**630,300**
Local Government Pension Scheme	9,220	6,140	15,360	**5,240**	**20,600**
	475,800	(22,300)	453,500	**197,400**	**650,900**

Volatility of results of FRS17 and reasons for variation
The results reported under FRS17 reporting standard can change dramatically depending upon market conditions. The liabilities are linked to yields on AA-rated corporate bonds whereas the majority of the assets of the fund are invested in equities. This leads to volatility in the net pension asset on the Balance Sheet and to a lesser extent in the Statement of Total Recognised Gains and (Losses), the reasons for the variations are set out below:

- During the year ended the 31 March 2010 the investment return on fund assets was greater than assumed at the start of the year. This led to a gain on the 'Actual Return less expected return on assets' section on the Total Actuarial Loss.
- The financial assumptions underlying the calculation of the liabilities used by the Actuary differed between the two financial years with the effect that the liabilities have increased in value, resulting in a loss in the 'Change in assumptions' section of the Total Actuarial Loss.
- The results of the latest full actuarial valuation as at 31 March 2007 have been compared to the differences between actual experience since the previous valuation, and the assumptions for FRS17 proposed in previous years which has better informed the gains and losses on liabilities. This has meant an observed loss on liabilities within the 'Experience gains and losses on pension liabilities' section of the Total Actuarial Loss.

Note 16b – Actuarial Gains / Losses included in the STRGL

The actuarial gains and losses identified as part of the movement on the Pensions Reserve for 2009/2010 showed a gain of £197,400,000 (£22,300,000 loss in 2008/2009), this can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March of each year. This information is provided by the Actuary as part of the FRS17 process and means this is independently verified by specialist pension's advice.

	2009/2010 £000	2008/2009 Restated £000	2007/2008 £000	2006/2007 £000	2005/2006 £000
Differences between the expected and actual return on assets					
Firefighters Pension Scheme	**0**	0	0	0	0
Local Government Pension Scheme	**5,310**	(4,890)	(2,850)	(110)	2,450
	5,310	(4,890)	(2,850)	(110)	2,450
Differences between actuarial assumptions about liabilities and actual experience					
Firefighters Pension Scheme	**16,910**	5,600	5,490	7,020	(970)
Local Government Pension Scheme	**430**	(140)	(1,460)	(60)	20
	17,340	5,460	4,030	6,960	(950)
Change in demographic and financial assumptions used to estimate liabilities					
Firefighters Pension Scheme	**(187,950)**	48,200	81,000	31,650	(75,350)
Local Government Pension Scheme	**(10,460)**	(1,150)	5,110	210	(2,100)
	(198,410)	47,050	86,110	31,860	(77,450)
Gain / Loss	**(175,760)**	47,620	87,290	38,710	(75,950)
Additional Gain - Ill Health Arrangements	**0**	0	8,160	0	0
Gain / Loss	**(175,760)**	47,620	95,450	38,710	(75,950)

Actuarial Gains as Percentage of Assets or Liabilities	**2009/2010 %**	2008/2009 %	2007/2008 %	2006/2007 %	2005/2006 %
Differences between the expected and actual return on assets					
Firefighters Pension Scheme	**0.00**	0.00	0.00	0.00	0.00
Local Government Pension Scheme	**21.79**	(29.65)	(15.33)	(0.60)	14.30
Differences between actuarial assumptions about liabilities and actual experience					
Firefighters Pension Scheme	**2.70**	1.40	1.20	1.50	(0.20)
Local Government Pension Scheme	**0.96**	(0.44)	(5.25)	(0.20)	0.10
Change in demographic and financial assumptions used to estimate liabilities					
Firefighters Pension Scheme	**(30.10)**	11.60	18.20	6.10	(13.80)
Local Government Pension Scheme	**(23.26)**	(3.61)	18.30	0.70	(7.90)

Notes to the Balance Sheet

Note 17 - Capital

Capital Expenditure and Income

The Authority approved a capital programme for 2009/2010 of £2.110 million, which was subsequently revised to £2.710 million during the year. Actual expenditure for the year was £4.689 million, with the main areas of spending summarised below:

	2009/2010 £000	2008/2009 £000
Equipment - Operational and Information Technology	**3,398**	1,091
Property Improvement Schemes	**1,291**	775
	4,689	1,866

The capital expenditure was financed as follows:

	2009/2010 £000	2008/2009 £000
Borrowing	**0**	0
Revenue Contribution to Capital Outlay	**4,683**	1,848
Grants / Capital Contributions	**6**	18
	4,689	1,866

Capital Financing Requirement

	2009/2010 £000	2008/2009 Restated £000
Capital Financing Requirement as at 1st April	**17,940**	19,176
Capital Investment:		
Operational Assets	**4,002**	1,023
Non-operational Assets	**687**	843
Sources of Finance:		
Sums set aside from Revenue	**(5,897)**	(3,084)
Funded from Grant	**(6)**	(18)
Capital Financing Requirement as at 31st March	**16,726**	17,940
Explanation of movements in year:		
Increase in underlying need to borrow	**0**	0
Minimum Revenue Provision	**(1,214)**	(1,236)
Increase / (Decrease) in Capital Financial Requirement	**(1,214)**	(1,236)

Note 18 - Fixed Assets

Valuation

The assets of the Authority have been valued by Mr. N. Wood M.R.I.C.S., Valuation Manager, Sunderland City Council (valuation certificate dated 13th May 2008), on the bases referred to in the Statement of Accounting Policies on page 21.

Capital projects that are still in progress as at 31st March are classed as 'fixed assets under construction' and are shown in the balance sheet as non-operational assets on an historic cost basis. These assets are transferred to operational assets on completion.

All assets are maintained within the General Fund.

Movement of Fixed Assets

	Other Land & Buildings	Other Land & Building -PFI Restated	Vehicles, Plant & Equipment	Intangible Assets	Assets Under Construction	Surplus Assets held for Disposal	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value as at 31st March 2009	**33,126**	**26,137**	**6,304**	**114**	**706**	**308**	**66,695**
Revaluations and Restatement	0	0	0	0	0	0	0
Impairment	0	0	0	0	(542)	(32)	(574)
Reclassification	31	0	0	0	(31)	0	0
Additions	637	0	3,299	66	687	0	4,689
Disposals	0	0	0	0	0	(66)	(66)
Gross Book Value as at 31st March 2010	**33,794**	**26,137**	**9,603**	**180**	**820**	**210**	**70,744**
Depreciation as at 31st March 2009	**1,108**	**1,683**	**3,575**	**17**	**0**	**0**	**6,383**
Depreciation on Revalued Assets	0	0	0	0	0	0	0
Depreciation on Impaired Assets	0	0	0	0	0	0	0
Depreciation for the year	559	561	841	23	0	0	1,984
Depreciation as at 31st March 2010	**1,667**	**2,244**	**4,416**	**40**	**0**	**0**	**8,367**
Net Book Value as at 31st March 2009	**32,018**	**24,454**	**2,729**	**97**	**706**	**308**	**60,312**
Net Book Value as at 31st March 2010	**32,127**	**23,893**	**5,187**	**140**	**820**	**210**	**62,377**

Note 19 - Long Term Liability - PFI

	2009/2010 £000	2008/2009 Restated £000
Balance as at 1st April	**(21,258)**	0
Movement - MRP	**477**	(21,258)
Balance as at 31st March	**(20,781)**	(21,258)

Note 20 - Long Term Debtors - Other

This balance represents a number of long term ICT contracts that were payable in advance and also amounts due to be recovered from two current pensioners, where an overpayment of pension entitlement was made during 2005/2006. Amounts relating to pension overpayments are being recovered on an annual basis.

	2009/2010 £000	2008/2009 £000
Balance as at 1st April	**16**	17
Appropriation to Revenue	**111**	(1)
Balance as at 31st March	**127**	16

Note 21 - Stocks and Stores

All stocks and stores are valued at average price.

	2009/2010 £000	2008/2009 £000
Balance as at 1st April	**325**	273
Movement	**(67)**	52
Balance as at 31st March	**258**	325

Note 22 - Debtors

The following Debtors reflect sums due to the Authority within one year, which are regarded as collectable.

	31st March 2010 **£000**	31st March 2009 Restated £000
Amounts falling due in less than one year:		
Sundry debtors	**4,420**	3,505
Council Tax Payer Arrears	**2,581**	2,532
Provision for Bad Debts - Council Tax	**(873)**	(888)
Employee loans	**20**	28
Sundry Prepayments	**1,438**	220
Pension Prepayments	**1,198**	1,150
	8,784	6,547

Note 23 - Short Term Investments

Investments are all made via Sunderland City Council's Consolidated Advances and Borrowing Pool.

	2009/2010 **£000**	2008/2009 £000
Balance as at 1st April	**27,176**	24,142
Investment during year	**338**	3,034
Balance as at 31st March	**27,514**	27,176

Note 24 – Creditors

The following Creditors represent the value of outstanding payments in respect of goods and services utilised during 2009/2010.

	31st March 2010 **£000**	31st March 2009 Restated £000
Sundry Creditors	**3,508**	3,432
Payroll Creditors	**429**	419
Receipts in advance	**27**	0
Capital Grants unapplied	**780**	0
Collection Fund Adjustment	**1,631**	1,768
	6,375	5,619

Note 25 - Deferred and Long Term Liabilities

Total Deferred Liabilities

	31st March 2010 £000	31st March 2009 £000
Borrowing undertaken by the Lead Authority	**17,593**	18,326
Finance Leases	**62**	68
	17,655	18,394

a) Borrowing undertaken by the Lead Authority

The lead Authority administers all of the Authority's borrowing through its Consolidated Advances and Borrowing Pool (CABP), see Accounting Policy 15 on page 28. The table, below, shows the amount of borrowing undertaken by the Lead Authority on the Authority's behalf.

	2009/2010 £000	2008/2009 £000
Balance as at 1st April	**18,326**	19,089
Movement	**(733)**	(763)
Balance as at 31st March	**17,593**	18,326

b) Finance Leases

The following values of vehicles are held under finance leases, accounted for as part of Operational Fixed Assets. Outstanding obligations to make payments under these finance leases (excluding finance costs) as at 31st March 2010, accounted for as part of deferred liabilities, are as follows:

	2009/2010 £000	2008/2009 £000
Gross Book Value as at 1st April	**93**	93
Revaluations and Restatement	**0**	0
Additions	**0**	0
Disposals	**0**	0
Gross Book Value as at 31st March	**93**	93
Depreciation as at 1st April	**25**	19
Depreciation for the year	**6**	6
Depreciation as at 31st March	**31**	25
Net Book Value as at 1st April	**68**	74
Net Book Value as at 31st March	**62**	68
Obligations falling due:		
Obligations payable in 2010/2011	**8**	8
Obligations payable between 2011/2012 and 2014/2015	**32**	32
Obligations payable thereafter	**32**	41
Total	**72**	81

Note 26 – Grants and Contributions Deferred Account

The Grants and Contributions Deferred account represents amounts of capital grant received, which are being deferred to offset the depreciation on the asset the grant was paid for.

	2009/2010 £000	2008/2009 £000
Balance brought forward at 1 April	18	0
Grants applied to Capital Investment in year	6	18
Amounts credited in the Income and Expenditure Account	(4)	0
Balance carried forward at 31 March	20	18

Note 27 - Provisions

Total Provisions

	31st March 2010 £000	31st March 2009 £000
Insurance Provision	438	278
	438	278

a) Insurance Provision

The Provision reflects sums required to meet the assessed liabilities for claims outstanding as at 31st March 2010, as identified by the Authority's independent valuers.

	2009/2010 £000	2008/2009 £000
Balance as at 1st April	278	302
Expenditure during the year:	(323)	(510)
	(45)	(208)
Contributions from the General Fund	483	486
Balance as at 31st March	438	278

b) PFI Utilities Provision

The PFI contract provided for a review of utility costs two years following service commencement at each of the new PFI facilities. The review was undertaken during 2008/2009 and the resulting additional costs were charged against the provision.

	2009/2010 £000	2008/2009 £000
Balance as at 1st April	**0**	391
Amount transferred to Provision	**0**	0
Costs Charged against Provision	**0**	(333)
Amount Written off to Income & Expenditure Account	**0**	(58)
Balance as at 31st March	**0**	0

Note 28 – Liability Related to Defined Pension Scheme and Pensions Reserve

Note 4 to the Income and Expenditure Account on page 59 contains details of the Authority's participation in the Local Government Pension Scheme (Tyne and Wear Pension Fund, administered by South Tyneside Metropolitan Borough Council) and the Firefighters Pension Scheme in providing Uniformed and non-Uniformed employees with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31st March 2010 are as follows:

Assets and Liabilities in relation to retirement benefits

Reconciliation of fair value of scheme assets:

	Local Government Pension Scheme		**Firefighters Pension Scheme**		**Total**	
	2009/2010 £000	2008/2009 £000	**2009/2010 £000**	2008/2009 £000	**2009/2010 £000**	2008/2009 £000
1 April	**16,490**	18,590	**0**	0	**16,490**	18,590
Expected rate of return	**1,050**	1,330	**0**	0	**1,050**	1,330
Actuarial gains and losses	**5,310**	(4,890)	**0**	0	**5,310**	(4,890)
Employers Contributions	**1,560**	1,450	**0**	0	**1,560**	1,450
Contributions by scheme participants	**510**	470	**0**	0	**510**	470
Benefits Paid	**(550)**	(460)	**0**	0	**(550)**	(460)
31 March	**24,370**	16,490	**0**	0	**24,370**	16,490

Reconciliation of fair value of scheme liabilities:

	Local Government Pension Scheme		Firefighters Pension Scheme		Total	
	2009/2010 £000	2008/2009 £000	**2009/2010 £000**	2008/2009 £000	**2009/2010 £000**	2008/2009 £000
1 April	**31,850**	27,810	**438,140**	466,580	**469,990**	494,390
Current Service Cost	**1,040**	870	**9,980**	11,830	**11,020**	12,700
Interest Cost	**2,140**	1,920	**29,940**	31,970	**32,080**	33,890
Contributions by scheme participants	**510**	470	**0**	0	**510**	470
Actuarial gains and losses	**10,030**	1,290	**171,040**	(53,800)	**181,070**	(52,510)
Benefits Paid	**(600)**	(510)	**(19,230)**	(18,960)	**(19,830)**	(19,470)
Past service costs	**0**	0	**430**	520	**430**	520
31 March	**44,970**	31,850	**630,300**	438,140	**675,270**	469,990

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 LGPS scheme assets in the year was a gain of £6,360,000 (2008/2009 £3,360,000 loss).

Scheme History

	2005/2006 £000	2006/2007 £000	2007/2008 £000	2008/2009 £000	**2009/2010 £000**
Present value of scheme liabilities					
Firefighters Pension Scheme	(545,430)	(532,560)	(466,580)	(438,140)	**(630,300)**
Local Government Pension Scheme	(26,710)	(28,860)	(27,810)	(31,850)	**(44,970)**
	(572,140)	(561,420)	(494,390)	(469,990)	**(675,270)**
Fair value of scheme assets					
Firefighters Pension Scheme	0	0	0	0	**0**
Local Government Pension Scheme	17,170	19,160	18,590	16,490	**24,370**
	17,170	19,160	18,590	16,490	**24,370**
Surplus/(Deficit) in the scheme	(554,970)	(542,260)	(475,800)	(453,500)	**(650,900)**

In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous three periods are measured at current bid price. Asset values previously measured at mid market value for periods ending 31st March 2008 and 31st March 2007 have been re-measured for this purpose. Asset values for periods ending 31st March 2006 is shown at mid-market value and have not been re-measured as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability of £650.9 million (£453.5 million as at 31 March 2009) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative balance of £597.3 million (£400.1 million as at 31 March 2009). However, the position must be considered in the context of the arrangements for funding the deficit:

- If necessary, the deficit on the Tyne and Wear Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;

- Finance is only required to be raised to cover the uniformed pensions when these pensions are actually paid. Liabilities for the Firefighters Pension Scheme have been assessed using the projected unit method. The Government Actuary's Department (GAD) was appointed by the Authority to assist with the assessment of accrued pension liabilities under the Firefighters Pension Scheme for the year ended 31 March 2010.

Basis for estimating assets and liabilities

Liabilities for the Tyne and Wear Pension Fund have been assessed on an actuarial basis using the roll forward method. The Fund's liabilities have been assessed by Hewitt Associates Limited, an independent firm of actuaries, estimates for the Pension Fund being based on the latest full valuation of the scheme as at 31st March 2007. The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2009/2010	2008/2009	**2009/2010**	2008/2009
Long-term expected rate of return on assets in the scheme:				
Equity Investments	**8.00%**	7.00%	N/A	N/A
Government Bonds	**4.50%**	4.00%	N/A	N/A
Corporate Bonds	**5.50%**	5.80%	N/A	N/A
Property	**8.50%**	6.00%	N/A	N/A
Other	**8.00%**	1.60%	N/A	N/A
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	**20.0 years**	19.9 years	**23.3 years**	23.1 years
Women	**22.9 years**	22.8 years	**25.2 years**	24.7 years
Longevity at 45 for future pensioners:				
Men	**22.2 years**	22.1 years	**26.2 years**	25.8 years
Women	**25.1 years**	25.0 years	**28.0 years**	27.4 years
Rate of inflation	**3.90%**	3.60%	**3.90%**	3.00%
Rate of increase in salaries	**5.40%**	5.10%	**5.40%**	4.50%
Rate of increase in pensions	**3.90%**	3.60%	**3.90%**	3.00%
Rate for discounting scheme liabilities *	**5.50%**	6.60%	**5.80%**	6.90%
Take-up of option to convert annual pension into retirement lump sum	**75.00%**	75.00%	**90.00%**	90.00%

* The basis on which pension liabilities are valued is now based upon the yields of AA-rated corporate bonds whereas the majority of the assets of the fund are invested in equities. This will inevitably lead to volatility in the net pension asset on the balance sheet and to a lesser extent, in the statement of total movement in reserves.

The Firefighters Pension Scheme has no assets to cover its liabilities. Assets in the Tyne and Wear Pension Fund 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:

	31 March 2010		31 March 2009	
	Long Term Return	Fund Assets	Long Term Return	Fund Assets
	%	%	%	%
Equity investments	**8.0**	**67.8**	7.0	66.1
Government Bonds	**4.5**	**9.3**	4.0	10.2
Other Bonds	**5.5**	**11.4**	5.8	10.4
Property	**8.5**	**7.4**	6.0	8.4
Cash	**0.7**	**1.3**	1.6	0.7
Other Assets	**8.0**	**2.8**	1.6	4.2
Average Long Term Expected Rate of Return	**7.3**	**100.0**	6.2	100.0

The above figures have been provided by Hewitt Associates Limited, actuaries to the Local Government Pension Scheme (administered by South Tyneside Metropolitan Borough Council) and the Government Actuary Department (GAD) using information provided by the scheme and assumptions determined by the Authority in conjunction with the actuary.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/2010 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

	2005/2006	2006/2007	2007/2008	2008/2009	**2009/2010**
Total Pension Fund Assets (£'000)					
Firefighters Pension Scheme	0	0	0	0	**0**
Local Government Pension Scheme	17,170	19,160	18,590	16,490	**24,370**
	17,170	19,160	18,590	16,490	**24,370**
Difference between the expected and actual return on assets (£'000)	2,450	(110)	(2,840)	(4,890)	**5,310**
Difference between expected and actual return on assets as a percentage of Total Assets (%)	14.27%	-0.57%	-15.28%	-29.65%	**21.79%**
Total Pension Fund Liabilities (£'000)					
Firefighters Pension Scheme	545,430	532,560	466,580	438,140	**630,300**
Local Government Pension Scheme	26,710	28,860	27,810	31,850	**44,970**
	572,140	561,420	494,390	469,990	**675,270**
Experience (Gains) and losses on liabilities (£'000)	950	(6,960)	(4,020)	**(5,460)**	**(17,340)**
Experience (Gains) and losses on Liabilities as a percentage of total liabilities (%)	0.17%	-1.24%	-0.81%	-1.16%	**-2.57%**

In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. The history of experienced gain / (loss) on liabilities shown has not been restated for periods ending 31 March 2007 and 31 March 2006 and includes the experience relating to unfunded liabilities.

Note 29 - Revaluation Reserve

The Revaluation Reserve was created in 2007/2008 in accordance with capital accounting requirements to record the accumulated gains on the fixed assets arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

This Reserve is also debited with amounts equal to the part of depreciation charges on assets that have been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of assets carried in the Balance Sheet is greater because they are carried at revalued amounts, rather than depreciated historical cost.

Whilst these gains arising from revaluations increase the net worth of the Authority, they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

	2009/2010 **£000**	2008/2009 Restated £000
Balance as at 1st April 2009	**4,627**	4,549
Upward Revaluations	**0**	537
Excess of current cost over historic cost depreciation	**0**	(15)
Write-down of accumulated revaluation gains	**0**	(3,263)
PFI IFRS Revaluation	**0**	2,819
Balance as at 31st March 2010	**4,627**	4,627

Note 30 - Capital Adjustment Account

The Capital Adjustment Account was created in 2007/2008 in accordance with capital accounting requirements. The Capital Adjustment Account accumulates as debits by the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments, or written off on disposal and it accumulates as credits the resources that have been set aside to finance the capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition, such as deferred charges. The balance on the account represents the timing difference between the amount of the historical cost of fixed assets that has been consumed, and the amount that has been financed in accordance with statutory requirements.

	2009/2010 £000	2008/2009 Restated £000
Balance as at 1st April 2009	**16,001**	17,769
Excess of current cost over historic cost depreciation	**0**	15
Revenue Contribution to Capital	**4,683**	1,848
Government Grants Deferred applied to revenue	**4**	0
Minimum Revenue Provision	**1,214**	767
Depreciation	**(1,984)**	(1,323)
Impairment	**(574)**	(2,648)
Disposals	**(66)**	0
PFI - IFRS Restatement	**0**	(427)
Balance as at 31st March 2010	**19,278**	16,001

Note 31 - Usable Capital Receipts

These are capital receipts that have not been used to finance capital expenditure or to repay debt.

	2009/2010 £000	2008/2009 £000
Balance as at 1st April	**3,285**	3,285
Capital receipts in year from sale of assets	**0**	0
Balance as at 31st March	**3,285**	3,285

Note 32 - Movement on Specific Revenue Reserves

The following table reports the movement on the Authority's Specific Revenue Reserves during the year.

	31st March 2009 £000	Net Movement £000	31st March 2010 £000
PFI Smoothing Reserve	4,961	**(167)**	**4,794**
Insurance Reserve	686	**21**	**707**
Provision for Early Retirements	47	**(3)**	**44**
Development Reserve	14,703	**0**	**14,703**
Contingency Planning Reserve	2,250	**0**	**2,250**
Budget Carry Forward Reserve	2,548	**(1,753)**	**795**
New Dimensions Reserve	452	**(89)**	**363**
Community Safety Reserve	250	**0**	**250**
Civil Emergency Reserve	200	**0**	**200**
Regional Control Centre Reserve	350	**0**	**350**
Carbon Management Plan Reserve	0	**600**	**600**
Equality and Diversity Reserve	0	**200**	**200**
	26,448	**(1,191)**	**25,256**

The table, above, shows the movement on the Authority's earmarked reserves for the year ended 31st March 2010. Detail on the purpose of each reserve is provided below:

- **PFI Smoothing Reserve -** Government Grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure. This has the effect of smoothing the impact of PFI schemes on the Authority's revenue budget over the lifetime of the scheme.

- **Insurance Reserve -** this reserve is held to protect the Authority from:
  - any unexpected volatility;
  - potential future changes in legislation that could be retrospective;
  - any unknown exposures that may arise in the future;
  - the MMI Scheme of Arrangement reserve that was established in 1993/1994 to cover a possible shortfall in the eventual settlement of claims against MMI.

  The reserve also includes accumulated insurance premium discounts received, arising from the Authority's positive approach to risk management. These sums are retained to offset the cost of further risk management initiatives in future years.

- **Early Retirement Reserve -** this reserve was established in order to cover future compensatory added years payments, associated with an early retirement during 2002/2003. This has ensured that the costs are covered in the year of retirement and will not lead to on-going revenue implications. The reserve will be reduced each year as payments are made to the Tyne and Wear Pension Fund.

- **Development Reserve -** this reserve was created in 2006/2007 to fund medium term and long term capital and revenue developments.

- **Contingency Planning Reserve -** this reserve was established in 2006/2007 following a review of the potential liabilities arising from a major industrial dispute. Having considered the principles, criteria and framework upon which the Authority's Business Continuity Strategy should be based, the reserve is intended to ensure that the communities of Tyne and Wear are protected in the event of a major industrial dispute.

- **Budget Carry Forward Reserve –** initially established in 2006/2007, this reserve is used to fund the slippage of specific items of revenue expenditure.

- **New Dimensions Reserve -** this reserve was established in 2006/2007 to be used in future years to provide for any adverse effect of planned changes in funding from specific to general grant in 2008/2009 and to provide resources to meet future specific costs in relation to delivering an appropriate Urban Search and Rescue response.

- **Community Safety Reserve –** initially established in 2006/2007, this reserve was established to deliver community safety initiatives in future years. This follows the success of similar schemes carried out during previous years.

- **Civil Emergency Reserve -** this reserve was established to enable the Authority to respond to a major catastrophic event, either within Tyne and Wear, or another region, where there would likely be additional cost pressures placed upon the Authority (over and above the reimbursement level that might be expected from other Fire Authorities or through the Bellwin scheme). This reserve enables the Authority to deliver the necessary level of support without impacting on its revenue budget.

- **Regional Control Centre Reserve –** this reserve was established in 2007/2008 to provide a means of offsetting any costs associated with the Regional Control Centre project on the basis that the position of Communities and Local Government does not provide an absolute assurance to the

Authority that all additional costs will be funded by them.

- **Carbon Management Plan Reserve** – this reserve was established in 2009/2010 as the Authority is currently working in partnership with the Carbon Trust and other Fire and Rescue Authorities in the region to develop a Carbon Reduction Plan. The implementation of this plan will necessitate some investment in order to make future savings both in carbon emissions and energy bills.

- **Equality and Diversity Reserve** – this reserve was established in 2009/2010 to support the Authority's commitment to achieve higher equality and diversity recruitment targets.

Note 33 - General Fund Balances

	31st March 2009	**Movement**	**31st March 2010**
	£000	**£000**	**£000**
General Reserve	2,299	**2**	**2,301**
Delegated Surplus	560	**0**	**560**
DSO	71	**4**	**75**
Emergency Planning Reserve	138	**(4)**	**134**
	3,068	**2**	**3,070**

The principal reasons for the net increase in General Fund Balances of £0.002 million are outlined below:

a) appropriations to various earmarked reserves, totalling £1.316 million, as agreed by Members;

b) net underspendings on a number of budget headings, totalling £1.318 million, including:

i) employees – an underspend of £1.469 million has arisen due staff levels being reduced, pay awards for firefighters and corporate staff being lower than originally anticipated and lower employers pension contributions as a result of lower contributions to the new Firefighters pension scheme;
ii) firefighters recruits course – an underspend of £0.177 million has occurred as the recruits course was not held;
iii) ill health retirements – an underspend of £0.082 has arisen as there was no Ill Health retirements during 2009/2010
iv) premises – an underspend of £0.157 million has arisen in relation to lower utilities costs;
v) insurances – an underspend of £0.018 million has arisen on insurance budgets, reflecting the lower contribution to the provision in 2009/2010 and reduced insurance premiums;
vi) transport – an underspend of £0.406 million has arisen following the decision to purchase outright vehicles previously assumed to be financed through operating leases (following a detailed options appraisal) and from slippage in the Vehicle Replacement Programme;
vii) supplies – an underspend of £0.249 million has arisen mainly due to the Authority reviewing its uniform provision and issues of replacement clothing were managed as part of a replacement programme with existing stock levels being phased out. A reduced number of clothing items were issued in preparation for a new supplier contract coming into effect;
viii) capital financing – an overspend of £1.766 million has arisen as capital financing has been increased to facilitate the outright purchase of 12 fire tenders and slippage on a number of schemes;
i) interest payable – an underspend of £0.298 million has arisen as interest rates remain at an all-time low which has allowed the lead authority to restructure its debt portfolio;
ii) interest received – an overspend of £0.035 million following a significant decrease in interest rates being more significant than previously anticipated;

iii) income – an underspend of £0.131 million has arisen, including, where the Authority has exceeded its anticipated level of fees and charges across a number of areas including the provision of commercial training;
iv) other – minor variations have resulted in a net underspend of £0.132 million.

Note 34 - Contingent Liabilities

The Authority has no contingent liabilities as at 31st March 2010.

Note 35 - Statement of Accounts – Authorisation for Issue

The Statement of Accounts were authorised for issue by the Finance Officer, George Blyth, on 28th June 2010. Accordingly, this is the date up to which events after the Balance Sheet date have been considered.

Note 36- Post Balance Sheet Events

Where an event after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date occurs, (an adjusting event), the amounts recognised in the Statement of Accounts have to be adjusted to take into account any new information about that adjusting event.

Adjusting Post Balance Sheet Events

There are no Adjusting Post Balance Sheet Events

Non Adjusting Post Balance Sheet Events

North East Fire and Rescue Authorities (NEFRA)
The North East Fire and Rescue Authorities (NEFRA) successfully submitted a collaborative application in January 2004 for Notional Credit Approvals in the 4th Round of PFI Initiatives. Within the application, the element directly affecting the Tyne and Wear Fire and Rescue Authority is the replacement of Tynemouth Fire Station with a new community fire station.

Following approval by the Authority, on 15th June 2009, of the final terms of the Agreement, it is planned that financial close will take place towards the end of June 2009. It is anticipated that Tynemouth Community Fire Station will be completed in June 2010.

Retained Firefighters: Backdated Pension Scheme Membership

The Employment Tribunal has upheld claims by retained firefighters under part-time workers legislation for pension scheme membership. All firefighters with retained service between 1st July 2000 and 5th April 2006 are now eligible for special membership of the New Firefighters Pension Scheme (NFPS).

The financial implications for the Authority is dependant on the number of firefighters who wish to opt in and backdate their contributions, an estimate of £21,000 has been calculated on a worst case scenario basis as the Authority has a very small number of retained firefighters.

Changes to the Indexation of Public Service Pensions

It was announced in the Budget on Tuesday 22nd June 2010 that the Government will adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. Increases are currently determined by reference to the Retail Price Index (RPI). This will have an impact upon the operation of the pension schemes that the Authority provides to employees.

The rate at which pensions will increase is one of the key factors in determining the liabilities of defined benefit pension funds. Any change in the rate at which pensions will increase will therefore affect the value of pension fund liabilities. The CPI differs from, and tends to be lower than, the RPI. The change from RPI to CPI is therefore expected to result in a reduction in the pensions liabilities and therefore the pension deficit on the balance sheet. The change will also impact upon the income and expenditure / profit and loss account over the next accounting period.

Using an approximate method, the impact on the balance sheet if the CPI change had occurred at the accounting date would have been to reduce the value of the pension liabilities on the balance sheet by £66.97m (£63.03m Firefighters pension scheme and £3.94m Local Government pension scheme).

Notes to the Cash Flow Statement

Note 37 - Reconciliation of Deficit to Net Cash Flow

	2009/2010 £000		2008/2009 Restated £000	
(Surplus) / Deficit for the Year		**19,352**		25,763
Non Cash Transactions :				
Depreciation, Impairment and Government Grants Deferred Amortisation	**(2,555)**		(4,478)	
Excess of MRP over Depreciation	**0**		0	
Direct Revenue Funding	**0**		0	
PFI IFRS MRP Adjustment	**477**		469	
Net Movement in reserves and provisions	**(21,721)**		(25,295)	
Other:				
Loss on Disposal of Fixed Asset	**(66)**		0	
Use of Provision	**0**	**(23,865)**	391	(28,913)
Items on an Accruals Basis :				
Increase / (Decrease) in Stocks	**(67)**		52	
Increase / (Decrease) in Debtors	**684**		3,968	
(Increase) / Decrease in Creditors	**882**	**1,499**	(2,197)	1,823
Net Cash Flow from Revenue Activities		**(3,014)**		(1,327)

Note 38 - Reconciliation of Net Cash Flow to Movement in Debt

	2009/2010 £000	2008/2009 £000
Increase/(Decrease) in Cash during the Year	**(2,694)**	(4,582)
Increase/(decrease) in Liquid Resources	**338**	3,034
(Increase)/Decrease in Financing	**733**	763
	(1,623)	(785)
Net Debt as at 1st April	**13,343**	14,128
Net Debt as at 31st March	**11,720**	13,343
	1,623	785

Note 39 - Increase/(Decrease) in Cash and Cash Equivalents

	2009/2010 £000	2008/2009 £000
Balance as at 1st April	**4,495**	9,077
Movement	**(2,694)**	(4,582)
Balance as at 31st March	**1,801**	4,495

Note 40 - Increase/(Decrease) in Liquid Resources

	2009/2010 £000	2008/2009 £000
Balance as at 1st April	**27,176**	24,142
Movement	**338**	3,034
Balance as at 31st March	**27,514**	27,176

Note 41 - (Increase)/Decrease in Financing

	31st March 2010 £000	31st March 2009 £000
Balance as at 1st April	**(18,326)**	(19,089)
Movement	**733**	763
Balance as at 31st March	**(17,593)**	(18,326)

Note 42 - Analysis of Government Grants

	2009/2010 £000	2008/2009 £000
Pensions Top-up Grant	**9,871**	7,728
PFI Grant	**2,804**	2,804
Fire Control Project	**0**	241
New Dimensions	**1,020**	873
New Burdens Grant	**133**	0
Communities and Local Government (CLG)	**13,828**	11,646

Supplementary Statement

Firefighter's Pensions Fund Account

The financial statements summarise the transactions and the net assets relating to the Firefighter's Pension Fund. The amounts that must be debited and credited to the Pension Fund Account are specified by regulation.

	2009/2010 £000		2008/2009 £000	
Contributions Receivable				
From employers				
- normal	**(5,521)**		(6,079)	
- early retirement	**(139)**		(374)	
From members	**(2,930)**	**(8,590)**	(2,990)	(9,443)
Transfers In				
Individual transfers in from other schemes		**(325)**		(316)
Benefits Payable				
Pensions	**16,052**		14,814	
Commutations and lump sum retirement benefits	**3,174**		4,849	
Lump sum death benefits	**0**	**19,226**	0	19,663
Payments to and on account of leavers				
Individual transfers out to other schemes		**0**		0
Net amount payable/receivable before top up grant receivable/amount payable to sponsoring department		**10,311**		9,904
Top-up grant receivable/amount payable to sponsoring department		**(10,311)**		(9,904)
Net amount payable/receivable for the year		**0**		0

Firefighter's Pensions Net Assets Statement

	2009/2010 **£000**	2008/2009 Restated £000
Net Current Assets and Current Liabilities		
Pension top-up grant (receivable from) / due to sponsoring department	**3,170**	2,310
Pre-paid pension benefits	**1,198**	1,150
Outstanding commutation payments	**0**	(698)
Cash Overdrawn due to the General Fund	**(4.368)**	(2,762)
	0	0

Notes to the Firefighter's Pensions Statements

1. Basis of Preparation

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in Great Britain.

The financial statements summarise the transactions of the scheme and the net assets. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

2. Accounting Policies

The principal accounting policies are as follows:

Contributions

Contributions represent the total amounts receivable from the Authority and the pensionable employees. The employer's contributions are made at rates determined by the Government Actuaries Department, at a nationally applied rate of 21.3% for the 1992 Firefighters' Pension Scheme (11.0% for employees' contributions), and 11.0% for the 2006 Firefighters' Pension Scheme (8.5% for employees' contributions).

In addition to these contribution payments, the Authority is also required to make payments into the Pension Fund in respect of ill-health retirements, when they are granted.

No provision is made in the accounts for employees' and employer's contributions relating to sums due on pay awards not yet settled.

Benefits and refunds

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

Transfer values

Transfer values are those sums paid to, or received from, other pension schemes, and the Firefighters' Pension Scheme outside England, for individuals, and relate to periods of previous pensionable employment.

Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

3. Fund's Operations

New financial arrangements came into effect from 1st April 2006 for both the 1992 and the new 2006 Firefighters' Pension Schemes. The new financial arrangements had no impact on the terms and conditions of each scheme.

Both Firefighters' schemes are statutory, unfunded pension schemes, with the benefits from both schemes being defined and guaranteed in law. Both schemes are contracted out of the State Second Pension (S2P) and must provide benefits at least as good as most members would have received had they been members of S2P. Benefits provided include a tax-free lump sum and a guaranteed pension based on final salary upon retirement.

Prior to 1st April 2006, the Authority administered and paid firefighters' pensions on a 'pay-as you-go' basis, which meant that employees' contributions were paid into the authority's operating account from which pension awards were made. Following the change in financial arrangements on 1st April 2006, the Authority has continued to administer and pay firefighters' pensions, but this is now from a new separate local firefighters' pension fund.

Employee contributions and new employer's contributions are paid into the Pension Fund from which pension payments are made. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments, with any surplus in the fund being recouped by Government. The fund is, therefore, balanced to nil each year by receipt of pension top-up grant or by paying the surplus back to Government. The underlying principle is that employer and employee contributions together will meet the full cost of pension liabilities being accrued in respect of currently serving employees while central Government will meet the costs of retirement pensions in payment, net of employee and the new employer contributions.

The fund has no investment assets.

Glossary of Terms

Accrual
A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts are prepared.

Accounting Policies
Those principles, bases, conventions, rules and practice applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising;
- selecting measurement bases for, and;
- presenting.

Assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Actuarial Gains and Losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or;
- the actuarial assumptions have changed.

Agency Services
Services that are performed by or for other authorities or bodies, where the authority/body responsible for the service reimburses the authority carrying out the work for the cost of the work carried out.

Assets
Items of worth which are measurable in terms of money (value). Current assets are ones that may change in value on a day-to-day basis (e.g. Stocks and Stores). Fixed assets are tangible assets that yield benefit to the Authority and the services it provides for a period of more than one year.

Audit Commission
Is an independent body established by the 1982 Local Government Finance Act, which is responsible for appointing auditors to local authorities.

Balance Sheet
A statement of the recorded assets, liabilities and other balances at a specific date usually at the end of an accounting period.

Balances
The capital or revenue reserves of the Authority made up of the accumulated surplus of income over expenditure on the General Fund or any other fund.

BVACOP
The Best Value Accounting Code of Practice was developed from the key principles established from the Local Government Act 1999 (Sections 5 and 6). It aims to: -

a) Modernise the system of local authority accounting and reporting to meet the changed and changing needs of local government, particularly the duty to secure and demonstrate Best Value in the provision of services to the community.
b) Facilitate accurate comparison between both services and authorities.
c) Strengthen the arrangements for recharging all support costs which may be reasonably charged to front-line services and in so doing bringing efficiency pressures to support services comparable to those of service providers to the community.
d) Represent best practice.

Capital Charge
The charge to the services for the use of fixed assets.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Financing Charges
The annual charge to the Revenue Account in respect of the minimum revenue provision and interest on money borrowed together with leasing rentals.

Capital Financing Requirement
The capital financing requirement is one of the indicators that must be produced as part of the CIPFA prudential code. This measures the authority's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and the next two financial years.

Capital Grants
Grants received towards capital expenditure on a particular service or project.

Capital Receipts
Money received from the sale of land or other capital assets. For non-housing authorities capital receipts are held by the authority and can be used to pay for any kind of capital expenditure, to repay debt, to meet premiums on early debt repayments and to meet liabilities under credit arrangements.

Class of Fixed Assets
The classes of fixed assets required to be included in the accounting statements are:

Operational assets;

- Land and Buildings;
- Vehicles, Plant and Furniture.

Non-operational assets.

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

Consistency
The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Constructive Obligation
An obligation that derives from an authority's actions where:

- By an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities, and;
- As a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Asset
A contingent asset is a possible asset 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.

Contingent Liability

A contingent liability is either:
(a) 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;
(b) As a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsible.

Contingencies
Sums set aside as a provision for liabilities which may arise in the future but which cannot be determined in advance.

Corporate and Democratic Core
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
The form of local taxation operated from April 1993, based on properties.

Credit Ceiling
Is a measure of the difference between the authority's total liabilities in respect of capital expenditure financed by credit and the provision that has been made to meet those liabilities.

Creditors
Amounts owed by the Authority for goods and services provided where payment has not been made at the date of the balance sheet.

Current Service Cost (Pensions)
The increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

Debt Outstanding
Amounts borrowed to finance capital expenditure that are still to be repaid.

Debtors
Sums of money due to the Authority but not received at the date of the balance sheet.

Deferred Charges
Items of capital expenditure, which do not result in, or remain matched by, tangible fixed assets. Deferred charges are charged to revenue in the year in which the expenditure is incurred or are written down annually over an appropriate period where the expenditure provides a continuing benefit to the authority.

Defined Benefit Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation
The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset

Discontinued Operations
Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- The termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- The activities related to the operation have ceased permanently;
- The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting in either form its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations;
- The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Emoluments
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Estimation Techniques
The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gain losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured: where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- Methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Exceptional Items
Material items that derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pension Assets
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Expenditure
Amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment - expenditure is deemed to have been incurred once the goods or services have been received, even if they have not yet been paid for (in which case the supplier is a creditor of the Authority).

Extraordinary Items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fees and Charges
Income arising from the provision of services.

FRS 1 – Cash Flow Statements
Requires the Authority to prepare a cash flow statement in a manner prescribed by the FRS. Cash flows are increases or decreases of cash, cash being cash in hand and deposits repayable on demand less overdrafts repayable on demand.

FRS 4 – Capital Instruments
This standard exists to ensure that financial statements provide a clear, coherent and consistent treatment of capital instruments, particularly the classification of instruments. The standard also seeks to ensure that redeemable instruments are allocated to accounting periods on a fair basis over the period the instrument is in issue, and that the statement of accounts provides relevant information concerning the nature and amount of the authority’s sources of finance and associated costs, commitments and potential commitments.

FRS 8 – Related Party Disclosures
FRS 8 exists to ensure that accounting statements contain the disclosures necessary to draw attention to the fact that reported performance and results may have been affected by the existence of related parties and by material transaction with them.

FRS 11 – Impairment of Fixed Assets
FRS 11 seeks to ensure that fixed assets are recorded in the financial statements at no more than their recoverable amount, that impairment losses are measured and recognised on a consistent basis and that sufficient information is disclosed in the statements to enable users to understand the impact of impairments on the financial position of the Authority.

FRS 12 - Provisions, Contingent Liabilities and Contingent Assets
The objective of this standard is to ensure that provisions (liabilities of uncertain timing or amount) are recognised only when they actually exist at the balance sheet date. A provision may only be recognised in the Authority's accounts when there is an obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle this obligation and a reliable estimate can be made of the amount of this obligation. A contingent liability or asset is not recognised on the balance sheet, although where these are material they are disclosed in the notes to the accounts.

FRS 15 – Tangible Fixed Assets
This standard sets out the principles of accounting for tangible fixed assets. The objective is to ensure that these assets are accounted for on a consistent basis in terms of their carrying amount and depreciation policies.

FRS 17 – Retirement Benefits
FRS 17 sets out the accounting treatment for retirement benefits such as pensions during retirement. The standard aims to show the value of benefits accrued and the value of assets set aside to meet these costs.

FRS 18 – Accounting Policies
This standard deals with the selection, application and disclosure of accounting policies. Mainly, that for all material items the reporting body adopts the accounting policies most appropriate to its particular circumstances for the purpose of giving a true and fair view, that accounting policies are reviewed regularly to ensure that they remain appropriate and that sufficient information is disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.

General Fund
This accounts for the services of the Authority. The net cost is met by the Council Tax, Government Grants and National Non Domestic Rates.

Going Concern
The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Impairment
A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Income
Amounts due to the Authority for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment - income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the authority).

Infrastructure Assets
Fixed Assets that are inalienable expenditure on which is recoverable only by continued use of the asset created.
Examples of such assets are highways, footpaths, bridges, water and drainage facilities.

Intangible Fixed Assets
These are non financial fixed assets, such as software licences, that do not have physical substance but are identifiable and are controlled through custody or legal rights.

Interest Cost (Pension)
For a defined benefit scheme, the expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (Pension Fund)
The investments of the pension fund will be accounted for in the statements of that fund. However authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Leasing
The method of financing the provision of various capital assets to discharge the Authority's functions outside normal borrowing procedures but within criteria laid down in the Local Authorities (Capital Finance) Regulations 1990. There are different types of leases available of which the following are most commonly used:

Operating Leases - may generally be described as those which do not provide for the property in the asset to transfer to the local authority and where "the authority estimates on the commencement date" that the value of the asset on the termination date of the lease will be equal to or greater than 10% of its value at the commencement date. The full definition of an operating lease is set out in Regulation 6 of the Local Authorities (Capital Finance) Regulations 1990. Operating leases are exempt from classification as a credit arrangement if the necessary criteria are satisfied.

Finance Leases - are leases that transfer substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Lender Option Borrower Option Loans (LOBO)
Many local authorities use LOBO Instruments as part of their overall borrowing portfolio. The common feature of these loans is a reduced interest rate for an initial period and then a stepped increase fixed to the end of the term. The lender can opt to increase the interest rate payable at the end of the initial period. If the lender opts to increase the interest rate payable above the fixed rate then the borrower can either agree to this increase and continue to repay the loan up to the maturity date or can reject the new terms and repay the loan in full (without penalty).

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Liquid Resources
Current asset investments that are readily disposable by the authority without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Loans Outstanding
The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

Long Term Contracts
A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

Minimum Revenue Provision
Is the minimum amount which must be charged to an authority's revenue account each year and set aside as a provision for credit liabilities, as required by the Local Government Act 1989.

National Non-Domestic Rate (NNDR)
With effect from April 1990 all non-domestic properties were revalued and the Government determines a national rate poundage every year which is applicable to all local authorities. Local authorities will continue to collect the non-domestic rate but the proceeds are pooled and distributed by Central Government on the basis of an authority's adult population.

Net Book Value
The amount at which fixed assets are included in the balance sheet, that is their historical cost of current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The cost of replacing or recreating a particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt
The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

Net Realisable Value
The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Operational Assets
Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include; investment properties and assets that are surplus to requirements, pending their sale It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and rental income is negotiated at arms length.

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

Past Service Costs
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events
Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept
The amount levied by the Tyne and Wear Fire and Rescue Authority which is collected by the Tyne and Wear District Council's on their behalf.

Prior Year Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants. Allowing where appropriate for future increases, and;
- The accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Provisions
These are sums set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and / or the timing of such costs is uncertain.

Provision for Credit Liabilities
Amount that is set aside from sales of capital assets, European grants and revenue to repay debt. The requirement to report on provision for credit liabilities was removed in the Local Government Act 2003.

Private Finance Initiatives (PFI)
PFI's are method of funding/acquiring assets such as schools, but the supplier of the building is usually an agreed contractor or bidder, usually over a 25 year term. The authority pays for the use of the asset by means of a unitary charge and can acquire the asset after this term if included in the terms of the contract. Up until this point the Authority does not own the asset and simply pays for the use of the asset. Government grant is available to assist authorities who enter into these arrangements, however, known as PFI credits. These have a direct impact upon the level of government grant paid each year to help pay for the scheme.

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

Prudential Framework
One of the principal features of the Local Government Act 2003 was to provide the primary legislative requirements to introduce a new prudential regime for the control of Local Authority capital expenditure. The regime relies upon both secondary legislation in the form of regulations, and a prudential code which has been published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the prudential framework local authorities are free to borrow without specific government consent if they can afford to service the debt without extra government support. The basic principle is that authorities will be free to invest as long as their capital spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Authority before the start of the relevant financial year as part of their budget setting process.

Public Works Loan Board (PWLB)
A Central Government agency, which lends money to Local authorities at lower interest rates than those generally available from the private sector. Local Authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Related Parties
Two or more parties are related parties when at any 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 pursing 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.

Related Party Transaction
A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made. Examples of related party transactions include:

- The purchase, sale, lease, rental or hire of assets between related parties;
- The provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- The provision of services to a related party, including the provision of pension fund administration services;
- Transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, Rents and payable of benefits.

Reserves
These are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred.

Residual Value
The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date, or;
- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Balances
These are the accumulated surpluses on the General Fund. They can be applied to reduce borrowing, reduce the Council Tax, or held to be applied in future years.

Revenue Contributions
The method of financing capital expenditure directly from revenue. The Authority may determine that certain capital schemes should be financed in this way or alternatively may include a prescribed sum in the revenue budget for this purpose.

Revenue Expenditure
Expenditure incurred on the day to day running of the Authority, the costs principally include employee expenses, capital financing charges and general running costs.

Revenue Support Grant (RSG)
A grant paid by Central Government to every Local Authority to help to finance its expenditure generally and not specific services. The grant helps to bridge the gap between Council Tax and NNDR income on one hand and the total assessment of the Authority's need to spend on the other. The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement
An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of an irrecoverable annuity contract sufficient to cover vested benefits, and;
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Specific Grants
Government grants to Local Authorities in aid of particular services, e.g. community fire safety.

Statements of Recommended Practice (SORPs)
Statements agreed by the Accounting Standards Board (established by the major accounting bodies) setting out the current best accounting practice.

Statements of Standard Accounting Practice (SSAPs)
Statements prepared by the Accounting Standards Committee to ensure consistency in accountancy matters. Many standards are now applied to local authority accounts and any departure must be disclosed in the published accounts.

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

- Goods or other assets purchased for resale;
- Consumable goods;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long term contract balances;
- Finished goods.

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, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

Trading Account
The term is used to cover activities previously known as Direct Labour Organisations (DLOs), established under the Local Government, Planning and Land Act 1980, and Direct Service Organisations (DSOs) established under the Local Government Act 1988.

Unapportionable Central Overheads
These are overheads for which no user benefits and should not be apportioned to services.

Unsupported Borrowing
Under the Prudential Framework, the facility to undertake what is known as 'unsupported borrowing' is available. This is borrowing to fund capital expenditure where no support or provision is made by the government to fund this borrowing. In deciding upon whether to undertake unsupported borrowing regard is required to be had to:

- The prudential indicators which are designed to assess whether capital investment needs are affordable, sustainable and prudent;
- The effect on the revenue budget of any additional costs incurred.

Useful Life
The period over which the authority will derive benefits from the use of a fixed asset.

Vested Rights
In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.