Tyne and Wear
Fire and Rescue Authority

Statement of Accounts
2008/2009
(Subject to Audit)

Contents

Authority Membership 2008/2009

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
Councillor R. Heron up to 14th June 2009
Councillor M. Forbes
Councillor B. Scaplehorn

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

Gateshead MBC
Councillor G. Haley
Councillor D. Bollands
Councillor D. Boyes

North Tyneside MBC
Councillor D. Charlton
Councillor K. Jordan
Councillor P. McIntyre

South Tyneside MBC
Councillor J. Belll
Councillor A. McMillan up to 14th June 2009
Councillor M. Clare from 15th June 2009

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

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

Introduction

We are pleased to present the Statement of Accounts (Subject to Audit) for the year 2008/2009 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 2009. 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 2009/2010.

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 (Subject to Audit), a Statement Reporting Reviews on Internal Control and Internal Financial Control has been included, which confirms that there are sound systems in place. We will 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	Keith Beardmore Finance Officer
Dave Smith Clerk to the Authority	Val Bowman Chief Emergency Planning Officer	

Dated: 29th June 2009

Certification of the Statement of Accounts

As Chairman of the Governance Committee held on the 29th June 2009, I hereby acknowledge receipt of the Statement of Accounts (Subject to Audit) for 2008/2009 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 29th June 2009 in accordance with sub-paragraph 10 (3) (a) with regard to the aforementioned Regulations.

Mr G.N. Cook
Chairman of the Governance Committee

Dated: 29th June 2009

Foreword by the Finance Officer

This Statement of Accounts shows in the following pages the Authority's final accounts for 2008/2009. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008'. 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. **Statement Reporting Reviews on Internal Control and Internal Financial Control**
   This statement sets out the principal arrangements that are in place to ensure 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 2008/2009 to be met from Government Grants and local taxpayers was approved at £58.073 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 £71.61 for 2008/2009. This represented an increase of 2.4% over the 2007/2008 Band D level of £69.93, the lowest % increase of any Fire and Rescue Authority in England.

The following table summarises the financial position for the year:

	2008/2009 Original Estimate £000	2008/2009 Revised Estimate £000	2008/2009 Actual Outturn £000	2007/2008 Actual Outturn Restated £000
Community Safety	**13,665**	**14,151**	**8,565**	9,108
Fire Fighting and Rescue Operations	**42,913**	**44,402**	**41,946**	45,731
Fire Service Emergency Planning	**0**	**0**	**(10)**	6
Corporate and Democratic Core	**360**	**340**	**315**	304
Non Distributed Costs	**0**	**0**	**520**	870
Net Cost of Services	**56,938**	**58,893**	**51,336**	56,019
Gain / Loss on Disposal	**0**	**0**	**0**	160
Cleaning DSO	**0**	**0**	**(17)**	(10)
Interest Payable	**864**	**864**	**777**	906
Contingencies	**851**	**0**	**0**	0
Interest on Balances	**(1,550)**	**(1,250)**	**(1,161)**	(1,764)
Pension Interest Cost and Expected Return on Pension Assets	**150**	**570**	**32,560**	28,950
Net Operating Expenditure	**57,253**	**59,077**	**83,495**	84,261
Capital Financing:				
Reversal of Capital Charges and Impairments	**(1,390)**	**(3,970)**	**(3,970)**	(1,990)
Minimum Revenue Provision	**767**	**767**	**767**	772
Revenue Contribution to Capital Outlay	**2,027**	**2,017**	**1,848**	1,064
Reversal of Loss on Disposal of Fixed Assets	**0**	**0**	**0**	(160)
	58,657	**57,891**	**82,140**	83,947
Contribution to Capital Reserves	**0**	**178**	**178**	63
Contribution to FRS 17 Pension Reserve	**142**	**(42)**	**(25,320)**	(28,990)
Contribution to / (from) Earmarked Reserves	**(726)**	**(361)**	**961**	2,086
	58,073	**57,666**	**57,959**	57,106
Revenue Support Grant, Non Domestic Rates, Collection Fund and Precepts	**(58,073)**	**(58,073)**	**(58,073)**	(56,549)
(Increase) / Reduction to Balances in year	**0**	**(407)**	**(114)**	557
General Fund Balance Brought Forward			**(2,185)**	(2,742)
General Fund Balance Carried Forward			**(2,299)**	(2,185)

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 above table shows an increase in General Fund Balances of £0.114 million, which is less than the £0.407 million increase projected at the revised estimate (Third Quarter Review) stage. The General Fund Balance of the Authority as at 31st March 2009, has increased from £2.185 million to £2.299 million.

The principal reasons for the net reduction in balances of £0.293 million, from the revised estimate, are outlined below:

a) appropriations to various earmarked reserves, totalling £1.313 million, as agreed by Members at a full Authority meeting on 15th June 2009;

b) net underspendings on a number of budget headings, totalling £1.020 million, including:

- premises – an underspend of £0.080 million has arisen, primarily in relation to lower utilities costs;
- insurances – an underspend of £0.120 million has arisen on insurance budgets, reflecting the lower contribution to the provision in 2008/2009 in light of the latest actuarial review, and reduced insurance premiums;
- transport – an underspend of £0.110 million has arisen following the decision to purchase outright vehicles previously assumed to be financed through operating leases. This followed a detailed options appraisal to identify the best funding option;
- supplies – an underspend of £0.290 million has arisen on delegated budgets where expenditure (including training and equipment) has slipped and will be incurred in 2009/2010;
- capital financing – an underspend of £0.170 million has arisen as a result of slippage on a number of schemes within the Capital Programme, where the expenditure was planned to be financed through a revenue contribution. This is offset by the cost of new additions to the capital programme, and minor variations in spend during the year;
- interest payable – an underspend of £0.090 million has arisen following a restructuring of the lead authority's debt portfolio;
- interest received – an overspend of £0.090 million has arisen due to the decrease in interest rates during the year being more significant than previously anticipated;
- income – an underspend of £0.195 million has arisen, due principally to the Authority successfully levering in contributions to fund Community Safety initiatives, in excess of the anticipated level;
- other – minor variations have resulted in a net underspend of £0.055 million.

Capital Expenditure and Income

The Authority approved a capital programme for 2008/2009 of £2.027 million, which was subsequently revised to £2.035 million during the year. Actual expenditure for the year was £1.866 million, and this has been financed from revenue contributions (£1.848 million) and grant funding (£0.018 million).

The underspend of £0.169 million has arisen due to a number of reasons:

- expenditure of £0.520 million, planned for 2008/2009, has slipped into 2009/2010, 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 CCTV improvements;
- the addition to the Capital Programme of schemes totalling £0.383 million, including the purchase of vehicles (£0.294 million), operational equipment (£0.055 million) and computers and software (£0.034 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 option appraisal;
- cost variations, where the total scheme costs for a number of schemes is lower than estimated, by £0.032 million.

Tangible Fixed Asset Impairments

In response to the economic downturn, in particular falls in both land values and the property market, the entire land and buildings portfolio has been assessed by the valuer for impairment. The total value of impairment for 2008/2009 is £5.911 million, representing a 13.41% fall in the total portfolio value.

Due to the anticipated prolonged impact of the downturn, this is an exercise that will need to be reviewed annually.

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 25th February 2008, detailed the 2008/2009 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 to be set under the Prudential Code, which was introduced on 1st April 2004. The Authority was required to set borrowing limits for the following three financial years. The limits for 2008/2009 were as follows:

- Authorised Limit for External Debt for 2008/2009 of £27.564 million;
- Operational Boundary for External Debt for 2008/2009 of £22.564 million.

The Lead Authority administers all of the Authority's borrowing through its Consolidated Advances and Borrowing Pool (CABP). These two Prudential Indicators have been monitored on a daily basis and neither limit has been exceeded during 2008/2009. The highest level of external debt incurred by the Authority during 2008/2009 was £19.089 million on 1st April 2008.

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 2008/2009, the Cleaning DSO recorded a trading surplus of £16,887 (£14,620 excluding adjustments for FRS 17 costs), which has been added to surpluses accumulated by the DSO in earlier years. This position is reflected further at Note 13 to the Income and Expenditure Account on page 54.

Private Finance Initiative (PFI)

The Authority entered into a contract on 28th March 2003 to provide 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 were 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 £888,419 in 2008/2009.

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 49, Note 17 to the Statement of Total Recognised Gains on Page 57 and Note 31 to the Balance Sheet on Page 66 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 2009 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 there were no firefighter ill health retirements in 2008/2009.

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 2008/2009

Acquisitions and Capital Works
The Authority has not made any major acquisitions of either land or property during 2008/2009.

The Authority is involved in a number of major projects, known as capital works. The main schemes are listed below, for information, together with the amounts of expenditure incurred during 2008/2009, the total estimated gross cost of each scheme, and the status of the project at the end of the year.

Scheme / Project	Expenditure During 2008/2009 £000	Total Estimated Scheme Costs £000	Completed / In Progress as at 31st March 2009
Brigade Training Centre – Security Improvements and Incident Management Training Facilities	386	894	In Progress
Station Refurbishment Programme	139	434	In Progress
Purchase of Community Safety Outreach Vehicle	111	111	Completed

Disposals
There has been no disposal of assets during 2008/2009.

Changes to the Statement of Recommended Practice (SORP) 2008

The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice (SORP) 2008 introduced some changes to the Statement of Accounts for 2008/2009. The substantive changes are set out below, for information, although a number of these do not directly affect the Authority's Statement of Accounts for 2008/2009:

- Financial Reporting Standard 17 (FRS17) has been amended to align its disclosure requirements more closely with the requirements of International Accounting Standard 19 (IAS19) Employee Benefits. There are significant changes in the disclosure requirements as well as a change to the basis on which the value of quoted securities is measured. These changes are fully reflected in the Statement of Accounts for both 2007/2008 and 2008/2009.

- From 1st April 2008, Area Based Grant (ABG) replaced Local Area Agreement (LAA) Grant. Unlike LAA Grant, which was restricted to support the achievement of LAA targets, ABG is a non-ring-fenced general grant provided by the Government, which allows local authorities full local control over how the funding is used. Details of general grants received is now included as an additional note to the Core Financial Statements.

- The Cash Flow Statement can now be constructed using the indirect method whereby the net revenue cash flow from operating activities for the financial year is derived by means of a reconciliation from the surplus / deficit on the Income and Expenditure Account for the year. This compares with the direct method, where major gross cash receipts and payments are disclosed in total to calculate the revenue activities net cash flow for the financial year from operating activities.

- The Annual Governance Statement has been changed and renamed as the "Statement Reporting Reviews on Internal Control or Internal Financial Controls". This brings the statement in line with the CIPFA framework issued in 2007, "Delivering Good Governance in Local Government: Framework".

- The Application of Accounting Standards has been updated for changes in Accounting Standards, Financial Reporting Standards (FRS's) and Urgent Issue Task Force (UITF) Abstracts.

The Statement of Accounts (Subject to Audit) for 2008/2009 complies with the Statement of Recommended Practice 2008 except where departures from the SORP are noted, including reasons for 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.

Comprehensive Performance Assessment

The result of the Authority's Comprehensive Performance Assessment (CPA) for 2008 was released in December 2008. With regard to the Authority's Direction of Travel, the Audit Commission rated the Authority as Improving Well, the third year in succession that the Authority has achieved this score.

The Authority received an overall score of '4' – Performing Strongly (with a score of '4' being the highest possible) for its Use of Resources assessment, representing an improvement in the score for 2007 of '3'. Within Use of Resources, the Authority achieved scores of '4' for Financial Reporting (for the second consecutive year) and Financial Standing, (an improvement from the 2007 score of '3'). The Authority continues to work to build upon these successes and is actively pursuing a programme of continuous improvement.

Efficiency

The Comprehensive Spending Review 2007 (CSR07) set an overall target for local government of 3% cashable efficiencies for each of the years from 2008/2009 through to 2010/2011, and an efficiency target of £110 million (equivalent to 1.6%) over the three years of the CSR07 review has been set for the fire and rescue service, nationally. 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 £5.1 million (9.97%) in ongoing cashable efficiencies over the CSR04 period, compared to a target of 5.67%. In 2008/2009, the Authority achieved ongoing efficiency savings of £1.3 million (2.27%), exceeding the Government target of 1.6%. The Authority's target for cumulative ongoing efficiency savings to the end of 2009/2010 is £2.6 million (4.63%), which exceeds the Government target of 3.2%.

Whole of Government Accounts

The Whole of Government Accounts is based on United Kingdom Generally Accepted Accounting Principles, (UK GAAP) and provides a fully audited true and fair view of the Government's financial performance. The provision of a comprehensive set of accounts covering all government is intended to provide increased transparency and accountability to Parliament as well as better quality financial information to underpin funding and investment decisions at local and national level. The Authority has systems in place to meet the appropriate reporting requirements set by government.

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 of 31st March 2010.

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 no outstanding claims in respect of unequal pay as at 31st March 2009, and the Authority does not anticipate that any further claims are likely at this point in time.

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 included 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. The quality of the Annual Report contributed significantly to the CPA score of '4' achieved for Financial Reporting.

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 2008/2009 through the IRMP Action Planning framework, including:

- finalising the initiative that saw crewing levels on all two-pump stations established at 4+4 in line with the IRMP 5-year strategy and monitoring of the impact to ensure that there is no detrimental impact in the delivery of services;

- extending the protocol to reduce automatic fire alarms (AFA) and unwanted fire signals in dwellings to all five local authorities in Tyne and Wear;

- reviewing water rescue arrangements and, as a consequence, ensuring all operational response personnel have been trained in basic water awareness skills and that all fire appliances carry a range of water safety equipment such as floating lines and buoyancy aids;

- the development of a command and control simulator which will enhance training at command levels to improve the management of major emergency incidents, including working with partner emergency incident responders.

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 2008/2009, the Authority has:

- Carried out approximately 29,250 home fire risk assessments;

- Fitted 23,294 smoke alarms;

- Distributed approximately 2,867 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 704 fires recorded in 2008/2009 represents a reduction of 36.5% on the 2007/2008 figure of 1,109 fires. This is a notable achievement for the service.

During 2008/2009, the Authority has:

- attended 8,876 fire calls, a decrease of 28% on the number attended in 2007/2008. This figure includes a reduction in the number of deliberate fires of 2,574;

- reduced the number of injuries arising from accidental dwelling fires by 29% from 2007/2008;

- for accidental fires in homes described as ‘suburbs and housing estates’, the Authority’s response has confined the fire to the room of origin in 92.3% of occasions, compared with a Metropolitan Authority average of 91.29%.

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:

- a buildings condition survey which has prompted consideration of future capital investment to ensure that all buildings are to a standard which allows a modern and effective service to operate across all of the Authority’s facilities;

- the need to consider the development of further suitable community fire station facilities at each of the non-PFI fire stations. This is prompted by the considerable success of the PFI facilities, where the purpose-built, community-focused facilities are enabling 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 need to refurbish the 'Safety Works' Interactive Community Safety Centre, in line with the revised longer-term strategy for that facility;

- the need to ensure that the use of property assets is fully aligned to changes introduced in moving to co-terminosity (aligning with Local Authority boundaries);

- the need to secure environmental sustainability;

- the need to ensure that facilities continue to comply with the developing issues of equality, diversity and health and safety;

- the need to ensure that the provision of training facilities and resources meet the changing risk profile of our society.

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.

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 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. Tynemouth Community Fire Station is anticipated to be completed in June 2010.

Regional Control Centre (FireControl)
The FireControl business case outlines 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 enter its first full year of operation in 2010/2011, although the costs have been met from 2007/2008 onwards through transitional funding arrangements from government. The final cost of the RCC to the Authority has yet to be fully determined, although the government has confirmed that it is committed to funding any increased costs to be borne 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.

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 second of three phases of implementation, and the government has provided funding for the transitional arrangements. Further detailed information is still awaited in terms of the ongoing funding beyond 2008/2009, in terms of both implementation and future operating costs. However, government has indicated that it will continue to meet additional costs.

Firebuy
In November 2005, the government published the National Procurement Strategy for the Fire and Rescue Service as part of its modernisation agenda and, in March 2006, Firebuy Ltd was established as a non-departmental public body to buy equipment nationally for the fire service.

Initial funding has been provided by the government to meet the set-up costs of this body, and to safeguard Firebuy Ltd's financial position until the long-term funding arrangements are agreed, however, at this stage, no decisions have been taken and further detailed information on the future funding arrangements is awaited.

Financial Outlook for the Authority

The outcome of the 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 is an expectation from government that Fire and Rescue Authorities will continue to identify and realise efficiency savings over this three-year period.

In addition, in his April 2009 budget report, the Chancellor set out the future spending intentions of the government at a national level, which included:

- future growth in public sector spending downgraded from 1.1% to 0.7% from 2011/2012 onwards;
- the target for efficiency savings from local government has increased in total by £0.6 billion, from £4.9 billion to £5.5 billion, for 2010/2011;
- efficiency targets for 2011/2012 onwards across the public sector are going to be very challenging, although no indication of local government's targets was announced.

Against this context, the Authority has published a Medium Term Financial Strategy, which covers the period 2009/2010 to 2013/2014, 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), enable the sustainable financial position of the Authority to be continued and to facilitate the achievement of 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.

K. Beardmore C.P.F.A.
Finance Officer

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 present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2009.

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.

Keith Beardmore C.P.F.A.
Finance Officer

Dated: 29th June 2009

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 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of the 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 statem[illegible] comprise the Fund Account, the Net Assets Statement and the related notes. The financ[illegible]ts and firefighters' pension fund accounting statements have been prepared und[illegible]cies set out within them.

This r[illegible] of Tyne and Wear Fire and Rescue Authority in accordance [illegible] Commissio[illegible]98 and for no other purpose, as set out in paragraph 36 of [illegible] of Responsibilitie[illegible]ditors and of Audited Bodies prepared by the Audit C[illegible].

Res[illegible]he Chief Finance Officer and auditors

The Chi[illegible]esponsibilities for preparing the financial statements, including the firefighters' pe[illegible] accountin[illegible]ments, in accordance with applicable laws and regulations and the Statement of Recom[illegible]ce on Local Authority Accounting in the United Kingdom 2007 are set out in the [illegible]sibilities.

My responsibilit[illegible] account[illegible]ents in accordance with relevant legal and regulatory requirements and [illegible]tional Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether [illegible]nting statements, the firefighters' pension fund accounting statements and re[illegible]tes [illegible]rly, in accordance with applicable laws and regulations and the Stateme[illegible]ended[illegible] on Local Authority Accounting in the United Kingdom 2008:

- the financial position of [illegible]thority a[illegible]d expenditure for the year, and;
- the financial transactions o[illegible]pensio[illegible]r and the amount and disposition of the fund's as[illegible]abilities, othe[illegible]y pensions and other benefits after the end of the sc[illegible]e year.

I review whether the governance state[illegible]Delivering Good Governance in Local Government: A Framework' pub[illegible]/SOLAC[illegible]e 2007. I report if it does not comply with proper practices specifie[illegible]PFA/SOLACE [illegible]t is misleading or inconsistent with other information I am aware of from my aud[illegible]ements. I am not required to consider, nor have I considered, whether th[illegible]ent covers all risks and controls. Neither am I required to form an opinio[illegible]he Authority's corporate governance procedures or its risk and control pro[illegible]

I read other information published with the a[illegible] statements, the firefighters' pension fund accounting statements and related notes and c[illegible] 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 [illegible]de me with sufficient evidence to give reasonable assurance that the accounting statem[illegible]hters' pension fund accounting statements and related notes are free from materi[illegible]er caused by fraud or other irregularity or error. In forming my opinion I al[illegible]uacy of the presentation of information in the accounting statem[illegible]sion [illegible]unting statements and related notes.

Op[illegible]

In my [illegible]

The acco[illegible]ed notes present fairly, in accordance with applicable laws and regulations [illegible] Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial positio[illegible] Authority as at 31 March 2009 and its income and expenditure for the year then e[illegible]

The firefighters' p[illegible] present fairly, in accordance with the Statement of Recommended Pr[illegible]al Author[illegible]nting in the United Kingdom 2007, the financial transactions of the fi[illegible]ters' pension fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities as [illegible] March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme y[illegible]

Steve Nicklin
District Auditor
Nickalls House
Gateshead
NE11 9NH
29th June 2009

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 C [illegible] 1998 to be satisfied that proper arrangements have been made by the Authorit [illegible] efficiency and effectiveness in its use of resources. The Code of Audit P [illegible] mission requires me to report to you my conclusion in relation [illegible], having [illegible] o relevant criteria specified by the Audit Commission for fi [illegible] ities. I report i [illegible] nt matters have come to my attention which prevent me fro [illegible] g that the Authority [illegible] e such proper arrangements. I am not required to conside [illegible] e I considered, w [illegible] spects of the Authority's arrangements for securing economy, [illegible] and effec [illegible] e of resources are operating effectively.

Conclusion

I have undertaken my audit in [illegible] e Code of Audit Practice and having regard to the criteria for fire and resc [illegible] by the Audit Commission and published in December 2006, I am satisfied [illegible] yne and Wear Fire and Rescue Authority made proper arrangements [illegible] economy, ef [illegible] y and effectiveness in its use of resources for the year ending 31 March 2 [illegible].

Best Value Performance Pl [illegible]

We have issued our statutory r [illegible] he a [illegible] the A [illegible]'s best value performance plan for the financial year 2008/2009 on 19 [illegible] mber 20 [illegible] tify any matters to be reported to the Authority and did not make any re [illegible] ndati [illegible] s in relation to the plan.

Certificate

I certify that I have completed the audit of the [illegible] ith th [illegible] equirements of the Audit Commission Act 1998 and the Code o [illegible] ed b [illegible] udit Commission.

Steve Nicklin
District Auditor
Nickalls House
Gateshead
NE11 9NH
29th June 2009

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2008/2009 financial year and its position at the year-end of 31st March 2009. 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) 2008 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. However due to the economic downturn experienced over 2008/2009 and the dramatic fall in property values, all assets were re-assessed for impairment. Material changes to individual asset valuations are adjusted in the interim, as they occur. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, in future years, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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 Government Grants 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). 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 27^{th} payment occurs in every tenth year. In order to smooth the effect of this additional payment, an adjustment has been made in the 2008/2009 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 2009 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 City Treasurer's 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 30 to the Balance Sheet on page 65 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 2008/2009 is provided in note 35 to the Balance Sheet on page 71.

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 31 to the Balance Sheet on page 66, note 32 and note 33 to the Balance Sheet on Page 70 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 2008/2009, an appropriation has been made into the Budget Carry Forward Reserve for this purpose, as detailed in Note 35 to the Balance Sheet on page 71.

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 6.6% (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. 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 14 to the Income and Expenditure Account on page 54.

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 2008/2009.

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 2008/2009 report to Members in February 2008, the Minimum Revenue Provision is based upon 4% of the value of the Authority's Capital Financing Requirement as at 1st April 2008. The Statement of Accounts for 2008/2009 has been prepared to fully comply with statutory and Prudential Code requirements, as referred to in Note 12 to the Income and Expenditure Account on page 53.

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. Payments made by the Authority under a contract are generally charged to revenue to reflect the value of services received in each financial year.

The amounts of any outstanding undischarged obligations arising from long-term contracts such as those relating to a Private Finance Initiative (PFI) Scheme, are required to be included as a separate note to the Accounts. The relevant note and information relating to the Authority's PFI scheme is detailed in Note 20 to the Balance Sheet on Page 61.

Prepayments
A prepayment for services receivable under a contract arises when payments are made, or assets transferred, at the start of the contact, which result in lower unitary payments over the life of the contract. These are accounted for by setting up the contribution as a prepayment for services and writing the balance down to revenue over the life of the contract as services are received to reflect the real economic benefit received at the time it is received.

Residual Interests
Where assets created or enhanced under the PFI scheme are to pass to the Authority at the end of the scheme, at a cost less than fair value, an amount equal to the difference between the fair value and the payment to be made at the end of the contract is to be built up as a long term debtor over the contract life by reducing the amount of unitary payment charged to revenue, reflecting the capital charge element in the Statement of Movement in the General Fund Balance.

PFI Credits
As part of the reforms to Local Government PFI Grant announced by the, then, Office of the Deputy Prime Minister, the Authority took the opportunity offered to move to the annuity method of calculation of grant entitlement which is more advantageous to the Authority, than the previously used reducing balance method. This became effective from 1st April 2005. 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.

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 Authority does not have financial relationships through related companies, joint ventures or joint arrangements. Consequently, no group accounts have 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 2009 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 31 to the Balance Sheet on page 66.

Apportionment of costs for Community Safety
As required by CIPFAs 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 2008/2009, 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.

Statement Reporting Reviews on Internal Control and Internal Financial Control

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. The Code requires updating to ensure it remains consistent with the principles of the SOLACE/CIPFA Framework, Delivering Good Governance in Local Government. The updated 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 2009 for approval and adoption. The updated 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 2009 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, CPA 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.

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

During 2008/2009, 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.

- 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 Annual Governance Statement, 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, although an action point for 2009/2010 is to provide 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 that 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 has conducted a review of the effectiveness of the internal audit arrangements 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:

  There has been significant improvement in most areas of performance at Tyne and Wear Fire and Rescue Authority (the Authority) during 2007/08. Targeting preventive and community safety work at those most at risk has led to a 28 per cent reduction in accidental dwelling fires and a 26 per cent reduction in associated injuries. The Authority still has the second highest rate of accidental dwelling fires in the country, but is beginning to reduce the gap.

  The Authority works effectively with partners and participates in a large number of multi-agency initiatives to tackle deliberate fires and anti-social behaviour. Improved evaluation processes are helping to ensure that resources are directed at the most effective projects and the areas of greatest need.

  The Authority continues to demonstrate a clear commitment to delivering value for money in its use of resources. Our overall score has increased from 3 to 4 this year, with notable practice identified in relation to the quality of financial planning and reporting processes, and the arrangements for producing year-end accounts. We gave unqualified opinions on the value for money conclusion, best value performance plan, and the 2007/08 financial statements, on 30 September 2008.

  This year we have seen a clearer understanding of how costs and service quality compares with others, and a greater willingness to challenge long established working practices. The Authority is relatively high spending, but has clear plans in place to make further efficiency savings, with a low precept increase predicted for next year.

  All emergency services need to understand the diverse needs of local people and ensure that the workforce adequately represents the communities it serves. The Authority has demonstrated a clear commitment to improving the cultural awareness of front line staff, which has led to better relationships with minority communities. It is also working in partnership with others to increase the number of BME and female applicants, although high attrition rates across all categories of applicants reduce the impact of this activity on the employed workforce in practice.

- 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	Keith Beardmore Finance Officer

29th June 2009

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	**2008/2009 Gross Expenditure £000**	**2008/2009 Gross Income £000**	**2008/2009 Net Expenditure £000**	2007/2008 Net Expenditure Restated £000
Community Safety		**9,239**	**(674)**	**8,565**	9,108
Fire Fighting and Rescue Operations		**43,685**	**(1,739)**	**41,946**	45,731
Fire Service Emergency Planning		**535**	**(545)**	**(10)**	6
Corporate and Democratic Core		**315**	**0**	**315**	304
Non Distributed Costs		**520**	**0**	**520**	870
Net Cost of Services	1-12	**54,294**	**(2,958)**	**51,336**	56,019
Loss on Disposal of Fixed Assets				**0**	160
Cleaning DSO	13			**(17)**	(10)
Interest Payable				**777**	906
Interest and Investment Income				**(1,161)**	(1,764)
Pension Interest Cost and Expected Return on Pensions Assets	4			**32,560**	28,950
Net Operating Expenditure				**83,495**	84,261
Income					
Precept Income				**(23,159)**	(22,412)
Collection Fund Surplus/(Deficit)				**(168)**	(200)
Revenue Support Grant				**(4,246)**	(4,877)
Non Domestic Rate Income				**(30,500)**	(29,060)
(Surplus)/Deficit For The Year				**25,422**	27,712

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	2008/2009 £000	2007/2008 £000
(Surplus)/Deficit for the year on the Income and Expenditure Account		**25,422**	27,712
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	16	**(25,536)**	(27,155)
(Increase) / Decrease in General Fund Balance for the year		**(114)**	557
General Fund Balance brought forward		**(2,185)**	(2,742)
General Fund Balance carried forward		**(2,299)**	(2,185)

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	2008/2009 £000	2007/2008 Restated £000
(Surplus)/Deficit for the year on the Income and Expenditure Account		**25,422**	27,712
(Surplus)/Deficit arising on revaluation of Fixed Assets	32	**2,726**	(4,564)
Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	17	**(47,620)**	(95,450)
Total Recognised (Gains)/Losses for the year		**(19,472)**	(72,302)

Balance Sheet As at 31st March

	Notes	31st March 2009 £000		31st March 2008 Restated £000	
Fixed Assets					
Intangible Fixed Assets			**43**		34
Tangible Fixed Assets					
Operational Assets:					
Operational Land and Buildings		**32,018**		37,033	
Vehicles, Plant, Furniture and Equipment		**2,411**	**34,429**	2,555	39,588
Non Operational Assets:					
Assets Under Construction		**1,078**		759	
Surplus Assets held for Disposal		**308**	**1,386**	308	1,067
Total Fixed Assets	18 & 19		**35,858**		40,689
Long Term Debtors					
Residual Interest in PFI Scheme	20		**415**		209
Pre-payments re PFI Scheme	20		**568**		595
Other	21		**16**		17
Total Long Term Assets			**36,857**		41,510
Current Assets					
Stocks and Stores	22	**325**		273	
Debtors	23	**3,533**		1,430	
Payments in Advance	24	**1,370**		1,102	
Short Term Investments	25	**27,176**		24,142	
Cash at Bank		**4,580**		9,074	
Cash in Hand (Officers' Imprests)		**3**	**36,987**	3	36,024
Current Liabilities					
Creditors	26	**(3,939)**		(3,365)	
Receipts in Advance	27	**0**	**(3,939)**	(270)	(3,635)
Net Current Assets			**33,048**		32,389
Total Assets Less Current Liabilities			**69,905**		73,899
Deferred Liabilities	28		**(18,394)**		(19,163)
Grants and Contributions Deferred Account	29		**(18)**		0
Provisions	30		**(278)**		(693)
Liability related to Defined Benefit Pension Scheme	17 & 31		**(453,500)**		(475,800)
Total Assets Less Liabilities			**(402,285)**		(421,757)
Reserves					
Revaluation Reserve	32		**1,808**		4,549
Capital Adjustment Account	33		**16,607**		17,769
Usable Capital Receipts	34		**3,285**		3,285
Earmarked Reserves :	35				
PFI Smoothing Reserve		**4,961**		4,791	
Insurance Reserve		**686**		761	
Early Retirement Reserve		**47**		50	
Development Reserve		**14,703**		14,535	
Contingency Planning Reserve		**2,250**		2,250	
Budget Carry Forward Reserve		**2,548**		1,933	
New Dimensions Reserve		**452**		355	
Community Safety Reserve		**250**		250	
Innovation Fund Reserve		**0**		30	
Civil Emergency Reserve		**200**		200	
Regional Control Centre Reserve		**350**	**26,447**	350	25,505
General Fund Balances :	36				
General Reserve		**2,299**		2,185	
Delegated Surplus		**560**		560	
DSO Accumulated Surplus	13	**71**		57	
Emergency Planning Reserve		**138**	**3,068**	133	2,935
FRS 17 Pension Reserve	17 & 31		**(453,500)**		(475,800)
Total Net Worth			**(402,285)**		(421,757)

Cash Flow Statement

	Notes	2008/2009 £000		2007/2008 £000	
Revenue Activities					
Cash Outflows					
Cash Paid to and on behalf of Employees		**60,544**		57,290	
Other Operating Cash Payments		**11,586**		12,851	
			72,130		70,141
Cash Inflows					
Precept Income/Collection Funds Surplus		**(23,327)**		(22,612)	
National Non Domestic Rate Receipts from Pool		**(30,500)**		(29,060)	
Revenue Support Grant		**(4,246)**		(4,877)	
Other Government Grants	45	**(11,646)**		(13,067)	
Cash Received for Goods and Services		**(1,405)**		(2,362)	
Other Operating Cash Receipts		**(2,215)**		(2,277)	
			(73,339)		(74,255)
			(1,209)		(4,114)
Returns on Investments and Servicing of Finance					
Cash Outflows					
Interest Paid			**774**		903
Interest Element of Finance Lease			**3**		3
Cash Inflows					
Interest Received			**(1,161)**		(1,764)
Net Cash Flow from Revenue Activities	40		**(1,593)**		(4,972)
Capital Activities					
Cash Outflows					
Purchase of Fixed Assets			**2,302**		1,601
Cash Inflows					
Sale of Fixed Assets		**0**		0	
Other Capital Cash Receipts		**(18)**		0	
			(18)		0
Net Cash Flow before Financing	41		**691**		(3,371)
Management of Liquid Resources					
Liquid Resources	43		**3,034**		2,060
Financing					
Cash Outflows					
Repayments of Amounts Borrowed	44		**763**		769
Capital Element of Finance Lease	41		**6**		5
Cash Inflows					
New Long Term Loans Raised	44		**0**		(639)
(Increase) / Decrease in Cash and Cash Equivalents	42		**4,494**		(1,176)

Notes to the Core Financial Statements - Index

Notes to the Income and Expenditure Account

Note 1 - Prior Period Adjustment

Financial Reporting Standard 17 – Retirement Benefits

The Accounting Standards Board (ASB) published an Amendment to Financial Reporting Standard 17 (FRS17) ‘Retirement Benefits’ on 7 December 2006, this, following the Exposure Draft issued in May 2006. The amendment is effective for accounting periods beginning on or after 6 April 2007. The Chartered Institute of Public Finance and Accounts (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2008 (A Statement of Recommended Practice) incorporates this change.

The key changes introduced by the Amendment are as follows:

- Disclosures show separate reconciliations of liabilities and assets from the prior year. This is similar to the disclosures for the equivalent International (IAS19) standard.
- Disclosure of the principal actuarial assumptions used at the balance sheet date, which includes disclosure of mortality rates.
- Unfunded liabilities should be separately disclosed.
- The fair value of asset comprises the bid value for quoted securities, rather than the mid market value. This is also in line with the established practice of IAS19.

The 2007/2008 comparative figures have been amended to take into consideration the above changes, this is in line with guidance issued in CIPFA’s Code of Practice on Local Authority Accounting in the United Kingdom 2008 (A Statement of Recommended Practice).

Apportionment of Costs for Community Safety

As outlined in Accounting Policy 22, on page 29, CIPFAs Best Value Accounting Code of Practice requires the Authority 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 method adopted for quantifying the value for this transfer has been amended in 2008/2009 to ensure that the treatment is consistent with that of other Fire and Rescue Authorities. The Income and Expenditure Account for 2007/2008 has been restated to reflect this change in methodology, in order to ensure consistency in the Statement of Accounts and to enable meaningful comparison between financial years.

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 2009. 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 2008/2009 and 2007/2008.

	2008/2009		2007/2008	
	£000	**%**	£000	%
Expenditure				
Employee Expenses	**42,746**	**43.93**	48,728	49.52
Premises Related Expenses	**2,269**	**2.33**	1,696	1.72
Transport Related Expenses	**1,956**	**2.01**	1,699	1.73
Supplies, Services and Other Expenses	**8,281**	**8.51**	9,131	9.28
Capital Charges	**7,361**	**7.56**	4,892	4.97
Cleaning DSO Reserve	**71**	**0.07**	57	0.06
Contribution to Provisions	**0**	**0.00**	391	0.40
Contribution to Earmarked Reserves	**1,050**	**1.08**	2,069	2.10
Contribution to Capital Reserves	**206**	**0.21**	90	0.09
Delegated Budget C/Fwd	**560**	**0.58**	560	0.57
Contribution to Emergency Planning Reserve	**138**	**0.14**	133	0.14
Pension Interest Cost and Expected Return on Pension Asset	**32,560**	**33.46**	28,950	29.42
Increase in General Balances	**114**	**0.12**	0	0.00
	97,312	**100.00**	98,396	100.00
Income				
Government Grants	**4,111**	**4.22**	4,298	4.37
Other Grants, Reimbursements and Contributions	**1,507**	**1.55**	1,401	1.42
Customer and Client Receipts	**2,202**	**2.26**	1,894	1.93
Interest on Revenue Balances	**1,161**	**1.19**	1,764	1.79
Revenue Support Grant	**4,246**	**4.36**	4,877	4.96
National Non Domestic Rates	**30,500**	**31.35**	29,060	29.54
Precept	**23,159**	**23.80**	22,412	22.78
Collection Fund Net Surplus/(Deficit)	**168**	**0.17**	200	0.20
Cleaning DSO Appropriation Account	**57**	**0.06**	43	0.04
Contribution from Capital Reserves	**28**	**0.03**	27	0.03
Reversal of Impairment Charges	**2,648**	**2.72**	841	0.85
Reversal of Loss on Disposal of Fixed Asset	**0**	**0.00**	160	0.16
Reversal of Depreciation Charges	**1,322**	**1.36**	1,149	1.17
Insurance Provision	**24**	**0.02**	33	0.03
PFI Provision	**58**	**0.06**	0	0.00
Delegated Budget B/Fwd	**560**	**0.58**	560	0.57
Contribution from Emergency Planning Reserve	**133**	**0.14**	130	0.13
Contribution from FRS 17 Pension Reserve	**25,320**	**26.02**	28,990	29.46
Contribution from Earmarked Reserves	**108**	**0.11**	0	0.00
Decrease in General Balances	**0**	**0.00**	557	0.57
	97,312	**100.00**	98,396	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 £94.345 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 £56.423 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.

Period	Unitary Payments	PFI Credits - Government Grant	Net Cost
	£ million	£ million	£ million
2009/2010	4.105	2.804	1.301
2010/2011 - 2013/2014	16.939	11.215	5.724
2014/2015 - 2018/2019	22.363	14.018	8.345
2019/2020 - 2023/2024	23.911	14.018	9.893
2024/2025 - 2028/2029	25.684	14.018	11.666
2029/2030	1.343	0.350	0.993
Totals (2008/2009 to 2029/2030)	**94.345**	**56.423**	**37.922**

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 2008/2009 was £476,928 (2007/2008 - £378,257), which represented 8.25% (7.41% in 2007/2008) 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 2008, 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**	
	2008/2009 £000	2007/2008 £000	**2008/2009 £000**	2007/2008 £000	**2008/2009 £000**	2007/2008 £000
Net Cost of Services:						
Current Service Costs	**(870)**	(1,260)	**(11,830)**	(16,000)	**(12,700)**	(17,260)
Past Service Costs	**0**	(270)	**(520)**	(600)	**(520)**	(870)
Impact on Net Cost of Services	**(870)**	(1,530)	**(12,350)**	(16,600)	**(13,220)**	(18,130)
Net Operating Expenditure:						
Interest Costs	**(1,920)**	(1,550)	**(31,970)**	(28,750)	**(33,890)**	(30,300)
Expected return on assets in the scheme	**1,330**	1,350	**0**	0	**1,330**	1,350
Impact on Net Operating Expenditure	**(590)**	(200)	**(31,970)**	(28,750)	**(32,560)**	(28,950)
Amounts to be met from Government Grants and Local Taxation:						
Movement on Pensions Reserve	**(40)**	320	**25,360**	28,670	**25,320**	28,990
Actual amount charged against Council Tax for pensions in the year:						
Employer's contributions payable to the scheme	**(1,500)**	(1,410)			**(1,500)**	(1,410)
Retirement benefits payable to pensioners			**(18,960)**	(16,680)	**(18,960)**	(16,680)

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.

	2008/2009		2007/2008	
	Operating Leases £000	**Finance Leases £000**	Operating Leases £000	Finance Leases £000
Capital value of assets acquired	**38**	**0**	836	0
Total lease rentals paid	**786**	**8**	849	8
Liability for remaining period rentals	**2,054**	**81**	2,737	89
The total liability can be analysed as follows:				
Obligations payable in 2009/2010	**612**	**8**	721	8
Obligations payable between 2010/2011 and 2013/2014	**1,114**	**32**	1,597	32
Obligations payable thereafter	**328**	**41**	419	49
	2,054	**81**	2,737	89

Note 6 - Publicity Account

Section 5(i) of the Local Government Act 1986 requires local authorities to keep an account of their expenditure on publicity.

	2008/2009 £000	2007/2008 £000
Recruitment Advertising	**52**	59
Other Advertising	**6**	6
Other Publicity	**427**	449
	485	514

Note 7 - Members Allowances

The amount paid to Authority members during the year was:

	2008/2009 £000	2007/2008 £000
Total Member's Allowances Paid	**68**	65

Note 8 - Officers Emoluments

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

Remuneration Band	**2008/2009** Number of Employees	2007/2008 Number of Employees
£50,000-£59,999	**4**	6
£60,000-£69,999	**2**	2
£70,000-£79,999	**2**	0
£80,000-£89,999	**0**	0
£90,000-£99,999	**0**	3
£100,000-£109,999	**2**	1
£110,000-£119,999	**0**	0
£120,000-£129,999	**1**	0
	11	12

Note 9 - External Audit Fees

	2008/2009 £000	2007/2008 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	**80**	76
Fees payable in respect of other services provided by the appointed auditor	**1**	1
	81	77

Note 10 - 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.

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 8. The cost of Support services received by the Authority total £586,734 (£539,961 in 2007/2008).

Note 11 - 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 contributed £10,000 to the RMB during 2008/2009 (£12,000 in 2007/2008).

A Local Authority Controlled Company (LACC) was established in August 2007 in order to undertake the Regional Control Centre functions for the North East region. Currently, the LACC is not anticipated to become operational until the 2009/2010 financial year, and there is no financial impact arising from the LACC to report in the Authority's Statement of Accounts for 2008/2009. Construction of the Regional Control Centre has been financed by CLG and does not appear in these accounts.

Note 12 - Minimum Revenue Provision

For 2008/2009, the Minimum Revenue Provision is based upon 4% of the value of the Capital Financing Requirement as at 1st April 2008. The Accounting Policy number 15 on page 27 provides more detail on accounting for MRP and the provision set out below complies with the requirements of the SORP.

	%	**2008/2009 £000**	2007/2008 £000
Statutory MRP	4.00	**767**	772

Note 13 - 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 2008/2009, the Cleaning DSO recorded a trading surplus of £14,620 (£16,887 inclusive of FRS 17 costs), which has been added to surpluses accumulated by the DSO in earlier years.

	2008/2009 £000	2007/2008 £000
Income		
Charges to other accounts of the Authority	**213**	216
Expenditure		
Labour	**180**	186
Materials	**12**	11
Overheads	**7**	5
Total Expenditure	**199**	202
Surplus / (Deficit) for the year	**14**	14

Appropriation Account

	2008/2009 £000	2007/2008 £000
Balance at start of year	**57**	43
Surplus / (deficit) for the year	**14**	14
Balance as at end of year	**71**	57

Note 14 - Government Grants

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

	2008/2009 £000	2007/2008 £000
Revenue Support Grant	(4,246)	(4,877)
Total Government Grant Received	**(4,246)**	(4,877)

Notes to the Statement of Movement on the General Fund Balance

Note 15 - 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 2009. 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 16 - Statement of Movement on General Fund Balance - Reconciliation

	2008/2009 £000		2007/2008 £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	**(3,970)**		(1,990)	
Net loss on sale of fixed assets	**0**		(160)	
Net charges made for retirement benefits in accordance with FRS 17 (Firefighter's Pension Fund)	**(44,320)**		(45,350)	
Net charges made for retirement benefits in accordance with FRS 17 (Tyne and Wear Pension Fund)	**(1,460)**		(1,730)	
		(49,750)		(49,230)
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**		772	
Capital Expenditure in-year charged to the General Fund (RCCO)	**1,848**		1,064	
Employer's contributions payable to the Firefighter's Pension Fund and retirement benefits payable direct to pensioners	**18,960**		16,680	
Employer's contributions payable to the Tyne and Wear Pension Fund and retirement benefits payable direct to pensioners	**1,500**		1,410	
		23,075		19,926
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**		269	
Budget Carry Forward Reserve	**615**		664	
New Dimensions Reserve	**97**		(45)	
Innovation Fund Reserve	**(30)**		(170)	
Early Retirement Reserve	**(3)**		(3)	
Insurance Fund	**(75)**		90	
DSO Reserve	**14**		14	
Emergency Planning Revenue Reserve	**5**		3	
Development Reserve	**168**		914	
Regional Control Centre Reserve	**0**	**961**	350	2,086
Appropriations to Capital Reserves:				
Build up of Residual Interest in PFI schemes	**206**		90	
Deferred PFI debtors	**(28)**	**178**	(27)	63
Movement		**(25,536)**		(27,155)

Notes to the Statement of Total Recognised Gains and Losses

Note 17 – Movement on the Pension Reserve and Details of the Actuarial Gains and Losses

Note 17a – Movement on the Pensions Reserve

	Balance at 1 April 2007	Movement 2007/2008	Balance at 1 April 2008 Restated	**Movement 2008/2009**	**Balance at 31 March 2009**
	£000	£000	£000	**£000**	**£000**
Pensions Reserve					
Firefighters Pension Scheme	532,560	(65,980)	466,580	**(28,440)**	**438,140**
Local Government Pension Scheme	9,700	(480)	9,220	**6,140**	**15,360**
	542,260	(66,460)	475,800	**(22,300)**	**453,500**

Volatility of results of FRS17 and reasons for variation
The results reported under the FRS17reporting 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 31 March 2009, the investment return on fund assets was lower than assumed at the start of the year. This led to a loss on the 'Actual Return less expected return on assets' section on the Total Actuarial Loss. In addition the results of the valuation at 31 March 2009 also had an impact on this.
- 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's liabilities' section of the Total Actuarial Loss.

Note 17b – Actuarial Gains / Losses included in the STRGL

The actuarial gains and losses identified as part of the movement on the Pensions Reserve for 2008/2009 showed a loss of £22,300,000 (£66,460,000 loss in 2007/2008 restated), 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.

	2008/2009 £000	2007/2008 Restated £000	2006/2007 £000	2005/2006 £000	2004/2005 £000
Differences between the expected and actual return on assets					
Firefighters Pension Scheme	**0**	0	0	0	0
Local Government Pension Scheme	**(4,900)**	(2,850)	(110)	2,450	440
	(4,900)	(2,850)	(110)	2,450	440
Differences between actuarial assumptions about liabilities and actual experience					
Firefighters Pension Scheme	**5,600**	5,490	7,020	(970)	(1,390)
Local Government Pension Scheme	**(130)**	(1,460)	(60)	20	(390)
	5,470	4,030	6,960	(950)	(1,780)
Change in demographic and financial assumptions used to estimate liabilities					
Firefighters Pension Scheme	**48,200**	81,000	31,650	(75,350)	(99,530)
Local Government Pension Scheme	**(1,150)**	5,110	210	(2,100)	(3,020)
	47,050	86,110	31,860	(77,450)	(102,550)
Gain / Loss	**47,620**	87,290	38,710	(75,950)	(103,890)
Additional Gain - Ill Health Arrangements	**0**	8,160	0	0	0
Gain / Loss	**47,620**	95,450	38,710	(75,950)	(103,890)

Actuarial Gains as Percentage of Assets or Liabilities	**2008/2009 %**	2007/2008 Restated %	2006/2007 %	2005/2006 %	2004/2005 %
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	**(29.71)**	(15.33)	(0.60)	14.30	3.30
Differences between actuarial assumptions about liabilities and actual experience					
Firefighters Pension Scheme	**1.40**	1.20	1.50	(0.20)	(0.31)
Local Government Pension Scheme	**(0.41)**	(5.25)	(0.20)	0.10	(1.70)
Change in demographic and financial assumptions used to estimate liabilities					
Firefighters Pension Scheme	**11.60**	18.20	6.10	(13.80)	(22.30)
Local Government Pension Scheme	**(3.61)**	18.30	0.70	(7.90)	(13.10)

Notes to the Balance Sheet

Note 18 - Capital

Capital Expenditure and Income

The Authority approved a capital programme for 2008/2009 of £2.027 million, which was subsequently revised to £2.035 million during the year. Actual expenditure for the year was £1.866 million, with the main areas of spending summarised below:

	2008/2009 £000	2007/2008 £000
Equipment - Operational and Information Technology	**1,091**	1,061
Property Improvement Schemes	**775**	642
	1,866	1,703

The capital expenditure was financed as follows:

	2008/2009 £000	2007/2008 £000
Borrowing	**0**	639
Revenue Contribution to Capital Outlay	**1,848**	1,064
Grants / Capital Contributions	**18**	0
	1,866	1,703

Capital Financing Requirement

	2008/2009 £000	2007/2008 £000
Capital Financing Requirement as at 1st April	**19,176**	19,309
Capital Investment:		
Operational Assets	**1,023**	1,155
Non-operational Assets	**843**	548
Sources of Finance:		
Sums set aside from Revenue	**(2,615)**	(1,836)
Funded from Grant	**(18)**	0
Capital Financing Requirement as at 31st March	**18,409**	19,176
Explanation of movements in year:		
Increase in underlying need to borrow	**0**	639
Minimum Revenue Provision	**(767)**	(772)
Increase / (Decrease) in Capital Financial Requirement	**(767)**	(133)

Note 19 - 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 20.

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 £000	Vehicles, Plant & Equipment £000	Intangible Assets £000	Assets Under Construction £000	Surplus Assets held for Disposal £000	TOTAL £000
Gross Book Value as at 31st March 2008	**37,598**	**5,375**	**42**	**759**	**308**	**44,082**
Revaluations and Restatement	**521**	**0**	**0**	**0**	**0**	**521**
Impairment	**(5,752)**	**(159)**	**0**	**0**	**0**	**(5,911)**
Reclassification	**400**	**124**	**0**	**(524)**	**0**	**0**
Additions	**359**	**646**	**18**	**843**	**0**	**1,866**
Disposals	**0**	**0**	**0**	**0**	**0**	**0**
Gross Book Value as at 31st March 2009	**33,126**	**5,986**	**60**	**1,078**	**308**	**40,558**
Depreciation as at 31st March 2008	**565**	**2,820**	**8**	**0**	**0**	**3,393**
Depreciation on Revalued Assets	**(16)**	**0**	**0**	**0**	**0**	**(16)**
Depreciation on Impaired Assets	**0**	**0**	**0**	**0**	**0**	**0**
Depreciation for the year	**559**	**755**	**9**	**0**	**0**	**1,323**
Depreciation as at 31st March 2009	**1,108**	**3,575**	**17**	**0**	**0**	**4,700**
Net Book Value as at 31st March 2008	**37,033**	**2,555**	**34**	**759**	**308**	**40,689**
Net Book Value as at 31st March 2009	**32,018**	**2,411**	**43**	**1,078**	**308**	**35,858**

Note 20 - Long Term Debtors - PFI

Residual Interest in PFI Scheme

In March 2003, the Authority entered into a PFI scheme for the provision of new operational facilities. The contract expires in May 2029 and a long term debtor has been established which will be used to build up the residual interest in the facilities so that by the end of the contract term the residual interest is recorded as an asset at its expected fair value. An interest rate for fixed assets of 3.5% has been used to determine the profiling for each years accounting entries, as recommended by CIPFA. The estimated capital value of the assets that will transfer to the Authority in 2029 is £6,473,799.

	2008/2009 £000	2007/2008 £000
Balance as at 1st April	**209**	120
Appropriation from Revenue	**206**	89
Balance as at 31st March	**415**	209

Pre-Payments for PFI Scheme

A long term debtor has been established to reflect pre-payments made to the contractor as part of the PFI Scheme. The effect of these pre-payments is to reduce the unitary charge due to the contractor. As a consequence, the debtor is released to revenue over the life of the contract in order that an appropriate level of unitary charge is reflected in the Income and Expenditure Account for each year.

	2008/2009 £000	2007/2008 £000
Balance as at 1st April	**595**	623
Appropriation to Revenue	**(27)**	(28)
Balance as at 31st March	**568**	595

Note 21 - Long Term Debtors - Other

This Balance represents amounts due to be recovered from two current pensioners, where an overpayment of pension entitlement was made during 2005/2006. Amounts are being recovered on an annual basis.

	2008/2009 £000	2007/2008 £000
Balance as at 1st April	**17**	18
Appropriation to Revenue	**(1)**	(1)
Balance as at 31st March	**16**	17

Note 22 - Stocks and Stores

All stocks and stores are valued at average price.

	2008/2009 £000	2007/2008 £000
Balance as at 1st April	**273**	298
Movement	**52**	(25)
Balance as at 31st March	**325**	273

Note 23 - Debtors

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

	31st March 2009 £000	31st March 2008 £000
Amounts falling due in less than one year:		
Sundry debtors	**3,505**	1,400
Employee loans	**28**	30
	3,533	1,430

Note 24 - Payments in Advance

The Payments in Advance represent sums paid prior to the year-end, which relate to services or activity relevant to the following financial year.

	31st March 2009 £000	31st March 2008 £000
Sundry prepayments	**220**	47
Pension prepayments	**1,150**	1,055
	1,370	1,102

Note 25 - Short Term Investments

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

	2008/2009 £000	2007/2008 £000
Balance as at 1st April	**24,142**	22,082
Investment during year	**3,034**	2,060
Balance as at 31st March	**27,176**	24,142

Note 26 – Creditors

The following Creditors represent the value of outstanding payments in respect of goods and services utilised during 2008/2009.

	31st March 2009 £000	31st March 2008 £000
Sundry Creditors	**3,432**	2,918
Payroll Creditors	**507**	447
	3,939	3,365

Note 27 - Receipts in Advance

The Receipts in Advance represent funds received prior to the year-end, which have been received ahead of their intended use.

	2008/2009 £000	2007/2008 £000
Balance as at 1st April	**270**	0
Movement	**(270)**	270
Balance as at 31st March	**0**	270

Note 28 - Deferred Liabilities

Total Deferred Liabilities

	31st March 2009 £000	31st March 2008 £000
Borrowing undertaken by the Lead Authority	**18,326**	19,089
Finance Leases	**68**	74
	18,394	19,163

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 27. The table, below, shows the amount of borrowing undertaken by the Lead Authority on the Authority's behalf.

	2008/2009 £000	2007/2008 £000
Balance as at 1st April	**19,089**	19,219
Movement	**(763)**	(130)
Balance as at 31st March	**18,326**	19,089

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 2009, accounted for as part of deferred liabilities, are as follows:

	2008/2009 £000	2007/2008 £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	**19**	14
Depreciation for the year	**6**	5
Depreciation as at 31st March	**25**	19
Net Book Value as at 1st April	**74**	79
Net Book Value as at 31st March	**68**	74
Obligations falling due:		
Obligations payable in 2009/2010	**8**	8
Obligations payable between 2010/2011 and 2013/2014	**32**	32
Obligations payable thereafter	**41**	50
Total	**81**	90

Note 29 - Deferred Grants

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

	2008/2009 £000	2007/2008 £000
Balance brought forward at 1 April	**0**	0
Grants applied to Capital Investment in year	**18**	0
Balance carried forward at 31 March	**18**	0

Note 30 - Provisions

Total Provisions

	31st March 2009 £000	31st March 2008 £000
Insurance Provision	**278**	302
PFI Utilities Provision	**0**	391
	278	693

a) Insurance Provision

The Provision reflects sums required to meet the assessed liabilities for claims outstanding as at 31st March 2009, as identified by the Authority's independent valuers.

	2008/2009 £000	2007/2008 £000
Balance as at 1st April	**302**	456
Expenditure during the year:	**510**	434
	(208)	22
Contributions from the General Fund	**486**	280
Balance as at 31st March	**278**	302

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.

	2008/2009 £000	2007/2008 £000
Balance as at 1st April	**391**	0
Amount transferred to Provision	**0**	391
Costs Charged against Provision	**(333)**	0
Amount Written off to Income & Expenditure Account	**(58)**	0
Balance as at 31st March	**0**	391

Note 31 – Liability Related to Defined Pension Scheme and Pensions Reserve

Note 4 to the Income and Expenditure Account on page 49 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 2009 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**	
	2008/2009	2007/2008 Restated	**2008/2009**	2007/2008	**2008/2009**	2007/2008 Restated
	£000	£000	**£000**	£000	**£000**	£000
Balance as at 1st April	**18,590**	19,160	**0**	0	**18,590**	19,160
Expected rate of return	**1,330**	1,350	**0**	0	**1,330**	1,350
Actuarial gains and losses	**(4,890)**	(2,840)	**0**	0	**(4,890)**	(2,840)
Employers Contributions	**1,450**	1,360	**0**	0	**1,450**	1,360
Contributions by scheme participants	**470**	390	**0**	0	**470**	390
Benefits Paid	**(460)**	(830)	**0**	0	**(460)**	(830)
Balance as at 31st March	**16,490**	18,590	**0**	0	**16,490**	18,590

Reconciliation of fair value of scheme liabilities:

	Local Government Pension Scheme		Firefighters Pension Scheme		Total	
	2008/2009 £000	2007/2008 £000	**2008/2009 £000**	2007/2008 £000	**2008/2009 £000**	2007/2008 £000
Balance as at 1st April	**27,810**	28,860	**466,580**	532,560	**494,390**	561,420
Current Service Cost	**870**	1,260	**11,830**	15,800	**12,700**	17,060
Interest Cost	**1,920**	1,550	**31,970**	28,750	**33,890**	30,300
Contributions by scheme participants	**470**	390			**470**	390
Actuarial gains and losses	**1,290**	(3,640)	**(53,800)**	(86,490)	**(52,510)**	(90,130)
Benefits Paid	**(510)**	(880)	**(18,960)**	(16,480)	**(19,470)**	(17,360)
Past service costs	**0**	270	**520**	(7,560)	**520**	(7,290)
Balance as at 31st March	**31,850**	27,810	**438,140**	466,580	**469,990**	494,390

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 loss of £3,560,000 (2007/2008 £1,490,000 loss).

Scheme History

	2004/2005 £000	2005/2006 £000	2006/2007 Restated £000	2007/2008 Restated £000	**2008/2009 £000**
Present value of scheme liabilities					
Firefighters Pension Scheme	(446,310)	(545,430)	(532,560)	(466,580)	**(438,140)**
Local Government Pension Scheme	(22,970)	(26,710)	(28,860)	(27,810)	**(31,850)**
	(469,280)	(572,140)	(561,420)	(494,390)	**(469,990)**
Fair value of scheme assets					
Firefighters Pension Scheme	0	0	0	0	**0**
Local Government Pension Scheme	13,250	17,170	19,160	18,590	**16,490**
	13,250	17,170	19,160	18,590	**16,490**
Surplus/(Deficit) in the scheme	(456,030)	(554,970)	(542,260)	(475,800)	**(453,500)**

In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid market value for periods ending 31st March 2008 and 31st March 2007 have been re-measured for this purpose. Asset values for periods ending 31st March 2006 and 31st March 2005 are 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 £453.5 million (£475.8 million restated as at 31 March 2008) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative balance of £402.2 million (£421.8 million restated as at 31 March 2008. 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 2009.

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**	
	2008/2009	2007/2008	**2008/2009**	2007/2008
Long-term expected rate of return on assets in the scheme:				
Equity Investments	**7.0%**	7.6%	**N/A**	N/A
Government Bonds	**4.0%**	4.6%	**N/A**	N/A
Corporate Bonds	**5.8%**	6.8%	**N/A**	N/A
Property	**6.0%**	6.6%	**N/A**	N/A
Other	**1.6%**	6.0%	**N/A**	N/A
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	**19.9 years**	19.1 years	**23.1 years**	23.3 years
Women	**22.8 years**	22.1 years	**24.7 years**	23.3 years
Longevity at 45 for future pensioners:				
Men	**22.1 years**	21.0 years	**25.8 years**	25.5 years
Women	**25.0 years**	23.3 years	**27.4 years**	25.5 years
Rate of inflation	**3.6%**	3.7%	**3.0%**	3.7%
Rate of increase in salaries	**5.1%**	5.2%	**4.5%**	5.2%
Rate of increase in pensions	**3.6%**	3.7%	**3.0%**	3.7%
Rate for discounting scheme liabilities *	**6.6%**	6.8%	**6.9%**	6.9%
Take-up of option to convert annual pension into retirement lump sum	**75.0%**	50.0%	**90.0%**	50.0%

* 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 2009		31 March 2008	
	Long Term Return %	**Fund Assets %**	Long Term Return %	Fund Assets %
Equity investments	**7.0**	**66.1**	7.6	63.7
Government Bonds	**4.0**	**10.2**	4.6	11.0
Other Bonds	**5.8**	**10.4**	6.8	8.9
Property	**6.0**	**8.4**	6.6	10.5
Other Assets	**1.6**	**4.9**	6.0	5.9
Average Long Term Expected Rate of Return	**6.2**	**100.0**	7.0	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 2008/2009 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	2004/2005	2005/2006	2006/2007 Restated	2007/2008 Restated	**2008/2009**
Total Pension Fund Assets (£'000)					
Firefighters Pension Scheme	0	0	0	0	**0**
Local Government Pension Scheme	13,250	17,170	19,160	18,590	**16,490**
	13,250	17,170	19,160	18,590	**16,490**
Difference between the expected and actual return on assets (£'000)	440	2,450	(110)	(2,840)	**(4,890)**
Difference between expected and actual return on assets as a percentage of Total Assets (%)	3.32%	14.27%	(0.57%)	(15.28%)	**(29.65%)**
Total Pension Fund Liabilities (£'000)					
Firefighters Pension Scheme	446,310	545,430	532,560	466,580	**438,140**
Local Government Pension Scheme	22,970	26,710	28,860	27,810	**31,850**
	469,280	572,140	561,420	494,390	**469,990**
Experience (Gains) and losses on liabilities (£'000)	1,780	950	(6,960)	(4,020)	**(5,460)**
Experience (Gains) and losses on Liabilities as a percentage of total liabilities (%)	0.38%	0.17%	(1.24%)	(0.81%)	**(1.16%)**

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, 31 March 2006 and 31 March 2005 and includes the experience relating to unfunded liabilities.

Note 32 - 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.

	2008/2009 £000	2007/2008 £000
Balance as at 1st April 2008	**4,549**	0
Upward Revaluations	**537**	4,564
Excess of current cost over historic cost depreciation	**(15)**	(15)
Write-down of accumulated revaluation gains	**(3,263)**	0
Balance as at 31st March 2009	**1,808**	4,549

Note 33 - 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.

	2008/2009 £000	2007/2008 £000
Balance as at 1st April 2008	**17,769**	18,005
Excess of current cost over historic cost depreciation	**15**	15
Build up of Residual Interest in PFI schemes	**206**	90
Revenue Contribution to Capital	**1,848**	1,064
Minimum Revenue Provision	**767**	772
Depreciation	**(1,323)**	(1,149)
Impairment	**(2,648)**	(841)
Disposals	**0**	(160)
Deferred PFI debtors	**(27)**	(27)
Balance as at 31st March 2009	**16,607**	17,769

Note 34 - Usable Capital Receipts

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

	2008/2009 £000	2007/2008 £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 35 - Movement on Specific Revenue Reserves

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

	31st March 2008 £000	**Net Movement £000**	**31st March 2009 £000**
PFI Smoothing Reserve	4,791	**170**	**4,961**
Insurance Reserve	761	**(75)**	**686**
Provision for Early Retirements	50	**(3)**	**47**
Development Reserve	14,535	**168**	**14,703**
Contingency Planning Reserve	2,250	**0**	**2,250**
Budget Carry Forward Reserve	1,933	**615**	**2,548**
New Dimensions Reserve	355	**97**	**452**
Community Safety Reserve	250	**0**	**250**
Innovation Fund Reserve	30	**(30)**	**0**
Civil Emergency Reserve	200	**0**	**200**
Regional Control Centre Reserve	350	**0**	**350**
	25,505	**942**	**26,447**

The table, above, shows the movement on the Authority's earmarked reserves for the year ended 31st March 2009. 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.

- **Innovation Fund Reserve -** this reserve was established in 2006/2007 to provide funding to develop a range of fire prevention initiatives in future 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.

Note 36 - General Fund Balances

	31st March 2008 £000	**Movement £000**	**31st March 2009 £000**
General Reserve	2,185	**114**	**2,299**
Delegated Surplus	560	**0**	**560**
DSO	57	**14**	**71**
Emergency Planning Reserve	133	**5**	**138**
	2,935	**133**	**3,068**

The principal reasons for the net increase in General Fund Balances of £0.133 million are outlined below:

a) appropriations to various earmarked reserves, totalling £2.442 million, as agreed by Members;

b) net underspendings on a number of budget headings, totalling £2.575 million, including:

i) employees – an underspend of £0.535 million has arisen, primarily, arising from a review of the Authority's Operational Staffing Profile;
ii) premises – an underspend of £0.257 million has arisen following the decision of the Authority not to relocate the SafetyWorks facility and also in relation to lower utilities costs;
iii) insurances – an underspend of £0.120 million has arisen on insurance budgets, reflecting the lower contribution to the provision in 2008/2009 and reduced insurance premiums;
iv) transport – an underspend of £0.210 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;
v) supplies – an underspend of £0.520 million has arisen on delegated budgets where expenditure (including training and equipment) has slipped;
vi) capital financing – an underspend of £0.983 million has arisen as a result of slippage on a number of schemes within the Capital Programme, where the expenditure was planned to be financed through a revenue contribution. This is offset by the cost of new additions to the capital programme, and minor variations in spend during the year;
i) interest payable – an underspend of £0.090 million has arisen following a restructuring of the lead authority's debt portfolio;
ii) interest received – an overspend of £0.390 following a significant decrease in interest rates during the year;
iii) income – an underspend of £0.195 million has arisen, including, where the Authority has successfully levered in contributions to fund Community Safety initiatives in excess of the anticipated level;
iv) other – minor variations have resulted in a net underspend of £0.055 million.

Notes to the Balance Sheet - Supplementary

Note 37 - Contingent Liabilities

The Authority had no contingent liabilities as at 31st March 2009.

Note 38 - Statement of Accounts – Authorisation for Issue

The Statement of Accounts were authorised for issue by the Finance Officer, Keith Beardmore, on 29th June 2009. Accordingly, this is the date up to which events after the Balance Sheet date have been considered.

Note 39 - 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
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.

Notes to the Cash Flow Statement

Note 40 - Reconciliation of Deficit to Net Cash Flow

	2008/2009 £000		2007/2008 £000	
(Surplus) / Deficit for the Year		**25,422**		27,712
Non Cash Transactions :				
Depreciation and Impairment	**(3,970)**		(1,990)	
Excess of MRP over Depreciation	**0**		0	
Direct Revenue Funding	**0**		0	
Net Movement in reserves and provisions	**(25,295)**		(29,348)	
Other:				
Loss on Disposal of Fixed Asset	**0**		(160)	
Use of Provision	**391**	**(28,874)**	150	(31,348)
Items on an Accruals Basis :				
Increase / (Decrease) in Stocks	**52**		(25)	
Increase / (Decrease) in Debtors	**2,324**		(1,663)	
(Increase) / Decrease in Creditors	**(517)**	**1,859**	352	(1,336)
Net Cash Flow from Revenue Activities		**(1,593)**		(4,972)

Note 41 - Reconciliation of Net Cash Flow to Movement in Debt

	2008/2009 £000	2007/2008 £000
Increase/(Decrease) in Cash during the Year	**(4,494)**	1,176
Increase/(decrease) in Liquid Resources	**3,034**	2,060
(Increase)/Decrease in Financing	**763**	130
	(697)	3,366
Net Debt as at 1st April	**14,128**	10,762
Net Debt as at 31st March	**13,431**	14,128
	697	(3,366)

Note 42 - Increase/(Decrease) in Cash and Cash Equivalents

	2008/2009 £000	2007/2008 £000
Balance as at 1st April	**9,077**	7,901
Movement	**(4,494)**	1,176
Balance as at 31st March	**4,583**	9,077

Note 43 - Increase/(Decrease) in Liquid Resources

	2008/2009 £000	2007/2008 £000
Balance as at 1st April	**24,142**	22,082
Movement	**3,034**	2,060
Balance as at 31st March	**27,176**	24,142

Note 44 - (Increase)/Decrease in Financing

	31st March 2009 £000	31st March 2008 £000
Balance as at 1st April	**(19,089)**	(19,219)
Movement	**763**	130
Balance as at 31st March	**(18,326)**	(19,089)

Note 45 - Analysis of Government Grants

	2008/2009 £000	2007/2008 £000
Pensions Top-up Grant	**7,728**	8,641
PFI Grant	**2,804**	2,804
Fire Control Project	**241**	221
New Dimensions	**873**	982
Fire Prevention Grant	**0**	149
National Resilience Grant	**0**	54
Smoke Alarms Grant	**0**	216
Communities and Local Government (CLG)	**11,646**	13,067

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.

	2008/2009 £000		2007/2008 £000	
Contributions Receivable				
From employers				
- normal	**(6,079)**		(5,697)	
- early retirement	**(374)**		(374)	
From members	**(2,990)**	**(9,443)**	(2,989)	(9,060)
Transfers In				
Individual transfers in from other schemes		**(316)**		(195)
Benefits Payable				
Pensions	**14,814**		13,826	
Commutations and lump sum retirement benefits	**4,849**		3,279	
Lump sum death benefits	**0**	**19,663**	60	17,165
Payments to and on account of leavers				
Individual transfers out to other schemes		**0**		8
Net amount payable/receivable before top up grant receivable/amount payable to sponsoring department		**9,904**		7,918
Top-up grant receivable/amount payable to sponsoring department		**(9,904)**		(7,918)
Net amount payable/receivable for the year		**0**		0

Firefighter's Pensions Net Assets Statement

	2008/2009 **£000**	2007/2008 Restated £000
Net Current Assets and Current Liabilities		
Pension top-up grant (receivable from) / due to sponsoring department	**2,310**	134
Pre-paid pension benefits	**1,150**	1,055
Outstanding commutation payments	**(698)**	(487)
	2,762	702

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.