Tyne and Wear
Fire and Rescue Authority

Appendix C

Guide to the Audited Statement of Accounts 2014/2015

Introduction

This summarised version of the Authority's Statement of Accounts aims to provide easy to understand information, focusing on the key points within the Audited financial statements and provides explanation of how the statements interlink. The figures in this summary have been prepared with regard to proper accounting practice and have been subjected to external audit to ensure that they present a true and fair view of the Authority's financial position.

Movement in Reserves

The Movement in Reserves Statement shows the movement in the year on the reserves held by the Authority, analysed into 'usable' reserves (cash reserves that can be used to fund expenditure or reduce council tax) of £30,955k and 'unusable' reserves (non-cash reserves representing asset valuations and accounting adjustments) of £763,896k - see Note 3.

	Note	General Fund Balance £'000	Earmarked Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000
Balance at 1st April 2014		**(3,871)**	**(29,468)**	**(33,339)**	**720,921**
(Surplus) or deficit on the provision of service	**1**	19,748	0	19,748	29,010
Adjustments for non-cash accounting entries	**2**	(17,364)	0	(17,364)	17,364
Transfers to or (from) earmarked reserves		(2,395)	2,395	0	0
Balance at 31st March 2015	**3**	**(3,882)**	**(27,073)**	**(30,955)**	**767,294**
(Increase) or decrease in reserves	**4**	**(11)**	**2,395**	**2,384**	**(46,374)**

Notes

(1) The deficit on the provision of service is analysed by services in the Comprehensive Income and Expenditure Statement. This figure is not a true representation of the deficit made by the Authority in the year as it includes a number of non-cash items that are required for accounting compliance purposes. Once these items are adjusted for (listed in Note 2) the true (surplus) / deficit for the year can be established (see Note 4).

(2) Adjustments for non-cash accounting entries include actuarial gains and losses on the pension fund, asset charges, and employee benefit accruals.

(3) Total usable reserves at 31.3.15 (i.e. real cash backed reserves) amounts to £30,955k made up from the General Fund Balance of £3,882k and Earmarked Reserves of £27,073k. These are the key figures from this statement.

(4) The other message to note from this statement is that the General Fund Balance has increased by £11k in the year and the Authority's usable cash reserves have decreased by £2,395k.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting costs in the year for providing services rather than the cost in cash terms. The cash position is shown in the movement in reserves statement, with an overall decrease in 'usable' reserves of £0.238m.

	Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Community Safety		6,549	945	5,604
Fire Fighting and Rescue Operations		32,604	4,776	27,828
Corporate and Democratic core		242	0	242
Non Distributed Costs		452	0	452
Exceptional Items		2,753	0	2,753
Other operating expenditure		0	34	(34)
Financing and Investment Income and Expenditure		34,912	160	34,752
Taxation and Non-Specific Grant Income		0	51,849	(51,849)
(Surplus) or Deficit on Provision of Services *	**5**	**77,512**	**57,764**	**19,748**
Other Comprehensive Income and Expenditure **				29,010
Total Comprehensive Income and Expenditure				**48,758**

Linkages to other statements

* The (surplus) or deficit on the provision of service is included in the Movement in Reserves Statement (see explanatory note 1).

** Other comprehensive income and expenditure represents the value of all adjustment for non-cash accounting entries in the movement in reserves statement. See Note 2 to see what is included in this figure.

Note

(5) The surplus on the provision of service is not a true representation of the surplus made by the Authority as it includes a number of non-cash items that are included for proper accounting purposes. The real position is that the General Reserve increased by £11k and other reserves decreased by £2,395k. This is reflected in the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities of the Authority, in other words, the net worth of the Authority. Assets should exceed liabilities if the organisation is a going concern. The net assets held by the Authority (assets less liabilities) are off-set balanced by reserves held by the Authority, some are cash backed and some are purely accounting non-cash reserves, as explained previously.

	Note	Net Expenditure £'000
Assets		
Long Term Assets including Property, Land and Equipment	**6**	65,665
Inventories		292
Cash and Cash Equivalents *		38,179
Cash owed to the Authority – Debtors		13,153
Total Assets		**117,289**
Liabilities		
Cash owed by the Authority - Creditors / Borrowing	**7**	(847,310)
Donated Assets Account		(617)
Provisions		(2,416)
Total Liabilities		**(850,343)**
Net Assets (Total Assets less Total Liabilities)		**(733,054)**
Reserves **		
Usable Reserves		34,240
Unusable Reserves	**7**	(767,294)
Total Reserves (Negative net worth)		**(733,054)**

Linkages to other statements

***** The sum of the cash and cash equivalents can be reconciled to the Net Cash at 31st March 2015 in the Cash Flow Statement.

** The values of usable and unusable reserves are detailed in the Movement in Reserves Statement together with the (increase) or decrease in reserves in the year.

Notes

(6) The majority of the Authority's value is held in the physical assets that it owns which are in excess of £65m.

(7) Included within cash owed by the Authority and unusable reserves is the value of the pension fund deficit. This is required by International Accounting Standard 19 (IAS19) and reduces the balance sheet worth of the Authority by £795.4m. Under IAS19 the Authority has in place actions to balance this deficit over 22 years. Excluding this amount, as it is being proactively addressed, would mean that the Balance Sheet would then show a Net Worth position for the Authority, as assets would exceed liabilities by £62m.

Cash Flow Statement

The Cash Flow Statement shows the movement in cash of the Authority and can be reconciled to the sum of the cash and cash overdrawn reported in the balance sheet.

	Net Expenditure £'000
Net (surplus) or deficit on the provision of services	19,748
Adjust net (surplus) or deficit on the provision of service for non cash movement	(24,318)
Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	(2)
Net cash flows from operating activities	4,572
Investing Activities	3,601
Financing Activities	317
Net (increase) or decrease in cash and cash equivalents	**(654)**
Net Cash at 1st April 2014	(37,525)
Net Cash at 31st March 2015*	**(38,179)**

Linkages to other statements

* The Net Cash at 31st March 2015 reconciles to the sum of the cash and cash equivalents in the Balance Sheet.