



CLEVELAND FIRE AUTHORITY

EXECUTIVE COMMITTEE

26 JUNE 2009 - at 2 PM

FIRE BRIGADE HEADQUARTERS,
STOCKTON ROAD, HARTLEPOOL

MEMBERS OF THE EXECUTIVE COMMITTEE

HARTLEPOOL : Councillor Payne
MIDDLESBROUGH : Councillors Porley
REDCAR & CLEVELAND : Councillor Forster, Ovens
STOCKTON ON TEES : Councillors Larkin, O'Donnell, Woodhead

A G E N D A

ITEM

1. APPOINTMENT OF CHAIRMAN
2. APOLOGIES FOR ABSENCE
3. APPOINTMENT OF VICE CHAIR
4. DECLARATIONS OF MEMBERS INTEREST
5. TO RECEIVE THE MINUTES OF THE MEETING HELD 24 APRIL 2009
6. TO RECEIVE THE REPORT OF THE TREASURER TO THE AUTHORITY
2008/2009 Outturn Position and 2008/2009 Statement of Accounts – to follow
7. ANY OTHER BUSINESS WHICH, IN THE OPINION OF THE CHAIR, SHOULD BE CONSIDERED
AS A MATTER OF URGENCY
8. LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION ORDER) 2006

Members are requested to pass the following resolution:-

“That under Section 100(A) (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business, on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 1 of Schedule 12A to the Act namely information relating to any individual.”

9. TO RECEIVE THE REPORT OF THE TREASURER TO THE AUTHORITY
Performance Scheme for Brigade Managers – to follow
10. ANY OTHER CONFIDENTIAL BUSINESS WHICH, IN THE OPINION OF THE CHAIR, SHOULD BE
CONSIDERED AS A MATTER OF URGENCY

CLEVELAND FIRE AUTHORITY

GUIDANCE NOTES FOR MEMBERS AND VISITORS USING THE EAST WING CONFERENCE FACILITIES AT CLEVELAND FIRE BRIGADE, HARTLEPOOL

Welcome to Cleveland Fire Authority

Please read these notes for your own safety.

Fire Instructions

In the event of the fire alarm sounding, vacate the building following the green Fire Exit signs and go straight to the assembly point which is outside the main reception. If you are in the East Wing Conference Room, your nearest vacation point is through the East Wing Reception doors, and assemble at the Fire Assembly point opposite the main entrance..

DO NOT USE THE LIFTS - DO NOT STOP TO COLLECT PERSONAL BELONGINGS - DO NOT RE-ENTER THE BUILDING UNTIL AUTHORISED TO DO SO.

Toilets

Toilets for people with disabilities are located next door but one to the Small East Wing Conference Room. Male toilets are located in the East Wing Reception area and the Ladies toilets are located next to the Small East Wing Conference Room.

Accessibility/Special Requirements

Every effort has been made to make the building as accessible as possible for people with disabilities. There are disabled parking spaces adjacent to the main reception, but when using the East Wing Conference Room, please contact the Democratic and Members Services office who will arrange for a parking space to be reserved opposite the East Wing Conference Room. There is a loop system within the Building, please inform the Member Support team if you require this switching on.

Smoking

Smoking is only permitted in the smoking shelter in the quadrangle which is situated behind the East Wing Conference Room. It is not permitted anywhere else within the building.

Security

All new Members are requested to report to the main reception where they will be asked to sign in and handed a visitors badge.

Member Facilities

The Member Support office is situated on the 1st floor next to the Directors Meeting Room. Library and IT facilities are also available for Members use within this office

Attendance Sheet

Please ensure you sign the attendance register at the Meeting.

Parking

Parking is available in the Visitors Car Park, but if you have any special requirements, please do not hesitate to contact us.

Refreshments

Tea and coffee are available in the small and main east wing conference rooms

Contacts

Please contact the Democratic and Member Services Office if you have any queries:- fax 01429 872619 or cfa@clevelandfire.gov.uk or telephone 01429 874076

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Louise Scrimshaw, Asst. Democratic & Member Services Officer
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Reception/Switch Board – 01429 872311

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CLEVELAND FIRE AUTHORITY

MINUTES OF EXECUTIVE COMMITTEE MEETING FRIDAY 24 APRIL 2009

- PRESENT:**
- CHAIRMAN**
Councillor Porley – MIDDLESBROUGH COUNCIL
 - STOCKTON ON TEES BOROUGH COUNCIL:**
Councillors Dixon, O'Donnell, Woodhead
 - REDCAR AND CLEVELAND BOROUGH COUNCIL**
Councillor Forster, Ovens
 - PROPER OFFICERS:**
Treasurer, Deputy Legal Adviser
 - BRIGADE OFFICERS:**
Chief Fire Officer, Director of Corporate Services, Director of Technical Services, Head of Planning & Democratic Services,
- APOLOGIES FOR ABSENCE**
- Councillor Payne – Hartlepool Council
 - Councillor Williams – Middlesbrough Council

In accordance with Standing Order No. 34, Councillor Ovens substituted for Councillor Williams.

181. DECLARATIONS OF MEMBERS INTERESTS

It was noted no Declarations of Interest were submitted to the meeting.

182. MINUTES

RESOLVED – that the Minutes of the Executive Meetings held on 20 March 2009 be confirmed.

183. TO RECEIVE THE REPORT OF THE CHIEF FIRE OFFICER

183.1 Transfer of Ownership of New Dimension Assets

The Chief Fire Officer appraised Members of the Department for Communities and Local Government (CLGs) proposals and arrangements relating to the future ownership of the New Dimension assets and the resulting implications for Cleveland Fire Authority. This was the second formal consultation by the CLG in respect of transfer of assets, the first consultation in November 2007 had resulted in a response by the Authority via the Chief Fire Officer which identified issues around future funding arrangements, warranties and indemnities, insurance and future maintenance of equipment, issues also picked up by other Fire and Rescue Services. However, the Chief Fire Office stated there was very little change between the first and second consultation documents.

The Chief Fire Officer reported he had two primary concerns. The first related to future funding arrangements as, because funding through RSG for Cleveland Fire Authority would, in the authority's current position of being below the grant floor, would probably create a shortfall in funding which would have to be met by the authority. The second was the very stringent training requirements associated with the assets apportioned to Cleveland Fire Authority.

183.1 Transfer of Ownership of New Dimension Assets contd

The Director of Resilience advised Members this report related to the transfer of assets **and** functions. The Director of Resilience provided Members with background information which informed how, after 9/11, the New Dimension project set out to provide FRS with the specialist equipment needed to enable them to deal with terrorist and other high level incidents.

Members expressed concern regarding the following:

- (1) Information had not been received detailing terms and conditions
- (2) The terms of access with the maintenance company VTCS who have been given a 15 year contract by FireBuy through CLG for ongoing maintenance of the vehicles and equipment access
- (3) That the Government will only pay for normal wear and tear, and that the issue of loss or damage caused through negligence is not clarified
- (4) That details regarding the scale of charges and Recharging Policy are unknown
- (5) Funding is a major issue. The Authority received £35,000 pa towards the mass decontamination unit, this money is to cover not just the up-keep and accommodation of the vehicle but also consumables and the extensive training costs. However the sum received this year was £28,000.

The Treasurer informed Members that their agreement in principle to the transfer of assets and functions to the next stage was sought. At this stage he had enough confidence in the process to recommend that agreement be given in principle for the transfer to go forward to the next stage. The Treasurer assured Members that nothing would be agreed until answers and clarification to all outstanding questions was received. It was expected the current Section 31 grant once transfer takes place will be added into our base RSG for the next year, adding that funding was one of the main issues and there was a need to move the process on.

Members requested that the proposed response outlined at Appendix 2 be strengthened by the following amendment to the 2nd paragraph on page 2 and an additional bullet point as follows:

‘Having considered fully the information provided through the Department for Communities and Local Government, The Executive Committee have agreed to indicate to CLG that the Authority are content in principle to sign up to the proposal for the transfer of the assets, subject to the satisfactory resolution and agreement of identified remaining issues, matters and queries. The unresolved issues matters or queries are detailed below:’

Additional bullet point :

‘There is full agreement on the future funding methodology and arrangements’

Councillor Forster reported initially we were informed there would not be a cost element, however agreed with the suggested amendments but stressed the importance of receiving clarification on our outstanding questions.

RESOLVED:

- (i) that Members noted the contents of the report and the information presented in the Fire Service Circular 16/2009 and the draft Transfer Agreement (Appendix 1 refers)
- (ii) that Members further noted the implications of the transfer of assets and function as detailed in this report and the proposed response of the Authority to the consultation (Appendix 2 refers)
- (iii) that members approved the response with the agreed amendment to the 2nd paragraph on page 2 and an additional bullet point as follows:

‘Having considered fully the information provided through the Department for Communities and Local Government, the Executive Committee have agreed to indicate to CLG that the Authority are content in principle to sign up to the proposal for the transfer of the assets, subject to the satisfactory resolution and agreement of identified remaining issues, matters and queries. The unresolved issues matters or queries are detailed below:’

Additional bullet point :

‘There is full agreement on the future funding methodology and arrangements’

subject to identified remaining queries and revisions to the Transfer Agreement

- (iv) that through further reports Members are informed of the continued progress in all substantive matters relating to the Transfer of Ownership of New Dimension Assets.

184 LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION ORDER) 2006

RESOLVED – “That under Section 100 (A) (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the paragraph 3 of Part 1 Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 namely information relating to the financial or business affairs of any particular person (including the authority) holding that information”.

185 CONFIDENTIAL MINUTES

RESOLVED – that the Confidential Minutes of the Executive Committee meeting held on 20 March 2009 be confirmed.

**COUNCILLOR P PORLEY
CHAIRMAN**



CLEVELAND FIRE AUTHORITY

Title	2008-2009 OUTTURN POSITION AND STATEMENT OF ACCOUNTS		
Meeting	Executive Committee	Date	26 June 2009
Report of the	Treasurer to the Authority		
Decision Req'd	For recommendation	Delegated Powers	No

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to enable Members to approve the Authority's 2008/2009 Statement of Accounts in accordance with the requirements of the Accounts and Audit Regulations 2003.
- 1.2 This will be achieved by considering the following: -
- i) Background
 - ii) Basis for preparing the Statement of Accounts
 - iii) Reconciliation of the Authority's Management Accounts and the Statement of Accounts
 - iv) The 2008/2009 Draft Statement of Accounts.

2. RECOMMENDATIONS

- 2.1 It is recommended that Members: -
- i) Note the report.
 - ii) Approve the proposals to earmark General Fund Balances for the risks identified in Paragraph 4.7, subject to detailed reports being submitted to the CFA before these resources are committed.
 - iii) Recommend the approval to write off of the debt identified in Paragraph 4.11 and the consequential amendment of note 9 to the Balance Sheet.
 - iv) Approve the 2008/2009 Statement of Accounts.

3. BACKGROUND

- 3.1 In accordance with the Accounts and Audit Regulations 2003, all Local Authorities are required to produce an annual Statement of Accounts by 30th June, which is a challenging deadline. On a practical basis the Accounts actually had to be completed by 18th June, 2009, to ensure the statutory publication requirements for Authority reports were met.
- 3.2 The regulations also require Members to approve the Statement of Accounts prior to audit by the Audit Commission and subsequent publication. This report enables Members to discharge this responsibility. If it should be necessary to amend the accounts during the course of the audit, any major amendments will be reported to Members.

4. BASIS FOR PREPARING THE STATEMENT OF ACCOUNTS

- 4.1 The Statement of Accounts presents the Authority's financial position for 2008/2009 in a specified format and reflects the Outturn Strategy previously approved as part of the Medium Term Financial Strategy 2008/2009 to 2011/2012 approved on 6th February, 2009. This report approved the proposals to earmark the forecast 2008/2009 underspend of £0.75m to support the budget in 2011/2012 and beyond, as it is expected that the financial position will become more challenging.
- 4.2 The actual revenue outturn is more favourable than forecast at the end of the third quarter and there is an underspend for the year of £1.622m as detailed in Appendix 1.
- 4.3 The main reasons for this underspend are lower salary costs as a result of higher turnover and increased investment income on the Authority's cash flows. The overall occupancy was below the budgeted level, due to the turnover in uniformed staff being higher than anticipated. This has enabled the revised organisational structure to be implemented earlier than planned, and a managed underspend to be achieved.
- 4.4 Part of this underspend was offset by higher energy costs and the costs of essential maintenance works. By funding the essential maintenance costs from the revenue underspend the whole of the £1m resources previously allocated for this purpose can be reallocated to meet one-off costs of the PFI Scheme and other revenue pressures that may arise over the next three years.
- 4.5 After reflecting the above factors the Authority's gross General Fund Balances at 31st March, 2009 are £4.77m.
- 4.6 The Authority has previously determined to use £1.198m of General Fund Balances to support the revenue budget over the period 2009/2010 to 2013/2014.
- 4.7 Members were advised during the preparation of the current years' budget of a number of emerging risks which may require funding. Further information is now available and it would be prudent to earmark the increase in General Fund Balances for these items as follows:

	<u>Proposed Allocation</u> <u>£'000</u>
<u>Redcar Fire Station and other Fire Stations outside PFI</u>	800
This is a community partnership scheme involving a number of external partners who will provide part of the funding. It will complement the proposed PFI Scheme and will provide a centre of excellence for the delivery of community safety activities in support of the Brigade's integrated community safety strategy. Other Fire Stations outside the PFI will require some refurbishment	
<u>Uniforms and Protective Clothing</u>	470
This commitment is expected to arise from the implementation of the national clothing projects.	

4. BASIS FOR PREPARING THE STATEMENT OF ACCOUNTS contdIncident Command Support Vehicle 50

The approved 2009/2010 Capital Programme includes provision for the replacement of the Incident Command Support Vehicle using Prudential Borrowing. The costs of this vehicle are expected to be greater than previously anticipated and this amount will make up the shortfall. It may be more appropriate to fund this extra cost from Prudential Borrowing, which would release this amount for other purpose. At this stage it would be prudent to earmark these resources for this vehicle and to review the funding strategy later in the year.

1,320

- 4.8** After reflecting the commitments identified in paragraph 4.6 and the proposals detailed in paragraph 4.7 the Authority's Unearmarked General Fund Balances are £1.208m, as summarised below.

	£'000
Gross General Fund Balances	4,770
LPSA Reserves*	(44)
Earmarked to Support Revenue Budget 2009/2010 to 2013/2014	(1,198)
Earmarked for PFI costs (paragraph 4.4)	(1,000)
Earmarked for one off projects (paragraph 4.7)	(1,320)
	<hr/>
Unearmarked General Fund Balances	<u>1,208</u>

* This amount was set aside from the LPSA (Local Public Services Agreement) reward grant and is earmarked to continue LPSA projects.

- 4.9** The level of Unearmarked General Fund Balances of £1.208m equates to 3.6% of the 2009/2010 revenue budget, which is within the target range of 3% to 5%.
- 4.10** The Authority also has Earmarked Reserves at 31st March 2009 of £0.171m. This includes £0.092m for the Innovation Fund, which is earmarked for the installation of Domestic Sprinklers.
- 4.11** In July 2002 the Authority issued a debtors invoice to recover costs as detailed in Appendix 2. At that time it was recognised that the Authority was unlikely to recover this debt. Consequently, a bad debt provision equal to the value of this debt was established at the same time. Since that time appropriate actions have been taken to seek to recover this amount. These actions have, as expected, not been successful. It is therefore suggested that Members approve the write-off of this outstanding debt against the Bad Debt Provision. If Members approve this proposal note 9 to the Balance Sheet will need amending.
- 4.12** A detailed outturn report will be submitted to the Audit and Governance Committee on 26th June 2009.

5. RECONCILIATION OF THE AUTHORITY'S MANAGEMENT ACCOUNTS AND THE STATEMENT OF ACCOUNTS

5.1 During the financial year regular management accounts are presented to enable Members to manage the Authority's financial position. These reports present information on the basis of operational budgets. At the end of the financial year the Authority's Statement of Accounts is prepared in accordance with the format specified in the Accounts and Audit Regulations 2003.

5.2 The Management Accounts and the Statement of Accounts are based on the same primary information, but present information in different formats.

5.3 The Statement of Accounts includes a "Statement of Movement on the General Fund Balances" (page 28 of the Statement of Accounts). This Statement shows a surplus of £1.737m for the year. This figure is higher than the surplus reported in the Management Accounts as records items in a different way to the management accounts. The following table provides a reconciliation of the surplus shown in the "Statement of Movement on the General Fund Balances" and the actual surplus reported in the management accounts.

	<u>£'m</u>
Surplus reported in the "Statement of the Movement on the General Fund Balance"	1.737
<u>Less</u> Transfer from Unearmarked Reserves to General Fund Balance	(1.000)
<u>Add</u> Reduction in planned use of Budget Support Fund	<u>0.885</u>
Surplus for year reported in the Management Accounts (as detailed in paragraph 4.2 and Appendix 1)	<u>1.622</u>

6. THE 2008/2009 DRAFT STATEMENT OF ACCOUNTS

6.1 The draft Statement of Accounts is attached to this report and in summary this document provides the following information: -

i) Explanatory Foreword

The foreword provides an overview of how the Authority is funded and gives details of the main financial and operational factors affecting the Authority in 2008/2009.

ii) Statement of Accounting Policies

This states that the accounts have been prepared, with certain exceptions to which specific reference is made in the Statement of Accounts, in accordance with proper accounting practices as defined in legislation and the appropriate Accounting Code of Practice.

The Statement of Accounting Policies describes the basis upon which the accounts have been prepared and certain items included in the accounts.

6. THE 2008/2009 DRAFT STATEMENT OF ACCOUNTS contd

iii) Statement of Responsibilities for the Statement of Accounts

This sets out the responsibilities of the Authority and the Treasurer.

iv) Income and Expenditure Account

The Income and Expenditure Account provides an overall summary of the Authority's revenue activities for the year. This statement presents financial information in a specified format, which must be followed by all authorities to ensure a standard approach to external financial reporting across English authorities. The Income and Expenditure Account shows the following key information:

- Net Cost of Service

This section of the Income and Expenditure Account provides a high level analysis of the aggregate value of the cost of defined activities undertaken by the Authority.

- (Surplus)/Deficit for Year

The reported deficit includes the Pension charge which the Authority is required to charge to the Income and Expenditure Account in compliance with the requirement of Financial Reporting Standard (FRS) 17. This is not a cash deficit which the Authority needs to fund, as the FRS 17 Pension charge is not a real cost.

- Statement of Movement on the General Fund Balance

This statement reconciles the movement on the Income and Expenditure Account back to a cash basis and effectively reverses out the FRS 17 Pension charge detailed above. The statement finishes with the Authority's total General Reserves of £4.770m. Details of the items included in this amount are provided in Note 16, Page 44 of the attached Statement of Accounts. An overview of reserves is provided in (v) below.

v) Balance Sheet as at 31st March, 2009

The Balance Sheet shows the value of the Authority's assets, liabilities and other balances as at 31st March, 2009 and I would comment on a number of items: -

a) Investments

Investments consist wholly of surplus temporary cash balances and are invested in accordance to the Authority's Treasury Management Strategy. Members may be aware of the situation regarding Icelandic banks which arose during 2008/09. Icelandic banks were never included on the Authority's approved investment list. Consequently, the Authority had no investments with these banks.

6. THE 2008/2009 DRAFT STATEMENT OF ACCOUNTS contd

- b) Long Term Loans Borrowing
During 2008/2009 in accordance with the approved Treasury Management Strategy, action was taken to manage the Authority's Loans Portfolio. As a result of changes in interest rates during 2008/2009, the Authority has been able to benefit from discounts on existing loans and reduced investment risk by netting down investments and long term debt.
- c) General Fund Balances
At 31st March, 2009 the Authority had General Fund Balances of £4.077m. Detailed comments on these reserves are provided at paragraphs 4.8 and 4.9.

- vi) Cash Flow Statement
The Cash Flow Statement shows the receipt and payment of cash arising from transactions with third parties for revenue and capital purposes.
- vii) Notes to the Core Statement
This section provides further information on the figures reported in the Core Statements, namely the Income and Expenditure Account and Balance Sheet.
- viii) Auditor's Report
The Auditor's Report shown is an example of the statement that will be included once the District Auditor has completed the audit of the 2008/2009 Accounts.
- ix) Annual Governance Statement
The statement sets out the Authority's responsibilities for ensuring the Authority has an appropriate system of internal control. This statement was approved by the Audit and Governance Committee on 15th May, 2009.
- x) Glossary of Terms
This is not part of the statutory requirements. Nevertheless, it is included to assist readers in understanding the meaning of the various financial phrases included in the accounts.

**A EMMERSON
TREASURER TO THE AUTHORITY**

SCHEDULE OF DEBTS TO BE WRITTEN OFF

Account Number: FIR0001766

Name: Hall Construction Services Ltd.

Address: Stotforth Hill House, Windlestone, Rushyford, Durham,
DL 17 ONF

Value of Debt: £15,445.36

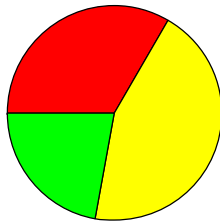
Date Invoice Raised: 11.07.2002

Reason Account Issued: To recover costs incurred by the Authority to repair power supplies following damage to cable.

Reason for Write Off: Debtor has denied liability on basis that damaged cables were not identified on site drawings. Legal advice indicates that the Authority does not have an adequate case to pursue this matter further and courts are unlikely to find in the Authority's favour as cables were not identified on drawings.

Revenue Budget Outturn as at 31st March 2009

Executive Director/Treasurer Progress Against Revenue Budget 2008/2009		Status	Count	Description	
Actual Position as at 31st March 2009		Corrective action may be required			
Item Number	Approved Budget £'000	Outturn Budget £'000	Actual Spend as at 31st March 2009 £'000	Variance £'000	Description
1	28,991	28,991	27,603	(1,388)	The overall occupancy was below the budgeted level, and the turnover in Uniformed staff was higher than anticipated. This has enabled the organisational review to be implemented earlier than planned, and a managed underspend to be achieved to support the contribution from reserves in future years to support the medium term budget strategy.
2	1,032	1,032	1,457	+425	Increased energy costs above anticipated inflation, together with expenditure on essential premises maintenance following the suspension of the backlog maintenance programme has released £1m previously allocated for this purpose to meet one-off costs of the PFI, and other revenue pressures that may arise over the next three years.
3	1,955	1,955	1,887	(68)	The successful attraction of funding through partnerships, together with efficiencies in purchasing items of operational equipment have resulted in a saving in this area.
4	678	678	682	+4	Following Fuel costs increasing above expected inflation levels early in the year, the subsequent stabilisation of prices and the resultant decrease has brought this budget closer to target than was anticipated.
5	478	478	489	+11	One-off legal costs for work over and above that contracted under the Brigade's SLA have resulted in an overspend.
6	167	167	173	+6	During the year the Brigade had to enter into a temporary arrangement for the provision of Occupational Health Services resulting in a small overspend.
7	508	508	54	(454)	The decision not to proceed with the prudential borrowing for the backlog maintenance accounts for £100k of this. Re-phasing of the 2007/8 Capital Programme has impacted on 2008/9. Full details of the Capital Programme are shown on Appendix 2.
8	(858)	(858)	(1,016)	(158)	Early payment of Grants from CLG, and investment income greater than expected due to favourable one-off cash flow interest rates on long term investments.
9	0	0	0	+0	Memorandum item only.
TOTALS	32,951	32,951	31,329	(1,622)	



CLEVELAND FIRE AUTHORITY

STATEMENT OF ACCOUNTS

2008/2009

(SUBJECT TO AUDIT)

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AUTHORITY MEMBERSHIP 2008/2009

Chair

Councillor Porley (Middlesbrough BC)

Vice-Chair

Councillor O'Donnell (Stockton on Tees BC)

Councillors

Hartlepool BC

Cook
Fleming
Wright I
Payne

Middlesbrough BC

Clark
Ismail
Jones (*to March 09*)
Brunton (*from March 09*)
Porley
Rogers
Williams

Redcar & Cleveland BC

Briggs
Cooney
Dunning
Forster
Fitzpatrick
Ovens

Stockton on Tees BC

Beall
Cherrett
Dixon
O'Donnell
Salt
Stoker
Woodhead

The Authority is made up of 23 members who are appointed in proportion to the number of local government electors in each Authority area.

EXPLANATORY FOREWORD

1. INTRODUCTION

The Statement of Accounts presents the overall financial position for the year ended 31st March, 2009 and incorporates all the financial statements and disclosure notes required by statute. The foreword provides a guide to the most significant matters reported in the Statement of Accounts and an explanation of the Authority's overall financial position.

2. CORE FINANCIAL STATEMENTS

A detailed analysis of the Authority's financial position can be found on pages 26 to 63, the Core Financial Statements. A brief explanation of the purpose of each of the statements is given below:

Income and Expenditure Account

This statement is fundamental to the understanding of the Authority's activities. It reports the net cost of the services provided by the Authority for the year and shows how that cost has been funded from general Government grant, redistributed business rates and Council Tax. The income and expenditure account is in three sections:

- Net Cost of Service

This section summarises the costs incurred by the Authority, net of specific grants and income from fees and charges. The format of this section is governed by the Best Value Accounting Code of Practice (BVACOP). The purpose of this analysis is to improve comparability and understanding between authorities.

- Net Operating Expenditure

This section includes income and expenditure that relates to the Authority as a whole and not to an individual service area. The main items included in this section relate to the Authority's borrowings and investments.

- Surplus or Deficit for the year

This section shows the surplus or deficit for the year after deducting income from general government grant, redistributed business rates and council tax. The surplus or deficit shown at the end of the Income and Expenditure account is shown in accordance with UK GAAP. This means this figure includes non cash accounting charges, including depreciation and FRS 17 Pension charges.

Statement of Movement on the General Fund Balance

The Authority's budget and council tax charge are determined by statute and exclude the depreciation and FRS 17 Pensions charges included in the Income and Expenditure account. This statement therefore reconciles the UK GAAP compliant Income and Expenditure Account with the statutory budget figures by reversing out the notional charges included in the Income and Expenditure account. This statement finishes with the value of the Authority's General Fund Reserves. Note 16 on page 44 provides a detailed summary of how these reserves will be used in future years.

Statement of Total Recognised Gains and Losses

This statement summarises all the gains and losses on headings within the Balance Sheet and shows the total movement in the Authority's net worth for the year. Net worth consists of the Authority's cash reserves, which are the Earmarked Reserves and the General Fund Balances and non cash accounting reserves required to be UK GAAP compliant. The former represent resources which are available to fund specific commitments and support future budgets, the latter are accounting reserves which cannot be spent. The total change in net worth for the year is £31.928m, which consists of an increase in Earmarked Reserves and the General Fund Balance of £0.762m and a change in accounting reserves of £31.166m.

Balance Sheet

This statement shows the value of the Authority's assets, liabilities, reserves and balances at 31st March 2009. Details of changes in key balance sheet figure are provided later in this foreword.

Cash Flow Statement

This statement summarises the revenue and capital payments and receipts made by the Authority to/from third parties. The cash inflows and outflows are analysed on a subjective basis and exclude internal transfers.

3. REVIEW OF 2008/2009 FINANCIAL YEAR

Revenue Spending 2008/2009 – Budget Position

The CFA was established on 1st April, 1996, as a Combined Fire Authority and is responsible for providing fire and rescue services to the areas covered by the Borough Councils of Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton on Tees, known as the constituent authorities until 31st March, 2004.

From 1st April, 2004, the financial arrangements for Combined Fire Authorities changed and they became precepting bodies in their own right. This means that the Authority is responsible for setting its own Council Tax, which is then collected by the relevant borough councils. As a precepting body the Authority also receives Government grant to help pay for the cost of providing services and is subject to Government limits on the level of Council Tax which it can set. The 2008/2009 financial year was therefore the CFA's fifth year as a precepting body.

The Authority has developed an integrated multi-year budget and Council Tax strategy to enable the Authority to plan services on a sustainable financial basis. In advance of 2008/2009 this strategy was rolled forward to cover the period 2008/2009 to 2010/2011. The objectives of this strategy were to:

- set the 2008/2009 budget and council tax; and
- to enable the Authority to develop a sustainable and affordable medium term budget and Council Tax strategy.

From 1st April, 2006 the Government introduced a new system for funding local authorities, including combined fire authorities. These changes included the announcement of multi-year grant settlements. From 2008/2009 the Government have provided grant settlements covering three financial years. These changes are welcomed as they provide greater financial certainty which helps the Authority improve its financial and service planning.

The changes also introduced a new system for distributing Government grant to individual authorities. These changes are generally not favourable for this Authority. The adverse impact of these changes has been partially mitigated through the "floor damping arrangements" which guarantee a minimum increase in the level of funding allocated to individual authorities. For Fire Authorities the level of "floor damping" support has only been set at 0.5% for the period 2008/2009 to 2010/2011 (2.7% for 2007/2008). For 2008/2009 to 2010/2011 this is the increase received by this Authority. This is the third successive year the Authority has only received the minimum grant increase for Fire Authorities and this position will continue for a further two years. In real terms this is a reduction in the level of grant funding received by the Authority as it is below the cumulative rate of inflation and nationally determined cost of living pay awards for Fire-fighters and other staff.

To offset the lower grant increases in 2008/09 the Authority made ongoing efficiency savings of £0.56m. Further ongoing efficiencies, totalling £1.19m are planned for 2009/2010 and 2010/2011 to offset the continuation of low grant increases in these years. Cumulatively, over the period 2008/2009 to 2010/2011 these efficiencies equate to a reduction in current spending of 5.2%.

Revenue Spending 2008/2009 – Outturn Position

The Authority's actual expenditure for 2008/2009 was £1.622m less than the approved budget. This underspend was mainly owing to lower salary costs, as a result of turnover in Uniformed staff being higher than anticipated. This has enabled the revised organisational structure to be implemented earlier than planned. There was also an underspend on other running costs, which was net of higher energy costs. The other main favourable variance was on the investment income earned on the Authority's investments and cash flows, which were more favourable than anticipated.

The underspend of £1.622m was transferred to the General Fund Balances and the Authority has determined to allocate this amount to fund new one-off projects as detailed below:-

- Improvement and refurbishment of Redcar Fire Station and other Fire Stations outside PFI - £0.8m;
- Replacement of Uniforms and Protective clothing - £0.47m;
- Replacement of Incident Command Support Vehicle - £0.05m.

The remaining amount of £302,000 has been allocated to increase the Authority's Budget Support Fund. The Budget Support Fund is allocated to support the revenue budget over the period 2009/10 to 2013/14 and is held within the Authority's General Fund Balance.

A summary of the financial position for 2008/2009 is set out in the tables on the next page.

Comparison of actual net expenditure against the approved budget for 2008/2009

	Approved Budget £'000	Actual Expenditure/ (income) £'000	Variance from approved Budget £'000
Operational Costs			
Employee Costs	28,991	27,603	(1,388)
Running Costs	3,453	3,673	220
Capital Financing costs and Investment income	508	54	(454)
	32,952	31,330	(1,622)

Summary of how the 2008/2009 approved budget was funded

	Approved Budget		Actual £'000	Variance from approved Budget £'000
	£'000	%		
Revenue Support Grant	2,708	8.2%	2,708	0
Share of National Non-Domestic Rates Pool	19,452	59.0%	19,452	0
Income from Council Tax	9,907	30.1%	9,907	0
Contribution from/(to) General Fund Balances	885	2.7%	(737)	1,622
	32,952	100.0%	31,330	1,622

Change in the Authority's Earmarked Reserves and General Fund Balances

The Authority has Earmarked Reserves at 31st March, 2009, of £0.171m (£1.146m at 31st March, 2008). £1m of these reserves had previously been earmarked to address backlog property maintenance issues and investment needs identified through the IRMP. These resources have now been reallocated and transferred to the General Fund Balance to meet one-off costs arising from the Authority's proposed Public Finance Initiative project to replace Fire Stations and the Authority's headquarters. Further details in respect of the Earmarked Reserves are provided in Note 15 on Page 44.

The Authority has General Fund Balances at 31st March, 2009, of £4.770m (£3.033m at 31st March, 2008) and the increase reflects the following factors:

	£'000	£'000
General Fund Balances at 31.03.08		3,033
Net Contribution to General Fund Balances	737	
Transfer from Earmarked Reserves	1,000	
		1,737
General Fund Balances at 31.03.09		4,770

Reconciliation of Net Operating Expenditure shown in the Income and Expenditure Account (page 26) with Net Expenditure

In accordance with accounting regulations the Net Operating Expenditure of £35.796m shown in the Income and Expenditure Account includes various notional accounting charges. The main notional charges relate to retirement benefits and the cost of using capital assets. When the Authority sets its annual budget Government regulations require authorities to exclude these charges and to determine their annual budget on a cash basis to avoid these notional charges increasing the level of Council Tax. The following table provides a reconciliation of the Net Operating Expenditure figure shown in the Income and Expenditure account with Authority's net cash expenditure for the year.

	£'000
Net Operating Expenditure (See Income and Expenditure Account page 26)	35,916
Adjustment for notional accounting charges included in Net Operating Expenditure (as detailed on page 28 of the Core Financial Statements)	(5,586)
Contribution from Earmarked Reserves	1,000
Actual Net Expenditure	31,330

Capital Expenditure 2008/2009

In 2008/2009 the Authority spent £0.252m on the acquisition new Fire appliances (2007/2008 £0.368 million on the acquisition of new Fire appliances and property improvements).

This investment is to be funded from loans, which be repaid from future years revenue budgets in accordance with the Authority's Accounting Policy.

Changes On The Balance Sheet

The major movements on the balance sheet are as follows:

- Fixed Assets – are valued at £22.372m as at 31 March 2009 (£19.982m at 31 March 2008). The increase is owing to the revaluation of the Authority's Fire Stations, net of depreciation for the year.
- Debtors – as at 31 March 2009 are £3.802m (£1.770m at 31 March 2008). The main reason for the increase is owing to an increase in the Pension Grant due from the Government, which will be received in July 2009.
- Long Term Investments, plus current investments and cash at bank less Temporary Borrowings totalled £5.242m as at 31 March 2009 (£6.957m at 31 March 2008). The reduction largely reflects the Authority's decision to repay Long Terms Loans by reducing investments. This action reduced the Authority's investment counter party exposure.
- Long Term borrowing - as at 31 March 2009 was £2m (£3.598m at 31 March 2008). As detailed above this reduction reflects the Authority's decision to repay Long Term Loans by reducing investments.
- Pension Liability - as at 31 March 2009 was £206.228m (£233.820m at 31 March 2008). The reduction reflects the latest FRS 17 valuation of the Authority's Pension Liability. There is a corresponding reduction in the Pension Reserve.

- Revaluation Reserve – as at 31 March 2009 was £4.445m (£nil value at 31 March 2008). This increase reflects the increase in the value of the Authority's Fixed Assets net of depreciation charged for the year.
- Earmarked Reserves and General Fund Balances – as at 31 March 2009 are £4.941m (£4.179m at 31st March 2008). The increase reflects the underspend against the current year's budget as detailed earlier in this foreword and the planned use of reserves in the year.

4. BORROWING FACILITIES AND INVESTMENT STRATEGY

The Authority's arrangements for borrowing accord with the Authority's Treasury Management Strategy, which was drawn up to comply with the Code of Practice for Treasury Management in Local Authorities published by the Chartered Institute of Public Finance and Accountancy.

The Authority's capital borrowing strategy is to raise new long term fixed interest loans when long term rates are judged to be low and to borrow at short term or variable rates when these rates are expected to remain below long term rates. Against this background the Authority reduced its exposure to risk as no new long term borrowings were undertaken in 2008/09.

The Authority also manages its cash balances, which arise from timing differences in income and expenditure, by making short-term investments or the use of short-term borrowings.

During 2008/2009 there was considerable uncertainty regarding interest rates and the financial standing of banks and other financial institutions. In response to this uncertainty the Bank of England implemented a succession of reductions in the bank rate, which resulted in the official rate falling to 0.5%, the lowest level since the Bank of England was established in 1694.

In response to this uncertainty the Authority used its investments to repay £1.5m of long debt. The Authority had no investments with Icelandic banks as these organisations were not on the Authority's approved investments list.

In addition, in January, 2009 the Authority established a 'pooled investment fund' with Hartlepool Borough Council. This arrangement enables both authorities to reduce investment risk by spreading investments with a greater number of counterparties and by reducing the level of investment with individual counterparties.

From the 1st April, 2004, new powers governing local authority capital expenditure were introduced, known as the Prudential Code. Under these rules the Government will support some of the Authority's capital investment plans. The Authority also has the ability to undertake additional borrowing, known as unsupported borrowing, providing this is affordable. At 31st March, 2009, the Authority has not used these powers. The Authority had planned to undertake £1 million of unsupported borrowing to fund backlog property maintenance issues and the investment needs identified through the IRMP. These plans have been suspended pending the outcome of the Authority's proposed PFI scheme.

5. PENSIONS

The Authority has accounted for retirement benefits according to Financial Reporting Standard (FRS) 17. In the Accounts as at 31st March, 2009, there was a deficit on the Pensions Reserve of £206.2m (£233.8m in 2007/2008 restated for changes to FRS17).

This was offset by a Pension Liability of the same value. The change in the deficit arose substantially because of actuarial gains in the pension fund assets.

The Authority has separate pension arrangements for Fire-fighters and Other Staff, as outlined below:

Fire-fighters Pension Arrangements

The Fire-fighters Pension scheme is an unfunded scheme. The Authority is required to maintain a separate Fire-fighters Pension Fund Account, details of which are provided on Page 54.

The Authority is required to make defined contributions to the Pension Account, currently 21.3% for Fire-fighters who are members of the 1992 Pension Scheme and 11% for those who are members of the 2006 Pension Scheme. The Authority must also make defined contributions in respect of Ill Health retirements.

As these contributions, plus employee contributions are less than the payments made from the Authority's Pensions Account the Government provide a specific grant to fund the resulting shortfall.

Local Government Pension Scheme

Pensions for other staff are provided through the Local Government Pension Scheme and the Authority is a member of the Teesside Pension Fund. The statutory arrangements for this scheme mean that the FRS 17 deficit does not need to be made good by increased pension's contributions from the Authority or employees. A separate Pension Fund valuation is carried out every three years to determine the Authority's contribution rate. The last valuation set the employers contribution rate for the period 2008/2009 to 2010/2011. The latest valuation showed the overall funding level for the Teesside Pension Fund was 98%. This compares very favourably with other Local Government Pension Schemes and enabled the Actuary to certify a lower employer contribution for the three years commencing 2008/2009 for most employers within the Fund. For this Authority the employers' rate reduced by 2.8%. This saving was built into the 2008/2009 budget.

6. CHANGES IN AUTHORITY RESPONSIBILITIES

There were no significant changes in the Authority's statutory responsibilities during 2008/2009.

7. ACCOUNTING POLICIES

The accounting policies adopted by the Authority comply, except where specific reference is made, with the relevant recommended accounting practice.

The Authority's policies are explained fully on pages 13 to 24. For the purpose of the Statement of Accounts the Authority's expenditure follows the standard classification recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the comparative figures for 2007/2008 have been shown where appropriate.

8. SERVICE PERFORMANCE

In addition to the financial preparations for 2008/2009, the Fire Authority has completed its Integrated Risk Management Plan (IRMP - Year 5). The Plan details how the Authority is to achieve its objectives, review and rationalise its operational arrangements to identify service improvements and efficiency savings, and is the key driver of the Authority's budget strategy. In line with this strategy, during 2008/2009 the Authority continued to

distribute its financial resources to support its balanced strategy of prevention, protection and intervention.

The Authority's risk based approach to service planning and delivery has meant that it continues to make great strides in delivering a modern Fire and Rescue Service. Community risks have greatly reduced through innovative community safety initiatives delivered by both professional staff and working in partnership.

The challenging fire Public Service Agreement targets for 2010 are well on the way to being met and will probably be exceeded. The Authority has achieved significant reductions in primary fires, dwelling fires and road traffic collision deaths and injuries, reflecting the excellent preventative work of the Service. Indeed, our performance has been reflected in the Audit Commission's 2007/08 independent assessment of operational service delivery whereby the Authority received a maximum score of 4.

The Authority's area suffered no fire deaths in the home from January, 2006 to July, 2007. The number of accidental house fires has been reduced by 58% since the start of the Home Fire Safety Visit scheme, a community safety initiative which has provided almost 98,000 homes with free fire safety advice and smoke alarms since it started in 2003. More than 19,500 of these home fire safety visits were carried out last year.

The number of deliberate property fires has been reduced by 42% in the past three years, deliberate house fires are down by 38% and there was a 44% reduction in deliberate vehicle fires. Over the last three years there have been 7.8% fewer road traffic accidents in the Authority's area as a result of the "Learn and Live" initiative. The initiative for young drivers is a fine example of the Authority's successful Education Programme which is designed to help keep new drivers safe on the roads. Other projects for young people, including the Young Firefighters' Association, Local Intervention Fire Education (LIFE) and Safety Awareness Fire Education (SAFE) courses have been instrumental in educating youngsters on the dangers of arson. As a consequence, hoax fire calls have been reduced by 22% in the past year.

The Authority's widening role continues to develop. It has embraced the Local Area Agreements with strategic partners in each of the local authority areas. This ensures that the Authority significantly contributes to providing local solutions to local problems thereby shaping the place in this area and the quality of life for the community of Cleveland. Examples of the Authority's involvement in this wider role include Co-responder, Health and Well-Being, Smoking Cessation and Drug and Alcohol Prevention Schemes.

The Fire Authority's success during 2008/2009, as reported by the Audit Commission, has been achieved from within existing resources, due to the hard work of the employees and support from the Members, partners and the community.

9. INSPECTION OF ACCOUNTS

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection was advertised in the local press and in relation to the 2008/2009 financial year the inspection period was 6th July, 2009 to 31st July, 2009.

Treasurer to Cleveland Fire Authority
Date: 26th June 2009

10. CHAIRMAN'S DECLARATION

I confirm that the accounts set out on pages 26 to 63 were approved by Cleveland Fire Authority at the meeting held on 26th June, 2009.

Councillor Porley
Chair of Cleveland Fire Authority
Date: 26th June 2009

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL

The Statement of Accounts has been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP), unless where stated. The statements comply with the Best Value Accounting Code of Practice.

The Statements reflect the requirements of Financial Reporting Standard (FRS) 18 by adopting the core accounting principals and concepts of:

- Relevance - the financial statements provide information about the Authority's performance and position that is useful to the users of the accounts to assess the stewardship of public funds and for making economic decisions.
- Reliability - the financial information faithfully represents the substance of the transactions, the activities underlying them and other events that have taken place are free from deliberate or systematic bias and material error and have been prudently prepared.
- Comparability - the information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and other Fire Authorities.
- Understandability – the statements have been prepared to ensure they are as easy to understand as possible.
- Materiality - the statements disclose items of a certain size and nature such that they provide a fair presentation of the financial position and transactions of the Authority.
- Accruals - other than the cashflow statement, the financial statements report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid.
- Going Concern - the financial statements have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.
- Legality - where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements.

2. ACCOUNTING POLICIES & ESTIMATION TECHNIQUES

The accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Authority. Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, this has been disclosed separately.

Where estimating techniques are required to enable the accounting practices adopted to be applied, then the techniques, which have been used, are in the Authority's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is separately disclosed.

3. ACCRUALS OF INCOME AND EXPENDITURE

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

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services.

- Employee's costs are charged to the accounts of the period within which the employees worked.
- Supplies and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed before which they are carried as Works in Progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cashflows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where payments are made or received in advance of a service being provided or received a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

4. DEFINITION OF CAPITAL EXPENDITURE

All expenditure on the acquisition, creation or enhancement of tangible fixed assets has been capitalised on an accruals basis. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as a tangible fixed asset, provided that it yields benefits to the Authority and the services it provides are for a period of more than one year.

Capital expenditure is defined as the acquisition, reclamation, enhancement or laying out of land; acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures; and the acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

The definition of enhancement is works that are intended to lengthen substantially the useful life of the asset, or increase substantially the market value of the asset, or increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of The Authority.

Improvement works and structural repairs are capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance is recognised in the revenue account as it is incurred.

Assets acquired on terms meeting the definition of a finance lease are capitalised and included together with a liability to pay future rentals.

Where a fixed asset is acquired for other than a cash consideration or where payment is deferred, the asset has been recognised and included in the balance sheet at fair value.

The Authority does not have a de-minimis level for capital expenditure.

5. FIXED ASSETS

A fixed asset is initially measured at its cost. Costs, but only those costs, that are directly attributable to bringing the asset into working condition for its intended use are included in its measurement.

Assets are classified as either operational or non-operational as follows:

- a) Operational assets are assets held or occupied, used or consumed by The Authority in the direct delivery of those services for which it has either statutory or discretionary responsibility, or for the service or strategic objectives of the Authority. Operational Assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use, except for Community Assets and Infrastructure Assets which have been included as historic cost.
- b) Non-operational assets are assets held by The Authority but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the Authority. They comprise of :
 - Assets held for the primary purpose of investment from which a commercial rental income is obtained;
 - Vacant property or property temporarily occupied for another purpose but awaiting redevelopment or disposal;
 - Land and buildings currently in the course of development but not yet completed and occupied for the proposed service.

Non Operational Assets have been included in the Balance Sheet at the lower of net replacement cost or net realisable value, except for Works in Progress which have are include at historic cost.

Fixed assets are valued on a five-year basis, although material changes to asset values will be adjusted in the interim period as they occur. The current asset values are based upon certificates issued by the Councils Property Management Division. The valuations are prepared in accordance with the Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards. The next valuation must be completed as at 1st April, 2013. From 1st April, 2007 increases in asset valuations are credited to the Revaluation Reserve.

The asset valuations have been prepared using the following assumptions:

- a) The Authority has good title free from encumbrances.
- b) There are no hazardous substances or latent defects in the properties and there is no contamination present.
- c) The properties have permanent planning permission and any other necessary statutory consent for their current use.
- d) Plant and machinery is included in the valuation of the property, where applicable.
- e) No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account.
- f) No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.

Not all properties were specifically inspected for the purposes of asset valuations. This was neither practicable, nor considered by the valuer to be necessary, for the purpose of the valuation. However, regular inspections are made by members of the Property Section of all The Authority's property assets.

Where a fixed asset is included in the balance sheet at current value, the increase over the previous carrying amount at which that asset was included in the Balance Sheet immediately prior to the latest revaluation is credited to a fixed asset revaluation account, except to the extent that it reverses a revaluation loss on the same asset previously recognised in the Income and Expenditure account, when the revaluation gain is recognised in the Income and Expenditure account.

Where a fixed asset is acquired under a finance lease, at the inception of the lease the amount to be recorded both as an asset and as a liability would be the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease.

6. CHARGES TO REVENUE FOR FIXED ASSETS

General Fund service revenue accounts, as defined in CIPFA's Best Value Accounting Code of Practice, central support services and trading activities are charged with the following amounts to record the real cost of holding fixed assets during the period :-

- depreciation attributable to the assets used by the service
- impairment losses attributable to the clear consumption of economic benefits or in excess of any balances on the revaluation reserve
- Amortisation of Government Grants Deferred to offset the cost of depreciation
- Gains resulting from revaluations which reverse a previous revaluation loss on the same asset

The Authority is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to a least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

7. IMPAIRMENTS

The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period, the valuation is adjusted accordingly. Events and changes in circumstances that indicate a reduction in value may have incurred include:

- a significant decline in a fixed asset's market value during the period;
- evidence of obsolescence or physical damage to the fixed asset;
- a significant adverse change in the statutory or other regulatory environment in which The Authority operates;
- a commitment by The Authority to undertake a significant reorganisation.

Fixed assets, other than non-depreciable land, are reviewed for impairment, at the end of each reporting period when either:

- no depreciation charge is made on the grounds that it would be immaterial (either because of the length of the estimated remaining useful life or because the estimated residual value of the fixed asset is not materially different from the carrying amount of the asset), or
- the estimated remaining useful life of the fixed asset exceeds 50 years.

Where, on revaluation of an asset, there has been a decrease over the previous carrying amount, an impairment loss is recognised. If the loss has been caused by the clear consumption of economic benefits then it will be recognised in the Income and Expenditure Account. If the amount of the decrease in value is not associated with a clear consumption of economic benefit the loss is recognised in the Statement of Total Recognised Gains and Losses (until the asset's carrying amount reaches its depreciated historical cost) and taken to the Revaluation Reserve. A fall in value below the assets depreciated historic cost is recognised in the Income and Expenditure Account. Where an impairment loss occurs on a tangible fixed asset carried at historical cost and is caused by a clear consumption of economic benefit the value of the asset is written down for the impairment and the impairment loss is recognised in the Income and Expenditure Account.

8. DISPOSALS

The gain or loss on the disposal of a tangible fixed asset is the amount by which the disposal proceeds are more or less than the carrying value of the fixed asset. The gain or loss on disposal is recognised in the Income and Expenditure account by debiting cash or debtors with the disposal proceeds and crediting the Income and Expenditure account. The carrying value of the asset is then debited to the Income and Expenditure account and credited to the Capital Adjustment Account on the Balance Sheet.

In order to comply with statute and restrictions on the use of capital receipts; the gain or loss on disposal is reversed out of the General Fund balance as a reconciling entry in the Statement of Movement on the General Fund Balance. An amount equal to the proceeds of disposal is credited to the Useable Capital Receipts Reserve and the carrying value of the asset is debited to the Capital Adjustment Account. Any balance on the revaluation reserve relating to the fixed asset is also written off to the capital adjustment account on disposal.

The proportion that is required to be paid over to Central Government as a 'housing pooled capital receipt' is charged in the Net Operating Expenditure section of the Income and Expenditure account and the same amount appropriated from Usable Capital Receipts Reserve and credited to the General Fund balance in the Statement of Movement on the General Fund Balance.

Where a fixed asset is disposed of for other than a cash consideration or payment is deferred, an equivalent asset is recognised and included in the balance sheet at its fair value.

9. DEPRECIATION

Depreciation is provided for on all fixed assets with a finite useful life with the exception of land and investment properties, Infrastructure and Community Assets. Depreciation has been charged using the straight line method on the closing balance over the assets estimated useful life.

The useful lives of assets are estimated on a realistic basis and are reviewed regularly and, where necessary, revised. Where the useful life of a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining useful life.

Depreciation has been charged on closing balances and calculated as follows:

- Fire Stations and HQ - 40 years

- Vehicles, Plant and Equipment 5 to 15 years.
- Intangible Assets - 7 years

10. INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance it are identifiable and controlled by the Authority (e.g. Software Licences) is capitalised when it will bring benefits to the Authority for more than one financial year. The cost is charged to the relevant service account over the economic life to reflect the pattern of consumption of benefits.

11. GOVERNMENT GRANTS

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or, in the case of capital grants, to the Government grants deferred account. Amounts are released from the Government grants deferred account to offset any provision for depreciation charged to the Revenue Account in respect of assets to which the grant relates.

12. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grant and expenditure on property not owned by the Authority and amounts directed under Section 16(2) of Part 1 of the Local Government Act 2003. Such expenditure is charged to the Income and Expenditure Account in accordance with the general provisions of the SORP. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance and showing as a reconciling item in the Statement of Movement on the General Fund Balance.

13. DEBTORS AND CREDITORS

The Revenue accounts of the Authority are maintained on an accruals basis in accordance with the Code of Practice and FRS18. That is, sums due to or from the Authority during the year are included whether or not the cash has actually been received or paid in the year. Exceptions to this principle include:

- General revenue debtors and creditors of less than £1,000 have only been accrued at the discretion of individual managers. All amounts in excess of £1,000 have been accrued;
- Salary and Wages expenditure have been included on the basis of actual payments made during the year on a cash basis and includes 12 months for salaries.

14. STOCKS AND WORK IN PROGRESS

Stocks and Stores are included in the Balance Sheet at the lower of average cost price and net realisable value.

Where stocks have been identified as being of no further use to the Authority and the appropriate procedures have been complied with, the obsolete stock has been written off otherwise an allowance has been made for obsolescence.

Work in Progress on uncompleted jobs is valued at cost, including an allocation of overheads.

15. RESERVES

Transfers to and from reserves are distinguished from service expenditure. The movements in reserves applicable to this Authority are detailed in a note to the financial statements. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for specific purposes.

Capital reserves are not available for revenue purposes and some of them can only be used for specific statutory purposes. The revaluation reserve and capital adjustment account are non-distributable reserves.

The Authority also manages component elements of the General Fund Balances.

16. PROVISIONS

Provisions are made for any liabilities of uncertain timing or amount that have been incurred. Provisions are recognised when:

- the Authority has a present obligation (legal or constructive) as a result of a past event
- it is probable that a transfer of economic benefits will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. Provisions are charged to the appropriate revenue account; when payments for expenditure are incurred to which the provision relates they are charged direct to the provision. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised only when it is virtually certain that reimbursement will be received if the obligation is settled. The reimbursement is treated as a separate asset. The appropriate revenue account the expense relating to a provision is presented net of the amount recognised for a reimbursement.

17. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

The carrying amount of debtors is adjusted for doubtful debts, which are provided for, and known uncollectable debts are written off.

18. GENERAL FUND BALANCES

The Authority maintains certain reserves to meet general, rather than specific, future expenditure. The details of the Authority's Reserves and revenue balances are explained in Note 16 (Page 44) to the Financial Statements.

19. PENSIONS

The Authority participates in two pension schemes:

Fire-fighters

From 1st April, 2006, the Government introduced new arrangements for funding fire-fighter's pensions, see Explanatory Foreword Page 9 for further details.

Non Fire-fighters

The Local Government Pension Scheme, which is a funded defined benefit scheme administered by Teesside Pension Fund, is available to non-uniformed staff. 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 these employees.

The Authority has adopted FRS 17 Retirement Benefits for the 2008/2009 Accounts, which specifies how Pension costs should be accounted for in the accounts.

The attributable assets to the scheme are measured at their fair value at the Balance Sheet date. Scheme assets include current assets as well as investments. Liabilities such as accrued expenses are deducted. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method. The scheme liabilities comprise:

- i) any benefits promised under the formal terms of the scheme; and
- ii) any constructive obligations for further benefits where a public statement or past practice by the Authority has created a valid expectation in the employees that such benefits will be granted.

Details of the methods adopted in the valuation of scheme assets and liabilities are set out in the note to the Accounts.

The surplus/deficit in the scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities. The Authority recognises the liability that reflects its legal or constructive obligation. Details of the methods adopted in calculating the asset or liability recognised are set out in the notes to the Accounts. Any unpaid contributions to the scheme are presented in the Balance Sheet as a creditor due within one year.

The change in the defined benefit asset or liability (other than that arising from contributions to the scheme) is analysed into the following components:

- Periodic costs:
 - Current service cost
 - Interest cost
 - Expected return on assets
 - Actuarial gains and losses
- Non-periodic costs:

Past service costs
Gains and losses on settlements and curtailments

The current service cost is included within the Net Cost of Services. The net of the interest cost and the expected return on assets is included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Balance Sheet date are recognised in the Statement of Total Recognised Gains and Losses for the period.

Past service costs are recognised in Net Cost of Services on a straight-line basis over period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service cost is recognised immediately.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Authority becomes demonstrably committed to the transaction and is recognised in Net Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in Net Cost of Services at that date.

20. LEASES

Operating and Finance Leases are reported in line with the Code of Practice and SSAP 21. The Authority classifies leases as either "Vehicles, Plant and Equipment," or "Land & Property." Operating Leases are charged to the revenue account on a straight line basis. Rental payments under finance leases are apportioned between the finance charge (interest) and reduction of the outstanding obligation, with the finance charge allocated and charged to revenue over the term of the lease.

21. FOREIGN CURRENCY TRANSLATION

The cost of foreign transactions is determined and included in the Accounts using the exchange rate prevalent on the day the currency was translated to Sterling.

22. REPURCHASE OF BORROWING

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Income and Expenditure Account in the periods during which it is made. Where the repurchase is coupled with a refinancing or restructure with substantially the same overall economic effect, any gains or losses are recognised over the life of the replacement borrowing.

23. VALUE ADDED TAX

VAT is included in the income and expenditure accounts, only to the extent that it is irrecoverable.

24. EXCEPTIONAL, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS

Exceptional items are included in the cost of the service to which they relate or on the face of the Income and Expenditure account if that degree of prominence is necessary in order

to give a fair presentation of the accounts. A description of each exceptional item is given within the notes to the accounts.

Extraordinary items will be disclosed and described on the face of the Income and Expenditure account after dealing with all items within the ordinary activities of the authority and will be explained fully in a note to the accounting statements.

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified, and are accounted for accordingly.

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Account and notes and adjusting the opening balance of reserves for the cumulative effect. The cumulative effects of the adjustments are noted at the foot of the Statement of Total Recognised Gains and Losses of the current period. The effect of prior period adjustments on the outturn for the preceding period will be disclosed where practicable.

25. 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 has occurred (adjusting event), the amounts recognised in the Statement of Accounts are adjusted. Any disclosures affected by the new information about the adjusting event will be updated in the light of the new information.

Where an event that occurs after the balance sheet date is indicative of conditions that arose after the balance sheet date (non-adjusting event) the amounts recognised in the Statement of Accounts are not adjusted.

The following will be disclosed for each material category of non-adjusting event after the Balance Sheet date:

- the nature of the event, and
- an estimate of the financial effect, or a statement that such an estimate cannot be made reliably.

Events after the balance sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. The date when the statement of accounts was authorised for issue and who gave the authorisation is disclosed in the notes to the accounts.

26. CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the accounting statements; they are disclosed by way of notes if there is a possible obligation that may require a payment or a transfer of economic benefit.

27. CONTINGENT ASSETS

Contingent assets are not recognised in the accounting statements; they are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. The disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

28. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

29. FINANCIAL ASSETS

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Available-for-Sale Assets

Assets are maintained in the Balance Sheet at fair value. Values are based on the value of the Authority's shareholding. Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL).

30. INTEREST

The CIPFA SORP states that interest payable on external borrowings and interest income should be accrued and accounted for in the year to which they relate on a basis that reflects the overall economic effect of the borrowings.

The interest credited to Net Operating Expenditure in the Income and Expenditure Account relates to external interest received.

31. LONG-TERM CONTRACTS

A long-term contract is 'A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of 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'. Revenue contracts are charged to revenue as payments are made and capital contracts are charged on the basis of the valuation certificate.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Fire 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 is the Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts

I confirm that the accounts set out on pages 26 to 63 were approved by Cleveland Fire Authority at the meeting held on 26th June, 2009.

Councillor Porley
Chair of Cleveland Fire Authority
Date: 26th June 2009

The Treasurer's Responsibilities

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

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

Certification of the Accounts by the Treasurer

In accordance with the requirements of the Accounts and Audit Regulations I certify that the Statement of Accounts on Pages 26 to 63 presents fairly the financial position of Cleveland Fire Authority at the accounting date and its income and expenditure for the year ended 31st March, 2009.

A Emmerson
Treasurer to Cleveland Fire Authority
Date: 26th June 2009

INCOME AND EXPENDITURE ACCOUNT

Restated 2007/2008		2008/2009			Notes
Net Expenditure £'000		Expenditure £'000	Income £'000	Net Expenditure £'000	
6,219	Community Fire Safety	5,341	135	5,206	
27,270	Fire Fighting and Rescue Operations	25,284	1,118	24,166	
445	Corporate and democratic core	443	0	443	
33,934	Net Cost of Service	31,068	1,253	29,815	
287	Interest payable and similar charges			134	
(542)	Interest and investment income			(439)	
14,606	Pension interest costs and expected return on pension assets			12,571	
(3,860)	Gain in relation to Government Grant payable to the Pension Fund on the Authority's behalf			(6,165)	
44,425	Net Operating Expenditure			35,916	
(3,153)	General government grants			(2,708)	
(18,787)	Non-domestic rates redistribution			(19,452)	
(9,463)	Precepts (Amount met from Council Tax)			(9,907)	
13,022	(Surplus) / Deficit for year			3,849	

Where applicable, the 2007/2008 figures have been restated to account for changes to FRS 17. Further details are provided in Note 12 Page 39.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a cash 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 Council Tax precept that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balances.

Restated 2007/2008 £000		2008/2009 £000
13,022	Deficit/(Surplus) for the year on the Income and Expenditure Account	3,849
(12,874)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (as detailed on page 29)	(5,586)
148	(Increase)/Decrease in General Fund Balance for the Year	(1,737)
(3,181)	General Fund Balance brought forward	(3,033)
(3,033)	General Fund Balance carried forward	(4,770)

Where applicable, the 2007/2008 figures have been restated to account for changes to FRS 17. Further details are provided in Note 12 (Page 39).

RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENTS ON THE GENERAL FUND BALANCE

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

Restated 2007/2008 £000		2008/2009 £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	
(763)	Depreciation and impairment of fixed assets	(1,272)
(5)	Depreciation and impairment of intangible fixed assets	(5)
7	Government Grants Deferred amortisation	7
(24,012)	Net charges made for retirement benefits in accordance with FRS17	(20,239)
3,860	Gain in relation to Government Grant payable to Pension Fund on the Authority's behalf	6,165
(20,913)		(15,344)
	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	
117	Minimum revenue provision for capital financing	115
0	Capital expenditure charged in-year to the General Fund Balance	0
7,748	Employer's contributions payable to the Teeside Pension Fund and retirement benefits payable direct to pensioners	10,446
7,865		10,561
	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	
153	Voluntary revenue provision for capital financing	147
21	Net transfer to or from earmarked reserves	(950)
174		(803)
(12,874)	Net additional amount required to be credited to the General Fund Balance for the year	(5,586)

Where applicable, the 2007/2008 figures have been restated to account for changes to FRS 17. Further details are provided in Note 12 (Page 39).

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

Restated 2007/2008 £000		2008/2009 £000
13,018	(Surplus) or Deficit for the year on the Income and Expenditure Account	3,849
0	Revaluations and Restatements	(4,556)
(48,137)	Actuarial (gains)/losses on pension fund assets and liabilities	(31,221)
(35,119)	Total recognised (Gains)/Losses for the year	(31,928)

Where applicable, the 2007/2008 figures have been restated to account for changes to FRS 17. Further details are provided in Note 12 (Page 39).

This statement brings together all of the recognised gains and losses of the Council during the year. The movement in net worth in the year is the change in the total equity shown in the Balance Sheet on the following page.

BALANCE SHEET

Restated 31st March 2008 £'000		31st March 2009 £'000	31st March 2009 £'000	Notes
	Intangible Assets			
18	Software		14	
	Tangible Fixed Assets			
	Operational			
687	Headquarters	1,214		
16,220	Fire Stations	19,228		
1,912	Vehicles, Plant and Equipment	1,688	22,130	
	Non-operational			
0	Assets Under Construction		228	
1,055	Long Term Investments		0	
19,892	Total Long Term Assets		22,372	6
	Current Assets			
313	Stocks and Works in Progress	282		
1,770	Debtors	3,802		9
8,771	Investments	5,490		20
3	Cash in Hand (Imprests)	3		
267	Bank	(248)		
11,124			9,329	
	Current Liabilities			
4,127	Creditors	5,217		10
3,136	Temporary Borrowings	0		20
7,263			5,217	
23,753	Total Assets less Current Liabilities		26,484	
	Governments Grant Deferred Account	43		11
3,598	Long Term Loans	2,000		20
233,820	Pension Liability	206,228		12
237,468			208,271	
(213,715)	TOTAL ASSETS LESS LIABILITIES		(181,787)	
	Pension Reserve	(206,228)		12
(233,820)	Capital Adjustment Account	15,055		13
15,926	Revaluation Reserve	4,445		14
0	Earmarked Reserves	171		15
1,146			(186,557)	
(216,748)				
3,033	General Fund Balance		4,770	16
(213,715)	NET WORTH		(181,787)	

To comply with the changes to FRS 17 – Retirement Benefits, the balance sheet figures for 31st March 2008 relating to Pension Liability and Pension Reserve have been adjusted from those included in the Statement of Accounts 2007/08.

CASHFLOW STATEMENT

2007/2008 £'000		2008/2009 £'000	2008/2009 £'000
(2,462)	NET REVENUE ACTIVITIES		54
	SERVICING OF FINANCE		
	Cash Outflows		
70	Interest Paid	368	
	Cash Inflows		
(299)	Interest Received	(712)	
(229)	NET SERVICING OF FINANCE		(344)
	CAPITAL ACTIVITIES		
	Cash Outflows		
368	Purchase of Fixed Assets	368	
0	Long Term Investments	0	
368			368
	Cash Inflows		
0	Sale of Fixed Assets	0	
0	Capital Grants	0	
0			0
368	NET CAPITAL ACTIVITIES		368
(2,323)	NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING		78
	<u>Management of Liquid Resources</u>		
4,900	Net Increase/(Decrease) in Short Term Investments	(4,063)	
4,900	NET INCREASE/(DECREASE) IN LIQUID RESOURCES		(4,063)
	<u>Financing</u>		
	Cash Outflows		
0	Repayment of Long Term Loans	1,500	
0	Repaid Short Term Loans	3,000	
0			4,500
	Cash Inflows		
0	New Long Term Loans Raised	0	
(3,000)	New Short Term Loans	0	
(3,000)			0
(3,000)	NET FINANCING		4,500
(423)	INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(515)

NOTE A - RECONCILIATION OF SURPLUS/DEFICIT TO NET REVENUE CASHFLOW

2007/2008 £'000		2008/2009 £000	2008/2009 £000
13,022	(Surplus)/Deficit as per Income and Expenditure Account		3,849
	Non Cash Transactions		
(701)	Depreciation & Government Grants Deferred Amortisation	(1,271)	
(12,404)	Additional Pension Costs calculated in accordance with FRS 17	(3,628)	
(13,105)			(4,899)
	Adjustment for items on Accruals Basis		
(35)	(Reduction) /Increase in Debtors	2,032	
(2,462)	Reduction/(Increase) in Creditors	(1,090)	
47	(Reduction) /Increase in Stock	(31)	
300	(Reduction) /Increase in Other Cash flows	(160)	
(2,150)			751
	Items Classified Elsewhere		
70	Interest Payable	(368)	
(299)	Interest Receivable	721	
(229)			353
(2,462)	Net Cash flow from Revenue Activities		54

NOTE B - RECONCILIATION OF FINANCING AND CASH TO MOVEMENT IN NET DEBT

	2008/2009 £000	2008/2009 £000
Decrease/(increase) in cash	515	
Cash outflow/(inflow) from management of Liquid Resources	4063	
Cash inflows		
New loans raised	0	
Interest accrued and received	271	
Cash Outflows		
Loans repaid	(4,500)	
Investments	0	
Payment of interest accrued at last balance sheet date	(234)	
	(4,734)	
Change in net debt resulting from cash flows		115
Other Non Cash Changes		
Interest accrued at year end on short term investments	(53)	
Transfers from Long term Investments	(1,000)	
	(1,053)	
Net Debt B/Fwd		(2,307)
Net Debt C/Fwd		(3,245)

NOTE C - RECONCILIATION OF NET DEBT TO RELATED ITEMS IN THE BALANCE SHEET

	Cash £000	Liquid Accounts £000	Short Term Investments £000	Total £000	Loans due within one year £000	Loans due after more than one year £000	Net Debt £000
Balance at 1 April 2008	270	563	8,208	9,041	(3,136)	(3,598)	2,307
Receipt/payment of interest accrued	-	-	(271)	(271)	234	-	(37)
Other Cashflows in year	(515)	(562)	(3,501)	(4,578)	2,902	1,598	(78)
Other Non Cash changes	-	-	1,053	1,053	0	0	1,053
Balance at 31 March 2009	(245)	1	5,489	5,245	0	(2,000)	3,245

NOTE D – ANALYSIS OF CHANGES IN CASH AND LIQUID RESOURCES DURING THE YEAR

	1st April 2008 £000	31st March 2009 £000	Change In Year £000
Short Term Investments	8,500	5,437	(3,063)
Cash	267	0	(267)
Bank overdraft	0	(248)	(248)
	8,767	5,189	(3,578)

NOTE E - ANALYSIS OF GOVERNMENT GRANTS

2007/2008 £'000		2008/2009 £'000	2008/2009 £'000
(18,787)	REVENUE		
(3,153)	NNDR Pool	(19,452)	
0	Revenue Support Grant	(2,708)	
	Backdated Population	0	
(21,940)			(22,160)
0	CAPITAL		
		0	
0			0
(21,940)			(22,160)

NOTES TO THE FINANCIAL STATEMENTS

1. PUBLICITY

Under the Local Government Act 1986 the Authority is required to maintain a separate account of expenditure on publicity. The total amount is analysed as follows:

2007/2008 £'000		2008/2009 £'000
30	Advertising - Staff Vacancies	44
9	Advertising - Other including statutory notices	4
39	Total	48

2. MEMBERS ALLOWANCES

In 2008/2009 the Fire Authority's 23 Members were paid a total of £66,145 (£62,711 2007/2008), under the basic allowance and special responsibility scheme.

3. OFFICER'S REMUNERATION

In 2008/09 the Authority employed 757 staff (769 in 2007/08).

In accordance with the Accounts and Audit Regulations 2003, the number of employees whose remuneration was £50,000 or greater is detailed in the Table below in bands of £10,000.

'Remuneration' is measured as gross pay (before deduction of employees' pension contributions), plus compensation for loss of office and any other payments receivable on the termination of employment in line with SORP guidance.

The bandings below have been used since 2002/2003 and are not indexed and therefore do not make any adjustment for inflationary increases each year. These cost of living increases have resulted in an increase in the numbers disclosed since 2002/03.

No. of Employees 2007/2008	Remuneration Band (£)	No. of Employees 2008/2009
11	50,000 to 59,999	10
2	60,000 to 69,999	1
5	70,000 to 79,999	2
0	80,000 to 89,999	0
0	90,000 to 99,999	0
0	100,000 to 109,999	0
0	110,000 to 119,999	0
0	120,000 to 129,999	0
1	130,000 to 139,999	1
0	140,000 to 149,999	0
1	150,000 to 159,999	1

4. RELATED PARTY TRANSACTIONS

In accordance with the 2000 Code of Practice the Authority is required to disclose details of Related Party Transactions. During the year the following transactions arose:

Payments / (Receipts) 2007/08 £'000		Payments / (Receipts) 2008/09 £'000
(1,553)	Council Tax Precepts: - Hartlepool Borough Council	(1,608)
(2,217)	- Middlesbrough Borough Council	(2,337)
(3,241)	- Stockton on Tees Borough Council	(3,407)
(2,452)	- Redcar & Cleveland Borough Council	(2,555)
592	Teesside Pension Fund - Payment of Employers Pension Contribution in respect of employees	521
279	Provision of Support Services - Payment to Hartlepool Borough Council for Provision of Services	260
(37)	- Receipt from Hartlepool Borough Council for Provision of Services	(35)
(50)	- Receipt from Middlesbrough Borough Council for Provision of Services	(43)
(60)	- Receipt from Stockton on Tees Borough Council for Provision of Services	(44)
(43)	- Receipt from Redcar & Cleveland Borough Council for Provision of Services	(41)
(8,782)		(9,289)

There were no specific Related Party Transactions in respect of individual members of the CFA.

Similarly, there were no specific Related Party Transactions in respect of the Chief Fire Officer, the Executive Director or Executive Officers.

5. AUDIT COSTS

In 2008/2009 the Fire Authority incurred the following fees relating to external audit and inspection:

Restated 2007/08 £'000		2008/09 £'000
53	Fees payable for the audit services carried out by the appointed auditor	66
16	Fees in respect of statutory inspection	22
0	Fees for the certification of grant claims/returns	0
1	Fees payable in respect of other services	1
70	Total	89

The statutory inspection fee is funded by DCLG grant.

6. MOVEMENT OF FIXED ASSETS

Cost or Valuation	Operational Assets						2007/08 Total Operational Assets £000
	Headquarters £000	Fire Stations £000	Vehicles, Plant and Equipment £000	Intangible Assets £000	Assets Under Construction £000	Total Operational Assets £000	
Certified Valuation as at 31.03.08	687	16,220	2,148	23	0	19,078	19,237
Revaluations	558	4,001	0	0	0	4,559	0
Reclassifications	0	0	0	0	0	0	0
Additions	0	0	24	0	228	252	368
Impairments	0	(500)	0	0	0	(500)	(57)
Disposals	0	0	0	0	0	0	0
Gross Book Value as at 31.3.09 (A)	1,245	19,721	2,172	23	228	23,389	19,548

Depreciation and Impairments	Operational Assets						2007/08 Total Operational Assets £000
	Headquarters £000	Fire Stations £000	Vehicles, Plant and Equipment £000	Intangible Assets £000	Assets Under Construction £000	Total Operational Assets £000	
At 31.03.08	0	0	(236)	(5)	0	(241)	0
Depreciation For Year	(17)	(393)	(248)	(4)	0	(662)	(711)
Revaluations	(14)	(100)	0	0	0	(114)	0
Reclassifications	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Net Depreciation as at 31.3.09 (B)	(31)	(493)	(484)	(9)	0	(1,017)	(711)
Net Book Value at 31.3.08	687	16,220	1,912	18	0	18,837	19,237
Net Book Value as at 31.3.09 (C = A - B)	1,214	19,228	1,688	14	228	22,372	18,837

Nature of Asset Holding	Headquarters £000	Fire Stations £000	Vehicles, Plant and Equipment £000	Intangible Assets £000	Assets Under Construction £000	Total Operational Assets £000	2007/08 Total Operational Assets £000
Owned	1,214	19,228	1,688	14	228	22,372	18,837

6.1 Assets Under Construction

At the 31st March 2009, a water tender and hydraulic platform were included in the additions above, however, they were not ready for use.

6.2 Capital Expenditure and Financing

2007/2008 £'000	Financing	2008/2009 £'000	2007/2008 £'000	Expenditure	2008/2009 £'000
368	Borrowing	228	311	Vehicles, Plant & Equipment	252
0	Revenue	24	57	Property Improvement	0
368		252	368		252

6.3 Information on Assets Held

Fixed assets owned by the CFA include the following:

	Restated 31st March 2008	31st March 2009
<u>Intangible Assets</u>		
Computer Software Licences	2	2
<u>Operational Buildings</u>		
Headquarters	1	1
Fire Stations	15	15
<u>Operational Equipment</u>		
Water Tenders	23	27
Lorries	2	2
Foam Tenders	2	2
Vans	26	26
Land Rovers	5	5
Cars	31	32
Off Road Vehicle	1	1
Large Rescue Craft	1	1
Fire Safety Vehicle	1	1
Exhaust Fume Extractor	2	0
Communications Equipment	1	1
Community Education Vehicle	1	1
Portakabins	1	1
Hydraulic Platform	0	2

The figures as at 31st March, 2008 have been restated from those included in the note to the 2007/2008 Statement of Accounts.

6.4 Fixed Asset Valuation

The current asset values used in the accounts for the Authority's properties are based upon a valuation certificate issued by Hartlepool Borough Council's Acting Estates Manager, D Dockree, as at 1st April, 2008. Additions during the year are included in the accounts at their cost of acquisition. Asset revaluations are carried out on a five year basis, the next being due on 1st April, 2013. (See Note 3 Page 14). Vehicles, Plant and Equipment are valued on the basis of depreciated cost.

6.5 Capital Expenditure Commitments as at 31st March, 2009

At the 31st March, 2009, the Authority's approved capital expenditure commitments amounted to £0.545m. This commitment will be funded from the unused portion of the 2008/2009 supported Prudential Borrowing allocation which has been carried forward to 2009/2010.

The capital expenditure commitment of £0.545m included two contracts in progress at 31st March 2009, relating to a water tender (£0.17m) and a hydraulic platform (£0.227m).

7. OPERATING AND FINANCE LEASES

See Note 20, Page 21 for the Authority's policy on Leases. The Authority currently has no finance leases or operating leases relating to Land & Property. The Authority extended the operating leases for three operational vehicles by a further four years.

The amounts payable in 2008/09 are as follows:-

	Vehicles, Plant & Equipment	Land & Property
	£000	£000
Payments made in 2008/09	24	0

The amounts committed in 2009/10 are as follows:-

	Vehicles, Plant & Equipment	Land & Property
	£000	£000
Leases expiring in 2009/10	0	0
Leases expiring between 2010/11 and 2013/14	4	0
Leases expiring after 31 st March 2014	0	0
	4	0

8. ANALYSIS OF NET LIABILITIES

The Net Liabilities represents the aggregate reserves (revenue and capital) of the Authority and the sum of local tax payer's equity. The value of total net liabilities is £181.7m (£213.7m in 2007/2008). The decrease is largely owing to a decrease in FRS17 pension liabilities. In cash terms the Authority increased its reserves and has developed a strategy for using these reserves to support future year's revenue budget and one-off capital expenditure commitments. Details of the Authority's reserves and General Fund Balances are provided in notes 15 and 16.

9. CURRENT DEBTORS

2007/2008		2008/2009	2008/2009	2008/2009
Net Debtor		Gross Debtor	Bad Debts Provision	Net Debtor
£'000		£'000	£'000	£'000
85	HM Revenue & Customs	111	0	111
45	General	32	0	32
97	Trade Debtors	110	(17)	93
1,543	DCLG - Pension Top Up Grant	3,566	0	3,566
1,770		3,819	(17)	3,802

10. CREDITORS

2007/2008 £'000		2008/2009 £'000
876	Employees	1,052
0	Trade Creditors	365
3,251	General	3,800
4,127		5,217

This amount includes the closing balance of grant carried forward in relation to the FiReControl Project as detailed in Note 22, page

11. GOVERNMENT GRANTS DEFERRED ACCOUNT

The balance on the Government Grants Deferred Account represents the cumulative value of capital expenditure financed from grants.

2007/2008 £'000		2008/2009 £'000
57	Opening Balance	50
(7)	Transferred to Capital Adjustment Account	(7)
50		43

12. PENSION COSTS

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

The Authority participates in two pension schemes:

- The Local Government Pension Scheme. See Statement of Accounting Policies, Page 19 for further details.
- The Fire-fighter's Pension Scheme. New arrangements were introduced from 1st April, 2006. See Explanatory Foreword, Page 9 for details.

CHANGE OF ACCOUNTING POLICY IN RELATION TO PENSION COSTS

Under the 2008 SORP the Authority has adopted the amendment to FRS 17 – Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

The amended FRS17 has also resulted in changes to reporting requirements with the introduction of new and revised information being disclosed. Where applicable, the previous years figures have been restated to reflect these changes. Current and prior year surplus have been unaffected by these changes.

RANSACTIONS RELATING TO RETIREMENT BENEFITS

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

Restated 2007/2008					2008/2009			
LGPS	FFPS	FFPS	Total		LGPS	FFPS	FFPS	Total
£'000	1992 (Old Scheme) £'000	2006 (New Scheme) £'000	£'000		£'000	1992 (Old Scheme) £'000	2006 (New Scheme) £'000	£'000
				Net Cost of Services:				
886	8,149	371	9,406	Current Service Costs	760	5,782	243	6,785
0	0	0	0	Past Service Costs	81	756	7	844
0	0	0	0	Curtailment and Settlements	39	0	0	39
				Net Operating Expenditure:				
906	14,578	21	15,505	Interest Costs	858	12,554	77	13,489
(899)	0	0	(899)	Expected Return on Assets in the Scheme	(918)	0	0	(918)
			14,606					12,571
				Statement of Movement on the General Fund Balance				
(893)	(22,727)	(392)	(24,012)	Reversal of net charges made for retirement benefits in accordance with FRS17	(820)	(19,092)	(327)	(20,239)
				Actual amount Charged against Council Tax for pensions in the Year:				
701	7,284	(237)	7,748	Employers contributions payable to the scheme	567	9,974	(95)	10,446

Where applicable, the 2007/08 figures have been restated to account for the changes to FRS 17.

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £31,221,000 (£48,137,000 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses.

ASSETS AND LIABILITIES IN RELATION TO RETIREMENT BENEFITS

Reconciliation of present value of scheme liabilities:-

2007/2008					2008/2009			
LGPS	FFPS	FFPS	Total		LGPS	FFPS	FFPS	Total
£'000	1992 (Old Scheme) £'000	2006 (New Scheme) £'000	£'000		£'000	1992 (Old Scheme) £'000	2006 (New Scheme) £'000	£'000
(16,152)	(269,533)	(83)	(285,768)	1 April	(15,478)	(234,548)	(1,265)	(251,291)
(886)	(8,149)	(371)	(9,406)	Current Service Cost	(760)	(5,782)	(243)	(6,785)
(906)	(14,578)	(21)	(15,505)	Interest Cost	(858)	(12,554)	(77)	(13,489)
2,715	46,568	(553)	48,730	Actuarial Gains / (Losses)	3,695	20,419	234	24,348
0	0	0	0	Curtailments Gains / (Losses)	(39)	0	0	(39)
(23)	9,010	(133)	8,854	Benefits Paid	150	11,594	49	11,793
0	0	0	0	Past Service Costs	(81)	(756)	(7)	(844)
(228)	(1,726)	(104)	(2,058)	Contributions from Scheme Participants	(239)	(1,620)	(144)	(2,003)
2	0	0	2	Unfunded Pension Payments	2	0	0	2
(15,478)	(238,408)	(1,265)	(255,151)	31 March	(13,608)	(223,247)	(1,453)	(238,308)

Reconciliation of fair value of the scheme assets:-

Restated 2007/2008					2008/2009			
LGPS	FFPS	FFPS	Total		LGPS	FFPS	FFPS	Total
£'000	1992 (Old Scheme) £'000	2006 (New Scheme) £'000	£'000		£'000	1992 (Old Scheme) £'000	2006 (New Scheme) £'000	£'000
13,231	0	0	13,231	1 April	13,611	0	0	13,611
899	0	0	899	Expected Rate of Return	918	0	0	918
(1,469)	0	0	(1,469)	Actuarial Gains / (Losses)	(3,152)	0	0	(3,152)
701	0	0	701	Employer Contributions	567	0	0	567
228	0	0	228	Contributions from Scheme Participants	239	0	0	239
21	0	0	21	Benefits Paid	(152)	0	0	(152)
13,611	0	0	13,611	31 March	12,031	0	0	12,031

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

The actual return on scheme assets in the years was £0.15m (2007/08: £2.2m).

SCHEME HISTORY

	GAINS / (LOSSES)		
	LGPS	FFPS 1992 (Old) Scheme	FFPS 2006 (New) Scheme
	£'000	£'000	£'000
Present Value of Liabilities (A)	13,608	203,197	1,453
Scheme Assets (B)	12,031	0	0
Surplus / (Deficit) in Scheme (B)-(A)	(1,577)	(203,197)	(1,453)
Experience Adjustments on Scheme Assets	3,152	0	0
Experience Adjustments on Scheme Liabilities	0	0	0
Comparative Totals			
2007/08 - Restated	(1,867)	(230,688)	(1,265)
2006/07 - Restated	(2,923)	(266,683)	(84)
2005/06 - Restated	(3,421)	(262,499)	0
2004/05 - Restated	(3,846)	(227,583)	0

Previous years' figures have been restated to comply with the revised requirements of FRS 17.

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £206.2m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £181.8m.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary

- Finance need only be raised to cover the Fire-fighters pensions when pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March, 2010 is £582,000, and the total contributions expected to be made to the Fire-fighter's Pension Scheme by the Authority in the same year is £1,843,000.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Authority's liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Authority being based on the latest full valuation of the scheme at 31st March, 2007.

The principal assumptions used by the actuary have been: -

2007/2008				2008/2009		
LGPS	FFPS 1992 (Old Scheme)	FFPS 2006 (New Scheme)		LGPS	FFPS 1992 (Old Scheme)	FFPS 2006 (New Scheme)
			<u>Long-Term Expected Rate of Return on Assets in the Scheme:-</u>			
7.1%	n/a	n/a	Equities	6.8%	n/a	n/a
4.3%	n/a	n/a	Gilts	4.0%	n/a	n/a
6.6%	n/a	n/a	Bonds	6.5%	n/a	n/a
6.6%	n/a	n/a	Property	6.4%	n/a	n/a
5.0%	n/a	n/a	Cash	3.0%	n/a	n/a
			<u>Mortality Assumptions:-</u>			
			Longevity at 65 for current pensioners:			
19.51	19.62	19.62	- Male	19.51	19.62	19.62
22.55	22.63	22.63	- Female	22.55	22.63	22.63
			Longevity at 65 for future pensioners:			
20.41	20.50	20.50	- Male	20.41	20.50	20.50
23.43	23.50	23.50	- Female	23.43	23.50	23.50
			<u>Financial Assumptions:-</u>			
3.7%	3.7%	3.7%	Rate of Inflation	3.0%	3.0%	3.0%
5.7%	5.2%	5.2%	Rate of Salary Increase	4.5%	4.5%	4.5%
3.7%	3.7%	3.7%	Rate of Pension Increase	3.0%	3.0%	3.0%
6.6%	6.6%	6.6%	Rate for Discounting	6.7%	6.7%	6.7%
50.0%	50.0%	50.0%	Take-up of option to convert annual pension into retrimment lump sum	50.0%	50.0%	50.0%

The Fire-fighter's Pension Scheme has no assets to cover its liabilities as this is an unfunded pension scheme. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

2007/2008				2008/2009		
LGPS %	FFPS 1992 (Old Scheme)	FFPS 2006 (New Scheme)		LGPS %	FFPS 1992 (Old Scheme)	FFPS 2006 (New Scheme)
74.1	n/a	n/a	Equities	72.1	n/a	n/a
8.0	n/a	n/a	Gilts	11.2	n/a	n/a
1.2	n/a	n/a	Other Bonds	1.5	n/a	n/a
4.7	n/a	n/a	Property	5.2	n/a	n/a
12.0	n/a	n/a	Cash	10.0	n/a	n/a
100.0	n/a	n/a	Total	100.0	n/a	n/a

HISTORY OF EXPERIENCE GAINS AND LOSSES

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March, 2009.

	LGPS	FFPS 1992 (Old) Scheme	FFPS 2006 (New) Scheme
	%	%	%
Differences between expected and actual return on assets	(26.20)	0.00	0.00
Experience Gains & Losses on Liabilities	0.00	0.00	0.00
Comparative Totals			
2007/08 - Restated	(10.79)	0.00	0.00
	3.09	(7.49)	67.91
2006/07 - Restated	0.38	0.00	0.00
	0.00	0.00	0.00
2005/06 - Restated	17.63	0.00	0.00
	0.00	0.00	0.00
2004/05 - Restated	4.66	0.00	0.00
	(3.93)	0.30	0.00

13. CAPITAL ADJUSTMENT ACCOUNT

This account records the consumption of historic cost over the life of the asset and deferred charges over the period that the Authority benefits from the expenditure and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

2007/2008 £'000		2008/2009 £'000
(16,417)	Opening Balance	(15,926)
711	Depreciation	777
57	Impairments	501
0	Revaluation Depreciation	(114)
0	Capital Financing - Revenue	(24)
(7)	Transferred from Government Grants Deferred	(7)
(270)	Minimum Revenue Provision	(262)
(15,926)		(15,055)

14. REVALUATION RESERVE

The revaluation Reserve contains revaluation gains recognised since 1st April, 2008.

2007/2008 £'000		2008/2009 £'000
0	Balance as at 1st April	0
0	Revaluations	4,559
0	Revaluation Depreciation	(114)
0		4,445

15. EARMARKED RESERVES

Balance at 31st March 2008 £'000	Fund	Transfers In £'000	Transfers (Out) £'000	Balance at 31st March 2009 £'000	Notes
	<u>Earmarked General Fund Balances</u>				
92	Innovation Fund	0	0	92	
54	Breathing Aparatus	25	0	79	
1,000	Capital Funding Reserve	24	(1,024)	0	a
1,146	Total Earmarked Reserves	49	(1,024)	171	

a) This reserve is no longer needed and has been transferred via the Income and Expenditure Account to General Fund Balances, see note 16.

16. GENERAL FUND BALANCES

Balance at 31st March 2008 £'000	Fund	Transfers In £'000	Transfers (Out) £'000	Balance at 31st March 2009 £'000	Notes
1,263	Unearmarked General Fund Balances	0	(55)	1,208	a
	<u>Earmarked General Fund Balances</u>				
	<u>Revenue Reserves</u>				
1,691	Budget Support Fund	392	(885)	1,198	b
79	LPSA	0	(35)	44	c
0	PFI Scheme	1,000	0	1,000	d
0	Fire Station Redevelopment	800	0	800	e
0	Uniforms & Potective Clothing	470	0	470	f
0	Incident Command Support Vehicle	50	0	50	g
1,770	Total Revenue Reserves	2,712	(920)	3,562	
3,033	Total General Fund Balances	2,712	(975)	4,770	

General Fund Balances are the Authority's main financial reserves and are earmarked to meet potential expenditure liabilities as detailed below.

a) This amount will be maintained to meet any unforeseen circumstances which might arise. The value of this reserve is approximately £0.2m more than the minimum

Unearmarked General Fund Balance which the Authority's risk assessment has determined needs to be maintained. This position will be reviewed when the Authority prepares the 2010/2011 budget.

- b) This reserve has been established to support future year's budgets and is fully committed to supporting the budget over the period 2009/2010 to 2013/2014.
- c) This amount has been set aside from the Local Public Service Agreement (LPSA) Reward Grant and is earmarked to continue LPSA projects.
- d) This reserve has been created to met the potential one-off costs of implementing the Authority's Public Finance Initiative Scheme.
- e) Fire Station Redevelopment. This reserve has been created to fund the development of Redcar Fire Station and other Fire Stations outside the PFI. The Redcar Fire Station development is a community partnership scheme involving a number of external partners who will provide part of the funding. It will complement the proposed PFI Scheme and will provide a centre of excellence for the delivery of community safety activities in support of the Brigade's integrated community safety strategy. Other Fire Stations outside the PFI will require some refurbishment
- f) This amount has been set aside to meet the costs of replacing uniforms and protective clothing in line with national arrangements.
- g) This reserve has been established to partly meet the cost of replacing this vehicle.

17. RESERVES

This Authority keeps a number of Reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

<u>Fund</u>	Balance at 1st April 2009 £'000	Transfers In / (Out) £'000	Balance at 31st March 2009 £'000	Notes
Revaluation Reserve	0	4,445	4,445	a
Capital Adjustment Account	15,926	(871)	15,055	b
Pensions Reserve	(233,820)	27,592	(206,228)	c
General Fund Balance	3,033	1,737	4,770	d
Earmarked Reserve	1,146	(975)	171	e
<u>Total</u>	(213,715)	31,928	(181,787)	

Purpose of Reserve:

- a) **Revaluation Reserve** – A store of gains on revaluation of fixed assets
- b) **Capital Adjustment Account** – A store of capital resources set aside to meet past expenditure
- c) **Pensions Reserve** – Balancing account to allow inclusion of Pensions Liability in the Balance Sheet
- d) **General Fund** – Resources available to meet future running costs as detailed in note 16.
- e) **Earmarked Reserves** – Surpluses / (Deficits) built up, earmarked for forward planning as detailed in note 15.

18. CONTINGENT LIABILITIES

These refer to amounts that may fall due in the future but where it is not certain whether the amounts might arise and if so, what the amounts may be. In 2008/2009 the contingent liabilities are as follows:

- a) The potential costs of replacing Fire Hydrants that arise when the water mains are renewed. The Authority will meet any such costs from General Fund Balances, should they arise.
- b) The Government are reviewing the applicable date for implementing changes to the commutation factors used for Fire-fighters Pensions. This could result in additional back dated payments to Fire-fighters who retired between 22nd August 2006 and 30th September 2007. If additional costs are incurred it is anticipated that these will be chargeable to the Pension Fund Account and funded from an increase in the top up grant paid by the Department for Communities and Local Government to the Pension Fund Account.

19. POST BALANCE SHEET EVENTS

The Statement of Accounts is signed by the Treasurer and approved by the Authority on 26th June, 2009. As at this date, there were no Post Balance Sheet Events.

20. FINANCIAL INSTRUMENTS BALANCES

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments. The Authority's borrowings includes the closing balance of grant carried forward in relation to the FiReControl Project as detailed in note 22, page 53.

	Long Term		Current	
	2007/2008 £000	2008/2009 £000	2007/2008 £000	2008/2009 £000
Financial Liabilities - Principal Amount	3,500	2,000	3,000	0
Accounting Adjustments	98	0	136	0
Financial Liabilities at Amortised Cost	3,598	2,000	3,136	0
Loans and Receivables - Principal Amount	1,000	0	8,500	5,437
Accounting Adjustments	55	0	271	53
Loans and Receivables	1,055	0	8,771	5,490

Reclassification – No financial instruments were reclassified during the year.

De-recognition – No financial instruments were de-recognised during the year.

Collateral – The Authority held no collateral or provided any collateral for any financial instruments.

Allowance for Credit Losses – Apart from general trade debtors the Authority were not required to make any allowances for credit losses during the year.

Defaults and Breaches – The Authority did not suffer from any defaults or breaches of any financial instruments during the year.

FINANCIAL INSTRUMENTS GAINS/LOSSES

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

	Financial Liabilities	Financial Assets	
	Liabilities measured at Amortised Cost £000	Loans and Receivables £000	Total £000
Interest expense	(149)	0	(149)
Losses on derecognition	0	0	0
Impairment losses	0	0	
Interest payable and similar charges	(149)	0	(149)
Interest Income	0	439	439
Gains on derecognition	0	0	0
Interest and investment income	0	439	439
Gains on revaluation	0	0	0
Losses on revaluation	0	0	0
Amounts recycled to the Income & Expenditure Account after Impairment	0	0	0
Surplus arising on revaluation of financial assets	0	0	0
Net gain/(loss) for the year	(149)	439	290

FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.
- The fair values for loans and receivables have been determined by prevailing benchmark market rates.
- Where an instrument has a maturity of less than twelve months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of financial liabilities are calculated are as follows:

	2007/2008		2008/2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	1,597	1,539	0	0
Market Loans	2,001	2,005	2,000	1,936
Trade Debtors	112	112	110	110
Total Debt	3,710	3,656	2,110	2,046

The fair values for temporary borrowing and trade creditors are assumed to be those of the carrying values.

The fair values of financial assets are calculated as follows:

	2007/2008		2008/2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans maturing within 1 Year	8,771	8,771	5,490	5,490
Money Market Loans maturing after 1 Year	1,055	1,055	0	0
Trade Creditors	940	940	365	365
	10,766	10,766	5,855	5,855

The fair values of trade debtors are equal to those of their carrying value.

The differences are attributable to fixed interest instruments payable being held by the Authority whose interest rate is higher than the prevailing rate estimated to be available at 31st March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

DISCLOSURE OF NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

The Authority's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Refinancing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;

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

These are required to be reported and approved at or before the Authority's annual Precept budget setting meeting. These items are reported with the annual Treasury Management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members.

In response to worsening economic conditions and increased risk of counterparty default the Authority adopted a new approach to investing its cash from January 2009, whereby the cash from maturing investments have been placed in a Pooled Investment Fund with Hartlepool Borough Council. This has enabled the Authority to achieve mitigate risk by spreading its investments with a greater number of counterparties and a lower level of investment with each counterparty.

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

Credit Risk

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

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Authority's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions. The balances shown relate to principal amounts only and therefore do no include accrued interest.

	31st March 2009 £000	Historical Experience of Default %	Adjustment for Market Conditions at 31st March 2009 %	Estimated Maximum Exposure to Default £000
Deposits with Banks and Financial Institutions				
AA Rated Counterparties	1,000	0.06	0.06	1
Pooled Investment Fund with Hartlepool Borough Council	4,438	0.209	0.209	9
Trade Debtors	110	15	15	17

The historical experience of default factor for the Pooled Investment Fund has been obtained from the default factors applying to each of the counterparties included within the fund.

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for its trade debtors, such that £18,000 of the £110,000 balance is past its due date for payment. The maturity profile of debtors is shown overleaf.

31 March 2008 £'000	Trade Debtors	31 March 2009 £'000
95	Less than three months	94
1	Three to six months	0
1	Six months to one year	0
15	More than one year	16
112		110

Collateral – During the reporting period the Authority held no collateral as security.

Liquidity Risk

The Authority has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to Authorities (although it will not provide funding to Authorities whose actions are unlawful). The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority manages its liquidity position through the Risk Management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved Prudential Indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the Central Treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities (principal amounts) is as follows:

31 March 2008 £'000	Financial Liabilities	31 March 2009 £'000
3,000	Less than one year	0
0	Between one and two years	0
0	Between two and seven years	0
0	Between seven and fifteen years	0
3,500	More than fifteen years	2,000
6,500		2,000

The maturity analysis of financial assets (principal amounts) is as follows:

31 March 2008 £'000	Financial Assets	31 March 2009 £'000
9,063	Less than one year	5,437
0	Between one and two years	0
1,000	Between two and three years	0
0	More than three years	
10,063		5,437

All trade and other payables are due to be paid in less than one year and trade debtors of £110,000 are not shown in the table above.

Market Risk

Interest rate risk - The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowing at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the

General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's Prudential Indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

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

	£000
Increase in interest payable on borrowings	20
Increase in interest receivable on loans	(55)
Impact on Income and Expenditure Account	(35)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

Price Risk - The Authority does not invest in equity shares and therefore does not have any exposure to loss arising from price changes.

Foreign Exchange Risk - The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

21. RESTATEMENT OF 2007-08 INFORMATION

The table below shows changes to the comparative figures for 2007/2008 to those published in the 2007/2008 Statement of Accounts: -

	Original 2007/2008 £000	Restated 2007/2008 £000	Change £000	Notes
<u>Income & Expenditure Account</u>				
Pension Interest Costs and Expected Return on Pension Assets	14,602	14,606	4	a
<u>Statement of Movement on General Fund Balance</u>				
Net Charges made for retirement benefits in accordance with FRS17	(24,008)	(24,012)	(4)	a
<u>Statement of Total Recognised Gains and Losses</u>				
Actuarial (gains) / losses on pension fund assets and liabilities	(48,272)	(48,137)	135	a
<u>Balance Sheet</u>				
Pension Liability	233,685	233,820	135	a
Pensions Reserve	(233,685)	(233,820)	(135)	a
<u>Note 5 to the Accounts - Audit Costs</u>				
Fees in respect of statutory inspection	0	16	16	b
<u>Note 6.3 to the Accounts - Assets Held</u>				
<u>Operational Equipment</u>				
Vans	29	26	(3)	c
Portakabins	2	1	(1)	c

- a) Owing to recent changes to FRS 17 it has been necessary to restate a number of previous year's figures to comply with the new requirements of the amended SORP. Further details are provided in Note 12 (page 39).
- b) This information was not included in the 2007/2008 Statement of Accounts. The 2007/2008 figures have been included as recommended in the audit memo.
- c) Changes to the Fixed Asset Register has lead to a change in the number of Assets Held. When analysing this information it has been necessary to restate the number of some assets held at 31st March 2008, to ensure the appropriate comparisons can be made to the 2008/09 year end position.

22. FIRECONTROL PROJECT IMPLEMENTATION AND TRANSITIONAL COSTS AND FUNDING

The four North East Fire Authorities Fire Authorities (Cleveland Fire Authority, County Durham and Darlington Fire and Rescue Authority, Northumberland County Fire and Rescue Authority and Tyne and Wear Fire and Rescue Authority) are collaborating on the implementation of the FiReControl Project which will establish a single control centre for the North East. The North East Fire Authorities have established a local authority controlled company – North East Fire Control Company Limited to deliver this service once the new control centre becomes operation. It is currently anticipated that services will transferred on a phased basis commencing in 2010/11.

The four North East Fire Authorities have incurred implementation and transitional costs on this project. These costs are funded from a specific Government grant. Cleveland Fire Authority acts as lead authority for this project and the expenditure and income for 2008/09 is summarised in the table below. The closing balance of grant carried forward is held as a creditor on Cleveland Fire Authorities Balance Sheet. These resources will be used in 2009/10 to meet ongoing implementation and transitional costs.

2007/2008 £'000		2008/2009 £'000
(557)	Opening balance of grant brought forward	(2,028)
	Regional Control Project	
652	Expenditure	1,218
652		1,218
(294)	DCLG Grant Transferred from County Durham	(194)
(248)	DCLG Grant Transferred from Northumberland	(190)
(388)	DCLG Grant Transferred from Tyne & Wear	(241)
(1,193)	DCLG Grant Transferred from Cleveland	(1,686)
(1,471)	Excess of Income over expenditure	(1,093)
(2,028)	Closing net balance of grant to carry forward	(3,121)

PENSION FUND ACCOUNT STATEMENTS

The pension fund is an unfunded scheme established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006, administered by the Authority. The scheme has no investment assets and does not account for benefits payable in the future. The difference between contributions from employers and employees and the benefits payable is funded by top-up grant from the Government.

The accounts are prepared in accordance with the same code of practice and accounting policies as outlined in the Statement of Accounting Policies starting on page 9.

Any Government funding payable is paid in two instalments, 80% of the estimated annual amount at the start of the year and the actual balance paid following completion of accounts for the year.

FUND ACCOUNT

2007/2008 Net Expenditure / (Income) £'000		2008/2009		
		Expenditure £'000	Income £'000	Net Expenditure / (Income) £'000
	Contributions receivable			
	From employer			
(3,495)	Normal		(3,323)	
(18)	Ill Health Contributions		(18)	
(1,835)	From members		(1,762)	
(5,348)				(5,103)
	Transfers in			
(278)	Individual transfers in from other schemes		(48)	
(278)				(48)
	Benefits payable			
6,668	Pensions	7,378		
2,708	Commutations and lump sum retirement benefits	3,826		
0	Injury Gratuity	0		
0	Ill Health retirement	0		
9,376				11,204
	Payments to and on account of leavers			
110	Individual transfers out to other schemes	112		
110				112
3,860	Net amount payable for the year			6,165
(3,860)	Top-up grant payable by the Government			(6,165)
0				0

NET ASSETS STATEMENT

2007/2008 £'000		2008/2009 £'000
	Net current assets and liabilities	
1,543	Debtor: Pension top-up grant receivable from the Government	3,566
(1,543)	Amount owing to General Fund	(3,566)
0	Net current assets	0

The above statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. Further information about FRS17 liability is contained in note 12 on page 39.

In accordance with the requirements of FRS 17 the actual cost of pensions required for Council Tax setting purposes is replaced by the current service cost of pensions in the Income and Expenditure Account and reversed out in the Statement of the Movement in the General Fund Balance.

CONTINGENT LIABILITY

The Government are reviewing the applicable date for implementing changes to the commutation factors for Fire-fighters who retired between 22 August 2006 and 30 September 2007. If additional costs are incurred it is anticipated that these will be chargeable to the Pension Fund Account and funded from an increase in the top-up grant paid by the Department for Communities and Local Government to the pension Fund Account.

ANNUAL GOVERNANCE STATEMENT 2008/2009

1. SCOPE OF RESPONSIBILITY

Cleveland Fire Authority is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards,
- that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Cleveland Fire Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, Cleveland Fire Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Cleveland Fire Authority's functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve priorities, objectives and policies 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 Cleveland Fire Authority's priorities, objectives and policies, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Cleveland Fire Authority for the year ended 31st March 2009.

3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of the Fire Authority's internal control environment are as follows:

The Fire Authority has a Members handbook, information from which is available on the Internet for staff and the public. The Handbook includes the following:

- List of Members
- Schedule of meetings
- Appointment of Committees and terms of reference for the Committees
- Terms of Reference and delegated powers
- Members Allowance Scheme
- Financial Procedure Rules
- Standing Orders and Contract Procedural Rules
- Code of Conduct
- Information on Register of Interests, Gifts & Hospitality Register and Allowances
- Policies, such as: Freedom of Information, Implications of Human Rights Act, Information Security, RIPA, Health & Safety, Whistleblowing and Anti-Fraud & Corruption Strategy.

The staff handbook sets out internal control and managerial procedures. Standards of conduct and probity issues are also addressed within this handbook.

Cleveland Fire Authority meets on an annual basis to review and approve the Governance arrangements. Meetings are open to the public except where personal or confidential matters are disclosed. Minutes from the Committee meetings are published on the Internet for public viewing.

Services are provided to the Fire Authority through SLA's with the constituent Authorities. A Legal Advice/Monitoring Officer is currently provided by Hartlepool Borough Council whilst the Authority employs directly a Treasurer to the Authority. The Fire Authority has adopted a 'Local Code of Corporate Governance' in accordance with the CIPFA/SOLACE Framework for Corporate Governance. A communication strategy has been developed and implemented to ensure that staff are aware of their responsibilities in relation to the Code. Policy and decision making is made by Cleveland Fire Authority.

The Authority operates an Integrated Personal Development System and workforce development strategy to ensure services are delivered by trained and experienced personnel. All posts have job descriptions and person specifications to ensure this. Induction training is provided to all staff. Training is tailored to job needs/requirements based on a needs analysis.

The Fire Authority has collaborated with other local brigades to share established public consultation forums. In addition, this year the Fire Authority has worked on strengthening its participation in the consultation process, by widening its stakeholder list to include community forums, focus groups and residents surveys. Feedback from these forums is taken account of when formulating key documents such as the Integrated Risk Management Plan 2008/11 to assist in the focus on prevention.

The Fire Authority publishes:

- An Annual Report, which encompasses the requirements of the Fire & Rescue Services Act 2004, and takes account of Best Value and the Strategic Plan 2005/06 – 2008/09, which contains the key priorities for the Fire Authority, identifying and communicating the Authority's vision of its purpose and intended outcomes for the community.
- A three year Integrated Risk Management Plan, which guides medium term planning. Implementation of services is through an annual action plan.

The Fire Authority has robust systems for identifying and evaluating all significant risks. A risk management framework consisting of strategy, policy and systems are in place for managing risks. A risk management toolkit has been communicated to all managers and in addition to internal training; the Association of Local Authority Risk Managers (ALARM) has provided further training to senior and middle managers. The framework and toolkit in use at the Fire Authority have been acknowledged as national and good practice by the Improvement and Development Agency (I&DeA). There are comprehensive links between risk management, service prioritisation and business planning. Through the active risk management framework, risk assessment and management is embedded and informs business and resource decisions. Cleveland Fire Authority is recognised by other organisations as providing good training programmes in Risk Management. The Integrated Risk Management Plan is aligned to the Financial Strategic Planning Process. Resources are linked to key objectives and then approved through the budget planning process. The quality of services to be delivered to the community are measured to ensure they are delivered in accordance with the Authority's key objectives and represent value for money.

A robust performance management system is in place which uses a traffic light system to indicate areas of compliance and non-compliance. Improvement Action plans are produced based upon the areas of partial or full non-compliance identified from the Fire Authority's performance and risk management arrangements and also from issues raised by Internal Audit and other inspections. Performance Management operates throughout the organisation. Performance outcomes are reported monthly to the Strategic Management Team and quarterly monitoring reports are sent to the Audit and Governance Committee. Performance reports inform resource decisions after areas of poor performance are identified. An Improvement Action Plans – Annual Summary is produced

on the outcomes of the implementation of action plans. The Fire Authority was a leading partner in the development of a Performance Management Model for adoption by the Fire & Rescue Service Best Value Family Group 4.

The partnership governance framework has three complimentary and integrated elements:

- Partnership Policy - demonstrating strategic commitment.
- Partnership Strategy - defining medium term ambitions and priorities.
- Standard operating – providing guidance to Brigade staff how to start up, maintain and exit a partnership.

A process is in place to enable Internal Audit to report on a regular basis to the Audit and Governance Committee on the effectiveness of the organisation's system of internal control. Recommendations for improvement are also made and reported on. Internal Audit performance is measured against standards agreed by management and Members. These indicators were met for 2008/2009.

Other review bodies external to the Authority also make regular reports on efficiency, effectiveness and compliance with regulations. These reviews include:

- A Comprehensive Performance Assessment conducted by the Audit Commission.
- Peer Review by the I&DeA
- Fire Service Pay Verification by the Audit Commission
- Completion of the Annual Audit and Inspection Plan and Annual Audit and Inspection Letter by the Audit Commission

4. REVIEW OF EFFECTIVENESS

The Fire Authority's Treasurer has the responsibility for conducting, at least annually, a review of the system of internal control. The review of the effectiveness of internal control is informed by the work of Internal Audit and Senior Managers who have responsibility for the development and maintenance of the internal control environment. Additional comments are made by external audit and other review agencies and inspectorates.

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

- Internal Audit – the Fire Authority's Treasurer has the responsibility for maintaining and reviewing the system of financial internal control. In practice, the Fire Authority, and its External Auditor, takes assurance from the work of Internal Audit. In fulfilling this responsibility:
 - Internal Audit operates to CIPFA's Code of Internal Audit Practice and the Institute of Internal Auditors' Guidance and Code of Ethics.
 - Internal Audit reports to the Director of Corporate Services and the Audit and Governance Committee.
 - The Head of Internal Audit at Hartlepool Borough Council provides an independent opinion on the adequacy and effectiveness of the system of internal financial control.
 - Internal audit plans are formulated from an approved risk assessment package.
- External Audit – in their annual audit letter, comment on financial aspects of corporate governance and performance management. External audit also expresses an opinion on the adequacy of Internal Audit work.
- Other review and assurance mechanisms: for example, review by Communities and Local Government (CLG).

- A Comprehensive Performance Assessment was undertaken by the Audit Commission and a good rating was awarded. A corporate action plan has been formulated using the approved risk assessment toolkit and will be monitored on a quarterly basis.

ANNUAL REVIEW OF CORPORATE GOVERNANCE AND INTERNAL CONTROL ARRANGEMENTS -2008/2009
ACTION PLAN FOR 2009/10

The following significant internal control issues have been identified:

No.	Issue	Action
AGS1	Improving against the outcomes of Use of Resources assessment 2008.	<ul style="list-style-type: none"> ▪ Use of Resources Corporate Improvement Plan to be put in place to ensure implementation of areas identified for improvement.
AGS2	Reduce the overall cost base of the revenue budget in line with the medium term financial strategy.	<ul style="list-style-type: none"> ▪ Implement the IRMP 2008/2011 Action Plan (year 2).
AGS3	Develop the Corporate Governance Arrangements associated with Partnership Working.	<ul style="list-style-type: none"> ▪ Develop and implement a Partnership Strategy. ▪ Implement a Community Engagement Strategy.
AGS4	Promote greater partnership and collaborative working.	<ul style="list-style-type: none"> ▪ Support and establish the delivery of a North East Regional Procurement Project.
AGS5	Authority's Performance Framework,	<ul style="list-style-type: none"> ▪ Assess the implications to Cleveland of the Audit Commission's CAA. ▪ Establish Performance Management Strategy to deliver amendments to Performance Management Framework ▪ Review SMT/CFA committee structure ▪ Review organisational performance reports. ▪ Review area performance reports ▪ Establish organisational performance indicators that enable the authority to better measure efficiency and allow benchmarking with others
AGS6	Further develop the Authority's Risk Framework.	<ul style="list-style-type: none"> ▪ Review and implement the Authority's Business Continuity Plan. ▪ Review and implement the Authority's Risk Management Strategy.
AGS7	Delivering against the Equality and Diversity statutory framework.	<ul style="list-style-type: none"> ▪ Establish proposals to address the identified Brigade wide Equal Pay issues. ▪ Develop and implement a Succession Planning Strategy. ▪ Implement a Community Cohesion Strategy.

		<ul style="list-style-type: none"> ▪ Develop a more diverse workforce profile.
AGS8	Improvement/Value for Money	<ul style="list-style-type: none"> ▪ Review and Implement the Authority's Efficiency Strategy ▪ Assess implications to Cleveland of Audit Commissions 'Rising to the Challenge' document ▪ Produce a five year community safety activity evaluation programme ▪ Produce a five year service review programme ▪ Establish performance indicators for efficiency

We have been advised on the outcome of the review of effectiveness of the Fire Authority's system of internal control by Cleveland Fire Authority and the Performance Scrutiny Committee. A plan to address areas for development to ensure continuous improvement of the systems is in place and shall be monitored by the Audit & Governance Committee.

Chief Fire Officer
Date:

Chair of CFA
Date:

MEMORANDUM NOTES

REGIONAL MANAGEMENT BOARD

Cleveland Fire Authority is a member of the North East Fire and Rescue Regional Management Board (RMB), a joint committee which was created to take forward the regional dimension of the fire and rescue modernisation agenda. The other authorities comprising the RMB are County Durham and Darlington Fire and Rescue Authority, Northumberland County Fire and Rescue Authority and Tyne and Wear Fire and Rescue Authority. The accounts of the RMB are administered by Cleveland Fire Authority. Mr A Emmerson (CPFA) is Treasurer to both Cleveland Fire Authority and the RMB. All expenditure incurred by the RMB is fully met by equal contributions from the four constituent authorities.

The expenditure and income for 2008/2009 was as follows:

2007/2008 £'000		2008/2009 £'000
(121)	Opening net balance of service brought forward	(148)
	Revenue Memorandum Account	
11	Treasurer and Audit Fee	14
10	Clerking Services	4
21		18
(48)	Contributions from Constituent Authorities	(40)
(27)	Excess of Income over expenditure	(22)
(148)	Closing net balance of service to carry forward	(170)

The balance on the RMB account has increased by the £22,000 excess of income over expenditure during 2008/2009. When added to the opening balance of £148,000 this leaves a closing balance of £170,000 to carry forward into 2009/2010.

EXAMPLE OF INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLEVELAND FIRE AUTHORITY

Opinion on the Financial Statements

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

This report is made solely to the members of Cleveland Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective Responsibilities of the Treasurer and Auditor

The Treasurer's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

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

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

I read other information published with the accounting statements, the firefighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the firefighters' pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword and the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material

inconsistencies with the accounting statements, the firefighters' pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of Audit Opinion

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

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

Opinion

In my opinion:

The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31st March, 2009 and its income and expenditure for the year then ended; and

The firefighters' pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the firefighters' pension fund during the year ended 31st March, 2009 and the amount and disposition of the fund's assets and liabilities as at 31st March, 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Cleveland Fire Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March, 2009.

Best Value Performance Plan

My predecessor has issued our statutory report on the audit of the Authority's Best Value Performance Plan for the financial year 2008/2009 on 31st December, 2007. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Lynne Snowball
District Auditor

Audit Commission
Nickalls House
Metro Centre
Gateshead
Tyne & Wear
NE11 9NH

Date:

Lynne Snowball, District Auditor, signed the Independent auditor's report on _____ and this document is held by the Authority. The District Auditor's signature has not been reproduced in this printed document in line with Audit Commission guidance restricting the reproduction of Auditor's signatures.

GLOSSARY OF TERMS

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices 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 do not include estimation techniques.

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 Income and Expenditure Account or Balance Sheet it is to be presented.

ACQUIRED OPERATIONS

Operations comprise services and divisions of service as defined in BVACOP. Acquired operations are those operations of the local authority that are acquired in the period.

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.

CAPITAL EXPENDITURE

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

CLASS OF TANGIBLE FIXED ASSETS

The classes of tangible fixed assets required to be included in the accounting statements are:

Operational assets

- Headquarters
- Fire Stations
- Vehicles, plant, furniture and equipment

Non-operational assets

- Investment properties
- Assets under construction
- Surplus assets, held for disposal

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:

- a) 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
- b) 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 local 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) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

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.

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.

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) termination of employee's services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify for only reduced benefits.

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, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion 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:

- a) 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.
- b) The activities related to the operation have ceased permanently.
- c) 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 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.
- d) 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.

ESTIMATION TECHNIQUES

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

Estimation techniques implemented 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:

- a) 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.
- b) Difference 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.

EVENTS AFTER THE BALANCE SHEET DATE

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

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.

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.

FAIR VALUE

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

FINANCE LEASE

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all (normally 90% or more) of the fair value of the leased asset. The present value should be calculated by using the interest rate implicit on the lease.

However, where the present value of the minimum lease payments does not amount to 90% or more of the fair value of the leased asset, it should not be automatically assumed that the lease is not a finance lease. FRS 5 requires that the substance of the transaction be reflected and therefore the lease may still need to be classified as a finance lease.

Notwithstanding the fact that the lease meets the definition above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

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 or 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.

INTEREST COST (PENSIONS)

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.

INVESTMENT PROPERTIES

Interest in land and/or buildings:

- a) in respect of which construction work and development have been completed; and
- b) which is held for its investment potential, any rental income being negotiated at arm's length.

INVESTMENTS (PENSIONS FUND)

The investments of the Pensions 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.

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.

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.

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 the particular asset in its existing condition and in its existing use, that is 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 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 the rental income is negotiated at arm's length.

OPERATING LEASES

A lease other than a finance lease.

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 COST

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.

PRIOR PERIOD 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:

- a) 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
- b) the accrued benefits for members in service of the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

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 pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an Authority include:

- Central Government;
- Local Authorities and other bodies precepting or levying demands on the Council Tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its members;
- its Chief Officers; and
- its Pension Fund.

Examples of related parties of a pension fund include its:

- administering Authority and its related parties;
- scheduled bodies and their related parties; and
- Trustees and Advisors;

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

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 of 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 payment of benefits.

This list is not intended to be comprehensive.

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

REMUNERATION

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 the employer are excluded.

RENEWALS ACCOUNTING

Where renewals accounting is adopted, the level of annual expenditure required to maintain the operating capacity of the infrastructure asset is treated as depreciation charged for the period. Actual expenditure is capitalised as incurred. Renewals accounting may only be used for infrastructure assets which meet the relevant requirements.

RESEARCH AND DEVELOPMENT

Expenditure falling into one or more of the following broad categories:

- pure (or basic) research : experimental or theoretical work undertaken primarily to acquire new scientific or technical knowledge for its own sake rather than directed towards any specific aim or application;
- applied research: original or critical investigation undertaken in order to gain new scientific or technical knowledge and directed towards a specific practical aim or objective;
- development: use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed.

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.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects 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.

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.

Stocks comprises the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long term contract balances; and
- finished goods.

TANGIBLE FIXED ASSETS

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

USEFUL LIFE

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

FURTHER INFORMATION

Copies of this document can also be provided on audiotape or in large print, Braille and ethnic minority languages on request. We can also be contacted via Typetalk and enquiries in any language can be dealt with in person or on the telephone using Language Line instant translation service.

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