NORTH YORKSHIRE FIRE & RESCUE AUTHORITY

STATEMENT OF ACCOUNTS

12 MONTH PERIOD TO THE 31st MARCH 2018

Final Audited

NARRATIVE REPORT

1. INTRODUCTION

The North Yorkshire Fire and Rescue Authority was constituted on 5 December 1995 under the North Yorkshire Fire Services (Combination Scheme) Order 1995. The accounts presented cover the year ended 31st March 2018 and are in the format laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (*The Code*) issued by the Chartered Institute of Public Finance and Accountancy and in accordance with the International Accounting Standards Board framework for the preparation and presentation of financial statements as interpreted by the Code. The code is based upon International Financial Reporting Standards (IFRS).

The purpose of this narrative report is to act as a guide to the most significant matters impacting on the Fire Authority's finances. It sets out where the Authority's money comes from and what it is spent on as well as its financial position. The narrative report also provides an explanation of the key financial statements making them easier to understand:

(a) the **Movement in Reserves Statement** which shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. Examples of usable reserves are the general fund balance and the earmarked pay and price reserve; these are usable as they have been created by setting aside funds. Examples of unusable reserves include the revaluation reserve and the capital adjustment account; these are unusable because they are created by accounting adjustments and not backed by funds.

(b) the **Comprehensive Income and Expenditure Statement;** this shows the accounting cost of providing the service in year in accordance with International Financial Reporting Standards; however this is different to the actual expenditure funded through government grants and council tax. This is because this statement includes a number of adjustments made in accordance with regulations, the largest relating to the long term cost of unfunded pension schemes. The Comprehensive Income and Expenditure Statement reconciles the year on year change in the net assets and Reserves held in the Balance Sheet.

An example of expenditure included within the accounting cost but not funded from taxation is the cost of depreciation on the Authority's Property, Plant and Equipment of £1,907,000 in 2017/18 charged to the net cost of services within the Comprehensive Income and Expenditure Statement (CIES). However, this charge is not funded from Council Tax, nor is it included in the Net Service Expenditure reported within the Summary of Revenue Spending in paragraph 5 of this Narrative Report. A reconciliation of how the Net Service Expenditure relates to the amounts included within the CIES is shown within the Expenditure and Funding Analysis in Note 8 to the Accounts.

(c) the **Balance Sheet;** this is a statement of the financial position of the Authority and shows the balances and reserves at its disposal, its long term indebtness and the net assets employed in providing services.

(d) the **Cashflow Statement;** this shows the changes in cash and cash equivalents of the Authority during the financial year. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the Authority's services are funded by way of taxation, grant income or income generated from services provided.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of borrowing to the Authority.

(e) the **Pension Fund Accounts;** these show the income and expenditure during the financial year of the Firefighters Pension Fund together with the financial position of the Fund on 31st March 2018.

In addition to the statements the following are also included:

(f) **the Independent Auditor's Report;** this explains the auditor's responsibilities in relation to the Statement of Accounts. It also expresses an opinion on the Accounts and shows how this opinion was reached. The report also gives a conclusion on value for money in terms of arrangements for securing economy, efficiency and effectiveness.

(g) the **Annual Governance Statement;** this sets out the framework within which financial control and corporate governance is managed and reviewed by the Authority, the main components of the system. It also reports on significant identified weaknesses and the actions undertaken to rectify these.

(h) **the Statement of Responsibilities for the Statement of Accounts;** this outlines the Authority's responsibilities for the Accounts under local government legislation and any other requirements. It also reports the legal and professional responsibilities for the Accounts of the Section 151 Officer.

(i) **the Statement of Accounting Policies;** this explains the principles, bases, conventions and rules applied by the Authority when preparing the Statement of Accounts.

(j) **Notes to the Accounts** including a summary of significant accounting policies along with other explanatory information and supporting detail.

2. CHANGES IN ACCOUNTING POLICIES AND PRESENTATION OF THE ACCOUNTS

(a) There have been no changes in accounting policy, nor to the presentation of the accounts in 2017/18.

(b) **Accounting Standards that have been issued but not yet adopted by the Authority**
The Code requires changes in accounting policy to be applied retrospectively unless otherwise specified. In addition, an authority is required to disclose information relating to the impact of an accounting change that will be required by a new standard which has been issued but not adopted. The impact of such standards on the Authority is disclosed in note 2 to the accounts.

3. CAPITAL EXPENDITURE

In the year ended 31 March 2018, the Authority spent £1,913,000 on capital expenditure and a comparison with the original approved Capital Plan is set out below:

	Approved Plan £000	Actual £000	Difference £000
Property & Accommodation	1,895	1,065	(830)
Vehicles	1,865	521	(1,345)
Information Technology	1,221	327	(894)
	4,981	1,913	(3,068)

Actual capital expenditure was therefore £3,068,000 less than the plan approved in February 2017. The principal reasons for this were:

- The delay in commencing building projects at Ripon and Northallerton Fire Stations during the year. The project at Northallerton remains deferred whilst collaborative opportunities are considered.

- The delays in the purchase of Fire and Special Appliances in year due to a lack of staffing resources in year. Likewise, the IT Project of the Core Hardware Infrastructure Replacement Programme was delayed.

Capital expenditure was funded as follows:	Approved Plan £000	Actual £000	%
External Borrowing	2,638	-	-
Internal Borrowing	1,122	1,174	61
Capital Contributions	-	411	22
Capital Receipts	1,221	327	17
	4,981	1,913	100

4. BORROWING

(a) External Borrowing

Total external borrowing at 31st March 2018 was £14,172,900, all of which has been for capital purposes, and is equivalent to £17.43 per head of population. No new external borrowing was taken during 2017/18.

(b) Internal borrowing

The Authority undertook internal borrowing of £1,174,300 in respect of the 2017/18 capital programme. This option is possible because of the Authority's cash balance with a daily average of £10,088,500 in 2017/18. This consists of cash flows generated (e.g. creditors), core cash held in reserves and balances, and cash built up through the provision for the future repayment of existing debt, the majority of which is on a maturity basis. Over the next two to three years, investment rates are expected to continue to be below long term borrowing rates. Value for money can therefore be obtained by delaying external borrowing and using internal cash balances to finance new capital expenditure.

5. SUMMARY OF REVENUE SPENDING

(a) The main components of the budget for 2017/18 and a comparison with the actual position are set out below:

		Budget	Actual	Difference
Expenditure:		£000	£000	£000
Employees		19,385	19,508	123
Pensions		2,782	2,892	111
Premises		2,081	2,125	44
Transport	see note (c)	732	871	139
Supplies and Services	see note (c)	2,660	2,796	135
Operating Leases		224	244	20
External Service Agreements		220	241	20
PFI		787	796	10
Capital Financing Costs		2,483	2,409	(74)
		31,354	31,881	527
Income :				
General Income		(309)	(439)	(130)
Interest on Balances		(40)	(49)	(9)
PFI Grant		(649)	(649)	-
Other Grants		(461)	(893)	(433)
		(1,458)	(2,030)	(571)
Net Service Expenditure		29,895	29,851	(44)
Financed By :				
Formula Grant		(4,086)	(4,086)	-
Baseline Funding		(5,509)	(5,694)	(185)
Precept Income		(20,046)	(20,046)	-
End of Year		(29,641)	(29,826)	(185)
(Surplus) / Deficit in year before transfers from reserves		255	25	(229)

(b) **General Fund Balance:**

	Budget	Actual	Difference
As at 1st April 2017 - General Fund	(2,669)	(2,669)	0
(Surplus) / Deficit in Year	255	25	(229)
Transfer (from)/to Pensions Reserve	-	(108)	(108)
Transfer (from)/to Pay & Price Reserve	-	(54)	(54)
Transfer (from)/to Earmarked Revenue Grants	-	132	132
As at 31st March 2018 - General Fund	**(2,415)**	**(2,675)**	**(260)**

(c) The net expenditure budget for 2017/18 set in February 2017 was £29,895,000 and included a planned transfer from the general fund balance of £255,000. However, income from Retained Business Rates retention was £185,000 greater than expected due to a recalculation by Government in June 2017 of the amount due under the Autumn Settlement, and also the implications of the 2017 Rates Revaluation exercise undertaken by the Valuation Office.

The majority of expenditure (around 70%) is spent on core firefighting and operations which in addition to all operational responses includes the costs of answering emergency calls, the fleet of fire appliances and operational equipment used.

Net service expenditure in year totalled £29,851,000 generating a surplus at the year end of £44,000, which included unbudgeted revenue grant of £132,000 requiring transfer to an earmarked reserve for use in 2018/19. The Employees budget overspent by £123,000 in the main being due to an unbudgeted provision for a further 1% pay award for uniformed staff. The Pensions budget overspent by £111,000 primarily due to a change in financing arrangements under the Compensation Scheme regulations. Transfers were made from the earmarked pay and price and pensions reserves as required.

Following these transfers, the Authority marginally reduced its general fund by £6,000 as at 31st March 2018. Total cashable revenue reserves as at 31st March 2018 were £6,647,000.

The overspends reported in the table above relating to Transport and Supplies and Services are primarily due to expenditure funded by grant in respect of maintenance of national resilience vehicles, and the national ESMCP (Emergency Services Mobile Communications Programme).

(d) The Authority collects precepts from North Yorkshire District Councils and City of York Council. The precept income received of £20,045,709 is made up of the following:

	£000
2017/18 Precept Charge	(19,745)
Prior Year District Collection Fund Surplus	(301)
	(20,046)

The 2017/18 charge of £19,744,323 is equivalent to a basic amount of Council Tax per Band D property of £67.19, £1.31 more than the amount for 2016/17, an increase of 1.99%.

6. MATERIAL ITEMS OF INCOME AND EXPENDITURE WITHIN THE ACCOUNTS

The Authority carries out a rolling asset revaluation programme that ensures that all Land and Property required to be measured at fair value is revalued at least every five years. All valuations were carried out by Carter Jonas, an independent external Valuer. Where the Valuer determines that the book value within the accounts of any of the Authority's assets has changed, the impact is accounted for as a revaluation gain or loss.

Northallerton Fire Station site was valued in 2017/18 which includes some areas which are in operational use and some which are not. The valuer has advised that a revaluation loss of £1,028,000 has occurred reflecting the usage and functionality of the site on valuation.

The site was last valued in 2014/15 when a small part was not in operational use. Since that time, a larger proportion of the site is used less, if at all, and the remainder has been discussed as being less functional for modern requirements. The 2017/18 valuation therefore reflects the fact that the buildings are either not in use (however they are not classified as surplus), or are less functional, as well as having a shorter useful economic life. It should be noted that the basis of the valuation for financial reporting purposes is a depreciated replacement cost (considering fitness for purpose), and not a market valuation of a surplus property, which would provide different figures.

The financial impact is a charge to the cost of services in the Comprehensive Expenditure and Income Statement, and to the Revaluation Reserve for the decrease in valuation. However, this charge is not one against council tax nor the Authority's General Fund, rather an accounting adjustment through unusable reserves (as described in paragraph 1(b) above).

7. PENSION SCHEMES

(a) Firefighters Pension Schemes

There are three Firefighter Pension Schemes currently administered by the Authority:

(i) Firefighters Pension Scheme 1992 (FPS) operated under the Firefighters Pension Scheme (Amendment) (No. 2) (England) Order 2006

(ii) New Firefighters Pension Scheme 2006 (NFPS) operated under the Firefighters' Pension Scheme (England) Order 2006

(iii) The Firefighters Pension Scheme 2015 as set out in the Firefighters' Pension Scheme (England) Regulations 2014 (SI 2014/2848)

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

This Statement of Accounts includes a section on the accounts of the Firefighters Pension Fund. Each Fire and Rescue Authority in England is required by legislation to operate a Pension Fund and the amounts that must be paid into and out of the fund are specified by regulation. The fund is topped up as necessary by Government Grant if the contributions are insufficient to meet the pension payments due. In the event of a surplus, this will be recouped by the Government. The Code prescribes the presentation and disclosure of the Pension Fund within the Financial Statements.

(b) Local Government Pension Scheme

The Authority also participates in the Local Government Pensions Scheme. This is for support staff and is administered by North Yorkshire County Council. It is a funded benefit scheme meaning that the Authority and Employees pay contributions into a fund calculated at a level to balance the pension liabilities with investment assets.

(c) Pension Liabilities

Details of the Authority's pension liability calculated under IAS 19 is shown in the Balance Sheet and note 30 to the accounts. Effectively the pension scheme is in deficit by £369,083,000 compared with the resources required to pay the future pensions of current scheme members with the effect of this reducing the overall net worth of the Authority by that amount. However, statutory arrangements in place for funding the deficit mean that the financial position of the Authority remains healthy because:

(i) the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the Scheme actuary. Contribution rates are based on triennial valuations, the last full valuation being on 31st March 2016.

(ii) finance is only required to be raised to cover Firefighters' pensions when the pensions are actually due to be paid. Regular monitoring of movements relating to retirements is carried out in order to accurately forecast when retirements and payments will occur.

8. AUTHORITY PLANS

The Authority's **Corporate Plan** covering the period 2016/17 to 2020/21 sets out its vision, corporate values and strategic aims to ensure effective delivery of services to its communities. The plan identifies four strategic aims being:

- The provision of a resilient intervention service
- The provision of a resilient and effective prevention (technical fire safety) service
- The provision of a resilient and effective prevention (community safety) service

- The provision of a legally compliant and sustainable organisation with the appropriate level of governance.

The plan sets out the medium term plans to meet these aims, along with the **Medium Term Financial Strategy (MTFS)**, its aim being to match available resources against likely expenditure requirements over the five year period. The current strategy identifies a requirement for savings of £2.5m over the period 2020/21 to 2022/23 following the use of reserves in the previous two years.

Alongside the Corporate Plan, is the **Community Safety Plan** covering the same period. This plan is the Authority's Integrated Risk Management Plan for the purpose of satisfying the statutory requirement to produce such a plan. Fundamentally, the Community Safety Plan sets out how the Authority organises and delivers the service in order to mitigate the impact of risk on Communities. Whilst a major review of the plan was scheduled for 2020/21, at the meeting of the February Fire Authority, Members accepted the recommendation to bring forward the review by one year to meet the savings requirements identified within the MTFS.

9. SIGNIFICANT RISKS AND UNCERTAINTIES AFFECTING THE AUTHORITY

(a) Future change of governance

The Police and Crime Act 2017 amends the Fire and Rescue Services Act 2004 to enable Police and Crime Commissioners (PCCs) to take on governance of their local fire and rescue service through the creation of new PCC-style Fire and Rescue Authorities (FRA).

Following a public consultation period in 2017, the PCC for North Yorkshire submitted a local business case to the Home Office requesting a transfer of the governance of North Yorkshire Fire and Rescue Service (NYFRS). The Home Office, on 13th June 2018, announced the Home Secretary's decision to approve the transfer. A statutory instrument to enable the required legislative change will now be drafted with the transfer date yet to be confirmed, but anticipated to be in the autumn of 2018.

On that date, the current North Yorkshire Fire Authority, made up of elected members of North Yorkshire County Council and the City of York will cease to exist, and the Office of the Police and Crime Commissioner (OPPC) for North Yorkshire will take on the governance of NYFRS. The Authority will, at that stage, transfer and be renamed (the name is still to be confirmed at the time of writing). The transferred Authority will remain a going concern with all its assets, liabilities and obligations remaining unchanged. In addition, CIPFA have confirmed that there will no group accounting relationship. This will ensure continuity of reporting for 2018/19, with its finances remaining completely separate from the arrangements of both the OPCC and the North Yorkshire Police Force.

The Annual Governance Statement, at page 16, highlights the governance issues requiring attention whilst the transfer date is awaited alone with the actions planned to reduce the current risks. There is a significant risk that decisions taken prior to transfer are incompatible with the direction the PCC sets on, and after transfer. In addition, the current uncertainty around the structure and arrangements after transfer provides an uncertain environment for staff and there is therefore a risk that staff leave the organisation meaning a loss of skills and resource capacity.

(b) Medium Term Financial Strategy:

Key risks to the financial position of the Authority are:

- Delivery of a savings plan for 2019/20 and beyond (with significant savings targets likely to be dependent upon significant changes in the way the Authority delivers its services)

- Further reductions in government grant remains a risk. Current projections are based upon a draft four year settlement. Whilst longer term settlements are helpful, they are subject to change;
- Assumptions on council tax yield with the MTFS assuming a 2.99% increase in 2019/20 and 1.99% thereafter. This is against the Government's continuing desire to keep council tax levels down by setting an annual limit above which an authority must hold a referendum;
- Inflation and pay levels with a risk that future pay awards will exceed the MTFS assumptions and the start of economic growth amidst a high degree of global uncertainty may also start to fuel inflationary pressures above assumptions;
- Levels of Business Rates (BR) collected by North Yorkshire's District Councils and the City of York since the localisation of BR from 1st April 2013. Significant variations could result from large BR payers closing, moving out of the area or making successful appeals against their rateable values.
- Unplanned incidents and emergencies with adverse weather conditions, disasters and unforeseen events remain a constant feature.
- Unfunded responsibilities may represent operational challenges but there is also a significant risk that funding is insufficient to meet those responsibilities.

10. PRODUCTION OF A NARRATIVE STATEMENT - REQUIREMENT OF THE ACCOUNTS AND AUDIT REGULATIONS 2015

Regulation 8 of the Accounts and Audit Regulations 2015 requires local authorities in England to produce a narrative statement in respect of each financial year which must include comment by the Authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the year.

In order to ensure this statutory requirement is supported by appropriate guidance, CIPFA/LASAAC specified for inclusion within the 2015/16 Code update, the principles for narrative reporting which it considered should be used to meet the new requirement of the Regulations. For the purposes of the Code, the 'Narrative Report' is deemed to have the same meaning as 'Narrative Statement' in the Accounts and Audit Regulations 2015.

The narrative report offers interested parties an effective guide to the most significant matters in the accounts, and also those which impact on the Authority's finances. In producing a narrative commentary on the use of resources, a further recommendation is the inclusion of performance indicators that the Authority considers are most effective in assessing progress against its strategic objectives, monitoring its risks or measuring performance. For Fire and Rescue Authorities, the Fire and Rescue National Framework for England also requires the provision of annual assurance on financial, governance and operational matters through the publication of an **Annual Statement of Assurance**.

In preparing the Annual Statement of Assurance, the Authority includes links to relevant information that is clear, accessible and user friendly within existing documents contained within its Publication Scheme. The Authority believes it can discharge the requirements of Regulation 8 of the Accounts and Audit Regulations 2015 by reference to information contained within the Annual Statement of Assurance.

In addition to the information included within this Narrative Report and also the Auditor's Report, Annual Governance Statement, financial statement and notes included within this document, the following information also forms part of the Authority's Narrative Statement:

(a) Regular reports on financial matters considered by the Authority can be found at:
http://www.northyorksfire.gov.uk/about-us/key-documents/committee-papers

(b) Details of Operational Performance against the Authority's key and general performance indicators can be found at:
http://www.northyorksfire.gov.uk/about-us/key-documents/committee-papers/performance-review

(c) The Authority's Annual Report 2017/18 which includes at Section (x) the Annual Assurance Statement for 2017/18 can be found at: (Insert link when published)

Gary Fielding - Section 151 Officer

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

Opinion on the financial statements
We have audited the financial statements of North Yorkshire Fire and Rescue Authority ("the Authority") for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of North Yorkshire Fire and Rescue Authority as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements
As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Conclusion on North Yorkshire Fire and Rescue Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, North Yorkshire Fire and Rescue Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Responsibilities of the Authority

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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Matters on which we are required to report by exception under the Code of Audit Practice
We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report
This report is made solely to the members of North Yorkshire Fire and Rescue Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate
We certify that we have completed the audit of North Yorkshire Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

CWaddell

Cameron Waddell
For and on behalf of Mazars LLP

Salvus House
Aykley Heads
Durham
DH1 5TS

25 July 2018

NORTH YORKSHIRE FIRE & RESCUE AUTHORITY
ANNUAL GOVERNANCE STATEMENT

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

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of it's functions, which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework. A copy of the code is on the website at www.northyorksfire.gov.uk/about-us/key-documents/governance_codes or can be obtained from the Central Administration Office, NYFRA Headquarters, Thurston Road, Northallerton. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 6 (1) (b) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31st March 2018 up to the date of approval of the Statement of Accounts.

The Governance Framework
Monitoring against the Local Code of Corporate Governance was considered by the Audit and Performance Review Committee at its meeting on 25th April 2018. Full details can be found at:
www.northyorksfire.gov.uk/about-us/key-documents/committee-papers/performance-review

The systems and processes that comprise the Governance Framework include arrangements for:

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

b) the Audit and Performance Review Committee which, as well as the Authority itself, receives regular reports monitoring and reporting the Service's performance and governance arrangements

c) an approved Corporate Risk Management Strategy and Policy which includes the maintenance of a comprehensive Risk Register overseen by the Risk Management Governance Group

d) an approved "Local Code of Corporate Governance" in accordance with the CIPFA/SOLACE Framework for Corporate Governance

e) the designation of the Chief Fire Officer as Chief Executive responsible to the Authority for all aspects of operational management

f) the designation of a Chief Financial Officer in accordance with Section 112 of the Local Government Finance Act 1988

g) the designation of the Legal Advisor as Monitoring Officer with the requirement to report to the full Authority if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration

h) the continued work of the Governance Groups established to improve cross functional working in the key areas of Risk Management and Information Governance

i) the production of an annual Assurance Statement

j) the production of the Community Safety Plan

k) Partnership Evaluation arrangements

l) Anti Fraud and Corruption Policy

m) Whistleblowing Policy

n) Complaints procedure

o) The work of the Standards Sub Committee

p) The Communications Strategy

q) Members and Staff Development Programmes

As required by the Code of Practice on Local Authority Accounting, specifically, the Authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review process is overseen by the Authority's Audit and Performance Review Committee as the body charged with Governance in this Authority for the purposes of the International Standard on Auditing.

The review of effectiveness of the governance framework is informed by:

a) The work of the Authority, its Committees, Sub Committees and Working Groups

b) The work of the Corporate Management Board and the Governance Groups

c) The work of the internal auditors as described above

d) The external auditors in their annual audit letter and other reports

e) Other review mechanisms such as the Health and Safety Inspectorate

In overall terms, the management of risk is satisfactory but with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. These weaknesses and improvements are being addressed. Where possible, full details of the Audit reports are published on the Authority's website as part of the Audit and Performance Review Committee papers at: www.northyorksfire.gov.uk/about-us/key-documents/committee-papers/performance-review

The Audit and Performance Review Committee considered the external auditor's Audit Completion Report for 2016/2017 on the 20th September 2017. No significant weaknesses in governance arrangements were identified. The report included an unqualified opinion on the Authority's 2016/17 Statement of Accounts and concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Committee also considered the External Annual Audit letter on 13th December 2017 which provided a summary of the External Auditor's work and findings for 2016/17.

We have been advised on the implications of the result of the internal review of the effectiveness of the governance framework by the Audit and Performance Review Committee and that the arrangements continue to accord with the framework.

Significant Governance Issues

Following a review of Governance and internal control arrangements there are a number of areas identified which it is considered require attention in order to address weaknesses and ensure continuous improvement of Governance and control arrangements.

Issue requiring attention	Action planned
1. The Home Office announced on 13th June 2018 that the Police and Crime Commissioner (OPCC) for North Yorkshire will take on the Governance of the Fire and Rescue Service on a date yet to be confirmed, but planned for Autumn 2018. There is a significant risk that decisions taken prior to transfer are incompatible with the direction the OPCC sets on, and after, transfer of governance.	Continuation of collaboration meetings with the Office of the Police and Crime Commissioner in order to try and ensure alignment where possible. On-going progression of savings areas and service improvements between the Service and Police and other organisations continue to be planned and delivered, but in consultation with the OPCC. On-going dialogue between Members of the Fire Authority and Senior Management with all stakeholders.
2. The current uncertainty around the structure and arrangements after transfer provides an uncertain environment for staff and there is enhanced risk that staff leave the organisation meaning that skills and capacity are hampered.	Review of issues on an "as and when" basis to include discussions about possible interim arrangements; partnering arrangements with other organisations; or whether recruitment exercises are undertaken. Scenario and succession planning, and a review of the Senior Management Structure. Communications with staff to ensure that all are aware of the situation and mis-information can therefore be minimised.
3. The current Medium Term Financial Plan identifies a requirement for savings of £2.5m over a 3 year period from 2020/21 to 2022/23 following use of reserves in the previous 2 years. Whilst this is a manageable situation in the short term, the long term position must be addressed without dependency on reserves.	Further savings proposals to be developed in time for the 2019/20 budget process. Exploration of funding flexibilities to be explored with the Home Office Savings opportunities through collaboration with with OPCC and other partners to be explored and to be fed into the proposals as identified above.

Approved by the Authority at its meeting on 27th June 2018. Signed:

Cllr A Backhouse
Chairman of the Authority

N M Hutchinson
Chief Fire Officer/
Chief Executive

G Fielding
S151 Officer

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

a) to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer.

b) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

c) to approve the Statement of Accounts.

The Treasurer's Responsibilities

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

In preparing this statement of accounts, the Treasurer has:
a) selected suitable accounting policies and then applied them consistently;
b) made judgements and estimates that were reasonable and prudent; and
c) complied with the Code of Practice.

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

CERTIFICATE OF TREASURER

I certify that the financial statements set out on pages 18 to 85 present a true and fair view of the financial position of North Yorkshire Fire & Rescue Authority as at 31st March 2018 and its income and expenditure for the year then ended.

Signed:

Gary Fielding
Section 151 Officer

The Statement of Accounts was approved by the Authority's Audit and Performance Review Committee on 25th July 2018.

Signed:

Cllr D Blades
Chair of the Audit and Performance Review Committee

MOVEMENT IN RESERVES STATEMENT 2017/18

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	**Total Usable Reserves £000**	Unusable Reserves (Note 23) £000	**Total Authority Reserves £000**
Balance at 31 March 2017	**2,669**	**4,003**	**1,491**	**-**	**8,163**	**(331,619)**	**(323,455)**
Movements in Reserves during 2017/18							
Total Comprehensive Income and Expenditure	**(14,874)**	**-**	**-**	**-**	**(14,874)**	**56**	**(14,819)**
Adjustments between accounting basis & funding basis under regulations (**Note 7**)	14,850	-	(327)	-	**14,522**	(14,522)	**-**
Net increase/(decrease) before Transfers to earmarked reserves	**(25)**	**-**	**(327)**	**-**	**(352)**	**(14,467)**	**(14,819)**
Transfers to / (from) Earmarked Reserves (**Note 21**)	30	(30)	-	-	**-**	**-**	**-**
Increase / (Decrease) in 2017/18	**5**	**(30)**	**(327)**	**-**	**(352)**	**(14,467)**	**(14,819)**
Balance at 31 March 2018 carried forward	**2,674**	**3,973**	**1,164**	**-**	**7,811**	**(346,085)**	**(338,275)**

MOVEMENT IN RESERVES STATEMENT 2017/18

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	**Total Usable Reserves £000**	Unusable Reserves (Note 23) £000	**Total Authority Reserves £000**
Comparative Year:							
Balance at 31 March 2016	**1,951**	**3,626**	**65**	**795**	**6,436**	**(267,950)**	**(261,514)**
Movements in Reserves during 2016/17							
Total Comprehensive Income and Expenditure	**(8,664)**	**-**	**-**	**-**	**(8,664)**	**(53,277)**	**(61,941)**
Adjustments between accounting basis & funding basis under regulations (**Note 7**)	9,760	-	1,427	(795)	**10,392**	**(10,392)**	**-**
Net increase/(decrease) before transfers to earmarked reserves	**1,096**	**0**	**1,427**	**(795)**	**1,728**	**(63,669)**	**(61,941)**
Transfers to / (from) Earmarked Reserves (**Note 21**)	(376)	376	-	-	**-**	**-**	**-**
Increase / (Decrease) in 2016/17	**720**	**376**	**1,427**	**(795)**	**1,728**	**(63,669)**	**(61,941)**
Balance at 31 March 2017 carried forward	**2,669**	**4,003**	**1,491**	**-**	**8,163**	**(331,619)**	**(323,455)**

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT
FOR YEAR ENDED 31st MARCH 2018

2016/17				2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
32,068	(1,196)	30,872	Fire Services	36,511	(1,610)	34,900
32,068	**(1,196)**	**30,872**	**Net Cost Of Services**	**36,511**	**(1,610)**	**34,900**
			Other Operating Expenditure			
(2,059)	0	(2,059)	(Gain)/loss on the Disposal of non current assets	4	-	4
(2,059)	**0**	**(2,059)**		**4**	**0**	**4**
			Financing and Investment Income and Expenditure			
1,040	-	1,040	Interest Payable and similar charges (**Note 31**)	1,018	-	1,018
10,247	-	10,247	Net interest on the net defined interest liability (**Note 30**)	9,398	-	9,398
-	(62)	(62)	Interest receivable and similar income (**Note 31**)	-	(49)	(49)
11,287	**(62)**	**11,226**		**10,416**	**(49)**	**10,367**
			Taxation and Non-Specific Grant Income (**Note 27**)			
-	(19,207)	(19,207)	Council tax income	-	(19,786)	(19,786)
-	(3,100)	(3,100)	Non domestic rates	-	(2,954)	(2,954)
-	(8,390)	(8,390)	Non ringfenced government grants	-	(7,246)	(7,246)
-	(678)	(678)	Capital grants and contributions	-	(411)	(411)
0	**(31,374)**	**(31,374)**		**0**	**(30,397)**	**(30,397)**
		8,664	**(Surplus) or Deficit on Provision of Services**			**14,874**
		(207)	Surplus or deficit on revaluation of non current assets (**Note 23a**)			(217)
		53,484	Remeasurements of the net defined benefit liability (**Note 30**)			161
		53,277	**Other Comprehensive Income and Expenditure**			**(56)**
		61,941	**Total Comprehensive Income and Expenditure**			**14,819**

BALANCE SHEET AS AT 31st MARCH 2018

31 Mar 2017 £000		Note	31 Mar 2018 £000
	Property, Plant & Equipment	9	
28,181	Other Land & Buildings		30,717
7,596	Vehicles		6,769
1,486	Plant & Equipment		1,547
3,259	Assets Under Construction		348
40,522			39,381
482	Intangible Assets - Software	10	309
78	Long Term Debtors	16	76
41,083	**Long Term Assets**		**39,766**
137	Inventories	15	138
4,465	Short Term Debtors	16	3,937
9,076	Cash and Cash Equivalents	17	8,638
13,678	**Current Assets**		**12,714**
(480)	Short Term Borrowing	31	(546)
(4,108)	Short Term Creditors	18	(4,371)
(123)	Provisions	19	(134)
(4,711)	**Current Liabilities**		**(5,051)**
(14,135)	Long Term Borrowing	31	(13,762)
	Other Long Term Liabilities		
(355,918)	Pensions Liability	30	(369,083)
(1,174)	Finance Lease obligations	14	(777)
(2,172)	PFI Obligations	13	(1,918)
(105)	Provisions	19	(162)
(373,505)	**Long Term Liabilities**		**(385,702)**
(323,455)	**Net Assets**		**(338,275)**
	Usable reserves		
1,491	Usable Capital Receipts Reserve	22	1,164
2,669	General Fund Balance	22	2,675
4,003	Earmarked Reserves	21	3,972
8,163			7,810
	Unusable Reserves	23	
4,484	Revaluation Reserve		4,620
19,453	Capital Adjustment Account		18,214
421	Collection Fund Adjustment Account		210
(58)	Accumulated Absences Account		(46)
(355,918)	Pensions Reserve		(369,083)
(331,618)			(346,086)
(323,455)	**Total Reserves**		**(338,275)**

These financial statements replace the unaudited financial statements certified on 23rd May 2018.

G Fielding S151 Officer 25/07/2018

CASHFLOW STATEMENT FOR YEAR ENDED 31st MARCH 2018

2016/17 £000		2017/18 £000
	Operating Activities	
	Taxation	
19,297	- Council Tax Income	20,052
2,947	- Non Domestic Rates Income	2,905
	Grants	
7,452	- General Government Funding	6,339
8,586	- Other Government grants	7,246
2,587	Cash received for goods and services	2,940
60	Interest received	50
40,930		39,532
(11,157)	Cash paid to and on behalf of employees	(10,570)
(10,529)	Cash paid to suppliers of goods and services	(11,114)
(1,038)	Interest Paid	(987)
(14,220)	Other payments for operating activities (**Note 29**)	(14,714)
(36,944)		(37,384)
3,985	**Net Cash Flow from Operating Activities**	**2,148**
	Investing Activities	
(3,423)	Purchase of PPE, investment property and intangible assets	(2,099)
3,151	Proceeds from the sale of PPE, investment property and intangible assets	-
484	- Capital grants/contributions received	411
212	**Net cash flows from Investing Activities**	**(1,687)**
	Financing Activities	
(594)	Cash payments for the reduction of the outstanding liability relating to finance leases and on balance sheet PFI contracts (principal)	(577)
(1,085)	Repayments of short and long term borrowing	(322)
(1,679)	**Net cash flows from financing activities**	**(899)**
2,518	**Net increase or (decrease) in cash and cash equivalents**	**(438)**
6,558	Cash and cash equivalents at the beginning of the reporting period (**Note 17**)	9,076
9,076	**Cash and cash equivalents at the end of the reporting period (Note 17)**	**8,638**

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies

(a) General Principles

The purpose of this statement is to explain the basis for the Recognition, Measurement and Disclosure of transactions and other events in the accounts.

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 supported by International Financial Reporting Standards.

The accounting policies adopted have been used consistently throughout the current and prior period unless stated otherwise.

(b) Accounting Concepts

The code specifies many of the accounting policies and estimation techniques to be adopted for material items within the Statement of Accounts. In preparing information, the Authority has regard to the underlying assumptions, and qualitative characteristics of financial statements as set out in the Code. The policies and estimation techniques have been selected to accord with the five qualitative characteristics of financial information in relation to understandability, relevance, materiality, reliability and comparability and the two underlying assumptions of the accruals basis and going concern.

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

The Going Concern concept means that these accounts are prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

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

The figures presented within the financial statements are rounded to the nearest £1000. This assists in making them easier to read and understand. The numbers within the financial statements may appear not to add up, however this does not require rectification, it being due to rounding of numbers within electronic spreadsheets used in the construction of the statements. The Code allows for the rounding of numbers as long as the level of such is disclosed and effect is neither material to the presentation, or hinders the requirement to present a true and fair view of the financial position of the Authority.

The Code only requires that Local Authority financial statements disclose information that is material to the presentation of a true and fair view of its financial position stipulating that an authority need not provide a specific disclosure required by the Code if the information is not material. Information is defined as material by the Code if omitted or misstating it could influence decisions that users make on the basis of financial information about a specific reporting authority. In other words, materiality is an authority-specific aspect of relevance based upon the nature and/or magnitude of items in the context of an individual authority's financial statements.

(c) Fair Value Measurement

The Authority measures some of its financial instruments such as borrowing and the liability under Private Finance Initiative Scheme at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

(i) in the principal market for the asset or liability, or
(ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - unobservable inputs for the asset or liability

(d) Accruals of Income and Expenditure

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

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

(e) Cash and Cash Equivalents

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

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

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

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

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

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

(g) Charges to Revenue for Non Current Assets

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

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

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

(h) Employee Benefits

(i) **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. Flexi-time) earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the period in which the holiday absence occurs.

(ii) **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

(iii) **Post Employment Benefits**

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

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

Firefighters Pension Schemes - these are unfunded, meaning that there are no assets built up to meet pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. There are currently three Firefighters' Pension schemes administered by the Authority:

- Firefighters Pension Scheme 1992 (FPS) operated under the Firefighters Pension Scheme (Amendment) (No. 2) (England) Order 1992
- New Firefighters Pension Scheme 2006 (NFPS) operated under the Firefighters' Pension Scheme (England) Order 2006
- The Firefighters Pension Scheme 2015 as set out in the Firefighters' Pension Scheme (England) Regulations 2014 (SI 2014/2848)

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

The liabilities for the Local Government Pension Scheme have been assessed by an independent firm of Actuaries, Aon Hewitt Limited with the estimates being based upon the latest full valuation of the Scheme as at 31st March 2016. The liabilities for the Firefighters Pension Schemes have been assessed by the Government Actuary Department (GAD), the estimates being based upon the latest full valuation of Schemes as at 31st March 2015.

All pension schemes are accounted for as a defined benefit scheme. Liabilities attributable to the respective Pension Funds are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.

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

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

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

The change in the net pensions liability for all Pension Schemes is analysed into the following components:

- Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs.
- Net interest on the defined benefit liability (asset), i.e. net interest expense for the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit liability (asset) at the beginning of the period taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
    - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as other Comprehensive Income and Expenditure.
    - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated assumptions - charged to the Pensions Reserve as other Comprehensive Income and Expenditure.

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

Pensions Grant - Firefighters Pension Schemes
The Code of Practice identifies Pension top up grant as a separate asset, which is excluded from IAS 19 entries in the Comprehensive Income and Expenditure Statement (CIES). Top up grant is credited directly to the Pension Fund account not the CIES. The grant is taken through the Movement in Reserves Statement (and movement in reconciliation of scheme assets) as an actuarial gain.

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

Firefighters Pension Schemes
In assessing liabilities for retirement benefits at 31 March 2017 for the 2016/17 Statement of Accounts, the Actuary assumed a discount rate of 2.65%, a rate based upon the current rate on a high quality corporate bond of equivalent currency and term to scheme liabilities. For the 2017/18 Accounts, the Actuary has advised that a rate of 2.55% is appropriate. Application of this rate has resulted in an increase in liabilities at today's prices of £6,800,000 (2% of liabilities), adjusted by a remeasurement loss recognised for the year in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

Injury Awards - Firefighters Compensation Scheme
Under the Firefighters Compensation Scheme, injury awards are payable to those firefighters who have sustained a qualifying injury in the exercise of their duties as a firefighter. As these benefits are payable through the Firefighters Pension scheme, under IAS 19 they are accounted for as part of the pension arrangements. Separate disclosures have been provided for this scheme.

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

(i) <u>Events After the Reporting Period</u>

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

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

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

(j) Financial Instruments

(i) **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.
For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the agreement.

(ii) **Financial Assets**

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and are carried at their amortised cost. The Authority has made no loans within the financial year. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for that instrument.

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

Any gains or losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(k) Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance within Creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ring fenced revenue grants and all capital grants) in the CIES. Where capital grants are credited to the CIES, they are reversed out of the General Fund in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve until it is applied. Once applied, it is transferred to the Capital Adjustment Account.

(l) Intangible Assets

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life and included within net cost of the services line in the Comprehensive Income and Expenditure Statement (CIES). Where impairment occurs, any losses recognised are also posted to the net cost of services. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses on Intangible Assets are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts reserve.

(m) Inventories

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

(n) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

(i) **The Authority as Lessee**

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

(ii) **The Authority as Lessor**

Operating Leases

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

(o) <u>Overheads and Support Services</u>

The cost of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance. As a single service provider, the Authority charges all such overheads and support service costs to a single segment i.e. Fire within the Comprehensive Income and Expenditure Statement (CIES).

(p) <u>Property, Plant and Equipment</u>

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

(i) **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when incurred.

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

(ii) **Measurement**

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs.

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

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

- Assets under construction - historical cost
- Land & Buildings (Fire Stations) - current value (depreciated replacement cost - instant build)
- Land & Buildings (other than Fire Stations) - current value (existing use value or comparative method)
- Vehicles, Plant & Equipment - current value (depreciated historical cost)
- Non Operational Surplus Assets - fair value (existing use value)

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement (CIES) where they arise from the reversal of a loss charged to a service.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount

of the asset is written down against the relevant service line(s) in the CIES.

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

(iii) **Depreciation**

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

Depreciation is calculated on the following bases:

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

In the year that an asset is either acquired or disposed of, half a years depreciation is provided for.

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

(iv) **Impairment**

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

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

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

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

(v) **Componentisation**

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

Where enhancement work to existing assets is undertaken, the Code states that this should result in the de-recognition of the component that is being replaced. The Authority undertakes an annual review of all such expenditure to determine whether a material component has been replaced requiring de-recognition. Material in this context is determined by both monetary amount, and importantly an assessment of the type of enhancement work undertaken provided by the Technical Services department.

(vi) **Disposals and Non Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held For Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held For Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipt is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

(q) <u>Private Finance Initiative (PFI) and Similar Contracts</u>

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI Contractor. As the Authority is deemed to control the services that are provided under its PFI scheme, and as ownership of the land and buildings will pass to the Authority at the end of the contracts for a nominal charge, the Authority carries the assets used on its Balance Sheet.

The original recognition of these assets at fair value (based on the cost to purchase) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

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

- Fair value of the services received during the year - debited to net cost of services in the Comprehensive Income and Expenditure Statement.
- Finance cost - an interest charge of 7.5% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent - increases in the amount to be paid for the property arising during the contract debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

(r) Provisions, Contingent Liabilities and Contingent Assets

(i) Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

(ii) Contingent Liabilities

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

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

(iii) Contingent Assets

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

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

(s) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure is to be financed from a reserve, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

(t) VAT

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

(u) Council Tax and Non Domestic Rates

Billing Authorities in England are currently required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non domestic rates (NDR). In its capacity as a billing authority, an authority acts as an agent - it collects and distributes council tax and NDR income on behalf of itself and other major preceptors such as the Fire Authority.

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

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

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

The Authority therefore makes provision for the following items in its balance sheet, via the Collection Fund adjustment account at the financial year end:

- Debtors for the Authority's share of council tax and NDR arrears at 31 March.

- Provision for bad debts of Debtors in relation to council tax and NDR arrears as at 31 March.
- Income in advance from Council Tax and NDR payers who have paid their bills early.
- Creditor provision where the billing authorities have over-collected council tax and NDR income in year compared to the value of amounts actually paid over to the Authority.
- Creditor provision for appeals by NDR payers who disagree with the Valuation of their premises for NDR purposes.

2 Accounting Standards that have been issued but not yet adopted by the Authority

An Authority is required to disclose information relating to the impact of an accounting change that will be required by a new standard which has been issued but not adopted.

The following accounting standards have been amended and issued but not yet adopted by the Authority, becoming applicable for accounting period on or after 1st April 2018:

(a) IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. Whilst the new standard has significant implications for the classification and measurement of financial assets including a new approach to the impairment of such assets, it is not expected to have a material impact on the information within the Authority's financial statements.

The Authority currently holds two categories of financial assets being Cash and Cash Equivalents and Debtors. Classification under the new standard will be based upon the characteristics of the financial assets as well as the overarching investment strategy within which any investments are made. An initial appraisal indicates that neither of the Authority's assets will require a change to their current classification in 2018/19. The impact of the change in the impairment methodology which applies an 'expected credit loss' approach to financial assets is expected to be immaterial (as are current impairment charges in relation to the 2017/18 financial statements).

As the remeasurement of certain financial assets may result in accounting for losses and gains in a local authorities' General Funds, the Ministry for Housing, Communities and Local Government has recently contacted S151 Officer asking for evidence to support a statutory override to the implementation of certain elements of IFRS 9; this situation will be closely monitored.

(b) IFRS 15 - Revenue from Contracts with Customers including amendments to IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with customers

IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue and related interpretations. The core principle underlying the new standard is that an entity should recognise income in a manner that depicts the pattern of transfer of goods and services to customers. The amount recognised should reflect the amount to which it expects to be entitled to in exchange for the goods and services. This recognition includes an assessment of the performance obligations under the contract and distinguishes between performance obligations that are satisfied at a 'point in time' and those 'over time'.

The standard covers all contracts with customers except leases, financial instruments and insurance contracts. It also excludes Council Tax and NDR income and Government Grants. For this reason, this standard will have limited impact on the accounts of Local Authorities other than those who prepare Group Accounts. As such, this standard is not expected to have a material impact on the information within this Authority's financial statements, it receiving limited income from contracts with customers for the provision of goods and services.

(c) Amendments to IAS 7 Statement of Cashflows: Disclosure Initiative

These amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

To fulfil this disclosure requirement, a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arsing from financing activities will be provided within the notes to the financial statements. To illustrate this, a reconciliation in respect of the balances in 2017/18 is as follows:

			Non Cash Changes		
	Balance at		New Borrowing /		Balance at
	1 Apr 2017	Cashflows	Leases	Other	31 Mar 2018
Financial liability:	£000	£000	£000	£000	£000
Short and long term borrowing	14,495	(322)	0	(38)	14,135
Finance Lease Obligations	1,626	(397)	4	(55)	1,178
PFI Obligations	2,352	(180)	0	0	2,172
	18,473	(899)	4	(93)	17,485

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made during the preparation of 2017/18 Statement of Accounts are:

(i) In the current economic environment there continues to be a high degree of uncertainty about future levels of funding for local government. The Authority continues to review the provision of services in response to known and forecast future funding reductions.

(ii) The Authority is deemed to control the services provided under the PFI arrangement for the provision and management of the Huntington Fire Station and Easingwold Training Centre, and also to control the residual value of these buildings at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the assets (valued at £5,111,000) are recognised as Land and Buildings on the Authority's Balance Sheet.

(iii) The Authority leases Property, Vehicles, Equipment and Software from third party lessors. The Code requires it to consider the classification of leases between the categories of finance lease and operating lease. The distinction between the two categories is not clearly defined in the Code and an element of judgment is required to make the assessment in line with good practice. The key determinant of the status of a lease is the extent to which risks and rewards incidental to ownership lies with the lessee or the lessor.

(iv) The Authority has made estimates of the net pay liability to pay pensions which depend on a number of complex judgements and projections supported by the actuary, which include; the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected future returns on pension fund assets where applicable.

4 Assumptions Made About The Future and other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because these balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are:

(i) **Non Current Assets**

Assets are depreciated over the useful life that they will be operational. The useful life is dependent on assumptions about the level of repairs and maintenance expenditure in relation to individual assets. Should insufficient expenditure be incurred to properly maintain an asset, it may be the case that the useful economic life of that asset is reduced; this might give rise to an impairment or accelerated depreciation being required, and a resultant decrease in the carrying amount of the asset.

(ii) **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of independent Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied in respect of its different pension schemes which are reviewed annually.

A sensitivity analysis around certain assumptions has identified the following changes to the net pension liability of £369,083,000 would occur if alternative assumptions were to be applied, the results of which are set out in note 30 to the accounts. For example:

- a +0.1% p.a. change in pension payment inflation would increase the deficit by £5.7m
- a +0.1% p.a. change in salary growth would increase the deficit by £1.1m
- an additional life year expectancy would increase the deficit by £8.9m.

A negative change would result in the above movements being reversed.

5 Material Items of Income and Expense

(a) Material items of income and expense not disclosed on the face of the Comprehensive Income and Expenditure Statement are detailed in paragraph 6 of the Narrative Report. There is one material item of such expenditure in 2017/18 being a loss on revaluation of Northallerton Fire Station of £1,028,000.

6 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Treasurer on 23rd May 2018. Events taking place after this date are not reflected in the financial statements or notes. There have been no events taking place between the 1st April and 23rd May 2018 which provide information that is relevant to the understanding of the Authority's financial position and for which amendment to the financial statements, or disclosure within the notes to the accounts is required.

Following a public consultation period in 2017, the Police & Crime Commissioner for North Yorkshire submitted a local business case to the Home Office requesting a transfer of the governance of North Yorkshire Fire and Rescue Service. The Home Office, on 13th June 2018, announced the Home Secretary's decision to approve the transfer. A statutory instrument to enable the required legislative change will now be drafted with the transfer date yet to be confirmed, but anticipated in the autumn of 2018

7 Adjustments between accounting basis & funding basis under regulations

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

	Usable Reserves		
2017/18	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000
Amounts by which income and Expenditure included in the Comprehensive Income and expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
Pensions costs (transferred to/(from) the Pensions Reserve (see Note 23c)	13,004	-	-
Council Tax and NDR (transferred to/(from) the Collection Fund Adjustment Account (see Note 23d)	211	-	-
Holiday Pay (transferred to/(from) the Accumulated Absences Adjustment Account (See Note 23e)	(12)	-	-
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (See Note 23 b)	3,037	-	-
Total Adjustments to Revenue Resources	**16,240**	**-**	**-**
Revenue and Capital			
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-
Statutory provision for the repayment of debt	(1,391)	-	-
Capital expenditure financed from revenue resources	-	-	-
Total Adjustments between Capital and Revenue Resources	**(1,391)**	**-**	**-**
Adjustments to Capital Resources			
Use of capital receipts reserve to finance new capital expenditure	-	(327)	-
Application of capital grants to finance capital expenditure	-	-	-
Total Adjustments to Capital Resources	**0**	**(327)**	**-**
Total Adjustments	**14,850**	**(327)**	**-**

Comparative figures in 2016/17	Usable Reserves General Fund Balance £000	 Capital Receipts Reserve £000	 Capital Grants Unapplied Reserve £000
Amounts by which income and expenditure included in the Comprehensive Income and expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
Pensions costs (transferred to/(from) the Pensions Reserve (see Note 23c)	11,803	-	-
Council Tax and NDR (transferred to/(from) the Collection Fund Adjustment Account (see Note 23d)	(63)	-	-
Holiday Pay (transferred to/(from) the Accumulated Absences Adjustment Account (See Note 23e)	-	-	-
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (See Note 23b)	2,652	-	(795)
Total Adjustments to Revenue Resources	**14,393**	**-**	**(795)**
Adjustments between Revenue and Capital Resources			
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,088)	3,088	-
Statutory provision for the repayment of debt	(1,493)	-	-
Capital expenditure financed from revenue resources	(52)	-	-
Total Adjustments between Capital and Revenue Resources	**(4,633)**	**3,088**	**0**
Adjustments to Capital Resources			
Use of capital receipts reserve	-	(1,661)	-
Application of capital grants to finance capital expenditure	-	-	-
Total Adjustments to Capital Resources	**0**	**(1,661)**	**0**
Total Adjustments	**9,760**	**1,427**	**(795)**

Descriptions of the reserves that the adjustments are made against:

(a) **General Fund Balance** is the main revenue fund from which the Authority's cost of services is met. It represents the accumulated credit balance i.e. the excess of income over expenditure, which provides a working balance to help manage uneven cash flows and avoid unnecessary borrowing. The General Fund balance also includes a contingency element to manage unexpected and consequently unbudgeted events and circumstances.

(b) **Capital Receipts Reserve** records balances of receipts for capital disposals that can be retained for qualifying capital purposes, expenditure of a capital nature or repayment of borrowings.

(c) **Capital Grants Unapplied Reserve** holds the balance of capital grants received where the conditions of use have been met but the actual capital expenditure has not yet been incurred.

8 Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how the annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices which is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

	2017/18		
	Net Expenditure Chargeable to the General Fund Balance	Adjustment between the Funding and Accounting Basis (Note 8a)	Net Expenditure in the CIES
	£000	£000	£000
Fire Services	29,241	5,660	34,900
Net Cost Of Services	**29,241**	**5,660**	**34,900**
Other Income and Expenditure	(29,216)	9,190	(20,026)
(Surplus) or Deficit on Provision of Services	**25**	**14,850**	**14,874**
Opening General Fund and Earmarked Reserves	**6,672**		
Plus/(Less) Surplus or (Deficit) on the General Fund and Earmarked Reserves in year	(25)		
Closing General Fund and Earmarked Reserves as at 31st March 2018	**6,647**		

2016/17 Comparative Figures

	Net Expenditure Chargeable to the General Fund Balance	Adjustment between the Funding and Accounting Basis (Note 8a)	Net Expenditure in the CIES
	£000	£000	£000
Fire Services	28,559	2,313	30,872
Net Cost Of Services	**28,559**	**2,313**	**30,872**
Other Income and Expenditure	(29,655)	7,447	(22,208)
(Surplus) or Deficit on Provision	**(1,096)**	**9,760**	**8,664**
Opening General Fund and Earmarked Reserves	**5,577**		
Plus/(Less) Surplus or (Deficit) on the General Fund and Earmarked Reserves in year	1,096		
Closing General Fund and Earmarked Reserves as at 31st March 2017	**6,672**		

(a) Note to the Expenditure & Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure amounts

	Adjustments for Capital Purposes (see (i) below) £000	Net change for the Pensions adjustment (see (ii) below) £000	Other Differences (see (iii) below) £000	Total Adjustments £000
Fire Services	2,054	3,606	-	5,660
Net Cost Of Services	**2,054**	**3,606**	**0**	**5,660**
Other Income and Expenditure from the Expenditure & Funding Analysis	(407)	9,398	199	9,190
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**1,646**	**13,004**	**199**	**14,850**

2016/17 Comparative Figures

	Adjustments for Capital Purposes (note i) £000	Net change for the Pensions adjustment (note ii) £000	Other Differences (note iii) £000	Total Adjustments £000
Fire Services	756	1,556	-	2,313
Net Cost Of Services	**756**	**1,556**	**0**	**2,313**
Other Income and Expenditure from the Expenditure & Funding Analysis	(2,737)	10,247	(63)	7,447
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(1,981)**	**11,803**	**(62)**	**9,760**

(i) **Adjustments for Capital Purposes**

Adjustments for capital purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these amounts are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

(ii) **Net Change for the Pensions Adjustments**

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute which are replaced with current and past service costs.

For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

(iii) **Other differences**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For services this represents the adjustment for timing differences in relation to accumulated staff absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March.

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

(b) Expenditure & Income analysed by nature

The Authority's expenditure and income is analysed as follows:

2017/18	2017/18 £000	2016/17 £000
Expenditure:		
Employee benefits expenses	35,393	33,557
Other service expenses	7,072	6,457
Depreciation, amortisation and impairment	3,444	2,302
Interest Payments	1,018	1,040
(Gain) or Loss on Disposal of non current assets	4	(2,059)
Total expenditure	**46,931**	**41,297**
Income:		
Fees, charges & other service income	(439)	(377)
Interest and investment income	(49)	(62)
Income from council tax and non domestic rates	(22,740)	(22,306)
Government grants and contributions	(8,828)	(9,887)
Total income	**(32,056)**	**(32,632)**
(Surplus) or Deficit on Provision of Services	**14,874**	**8,664**

9 Property, Plant and Equipment

Movements on Balances

In 2017/18	Other Land and Buildings £000	Vehicles £000	Plant & Equipment £000	Surplus Assets £000	Assets under Construction £000	Total £000	PFI Assets (Note 13) Included in Property, Plant and Equipment £000
Cost or Valuation (GCA):							
As at 1st April 2017	29,218	16,085	3,306	-	3,259	51,869	6,089
Additions	168	172	324	-	1,245	1,910	-
Accumulated Depreciation & Impairment written off to Gross Carrying Amount	(742)	-	-	-	-	(742)	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	217	-	-	-	-	217	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provision of Services	(1,357)	-	-	-	-	(1,357)	-
Derecognition - disposals	0	(1,700)	(53)	-	-	(1,753)	-
Other movements in cost or valuation *	4,157	-	-	-	(4,157)	-	-
At 31st March 2018	**31,660**	**14,558**	**3,577**	**-**	**348**	**50,144**	**6,089**

***** Other movements in cost or valuation:
This reclassification of £4,157,000 capital expenditure relates to the Transport and Logistics Building at Thirsk which became operational in May 2017. Prior to this date, the site had been a non operational asset under construction.

Movements on Balances

In 2017/18	Other Land and Buildings £000	Vehicles £000	Plant & Equipment £000	Surplus Assets £000	Assets under Construction £000	Total £000	PFI Assets (Note 13) Included in Property, Plant and Equipment £000
Accumulated Depreciation & Impairment:							
As at 1st April 2017	(1,037)	(8,490)	(1,820)	-	-	(11,347)	(799)
Depreciation Charge	(649)	(999)	(259)	-	-	(1,907)	(91)
Accumulated Depreciation written off to Gross Carrying Amount	742	-	-	-	-	742	0
Accumulated Impairment written off to Gross Carrying Amount	-	-	-	-	-	0	0
Derecognition - disposals	-	1,700	49	-	-	1,749	-
At 31st March 2018	**(944)**	**(7,789)**	**(2,030)**	**-**	**-**	**(10,763)**	**(889)**
Net Book Value							
At 31st March 2018	**30,716**	**6,769**	**1,547**	**-**	**348**	**39,381**	**5,200**
At 31st March 2017	**28,181**	**7,596**	**1,486**	**-**	**3,259**	**40,522**	**5,291**

Comparative Movements in 2016/17 - Restated

	Other Land and Buildings £000	Vehicles £000	Plant & Equipment £000	Surplus Assets £000	Assets under Construction £000	Total £000	PFI Assets (Note 13) Included in Property, Plant and Equipment £000
Cost or Valuation:							
As at 1st April 2016	29,352	15,118	3,240	-	1,684	49,394	6,089
Additions	183	1,504	185	-	1,575	3,448	-
Depreciation & Impairment written off to Gross Carrying	(266)	0	0	0	0	(266)	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	207	-	-	-	-	207	-
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the provision of services	(258)	-	-	-	-	(258)	-
Derecognition - disposals	-	(537)	(119)	-	-	(656)	-
At 31st March 2017	**29,218**	**16,085**	**3,306**	**-**	**3,259**	**51,869**	**6,089**

Comparative Movements in 2016/17 - Restated

	Other Land and Buildings £000	Vehicles £000	Plant & Equipment £000	Surplus Assets £000	Assets under Construction £000	Total £000	PFI Assets (Note 13) Included in Property, Plant and Equipment £000
Depreciation							
As at 1st April 2016	(649)	(7,994)	(1,683)	-	-	(10,326)	(707)
Depreciation Charge	(654)	(1,032)	(244)	-	-	(1,930)	(91)
Accumulated Depreciation & Impairment written off to Gross Carrying Amount	266	0	0	-	-	266	0
Depreciation written out to the Surplus / Deficit on the provision of services	0	0	0	-	-	0	
Impairment losses/ (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Derecognition - Disposals	-	537	107	-	-	644	0
At 31st March 2017	**(1,037)**	**(8,489)**	**(1,820)**	**-**	**-**	**(11,346)**	**(798)**
Net Book Value							
At 31st March 2017	**28,181**	**7,597**	**1,486**	**-**	**3,259**	**40,522**	**5,292**
At 31st March 2016	**28,703**	**7,123**	**1,557**	**-**	**1,684**	**39,068**	**5,382**

Depreciation

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

- Land - not depreciated
- Buildings 15 - 60 years
- Vehicles 2 - 15 years
- Plant & Equipment 5 - 15 years

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

Capital Commitments
At 31st March 2018, the Authority is within contracts for Vehicles for which the expenditure commitment in future years is estimated at £1,000,000.

Revaluations
As stated in accounting policy 1(p)(ii), assets are carried in the Balance sheet using the following measurement bases:

- Assets under construction - historical cost
- Land and Buildings (Fire Stations) - current value (depreciated replacement cost - instant build)
- Land and Buildings (other than Fire Stations) - current value (existing use value or comparative method)
- Vehicles, Plant and Equipment - current value (depreciated historical cost)
- Non Operational Surplus Assets - fair value (existing use value)

The Authority carries out a rolling programme that ensures that all Land and Property required to be measured at current value is revalued at least every five years. All valuations in 2017/18 were carried out by Carter Jonas LLP, an independent external valuer. Valuations of Land and Buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The effective date of all valuations undertaken is 31st March 2018.

The significant assumptions applied in estimating the current values are:

- That the properties and values are unaffected by any matters which would be revealed in a local search or inspection of any register, and remains useable for its intended purpose.
- That good title can be shown.
- That all sites are free of high alumina cement, concrete or calcium chloride additive, or asbestos, woodwool slabs or other potentially deleterious materials.
- All properties are free of radon gas.
- For the depreciated replacement cost method, the cost of constructing the property is calculated and then depreciated to reflect factors of age and obsolescence. An addition is then made for the value of the land on which the property is situated.
- Remaining useful lives are based upon the assumption that the Authority continues to undertake appropriate maintenance and repair, but that rebuilding or extension works will not be undertaken.

Current Value of Assets	Other Land and Buildings £000	Vehicles £000	Plant & Equipment £000	Surplus Assets £000	Assets under Construction £000	Total £000
carried at historical cost	-	-	-	-	348	348
valued at current value as at:						
31 March 2018	12,150	6,769	1,547	-	-	20,466
31 March 2017	2,927	-	-	-	-	2,927
31 March 2016	11,175	-	-	-	-	11,175
31 March 2015	4,464	-	-	-	-	4,464
Total Cost or Valuation	**30,717**	**6,769**	**1,547**	**-**	**348**	**39,381**

Non-operational Property, Plant & Equipment

The Authority does not have any assets classified as surplus.

10 Intangible Assets

The Authority's Intangible assets consist wholly of Software licences for the Authority's IT systems. The useful lives of the licences are based on assessment of the period that they are expected to be of use to the Authority. The useful lives assigned to the software licences range from 3 - 8 years. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £180,658 in 2017/18 (£113,874 in 2016/17) was charged to revenue to the Information Technology Service and Support cost centre.

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

	2017/18	2016/17
Balance at the start of the year:	£000	£000
Gross carrying amounts	1,161	744
Accumulated amortisation	(679)	(673)
Net carrying amount at start of year	**482**	**71**
Additions:		
Internal Development	0	0
Purchases	7	527
Donated Assets	0	0
Disposals	0	(110)
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0
Amortisation for the period	(181)	(114)
Derecognition - Disposals	0	108
Net carrying amount at end of year	**309**	**482**
Comprising:		
Gross carrying amount	1,169	1,161
Accumulated amortisation	(860)	(679)
	309	**482**

11 Capital Expenditure and Capital Financing

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

	2017/18 £000	2016/17 £000
Opening Capital Financing Requirement	**17,068**	**17,772**
Capital investment		
Property, Plant and Equipment	1,910	3,448
Intangible Assets	7	527
Sources of finance		
Capital receipts	(327)	(1,661)
Government grants and other contributions	(411)	(1,473)
Sums set aside from revenue	-	-
Direct revenue contributions	-	(52)
Minimum Revenue Provision	(1,391)	(1,493)
Closing Capital Financing Requirement	**16,856**	**17,068**
Explanation of movements in year		
Increase/(decrease) in underlying borrowing (supported by Government financial assistance)	(276)	(288)
Increase/(decrease) in underlying borrowing (unsupported by Government financial assistance)	692	(244)
Assets acquired under finance leases	(448)	(25)
Assets acquired under PFI/PPP contracts	(180)	(147)
Increase/(decrease) in Capital Financing Requirement	**(212)**	**(704)**

12 Assets Held for Sale

	Current		Non Current	
	31st March 2018 £000	31st March 2017 £000	31st March 2018 £000	31st March 2017 £000
Balance outstanding at start of year	-	1,014	-	-
Assets newly classified as held for sale:				
Property, Plant & Equipment	-	-	-	-
Assets Sold	-	(1,014)	-	-
Balance outstanding at year end	**-**	**-**	**-**	**-**

13 Private Finance Initiatives and Similar Contracts

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

Property Plant and Equipment

The assets used to provide services at the sites are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement of Property, Plant and Equipment balances in Note 9.

Payments

The Authority makes an agreed payment each year which is increased annually by RPI and can be reduced if the contractor fails to meet availability and performance standards in any year but which otherwise is fixed unless the agreed maximum usage is exceeded. The total payment in the year to 31st March 2018 was £1,347,155 (£1,286,621 in 2016/17).

Payments remaining to be made under the PFI contract at 31 March 2018 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Reimbursement of Capital Expenditure £000	Interest Charge £000	Payment for Service £000	Total £000
Payable within one year	254	159	726	1,139
Payable in the 2nd to 5th year (inclusive)	614	491	3,741	4,846
Payable in the 6th to 10th year	1,304	233	3,812	5,350
	2,172	**883**	**8,279**	**11,335**

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

	2017/18 £000	2016/17 £000
Balance outstanding at 1 April	2,352	2,499
Payments during the year	(180)	(147)
Capital expenditure incurred in the year	-	-
Balance outstanding at 31 March	**2,172**	**2,352**

14 Leases

(a) Authority as Lessee

(i) Finance Leases

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

	31st March 2018 £000	31st March 2017 £000
Other Land and Buildings	-	-
Vehicles, Plant, Furniture and Equipment	951	1,328
	951	**1,328**

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

	31st March 2018	31st March 2017
Finance lease liabilities (net present value of minimum lease payments):	£000	£000
Current	401	451
Non-current	777	1,174
Finance costs payable in future years	119	180
Minimum lease payments	**1,297**	**1,806**

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

	Min. Lease Payments		Finance Lease Liabilities	
	31st March 2018 £000	31st March 2017 £000	31st March 2018 £000	31st March 2017 £000
No later than one year	441	512	401	451
Later than one year and not later than five years	680	1,030	602	922
Later than five years	176	264	174	253
	1,297	**1,805**	**1,178**	**1,626**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents were payable by the Authority in either 2017/18 or 2016/17.

(ii) Operating Leases

The Authority has acquired land, buildings, vehicles, information technology and communications equipment by entering into operating leases, with lives ranging from two to forty five years. A number of these arrangements include payments for non lease elements (e.g. internet bandwidth, mobile phone airtime) where the payment cannot be accurately identified between the lease element and the non lease element. These arrangements are disclosed separately from those arrangements which contain a lease element only.

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

	Agreements inc. lease and non lease payments		Agreements inc. only lease payments	
	31st March 2018	31st March 2017	31st March 2018	31st March 2017
	£000	£000	£000	£000
No later than one year	163	185	153	147
Later than one year and not later than five years	89	128	152	297
Later than five years	-	-	68	70
	252	**313**	**374**	**513**

Expenditure charged to the Comprehensive Income and Expenditure Statement during the year in
in respect of these leases was:

	Agreements inc. lease and non lease payments		Agreements inc. only lease payments	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
Minimum lease payments	230	256	153	160
Contingent rents	-	-	31	31
	230	**256**	**185**	**191**

(b) Authority as Lessor

(i) Operating Leases

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

- A part of Bedale Fire Station is leased to the Office of the Police and Crime Commissioner, North Yorkshire for the use as a police station. The 99 year lease began in March 2003. The annual rent is peppercorn, the building construction costs being met equally by the two Authorities.

- A part of the Transport & Logistic Hub in Thirsk is leased to the Office of the Police and Crime Commissioner, North Yorkshire as a shared facility. The 99 year lease began in June 2017. The annual rent is peppercorn, the building construction costs being met by the two Authorities on an occupation basis.

- Easements for underground power cables.

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

15 Inventories

2017/18	Uniform £000	Transport £000	Fuel £000	Other £000	Total £000
Balance at 1st April	24	45	28	39	137
Purchases	456	280	203	287	1,226
Recognised as an expense in year	(452)	(292)	(199)	(282)	(1,224)
Written off balances	-	-	-	(1)	(1)
Reversal of write offs in prior years	-	-	-	-	0
Balance at 31st March	**28**	**33**	**32**	**43**	**138**

2016/17 Comparatives	Uniform £000	Transport £000	Fuel £000	Other £000	Total £000
Balance at 1st April	30	43	25	38	135
Purchases	431	169	198	322	1,120
Recognised as an expense in year	(437)	(167)	(194)	(321)	(1,118)
Written off balances	-	-	-	-	0
Reversal of write offs in prior years	-	-	-	-	0
Balance at 31st March	**24**	**45**	**28**	**39**	**137**

16 Debtors

	Long Term		Short Term	
	31st March 2018 £000	31st March 2017 £000	31st March 2018 £000	31st March 2017 £000
Central Government bodies	-	-	1,450	1,405
Other Local Authorities	76	78	813	1,383
NHS Bodies	-	-	5	6
Other entities and individuals	-	-	1,669	1,672
Total	**76**	**78**	**3,937**	**4,465**

17 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:	31st March 2018 £000	31st March 2017 £000
Cash held by the Authority	2	2
Bank current accounts	(8)	-
Short-term deposits with banks and financial institutions	8,644	9,074
Total Cash and Cash Equivalents	**8,638**	**9,076**

18 Short-Term Creditors

	Long Term		Short Term	
	31st March 2018 £000	31st March 2017 £000	31st March 2018 £000	31st March 2017 £000
Central Government Bodies	-	-	1,700	1,753
Other Local Authorities	-	-	607	546
Other entities and individuals	-	-	2,064	1,808
Total	**0**	**0**	**4,371**	**4,108**

19 Provisions

	Short Term		Long Term	
	Pay Award	Termination Benefits (Note 20)	Insurance Claims	Total
	£000	£000	£000	£000
Balance as at 1 April 2017	0	(122)	(105)	(227)
Provisions Made 2017/18	(134)	-	(83)	(217)
Amounts used in 2017/18	0	122	22	144
Unused amounts reversed in 2017/18	0	-	4	4
Balance as at 31 March 2018	**(134)**	**(0)**	**(162)**	**(297)**

Grey Book Pay Award Settlement 2017/18

The 2017 pay increase with effect from 1st July 2017 for staff under Grey Book terms and conditions has not been settled at 31st March 2018 and negotiations continue between the Employers side of the the National Joint Council and the Representative Bodies. Grey book staff were paid on account a 1% increase in 2017/18 and whilst the amount and timing of a final settlement is currently unknown, provision has been made within the net cost of services for a further 1% increase being the probable minimum settlement which will eventually be agreed.

Insurance Claims

A provision has been made for the future settlement of claims under the Authority's Employers Liability insurance policy. Following advice from the Insurers, the amount of future liabilities requiring new provision within the 2017/18 accounts is estimated at £83,300 (the total liability provided for as 31st March 2018 being £117,300). Under these policies, the Authority is liable for the first £10,000 of each claim where the originating event giving rise to the claim was before 30th September 2013. Where it is after this date, the Authority is liable for the first £25,000. The timing of eventual settlements and payments are not known, however it is unlikely to be within 12 months.

Municipal Mutual Insurance (MMI) was the predominant insurer of public sector bodies, including the Fire Authority, until it stopped underwriting operations in 1992. The 1993 implementation of a 'Scheme of Arrangement' means that even today, these public sector bodies have exposure to MMI due mainly to subsequent and much higher than expected levels of industrial disease type claims. MMI's deteriorating solvency position has led to insolvent liquidation. As a result of the Scheme of Arrangement, the Fire Authority is liable for an estimated £45,100 in respect of future claims for which provision is made as at 31st March 2018.

20 Termination Benefits

There is no requirement for provision in respect of severance payments and early retirements to be paid during 2018/19.

All exit packages charged to the Comprehensive Income & Expenditure Statement in 2016/17 were in respect of voluntary redundancy agreements. The numbers of packages with total cost per band are set out below:

	2017/18		2016/17	
Band:	Number	£000	Number	£000
£0-£80,000	-	-	3	122.5

21 Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

2017/18	Balance at 1 April 17 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 18 £000
Pensions	1,209	(108)	-	1,101
Pay and Prices	2,690	(54)	-	2,636
New Developments	103	-	0	103
Earmarked Revenue Grants	-	-	132	132
Total	**4,003**	**(162)**	**132**	**3,972**

Transfers to / from Earmarked Reserves

2016/17 Comparatives	Balance at 1 April 16 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 17 £000
Pensions	970	-	240	1,209
Pay and Prices	2,524	(132)	298	2,690
New Developments	103	-	-	103
Earmarked Revenue Grants	30	(30)	-	-
Total	**3,626**	**(161)**	**538**	**4,003**

22 Usable Reserves

	31st March 2018 £000	31st March 2017 £000
Capital Grants Unapplied Reserve	-	-
Usable Capital Receipts Reserve	1,164	1,491
General Fund Balance	2,674	2,669
Earmarked General Fund Reserves	3,972	4,003
Total Unusable Reserves	**7,810**	**8,163**

Movement in the Authority's usable reserves are detailed in the Movement in Reserves Statement on pages 18 and 19.

23 Unusable Reserves

	31st March 2018 £000	31st March 2017 £000
Revaluation Reserve	4,620	4,484
Capital Adjustment Account	18,214	19,453
Pensions Reserve	(369,083)	(355,918)
Collection Fund Adjustment Account	210	421
Accumulating Compensated Absences Adjustment Account	(46)	(58)
Total Unusable Reserves	**(346,086)**	**(331,618)**

The Movement in Reserves Statement provides details of the source of all transactions posted to the Accounts detailed overleaf.

(a) Revaluation Reserve

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

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

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

Revaluation Reserve	2017/18	2016/17
	£000	£000
Balance at 1st April	**4,484**	**4,977**
Upward revaluation of assets	462	224
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(245)	(17)
	4,700	5,184
Difference between fair value depreciation and historical cost depreciation	(80)	(80)
Accumulated gains on assets sold or scrapped	-	(620)
Amount written off to the Capital Adjustment Account	(80)	(700)
Balance at 31st March	**4,620**	**4,484**

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date the Revaluation Reserve was created to hold such gains.

Capital Adjustment Account	2017/18 £000	2016/17 £000
Balance at 1st April	**19,453**	**17,404**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(1,907)	(1,930)
Revaluation losses on Property, Plant and Equipment	(1,357)	(258)
Amortisation of intangible assets	(181)	(114)
Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4)	(1,029)
	(3,448)	(3,330)
Adjusting amounts written out of the Revaluation Reserve	80	700
Net written out amount of the cost of non current assets consumed in year	(3,368)	(2,631)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	327	1,661
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	411	678
Application of grants to capital financing from the Capital Grants Unapplied Account	-	795
Statutory provision for the financing of Capital investment charged against the General Fund balance	1,391	1,493
Capital expenditure charged against the General Fund	-	52
	2,129	4,679
Balance at 31st March	**18,214**	**19,453**

(c) Pensions Reserve

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

Pensions Reserve	2017/18 £000	2016/17 £000
Balance at 1st April	(355,918)	(290,633)
Remeasurement of the net defined benefit liability	(161)	(53,484)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement	(16,429)	(15,610)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,425	3,807
Balance at 31st March	**(369,083)**	**(355,918)**

(d) Collection Fund Adjustment Account

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

	2017/18	2016/17
	£000	£000
Balance at 1st April	421	359
Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rate income calculated for the year in accordance with statutory requirements	(211)	63
Balance at 31st March	**210**	**421**

(e) Accumulating Compensated Absences Adjustment Account

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

	2017/18	2016/17
	£000	£000
Balance at 1st April	(58)	(58)
Settlement or cancellation of accrual made at the end of the preceding year	58	58
Amounts accrued at the end of the current year	(46)	(58)
Amount by which officer remuneration charged the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	12	-
Balance at 31st March	**(46)**	**(58)**

24 Members' Allowances

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

	2017/18	2016/17
	£000	£000
Allowances	71	72
Expenses	4	6
Total	**75**	**78**

25 Officers' Remuneration

2017/18 Remuneration

(a) Senior Employees

The remuneration paid to the Authority's senior employees is as follows:

	Salary (including allowances) £	Expenses Chargeable to Income Tax £	Remuneration excluding Pension Contributions £	Employer Pension Contributions £	2017/2018 Total Remuneration £
Chief Fire Officer/Chief Executive (Nigel Hutchinson)	157,665	1,124	158,789	32,911	191,700
Assistant Chief Fire Officer - Service Development	119,749	239	119,988	24,683	144,671
Assistant Chief Fire Officer - Operations	119,749	2,033	121,782	24,683	146,465
Director of Finance & Information/ Treasurer (S151) *	45,636	-	45,636	-	45,636
	442,798	**3,397**	**446,195**	**82,277**	**528,472**

Regulations require that persons whose salary is in excess of £150,000 per annum must be identified by name.

* The Director of Finance & Information/Treasurer (S151) retired from the Authority on 4th March 2018.

2016/17 Comparative Figures

	Salary (including allowances) £	Expenses Chargeable to Income Tax £	Remuneration excluding Pension Contributions £	Employer Pension Contributions £	2016/2017 Total Remuneration £
Chief Fire Officer/Chief Executive (Nigel Hutchinson)	156,164	1,352	157,515	32,585	190,100
Temporary Deputy Chief Fire Officer/	36,948	2,643	39,591	5,419	45,010
Assistant Chief Fire Officer - Operations *	73,953	-	73,953	12,887	86,840
Assistant Chief Fire Officer - Service Development **	73,953	-	73,953	12,887	86,840
Director of Finance & Information/ Treasurer (S151) ***	71,430	-	71,430	5,949	77,379
	412,448	**3,995**	**416,443**	**69,728**	**486,171**

* The post of Temporary Deputy Chief Fire Officer ceased on 31st July 2016.
** Both Assistant Chief Fire Officer posts commenced on 1st August 2016.
*** The post of Treasurer (S151) reduced from 1.00fte to 0.50fte on 1st September 2016.

The pension contributions payable in 2017/18 by Employers and Employees are prescribed by the Pension Schemes' Regulations:

	Employer	Employee
1992 Firefighters Pension Scheme	21.7%	16.5% - 17%
Local Government Pension Scheme	0.0%	0.0%

(b) The following table sets out the 2017/18 remuneration disclosures for all employees whose total remuneration (excluding employer's pension contributions) is over £50,000:

Band:	2017/18 Number of employees	2016/17 Number of employees
£50,000 - £54,999	6	11
£55,000 - £59,999	12	12
£60,000 - £64,999	2	1
£65,000 - £69,999	6	7
£70,000 - £74,999	-	2
£75,000 - £79,999	2	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	1
£115,000 - £119,999	1	-
£120,000 - £124,999	1	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £149,999	-	-
£150,000 - £154,999	-	-
£155,000 - £159,999	1	1
	31	36

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

26 Audit Fees

The Authority has incurred the following costs in relation to fees payable to auditors appointed under the Local Audit and Accountability Act 2014 with regard to external audit services carried out under the Code of Audit Practice prepared by the Controller and Audit General in accordance with s19 of the Act.

	2017/18 £000	2016/17 £000
Fees payable to Mazars appointed under the Local Audit and Accountability Act 2014 with regard to external audit services	32	32
Fees payable in respect of any other services provided by Mazars during the year	0	0
	32	**32**

27 Grant Income

The Authority credited the following grants, contributions and donations (over £10,000) to the Comprehensive Income and Expenditure Statement in 2017/18:

	2017/18	2016/17
Credited to Taxation and Non Specific Grant Income	£000	£000
Non Domestic Rates Top Up	2,789	2,554
Revenue Support Grant	3,579	4,898
Rural Services Delivery Grant	413	512
Transitional Grant	94	75
PFI Grant (to match interest charge)	371	352
Capital Grants & Contributions	411	678
	7,657	**9,068**
Credited to Services		
New Dimension Grant	175	52
Fire Control Grant	0	26
Firelink Grant	216	388
Youth Schemes	35	-
Sec 31 NDR Grant	266	227
PFI Grant/Income	295	297
Yorkshire Accord	19	-
ESMCP (Emergency Services Mobile Communications Programme)	123	-
National Resilience Maintenance Grant	109	-
IT Health Check	0	24
	1,237	**1,014**

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

	2017/18	2016/17
Revenue Grants Receipts in Advance	£000	£000
New Dimensions Grant	35	144
Fire Control Grant	23	23
Firelink Grant	223	179
Emergency Services Mobile Communications Programme Grant	880	732
	1,161	**1,079**

28 Related Parties

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

Central Government

Central government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, providing significant funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are set out in Note 7 (b) showing Expenditure and Income analysed by Nature. Grant receipts received in advance as at 31 March 2018 are shown in Note 27.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2017/18 is shown in Note 24.

Officers

Officers have day to day control of the running of the Authority's affairs. No related party transactions occurred with Officers in 2017/18.

29 Other Payments for Operating Activities

As required under the Code, Other Payments for Operating Activities within the Cashflow Statement of £14,713,743 (£14,219,473 in 2016/17) comprise Employers National Insurance and pension contributions and also payments to Pensioners of the Firefighters Pension Schemes.

30 Defined Benefit Pension Schemes

(a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Authority participates in four pension schemes:

(i) **Local Government Pension Scheme** for non uniformed employees, administered by North Yorkshire County Council - this is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. 'LGPS 2014' was implemented with effect from 1st April 2014 under which benefits are provided on a Career Average Revalued Earnings (CARE) basis for service accrued from April 2014, replacing the final salary link under the previous arrangements. The arrangement for the award of a discretionary post-retirement benefit upon early retirement under the LGPS is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

(ii) **Firefighters Pension Scheme -** these are unfunded schemes, meaning that there are no assets built up to meet pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. There are three schemes administered by the Authority - the Firefighters Pension Scheme 1992 (FPS), the New Firefighters Pension Scheme 2006 (NFPS) and, with effect from 1st April 2015, the Firefighters Pension Scheme 2015.

(b) Injury Allowances - Firefighters Compensation Scheme 2006

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

The principal risks to the Authority of the Schemes are the longevity assumptions, statutory changes to the schemes, structural changes to the schemes (i.e. large scale withdrawals from the schemes), change to inflation, bond yields and the performance of the equity investments held by the LGPS. The impact of the assumptions, and how they interact, is detailed in note 4 (ii). These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policy note 1 (h) (iii).

Transactions relating to Retirement and Injury Benefits

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

Comprehensive Income & Expenditure Statement	Local Government Pension Scheme 2017/18 £000	Firefighters 1992 (FPS) Pension Scheme 2017/18 £000	Firefighters 2006 (NFPS) Pension Scheme 2017/18 £000	Firefighters 2015 Pension Scheme 2017/18 £000	Firefighters Compensation Scheme 2017/18 £000	Total 2017/18 £000
Cost Of Services :						
Service Cost comprising:						
Current Service Cost	(772)	(1,870)	(310)	(3,740)	(110)	(6,802)
Past Service Cost	(19)	(210)	-	-	-	(229)
Financing and Investment Income and Expenditure :						
Net Interest Expense	(198)	(7,880)	(630)	(280)	(410)	(9,398)
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	(989)	(9,960)	(940)	(4,020)	(520)	(16,429)
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in net interest expense	1,141	-	-	-	-	1,141
Experience gains and (losses) arising on pension liabilities	(146)	(1,120)	(1,950)	140	(1,490)	(4,566)
Actuarial gains and (losses) arising on changes in financial and demographic assumptions	(565)	6,732	(1,377)	(1,906)	380	3,264
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	430	5,612	(3,327)	(1,766)	(1,110)	(161)

	Local Government Pension Scheme	Firefighters 1992 (FPS) Pension Scheme	Firefighters 2006 (NFPS) Pension Scheme	Firefighters 2015 Pension Scheme	Firefighters Compensation Scheme	Total
Movement in Reserves Statement						
Reversal of net charges to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with IAS 19	989	9,960	940	4,020	520	16,429
Actual Amount charged to the General Fund Balance for pensions in the year						
Employers contributions and benefits payable to Pensioners	(554)	(808)	(141)	(1,192)	(730)	(3,425)

2016/17 Comparative Figures:

Comprehensive Income & Expenditure Statement Cost Of Services:	Local Government Pension Scheme 2016/17 £000	Firefighters 1992 (FPS) Pension Scheme 2016/17 £000	Firefighters 2006 (NFPS) Pension Scheme 2016/17 £000	Firefighters 2015 Pension Scheme 2016/17 £000	Firefighters Compensation Scheme 2016/17 £000	Total 2016/17 £000
Service Cost comprising:						
Current Service Cost	(527)	(1,390)	(950)	(2,210)	(110)	(5,187)
Past Service Cost	(76)	(100)	-	-	-	(176)
Financing and Investment Income and Expenditure:						
Net Interest Expense	(167)	(8,830)	(560)	(160)	(530)	(10,247)
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	(770)	(10,320)	(1,510)	(2,370)	(640)	(15,610)
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in net interest expense	3,414	-	-	-	-	3,414
Experience gains and (losses) arising on pension liabilities	254	880	(330)	310	(120)	994
Actuarial gains and (losses) arising on changes in financial and demographic assumptions	(6,115)	(39,475)	(7,136)	(4,596)	(570)	(57,892)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(2,447)	(38,595)	(7,466)	(4,286)	(690)	(53,484)
Movement in Reserves Statement						
Reversal of net charges to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with IAS 19	770	10,320	1,510	2,370	640	15,610
Actual Amount charged to the General Fund Balance for pensions in the year						
Employers contributions and benefits payable to Pensioners	(481)	(785)	(785)	(1,096)	(660)	(3,807)

The amount included in the Balance Sheet arising from the Authority's obligation to meet it's defined benefit schemes is as follows:

	Local Government Pension Scheme	Firefighters 1992 (FPS) Pension Scheme	Firefighters 2006 (NFPS) Pension Scheme	Firefighters 2015 Pension Scheme	Firefighters Compensation Scheme	Total
	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
	£000	£000	£000	£000	£000	£000
Present Value of the defined benefit obligation	30,743	304,020	27,790	13,070	16,740	392,363
Fair value of plan assets	(23,280)	-	-		-	(23,280)
Net liability arising from defined benefit obligation	7,463	304,020	27,790	13,070	16,740	369,083

2016/17 Comparative Figures:

	Local Government Pension Scheme	Firefighters 1992 (FPS) Pension Scheme	Firefighters 2006 (NFPS) Pension Scheme	Firefighters 2015 Pension Scheme	Firefighters Compensation Scheme	Total
	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17
		£000	£000	£000	£000	£000
Present Value of the defined benefit obligation	29,011	300,480	23,620	8,520	15,840	377,471
Fair value of plan assets	(21,553)	-	-	-	-	(21,553)
Net liability arising from defined benefit obligation	7,458	300,480	23,620	8,520	15,840	355,918

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme	Firefighters 1992 (FPS) Pension Scheme	Firefighters 2006 (NFPS) Pension Scheme	Firefighters 2015 Pension Scheme	Firefighters Compensation Scheme	Total
	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
	£000	£000	£000	£000	£000	£000
Opening Fair Value	21,553	0	0	0	0	21,553
Interest Income	561					561
Remeasurement loss - the return on plan assets, excluding the amount included in the interest expense	1,141	-	-	-	-	1,141
Other	-	7,682	(171)	(2,232)	-	5,279
Employer contributions	554	808	141	1,192	730	3,425
Employee contributions	167	500	130	1,060	-	1,857
Benefits paid	(696)	(8,990)	(100)	(20)	(730)	(10,536)
Closing Fair Value	23,280	0	0	0	0	23,280

2016/17 Comparative Figures:

	Local Government Pension Scheme 2016/17 £000	Firefighters 1992 (FPS) Pension Scheme 2016/17 £000	Firefighters 2006 (NFPS) Pension Scheme 2016/17 £000	Firefighters 2015 Pension Scheme 2016/17 £000	Firefighters Compensation Scheme 2016/17 £000	Total 2016/17 £000
Opening Fair Value	18,116	-	-	-	-	18,116
Interest Income	624					624
Remeasurement loss - the return on plan						0
assets, excluding the amount included in						0
the interest expense	3,414	-	-	-	-	3,414
Other	-	7,905	(745)	(1,906)	-	5,254
Employer contributions	481	785	785	1,096	660	3,807
Employee contributions	161	590	100	950	-	1,801
Benefits paid	(1,243)	(9,280)	(140)	(140)	(660)	(11,463)
Closing Fair Value	21,553	0	0	0	0	21,553

Reconciliation of present value of scheme liabilities

	Funded liabilities:	Unfunded liabilities:				
	Local Government Pension Scheme 2017/18 £000	Firefighters 1992 (FPS) Pension Scheme 2017/18 £000	Firefighters 2006 (NFPS) Pension Scheme 2017/18 £000	Firefighters 2015 Pension Scheme 2017/18 £000	Firefighters Compensation Scheme 2017/18 £000	Total 2017/18 £000
Opening Balance 1 April	29,011	300,480	23,620	8,520	15,840	377,471
Current Service Cost	783	1,870	310	3,740	110	6,813
Past Service Cost	19	210	-	-	-	229
Interest Cost	748	7,880	630	280	410	9,948
Contributions by members	167	500	130	1,060	0	1,857
Re-measurement (gains) and losses:						
Experience (gains) and losses						
on pension liabilities	146	1,120	1,950	(140)	1,490	4,566
Actuarial (gains) and losses						
arising on changes in financial and						
demographic assumptions	565	950	1,250	(370)	(380)	2,015
Benefits paid	(696)	(8,990)	(100)	(20)	(730)	(10,536)
Closing Balance 31 March	30,743	304,020	27,790	13,070	16,740	392,363

2016/17 Comparative Figures:

	Local Government Pension Scheme 2016/17	Funded liabilities: Firefighters 1992 (FPS) Pension Scheme 2016/17	Unfunded liabilities: Firefighters 2006 (NFPS) Pension Scheme 2016/17	Firefighters 2015 Pension Scheme 2016/17	Firefighters Compensation Scheme 2016/17	Total 2016/17
		£000	£000	£000	£000	£000
Opening Balance 1 April	22,838	252,350	15,431	2,960	15,170	308,749
Current Service Cost	537	1,390	950	2,210	110	5,197
Past Service Cost	76	100	-	-	-	176
Interest Cost	781	8,830	560	160	530	10,861
Contributions by members	161	590	100	950	0	1,801
Re-measurement (gains) and losses:						
Experience gains and losses arising on pension liabilities	(254)	(880)	330	(310)	120	(994)
Actuarial gains and losses arising on changes in financial and demographic assumptions	6,115	47,380	6,389	2,690	570	63,144
Changes in assumptions underlying the present value of the Retained settlement	-	0	-	0	0	0
Benefits paid	(1,243)	(9,280)	(140)	(140)	(660)	(11,463)
Closing Balance 31 March	29,011	300,480	23,620	8,520	15,840	377,471

Local Government Pension Scheme assets comprised:

The Firefighters' Pension and Compensation Scheme has no assets to cover its liabilities. Assets in the Local Government Pension Scheme consist of the following categories:

	Quoted 2017/18	Unquoted 2017/18	Quoted 2016/17	Unquoted 2016/17
Asset Category	£000	£000	£000	£000
Equities	15,085	-	14,096	-
Property	1,862	-	1,832	-
Government Bonds	3,841	-	3,061	-
Corporate Bonds	0	-	668	-
Cash	47	-	22	-
Other	2,444	-	1,875	-
	23,280		21,553	

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liability has been assessed by Mercer Limited, and the Firefighters Pensions and Compensation Schemes' liabilities have been assessed by the Government Actuary Department, both firms of Actuaries.

The estimates for the Local Government Pension Scheme are based upon the latest full valuation of the scheme as at 31st March 2016. For the Firefighters Pension Schemes, the estimates are based upon the latest full valuation of the scheme as at 31st March 2016.

The significant assumptions advised by the Actuaries are:

Mortality Assumptions:	Local Government Pension Scheme		Firefighters 1992 (FPS), 2006 (NFPS) & 2015 Schemes	
Member aged 65 for current pensioners:	2017/18	2016/17	2017/18	2016/17
Men	22.9 years	22.8 years	21.9 years	22.4 years
Women	26.4 years	26.3 years	21.9 years	22.4 years
Member aged 45 for future pensioners :				
Men	25.1 years	25.0 years	23.9 years	24.7 years
Women	28.7 years	28.6 years	23.9 years	24.7 years
Rate of CPI inflation %	2.10	2.00	2.30	2.35
Rate of increase in salaries %	3.35	3.25	4.30	4.35
Rate of increase in pensions %	2.10	2.00	2.30	2.35
Rate for discounting scheme liabilities %	2.60	2.60	2.55	2.65

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed remains constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on Defined Benefit Obligation:	Local Government Pension Scheme	
	£m increase	£m decrease
Longevity (increase or decrease in one year)	0.9	(0.9)
Rate of inflation (increase or decrease by 0.1%)	0.5	(0.5)
Rate of increase in salaries (increase or decrease by 0.1%)	0.1	(0.1)
Rate of increase in pensions (increase or decrease by 0.1%)	0.5	(0.5)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(0.6)	0.6

Impact on Defined Benefit Obligation:	Firefighters 1992 (FPS), 2006 (NFPS) & 2015 Schemes	
	increase £m	decrease £m
Longevity (increase or decrease in one year)	8.0	(8.0)
Rate of inflation (increase or decrease by 0.1%)	5.2	(5.2)
Rate of increase in salaries (increase or decrease by 0.1%)	1.0	(1.0)
Rate of increase in pensions (increase or decrease by 0.%)	5.2	(5.2)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(6.8)	6.8

Asset and Liability Matching (ALM Strategy)

Local Government Pension Scheme

The pension committee of North Yorkshire County Council has determined the investment strategy which is aimed at growing North Yorkshire Pension Fund's assets to meet obligations when they fall due. As required by the regulations, the suitability of various classes of investments have been considered including assessing the benefit of asset class diversification. The fund is primarily invested in equities (65% of scheme assets) and fixed income (17%) with investments also in property and alternatives, the proportions being not materially dissimilar to the comparative year. This strategy is reviewed periodically, dependent on changes to market conditions and the solvency of the fund.

The Firefighters' Pension and Compensation Scheme has no assets to cover its liabilities.

Impact on the Authority's Cash Flows

Local Government Pension Scheme

The objectives of the schemes are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the Scheme's actuary to achieve a funding level of 100% over 23 years. Funding levels are monitored on an annual basis . The next triennial valuation is due to be completed on 31st March 2019.

The Authority anticipates to pay £611,400 contributions into the Local Government Pension Scheme in the year to 31st March 2019. The weighted average duration of the defined benefit obligation for scheme members is 20 years in 2017/18. (20 years 2016/17).

Firefighters Pension Schemes

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

The Authority anticipates to pay £2,393,100 contributions into the Firefighters Pension and Compensation Schemes in the year to 31st March 2019.

31 Financial Instruments

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

Categories of Financial Instruments

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

	Long Term		Current	
	31st Mar 2018 £000	31st Mar 2017 £000	31st Mar 2018 £000	31st Mar 2017 £000
Cash & Cash Equivalents				
Cash & Cash Equivalents	-	-	8,644	9,074
Cash & Cash Equivalents	-	-	8,644	9,074
Debtors				
Financial Assets carried at contract amount	-	-	282	517
Total Debtors	-	-	282	517
Borrowing				
Financial liabilities at amortised cost	13,762	14,135	373	360
Accrued Interest & Principal at amortised cost	-	-	173	120
Total Borrowings	13,762	14,135	546	480
Other Long Term liabilities				
PFI Scheme	1,918	2,172	254	180
Finance Leases	777	1,174	401	451
Total Other Long Term Liabilities	2,695	3,347	655	631
Creditors				
Financial liabilities carried at contract amount	-	-	1,049	753
Total Creditors	-	-	1,049	753

(b) Income, Expense, Gains and Losses

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

	Financial Liabilities at Amortised Cost 2017/18 £000	Financial Assets - Loans and Receivables 2017/18 £000	Total 2017/18 £000
Interest Expense	1,018	-	1,018
Impairment Losses	-	1	1
Total expense in Surplus or Deficit on the Provision of Services	1,018	1	1,019
Interest income	-	(49)	(49)
Total income in Surplus or Deficit on the Provision of Services	-	(49)	(49)
Net (Gain) / Loss for the year	1,018	(48)	970

2016/17 Comparatives

	Financial Liabilities at Amortised Cost 2016/17 £000	Financial Assets - Loans and Receivables 2016/17 £000	Total 2016/17 £000
Interest Expense	1,040	-	1,040
Impairment Losses	-	(2)	(2)
Total expense in Surplus or Deficit on the Provision of Services	1,040	(2)	1,039
Interest income (Restated)	-	(62)	(62)
Total income in Surplus or Deficit on the Provision of Services	-	(62)	(62)
Net (Gain) / Loss for the year	1,040	(64)	977

The Fair Value of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are Required)

All financial liabilities and financial assets held by the Authority are classified as loans and receivables and long term debtors and creditors and are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows:

Financial Liabilities	31st March 2018		31st March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities held at amortised cost				
Public Works Loan Board (PWLB) Loans	14,173	16,565	14,495	17,375
Other liabilities :				
PFI	2,172	3,313	2,352	3,499
Finance Leases	1,178	1,178	1,626	1,626
Creditors	1,185	1,185	873	873
	18,708	22,241	19,346	23,373

<u>PWLB Loans:</u>
The Authority's Treasury Management Advisors, Capita, provided the fair value amounts to be disclosed in relation to its debt portfolio. Capita have assessed fair value by calculating the present value of the cash flows that will take place over the remaining life of the loans applying the following rates:

(a) For the fair value measured according to the requirements of Section 2.10 of the Code - new borrowing available from the PWLB rates as at the balance sheet date of 31st March 2018; and

(b) for the value reflecting the amount that the Authority would have to pay to repay the loans as at 31st March 2018 - PWLB premature repayment rates as at 31st March 2018.

(c) The fair value, as calculated in accordance with the Code, of £16,565,151 measures the economic effect of the past terms agreed with the PWLB compared with new borrowing rates from the PWLB as at 31st March. This is because the Authority has the ability to borrow at concessionary rates from the PWLB rather than from the markets and therefore this provides a more useful figure for users of the Authority's financial statements as opposed to a value using prevailing market rates. The fair value of the liabilities is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than PWLB rates as at 31st March 2018. This shows a notional future loss (based upon economic conditions as at the date) arising from a commitment to pay interest to the PWLB above its current rates.

(d) However, it is important for users of the accounts to recognise that if the Authority were to seek to avoid the projected loss by repaying the loans early, the PWLB would charge a premium to reflect the additional interest that would not then be paid. The amount the Authority would have to pay to repay the loans early using premature repayment rates as at 31st March 2018 is £17,904,134 being the outstanding debt including accrued interest of £14,308,200 plus a premium of £3,595,934. The fact that this repayment figure is higher than both the carrying amount and also the fair value of the liabilities, demonstrates why the Authority has undertaken no debt repayment or rescheduling exercise to date.

PFI Liabilities

The difference between the fair value and the carrying value of the PFI liability is due to the differing required accounting treatments of the corresponding asset and liability in the accounts of the PFI Provider and the Authority.

The fair value of PFI Liability represents the costs arising on the construction of the assets including initial tender costs. During Asset construction, interest on income to be received is capitalised within the finance debtor receivable. Once the assets were accepted by the Authority, a constant proportion of the planned net revenue (the unitary charge paid by the Authority) is allocated to fully repay the debtor over the life of the contract.

The carrying value in the Balance Sheet of the Authority as at 31st March 2018 is reported in accordance with IFRS Interpretations Committee (IFRIC) 12 Service Concession Arrangements as required by the Code. The allocation of the unitary charge is split into four elements as stated in accounting policy 1(q). The recognition of the liability for the amount due to the PFI Provider to pay for the capital investment uses the same principles as for a finance lease in accordance with International Accounting Standard (IAS) 17 Leases.

Other Financial Liabilities

Finance Leases are exempt from the IFRS13 Fair Value measurement requirements. The carrying amount calculated in accordance with the requirements of IAS17 Leases is taken to be a reasonable approximation of fair value.

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

Financial Assets	31st March 2018		31st March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	8,644	8,644	9,074	9,074
Debtors	282	282	517	517
	8,926	8,926	9,592	9,592

Short term Loans and Receivables and Debtors are carried at cost as this is a fair approximation of their value

Financial Liabilities	Quoted prices in active markets for identical assets Level 1 £000	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair Value as at 31st March 2018 £000
Financial Liabilities held at amortised cost				
PWLB Loans	-	16,565	-	16,565
PFI Liabilities	-	3,313	-	3,313
Creditors	1,185	-	-	1,185
	1,185	**19,878**	**-**	**21,063**
Financial Assets				
Loans and Receivables	-	8,644	-	8,644
Debtors	282	-	-	282
	282	**8,644**	**-**	**8,926**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels of the hierarchy during the year.

Valuation Techniques used to Determine Level 2 Fair Values for the liabilities and assets in the table above:

<u>PWLB Loans:</u>

The Authority's Treasury Management Advisors, Capita, provided the fair value amounts disclosed in the table above by calculating the present value of the cash flows that will take place over the remaining life of the loans applying new borrowing rates available from the PWLB as at the 31st March 2018.

<u>PFI Liabilities</u>

Fair value has been measured from the perspective of a market participant that holds the identical item as an asset. The fair value represents the value of the corresponding asset in the PFI Contractor's Balance Sheet as at 31st March 2018.

<u>Loans and Receivables</u>

Fair value has been measured from the perspective of a market participant that holds the identical item as a liability. The fair value represents the value of the corresponding liability in the North Yorkshire County Council's Balance Sheet as at 31st March 2018 who make short term investments of the Authority's daily cash balances under a Service Level Agreement.

32 Nature and Extent of Risks Arising from Financial Instruments

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

(a) **Credit Risk** - the possibility that other parties might fail to pay amounts due to the Authority.

(b) **Liquidity Risk** - the possibility that the Authority might not have funds available to meet its commitments to make payments.

(c) **Market Risk** - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The procedures are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (both revised in 2017). Overall, these procedures require the Authority to manage risks in the following ways:

- adopt the requirements of the Code of Practice

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

The Annual Treasury Management Strategy includes these procedures in order to manage the risks of the Authority's financial instrument exposure. It is approved at the Authority's annual budget meeting before the beginning of the financial year. In addition, it is current practice that the Audit and Performance Review Committee receive an assurance as to the security of the Authority's investments at each meeting, a mid year review and a performance outturn report on the Authority's investment and borrowing activity.

(a) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Treasury Management Strategy for 2017/18.

North Yorkshire County Council provide Treasury Management arrangements for short term investment of the Authority's daily balances. The investment credit criteria applied by the Authority is in line with the County Council's who prepare an approved lending list of Counterparties. The financial markets have experienced a period of considerable turmoil since 2008 and as a result attention is focused on the credit standing of counterparties with whom the Council can invest funds in conjunction with advice from the Council's and Authority's Treasury Management Advisor, Capita Asset Services.

In order to minimise the risk to investments, a minimum acceptable credit criteria is applied in order to generate a list of highly creditworthy counterparties. This approach has reflected the following:

(i) A system of scoring using Capita's credit system scoring and modelling system that includes:
- Ratings published by three credit rating agencies (Fitch, Moodys and Standard & Poor) which reflect a combination of components over the short and long term.
- Credit watches and credit outlooks notices from the ratings agencies.
- Credit default swaps (CDS) spreads to give early warnings of likely changes in credit ratings
- Sovereign ratings to select counterparties from the most credit worthy countries.
- Any known Central Government involvement or specific guarantees issued for an organisation

(ii) Sole reliance is not placed upon the information provided by Capita. In addition, the County Council also uses market data and information available from other sources such as the financial press.

(iii) Furthermore the following measures are actively considered throughout the year:

- The reduction or increase in the maximum investment term for an organisation dependent upon its current score.
- Institutions will be removed or temporarily suspended from the approved lending list if there is significant concern about their financial standing or stability, with any investments withdrawn as soon as is possible.
- Investment exposure being concentrated with higher rated institutions wherever possible.

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

The Authority does not generally allow credit for Customers. Information disclosed by Company Liquidators is circulated within the Authority by the Income Officer to ensure that such companies are not granted a chargeable service. The analysis below summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last three years, adjusted to reflect current market conditions.

	Amount at 31st Mar 2018 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31st Mar 2017 %	Estimated maximum exposure to default & un-collectability £000
Deposits with banks and financial institutions	8,644	-	-	-
Customers	230	0.9	0.0	2

As the Authority does not generally allow credit for customers, £47,025 of the £230,082 balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than 3 months	36
Between 3 to 6 months	6
Between 6 months to one year	2
More than 1 year	3
	47

(b) Liquidity Risk

The Authority has ready access to borrowings from the money markets to cover day to day cash flow needs whilst the PWLB provides access to longer term funds. There is, therefore, no significant risk that it will be unable to meet commitments under financial instruments. The approved prudential indicator 'Limits for the maturity structure of debt' is the key parameter used by the Authority to address liquidity risk and is used in planning when new loans are to be taken and when it is economic to do so, making early loan repayments.

All long term borrowing as at the 31st March 2018 was with the Public Works Loan Board (PWLB). Interest is payable at fixed rates between 2.29% and 8.00%. An analysis of loans by maturity is shown below:

	31st March 2018 £000	31st March 2017 £000
Less than 1 year	411	360
Between 1-2 years	1,168	373
Between 2-5 years	1,216	1,989
Between 5-10 years	3,784	3,992
Between 10-15 years	5,659	4,326
Between 15-20 years	1,935	2,020
More than 20 years	0	1,435
	14,173	14,495

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

(c) Market Risk

(i) Market Risk - Interest Rate risk

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

- Borrowings at fixed rates - the fair value of the liabilities for borrowings will fall.
- Investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise.

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

The Authority has a number of strategies for managing interest rate risk. The main strategy for undertaking new borrowing is to take advantage of the lowest rates possible whilst also focusing on borrowing over periods where there is currently no concentration of debt so as to achieve a balanced spread in the Authority's debt maturity profile. The Authority's debt position is reviewed as part of the medium term financial strategy via the annual budget setting process which allows for any adverse changes to be considered and accommodated. This review also considers whether new external borrowing is taken out on an annuity or maturity repayment basis, or, alternatively whether internal internal borrowing, using cash balances (built up through minimum revenue provision due to the majority of debt outstanding being on a maturity basis) be used. The use of internal borrowing, which runs down investments, maximises short term savings and reduces exposure to low interest rates on investments, and the credit risk of counter parties.

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

	£000
Increase in interest receivable on variable rate investments	101
Impact on Surplus or (Deficit) on the Provision of Services	101
Decrease in fair value of fixed rate borrowing liabilities (no impact on Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	1,419

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

(ii) Market Risk - Price risk

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

(iii) Market Risk - Foreign exchange risk

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

(iv) PFI Contract - Management of Risks

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

33 Contingent Liabilities

(a) GMP Indexation and Equalisation - potential past service cost

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by pension scheme members who were contracted out of the State second pension scheme prior to 6 April 1997. At present there is an inequality of GMP benefits between male and female members. The government issued a consultation in November 2016 entitled 'Consultation on indexation and equalisation of GMP in public service pension schemes'. The consultation response was issued in January 2018. HM Treasury are currently considering the responses in order to decide whether a long term solution to GMP indexation and equalisation can be implemented. Until it is known how this solution will be achieved, the impact on pension liabilities is uncertain, however it is likely that it will trigger past service costs and this may be material to the accounts. The Actuaries' view is that this potential increase in pensions liabilities be disclosed as a contingent liability at this time.

(b) Grey Book Pay Award 2017/18

The 2017 pay increase with effect from 1st July 2017 for staff under Grey Book terms and conditions has not been settled at 31st March 2018 and negotiations continue between the Employers side of the National Joint Council and the Representative Bodies. As reported in Note 19, provision has been made within the net cost of services for a further 1% increase to the payment on account made to Grey Book in year. The amount and timing of an eventual settlement is currently unknown but may be material to the accounts as regards affecting future pensions liabilities reported in the Balance Sheet.

FIREFIGHTERS PENSION FUND
FUND ACCOUNT FOR YEAR ENDED 31st MARCH 2018

2016/17			2017/18
£000		£000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable		
	Fire Authority:		
(1,963)	Contributions in relation to pensionable pay	(2,076)	
(58)	Early Retirements	(80)	
(1,665)	Firefighters contributions	(1,666)	
(41)	Other Firefighters contributions	(38)	
(3,726)			**(3,860)**
	Transfers in		
(651)	Individual transfers in from other schemes		**(56)**
	Benefits payable		
7,851	Pensions	7,979	
1,614	Commutations & lump sum retirement benefits	1,136	
100	Other lump sum retirement benefits	-	
9,565			**9,115**
	Payments to and an account of leavers		
-	Individual transfers out to other schemes		**-**
5,187	**Deficit / (Surplus) for the year before top up grant receivable from/payable to Central Government**		**5,199**
(5,187)	**Top up grant receivable from Government**		**(5,199)**
-	**Net amount payable / (receivable) for the year**		**-**

FIREFIGHTERS PENSION FUND
NET ASSETS STATEMENT AS AT 31st MARCH 2018

2016/17				2017/18
£000		Note	£000	£000
	Current Assets	**5a**		
-	Contributions due from Authority		16	
-	Contributions due from Firefighters		13	
17	Recoverable overpayment of pensions		-	
728	Pension top up grant receivable from Government		815	
744				**844**
	Current Liabilities	**5b**		
(56)	Unpaid pension benefits		(26)	
(17)	Contributions paid in advance		(8)	
(671)	General Fund		(809)	
(744)				**(844)**
-	**Total Net Assets**			**-**

NOTES TO THE PENSION FUND ACCOUNTS

1 General Description of the Fund

There are three Pension Schemes currently administered by the Authority:

(a) Firefighters Pension Scheme 1992 (FPS) operated under the Firefighters Pension Scheme (Amendment) (No. 2) (England) Order 2006

(b) New Firefighters Pension Scheme 2006 (NFPS) operated under the Firefighters' Pension Scheme (England) Order 2006

(c) The Firefighters Pension Scheme 2015 as set out in the Firefighters' Pension Scheme (England) Regulations 2014 (SI 2014/2848)

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

Entrants to the Service since 1st April 2015 are eligible to join the 2015 Scheme, a career average scheme with a normal retirement age of 60. Other members either transition to the 2015 Scheme, or in the case of firefighters who were within 10 years of retirement on 1st April 2012, will remain in either the 1992 (FPS) or the 2006 (NFPS), both of which are final salary schemes.

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

Each Fire and Rescue Authority in England is required by legislation to operate a Pension Fund and the amounts that must be paid into and out of the fund are specified by regulations under statute. The fund is administered and managed for the Authority by West Yorkshire Pension Fund via a service level agreement for Pensions Administration.

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

Scheme	31/03/2018 Employer	31/03/2017 Employer	31/03/2018 Employee *	31/03/2017 Employee *
1992 (FPS)	21.7%	21.7%	11.0%-17.0%	11.0%-17.0%
2006 (NFPS)	11.9%	11.9%	8.5%-12.5%	8.5%-12.5%
2015 Scheme	14.3%	14.3%	10.5% - 14.5%	10.0% - 14.5%

* Employee rates vary which are dependent upon pensionable pay bandings.

2 Membership

The following summarises the membership of the Pension Fund at 31st March 2018:

Scheme	31/03/2018 Contributors	Pensioners	Deferred Pensioners
1992 (FPS)	76	502	31
2006 (NFPS)	46	53	253
2015 Scheme	472	3	79

Scheme	31/03/2017 Contributors	Pensioners	Deferred Pensioners
1992 (FPS)	91	508	27
2006 (NFPS)	58	47	234
2015 Scheme	441	2	60

3 Accounting Policies

The Pension Fund Accounts for the year ended 31 March 2018 are presented in the format laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 issued by the Chartered Institute of Public Finance and Accountancy, known as 'the Code'.

4 Basis of Preparation

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

5 Fund Account Transactions

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

(a) Current Assets

Debtors are raised for known contributions due to the Pension Fund at 31st March 2018:

	31st March 2018 £000	31st March 2017 £000
Central Government Bodies	815	728
Other Local Authorities	16	-
Other entities and individuals	13	17
Total	**844**	**744**

(b) Current Liabilities

Creditors are raised for known contributions owing by the Pension Fund at 31st March 2018:

	31st March 2018 £000	31st March 2017 £000
Central Government Bodies	-	-
Other Local Authorities	(30)	(679)
Other entities and individuals	(814)	(65)
Total	**(844)**	**(744)**

No allowance has been made for liabilities to pay pensions and other benefits after the 31st March 2018.

6. Long Term Pension Obligations

Details of the Authority's long term pension obligations in respects of the Firefighters Pension Schemes can be found in Note 30 to the Accounts.

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

CIPFA
The Chartered Institute of Public Finance and Accountancy. This is the professional institute that develops and promotes proper accounting practice for Local Government in England and Wales.

CONSISTENCY
The concept that the accounting treatment of like items is the same from one accounting period to the next.

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

CONSUMER PRICE INDEX (CPI)
CPI is the official measure of inflation of consumer prices of the United Kingdom. It is a statistical estimate constructed using the prices of a sample of consumer goods, purchased by households whose prices are collected periodically

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

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

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

DEFINED BENEFIT OBLIGATION
Future pension liabilities payable by the Authority that have been promised under the formal terms of the defined benefit pension schemes provided to employees.

DEPRECIATION
The amount charged to revenue accounts to represent the reducing value of non current assets through consumption.

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

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

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

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

GROSS CARRYING AMOUNT (GCA)
The cost of a non current asset before the deduction of accumulated depreciation and/or impairment.

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

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

IFRS INTERPRETATIONS COMMITTEE (IFRIC)
The Interpretations Committee are responsible for the maintenance of IFRS. Its objective is to interpret the application of IFRS and provide guidance on financial reporting issues that are not specifically addressed, or where concerns are expressed about poorly specified disclosure requirements.

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

LASAAC
Local Authority (Scotland) Accounts Advisory Committee that develops and promotes proper accounting practice for Local Government in Scotland.

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

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

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

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

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

MINIMUM REVENUE PROVISION (MRP)
Represents the statutory minimum amount that must be charged to a revenue account in each financial year to repay external borrowings.

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

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

NON DOMESTIC RATES
National non domestic rates (also known as Business Rates) are a tax on properties which are not used for domestic purposes such as shops, factories, offices and fire stations. Business rates collected by Local Authorities are the way that those who occupy non-domestice properties contribute to the cost of local services.

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

PEPPERCORN RENT
A very low or nominal rent payable for the use of an asset.

PRECEPT
The order made by Precepting Authorities on Billing Authorities, requiring the latter to collect income from council taxpayers on their behalf.

PRIVATE FINANCE INITIATIVE (PFI)
A means of securing new assets and associated services in partnership with the private sector.

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

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

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

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

RESERVES
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves are kept to manage the accounting processes for non current assets and retirement benefits and do not represent usable resources for the Authority.

RETAIL PRICE INDEX (RPI)
RPI is a measure of inflation published monthly by the Office for National Statistics. It measures the change in the cost of a representative sample of retail goods and services.

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

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

SECTION 151 OFFICER
The Officer designated as Chief Financial Officer under the terms of S151 of the Local Government Act 1972 and S112 of the Local Government Finance Act 1988 to assume overall responsibility for the administration of the financial affairs of the Fire Authority and for the preparation of the Authority's Statement of Accounts.

SHORT TERM INVESTMENT
Short term investments are deposits of temporary surplus funds with banks or similar institutions.

SOLACE
Society of Local Authority Chief Executives.

USEFUL LIFE
The period over which the Authority will derive benefits from the use of a non current asset.