DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

M. Pearson
CLERK TO THE AUTHORITY

To: **The Chair and Members of the Audit & Governance Committee**

(see below)

SERVICE HEADQUARTERS
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Your ref :
Our ref : DSFRA/MP/SS
Website : www.dsfire.gov.uk

Date : 26 October 2021
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AUDIT & GOVERNANCE COMMITTEE

Thursday, 28 October, 2021

A meeting of the Audit & Governance Committee will be held on the above date, **commencing at 11.00 am in The Committee Rooms, Somerset House, Devon & Somerset Fire & Rescue Service Headquarters** to consider the following matters.

M. Pearson
Clerk to the Authority

SUPPLEMENTARY AGENDA No. 1

PLEASE REFER TO THE NOTES AT THE END OF THE AGENDA LISTING SHEETS

7 **Authority Final Statement of Accounts 2020-21 - Required Amendments**
(Pages 1 - 26)

Report of the Director of Finance & Resourcing (Treasurer) (AGC/21/9) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Healey MBE (Chair), Brazil, Dr. Buchan, Napper, Parker-Khan, Prowse (Vice-Chair), Roome, Shayer and Vijeh.

NOTES	
1.	**<u>Access to Information</u>** Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the "Please ask for" section at the top of this agenda.
2.	**<u>Reporting of Meetings</u>** Any person attending a meeting may report (film, photograph or make an audio recording) on any part of the meeting which is open to the public – unless there is good reason not to do so, as directed by the Chair - and use any communication method, including the internet and social media (Facebook, Twitter etc.), to publish, post or otherwise share the report. The Authority accepts no liability for the content or accuracy of any such report, which should not be construed as representing the official, Authority record of the meeting. Similarly, any views expressed in such reports should not be interpreted as representing the views of the Authority. Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chair or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.
3.	**<u>Declarations of Interests at meetings (Authority Members only)</u>** If you are present at a meeting and you are aware that you have either a disclosable pecuniary interest, personal interest or non-registerable interest in any matter being considered or to be considered at the meeting then, unless you have a current and relevant dispensation in relation to the matter, you must: (i) disclose at that meeting, by no later than commencement of consideration of the item in which you have the interest or, if later, the time at which the interest becomes apparent to you, the existence of and – for anything other than a "sensitive" interest – the nature of that interest; and then (ii) withdraw from the room or chamber during consideration of the item in which you have the relevant interest. If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have an interest of a sensitive nature. You must still follow (i) and (ii) above. Where a dispensation has been granted to you either by the Authority or its Monitoring Officer in relation to any relevant interest, then you must act in accordance with any terms and conditions associated with that dispensation. Where you declare at a meeting a disclosable pecuniary or personal interest that you have not previously included in your Register of Interests then you must, within 28 days of the date of the meeting at which the declaration was made, ensure that your Register is updated to include details of the interest so declared.

	NOTES (Continued)
4.	**<u>Part 2 Reports</u>** Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal.
5.	**<u>Substitute Members (Committee Meetings only)</u>** Members are reminded that, in accordance with Standing Orders, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings.
6.	**<u>Other Attendance at Committees)</u>** Any Authority Member wishing to attend, in accordance with Standing Orders, a meeting of a Committee of which they are not a Member should contact the Democratic Services Officer (see “please ask for” on the front page of this agenda) in advance of the meeting.

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REPORT REFERENCE NO.	**AGC/21/9**
MEETING	**AUDIT & GOVERNANCE COMMITTEE**
DATE OF MEETING	**28 October 2021**
SUBJECT OF REPORT	**AUTHORITY FINAL STATEMENT OF ACCOUNTS 2021-22 – REQUIRED AMENDMENTS**
LEAD OFFICER	**Director of Finance & Resourcing (Treasurer)**
RECOMMENDATIONS	***(a). That the amendments to the Authority's Final Statement of Accounts for the financial year ended 31 March 2021, as shown highlighted in the appendix attached to this report, be noted; and*** ***(b). That, subject to incorporation of these amendments, the Final Statement of Accounts be approved and published on the Authority's website alongside the external auditor's final findings in accordance with the provisions of Regulation 10(1) (as amended by Regulation 10(2)(b)) of the Accounts & Audit Regulations 2015 (as amended).***
EXECUTIVE SUMMARY	This report should be read in conjunction with report AGC/21/8 elsewhere on the agenda for this meeting, together with agenda items 6(a) (Audit Findings for the Devon & Somerset Fire & Rescue Authority 2020-21) and agenda item 6(b) (2020-21 Letter of Representation). The report advises of minor amendments required to the Authority's Financial Statements for the year ended 31 March 2021 and invites the Committee to approve the Financial Statements (subject to incorporation of those amendments).
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS	Not applicable.
APPENDICES	A. Revisions to the Financial Statements of the Devon & Somerset Fire & Rescue Authority for the year ended 31 March 2021.
BACKGROUND PAPERS	Account and Audit Regulations 2015 (as amended) Fire & Rescue National Framework for England Report AGC/21/1 (Financial Statements 2020-21) to the Audit & Governance Committee meeting on 30 July 2021 (and the Minutes of that meeting)

	Audit Findings for the Devon & Somerset Fire & Rescue Authority as submitted to the Audit & Governance Committee meeting on 30 July 2021 (and the Minutes of that meeting). Report DSFRA/21/21 (Statement of Accounts 2020-21) to the Authority meeting on 29 September 2021; the Appendix to that report (Statement of Accounts 2020-21); and the Minutes of the meeting. Report DSFRA/21/22 (2020-21 Annual Statement of Assurance (Final)) to the Authority meeting held on 29 September 2021; the Appendix to that report; and the Minutes of the meeting.

1.1. At its meeting on 29 September 2021, the Authority considered a report of the Director of Finance & Resourcing (Treasurer) (report DSFRA/21/21) advising:

(a). that the Authority's Financial Statements for the year ending 31 March 2021 had been subject to the public inspection period required by the Accounts & Audit Regulations 2015 (as amended) ("the Regulations");

(b). that Regulation 9 required the Authority to approve the Statement of Accounts, following the public inspection period, by no later than 30 September; and

(c). that the external auditor had advised that, as it was awaiting a letter of assurance from the Local Government Pension Scheme fund auditor, it was not in a position to issue its final findings on the Financial Statements; and

(d). that consequently, as required by Regulation 10(2), the Authority would be required:

(i). to publish a notice advising that it had not been possible to publish the final Financial Statements and final findings of the external auditor by the required date of 30 September; and

(ii). to publish the final Financial Statements and final findings of the external auditor at the earliest opportunity upon the latter being received.

1.2. A copy of the Statement of Accounts was appended to that report.

1.3. The Authority resolved to approve the Statement of Accounts as appended to report DSFRA/21/21, as required by Regulation 9(2), and to authorise the Treasurer to publish the required notice in accordance Regulation 10(2) (Minute DSFRA/21/19 refers).

1.4. At the same meeting, the Authority also approved (as required by Regulation 6(2)) its Annual Statement of Assurance for 2020-21 (which incorporates the Annual Governance Statement) for publication on its website (Minute DSFRA/21/20 refers). This document was subsequently published on the website.

1.5. The external auditor has now issued its final findings on the Financial Statements. These are set out elsewhere on the agenda for this meeting. In doing so, the external auditor has identified some minor changes required to the Financial Statements, as shown highlighted in the appendix to this report. Subject to incorporation of these amendments, the Committee is now asked to approve the final Financial Statements for publication on the Authority's website, alongside the external auditor's final findings on the Statements.

SHAYNE SCOTT
Director of Finance & Resourcing (Treasurer)

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Revisions to the Financial Statements of the Devon & Somerset Fire & Rescue Authority for the year ended 31 March 2021.

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

Statement of Accounts 2020 - 2021

Devon & Somerset Fire & Rescue Authority - STATEMENT OF ACCOUNTS 2020/21

NARRATIVE REPORT

Introduction

The purpose of these Accounts is to advise stakeholders of the financial performance of the Authority for the financial year ending 31 March 2021. The Accounts are presented in compliance with International Financial Reporting Standards (IFRS). The Accounts are prepared on the basis of a going concern given that the Authority has sufficient resources to fund its financial obligations and has no concerns of its financial viability over the medium term.

The main purpose of the report is to provide an explanation of the financial position of the authority and assist in the interpretation of the financial statements as well as providing information on the economy, efficiency and effectiveness in its use of resources over the financial year.

Information on the financial performance of the authority includes four key accounting statements;

Movement in Reserves Statement - This statement shows the movement in the year on all of the different reserves held by the Authority. The reserves are reported under two broad headings; “usable reserves” (which can be used to fund expenditure or reduce local taxation) and “unusable reserves” (which recognise non-cash transactions in/out of reserves e.g. revaluation of an asset.)

Comprehensive Income & Expenditure Statement - This statement reports the cost of providing services based upon generally accepted accounting principles. This cost will differ from the actual expenditure funded from taxation, as there are some costs e.g. depreciation of assets, which are not required to be funded from taxation.

Balance Sheet - This records the assets and liabilities of the Authority as at the end of the financial year.

Cash Flow Statement - This statement shows the movement in cash and cash equivalents during the year. It illustrates how the Authority generates and uses cash and cash equivalents, analysed by operating, investing and financing activities.

Coronavirus (Covid 19) - Pandemic

The Accounts demonstrate the performance of the Authority as at 31st March 2021, the period covers a full year of restrictions due to the Covid 19 pandemic, which has significantly impacted the way we deliver services. At this stage the pandemic has had a minimal impact on the assets and liabilities of the Authority but has reduced capacity to deliver against agreed strategy and plans.

We have appointed a valuer who is a member of the Royal Institute of Chartered Surveyors (RICS) to value the Property, Plant and Equipment (PPE) who has stated that Land and Buildings are carried at current value. In his report he notes that “the valuation is reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS - Global Standards. Consequently, in respect of this valuations less certainty - and a higher degree of caution - should be attached to the valuation than would normally be the case". The valuer has given regard to the guidance available and concluded “the 'material valuation uncertainty declaration does not mean that the valuation cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential market conditions to move rapidly in response to changes in control or future spread of COVID-19 we highlight the importance of the valuation date".

Impact on Services

The Service deployed its Business Continuity measures as a result of COVID-19 on the 16th of March 2020, following well-rehearsed processes to stand up organisational and operational response to the outbreak and to support Local Resilience Forums. Due to restrictions on travel, office-based staff were asked to work from home and non-essential activity was paused. The Service has seen low levels of absence as a result of COVID-19 and staff absence has not impacted on the ability to maintain core services. Some non-essential activity recommenced in the summer of 2020 and by the 31st March 2021 the Service was operating business as usual (with remote working) alongside its COVID response activity.

Focus was placed on the ability to maintain fire and rescue response activities, which meant that face-to-face prevention and protection activity could not go ahead in the earlier parts of the year. However, as restrictions eased a risk based approach has been taken to delivering these services with control measures in place to protect staff and the public. As part of the South Western Ambulance Service NHS Foundation Trust (SWAST) continued response to COVID-19, a ‘combined crewed’ fleet of ambulances were deployed in partnership with Cornwall, Devon and Somerset, Dorset and Wiltshire, Avon and Gloucestershire fire and rescue services. These vehicles are crewed by one firefighter and one SWAST emergency care assistant initially. Devon & Somerset are the lead fire and rescue service to allow for clear lines of communications and a consistent approach to this project and are currently providing blue light drivers for five patient support vehicles. This support remained in place throughout 2020-21 and continues into 2021-22

A COVID-19 Integrated Risk Management Plan (IRMP) was introduced in March 2020 which has driven a number of changes or pieces of activity to the work that would usually be undertaken, conducting risk visits and providing safety advice remotely where possible and tailoring activity to the pandemic risk, for example supporting businesses to ensure that they reopened safety and in line with fire regulations. Insight driven communications have targeted members of the public to alert to the dangers around emerging risks and change behaviours.

Recovery from COVID-19

The Service is now in a recovery planning phase and therefore a recovery impact assessment was issued to key functions and stakeholders to identify the impacts, opportunities and risks that this business continuity (BC) event has shown us. As the government continues to evaluate the changing environment and reviews the rules and regulations originally in place, the Service has to respond accordingly to ensure its approach to recovery remains measured, coordinated and safe.
This business continuity event has provided the Service with the unique opportunity to review and ensure that all department and strategic plans pull in the same direction moving forward.

Rather than return to 'business as usual', the Service will plan the recovery to ensure it learns from a variety of sources and adapts from the opportunities and lessons learnt. This reflection will feed into strategic objectives to evaluate our learning, particularly focussing on organisational resilience, hybrid working and review of the estate. At time of signing off these financial statements, the recovery and smarter working programme was being progressed and scoped.

Risks and Opportunities of COVID-19

Part of the business continuity process has been to establish a COVID-19 risk register. The risk register is reviewed on a fortnightly basis and captures items which could impact on current or future performance. Mitigating actions are implemented to reduce risk to acceptable levels. The key risks (R) and opportunities (O) identified are:

• ICT infrastructure to support new ways of working (R/O)
• Identifying, reacting and monitoring progress against the volume of change (R)
• Cyber-attack (R)
• Increasing costs (supplies, consumables, vehicles) and reduction of income (council tax, business rates, commercial) impacting on financial outturn for 2020-21 (R)
• Responding to the new ways of working imposed by the government through emergency legislation and interpretation of relevant professional guidance (R/O)
• Availability of staff and social distancing results in reduced levels of service (R)
• Reprioritisation of activities to manage Covid response reduces resources available to deliver and implement change (R/O)
• Innovation and new ways of working and learn from business continuity pandemic arrangements (O)
• Future financial planning may be impacted by another recession in particular the impact on collection funds (R)
• Internal controls impacted by remote working practices (R)
• Staff welfare issues (R) arising from Covid risks and new ways of working (O)
• Health and safety implications of changes to working practices (R)
• Ability to maintain an effective service to agreed response standards (R/O)
• Documenting and managing emerging risks (R/O)
• Effective internal and external communications (R/O)

These risks have either; been included within the corporate risk register, have mitigated in other ways such as ensuring staff welfare is managed and assistance offered where applicable or they have yet to materialise. The Service has been able to provide effective response during the recovery phase of the pandemic.

Governance during COVID-19

Due to lockdown restrictions, the Authority and its committees have not been able to operate as usual. Per amended regulations, the Annual General Meeting of the Authority was deferred to 2021. Until 2 July 2020, the Service was operating under urgency powers, as laid out in standing orders, with decisions being made by the Chief Fire Officer in consultation with the Chair and published on the Authority's website. Since July 2020 video conferencing was introduced to enable properly constituted virtual meetings. Plans are now underway to return to physical meetings now that emergency regulations have expired. Further detail on revised governance arrangements is available in the Annual Statement of Assurance which is published alongside these accounts. As part of our business continuity response, the Service has implemented a new management structure, using gold, silver and bronze (cells) tiers.

Financial Impacts of COVID-19

The key financial risks relating to the COVID-19 pandemic were reported to the Resources Committee on the 2nd of July 2020 (available on the Authority website). The cessation of some activity in particular delays to the capital programme had effect of improving cash flows for the Authority during 2020-21 and delivering savings in other areas, such as travel, resulting in a surplus at year-end. The activity planned under most budget headings will still need to be delivered in future years and therefore the funding will be rolled forward in to reserves. The Authority has a healthy cash position, with sufficient reserves to ensure protection from delayed payments for a prolonged period with the majority of cash reserves being held in short-term investments which are accessible should the need arise. In addition, fire authorities were supported by central government who have paid several grants early to ease any cash flow pressures.

The Authority has benefited from £1.6m of specific COVID grants in 2020-21 and compensation for loss of income from its trading arm. The government has delivered further measures to support local authorities during 2021-22 with pressures arising from loss of income from Council Tax and Business Rates. The Authority, in collaboration with the fire sector, will be seeking to measure and understand the longer-term impact of losses and request government support against any detriment.

Financial Performance for the year

At the budget in 2020 the government announced that "Austerity is over" which was thought to mean a slow down in the rate of cuts to public services. However, the Fire Service is an "unprotected" service which means it can expect further reductions in government funding beyond the current Spending Review period. 2019-20 was the final year of a four-year Local Government Finance Settlement which saw a reduction in central government funding of 25% (£7.3m) over the period. The Government has delayed its Spending Review from 2019, initially due to Brexit and then the pandemic. This has resulted in a rollover of 2019-20 funding in to 2020-21 and 2021-22 with additional support for fire protection activity via section 31 (one-off) grants. Current expectation is for a three year settlement to cover 2022-25, although there is potential for further delay of the spending review due to the Coronavirus pandemic.

The Coronavirus pandemic has increased uncertainty over funding available to all public services, with the likely impact on the long-term economy unknown. It is therefore even more important that scenario planning informs financial plans for the Authority. A sustained economic downturn is likely to exacerbate the risk that households and business will struggle to pay their council tax and business rates bills, restricting the funding available to local services.

Against this backdrop it is imperative for the Authority's Medium Term Financial Plans to be focused on providing forecasts of budget savings required and to inform its strategic planning. So far the Authority has responded well based upon a strategy which has been focused around the three key areas of improving efficiency, reducing costs and increasing income generation. Total recurring budget savings of £20.1m have been delivered since 2010. The Service is in the process of developing the next phase of savings and improvement plans for the period to 2024-25. It is forecast that a minimum of £7.2m of recurring savings need to be identified over that period but that this may increase to £17.3m if funding risks and cost pressures do materialise.

The Service has progressed well with its Safer Together programme, a range of projects to deliver improvements to the Service alongside the required savings alongside significant investment in the On Call service. However some projects will take longer than others to deliver cashable savings and it may be the case that there will be some call on reserve balances during the next four years to assist in setting a balanced budget.

The Authority has established an Earmarked Reserve specifically to provide funding to enable a smoothing of the impact of funding reductions. It is considered that this reserve will also provide required financial contingency against any unforeseen change in circumstances. The Authority has reviewed its published Reserves Strategy in light of the Coronavirus pandemic.

The COVID-19 crisis has seen unprecedented change globally and has the ability to significantly impact on the way we live our lives as well as the global economy. At time of writing and 15 months in to UK restrictions, there is still much speculation over the longer term impact with most considering a prolonged downturn to be likely which will of course impact on the Authority. Due to such uncertainty, the best way to assess future impact is to engage nationally to ensure we have the latest information available to inform planning. Reassuringly, the investment portfolio and asset base of the Authority is not considered to be impaired and therefore no amendments have been made to the balance sheet.

Revenue spending in 2020-21 after transfer to reserves of £10.8m was £77.3m, compared to an agreed budget of £77.3m. Table 1 provides a summary of revenue spending in 2020-21 compared with agreed budget headings.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2020-21

	Budget £m	Spending £m	Variance £m
Employee Costs	63.8	63.5	(0.3)
Premises Related Costs	4.2	4.1	(0.1)
Transport Related Costs	3.3	2.8	(0.4)
Supplies and Services	7.0	6.2	(0.8)
Establishment Expenses	0.7	0.6	(0.1)
Payments to Other Authorities	0.7	0.6	(0.1)
Capital Financing	5.5	5.4	(0.2)
Gross Spending	**85.2**	**83.2**	**(2.0)**
Income	(8.9)	(16.0)	(7.1)
Transfer to (from) Reserves	1.0	10.0	9.0
Net Spending	**77.3**	**77.3**	**0.0**
Funded By:			
Council Tax Precept	(54.7)		
Business Rates Redistribution	(16.2)		
Central Government Funding	(6.4)		
Total Funding	**(77.3)**		

An underspend of £2.333m, equivalent to 3.02% of the total revenue budget, has been achieved due to income exceeding targets in 2020/21 - this was due to restrictions in place for the whole of the year as a result of the Covid 19 pandemic. There was a requirement to account for loss of income relating to Council Tax and National Non-Domestic Rates in 2020-21. This has been moved into a Earmarked Reserve to assist with funding the Authority in 2021-22 - 2022-23. This accounts for the large amount of income accounted for.

Contributions to Earmarked Reserve

The Fire Authority approved that the net underspend of £1.867m be transferred to fund the future investment in Capital expenditure thus reducing the requirement to borrow external funding in the future. Further detail on all Earmarked Reserve balances is included in Note 20 to the financial statements.

Reductions to Provisions

The reported spending for 2020-21 includes a £157k reversal of a provision set aside to fund future firefighter pension costs, which leaves the provision balance of £0.502m as at 31 March 2021. This balance is considered to be sufficient to fund any costs resulting from case law relating to pensionable allowances and has been based upon information received from the National Employers Council relating to compensatory payments to be made to individual fire-fighters and internal calculations of employer's pension.

Capital Expenditure and Financing 2020/21

The financial statements include capital spending of £4.6m in 2020-21 of which £2.6m has been spent either on the rebuild of fire stations or improvements to them and £2.0m on replacement fleet and equipment, primarily focused on the continued roll-out of new traditional fire appliances to replace older vehicles of the same type.

Aligned to the Authority strategy to avoid any new external borrowing to fund medium term capital spending, no new borrowing was taken out in 2020-21. Of the total spending of £4.6m an amount of £1.5m was funded from existing borrowing.

Authority Borrowing

External borrowing from the Public Works Loan Board (PWLB) as at 31 March 2021 was £24.8m, a reduction of £0.6m from the figure at the beginning of the financial year as a result of principal repayments. All of this debt is at fixed rates which protects costs from adverse changes in interest rates in the future. This level of debt is well within the maximum debt level of £28.7m, set by the Authority at the beginning of the financial year as one of its prudential indicators for capital financing.

Pension Liabilities

As at 31 March 2021 the Authority pension liability has been calculated to be £883.2m (£729.9m in 2019-20). This is based on an actuarial assessment and represents accrued benefits of members of the pension schemes that the Authority participates in; the Fire-fighter Pension Schemes (operational staff) and the Local Government Pension scheme (civilian staff). Further details of the assets and liabilities of each scheme are included in note 30 of these Accounts.

The impact of reporting pension assets and liabilities, under the current accounting standards (IAS19), is that all fire and rescue authorities, and also police services, find themselves in the position of reporting significant net liability position in the balance sheet. This is because the Fire-fighter Pension Scheme is not a funded scheme, unlike the Local Government Scheme, and therefore has no reported assets to meet future pension costs. It should be emphasised that this liability position does not cause any funding concerns as it does not require any immediate call on Authority reserves. Current accounting standards for the Fire-fighter Scheme require that the Authority only set aside provision for retirement benefits in the year in which the commitment arises.

In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges and fire fighters' schemes as part of the reforms amounted to unlawful discrimination. The Government sought permission to appeal from the Supreme Court, however this was not granted.
The Government has considered the impact of the Court of Appeal decision including any impact on other public service schemes and launched a consultation to address the discrimination in July 2020. The proposed remedy is to offer pension scheme members the option to return to their previous scheme if this is preferential and will therefore increase costs of the scheme going forward, although this cannot be measured with any certainty at this time. The final remedy was confirmed when HMT published their response to their consultation on 4 February 2021, with no change to that proposed in the consultation. Last year's Statement of Accounts was in line with this remedy therefore no further adjustments are required to the allowance for McCloud.

Assets/Liabilities of the Authority

The balance sheet of the Authority as at 31 March 2021 shows a net liability of £753.1m (£600.3m as at 31 March 2020 RESTATED). This includes the pension liability of £883.2m (£727.7m as at 31 March 2020 RESTATED) required to be included under IAS 19.

Performance and Use of Resources

Public Safety - We believe it is better to prevent an emergency from happening in the first place rather than deal with it when it does. To support this belief we work with local communities and partners to educate them in how to reduce the risk of fires and other emergencies and do all we can to help prevent crime and disorder through, for example, our work on reducing incidents of arson.

If a fire does start, we want to make sure people have the best chance of escape and that the disruption to business and the community is kept to a minimum. We will work with businesses to influence and regulate the built environment to protect people, property and the natural environment from harm.
In situations when an emergency response is needed, we will make sure that our resources are appropriately located, reflecting our Integrated Risk Management Plan, so that we have the right resources in the right place at the right time.

Staff Safety - As our work evolves due to the changing demands on our service, we need to make sure that we develop our staff so they have the right skills and values to deliver our services to the community. Our staff need to operate in a safe and supportive working environment and we will provide them with the most appropriate vehicles, equipment and information relevant to the risks they are likely to face.

Effectiveness and Efficiency - We will aim to continuously improve our effectiveness and efficiency. This means that we are working to improve, while at the same time spending less money. To achieve this, we will need to transform the way we work through continuous long-term improvement. We will promote this transformation by involving staff and the community, encouraging innovation and change, and looking for opportunities to do things differently for the benefit of the community. We will learn from other high-performing organisations and focus on activities that support effectiveness and efficiency.

Key Performance Indicators
In Table 2 is a summary of performance against corporate Key Performance Indicators (KPIs) in 2020-21 with a comparison against the previous year. Our KPIs are reported to the Fire Authority throughout the year and are used to benchmark against other Service's.

Table 2 - SUMMARY OF KPI's 2020-21

Measure Non-financial Indicators	2020-21	2019-20	variance
Number of deaths as a result of fires where people live	10	8	25.00%
Number of injuries as a result of fire where people live	69	84	-17.86%
Number of fires where people live	877	932	-5.90%
Number of fire related deaths where people work, visit and in vehicles	2	1	1
Number of fire related injuries where people work, visit and in vehicles	15	16	6.25%
Number of fires where people work, visit and in vehicles	1,100	1,315	-16.35%
Emergency Response Standard for attendance at fires where people live (1st appliance to attend within 10 minutes)	71.3%	71.2%	+0.1% pt
Emergency Response Standard for attendance at road traffic collisions (1st appliance to attend within 15 minutes)	75.5%	76.6%	-1.1% pt
Sickness - Rate of shifts lost to sickness per full time equivalent (FTE)	6.27	9.07	-30.87%

Overview of Service Performance in 2020-21

The COIVID-19 pandemic and resultant national lockdowns have had a material impact on some of our non-financial indicators. Working patterns that were historically ingrained have vastly changed during the pandemic. Even with more and more people working at home for longer, the number of fires where people live have reduced. It is a similar story for the number of recorded fires where people work, visit and in vehicles. As a result of numerous lockdowns and people undertaking far fewer journeys during the financial year 2020-21. Whilst looking internally, the level of sickness recorded was significantly lower compared to the previous year, again this reflects the change in working patterns with a switch to almost exclusively working from home.
The prevention work undertaken by the service took a drastic hit during the pandemic. In previous years the new Home Safety app had allowed the Service to increase the number of HFSVs being provided to clients. The emergence of the COVID-19 pandemic had resulted in a scaling back of the number of face to face visits in people's homes replaced by providing home safety advice over the phone. Although the number of visits since the start of the 2021 calendar year have gone back to pre-pandemic levels.
Devon & Somerset Fire & Rescue has a statutory obligation to ensure that non-domestic premises and public events are compliant with fire safety regulations. In a similar vain to the prevention work, the COVID-19 pandemic hampered the Service in undertaking on-site visits. In 2020-21 the Service conducted over 400 fire safety checks, over 300 fire safety audits and 6,000 other protection activities to help ensure public safety.
The Business Safety team continue to engage with the call for evidence initiative / Building a Safer Future (Post Grenfell) and have contributed to reviews of:

- Regulatory Reform (Fire Safety) Order 2005
- NFCC Competency framework
- Review of LACORS fire safety guidance
- Building Regulations
- Freedom of Information requests

Developing and maintaining successful partnerships with businesses and partner agencies is essential to support improved understanding of regulatory requirements and ensure that the places that people work and visit are compliant and aware of fire safety. Liaising with hospitals, universities, housing providers, the Care Quality Commission and Environmental Health is a key activity. The Service also works closely with council's Building Control Departments, communicating regularly regarding building developments to ensure compliance with fire safety regulations.

Conclusion on performance for the year

The Authority has been in a good position to use its resources to effectively respond locally to the global coronavirus crisis and continue to meet the needs of the community it serves. The longer-term impact of the pandemic remains to be seen but a continued focus on organisational and financial risk management will enable effective performance going forward. For 2020-21, the Authority has been able to not only deliver the targeted savings required to set a balanced budget, but also to deliver income in excess of target which has been transferred to Earmarked Reserves to fund future change activity.

I would like to take this opportunity to place on record my own thanks to members and officers of the Authority who have played their part in securing the financial health of the Authority during 2020-21.

Shayne Scott
Authority Treasurer

STATEMENT OF ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the Service transactions for the 2020-21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which are 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 2020-21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the 2015 Act.

These accounts have been prepared on a going concern basis, it is assumed that the functions of 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.

Each entry in the Statement of Accounts is consistently rounded to the nearest £1,000 and because of the complexity of the accounts there will be instances where, due to the use of rounding, subtotals or final totals appear inconsistent with the entries which make up the total or where an entry has a small difference between notes. These minor rounding differences are considered immaterial to the overall presentation of the Statements and accompanying notes.

Charges to Revenue

The Income and Expenditure Account is charged for the use of capital. These charges comprise of minimum revenue provision (MRP) and depreciation.

Basis of Provision for the Redemption of Debt and External interest

The extent to which the Authority is to set aside an amount each year from its revenue budget to repay debt is laid down in its Minimum Revenue Provision (MRP) Statement, as agreed at the beginning of the financial year. The policy adopted by the Authority is to make a provision based upon the useful lives of the assets which are being provided for.
Interest charged on external borrowing, and also interest receivable on investments, is accrued and accounted for in the period to which it relates.

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 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. The main source of revenue for the Service is Council Tax and Government Grant.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as 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. They are measured at the fair value of the consideration payable.

Interest receivable on investments and payable on borrowings 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.

The basis on which payables and receivables are included in the Accounts is as follows:
Payables are accrued on expenditure to cover goods and services received but not paid for by 31 March 2021. Receivables are accrued on income to cover goods and services provided before 31 March 2021 but for which no

We have reviewed the requirements of IFRS 15 - Revenue from Contracts, and consider that this standard does not apply to the Authority

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of the Accounts and that are readily convertible to known amounts of cash with insignificant risk of change in value. Investments exceeding 3 months but less than 12 months are classed as short-term investments.

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.

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.
There were no changes to accounting policies or prior-period adjustments during 2020-21.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding

depreciation attributable to the assets used by the relevant service

revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. 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 amortisations are therefore replaced by the contribution in the General Fund Balance [MRP or loans fund principle], by way of an adjusting transaction with the Capital Adjustment Account in the Statement of Movement in Reserves for the difference between the two.

Employee Benefits

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, bonuses 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. time off in lieu) 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 Surplus or Deficit on the Provision of Services, but then reversed out through the Statement of Movement in Reserves so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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. Benefits are charged on an accruals basis to the Cost of Service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 Statement of Movement in Reserves, appropriations are required to and from the Pensions 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.

Post-Employment Benefits

The treatment of pension costs in these accounts complies with the Code of Practice on Local Authority Accounting for 2020-21, which requires adoption of IAS19 Employee Benefits.

The Authority participates in five different pension schemes to meet the needs of the employees. Each scheme provides members with defined benefits related to pay and service. These schemes are administered by either West Yorkshire Pension Fund for the firefighters pension scheme or Peninsula Pensions for the Local Government Pension Scheme.

(a) Uniformed Staff

From 6th April 2015, the Firefighters pension 2006 and 2006 modified schemes were closed to new entrants and replaced with the new Firefighters pension scheme 2015. These schemes and the previous 1992 scheme are unfunded. The Authority is responsible for deducting contributions from current employees to be paid into the Pensions Account, together with an employer's contribution based upon a rate set by the Government Actuary Department (GAD). The last valuation was undertaken in December 2017. The four schemes administered for Uniformed staff are:-

- 1992 scheme
- 2006 scheme
- 2006 modified scheme
- 2015 scheme

(b) Civilian Staff

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Scheme through the Pension Fund, which is administered by Peninsula Pensions on behalf of Devon County Council. The employer's contribution rate for those employees in the scheme is based on advice from the Fund's Actuary who carries out regular actuarial valuations. The last valuation was undertaken in March 2019.

Pensions Reserve and Impact on Council Tax

For all schemes, the pension costs charged in the accounts are as introduced by the reporting requirements of the Standard IAS19. This means that the figures are calculated on an actuarial basis to reflect the Authority's share of the increase in the present value of pension liabilities arising from employee service in the current period.

It is a statutory requirement that the cost of pension's benefits to be funded by taxation are those cash payments made in accordance with the scheme requirements. These payments do not match the change in the Authority's pension assets or liabilities for the same period including the real cost of retirement benefits earned during the year by Authority employees. The difference between the cost charged against taxation and the real cost of retirement benefits is represented by an appropriation to the pensions reserve, which equals the net change in the pensions liability recognised in the Comprehensive Income & Expenditure Account.

Financial Instruments

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 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 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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Authority has not provided or received any soft loans as at 31st March 2021.

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

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

Financial Assets

Loans and receivables are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Authority business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable in year.

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.

Expected Credit Loss Model

The Group recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Group.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains or losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are provided by the Group of Treasury advisors.

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

Government Grants and Contributions

Revenue Support Grant and National Non Domestic Rates grant are received direct from government. 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 the 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 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 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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Statement of Movement in Reserves. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Inventories and Long Term Contracts
Inventories are included in the Consolidated Balance Sheet at cost.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. As at 31 March 2021 the Authority had significant Capital contracts outstanding as detailed in Note 11 to the accounts.

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 the use of specific assets.

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).

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting 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 at the commencement of the lease).

Further information in respect of leasing obligations is included in the notes to the core financial statements (Note 27).

Overheads Support Services Costs

In line with the CIPFA Code of Practice, all overheads and support services costs are allocated to the Authority's reportable segment - Fire & Rescue Services.

Property, plant and equipment

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 and that are expected to be used during more than one financial year are

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 of the item 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 it is incurred.

Intangible Assets

There are no intangible assets recognised by the Authority.

Tangible Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Expenditure below £20,000 on plant and equipment is treated as de-minimis, it is not capitalised and accordingly is charged to the revenue account in the year it is incurred.

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

Infrastructure, community assets and assets under construction – depreciated historical cost;

All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Under IFRS 13 Fair Value Measurement, non-cash and non-operational current assets are required to be valued at Market Value. The Authority does not hold any of this type of asset.

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. A full revaluation was undertaken as at the 31 March 2021. A full revaluation will be undertaken every five years as a minimum. The Authority's valuer is NPS South West Ltd which is a subsidiary of NPS Consultants Ltd, a controlled company of Norfolk County Council.

Land and buildings costs have been separately identified and will continue to be so for all future revaluations.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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.

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

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.

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

Depreciation

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

Depreciation is calculated on the following basis:

Buildings including PFI assets – useful economic life of each asset determined as part of the revaluation process.

Fire Appliances – useful economic life assessed to be 12 years except for specialist vehicles (e.g. Aerial Platforms) which have longer useful lives dependent on the specifics of the vehicle

Vehicles, plant and furniture and equipment – useful economic life assessed to range from 5-7 years.

Intangible assets are to be amortised over 7 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 (see componentisation note below).

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.

Componentisation

Where an asset has components which have a significantly different life, depreciation is applied over the life of each component rather than applying the same life for the whole of the asset. Components for fire stations are the land (indefinite life), main structure (60 year life (40 years if prefabricated)), mechanical & electrical (20 year life) and steel training towers (30 year life (40 years if masonry)).

Disposals and Non-current assets held for sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement 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 disposals of fixed assets are credited to the Capital Receipts in Advance Account. Receipts are appropriated to the account from the General Fund Balance in the Statement of Movement in Reserves.

The written-off value of disposals is not a charge against council tax, as the cost of fixed 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.

Heritage Assets

Heritage assets are something which have a historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The Authority has identified heritage assets held by the Service however no recognition has been included in the Accounts on the grounds that the value is not material, and that the exercise of obtaining valuations for the vast majority of these assets would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements.

Private Finance Initiative (PFI) and Similar Contracts

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. Devon & Somerset Fire & Rescue Authority, in partnership with Avon Fire Authority and Gloucestershire County Council has invested in a PFI project to provide a Fire and Rescue Service training centre.

- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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 or 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 than 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.

Firefighter Employers pensions liability

The provision for Pension liabilities is £0.502m which reflect legislative changes which may have the impact of increasing employers pension contributions.

Non Domestic Rates Appeals provision

A number of appeals have been made to billing authorities against the rateable value of Non Domestic Properties. The Fire Authority is required to account for its share of the provision for successful appeals, amounting to £0.510m in 2020-21.

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.

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

There are two contingent liabilities for 2020-21 which result from challenges to changes to the firefighters pension schemes of which can be found within Note 31.

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 Statement of Movement in Reserves. When expenditure to be financed from a reserve is incurred, 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 Statement of Movement in Reserves 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.

Details of all reserve balances at the year-end are included with note 20 to these accounts.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS
Note 30.2 Pension Schemes

	LG Pension Scheme 2020/21 £000	LG Pension Scheme 2019/20 £000	LG Unfunded 2020/21 £000	LG Unfunded 2019/20 £000	Fire schemes 2020/21 £000	Fire schemes 2019/20 £000	Total 2020/21 £000	Total 2019/20 £000
Comprehensive Income & Expenditure Statement								
Service Cost Comprising:								
Current Service Cost	4,019	3,966	-	-	9,863	12,249	13,882	16,215
Past Service Costs	-	993	-	-	(1,778)	-	(1,778)	993
Financing and Investment Income and Expenditure:								
Net Interest Expense	806	886	6	7	16,000	17,675	16,812	18,568
Administration Expenses	40	40	-	-	-	-	40	40
Home Office Pension top up grant					(11,407)	(10,395)	(11,407)	(10,395)
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**4,865**	**5,885**	**6**	**7**	**12,678**	**19,529**	**17,549**	**25,421**
Remeasurement of the net defined benefit liability comprising:								
Expected return on plan assets (excluding the amount included in net interest expense)	(12,224)	5,930					(12,224)	5,930
Actuarial gains and losses arising on changes in demographic assumptions								
Actuarial gains and losses arising on changes in financial assumptions								
Other								
Total Post-employment benefits charged to the CIES	**(12,224)**	**5,930**	**-**	**-**	**-**	**-**	**(12,224)**	**5,930**
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post - employment benefits in accordance with the code	(4,865)	(5,885)	(6)	(7)	(12,678)	(19,529)	(17,549)	(25,421)
Actual amount charged against the General Fund Balance for pensions in the year								
Employers contributions payable to scheme	2,541	2,107	-	-	8,481	8,753	11,022	10,860
Employers contributions payable to scheme (secondees not charged to general fund)	1	-	-	-	30	63	31	63
Ill health charges	-	-	-	-	88	474	88	474
Retirement benefits payable to pensioners - Authority	-	-	19	19	2,230	2,131	2,249	2,150
Retirement benefits payable to pensioners - Fund	1,360	1,682	-	-	23,887	23,579	25,247	25,261
Total Retirement benefits payable to pensioners	**1,361**	**1,682**	**19**	**19**	**26,117**	**25,710**	**27,496**	**27,411**

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of the present value of the scheme liabilities	LG Pension Scheme 2020/21 £000	LG Pension Scheme 2019/20 £000	LG Unfunded 2020/21 £000	LG Unfunded 2019/20 £000	Fire schemes 2020/21 £000	Fire schemes 2019/20 £000	Total 2020/21 £000	Total 2019/20 £000
1st April	87,475	93,212	324	345	693,914	747,336	781,712	840,893
Current Service Cost	4,019	3,966	-	-	9,863	12,249	13,882	16,215
Interest Cost	2,051	2,229	6	7	16,000	17,675	18,057	19,911
Contributions by scheme participants	775	725	-	-	3,880	3,893	4,655	4,618
Remeasurement (gains) and losses:								
Actuarial gains and losses arising on changes in demographic assumptions	(958)	(1,722)	3	2	(20,887)	1,116	(21,842)	(604)
Actuarial gains and losses arising on changes in financial assumptions	31,491	(11,665)	-	(11)	152,804	(62,645)	184,295	(74,321)
Experience gains and losses	(1,001)	1,418	-	-	(80)	-	(1,081)	1,418
Past service Costs	-	993	-	-	(1,778)	-	(1,778)	993
Benefits Paid	(1,360)	(1,682)	(19)	(19)	(26,117)	(25,710)	(27,496)	(27,411)
31st March	**122,492**	**87,475**	**314**	**324**	**827,599**	**693,914**	**950,405**	**781,712**

Pensions Assets and Liabilities Recognised in the Balance Sheet	2020/21 £000	2019/20 £000
Present value of liabilities		
LGPS	(122,492)	(87,475)
LGPS- unfunded	(314)	(324)
Firefighters Pension schemes	(789,372)	(658,203)
Firefighters Compensation Regulations	(38,227)	(35,711)
Fair value of assets in the LGPS	67,215	51,829
	(883,190)	**(729,884)**
Surplus/(deficit) in the scheme:		
LGPS	(55,277)	(35,646)
LGPS- unfunded	(314)	(324)
Firefighters Pension schemes	(789,372)	(658,203)
Firefighters Compensation Regulations	(38,227)	(35,711)
Net Liability arising from defined benefit obligation	**(883,190)**	**(729,884)**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. All schemes have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the LGPS Devon Fund being based on the latest full valuation of the scheme undertaken in 2019 and the Devon & Somerset FPS valuation in 2017.

The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this difference is not considered to be material.

The Fire Fund has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:-

THE PENSION FUND

The Authority participates in four fire pension schemes those being the 1992 Firefighters Pension Scheme, 2006 New Firefighters Pension Scheme (NFPS), 2006 modified and 2015 Fire Pension Scheme. Since its inception the 2006 NFPS has been extended to allow recognition of service back to 2000. Anyone electing to buy back this service and/or continue to contribute technically belongs to the 2006 Modified scheme. For the purposes of this years accounts all fire scheme entries are shown under the one heading.

Schemes are classed as "unfunded" in that they have no investment assets, with retirement benefits now being met in year from a newly created Pension Fund. Out of the fund come pension costs and commutation payments with the "income" coming from employees and employers superannuation contributions and a "top-up" grant from central government (Home Office), to balance the fund to nil.

The fire pension fund is currently dissimilar to a normal pension fund in that it has no trustees, bank account or investment assets. The fund is managed on a separate ledger to that for normal activities of the Authority. Items of income and expenditure are recognised on the date of the cash transaction.

Firefighter Pensions Fund	**2020/21**	2019/20
	£000	£000
Contributions receivable from:		
Fire authority:-		
a) contributions in relation to pensionable pay	**(8,513)**	(8,683)
b) early ill health retirements & other income	**(88)**	(474)
c) Firefighters contributions	**(3,880)**	(3,919)
	(12,481)	(13,076)
Transfers In	**(296)**	(289)
Benefits payable		
d) pensions	**19,171**	18,540
e) commutations and lump sum benefits	**4,462**	5,220
f) lump sum death benefits	**116**	1
g) transfers out	**435**	-
h) refunds of contributions	**-**	**-**
Net amount payable for the year	**11,407**	10,395
Top up grant payable by the government	**(11,407)**	(10,395)
Treasurer to the Authority	**-**	-

Net Assets Statement	**2020/21**	2019/20
	£000	£000
Current assets		
Devon & Somerset Fire Authority - debtor	**4,635**	(3,953)
Current liabilities		
Top up grant payable from HomeOffice - creditor	**(4,635)**	3,953
Total	**-**	-

Note 1 - As DSFRS has paid or will pay all pensions and commutation payments from its own bank account it is due reimbursement for costs incurred.

Note 2 - It should be noted that the amounts included within the firefighters pension fund are only for the period of 2020/21 and do not take into account liabilities to pay pensions or benefits after that period.

Note 3 - £6.772m had been received from Home Office by 31st March 2021, being 70% of notified top up grant available. As there was a funding shortfall £4.635m is due from the Home Office in order to balance the total costs to total income within the fund.

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