



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

M. Pearson
CLERK TO THE AUTHORITY

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

(see below)

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AUDIT & PERFORMANCE REVIEW COMMITTEE **(Devon & Somerset Fire & Rescue Authority)**

Friday 19 July 2019

A meeting of the Audit & Performance Review Committee will be held on the above date, **commencing at 10.00 am in Committee Room B, Somerset House, Service Headquarters, Exeter** to consider the following matters.

M. Pearson
Clerk to the Authority

A G E N D A

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

- 1 Apologies**
- 2 Minutes (Pages 1 - 4)**
of the previous meeting held on 10 May 2019 attached.
- 3 Items Requiring Urgent Attention**
Items which, in the opinion of the Chair, should be considered at the meeting as matters of urgency.

PART 1 - OPEN COMMITTEE

4 Devon & Somerset Fire & Rescue Authority's Financial Statements 2018-19:

a Audit Findings for the Devon & Somerset Fire & Rescue Authority 2018-19 (Pages 5 - 32)

The Audit Findings for the Devon & Somerset Fire & Rescue Authority is a document prepared by Grant Thornton, the Authority's External Auditor. The document sets out the external audit findings and opinion on the Authority's Financial Statements for the year ended 31 March 2019. This document is attached.

b Statement of Accounts 2018-19 (Pages 33 - 96)

Report of the Director of Finance (Treasurer) (APRC/19/10) attached.

c 2018-19 Letter of Representation (Pages 97 - 100)

Accompanying the External Audit Findings and the Statement of Accounts is the Letter of Representation which is attached FOR APPROVAL.

5 2018-19 Annual Statement of Assurance (Pages 101 - 128)

Report of the Director of Service Improvement (APRC/19/11) attached.

6 Going Concern Review (Pages 129 - 134)

Report of the Director of Finance (Treasurer) (APRC/19/12) attached.

7 Audit & Review 2019-20 Progress Report (Pages 135 - 142)

Report of the Director of Service Improvement (APRC/19/13) attached.

8 Comparative Analysis: National Incident Statistics, Year-ending December 2018 (Pages 143 - 162)

Report of the Director of Service Improvement (APRC/19/14) attached.

9 Local Pension Board Annual Report 2018-19 (Pages 163 - 170)

Report of the Director of Corporate Services (APRC/19/15) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Healey MBE (Chair), Clayton, Napper, Prowse (Vice-Chair), Saywell, Way and Wheeler

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: <ul style="list-style-type: none">(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.
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 Order 37, 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.

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AUDIT & PERFORMANCE REVIEW COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

10 May 2019

Present:

Councillors Healey MBE (Chair), Bown (vice Napper), Bowyer, Clayton, Saywell and Wheeler.

In attendance in accordance with Standing Order 38:

Councillor Randall Johnson.

Apologies:

Councillors Mathews and Napper.

- * **APRC/20** **Minutes**
RESOLVED that the Minutes of the meeting held on 18 January 2019 be signed as a correct record.

- * **APRC/21** **External Audit Progress Report**
(Barrie Morris – Grant Thornton) in attendance for this item.
The Committee received, for information, an external audit progress report and sector update from Grant Thornton (the Authority's external auditor) covering:
 - interim audit findings and initial value for money risk assessment; and
 - a sector report highlighting Grant Thornton publications, insights from local government sector specialists, reports of interest and accounting and regulatory updates.

- * **APRC/22** **External Audit Fee Letter 2019-20**
The Committee received, for information, a letter from Grant Thornton identifying the fee and work to be undertaken on planned external audit activities for 2019-20.

- * **APRC/23** **International Auditing Standards Compliance Letters**
 - a **International Auditing Standards - Response Letter from Management**
The Committee considered a draft letter from the Director of Finance in response to enquiries from Grant Thornton, as part of its work on the Authority's financial statements for the year ended 31 March 2019 and in accordance with International Auditing Standards, on management processes in place to prevent fraud and corruption and to ensure compliance with relevant laws and regulations.
RESOLVED that the Director of Finance be authorised to sign and return the letter to Grant Thornton.

b **International Auditing Standards - Response Letter from Chair of the Audit & Performance Review Committee**

The Committee considered a draft letter from the Committee Chair in response to enquiries from Grant Thornton, as part of its work on the Authority's financial statements for the year ended 31 March 2019 and in accordance with International Auditing Standards, on how the Committee gains assurance over management processes and arrangements for fraud risk assessment and compliance with the law and regulation.

RESOLVED that the Committee Chair be authorised to sign and return the letter to Grant Thornton.

* **APRC/24** **Audit & Review 2018-19 Progress Report**

The Committee considered a report of the Director of Service Improvement (APRC/19/4) summarising assurance statements for all audits completed for the 2018-19 Internal Audit Plan together with updates on additional review work undertaken. Based on the work completed in 2018-19 and knowledge from previous years, the systems in operation within the Devon & Somerset Fire & Rescue Service continued to demonstrate a good level of internal control.

Councillor Wheeler sought information on the latest position in relation to introduction of the Emergency Services Network – in particular, the implications for the Service of delays in the national project as recently announced in the media.

RESOLVED

- (a). that a report be submitted to the next meeting on the Emergency Services Network project and the potential implications for the Service of delays in the project;
- (b). that, subject to (a) above, the report be noted.

* **APRC/25** **2019-20 Internal Audit Plan**

The Committee considered a report of the Director of Service Improvement (APRC/19/5) identifying the proposed Internal Audit Plan for 2019-20. The Plan was divided into audits to be undertaken on an annual cycle (mainly legal requirements) along with examinations of areas of organisational risk and audits to evaluate organisational improvements. The Plan would be delivered by in-house internal audit staff and the Devon Audit Partnership.

RESOLVED that the 2019-20 Internal Audit Plan as appended to report APRC/19/5 be approved.

* **APRC/26** **Draft Annual Statement of Assurance 2018-19**

The Committee considered a report of the Director of Service Improvement (APRC/19/6) to which was appended the draft Authority Statement of Assurance for 2018-19. The Statement had been prepared to comply with the requirements of the Accounts and Audit (England) Regulations 2015 and the latest version of the Fire and Rescue National Framework and examining organisational systems of internal financial control, corporate governance along with operational assurance.

RESOLVED

- (a). that the Authority draft Annual Statement of Assurance 2018-19 as appended to report DSFRA/19/6 be approved in principle and submitted as part of the audit process for the 2018-19 Statement of Accounts;

- (b). that a further report be submitted to the July Committee meeting seeking approval of the final statement, subject to incorporation of any issues identified during the audit process.

* **APRC/27** **Corporate Risk Register**

The Committee received, for information, a report of the Director of Service Improvement (APRC/19/7) on an addition to the Corporate Risk Register. Risk management within the Devon & Somerset Fire & Rescue Service was used to protect Service assets, to ensure service continuity and to facilitate innovation and opportunity. The Service Corporate Risk Register captured the most significant risks (with a focus on cross-cutting risks and major projects) together with identified actions to mitigate against these risks.

The report identified that the Service risk profile had changed in the last six months, with one new risk (that of the potential for industrial action stemming from the National Joint Council pay proposal) having been added to the register. In response to questions from the Committee, the Chief Fire Officer provided assurance on Service business continuity and resilience arrangements.

* **APRC/28** **Devon & Somerset Fire & Rescue Service Performance Report: October 2018 to March 2019**

The Committee received, for information, a report of the Director of Service Improvement (APRC/19/8) to which was appended the Service performance report covering the 2018-19 financial year. The report featured performance measure details with information on the measure status (positive performance; monitor performance; negative exception) established through assessing performance against that in the previous year and medium to long-term trends. Commentary was included to provide additional contextual information and activities being undertaken to improve performance.

* **APRC/29** **Authority Policy For Regulation Of Investigatory Powers Act 2000 (RIPA) - Review**

The Committee considered a report of the Director of Corporate Services (APRC/19/9) identifying amendments to the Authority's policy and processes in relation to the Regulation of Investigatory Powers Act (RIPA) 2000. The amendments were in response to changes in both legislation and responsibility for national oversight of the investigative powers regime, together with updating the list of Devon & Somerset Fire & Rescue Services Designated Officers with designated roles in the Authority's RIPA authorisations process.

The report also identified that this Authority had not used RIPA during the past twelve months. The Authority – along with other fire and rescue authorities - had never previously used RIPA and did not envisage any scenario where it would be necessary to do so. Given this position and in response to representations from the National Fire Chiefs Council (NFCC), the Investigatory Powers Commissioner had agreed to relax the external RIPA inspection regime for fire and rescue authorities until such time as any such authority made use of the RIPA provisions.

RESOLVED

- (a). that the amendments to the Authority's RIPA policy as set out in Section 3 of report APRC/19/9 be endorsed;
- (b). that a report reviewing the current RIPA policy be submitted to this Committee in twelve months' time; and

(c). that, subject to (a) and (b) above, the report be noted.

*** DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 10.00 am and finished at 11.10 am

The Audit Findings for Devon and Somerset Fire and Rescue Authority

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Year ended 31 March 2019
July 2019



Agenda Item 4a

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Your key Grant Thornton
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Appendices

A. Action plan
B. Follow up of prior year recommendations
C. Audit adjustments
D. Fees
E. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Devon and Somerset Fire and Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2019 for those charged with governance.

<p>Financial Statements</p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Authority's financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June 2019. Our findings are summarised on pages 6 to 13. We have identified no adjustments to the financial statements that have resulted in an adjustment to the Authority's Comprehensive Income and Expenditure Statement. We have identified a £900k adjustment to the balance sheet which is included in further detail in Appendix C, where other audit adjustments are detailed. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none">• receipt and review of Pension Fund Auditor assurances;• receipt and review of the revised IAS19 report in relation to the Firefighters Pension Scheme;• receipt and review of the updated financial instruments note• receipt of management representation letter; and• receipt and review of the final version of the approved financial statements. <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated audit report opinion will be unmodified.</p>
<p>Value for Money arrangements</p>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Authority's value for money arrangements. We have concluded that Devon and Somerset Fire and Rescue Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 14 to 17</p>
<p>Statutory duties</p>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and• to certify the closure of the audit.	<p>We have not exercised any of our additional statutory powers or duties</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audits when we give our audit opinion but are unable to issue our completion certificate until we complete the work outlined above.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- an evaluation of the Authority's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit plan, as communicated to you on 18 January 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Performance Review Committee meeting on 19 July 2019, as detailed in Appendix E. The outstanding items include:

- receipt and review of Pension Fund Auditor assurances;
- receipt and review of the revised IAS19 report in relation to the Firefighters Pension Scheme
- receipt and review of the updated financial instruments note
- receipt of management representation letter; and
- receipt and review of the final version of the approved financial statements.

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Devon and Somerset Fire and rescue Authority.

	Value for Authority	Qualitative factors considered
Materiality for the financial statements	£1.73m	<p>This equates to 2% of your 2018/19 gross expenditure for the year. This was determined as the appropriate benchmark for determining materiality. Our knowledge of the environment at Devon and Somerset Fire and Rescue Authority has led us to the conclusion that the risk of fraud is low, hence 2% is deemed an appropriate percentage to apply to the benchmark.</p> <p>This is consistent with that reported in our Audit Plan in January 2019.</p>
Performance materiality	£1.04m	<p>This equates to 60% of materiality. We have reduced performance materiality from the prior year in light of the new service provision arrangements relating to payroll and firefighters pensions.</p> <p>This is consistent with that reported in our Audit Plan in January 2019.</p>
Trivial matters	£87k	<p>ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p> <p>This is consistent with that reported in our Audit Plan in January 2019.</p>
Materiality for specific transactions and disclosures	£20k	<p>Senior Officers' Remuneration is a balance which require a lower materiality due to its sensitive nature.</p> <p>This is consistent with that reported in our Audit Plan in January 2019.</p>

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
1	The revenue cycle includes fraudulent transactions	<p>Auditor commentary</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of fire authorities, including Devon and Somerset Fire and Rescue Authority, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for the Authority.</p> <p>There have been no changes to our assessment as reported in our Audit Plan.</p>
2	Management override of controls	<p>Auditor commentary</p> <p>We have performed the following work in respect of this risk:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness; • obtained a full listing of journal entries and identified and subsequently tested any unusual journal entries for appropriateness; and • evaluated the rationale for any changes in accounting policies and any significant unusual transactions or estimates. <p>Our audit work has not identified any issues in respect of management override of controls.</p>

Significant findings – audit risks

Risks identified in our Audit Plan Commentary

3

Valuation of Property, Plant and Equipment

Auditor commentary

We have performed the following work in respect of this risk:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuations were carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register.

We identified that all land and buildings are classified as specialist assets and have been valued using the depreciated replacement cost (DRC) method. A detailed review of estimation processes is included within the key judgement and estimates section on Page 8.

Our audit work has not identified any issues in respect of valuation of land and buildings.

4

Valuation of pension fund net liability


Auditor commentary

We have performed the following work in respect of this risk:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- maintained ongoing communication around the impact of the McCloud /Sergeant court judgement on the pension liabilities reported by the Authority to ensure that these are materially stated and in line with proper accounting practices;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Our audit work in this area is still ongoing as we await the revised IAS19 report in relation to Firefighters Pensions as a result of the McCloud / Sargeant judgment and the receipt and review of the Pension Fund auditor assurances.

Significant findings – key judgements and estimates


	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £101.217m	<p>Other land and buildings comprises £101.217m of specialised assets, namely fire stations which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The Authority has engaged Norfolk Property Services to complete the valuation of properties as at 31 March 2019. All of the assets were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase of £2.437m. The Authority has moved away from the five year rolling programme of revaluations in order to ensure that all revalued assets falling under the same class are assessed at the same time.</p>	<ul style="list-style-type: none"> We reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. We then considered the competence, expertise and objectivity the valuer in their capacity as the management experts used. We reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding and challenged key assumptions where appropriate. We tested revaluations made during the year to ensure they are input correctly into the asset register and subsequently recorded in the financial statements. 	 Green

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management’s policy	Audit Comments	Assessment
Net pension liability – £762.46m	<p>The Authority’s total net pension liability at 31 March 2019 is £762.46m (PY £733.31m) comprising the Devon Pension Fund Local Government and the Firefighters unfunded defined benefit pension scheme obligations. The Authority uses Barnet Waddingham to provide actuarial valuations of the Authority’s assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £17.764m net actuarial loss during 2018/19.</p>	<ul style="list-style-type: none"> • We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. This included gaining assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding. No issues were identified from our review of the controls in place. • We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • We checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports and did not identify any inconsistencies. • The Authority has considered the impact of GMP equalisation on the net pension liability. They also commissioned the actuary to undertake a materiality assessment with respect to the McCloud/Sargeant judgment in relation to the Local Government Pension Scheme. They have assessed the overall impact of these matters as being below performance materiality. We have reviewed the assumptions and factors used by the actuary and management in undertaking this assessment and have found them to be reasonable. 	 Green
		<p>Our audit work in this area is still ongoing as we await the receipt of the revised IAS19 report in relation to Firefighters Pensions and the receipt and review of the Pension Fund auditor assurances.</p>	

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Significant findings - other issues

Issue	Commentary	Auditor view
<p>Potential impact of the McCloud judgement</p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to some scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>Devon and Somerset Fire and Rescue Authority were proactive in raising this issue at a very early stage with us as external auditors, constructively contributing their views and that of the sector and the issues emerged and evolved.</p> <p>Following these communications, the Authority requested an estimate from the Government Actuary's (GAD) of the potential impact on fire and rescue authorities and this indicated a possible increase in pension liabilities of 4.1% to 5% of scheme liabilities. As this indicates a material difference to the amount currently recorded in the financial statements, the Authority has commissioned a further assessment from their actuary to re-calculate the IAS19 figures for the financial statements. The Authority is currently awaiting this report.</p> <p>The Authority also commissioned the actuary to undertake a materiality assessment with respect to the McCloud/Sargeant judgment in relation to the Local Government Pension Scheme. They have assessed the overall impact of this combined with the impact of GMP equalisation as being below performance materiality. We have reviewed the assumptions and factors used by the actuary and management in undertaking this assessment and have found them to be reasonable.</p>	<p>Our audit work in this area is still ongoing as we await the receipt of the revised IAS19 report in relation to Firefighters Pensions</p>

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

The Authority has a Medium Term Financial Plan (MTFP) that runs to 2023/24. The Authority also has an Integrated Risk Management Plan setting out priorities and plans to 2022.

The CIPFA Code confirms that entities should prepare their financial statements on a Going Concern basis unless the services provided are to cease. There is no indication from Government that the services provided by the Fire and Rescue Authority will cease.

Auditor commentary

- Management have determined that there is no evidence of an intention to cease the provision of services, and have therefore adopted the going concern assumption. We have not identified any issues through our review and enquiries that suggest that this is not appropriate.
- Management have prepared a paper which contains a review of the financial position as at 31 March 2019 alongside an assessment of the ability of the Authority to continue operating for the foreseeable future. We have reviewed this paper, and the assumptions included within it.
- We are satisfied that the going concern assumption is appropriate for the Authority's financial statements and is in line with accounting standards and the CIPFA Code.

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Performance Review Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Authority, which is included in the Audit and Performance Review Committee papers.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation. We requested from management permission to send confirmation requests to the pension fund auditor. This permission was granted and the requests were sent. We have not yet received the final response from the pension fund auditor and will require this prior to issuing our opinion.
6	Disclosures	<ul style="list-style-type: none"> Our review identified a number of disclosure changes within the draft financial statements. See pages 21 and 22 for further details.
7	Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management were provided. We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Other responsibilities under the Code

Issue	Commentary
1 Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified.</p>
2 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit. • If we have applied any of our statutory powers or duties. <p>We have nothing to report on these matters.</p>
3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Authority does not exceed the threshold.</p>
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2018/19 audit of Devon and Somerset Fire and Rescue Authority in the audit opinion, as detailed in Appendix E.</p>

Value for Money

Background to our VFM approach

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017.

AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

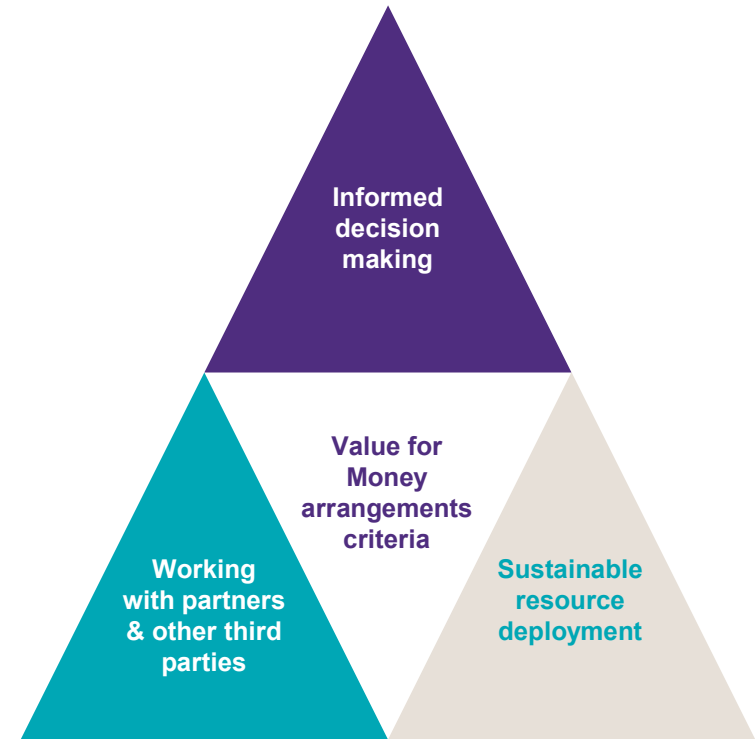
This is supported by three sub-criteria, as set out opposite:

Risk assessment

We carried out an initial risk assessment in December 2018 and January 2019 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 18 January 2019

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.



Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- Medium Term Financial Planning and the need to identify further savings in the medium term to balance the budget; and
- Red One and the need to improve governance arrangements as highlighted in a series of external reports.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 16 to 17

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Authority had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p>1 Medium Term Financial Planning</p> <p>We reported in our audit plan that the Authority continues to face financial pressures with the 4 year settlement for 2016/17 to 2019/20 resulting in a 25% grant cut. The Authority has set a balanced budget for the 2019/20 financial year, with a Council Tax increase of 2.99% being agreed. The balanced budget position was achieved by reducing the revenue contribution to capital expenditure by £183k. The budget report also highlights that savings of between £8.4m and £14.5m will need to be made by 2023/24 depending on the level of future Council Tax increases.</p>	<ul style="list-style-type: none"> We reviewed the Authority's Medium Term Financial Plan, including the assumptions and savings included within the modelling. We also considered the work being done by the Authority to identify the additional savings that it needs to make over this period. The Authority's outturn for 2018/19 was £1.89m below budget, which was transferred to earmarked reserves. At 31 March 2019 the Authority has reserves of £38.87m, with £33.56m being in earmarked reserves and £5.3m in the general reserve. The Authority set a balanced budget for the 2019/20 financial year, with a Council Tax increase of 2.99% being agreed. Budgeted savings within this were £2.38m, consisting of £117k from authority pensions, £685k from budget management savings, which includes reduction of non-operational budget heads (£487k of this is recurring savings), £1.09m from service delivery re-structure, as a result of reviewing the number and role types of Station Managers across the service, £480k from holding vacancies whilst the Safer Together plan is established and reducing the revenue contribution to capital expenditure by £183k. The current MTFP runs to 2023/24 with the savings requirement over that period being between £8.4m and £14.5m depending on the level of future council tax increases. The MTFP is based on detailed modelling assumptions in the Financial Planning Model. These include inflation, pay and pension increases as well as anticipated reductions in grant funding, including the four year funding settlement accepted by the Authority. These assumptions have been reviewed and appear to be reasonable based on the evidence and information currently available. The MTFP is updated regularly as information on grant settlements become available, outcomes from the savings strategy are identified and any new cost pressures identified. 	<p>Auditor view</p> <p>The Authority's MTFP has a gap of up to £14.5m over the 2019/20- 2023/24 period. This represents a considerable challenge for the Authority given the savings it has already had to make in recent years. The Authority recognises that it must develop realistic savings plans to bridge the budget gap and there is evidence that such plans are being developed and implemented through the Sager Together Programme.</p> <p>On that basis, we have concluded that the risk was sufficiently mitigated and the Authority has proper arrangements in place for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p>2 Red One</p> <p>We reported in our audit plan that in 2016/17 the Authority sought external advice in response to concerns over cross-charging between Authority and Red One Ltd, and governance arrangements generally. Reports were received as a result that made a number of recommendations, although one report noted that many were similar to recommendations that had been made previously but not yet actioned. A further review of the governance arrangements at Red One has been carried out.</p>	<p>We reviewed the progress made by the Authority in response to the recommendations from the reports received in 2016/17, and the more recent review, to ensure that appropriate action has been taken to address the issues identified.</p> <p>The last reported update to members in June 2019 demonstrates that the recommendations made in relation to Red One's governance and financial arrangements have now been taken forward, and changes implemented. The report shows that recommendations were being tracked in an action plan, and that most of the recommendations were implemented in 2017 and 2018. There is one action in relation to compliance law training which is currently in progress, and all other recommendations are marked as complete. The Authority has now approved a revised governance framework for Red One and revised arrangements for the Non Executive Board of the company, including the introduction of independent Non Executive Directors.</p> <p>During the year, Devon and Somerset Fire and Rescue Authority commissioned an independent assessment of the validity of the Red One Business Plan for 2019-20. The recommendations from this report were assessed by officers, and used to aid the decision making process. The use of an external body to gain advice over the business plan produced by Red One, shows that Devon and Somerset Fire and Rescue Authority are taking appropriate measures to assess and obtain independent assurance over the financial information provided by Red One. The Authority's continued assessment of Red One's performance shows an appropriate level of scrutiny over the financial and governance arrangements.</p>	<p>Auditor view</p> <p>The Authority is making progress in implementing the recommendations in relation to Red One, with revised governance arrangements in place. The progress against the action plan and tracker shows that all except one of the recommendations have been implemented. Furthermore, an independent assessment of Red One has been undertaken in year, which shows an appropriate level of challenge and scrutiny over the financial and governance arrangements at the company.</p> <p>On that basis we are satisfied that the risk is being properly mitigated.</p>

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Authority's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 (AGN01) issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority.

No non-audit services were identified.

Action plan

We have identified 2 recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>1</p> <p>Amber</p>	<p>During the 2018-19 year, the provision of payroll services was transferred from Devon County Council to Midland HR services. The Authority undertook parallel runs of payroll on both systems to highlight any variances in the data, in order that these could be investigated and resolved and to gain assurance over the completeness of data processing.</p> <p>Our audit enquiries over the output from these checks identified that the final version of the document, where the final variances were investigated and action taken to resolve them, could not be located. Consequently, the Authority as not able to demonstrate that this final check over the completeness of data processing has been satisfactorily concluded with any issues identified being resolved.</p> <p>In order to gain sufficient assurance over the completeness and accuracy of payroll data we have undertaken alternative procedures to ensure that the figures are not materially misstated. We are satisfied that the payroll information recorded in the financial statements are not materially mis-stated.</p>	<p>We recommend that the Authority document and retain all relevant checks and other information which demonstrates the procedures and assurance checks that they have undertaken to address key risks when changing in systems and ensuring the accuracy and completeness of data processing.</p> <p>Management response</p> <p>The file used to check the final parallel run has now been found and forward on to the audit team on 10/07/2019</p>
<p>2</p> <p>Amber</p>	<p>The Authority's MTFP has a gap of up to £14.5m over the 2019/20 - 2023/24 period. This represents a considerable challenge for the Authority given the savings it has had to make in recent years. Furthermore given the McCloud decision, further assumptions may be required in the medium term financial planning model.</p>	<p>The Authority should continue to develop realistic savings plans to bridge the budget gap, with appropriate ongoing monitoring and review to ensure that planned savings are delivered in line with expectations, taking mitigating actions as necessary. The Authority should review and reflect any changes required as a result of relevant legal decisions within their medium term financial planning model.</p> <p>Management response</p> <p>The Safer Together Programme has developed plans to reform our Service to future proof the organisation and, to deliver budget savings. The initial focus is on the Service Delivery Operating Model, Digital Transformation, managing the Fleet & Equipment and People. We will also take account of the impact of the recent McCloud decision once the impact on Devon & Somerset FRS is understood.</p>

Key:

- High – Urgent action required to address significant control deficiency or weakness in arrangements
- Medium – Action required to improve control deficiency or improve management arrangements
- Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Devon and Somerset Fire and Rescue Authority's 2017/18 financial statements, which resulted in 3 recommendations being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendations and note 1 is still to be completed.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	The Authority must retrospectively approve the decision of the General Purposes Committee in June 2017 to agree an exit package, at its meeting on 30 July 2018. This is due to the fact that formal minutes were not taken at the meeting of the General Purposes Committee in June 2017	The approval was formally resolved on 30 July 2018
2	✓	All Part 2 meetings should be formally minuted with sufficient detail recorded in order to allow transparency and accountability of decision making in line with the Authority's Corporate Governance Code.	Confidential minutes are produced for every Part 2 item of the Authority or its committees
3	✓	The Authority's MTFP has a gap of up to £14.6m over the 2019/20 - 2021/22 period. This represents a considerable challenge for the Authority given the savings it has had to make in recent years. The Authority must develop realistic savings plans to bridge the budget gap.	The Authority recognises that it must develop realistic savings plans to bridge the budget gap and there is evidence that such plans are being developed and implemented.
4	✓	The Authority must assure itself that the recommendations in relation to cross-charging and governance arrangements at Red One Ltd have been appropriately implemented. This recommendation was raised in 2016-17	The action plan and tracker in relation to Red One recommendations were viewed, there was only one item on this tracker which was outstanding, and this is currently being progressed
5	X	Given the criticality of data accessible through Capita Integra logs of information security events (i.e., login activity, unauthorised access attempts, access provisioning activity) created by these systems should be proactively, formally reviewed for the purpose of detecting inappropriate or anomalous activity. These reviews should ideally be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems. This recommendation was first raised in 2016-17	The Authority is finalising requirements at present and hope to reach the procurement stage soon. The Authority is aiming to put procedures in place in the 2019-20 financial year

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Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
1 In the original version of the draft Statement of Accounts, the net assets employed did not equal the total reserves in the balance sheet. The Balance Sheet and Note 19 Reserves were amended to reflect the correct position	Nil	Dr General Fund – Usable reserves £900	Nil
Overall impact	£0	£900	£0

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit and Performance review Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 Impact of the McCloud/Sargeant judgment – The Authority has commissioned their actuary to undertake a materiality assessment in relation to their Local Government Pension Scheme as a result of the McCloud/Sargeant Judgment. The impact of this would be a £963k understatement of the net pension liability	Nil	Cr Net pension liability £963	Nil	When considered along with the adjustment below, the total impact on the net pension liability is below performance materiality
2 Impact of GMP Equalisation judgment – The Authority has considered the impact of the GMP Equalisation judgment on the net pension liability. After discussion with the actuary, the Authority has identified that the net pension liability is overstated by £1.448m.	Nil	Dr Net pension liability £1,448	Nil	When considered along with the adjustment above, the total impact on the net pension liability is below performance materiality
Overall impact	£0	£485	£0	

Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Expenditure and Funding Analysis	The EFA was not clearly reconciled back to the outturn position in the narrative report as required by IFRS 8.	Amend the Expenditure and Funding Analysis, as well as the Note to the Expenditure and Funding Analysis to agree to the outturn position reported in the narrative statement	✓
Note 27 PFI	The disclosure note had not been updated with 2018-19 figures. The 2017-18 figures have been rolled forward in error.	Update and amend Note 27 to correctly reflect the PFI related balances and transactions in 2018-19	✓
Note 13.4 Other Non Cash movement	Note 13.4 disclosed non-cash movements of £497k, however the Cash Flow Statement disclosed this as £588k	Update Note 13.4 to reconcile to the Cash Flow Statement in order to ensure internal consistency of the Cash flow statement	✓
Note 12.4 Financial Instruments	PFI Short term liability £1,111k and long term £98k had been omitted from the Note. This also impacts Notes 12.6	Update Note 12.4 to include the amounts in relation to the PFI lease liability	✓
Note 12.6 Financial Instruments	The original total of financial assets within this note was £47.773m, however this included some duplication of investments, and incorrectly excluded debtors. The correct total is £46.052m. Disclosure change of £1.721m.	Update Note 12.6 to rectify the issues highlighted in relation to the financial assets disclosure	✓
General Disclosures	Other general amendments	Other amendments including spelling, grammar and syntax and other minor disclosures which have not been separately disclosed should be adjusted and included	✓

Audit Fees

We confirm below our final proposed fees charged for the audit.

Audit Fees

Our audit approach, including the risk assessment, continues as the year progresses and fees are reviewed and updated as necessary as our work progresses.

Update to our risk assessment – additional work in respect of the audit code

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. Please note that these proposed fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment.

Additional Audit Fees

Area of work	Timing	Comment	£
Assessing the impact of the McCloud ruling	June-July 2019	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert.	1,500

	Actual 2017/18 fee £	Proposed 2018/19 fee £	Final 2018/19 fee £
Financial Statement Audit fee	33,820	26,041	26,041
Additional Audit Fees (see above)			1,500
Total audit fees (excluding VAT)	£33,820	£26,041	£27,541

Audit opinion

We anticipate we will provide the Authority with an unmodified audit report

Independent auditor's report to the members of Devon and Somerset Fire and Rescue Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Devon and Somerset Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, Statement of Movement in Reserves Statement and notes to the financial statements, including a summary of significant accounting policies and include the Pension Fund financial statements comprising the Firefighter Pension Fund and the Net Assets Statement. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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 for the audit of the financial statements' 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 Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
the Treasurer 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 Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Statement of Assurance, 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 of the Authority 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.

Audit opinion

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

Our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, the Annual Statement of Assurance for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if: we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or; we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 8, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Performance Review Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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.

Audit opinion

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its 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 the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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 for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 under the Code of Audit Practice 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 2019.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Devon and Somerset Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the 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 Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Barrie Morris, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol

[Date]



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REPORT REFERENCE NO.	APRC/19/10
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	19 JULY 2019
SUBJECT OF REPORT	STATEMENT OF ACCOUNTS 2018-19
LEAD OFFICER	Director of Finance and Resourcing (Treasurer)
RECOMMENDATIONS	<i>That the final accounts for 2018-19 be approved for publication</i>
EXECUTIVE SUMMARY	<p>This report provides the committee with an audited version of the Statement of Accounts for 2018-19 with an opportunity to review the content prior to publication per the Accounts and Audit Regulations 2015.</p> <p>It should be noted that, at date of publication, there remains an outstanding issue arising from the audit process regarding the valuation of future pension liabilities as at 31st March 2019. Therefore a revised, final version of the Statement of Accounts will be provided at the meeting.</p> <p>Background to the “McCloud Judgement”: In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>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.</p> <p>The Government is considering the impact of the Court of Appeal decision including any impact on other public service schemes. The impact for this Authority is that, under International Accounting Standards, an additional pension liability has been recognised as an estimate of the impact. Given the late decision of the Court of Appeal, officers were required to commission a revised “IAS19” report from our actuaries to assess the impact.</p> <p>The final version of the Statement of Accounts will include the revised figures and will address an outstanding issue in the Audit Findings Report, elsewhere on this agenda.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A – Statement of Accounts 2018-19
LIST OF BACKGROUND PAPERS	None.

1. INTRODUCTION AND BACKGROUND

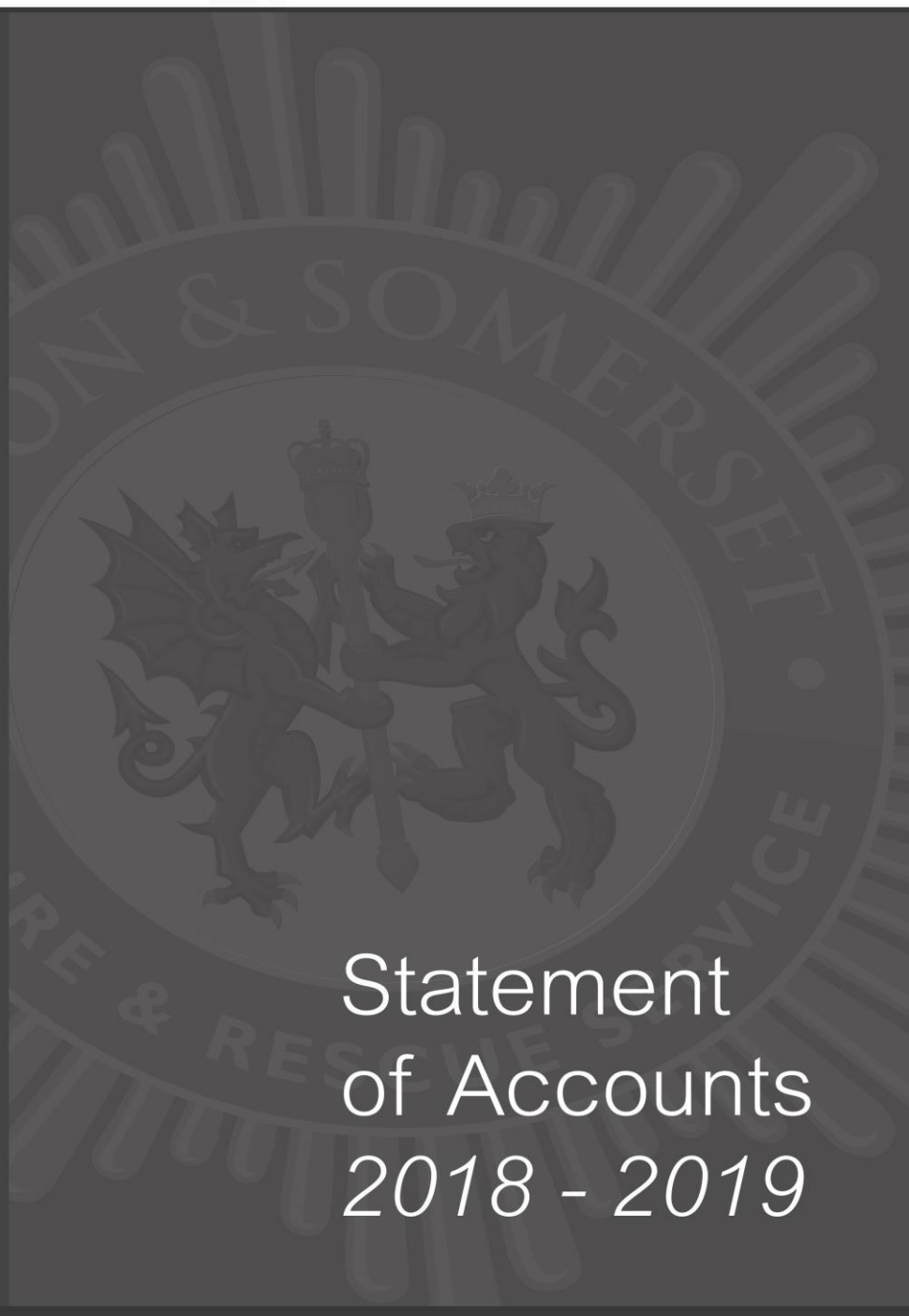
- 1.1 The Accounts and Audit Regulations 2015 (“The Regulations”), which apply to the Authority, introduced a new timetable for preparation, audit and publication of both the draft and final Financial Statements. The Financial Statements comprise the Statement of Accounts, including the Narrative Statement, and the Annual Statement of Assurance. Whilst the Regulations came in to force in 2015 the revisions to the timescales for publication applied from the 2017-18 financial year onwards and therefore to the Accounts for the year ending 31 March 2019.
- 1.2 The Regulations require the final financial statements to be signed off by the Authority and this is delegated to the Audit & Performance Review Committee. The 2015 Regulations also introduced a requirement that the draft Financial Statements be available for inspection on the Authority website and this practice commenced for the 2015-16 financial year. The 2018-19 draft statements were made available on the 30th May 2019.
- 1.3 The revised deadlines mean that the important work of preparing the draft Financial Statements must be completed a month earlier, by end of May each financial year, placing an increased burden on budget holders and the Service Finance Team to become more efficient and effective whilst maintaining a high level of accuracy. I would like to take the opportunity to thank all those involved in preparing the Financial Statements for their hard work and commitment to continuously improving processes whilst meeting the shortened timetable for publication and audit of the accounts.
- 1.4 Elsewhere on the agenda is the report of the External Auditors, Grant Thornton LLP which provides their audit opinion on the Financial Statements for the year ended 31 March 2019, to be considered alongside the Statements themselves.

AMY WEBB

Director of Finance (Treasurer)



DEVON & SOMERSET
FIRE & RESCUE AUTHORITY



Statement
of Accounts
2018 - 2019

Devon and Somerset Fire and Rescue Authority

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Devon & Somerset Fire & Rescue Authority - STATEMENT OF ACCOUNTS 2018/19

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 2019. 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 Accounts and Audit Regulations 2015 included a new requirement that local authorities are to include a Narrative Report within their financial statements. This replaces the previous requirement to include an Explanatory Foreword. 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 and now also provides 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.

Financial Performance for the year

Economic Context

Whilst the chancellor Philip Hammond has removed the previous government target to eliminate the national budget deficit and bring the budget into a surplus position by 2019-20, it still remains a government aspiration to bring total spending into surplus as soon as possible. The Fire Service is an "unprotected" service which means it can expect further reductions in government funding beyond the current Spending Review period. The current four-year Local Government Finance Settlement includes a reduction in funding for Devon and Somerset Fire and Rescue Authority of 25% by 2019-20 representing a cash reduction of £7.3m. The Government has announced that a new Spending Review, intended to span three years, will be undertaken in 2019.

Against this backdrop it is imperative for the Authority's Medium Term Financial Plans to be focused on providing forecasts of budget savings required to 2019-20 and beyond. 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 £16.1m have already been delivered since 2010. The Service is in the process of developing the next phase of savings and improvement plans for the period to 2021-22. It is forecast that a minimum of £8.4m of recurring savings need to be identified over that period.

The Service is progressing well with its Safer Together programme, identifying a range of projects to deliver the required savings and will look to implement changes as soon as possible in order to secure savings at the earliest opportunity. 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 the grant reductions over the next 4 years. It is considered that this reserve will also provide required financial contingency against any unforeseen change in circumstances, e.g. impact of Brexit negotiations, during this period.

NARRATIVE REPORT

Revenue Spending in 2018/19

Net revenue spending in 2018-19 was £72.0m, compared to an agreed budget of £73.9m, resulting in an underspend of £1.9m. Table 1 provides a summary of revenue spending in 2018-19 compared with agreed budget headings.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2018-19

	Budget	Spending	Variance
	£m	£m	£m
Employee Costs	56.7	56.0	(0.7)
Premises Related Costs	3.9	3.9	0.0
Transport Related Costs	3.3	3.4	0.1
Supplies and Services	6.6	6.2	(0.4)
Establishment Expenses	1.3	1.2	(0.1)
Payments to Other Authorities	0.7	0.7	0.1
Capital Financing	5.9	4.4	(1.5)
Gross Spending	78.4	75.9	(2.5)
Income	(3.6)	(5.5)	(1.9)
Transfer to (from) Reserves	(0.9)	1.6	2.5
Net Spending	73.9	72.0	(1.9)
Funded By:			
Council Tax Precept	(51.0)		
Business Rates Redistribution	(15.6)		
Central Government Funding	(7.3)		
Total Funding	(73.9)		

An underspend of £1.9m, equivalent to 2.57% of the total revenue budget, has been achieved due to income exceeding targets in 2018/19, employee costs were less than anticipated due to lower activity and supplies & services were restricted to only items needed

Contributions to Earmarked Reserve

At the Resources Committee on 15 May 2019 it was agreed to recommend to the Full Authority that the net underspend of £1.9m be transferred to Earmarked Reserve as shown below. Further detail on all Earmarked Reserve balances is included in Note 19 to the financial statements.

Support for Capital Programme Reserve – The underspend of £1.9m to be transferred to the existing Support for Capital Programme Reserve to be used to support future capital investment.

This new contribution, together with in-year transfers to Reserve balances, has increased total Reserves from £37.3m at the beginning of the year to £38.9m as at 31 March 2019, of which £33.6m relates to Earmarked Reserves (committed) and £5.3m to General Reserves (uncommitted).

Contributions to Provisions

The reported spending for 2018-19 includes an additional provision of £20k set aside to fund future firefighter pension costs. Of the original provision, £17k was also added in year which increases the provision balance to £0.759m as at 31 March 2019. 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 2018/19

The financial statements include capital spending of £2.9m in 2018-19 of which £0.9m has been spent on improvements to fire stations and £2.0m on replacement fleet and equipment, primarily focused on the continued roll-out of the new concept of replacing the traditional fire appliance with much smaller type of fire appliance which are known as a Rapid Intervention Vehicles.

Aligned to the Authority strategy to avoid any new external borrowing to fund medium term capital spending, no new borrowing was taken out in 2018-19. Of the total spending of £2.9m an amount of £1.9m was funded from existing borrowing and the remaining £1.0m from the revenue budget.

Authority Borrowing

External borrowing from the Public Works Loan Board (PWLb) as at 31 March 2019 was £25.6m, a reduction of £0.2m 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 interest costs from adverse changes in interest rates in the future. This level of debt is well within the maximum debt level of £28.3m, set by the Authority at the beginning of the financial year as one of its prudential indicators for capital financing.

NARRATIVE REPORT

Pension Liabilities

As at 31 March 2019 the Authority pension liability has been calculated to be £762.5m (£733.3m in 2017-18). 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 29 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.

Assets/Liabilities of the Authority

The balance sheet of the Authority as at 31 March 2019 shows a net liability of £635.3m (£611.8m as at 31 March 2018). This includes the pension liability of £762.5m (£733.3m as at 31 March 2018) 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.

NARRATIVE REPORT

Key Performance Indicators

In Table 2 is a summary of performance against corporate Key Performance Indicators (KPIs) in 2018-19 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.

Measure	2018-19	2017-18	Variance
Non-Financial Indicators			
Number of deaths as a result of fires where people live.	3	5	-40.00%
Number of injuries as a result of fires where people live.	81	76	6.58%
Number of fires where people live.	923	1060	-12.92%
Number of fire related deaths where people work, visit and in vehicles.	5	1	400.00%
Number of fire related injuries where people work, visit and in vehicles.	22	32	-31.25%
Number of fires where people work, visit and in vehicles.	1370	1,230	11.38%
Emergency Response Standard for attendance at Fires where people live (1st appliance to attend within 10 minutes from time of call)	72.5%	71.4%	1.10%pt
Emergency Response Standard for attendance at Road Traffic Collisions (1st appliance to attend within 15 minutes from time of call)	77.0%	75.1%	1.90%pt
Sickness – Rate of shifts lost to sickness per full time equivalent (FTE)	7.68	8.51	-9.75%

Overview of Service Performance in 2018-19

What is the Service doing to reduce fire incidents, injuries and deaths?

Community Safety / Prevention Activities

In the 12 months from 1st April 2018 to 31st March 2019 the Service conducted over 9,000 targeted Home Safety Visits to households identified as needing our expert guidance and support.

The Service works closely with colleagues in other agencies and third sector organisations to build partnerships that enable it to ensure that resources provide maximum benefit to the community

Engagement with local communities is conducted in a variety of ways including educating children and young people through schools talks and structured programmes such as Fire Cadets, Phoenix and FireSetters. In addition to the Home Safety Visit activities, from 1st April 2018 to 31st March 2019, the Service undertook around 5,000 preventative activities to improve public safety.

Safeguarding

Safeguarding The Safeguarding Team continues to provide a range of safeguarding awareness training for staff, including induction sessions for all new staff and targeted training for operational staff.

The number of safeguarding referrals received via the Service single point of contact has continued to rise over the last quarter, with the greatest increase coming from operational crews.

Home Safety Technicians have been supported by the Safeguarding Team in their attendance at multi-agency meetings; these have led to improved and safer living conditions and positive outcomes for a number of the most vulnerable individuals in our Community.

Home Fire Safety Prevention

The new home safety app was rolled out to the technician team in September and October 2018 and has been fully live for almost 6 months. The change of delivery model has improved consistency of delivery and the overall quality of home safety visits.

The Service aims to reach those most at risk within the communities through referrals for home safety visits from partners identifying the most vulnerable households. The introduction of the central booking team for visits has also impacted the number of partner referrals by freeing up group based staff to engage with partners and generate referrals for visits rather than booking visits as in the previous delivery model. As a result, the number of home safety visits from partner referrals have improved significantly to almost 4,500 in 2018/19 (compared with 8,000 in the previous 4 years combined), with nearly 3,000 referrals in the second half of 2018/19. This figure is expected to rise further in 2019/20 with a whole year of proactive referral generation possible. The number of referring partners is now 372 up from 285 in the previous year.

Protection Activities

DSFRS has a statutory obligation to ensure that non-domestic premises and public events are compliant with fire safety regulations. From 01 October 2017 to 30 September 2018 the Service conducted over 4,000 fire safety checks, nearly 900 fire safety audits and just under 8,500 other protection activities to ensure public safety.

NARRATIVE REPORT

Economic Outlook

Following on from the referendum result for the UK to leave the EU and impact of negotiations around Brexit, we are currently in a period of economic uncertainty which brings the potential for further periods of austerity for the UK as a whole. Given that the Authority has accepted the government offer of a four year settlement covering 2016-17 through 2019-20 the risk to levels of government funding is low for the coming financial year. Investment yields have improved slightly following the decision by the Bank of England to increase interest rates by 0.25% to 0.75% in August 2018, resulting in higher investment income in 2018-19 and beyond. At the time of writing, the investment portfolio of the Authority is not considered to be impaired and therefore no amendments have been made to the balance sheet since approved for publication by the Treasurer.

Medium Term Financial Position

Local government and the fire sector are entering a period of significant uncertainty over funding and cost pressures going forward. It is possible that further cuts of 5% in real terms may be made to fire funding which when combined with changes to the Business rates Retention scheme and the Relative Needs Assessment Reviews could result in significant changes to available resources. Unfunded pension schemes and legal challenges over pension terms represent a significant risk to the Authority going forward. It is therefore vitally important that resourcing and investment decisions are made which minimise risks going forward to enable the Authority to be as resilient as possible in future years.

Conclusion on performance for the year

We continue to have to respond to the squeeze on public sector spending, and the Authority has no choice but to seek efficiencies within the Service to reduce costs, whilst maintaining the quality of the services that we provide to the community which we serve. For 2018-19, 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 2018-19.

Amy Webb
Director of Finance (Treasurer)

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STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

Responsibilities of the Authority

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. For the Fire Authority, that Officer is the Treasurer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts

Responsibilities of the Treasurer

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

In preparing the Statement of Accounts, the Treasurer has:

Selected suitable accounting policies and then applied them consistently.
Made judgements and estimates that were reasonable and prudent.
Complied with the Code of Practice.

The Treasurer has also:

Kept proper accounting records which were up to date.
Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Treasurer's Certificate

I certify that the Statement of Accounts provide a true and fair view of the financial position of the Authority at the accounting data and its income and expenditure for the year ended 31 March 2019.

Amy Webb
Director of Finance (Treasurer to the Authority)
Date:

STATEMENT OF ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the Service transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the 2015 Act.

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 roundings, 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 debtors and creditors at 31 March 2019 are included in the Accounts is as follows:

Creditors are accrued on expenditure to cover goods and services received but not paid for by 31 March 2019. Debtors are accrued on income to cover goods and services provided before 31 March 2019 but for which no payment has been received.

STATEMENT OF ACCOUNTING POLICIES

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 acquisition and that 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.

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.

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 fixed assets during the year:

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.

STATEMENT OF ACCOUNTING POLICIES

Post Employment Benefits

The treatment of pension costs in these accounts complies with the Code of Practice on Local Authority Accounting for 2018/19, 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. Each of these schemes is administered by Peninsula Pension Services under a Service Level Agreement.

(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.

(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 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 2016.

Pensions Reserve and Impact on Council Tax

For both 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 2019.

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 at:

- 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.

STATEMENT OF ACCOUNTING POLICIES

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 grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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 2019 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 Capital Adjustment Account in the Statement of Movement in Reserves 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 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 26).

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.

STATEMENT OF ACCOUNTING POLICIES

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 classified as Property, Plant and Equipment.

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 £5,000 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 2019. 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.

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.

STATEMENT OF ACCOUNTING POLICIES

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 £0.759m 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 £0.440m in 2018-19.

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.

Details of any contingent liabilities as at 31 March 2019 are shown in the notes to the core financial statements (Note 30)

STATEMENT OF ACCOUNTING POLICIES

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 as at 31 March 2019 are included with note 19 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.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 March 2019

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves.

	NOTE	Gross Expenditure 2018/19 £000	Gross Income 2018/19 £000	Net Expenditure 2018/19 £000	Gross Expenditure 2017/18 £000	Gross Income 2017/18 £000	Net Expenditure 2017/18 £000
Fire & Rescue Service		86,531	(5,519)	81,011	88,493	(5,772)	82,720
Cost of Services		86,531	(5,519)	81,011	88,493	(5,772)	82,720
Financing and Investment Income and Expenditure	9	20,086	(345)	19,741	22,938	(186)	22,752
Other Operating Expenditure / (Income)	8		(13,188)	(13,188)		(9,606)	(9,606)
Taxation and Non Specific Grant Income	10		(74,497)	(74,497)		(71,677)	(71,677)
(Surplus) or deficit on provision of services				13,068			24,189
(Surplus)/Deficit on Revaluation of Non Current Assets	11 & 19			(7,346)			(4,435)
Impairment losses on non-current assets charged to the revaluation reserve	11 & 19			-			-
Actuarial (gains) or losses on Pension assets and liabilities	19			17,764			(95,785)
Other comprehensive income and expenditure				10,418			(100,220)
Total Comprehensive Income and Expenditure				23,486			(76,032)

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BALANCE SHEET AS AT 31 March 2019

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The first category of reserves comprises those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	NOTE	31 March 2019 £000	31 March 2018 £000
Non-Current assets			
Property, plant and equipment	11	114,003	110,709
Trade and other receivables	15	770	807
Total Long-Term assets		114,773	111,515
Current assets			
Inventories	14	316	266
Trade and other receivables	15	8,687	8,035
Short-term Investments (exceeding 3mths)	12	28,501	23,007
Cash and cash equivalents	16	10,245	14,446
Total current assets		47,749	45,754
Total assets		162,522	157,269
Current liabilities			
Trade and other payables	17	(7,348)	(7,175)
Borrowings	12	(188)	(614)
Provisions	18	(693)	(713)
Total current liabilities		(8,229)	(8,502)
Net current assets		39,521	37,252
Total assets less current liabilities		154,293	148,767
Non-current liabilities			
Borrowings	12	(26,649)	(26,839)
Pensions Liability	29	(762,460)	(733,309)
Provisions	18	(506)	(454)
Total non current liabilities		(789,615)	(760,602)
Total liabilities		(797,843)	(769,104)
Net assets employed		(635,321)	(611,833)
Unusable Reserves			
Revaluation reserve	19	(34,954)	(29,447)
Capital Adjustment Account	19	(52,307)	(54,339)
Pensions Reserve	19	762,460	733,309
Council Tax + Business Rates Adjustment Accounts	19	(973)	(348)
Accumulated Absence Account	19	739	723
PFI - Equalisation Fund	19	(770)	(807)
		674,196	649,091
Usable Reserves			
General fund balance	19	(5,315)	(5,315)
Earmarked reserves	19	(33,561)	(31,944)
Capital Grants Unapplied		-	-
		(38,875)	(37,259)
Total Reserves		635,321	611,833

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2019**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. 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 operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	NOTE	2018/19 £000	2017/18 £000
Cash flows from operating activities			
Net deficit on provision of services		(13,068)	(24,189)
<u>Adjustments to deficit relating to non cash movements</u>			
Depreciation and Impairment	11	6,909	7,581
Pension Liability	19	11,388	19,911
(Increase)/decrease in inventories	14	(49)	(27)
(Increase)/decrease in debtors	15	(616)	349
Increase/(decrease) in creditors	17	173	984
Increase/(decrease) in provisions	18	32	(183)
Other non cash movement	13.4	(588)	1,734
Net cash inflow/(outflow) from operating activities		4,181	6,161
<u>Adjustments to deficit relating to items that relate to investing and financing activities</u>			
Net cash inflow/(outflow) from operating activities		4,181	6,161
Net cash inflow/(outflow) from investing activities	13.2	(8,153)	(6,957)
Cash outflow from financing activities	13.3	(229)	(122)
Net increase/(decrease) in cash and cash equivalents	16	(4,201)	(918)
Cash/cash equivalents (and bank overdrafts) at the beginning of the financial year	16	14,446	15,365
Cash/cash equivalents (and bank overdrafts) at the end of the financial year	16	10,245	14,446

STATEMENT OF MOVEMENT IN RESERVES FOR THE YEAR ENDED 31 March 2019

This statement 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 reserves. The 'Surplus or Deficit on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Increase/Decrease in year' line shows the movement on the statutory General Fund Balance including Earmarked Reserves.

		Total General fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
Balance carried forward as at 31 March 2018		37,258	-	-	37,258	(649,092)	(611,834)
Movement in reserves during 2018/19							
Cost of Service	CIES	(13,068)			(13,068)		(13,068)
Other Comprehensive Income and Expenditure		-			-	(10,418)	(10,418)
Total Comprehensive Income and Expenditure		(13,068)	-	-	(13,068)	(10,418)	(23,486)
Adjustments between accounting basis and funding basis under regulations							
<u>PFI Adjustment</u>	19.2	37			37	(37)	-
<u>Adjustments involving the Capital Adjustment Account</u>							
<u>Reversal of items in the C.I.E.S.</u>							
Depreciation, impairment & revaluation losses	11	10,806			10,806	(10,806)	-
Reversal of Impairments	11	(3,897)			(3,897)	3,897	-
Net gain or loss on sale of non-current assets	8	20	-		20	(20)	-
<u>Insertion of items not in the C.I.E.S.</u>							
Minimum Revenue Provision	19.2	(2,093)			(2,093)	2,093	-
Capital expenditure funded direct from revenue	19.2	(966)			(966)	966	-
<u>Adjustments involving the Pensions Reserve</u>							
Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account	19.2	20,351			20,351	(20,351)	-
Employers pension contributions and direct payments to pensioners	19.2	(8,963)			(8,963)	8,963	-
<u>Adjustments involving the Collection Fund Adjustment Account</u>							
Amount by which council tax and business rates income credited to the CIES is different from the council tax calculated by statutory regulations	19.2	(626)			(626)	626	-
<u>Adjustments involving the Accumulated Absence Account</u>							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration charged in accordance with statutory requirements	19.2	16			16	(16)	-
<u>Adjustments to Capital Resources</u>							
Application of capital grants to finance capital				-	-	-	-
Total Adjustments between accounting basis and funding basis under regulations		14,685	-	-	14,685	(14,685)	-
Increase/Decrease in year		1,617	-	-	1,616	(25,102)	(23,486)
Balance carried forward as at 31 March 2019		38,875	-	-	38,875	(674,195)	(635,321)

STATEMENT OF MOVEMENT IN RESERVES FOR THE YEAR ENDED 31 March 2018

This statement 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 reserves. The 'Surplus or Deficit on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Increase/Decrease in year' line shows the movement on the statutory General Fund Balance including Earmarked Reserves.

		Total General fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
Balance carried forward as at 31 March 2017		35,303	-	21	35,324	(723,189)	(687,870)
Movement in reserves during 2017/18							
Cost of Service	CIES	(24,189)			(24,189)		(24,189)
Other Comprehensive Income and Expenditure		-			-	100,220	100,220
Total Comprehensive Income and Expenditure		(24,189)	-	-	(24,189)	100,220	76,032
Adjustments between accounting basis and funding basis under regulations							
<u>PFI Adjustment</u>	19.2	24			24	(24)	-
<u>Adjustments involving the Capital Adjustment Account</u>							
<u>Reversal of items in the C.I.E.S.</u>							
Depreciation, impairment & revaluation losses	11	7,899			7,899	(7,899)	-
Reversal of Impairments	11	(318)			(318)	318	-
Net gain or loss on sale of non-current assets	8	985	-		985	(985)	-
<u>Insertion of items not in the C.I.E.S.</u>							
Minimum Revenue Provision	19.2	(2,131)			(2,131)	2,131	-
Capital expenditure funded direct from revenue	19.2	(906)			(906)	906	-
<u>Adjustments involving the Pensions Reserve</u>							
Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account	19.2	29,014			29,014	(29,014)	-
Employers pension contributions and direct payments to pensioners	19.2	(9,103)			(9,103)	9,103	-
<u>Adjustments involving the Collection Fund Adjustment Account</u>							
Amount by which council tax and business rates income credited to the CIES is different from the council tax calculated by statutory regulations	19.2	918			918	(918)	-
<u>Adjustments involving the Accumulated Absence Account</u>							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration charged in accordance with statutory requirements	19.2	(239)			(239)	239	-
<u>Adjustments to Capital Resources</u>							
Application of capital grants to finance capital				(21)	(21)	21	-
Total Adjustments between accounting basis and funding basis under regulations		26,144	-	(21)	26,123	(26,123)	-
Increase/Decrease in year		1,955	-	(21)	1,934	74,098	76,032
Balance carried forward as at 31 March 2018		37,258	-	-	37,258	(649,092)	(611,834)

NOTES TO THE CORE FINANCIAL STATEMENTS

1.1 EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to the council tax and rate payers how the funding available to the Authority (i.e. Government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for the decision making purposes between the Authority's directorate. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2018/19

	Net Expenditure on General Fund reported to Members	Adjustments to arrive at net amount chargeable to General Fund	Net Expenditure Chargable to the General Fund (Note 1.2)	Adjustments between Funding and Accounting Basis (Note 1.2)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Fire & Rescue Service	71,975	(19,078)	52,897	28,114	81,011
Net cost of services	71,975	(19,078)	52,897	28,114	81,011
Other income and expenditure	(73,871)	19,358	(54,513)	(13,429)	(67,943)
(Surplus) or Deficit	(1,895)	280	(1,616)	14,685	13,069
		6,909			
		12,448			
Opening General Fund			37,259		
Plus Surplus on General Fund balance in year			1,616		
Closing General Fund balance at 31 March			<u>38,875</u>		

2017/18

	Net Expenditure on General Fund reported to Members	Adjustments to arrive at net amount chargeable to General Fund	Net Expenditure Chargable to the General Fund (Note 1.2)	Adjustments between Funding and Accounting Basis (Note 1.2)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Fire & Rescue Service	72,273	(23,191)	49,082	33,638	82,720
Net cost of services	72,273	(23,191)	49,082	33,638	82,720
Other income and expenditure		(51,038)	(51,038)	(7,493)	(58,532)
(Surplus) or Deficit	72,273	(74,229)	(1,956)	26,144	24,189
Opening General Fund			35,304		
Plus Surplus on General Fund balance in year			1,956		
Closing General Fund balance at 31 March			<u>37,259</u>		

1.2 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

	Depreciation charged to the General Fund	Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustment Between funding and Accounting Basis
	£000	£000	£000	£000	£000
2018/19					
Fire & Rescue Service	10,806	(3,059)	20,351	16	28,114
Net Cost of Services	10,806	(3,059)	20,351	16	28,114
Other income and expenditure		(3,877)	(8,963)	(589)	(13,429)
Total	10,806	(6,936)	11,388	(573)	14,685
					14685
	Depreciation charged to the General Fund	Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustment Between funding and Accounting Basis
	£000	£000	£000	£000	£000
2017/18					
Fire & Rescue Service	7,899	(3,037)	29,014	(239)	33,638
Net Cost of Services	7,899	(3,037)	29,014	(239)	33,638
Other income and expenditure		667	(9,103)	942	(7,493)
Total	7,899	(2,370)	19,911	704	26,144

NOTES TO THE CORE FINANCIAL STATEMENTS

1.3 EXPENDITURE AND INCOME ANALYSED BY NATURE

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is reported as a segment as specified by The CIPFA Code of Local Authority Accounting in the UK 2018/19. However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across expenditure codes. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The table below shows the income and expenditure of the Authority in the form presented for management purposes during the year, reconciled to the cost of services included in the Comprehensive Income and Expenditure Account.

	2018/19			2017/18		
	£000	£000	£000	£000	£000	£000
<u>Amounts as reported to management</u>						
Employees	56,026			55,533		
Premises	3,933			3,859		
Transport	3,368			3,462		
Supplies & Services	6,188			5,590		
Establishment Costs	1,210			687		
External Support Costs	748			886		
Capital and Lease Financing Costs	4,425			4,266		
<u>Gross Expenditure</u>		75,898			74,282	spending
<u>Gross Income</u>		(5,478)			(5,540)	
Contributions to or (from) reserves		1,556			3,531	
Net Expenditure		71,975			72,273	
Government Grant and Council Tax Income (budget for the year)		(73,871)			(72,596)	income
Net surplus - to be transferred to reserves		(1,896)			(322)	
Contributions to reserves		(1,556)			(3,531)	
Transfers between Usable Reserves		-			(103)	
Spending from Earmarked Reserves		1,835			2,000	
Net movement in Earmarked Reserves			(1,616)			(1,956)
<u>Amounts in the CIES not reported to management</u>						
Depreciation and impairment	6,909			7,581		
Net charges made for retirement benefits	20,351			29,014		
Surplus of PFI Equalisation Fund	37			24		
Employee Absence Accrual	16			(239)		
Deficit/(Surplus) on Council Tax and NNDR Collection Fund	(626)			918		
Net (Gain) or Loss on Sale of non-current Assets	20			985		
Capital Grants in year	-			-		
		26,707			38,284	
<u>Amounts in management information not included in the Cost of Services in the CIES</u>						
Minimum Revenue Provision	(2,093)			(2,131)		
Direct Revenue funding to Capital	(966)			(906)		
Employers Contributions to Pensions	(8,963)			(9,103)		
		(12,022)			(12,140)	
Total Adjustment Between funding and Accounting Basis (Surplus) or deficit on provision of services			14,685			26,144
			13,069			24,189

NOTES TO THE CORE FINANCIAL STATEMENTS

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified.

The CIPFA Code of Practice requires disclosure of information relating to the impact of accounting standards that have been issued but not yet adopted.

The Authority does not anticipate that the following amendments will have a material impact on the information provided in the financial statements ie there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services:

- Leases, classification of Leases (IFRS 16)

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Whilst there is some uncertainty in the short term regarding levels of government funding for the Fire Sector following the end of a four year grant settlement at the 2019/20 budget announcement, risks remain regarding the levels of local funding achievable via the Council Tax Precept and Business Rates retention scheme as well as longer term grant funding. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Under a joint PFI venture, Gloucestershire County Council, Avon Fire & Rescue Service and Devon & Somerset Fire & Rescue Service receive a significant element of their training from Babcock International Group PLC, a Ltd company contracted to provide the training until 31 March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates under the PFI contract. As such, the Authority is deemed to part control the training services provided under the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the authority's share of the training centre is recognised as Property, Plant and Equipment on the Authority's Balance Sheet.

Red One Ltd has not been consolidated due to materiality as agreed by Audit, Performance and Review Committee in January 2019.

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 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 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Property, Plant and Equipment	Assets are revalued on the basis of Direct Replacement cost which is dependant on assumptions about the building industry, for which there is a level of uncertainty.	If Direct Replacement Cost differs significantly, revaluations will increase or decrease, resulting in a change to the carrying value of the asset.
Pensions Liabilities	Assets and Liabilities of the Local Government Pension Scheme (LGPS) have been assessed based on values at the 31st March 2019 by actuarial valuation. For 2018/19, we used data from 11 months valuations.	If there was significant movement between 28th February 2019 and 31st March 2019, we would be required to restate the accounts. Assurance has been provided this is not the case in 2018/19.
Provisions	The Authority has made a provision of £0.7m for firefighters pension contributions on the assumption that a legal obligation will result from case law. Legislation is yet to be finalised.	Reliance will have to be placed on reserves if the actual figures are greater than estimated.

NOTES TO THE CORE FINANCIAL STATEMENTS

5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

All major items of Income and Expenditure are disclosed on the face of the Comprehensive Income and Expenditure Statement with no material items required to be separately identified.

6 EVENTS AFTER THE BALANCE SHEET DATE

The draft Statement of Accounts was authorised for issue by Treasurer on the 30 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This Movement In Reserves Statement 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 the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

8 OTHER OPERATING INCOME AND EXPENDITURE

	2018/19	2017/18
	£000	£000
(Gains)/losses on the disposal of non-current assets	20	985
Communities for Local Government Firefighters Pension Top-Up Grant	(13,208)	(10,591)
	<u>(13,188)</u>	<u>(9,606)</u>

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2018/19	2017/18
	£000	£000
Interest on Loans	1,290	1,290
Investment income	(345)	(186)
Pensions Interest and administration Cost	18,796	21,648
	<u>19,741</u>	<u>22,752</u>

10 TAXATION AND NON SPECIFIC GRANT INCOMES

	2018/19	2017/18
	£000	£000
Council tax income	(50,901)	(48,880)
Non domestic rates	(16,301)	(13,790)
Non-ring-fenced government grants	(7,295)	(9,007)
	<u>(74,497)</u>	<u>(71,677)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

11. PROPERTY PLANT AND EQUIPMENT

	Land	Buildings excluding dwellings	Plant and machinery	Transport	Total
2018/19	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2018	18,378	79,594	2,364	22,047	122,383
Additions purchased	-	812	481	1,584	2,877
Additions donated	-	-	-	-	-
Additions government granted	-	-	-	-	-
Reclassifications	-	-	-	-	-
Derecognition - disposals	-	-	-	(87)	(87)
Reversal of impairments	1,437	2,460	-	-	3,897
Impairments	-	-	-	-	-
Revaluation Increase/(decrease):	-	-	-	-	-
- to Revaluation Reserve	-	2,444	-	-	2,444
- to Surplus/Deficit on the provision of services	(1,437)	(2,467)	-	-	(3,904)
At 31 March 2019	18,378	82,843	2,845	23,544	127,610
Depreciation at 1 April 2018	-	(4)	(992)	(10,678)	(11,674)
Reclassifications	-	-	-	-	-
Reclassified as held for sale	-	-	-	-	-
Derecognition - disposals	-	-	-	68	68
Revaluation removals	-	4,901	-	-	4,901
Impairments	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-
Charged during the year	-	(4,901)	(373)	(1,628)	(6,902)
Depreciation at 31 March 2019	-	(4)	(1,365)	(12,238)	(13,607)
Net book value					
As at 31 March 2018	18,378	79,590	1,372	11,369	110,709
As at 31 March 2019	18,378	82,839	1,480	11,306	114,003
Asset financing					
Owned	18,378	81,595	1,480	11,306	112,759
Finance Leased	-	-	-	-	-
Private finance initiative	-	-	-	-	-
PFI residual interests	-	1,244	-	-	1,244
Total 31 March 2019	18,378	82,839	1,480	11,306	114,003

SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2019 the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years budgeted to cost £1.3m. There were similar commitments at 31 March 2018 of £1.9m. Of these contracts there are three of significant value, being £0.5m committed to vehicle washing works, £0.3m to 4x4 vehicle replacement and £0.4m to cutting gear.

NOTES TO THE CORE FINANCIAL STATEMENTS

11.1 PROPERTY PLANT AND EQUIPMENT VALUATIONS

	Land	Buildings excluding dwellings	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000
2018/19					
Valued at Historical Cost	-	-	2,845	23,544	26,389
Valued at Current Value in:					
2018/19	18,378	82,843	-	-	101,221
2017/18	-	-	-	-	-
2015/16	-	-	-	-	-
2014/15	-	-	-	-	-
2013/14	-	-	-	-	-
Total	18,378	82,843	2,845	23,544	127,610

Valuation Information:

The above statement shows the impact of the Authority's programme for the revaluation of property, plant and equipment, including assets valued following completion of significant projects. The Authority has moved away from the five year rolling programme of revaluations in order to ensure that all revalued assets falling under the same class are assessed at the same time, per CIPFA guidance.

Valuations of land and buildings are carried out by a qualified surveyor (FRICS) in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies.

The authority is not aware of any material changes in asset values that have not been updated.

11.2 PROPERTY PLANT AND EQUIPMENT PRIOR YEAR

	Land	Buildings excluding dwellings	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000
2017/18					
Cost or valuation at 1 April 2017	18,376	79,289	4,646	22,468	124,779
Additions purchased	-	1,772	446	671	2,889
Additions donated	-	-	-	-	-
Additions government granted	-	-	-	-	-
Reclassifications	-	-	268	(268)	-
Derecognition - disposals	-	-	(2,996)	(824)	(3,820)
Reversal of Impairments	-	318	-	-	318
Impairments	-	-	-	-	-
Revaluation increase/(decrease):					
- to Revaluation Reserve	2	(682)	-	-	(680)
- to Surplus/Deficit on the provision of services	-	(1,103)	-	-	(1,103)
At 31 March 2018	18,378	79,594	2,364	22,047	122,383
Depreciation at 1 April 2017	-	(747)	(2,562)	(9,522)	(12,831)
Reclassifications	-	-	(134)	134	-
Reclassified as held for sale	-	-	-	-	-
Derecognition - disposals	-	-	2,262	572	2,834
Revaluation removals	-	5,114	-	-	5,114
Impairments	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-
Charged during the year	-	(4,371)	(558)	(1,862)	(6,791)
Depreciation at 31 March 2018	-	(4)	(992)	(10,678)	(11,674)
Net book value					
As at 31 March 2017	18,376	78,542	2,084	12,946	111,948
As at 31 March 2018	18,378	79,590	1,372	11,369	110,709
Asset financing					
Owned	18,378	78,534	1,372	11,369	109,653
Finance Leased	-	-	-	-	-
Private finance initiative	-	-	-	-	-
PFI residual interests	-	1,061	-	-	1,061
Total 31 March 2018	18,378	79,595	1,372	11,369	110,714

NOTES TO THE CORE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS

A new standard IFRS 9 Financial Instruments comes into effect 1 April 2018 and replaces IAS 39 Financial Instruments. The CIPFA Code requires IFRS 9 to be adopted retrospectively but no restatement of 2017/18 accounts is required and any adjustments arising from the new standard are accounted for at 1 April 2018.

The effects of the transition are shown below: -

12.1 RECLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS AT 1 APRIL 2018

This note shows the effect of the reclassification of financial assets and the remeasurements of the carrying amounts then required.

	Carrying Amount brought forward at 1 April 2018	Amortised Cost £'000	Fair Value through other Comprehensive Income £'000	Fair Value through profit or loss £'000	Impact on General Fund Balance £'000	Impact on Financial Instruments Revaluation Reserve Fund £'000
Previous Classifications						
Loans and Receivables (short-term investments)	23,007	23,007	0	0		
Reclassified Amounts at 1 April 2018	0	23,007	0	0		
Remeasurements at 1 April 2018		0				
Remeasured carrying amounts at 1 April 2018		23,007	0	0	0	0

12.2 EFFECT OF RECLASSIFICATION AND MEASUREMENT ON THE BALANCE SHEET

New classifications at 1 April 2018

	Amortised Cost £'000	Fair Value through other Comprehensive Income £'000	Fair Value through profit or loss £'000	Total Balance Sheet carrying amount
Remeasured carrying amounts at 1 April 2018	23,007	0	0	23,007
Current Investments	23,007	0	0	23,007

12.3 RECLASSIFICATION AND REMEASUREMENT OF IMPAIRMENT LOSSES AT 1 APRIL 2018

This note shows the adjustments made to impairment loss allowances as a result of the reclassification of financial assets and the change from an incurred losses

	Impairment Allowance brought forward at 1 April 2018	Amortised Cost £'000	Fair Value through other Comprehensive Income £'000
Loss allowances for new classifications at 1 April 2018			
Previous Calculations			
Loans and Receivables	0	0	0
Reclassified Amounts at 1 April 2018	0	0	0
Remeasurement from incurred losses to expected losses basis at 1 April 2018	0	0	0
Impairment loss allowance at 1 April 2018	0	0	0

12.4 CATEGORIES OF FINANCIAL INSTRUMENTS

This note shows the effect of the reclassification of financial assets and the remeasurements of the carrying amounts then required.

	Current		Long Term	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
Investments				
Loans and Receivables	0	23,007	0	0
Amortised Costs	28,501	0	0	0
Fair Value through Profit or Loss	0	0	0	0
Total Investments	28,501	23,007	0	0
Cash and Cash Equivalents				
Amortised Costs	9,168	10,579	0	0
Fair Value through Profit or Loss	1,077	3,867	0	0
Total Cash and Cash Equivalents	10,245	14,446	0	0
Debtors (Trade Receivables)				
Amortised Costs	6,099	6,086	770	807
Total Debtors (Trade Receivables)	6,099	6,086	770	807
Borrowings				
Amortised Costs	(188)	(614)	(26,649)	(26,839)
Total Borrowings	(188)	(614)	(26,649)	(26,839)
Finance Lease				
Amortised Costs	(1,111)	(1,209)	(98)	(90)
Total Finance Lease	(1,111)	(1,209)	(98)	(90)
Creditors (Trade Payables)				
Amortised Costs	(5,845)	(5,650)	0	0
Total Creditors (Trade Payables)	(5,845)	(5,650)	0	0

12.4.1 BORROWING

All long-term borrowing was from the Public Works Loan Board, an executive agency of HM Treasury. Annual repayments are for interest only and the principal is repayable at the date of loan maturity.

12.4.2 FINANCIAL ASSETS

Financial assets at fair value through Profit and Loss consist of deposits with external fund managers. These are valued by reference to quoted market price.

12.4.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the bank current account, on call accounts and money market funds all of which are repayable at 24 hours' notice without penalty.

NOTES TO THE CORE FINANCIAL STATEMENTS

12.5 INCOME, EXPENSES, GAIN AND LOSSES

	Surplus or Deficit on the Provision of Services Financing and Investment Income and Expenditure	
	2018/19 £000	2017/18 £000
Net gains/losses on:		
Financial assets measured at Amortised Cost	0	(5)*
Total net gains/losses	0	(5)

* The £5k represents an expected credit loss based on historical risk of default tables and as the sum falls below materiality levels it has not been charged to the Comprehensive Income & Expenditure Statement.

	2018/19 £000	2017/18 £000
Interest Revenue		
Financial assets measured at Amortised Cost	345	186
Total Interest Revenue	345	186

	2018/19 £000	2017/18 £000
Interest Expense		
Financial liabilities measured at Amortised Cost	(1,290)	(1,290)
Total Interest Expense	(1,290)	(1,290)

12.6 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (but for which FAIR VALUE DISCLOSURES ARE REQUIRED)

	2018/19 £000	2017/18 £000
Financial Liabilities		
PWLB Debt	35,286	35,210
Short Term Borrowing	(90)	(524)
Short Term Creditors	(5,845)	(5,650)
Short Term PFI & Finance Lease Liability	(98)	(90)
Long Term PFI & Finance Lease Liability	(1,111)	(1,209)
Total Liabilities	28,142	27,737

	2018/19 £000	2017/18 £000
Financial Assets		
Money Market Loans < 1 Year	1,077	3,867
Short Term Investments	8,951	14,324
Long Term Investments	28,577	19,131
Short Term Debtors	6,099	6,086
Long Term Debtors	770	807
Total Assets	45,475	44,215

All Financial Assets at amortised cost with less than 12 months to maturity at Balance Sheet date are deemed to have the same carrying value and fair value as at 31st March 2019.

12.6.1 FAIR VALUE HIERARCHY FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE

Recurring Fair Value Measurements using:	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant observable inputs (Level 3)	Total
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB Debt	0	35,286	0	35,286
PFI and Finance Lease Liability	0	(98)	0	(98)
Total	0	35,188	0	35,188
Financial Assets				
Financial Assets held at amortised cost:				
Total	0	38,476	0	38,476

NOTES TO THE CORE FINANCIAL STATEMENTS

12.7 AMOUNTS ARISING FROM EXPECTED CREDIT LOSSES

Loss Allowance by Asset Class

	12 Month Expected Credit Losses £000	Lifetime Expected Credit Losses - not credit impaired £000	Lifetime Expected Credit Losses - simplified approach £000	Total £000
Opening Balance as at 1 April 2018	0	0	0	0
Financial Assets held at amortised cost: As at 31 March 2019	(5)	0	0	0
	(5)	0	0	0

Credit Risk Exposure

	Credit Risk Rating £	Gross Carrying Amount £'000
12 Month Expected Credit Loss	AAA	0
12 Month Expected Credit Loss	AAA	0
12 Month Expected Credit Loss	A (incl A+)	4,858

Interest Rate Risk

	Total £000
Decrease in Fair Value of Fixed Rate Investments	11
Impact on Other Comprehensive Income and Expenditure	11
Decrease in fair value of Fixed Rate Borrowings Liabilities (no impact on the Surplus or Deficit on the	17

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

13 CASH FLOW STATEMENT NOTES

13.1 OPERATING ACTIVITIES

The cash flows for operating activities include the following items;

	2018/19 £000	2017/18 £000
Interest Received	345	186
Interest Paid	(1,290)	(1,290)
Total	(945)	(1,104)

13.2 INVESTMENT ACTIVITIES

	2018/19 £000	2017/18 £000
Payments for property, plant and equipment	(2,659)	(3,250)
Sale of investments	-	-
Increase in Short-Term Deposits	(5,494)	(3,707)
Capital Grant Received	-	-
Net Cash Flows from investing activities	(8,153)	(6,957)

13.3 FINANCING ACTIVITIES

	2018/19 £000	2017/18 £000
Loans Repaid	(140)	(47)
Loan Capital Repayments of PFI and finance leases	(89)	(75)
Net Cash Flows from investing activities	(229)	(122)

13.4 OTHER NON CASH MOVEMENT

	2018/19 £000	2017/18 £000
(Gains)/losses on the disposal of non-current assets	20	985
PWLB Interest due, paid in new year	(434)	524
Other Adjustments	(173)	224
Net Other non cash movement	(588)	1,734

NOTES TO THE CORE FINANCIAL STATEMENTS

14 INVENTORIES

	31 March 2019 £000	31 March 2018 £000
Uniforms and Protective Clothing	115	97
Vehicle Spares Stocks	120	94
Equipment Stocks	81	75
Total	315	266

15 DEBTORS

15.1 Trade and other receivables

	Current		Non-current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Current Assets				
Public Sector Bodies	7,055	6,169	770	807
Other	2,287	1,920	0	-
Provision for the impairment of receivables	(655)	(55)	-	-
Total	8,687	8,035	770	807

15.2 Receivables past their due date but not impaired

	31 March 2019 £000	31 March 2018 £000
By up to three months	119	15
By three to six months	-	2
By more than six months	685	422
Total	804	439

15.3 Provision for impairment of receivables

	31 March 2019 £000	31 March 2018 £000	0
Balance at 1 April	(55)	(5)	
(Increase)/decrease in receivables impaired	(600)	(50)	
Balance at 31 March	(655)	(55)	

16 CASH AND CASH EQUIVALENTS

	31 March 2019 £000	31 March 2018 £000
Balance at 1 April	14,446	15,365
Net change in year	(4,200)	(919)
Balance at 31 March	10,245	14,446
Made up of		
Commercial banks and cash in hand	270	146
Current investments (less than 3 Months to maturity)	9,975	14,300
Cash and cash equivalents as in statement of financial position	10,245	14,446
Bank Balance - Commercial banks	-	-
Cash and cash equivalents as cash flow statement	10,245	14,446

NOTES TO THE CORE FINANCIAL STATEMENTS

17 CREDITORS

(5,316)

	Current		Non-current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Current Liabilities				
Public Sector Bodies	(2,645)	(2,640)	-	-
Other entities and individuals	(3,964)	(3,813)	-	-
Accum absence	(739)	(723)	-	-
Defined Benefit Pension Schemes	-	-	(762,460)	(733,309)
Total	(7,348)	(7,175)	(762,460)	(733,309)

18 PROVISIONS

	Current		Non-current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Firefighter Employer Pension Contribution	(693)	(713)	(66)	(42)
NDR Appeals Provision	-	-	(440)	(412)
Total	(693)	(713)	(506)	(454)

	Firefighter Employer Pension Contribution £000	PFI Equalisation £000	NDR Appeals £000	Total £000
At 1 April 2017	755	-	299	1,055
Arising during the year	19	-	-	19
Used during the year	(20)	-	-	(20)
Reversed unused	-	-	113	113
Unwinding of discount	-	-	-	-
At 31 March 2018	754	-	412	1,167
At 1 April 2018	754	-	412	1,167
Arising during the year	28	-	440	468
Used during the year	(23)	-	-	(23)
Reversed unused	-	-	-	-
At 31 March 2019	759	-	852	1,611
Expected timing of cash flows:				
Between 1 April 2019 & 31 March 2020	693	-	-	693
Thereafter	66	-	440	506

NOTES TO THE CORE FINANCIAL STATEMENTS

19 USABLE AND UNUSABLE RESERVES

19.1 USABLE RESERVES

Movements in the Authority's usable reserves are summarised in the Movement in Reserves Statement.

Earmarked Reserves

One of the categories of usable reserves is earmarked reserves. Details of the amounts set aside (transfers in) from the General Fund to provide financing for future expenditure is given in the table below.

The table below also shows the amounts posted back (transfers out) from earmarked reserves to meet the specific expenditure which is included within the CIES in 2018/19.

As part of the annual review of reserves in 2018-19, it was agreed by the Fire Authority that existing Earmarked Reserves will be presented in broad categories and analysed as outlined below. Therefore, the closing balances from 2017/18 for each reserve may not collate but, the overall total is correct. The information below mirror what is presented to Fire Authority members.

2018/19

Earmarked reserve	Balance 1 April	Transfers In	Transfers Out	Balance 31 March
	£000	£000	£000	£000
Grants unapplied from previous years	1,376	(102)	(129)	1,145
Invest to Improve	6,424	-	(486)	5,937
Budget Smoothing Reserve	918	-	900	1,818
Direct Funding to Capital	16,647	3,314	-	19,960
Projects, risks, & budget carry forwards	-	-	-	-
PFI Equalisation	295	-	-	295
Emergency Services Mobile Communications Programme	921	-	11	932
Breathing Apparatus Replacement	1,650	-	(201)	1,449
Mobile Data Terminals Replacement	800	-	(419)	381
PPE & Uniform Refresh	504	-	(16)	488
Pension Liability reserve	1,525	-	(1,064)	461
National Procurement Project	215	-	(124)	90
Budget Carry Forwards	598	-	(235)	363
Commercial Services	72	-	(72)	0
Upgrade Wi-Fi & Internet Connection	-	75	-	75
Respiratory Protection Masks - Personal Fit	-	70	-	70
Vema Outriggers	-	95	-	95
Total Earmarked Reserves	31,944	3,451	(1,835)	33,561
General Fund (non Earmarked) Balance	5,316	-	-	5,316
Total General Fund	37,260	3,451	(1,835)	38,877

Earmarked reserve	Balance 1 April	Transfers In	Transfers Out	Balance 31 March
	£000	£000	£000	£000
Investment in Community Safety	89	3	(53)	38
Mobilisation ICT Equipment	37	-	(37)	(0)
Home Safety Visits	381	-	(252)	129
Uniform replacement	542	-	(38)	504
Station Improvements	236	-	(39)	197
Grants Unapplied	1,528	306	(127)	1,707
Change and improvement	894	-	(402)	492
CSR strategy reserve	4,957	322	(0)	5,279
Commercial Services	172	-	(100)	72
Support for Capital Programme	16,577	323	(252)	16,648
Telephone System Replacement	215	-	-	215
Pensions Reserve	1,525	-	-	1,525
NNDR Smoothing Reserve	642	-	-	642
National Procurement Project	399	-	(184)	215
ICT Network Enhancements	50	-	(50)	-
Estates Revenue Projects	160	-	(103)	57
Performance Management System Replacement	230	-	-	230
Risk Critical Operational Equipment	38	-	-	38
Firefighter fitness monitoring & support	175	-	(41)	134
Operational Safety - new training model	404	-	(191)	212
PFI Equalisation	(5,316)	295	-	295
Breathing Apparatus Replacement	-	1,650	-	1,650
Mobile Data Terminals Replacement	-	800	-	800
Emergency Services Mobile Communications Project	688	257	(80)	865
SHQ Canteen remodel	49	-	(49)	-
Total Earmarked Reserves	29,985	3,956	(1,997)	31,944
General Fund (non Earmarked) Balance	5,319	-	(3)	5,316
Total General Fund	35,304	3,956	(2,000)	37,260

NOTES TO THE CORE FINANCIAL STATEMENTS

19.2 UNUSABLE RESERVES

	31 March 2019 £000	31 March 2018 £000
Revaluation Reserve	(34,954)	(29,447)
Capital Adjustment Account	(52,307)	(54,339)
Pensions Reserve	762,460	733,309
Collection Fund Adjustment Account	(865)	(981)
NNDR Adjustment Account	(108)	633
Accumulated Absences Account	739	723
PFI Equalisation Fund	(770)	(807)
Total	674,196	649,092

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.

	2018/19 £000	2017/18 £000
Balance at 1 April	(54,339)	(54,799)
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	89	3,819
Revaluation losses on property, plant and equipment	7	1,107
Charges for depreciation and impairment of non-current assets	6,903	6,474
	6,999	11,400
Minimum Revenue Provision	(2,093)	(2,131)
Capital Expenditure charged against the Revenue Account	(966)	(906)
Capital Receipts Reserve		-
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing		(21)
Adjusting amounts written out of the Revaluation Reserve	(1,838)	(1,635)
Depreciation written down in-year	(70)	(6,247)
Balance at 31 March	(52,307)	(54,339)

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2018/19 £000	2017/18 £000
Balance at 1 April	(29,447)	(30,054)
Upward Revaluation of assets	(7,425)	(5,430)
Downward revaluations	80	4,408
Difference between fair value depreciation and historical cost depreciation	1,838	1,629
Balance at 31 March	(34,954)	(29,447)

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. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2018/19 £000	2017/18 £000
Balance at 1 April	733,309	809,183
Remeasurements of the net defined liability/ (asset)	17,764	(95,785)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of services	20,351	29,014
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,963)	(9,103)
Balance at 31 March	762,460	733,309

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 payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2018/19 £000	2017/18 £000
Balance at 1 April	(981)	(1,161)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	115	181
Balance at 31 March	(865)	(981)

NOTES TO THE CORE FINANCIAL STATEMENTS

National Non Domestic Rates (NNDR) Adjustment Account

The NNDR Adjustment Account manages the differences arising from the recognition of NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from commercial premises compared with the statutory arrangements for paying across amounts to the General Fund from the Collection fund.

	2018/19	2017/18
	£000	£000
Balance at 1 April	633	(105)
Amount by which NNDR credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	(741)	738
Balance at 31 March	(108)	633

Accumulated Absences Account

The Accumulated Absences 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 the Account.

	2018/19	2017/18
	£000	£000
Balance at 1 April	723	962
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	16	(239)
Balance at 31 March	739	723

PFI - Equalisation Fund

An equalisation fund is administered by Gloucestershire County Council on behalf of the project partners. The fund balance attributable to the authority at the end of each financial year is recognized within the balance sheet. As at 31st March 2019 a surplus of £0.77m (£0.807m as at 31 March 2018) was attributable to Devon and Somerset FRA and this has been included as a PFI debtor against Gloucestershire County Council.

	2018/19	2017/18
	£000	£000
Balance at 1 April	(807)	(831)
PFI Movement for the year	37	24
Balance at 31 March	(770)	(807)

NOTES TO THE CORE FINANCIAL STATEMENTS

20 MEMBERS ALLOWANCES

It is a requirement that after the end of the year to which a scheme relates, an Authority shall make arrangements for the publication of the total sum paid by it in the year under the scheme to each recipient in respect of basic allowance and special responsibility allowance. Details of such payments in 2018/19 are shown in the following table which shows all serving members during 2017/18 and 2018/19.

The Authority paid the following amounts for members of the Authority during the year.

	Basic and Special Responsibility Allowance	Travel and Subsistence	2018/19	2017/18
	£	£	£	£
Kevin Ball	-	-	-	395
Michael Best	2,679	-	2,679	2,245
Frank Biederman	2,679	394	3,073	2,691
Ann Bown	6,698	974	7,672	7,199
Lynda Bowyer	2,333	472	2,806	-
Peter Burridge-Clayton	2,679	756	3,435	3,675
Caroline Chugg	396	332	728	3,606
Simon Coles	6,698	1,319	8,017	6,506
Polly Colthorpe	2,679	-	2,679	2,626
Jonathan Drean	2,333	558	2,892	-
William Dyke	-	-	-	1,097
Andrew Eastman	2,679	563	3,242	4,147
Michael Edmunds	-	-	-	337
Victor Ellery	2,679	289	2,968	3,230
Brian Greenslade	785	501	1,286	5,291
Robert Hannaford	2,679	197	2,876	2,238
Mark Healey	7,506	1,166	8,671	19,786
Neil Hendy	2,679	465	3,144	2,933
Gordon Hook	1,872	147	2,019	-
Roy Hill	-	-	-	360
Richard Hosking	484	108	591	2,612
James Hunt	-	-	-	472
Robin Julian	-	-	-	340
James Knight	-	-	-	-
Martin Leaves	245	-	245	2,626
John Mathews	2,195	389	2,584	-
Terry Napper	2,679	191	2,870	1,828
Ronald Peart	2,679	267	2,946	2,485
Graham Prowse	2,679	-	2,679	2,238
Ray Radford	2,290	272	2,562	1,045
Sara Randall Johnson	16,074	988	17,062	13,787
Leigh Redman	6,698	1,555	8,253	6,646
John Riley	245	-	245	2,626
Andrew Saywell	8,860	841	9,701	7,230
David Thomas	8,860	317	9,177	9,091
Jeffrey Trail	2,679	156	2,835	2,305
Linda Vjeh	2,679	1,131	3,810	1,401
William Wallace	-	-	-	438
Rev David Watson	-	-	-	188
Nicholas Way	-	-	-	395
George Wheeler	8,878	1,180	10,059	6,546
John Woodman	-	-	-	1,332
Derek Yeomans	-	-	-	250
Totals	118,278	15,528	133,806	134,517

21 OFFICERS REMUNERATION

The remuneration paid to the Authority's senior employees is as follows analysed in bands of £5,000 in excess of £50,000:

The increase in numbers earning £50,000-£54,999 since last year is due to cost of living pay rise at 2% increasing the total earnings of some uniform staff and a regrade of the station manager pay bands. The change is not reflective of an increase in the number of staff.

21.1 Number of Employees earning in excess of £50,000

(5,316)

	2018/19	2017/18
£50,000 - £54,999	43	35
£55,000 - £59,999	36	26
£60,000 - £64,999	18	11
£65,000 - £69,999	6	4
£70,000 - £74,999	1	3
£75,000 - £79,999	5	2
£80,000 - £84,999	1	-
£85,000 - £89,999	1	-
£90,000 - £94,999	1	2
£110,000 - £114,999	-	1
£115,000 - £119,999	2	-
£125,000 - £129,999	-	1
£130,000 - £134,999	-	-
£150,000 - £155,999	2	1

NOTES TO THE CORE FINANCIAL STATEMENTS

21.2 Senior Officers Remuneration 2018/19 over £50k

The number of posts attracting remuneration over £50k has reduced slightly in 2018/19. There were several leavers and new starters in senior management which has increased the number of individuals shown on the list below when compared to 2017/18.

Post Title	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of office	Total Remuneration excluding pension contrbns	Pension Contrbns	Total Remuneration including pension contrbns 2018/19
	£	£	£	£	£	£
Chief Fire Officer (a) Lee Howell	153,466	-	-	153,466	21,947	175,413
Chief Fire Officer Glenn Askew	153,466	-	-	153,466	24,976	178,442
Assistant Chief Fire Officer - Service Improvement	115,097	-	-	115,097	15,766	130,863
Assistant Chief Fire Officer - Service Delivery	115,097	-	-	115,097	16,459	131,556
Area Manager – Service Delivery - Functions	75,078	-	-	75,078	13,199	88,277
Area Manager – Service Delivery - Delivery	86,828	-	-	86,828	16,545	103,373
Area Manager – Service Delivery - Capabilities	76,189	-	-	76,189	10,389	86,578
Area Manager - Head of Transformational Change	75,777	-	-	75,777	10,389	86,166
Area Manager - Head of Organisational Assurance	77,596	2,433	-	80,029	15,855	95,884
Area Manager - Service Improvement	69,738	-	-	69,738	8,272	78,010
Director of Corporate Services	87,922	3,530	-	91,452	17,233	108,685
Treasurer/Director of Finance	77,605	-	-	77,605	14,567	92,172
HR Manager	59,377	-	-	59,377	11,638	71,015
Assistant Head of Finance	50,741	-	-	50,741	9,945	60,686
Head of Estates	58,470	-	-	58,470	11,460	69,930
Head of Corporate Communications (b)	43,731	-	-	43,731	8,571	52,302
Head of Procurement and Fleet	68,470	3,086	-	71,556	13,420	84,976
Head of ICT	58,470	-	-	58,470	11,460	69,930
	1,503,118	9,049	-	1,512,167	252,091	1,764,258

(a) Seconded 2/11/17 to 31/3/19 (b) In Post from 8/5/18

Senior Officers Remuneration 2017/18 over £50k

Post Title	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of office	Total Remuneration excluding pension contrbns	Pension Contrbns	Total Remuneration including pension contrbns 2017/18
	£	£	£	£	£	£
Chief Fire Officer (a) Lee Howell	150,829	-	-	150,829	30,066	180,895
Chief Fire Officer (b)	128,689	-	-	128,689	24,547	153,236
Assistant Chief Fire Officer (c)	90,775	1,463	-	92,238	14,871	107,109
Area Manager – Central Operations (d)	60,422	-	-	60,422	12,907	73,329
Area Manager - Head of Transformational Change	73,333	510	-	73,843	9,847	83,690
Area Manager - Head of Organisational Assurance (e)	52,165	3,112	-	55,277	10,810	66,087
Area Manager Collaboration (f)	62,474	-	-	62,474	7,434	69,908
Area Manager - Head of Organisational Assurance (g)	74,882	1,660	-	76,542	8,436	84,978
Area Manager – Central Operations (h)	74,244	2,186	-	76,430	14,706	91,136
Area Manager – Area Operations	74,214	-	-	74,214	16,104	90,318
Area Manager - Head of Training	71,637	-	-	71,637	8,951	80,588
Head of ICT	57,324	-	-	57,324	11,235	68,559
HR Manager	58,938	-	-	58,938	11,552	70,490
Head of Estates	57,324	-	-	57,324	11,235	68,559
Head of Procurement and Fleet	51,901	4,354	-	56,255	10,173	66,428
Head of Fleet	55,099	-	-	55,099	-	55,099
Director of Finance (i)	63,564	-	-	63,564	11,907	75,471
Director of Corporate Services	86,411	4,881	-	91,292	16,937	108,229
Director of People & Organisational Development (j)	14,224	732	156,383	171,339	150,034	321,373
Treasurer (k)	22,880	-	-	22,880	-	22,880
Commercial Business Development Manager (l)	30,838	-	-	30,838	5,355	36,193
	1,526,573	18,898	156,383	1,701,854	400,160	2,102,014

(a) Seconded 02/11/2017 (b) In Post from 02/11/2017 (c) In Post from 02/11/2017 (d) Commenced Post 19/02/2018
(e) Joined 10th July 2017 (f) Commenced Post 20/11/2017 (g) Left Post 19/03/2018 (h) Left Service 24/03/2018
(i) In Post from 01/10/2017 (j) Left Post 09/06/2017 (k) Left Post 31/10/2017 (l) Left Post 25/09/2017

21.3 Exit Packages agreed

This note identifies the cost of termination benefits for those Employees who the Authority has decided to terminate employment before their normal retirement date.

Exit Package Cost Band (including special payments)	No of Compulsory Redundancies		No of other departures agreed		Total No of exit packages by cost band (b + c)		Total cost of exit packages in each band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0 - £20,000	0	2	6	3	6	5	£70,288	£51,042
£20,001 - £40,000	0	0	3	0	3	0	£75,178	£0
£40,001 - £60,000	0	0	0	0	0	0	£0	£0
£300,001 - £320,000	0	0	0	1	0	1	£0	£303,211
Total	0	2	9	4	9	6	£145,466	£354,253

NOTES TO THE CORE FINANCIAL STATEMENTS

22 EXTERNAL AUDITOR FEES

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

	2018/19 £000	2017/18 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	26	34
Total	26	34

23 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement (CIES) in 2018/19

	2018/19 £000	2017/18 £000
Grants		
New Dimensions Grant	(816)	(1,289)
Firelink Grant	(918)	(1,038)
Hinkley Point Grant	(128)	(174)
Rural Services Delivery Grant	(424)	(340)
Business Rates Relief	(1,166)	(651)
Section 31 Grants (Minor)	(17)	(188)
Levy Account Surplus	(240)	-
Capitalisation funding Grant	-	(188)
Sub Total Grants	(3,709)	(3,868)
		-
Canteen income	(5)	(6)
Insurance cost recovery	(11)	(81)
Legal fees	(38)	(6)
NNDR Imbalance	(153)	-
Procurement income from Frameworks	(28)	(81)
Rental income	(168)	(98)
Secondment income	(318)	(166)
Vehicle sales and maintenance	(53)	(32)
Other income and donations	(226)	(260)
Corresponder Income	(64)	(196)
Community Responders	(11)	-
PFI Fair value	(447)	(447)
Training Income	(289)	(533)
Sub Total Other Income	(1,810)	(1,905)
Total within cost of services in the CIES	(5,519)	(5,772)

0

NOTES TO THE CORE FINANCIAL STATEMENTS

24 RELATED PARTY TRANSACTIONS

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 significant influence over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills). Grants received from government departments are set out in Note 23.

Members Members of the Authority have direct control over the Service's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 20. In relation to members, the Authority's constitution requires members to declare their interests in related parties in a register of interests. In addition, members are asked to declare separately any transactions with the Authority. **In relation to 2018/19 no material transactions were disclosed.** The table below summarises transactions with other public bodies.

	2018/19 £000	2017/18 £000
Central government income		
New Dimensions Grant	(816)	(1,289)
Red One Limited[^]		
Receipts from Red One Ltd of training income and reimbursements	(285)	(533)
Devon County Council		
Payments to DCC for provision of financial services	53	94
Payments to DCC Pension Fund for employers contributions	1,820	1,687
Payments to DCC for provision of payroll services	17	36
Police & Crime Commissioner for Devon & Cornwall[#]		
Contribution received towards backfill of Community Responders	(11)	0
Cornwall Council		
Payments to CC for provision of legal services	24	60
Plymouth City Council		
Payments to PCC for provision of legal services	63	36
West Yorkshire Pension Fund		
Payments to WYPF for provision of payroll services	55	0
FRIC[*]		
Payments for Insurance	807	724

Some of the specialist support services for the Fire Authority are provided by other local authorities by means of Service Level Agreements. These relate to the costs of pensions administration, internal audit services and payroll which are provided by Devon County Council (payroll transferred to another Provider from September 2018) and to the costs of legal advice, which is provided by Cornwall Council and Plymouth City Council. The Authority provides other support services such as accounting and property management in-house.

Police & Crime Commissioner for Devon, Cornwall and Isles of Scilly

During the Financial Year, the Fire Authority entered into an agreement with the PCC For Devon & Cornwall to enable Devon & Somerset Fire & Rescue to release staff to become trained as Special Constables. This enables them to provide a dual role of Community Responders in rural areas.

[^]Red One Ltd.

In 2013 the Authority established Red One Ltd., which is a wholly owned subsidiary limited by shares, to enable trading activity to take place. The company focuses on selling training and specialist staffing solutions to public and private sector clients both in the UK and overseas. Any costs born by the Authority in relation to this activity are directly reimbursed and an annual dividend is paid over to the Authority from retained profits. The Authority and management have made a judgement that the activities of Red One Ltd. do not have a material impact upon the accounts of the Authority and as a result the accounts have not been consolidated as a group.

***Risk Protection**

Until 31 October 2015 Insurances for the Authority were arranged as part of a consortium of nine fire and rescue authorities. These fire and rescue authorities, including Devon & Somerset, are now members of the Fire and Rescue Indemnity Company Limited. The company commenced trading in November 2015. The Authority's risk protection arrangements are provided through the pooled funds of the company. The Authority made a contribution of £807k to the company for the year end 31 October 2018 of which £467k relates to the 2019/20 financial year.

NOTES TO THE CORE FINANCIAL STATEMENTS

25 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below 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 is analysed in the second part of this note.

	2018/19	2017/18
	£000	£000
Opening Capital Financing Requirement	26,928	27,097
<u>Capital investment</u>		
Operational assets	2,877	2,889
<u>Sources of Finance</u>		
Government grants and contributions	-	(21)
<u>Sums set aside from revenue</u>		
Minimum Revenue Provision	(2,093)	(2,131)
Direct revenue funding	(966)	(906)
Closing Capital Financing Requirement	26,746	26,928
Explanation of movements in year	2018/19	2017/18
	£000	£000
Increase/(Decrease) in underlying need to borrow	(93)	(94)
(Decrease) in PFI/lease liabilities	(89)	(75)
Increase/(decrease) in Capital Financing Requirement	(182)	(169)

26 LEASES

26.1 OPERATING LEASES AS LESSEE

Total rentals paid during the year amounted to £0.754m. It is estimated that the outstanding liability for future years, in relation to existing lease agreements is £1.596m.

	2018/19	2017/18
	£000	(Restated) £000
<u>Payments recognised as an expense in year</u>	754	854
<u>Future Minimum Lease Payments payable:</u>		
Not later than one year	595	514
Between one and five years	1,001	884
Total	1,596	1,398

NOTES TO THE CORE FINANCIAL STATEMENTS

27 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

In a joint PFI venture, Gloucestershire County Council, Avon Fire & Rescue Service and Devon & Somerset Fire & Rescue Service receive an element of their fire training from Babcock International Group PLC, a company contracted to provide the training until 31 March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates (DBFO) under the PFI contract.

The IFRS Code accounting regulations require the asset to be included in the balance sheet relating to our 25% share of the contract. The liabilities to pay future rentals are also required to be included.

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2019 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	2018/19 £000	2017/18 £000
Paid in 2018/19	534	90	115	738	720
Outstanding undischarged contract obligations:					
Payable within one year	552	98	107	757	739
Payable within two to five years	2,427	456	339	3,221	3,144
Payable within six to ten years	2,746	656	151	3,552	4,387
Payable within eleven to fifteen years *	-	-	-	-	0
	<u>5,725</u>	<u>1,209</u>	<u>597</u>	<u>7,531</u>	<u>8,270</u>

* There are nine years remaining.

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 liability to the contractor for capital expenditure incurred is as follows:

	2018/19 £000	2017/18 £000
Balance outstanding at 1 April	1,298	1,374
Payments in year	(89)	(75)
Capital Expenditure incurred in the year		-
Other movements		
Balance outstanding at 31 March	<u>1,209</u>	<u>1,299</u>

28 IMPAIRMENT LOSSES & REVERSALS

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 11 which reconciles the movement over the year in the Property, Plant and Equipment balances.

	2018/19 £000	2017/18 £000
Impairment of Land	-	-
Impairment of Buildings	-	(164)
Net Amount Charged to the CIES	<u>-</u>	<u>(164)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

29.1 PENSION COSTS

In accordance with the requirements of IAS19 the Devon & Somerset Fire & Rescue Authority records in its balance sheet its share of assets and liabilities related to pension schemes and matches the net amount with an equivalent pension reserve. The Authority participates in three schemes, two which are Fire Service Pension Schemes for Fire Officers which are unfunded, and the Local Government Pension Scheme which is administered by Devon County Council.

The Local Government Pension Scheme is a funded defined benefit final salary 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. In addition, there is a second unfunded local government pension scheme liability which was previously reported under the LGPS but is now called out separately. This unfunded scheme is where the Authority has, as an employer, agreed to enhance the retirement pensions of staff, for which there are no additional employee contributions received.

There are four Fire pension schemes for fire officers, all of which are unfunded defined benefit final salary schemes, meaning there are no investment assets built up to meet the pension liabilities as they fall due. The schemes are administered by the Fire Authority and known as the fire fund. The schemes are balanced to zero by the receipt of top up grant received from the Home Office. The first scheme is the 1992 Firefighters Pension Scheme (FPS), the second being the 2006 New firefighters pension scheme and the third being the 2006 Modified Pension scheme (reported within the 2006 scheme). From April 2015 the Fire Fighters Pension Scheme 2015 came in to being, with previous schemes being closed to new members. The Authority has one further pension liability which is in respect of injury awards issued under the Firefighters Compensation Regulations.

Contribution percentages vary depending upon each scheme.

For all schemes the employee contribution is based upon their gross salary, with that percentage varying if their salary changes.

Scheme	Employer Percentage Rate 2018/19	Total Contributions expected to be made by the authority in the year to 31st March 2020 £000
Local Government Pension Scheme	19.6%	1,786
1992 Firefighters Pension Scheme	21.7%	} 4,549
2006 New firefighters Pension Scheme	11.9%	
2006 Modified firefighters Pension Scheme	21.7%	
2015 Firefighters Pension Scheme	14.3%	

The cost of retirement benefits are recognised in the comprehensive income and expenditure statement (CIES) when they are earned by employees rather than when the benefits are eventually paid as pensions. However the charge which has to be made against council tax is based on the cash payable in the year, so the real cost (service cost) of retirement benefits is reversed out of the General Fund by way of the Movement in Reserves Statement (MIRS).

There have been no material adjustments relating to pensions relating to the transition to IFRS.

The following transactions have been made in the CIES & MIRS during the year.

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 29.2 Pension Schemes

	LG Pension Scheme 2018/19 £000	LG Pension Scheme 2017/18 £000	LG Unfunded 2018/19 £000	LG Unfunded 2017/18 £000	Fire schemes 2018/19 £000	Fire schemes 2017/18 £000	Total 2018/19 £000	Total 2017/18 £000
Comprehensive Income & Expenditure Statement								
<i>Service Cost Comprising:</i>								
Current Service Cost	3,546	3,438	-	-	11,203	14,519	14,749	17,957
Past Service Costs	13	-	-	-	-	-	13	-
<i>Financing and Investment Income and Expenditure:</i>								
Net Interest Expense	931	1,047	8	10	17,823	20,565	18,762	21,622
Administration Expenses	34	26					34	26
CLG Pension top up grant					(13,208)	(10,591)	(13,208)	(10,591)
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	4,524	4,511	8	10	15,818	24,493	20,350	29,014
<i>Remeasurement of the net defined benefit liability comprising:</i>								
Expected return on plan assets (excluding the amount included in net interest expense)	(1,750)	(650)					(1,750)	(650)
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	(1,750)	(650)	-	-	-	-	(1,750)	(650)
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	(4,524)	(4,511)	(8)	(10)	(15,818)	(24,493)	(20,350)	(29,014)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>								
Employers contributions payable to scheme	1,815	1,833			4,437	4,661	6,251	6,494
Employers contributions payable to scheme (seconded not charged to general fund)	-	-	-	-	33	7	33	7
Ill health charges					281	363	281	363
Retirement benefits payable to pensioners - Authority			18	18	2,379	2,221	2,397	2,239
Retirement benefits payable to pensioners - Fund	1,914	1,805			21,768	19,482	23,682	21,287
Total Retirement benefits payable to pensioners	1,914	1,805	18	18	24,147	21,703	26,079	23,526

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of the present value of the scheme liabilities	LG Pension Scheme 2018/19 £000	LG Pension Scheme 2017/18 £000	LG Unfunded 2018/19 £000	LG Unfunded 2017/18 £000	Fire schemes 2018/19 £000	Fire schemes 2017/18 £000	Total 2018/19 £000	Total 2017/18 £000
1st April	89,188	87,444	339	352	695,575	770,536	785,102	858,332
Current Service Cost	3,546	3,438	-	-	11,203	14,519	14,749	17,957
Interest Cost	2,259	2,432	8	10	17,823	20,565	20,090	23,007
Contributions by scheme participants	653	607	-	-	3,810	3,860	4,463	4,467
<i>Remeasurement (gains) and losses:</i>								
Actuarial gains and losses arising on changes in demographic assumptions	(5,403)	-	17	-	(20,422)	20,751	(25,808)	20,751
Actuarial gains and losses arising on changes in financial assumptions	4,870	(2,928)	-	(5)	40,452	(51,190)	45,322	(54,123)
Experience gains and losses	-	-	-	-	-	(61,763)	-	(61,763)
Past service Costs	13	-	-	-	-	-	13	-
Benefits Paid	(1,914)	(1,805)	(18)	(18)	(24,147)	(21,703)	(26,079)	(23,526)
31st March	93,212	89,188	345	339	724,294	695,575	817,852	785,102

Pensions Assets and Liabilities Recognised in the Balance Sheet	2018/19 £000	2017/18 £000
Present value of liabilities		
LGPS	(93,212)	(89,188)
LGPS- unfunded	(345)	(339)
Firefighters Pension schemes	(685,227)	(690,259)
Firefighters Compensation Regulations	(39,067)	(5,316)
Fair value of assets in the LGPS	55,391	51,793
	(762,460)	(733,309)
Surplus/(deficit) in the scheme:		
LGPS	(37,821)	(37,395)
LGPS- unfunded	(345)	(339)
Firefighters Pension schemes	(685,227)	(690,259)
Firefighters Compensation Regulations	(39,067)	(5,316)
Net Liability arising from defined benefit obligation	(762,460)	(733,309)

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 2016 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 Schemes assets consist of the following categories, by proportion of the total assets held:-

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 29.3 Pension Schemes

Proportion of assets held - LGPS	£000	31 March 2019	£000	31 March 2018
		%		%
Gilts	1,786	3%	1,626	3%
UK Equities	9,105	16%	11,104	21%
Overseas Equities	23,639	43%	19,169	37%
Property	4,962	9%	4,819	9%
Infrastructure	2,083	4%	1,858	4%
Target Return Portfolio	7,917	14%	7,735	15%
Cash	943	2%	1,265	2%
Other Bonds	1,064	2%	1,059	2%
Alternative Assets	2,966	5%	2,813	5%
Private Equity	926	2%	345	1%
Total Fair value of LGPS assets	55,391	100%	51,793	100%

Based on estimated bid values.

Movement between the opening and closing balances of the fair value of assets:	Year to 31 March 2019	Year to 31 March 2018
	£000	£000
Opening fair value	51,793	49,149
Interest Income	1,328	1,385
Return on plan assets (excluding the amount included in net interest expense)	1,750	650
Other Actuarial Gains/ (Losses)	-	-
Administration Expenses	(34)	(26)
Contributions by employer	1,833	1,851
Contributions by scheme participants	653	607
Estimated benefits paid	(1,932)	(1,823)
Fair value of scheme assets at end of period	55,391	51,793

Basis for establishing assets and liabilities	LG Pension Scheme	LG Pension Scheme	LG Unfunded	LG Unfunded	Fire Schemes	Fire Schemes
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £0	2018/19 £000	2017/18 £000
Mortality assumptions						
Longevity at 65 for current pensioners						
Men	22.40	23.50	22.40	23.50	20.80	21.40
Women	24.40	25.60	24.40	25.60	23.10	23.70
Longevity at 65 for future pensioners						
Men	24.10	25.70	24.10	25.70	22.40	23.20
Women	26.20	27.90	26.20	27.90	25.00	25.60
Rate of inflation RPI	3.4%	3.3%	3.4%	3.3%	3.4%	3.3%
Rate of inflation CPI	2.4%	2.3%	2.4%	2.3%	2.4%	2.3%
Rate of increase in salaries	3.9%	3.8%	3.9%	3.8%	3.9%	3.8%
Rate of increase in pensions	2.4%	2.3%	2.4%	2.3%	2.4%	2.3%
Rate for discounting scheme liabilities	2.4%	2.6%	2.4%	2.6%	2.4%	2.6%
Take-up of option to convert annual pension into retirement lump sum	50% of commutable pension				50% of commutable pension	

£0

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes that the assumption analysed changes while all the other changes remain constant.

Sensitivity Analysis 2018/19	LG Pension Scheme	Fire Schemes	* Present Value of Total Obligation
	PV* £000	PV* £000	
Adjustment to the Discount Rate			
+0.1%	91,574	710,384	
0.0%	93,558	724,294	
-0.1%	95,587	738,513	
Adjustment to Long Term Salary Increase			
+0.1%	93,803	725,501	
0.0%	93,558	724,294	
-0.1%	93,315	723,095	
Adjustment to Pension Increases and Deferred Revaluation			
+0.1%	95,340	737,292	
0.0%	93,558	724,294	
-0.1%	91,815	711,569	
Adjustment to Mortality Age Rating Assumption			
+ 1 year	96,932	753,092	
None	93,558	724,294	
- 1 year	90,305	696,630	

NOTES TO THE CORE FINANCIAL STATEMENTS

30 CONTINGENT LIABILITIES

There are no contingent liabilities identified.

31 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

KEY RISKS

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

Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.

Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.

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 procedures focus on the unpredictability of financial markets and seek to minimise those risks. The procedures for risk management are set out through a legal framework in the **Local Government Act** 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. The Authority's Treasury Management explains the risks to the Authority and sets procedures to be followed in order to keep such risks to a minimum.

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 comply with the requirements of the Authority's Treasury Management Policy mentioned above.

The following summarises the Authority's potential maximum exposure to credit risk, based on experience of default over the last five years.

	Amount as at 31 March 2019 £000	Historical Experience of Default £000	Historical Experience adjusted for market conditions as at 31 March 2019 £000	Estimated maximum exposure to default and uncollectability £000
Deposits with bank & financial institutions	38,746	-	-	-
Public Sector Bodies	7,055	-	-	-
Other	2,287	-	-	-
Total	48,089	-	-	-
		0		0

All deposits with the bank and financial institutions are due within a year. The Authority generally allows 28 days for debts to be settled before debt recovery processes are implemented. As at the 31 March 2019, the value of debt which exceeded this period was £804K, broken down as follows:

	2018/19 £000	2017/18 £000
Two to Three Months	119	15
Over Three Months	685	424
Total	804	439

An allowance for bad debts of £605k has been made at the year-end.

NOTES TO THE CORE FINANCIAL STATEMENTS

Liquidity Risk

The funding of the Authority comes from a variety of sources, the major ones being central government (RSG & NNDR), other local authorities (council tax) and the Public Works Loan Board (PWLB). Therefore there is no significant risk that it will be unable to raise finance to meet its liabilities. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Accordingly, in line with its Treasury Management Policy, care is taken as to when loans are taken from PWLB or require repayment.

The maturity analysis of financial liabilities is as follows:-

	2018/19	2017/18
	£000	£000
Less than one year – including trade and other creditors	6,792	7,502
Between one and two years – PWLB loan repayments	593	93
Between two and five years – PWLB loan repayments	1,080	11,798
More than five years – PWLB loan repayments	23,771	13,215
Total	32,236	32,608

Market Risk

Interest Rate risk

The Authority is exposed to interest movements on its borrowings and investments. All borrowings and investments are on fixed rates. If, for example, there was an increase in interest rates it would have the following effects:

- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried on the balance sheet at fair value, so nominal gains and losses on fixed rate borrowings would not impact upon the Income & Expenditure account. The Authority has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to inform the budget monitoring process during the year.

Price Risk

The Authority does not invest in equity shares and is therefore not exposed to losses arising from movements in the prices of shares.

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.

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	2018/19	2017/18
	£000	£000
Contributions receivable from:		
Fire authority:-		
a) contributions in relation to pensionable pay	(4,470)	(4,668)
b) early ill health retirements	(281)	(363)
c) Firefighters contributions	(3,810)	(3,860)
	(8,561)	(8,891)
Transfers In	(19)	(21)
Benefits payable		
d) pensions	17,445	16,349
e) commutations and lump sum benefits	4,307	3,143
f) lump sum death benefits	36	3
g) Contribution Refunds	-	-
Payments to and on account of leavers		
h) transfers out	-	8
i) refunds of contributions	-	-
		0
Net amount payable for the year	13,208	10,591
Top up grant payable by the government	(13,208)	(10,591)
	-	-
Net Assets Statement		
	2018/19	2017/18
	£000	£000
Current assets		
Devon & Somerset Fire Authority - debtor	(2,407)	(3,151)
Current liabilities		
Top up grant payable from HomeOffice - creditor	2,407	3,151
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 2018/19 and do not take into account liabilities to pay pensions or benefits after that period.

Note 3 - £10.801m had been received from Home Office by 31st March 2019, being 70% of notified top up grant available. As there was a funding shortfall £2.407m is due from the Home Office in order to balance the total costs to total income within the fund.

THE PENSION FUND

Note 4 - Claims have been made in relation in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Firefighters Pension Regulations 2015 and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. The Government is seeking permission to appeal this decision. It is envisaged that if this is unsuccessful, the Court will require steps to be taken to compensate employees who were transferred to the new schemes potentially including Firefighters Pension Scheme members. This would lead to an increase in Firefighters Pension Scheme liabilities and The Government Actuary Department (having been commissioned on behalf of several fire and rescue authorities) using specific assumptions have estimated the potential increase in scheme liabilities as a result of the judgment to be between approximately 4.1% and 5% of national pension scheme liabilities as at March 2019. This estimate is based on one potential remedy and depending on the outcome of the appeal, the remedy calculation and its applicability to the Firefighters Pension Scheme will need to be revisited in the light of further direction from the courts.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Firefighters Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and authorities will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Firefighters Pension Scheme (England) Order 2006. These require a fire authority to maintain a pension fund into which employee and employer contributions are paid and out of which pension payments to retirees are made. If the pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the fire authority in the form of a central government top-up grant.'

GLOSSARY OF TERMS

Accounting Policies

Rules and practices adopted by the Authority that dictate how transactions and events are shown and costed.

Accruals

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuary

An independent professional who advises on the position of the pension fund.

Actuarial Valuation

The Actuary reviews the assets and liabilities of the pension fund every three years.

Assets

Items that are owned by the Authority or money that is owed to it.

Balance Sheet

Statement of recorded assets, liabilities, reserves and other balances at the end of the accounting period.

Capital Expenditure

Expenditure on the acquisition of fixed assets or expenditure which adds to and not merely maintains the value of existing fixed assets.

Capital Financing Costs

Costs associated with the financing of fixed assets, representing interest and principal repayments on loans and contributions from revenue reserves towards

Capital Receipts

Proceeds from the sale of assets, which may be used to finance new capital expenditure or set aside for the repayment of external loans

Cash equivalents

Short term, highly liquid investments which have little scope for changes in value.

Cash Flow Statement

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The statement which summarises the Authority's inflows and outflows of cash during the year.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in the public service.

Collection Fund Adjustment Account

A reserve on the balance sheet used to hold accounting differences attributable to the collection of council tax.

Comprehensive Income and Expenditure Statement

This is a core statement reporting the net cost of the Authority and demonstrates how this cost has been financed from grants and tax payers.

The "Code"

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. This prescribes the form and content of the Statement of Accounts, and is published by a joint committee of CIPFA and LASAAC. It is based on approved accounting standards and reflects specific statutory accounting requirements. Compliance with the Code is necessary in order that the Authority's Accounts give a "true and fair" view of its financial position and performance.

Contingent Liability

A potential liability at the balance sheet date, which is still uncertain when the accounts are submitted for approval. The liability will be included in the balance sheet if it can be estimated reasonably accurately. Otherwise the liability will be disclosed as a note to the accounts.

Creditors

Amounts owed by the Authority for goods and services received on or before 31 March.

Current Assets

Assets that are expected to be used in the short term (less than one year), such as cash and inventories.

Debtors

Amounts owed to the Authority for goods and services provided on or before 31 March.

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Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Depreciation

The measure of the wearing out, consumption or other reduction in the economic life of a fixed asset, whether arising from use, passing of time or obsolescence

Earmarked Reserves

Amounts set aside for a specific purpose, a particular service or a type of expenditure. Technically, they are part of the General Fund, but they are set out as a separate part of usable reserves.

GLOSSARY OF TERMS

Financial Instruments

Contracts which give rise to a financial asset or liability, such as loans and investments, trade payable (creditors) and receivables (debtors) and financial guarantees.

Heritage asset

An asset that is held primarily for its contribution to knowledge or culture.

International Financial Reporting Standards (IFRS)

The basis for reporting local authority accounts which came into effect on the 1st April 2010, replacing the standards on which the Statement of Recommended Practice (SORP) was based.

Inventories

The new name for stocks.

Leasing

There are two main types of leasing arrangements:

Finance leases which transfer all the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet.

Operating leases where the risks and rewards of ownership of the asset remain with the leasing company and the annual rental is charged directly to the revenue account.

Liabilities

Amounts owed by the Authority to lenders or suppliers.

Long-term borrowing

Loans raised to finance capital spending which have still to be repaid.

Minimum Revenue Provision

The minimum amount the Authority must charge to its revenue account to provide for the repayment of debt.

Movement in Reserves Statement

A Statement showing the movement in the year on the usable and unusable reserves held by the Authority.

National Non-Domestic Rates (NNDR)

A flat rate in the pound set by Government, sometimes known as "Business Rates", levied on businesses and paid into a National Pool. The Authority receives a share from the National Pool as part of its annual funding - the redistributed amount or 'NNDR Grant'.

Property, Plant and Equipment

The term for tangible fixed assets - i.e. Assets with physical substance that are held for use in the production or supply of goods and services or for administrative purposes, and are expected to be used during more than one accounting period.

Private Finance Initiative (PFI)

A credit arrangement which enables private sector financing of public sector facilities or services.

Provisions

Amounts set aside for any liability that is likely to be incurred but where the exact amount and the date on which it will arise are uncertain.

Projected Unit Method

An accrued benefit valuation method in which the Scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a method in which the scheme liabilities at the valuation date relate to:

- a) The benefits for pensioners and deferred pensioners (i.e. Individuals who have ceased to be active members but are entitled at a later date) and their dependants allowing where appropriate for future increases, and
- b) The accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

PWLB

The Public Works Loan Board - the principal source of long-term capital for local authorities.

Reserves

Sums of money set aside to meet general rather than specific future liabilities. The sums set aside are charged to general funds and not to Reserve Accounts.

Revaluation

The fair value of assets recorded in the Balance Sheet at current value should be formally reviewed by a professional valuer at intervals of no more than five years, and the revised value should be included in the Balance Sheet.

Revaluation Reserve

A record of the accumulated gains on the fair value of property, plant and equipment arising from inflation or other factors, to the extent that these gains have not been consumed by subsequent reductions in value. The balance on this reserve is carried forward as part of the Unusable Reserves in the Balance Sheet.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Treasury Management

The management of cash flows, banking, lending and borrowing; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

CERTIFICATION OF ISSUE

The unaudited accounts were issued on the 30th May 2018 and the audited accounts were authorised for issue on the 19th July 2019

Amy Webb

Director of Finance & Resourcing and Treasurer to the Chair Audit Performance Review Committee Authority

19 July 2019

Mark Healey

Chair Audit Performance Review Committee

19 July 2019

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Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
BRISTOL
BS2 0EL

19 July 2019

Dear Sirs

Devon and Somerset Fire and Rescue Authority
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Devon and Somerset Fire and Rescue Authority for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Authority financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Authority has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end.

The financial statements are free of material misstatements, including omissions.

- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We believe that the Authority's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Authority's needs. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Authority financial statements such as records, documentation and other matters; additional information that you have requested from us for the purpose of your audit; and
 - b. unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.

- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Statement of Assurance

xxiv. We are satisfied that the Annual Statement of Assurance fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the Annual Statement of Assurance

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit and Performance Review Committee at its meeting on 19 July 2019.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Authority

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Agenda Item 5

REPORT REFERENCE NO.	APRC/19/11
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	19 JULY 2019
SUBJECT OF REPORT	2018-19 ANNUAL STATEMENT OF ASSURANCE
LEAD OFFICER	Director of Service Improvement
RECOMMENDATIONS	<i>That that the final Annual Statement of Assurance appended to this report - required to accompany the 2018-19 final accounts – be approved and published on the Authority’s website.</i>
EXECUTIVE SUMMARY	<p>To comply with both Accounts and Audit Regulations and the Fire & Rescue Service National Framework, the Authority is required to produce and publish an annual Statement of Assurance on financial, governance and operational matters and showing how the Authority has had regard to both its Integrated Risk Management Plan (IRMP) and the expectations in the Framework.</p> <p>The Annual Statement of Assurance is primarily backward looking but also features an action plan to address, in the forthcoming financial year, any significant governance issues identified as part of the review process.</p> <p>A draft Statement of Assurance for 2018-19 has been submitted, along with the draft 2018-19 Statement of Accounts, to the Authority’s external auditors.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. 2018-19 Final Annual Statement of Assurance
LIST OF BACKGROUND PAPERS	Nil.

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DEVON &
SOMERSET
FIRE & RESCUE SERVICE

Devon and Somerset Fire & Rescue Authority

2018-19 Annual Statement of
Assurance

Audit & Review Manager

Devon and Somerset
Fire & Rescue Authority

29/03/2019

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1. Introduction

The Devon and Somerset Fire and Rescue Authority (“the Authority”) recognises that good governance leads to effective management, sustained performance, accountability of public money, continued public engagement and helps to deliver outcomes for citizens. Through good governance the Service can deliver its vision as well as ensuring there are effective mechanisms for control and the management of risk.

The Annual Statement of Assurance details the approach for how the Authority has developed and applied its governance framework in accordance with its statutory responsibilities.

Accounts and Audit (England) Regulations 2015 Requirements

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. 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.

The *Accounts and Audit (England) Regulations 2015* require authorities to prepare an annual governance statement in support of their Statement of Accounts. The governance statement is an expression of the measures taken by the authority to ensure appropriate business practice, high standards of conduct and sound governance.

Fire and Rescue National Framework for England Requirements

The Fire and Rescue National Framework for England (May, 2018) sets out the requirement for fire and rescue authorities to publish an annual Statement of Assurance.

This states:

“Every fire and rescue authority must have regard to the Framework in carrying out their functions. Every authority must publish an annual statement of assurance of compliance with the Framework” (Section 1.4)

“The statement should outline the way in which the authority and its fire and rescue service has had regard – in the period covered by the document – to this National Framework, the Integrated Risk Management Plan and to any strategic plan (e.g. the Fire and Rescue Plan – see 4.10 below) prepared by the authority for that period. The authority must also provide assurance to their community and to government on financial, governance and operational matters. For PCC FRAs, this statement is subject to scrutiny by the Police, Fire and Crime Panel. The name of this statement differs across governance models (e.g. in the case of PCC FRAs it is called the ‘Fire and Rescue Statement’ and in Greater Manchester the ‘Fire and Rescue Declaration’).” (Section 4.6.ii)

One of the principal aims of the Statement of Assurance is to provide an accessible way in which communities, Government, local authorities and other partners may make a valid assessment of their local fire and rescue authority’s performance.

The Statement of Assurance will be used as a source of information on which to base the Secretary of State's biennial report under section 25 of the *Fire and Rescue Services Act 2004*.

The Statement of Assurance should be signed off by an elected member of the relevant authority who is able to take responsibility for its contents.

Statements of assurance should be published annually by fire and rescue authorities. It is for fire and rescue authorities to decide when they should publish depending on individual reporting arrangements.

Devon & Somerset Fire & Rescue Authority Approach

The Authority has agreed that the most appropriate way to manage both the National Framework and regulatory requirements is through the creation of one assurance report entitled 'Annual Statement of Assurance'.

The Annual Statement of Assurance is submitted as a draft version alongside the Statement of Accounts for the year in question, for verification by the Authority's external auditors. The Annual Statement of Assurance is then submitted for approval by the Audit & Performance Review Committee prior to signature by the Committee's Chair and the Chief Fire Officer. The final Annual Assurance Statement is then published alongside the approved Statement of Accounts for the financial year in question on the Authority's website.

2. Delivery of Functions

Statutory Responsibility

Fire and rescue authorities function within a clearly defined statutory and policy framework, the key aspects of which are:

- the Fire and Rescue Services Act 2004
- the Civil Contingencies Act 2004
- the Regulatory Reform (Fire Safety) Order 2005
- the Fire and Rescue Services (Emergencies) (England) Order 2007
- the Localism Act 2011
- the Fire and Rescue National Framework for England

Corporate Planning

The Service has three key documents that combined sets out our strategic direction for the next 4 years; the integrated Risk Management Plan (IRMP), The Fire and Rescue Plan (F&RP), and the Safer Together Programme.

The Integrated Risk Management Plan is the means by which the Service assesses and analyses the risks faced by the communities we serve. The Plan gives a clear mandate to address those risks through the Prevention, Protection and Response activities of the Service.

The Fire and Rescue Plan contains the Service's Vision, Purpose, Values and Priorities. It describes the challenges we face as an organisation, for example, the financial challenge and how we propose to address those challenges setting out our strategic intent for the key areas of the organisation.

Safer Together, our change and improvement programme, is derived from the IRMP and the F&RP. The programme contains the prioritised work streams for the next 3-4 years that as a Service we must deliver if we are to achieve real improvements in the Service we provide to our communities whilst making the financial savings required.

Having the three distinct documents will facilitate greater transparency and clarity, to better achieve Service priorities and the implementation of change and improvement.

They are underpinned by Annual Directorate Statements which clearly reflect the priorities set by the Fire Authority (the F&RP and IRMP) and a series of Group and Service plans which set out our work for the financial year. The achievement of the objectives in the Fire and Rescue Plan, IRMP and the Safer Together Programme will be monitored by the Executive Board. The Directorate, Group and Service plans will be monitored at least quarterly by the respective management teams.

In order to embed the Service's approach to managing strategic and operational risks, risk management has been integrated within the planning process so that it is part of direction setting, activity and resource planning and activity monitoring. The process includes the identification, assessment and recording of risks and mitigating activities which will be incorporated into Directorate and Service plans.

Programme and Project risks will be subject to the governance arrangements established for our Safer Together Programme, including a Business Design Authority.

The Service's planning framework requires all the plans to be reviewed, updated and refocused where required annually.

Fleet, Equipment and Water Supplies

In 2018-19 the Service agreed a Fleet, Equipment and Water supply strategy setting out the organisational responsibilities to ensure a safe, fit for purpose fleet, for what is the largest fleet capability of a fire and rescue service outside London. The strategy sets out our intention for supporting a new service delivery model, modernising our fleet management operations and collaboration and innovation to reflect an increasingly diverse workforce and the environmental aims of our communities. The Service has a 15 year replacement programme with the budget approved by the Authority for fleet which details vehicles and year of replacement. The Service follows the NFCC (CFOA) Best Practice Manual for the maintenance of Fire Service Vehicles. Under the Fire and Rescue Services Act the Service has a duty to secure Water. Adopting the National Guidance Document for provision of Water for fire-fighting purposes (2017) the Service operates a risk based approach for the

57,000 hydrants management and maintenance requirements. Priorities in 2019/20 are to progress the fleet capital replacement programme, review of requirements for all fleet types and to implement new asset management systems and processes.

Operational Debriefs

An operational debrief strategy and policy is in place, and currently subject to review to ensure consistency with new national guidance. Debriefs provide the opportunity for operational personnel to identify good practice and any lessons learned for further improving the delivery of service.

Process for Operational Assurance

Our Fire & Rescue Plan 2018-2022 contains a commitment to improve staff safety and consists of a number of key components:

- Considering new technologies and equipment in our service design to support staff safety, provide better firefighting tactics, and increase inclusive and efficient ways of working.
- Ensuring our staff are appropriately supported and well trained, providing risk-based training and development that is centred around safety-critical elements.
- Making sure our firefighters remain fit and take a more holistic approach to health, safety and wellbeing across the whole organisation.

To ensure the right focus in the right areas, an Organisational Safety Assurance Team has been embedded into the organisational structure.

This team monitors and reports on a variety of activities linked to operational response. Key activities such as incident and exercise monitoring, station assessments and station visits form part of this framework. Working closely with the Organisation's policy and performance groups, and our Training Academy, the team works to ensure that the Organisation has a clear line of sight on trends and performance to address any identified areas of concern.

Following every incident a "hot debrief" should take place to review what happened and why, and to discuss areas that went particularly well and areas that didn't. A new process has been introduced to allow Operational crews to submit learning points from these debriefs.

National Learning

In accordance with the Authority's commitment to Public and Staff Safety, the Operational Assurance Team ensures that the learning outcomes from tragic national events are fed back into the Service. The learning comes from other Fire & Rescue Services directly affected, via the National Operational Learning (NOL) portal, The Coroners Regulations 28/29 reports (formerly known as 'Rule 43' reports) and recommendations to all Fire & Rescue Services by the Health and Safety Executive. A process has been implemented to enable efficient management of learning and outcomes.

The Operational Assurance Team works with the Service to digest the information, review the Service's ways of working, feed in improvements from the lessons learned, raise awareness across Service personnel and provide any additional training events.

Collaborative and Partnership Working and National Roles

DSFRS is committed to forming or joining partnerships that assist it achieving its organisational goals and contribute to our purpose "we are here to Protect and Save".

The Service continues to strengthen its partnership working with other fire and rescue services, bluelight services, local authorities, community groups and other organisations by working to common objectives at the local, regional and national level. The improvement of prevention and protection work is a major priority and the Service also contributes to wider community objectives identified in Local Area Agreements where appropriate.

Throughout the last year, collaborative work has continued to grow through the South West Emergency Services Collaboration (SWESC). This is a formal collaborative partnership with a governance structure that is chaired by the chair of our Fire Authority and involves SWAST, Devon and Cornwall Police, Avon and Somerset Police, Dorset Police, Wiltshire Police, Gloucestershire Police, Cornwall FRS, Avon FRS, Dorset and Wiltshire FRS, Gloucestershire FRS, HM Coastguard and the RNLI. A number of collaborative arrangements have been put in place, this includes estates sharing, joint operational officers, support for the ambulance service in gaining entry to properties where people have collapsed behind locked doors and search operations for high risk missing persons.

Following the introduction of the Policing and Crime act (2017), CFO Lee Howell took on a new challenge, leading the Office for Data Analytics (formerly known as Multi Agency Integrated Services Hub). This is a small team who have the resources, technology and expertise, to use business intelligence and predictive analytics, to improve collaboration between the emergency services in the south-west, to improve service delivery and reduce costs.

The Authority is a key participant in multi-agency liaison arrangements, joint exercises and the sharing of resources which contribute to an enhanced, effective and efficient incident response.

The Authority has worked in partnership with other fire and rescue authorities to secure "transformational" funding to enable:

- Establishment of an NFCC national procurement hub (now the Project Management Office for the Fire Commercial Transformation Programme), with the National Project Lead being hosted by the Service.
- Establishment of a web cloud for on call firefighter recruitment.

Fire and Rescue Indemnity Company (FRIC), the mutual protection provider set up and run by eleven Fire and Rescue Authorities, has completed its third year of operations culminating in surplus being achieved every year since it was formed, with a current total of £833k. This is a significant result for FRIC and shows what can be achieved when fire authorities collaborate in an innovative and mutually beneficial manner. Surplus generated would otherwise have gone out of the public sector, instead it can be retained to support

further improvements and drive better risk management and ultimately, deliver lower costs for FRIC's members.

The continued success is due primarily to lower than expected claims experience, which is set at the lower range of scenarios predicted. Another contributing factor has been a drive to improve motor claims reporting times, enabling third party capture for "at fault claims". Evidence shows that third party costs can be as much as two thirds lower if contact is made with third party claimants quickly and claims handled by the Mutual rather than third party insurers.

Networked Fire Services Partnership

The Networked Fire Services Partnership (NFSP) is a significant collaboration between three fire services (Hampshire, Devon & Somerset and Dorset & Wiltshire) initially set up to deliver a networked fire control solution which was achieved in April 2016. An Information Governance Partnership Group meets regularly to review the required governance procedures that are required under legislation and monitor current and emerging risks to the information the system holds. A risk remediation plan is in place to ensure security risks are managed effectively and there is an annual IT health check for assurance. This supports the Authority's compliance with the Airwave Code of Connection, and the upcoming Emergency Services Network (ESN) which is due to replace the Airwave service.

Subsequently the NFSP has committed to scoping further collaboration opportunities that will support all 3 Services in achieving increased effectiveness and efficiency as well as sharing and developing good practice with regards to staff issues.

Co-Responding

The Authority has a formal partnership agreement in place with the South Western Ambulance Service Foundation Trust to provide a co-responder medical response (an initial medical provision to stabilise casualties in life-threatening emergencies prior to the arrival of the ambulance service).

3. National Resilience

The Emergency Planning Team is responsible for ensuring that the Service meets the Authority's obligations as laid out in the Civil Contingencies Act 2004 and the Fire Services Act.

Effective arrangements are in place to collaborate with partners through Local Resilience Forums, the National Inter-Agency Liaison Officers network, the Joint Emergency Services Interoperability Programme, the Critical National Infrastructure and Safety Advisory Groups which support multi-agency planning activity.

Previously the Service had created a specialist team of volunteers to respond to Marauding Terrorist Attacks (MTA). The Service, following changes in the National Planning Assumptions, has supplemented this capability with a further 16 specialist responders based at Plympton funded via a Home Office Grant.

The MTA capability has been established within The Authority to support our partner agencies, of Police and Ambulance, in response to an MTA incident within The Authority area or, under National Mutual Aid, to any other location within the UK as requested. The overall aim is to save life, and the two main strands of FRS support during this type of incident are for casualty care, and fire hazards management.

The capability is made up of two key groups;

1. National Interagency Liaison Officers (known as NILOs)
2. Specialist Response Team (SRT) Operatives

Both of the above groups undergo specialist training for responding to the MTA threat, but fulfil different specific functions within a response.

Specialist Operations

The Specialist Operations programme was set up after the events of 11 September 2001, which prompted the Government to review and improve the UK's capacity to respond to the increased threats arising from a 'new dimension' of emergency. Such threats include major incidents involving chemical, biological or radioactive materials, which would require a mass decontamination of large numbers of people, or rescue from collapsed structures.

The programme is also a response to increased risks from non-terrorist emergencies, such as major flooding resulting from changing climate patterns. In the UK we have faced the challenge of large scale flooding, the fuel crisis and a major epidemic of Foot and Mouth Disease. We need to be able to cope with and recover from a range of unexpected disruptive events, for example building collapse, or natural disasters.

The programme is split into six sections, all directly linked to each other:

- Mass Decontamination
- Urban Search and Rescue
- Water Capability
- Long Term Management
- Command & Control
- Logistics

The Service has mobilising procedures and policies in place to be able to respond to incidents anywhere in the Country, and work closely with other emergency services and organisations to provide an integrated service.

Different levels of response apply depending on the severity and location of the incident. These levels have been set nationally by The Home Office.

Over the Border Mutual Aid Arrangements

Sections 13 and 16 of the Fire and Rescue Services Act 2004 allow mutual assistance arrangements to be agreed with neighbouring Services to improve resilience and capacity in border areas. The Authority has in place contractual agreements with our neighbouring fire and rescue authorities for response to incidents requiring their support.

In addition to sections 13 and 16 there is a partnership agreement between the Authority and Dorset & Wiltshire and Hampshire fire and rescue authorities to provide a common, networked mobilising system with the principle of ensuring that the response mobilised to an incident is always the nearest and most appropriate resource/s based upon travel time and attributes (i.e. having the necessary skills or equipment) to deal with the incident.

Business Continuity and Resilience

Devon and Somerset Fire and Rescue Service (DSFRS) has a Strategic Business Continuity Plan (BCP) and a number of Tactical plans in place to ensure that it is prepared for a range of new threats and challenges. Business Continuity Management (BCM) processes are also undertaken so that the organisation can continue the delivery of services following a disruptive incident.

A business continuity exercise for senior management took place in July 2018, and a corporate business continuity exercise was held in March 2019. An outcome of this was to appoint a full time Business Continuity Manager in December 2018 who is responsible for providing specialist advice and guidance on BCM issues, including the co-ordination, development, implementation and review of BC plans, processes and procedures. The Business Continuity Manager also has the responsibility of meeting with identified Directorate representatives regarding the review of Business Impact Analysis and plans as required.

DSFRS undertakes training and exercising in compliance with the Civil Contingencies Act 2004.

At least one corporate Business Continuity exercise will be held annually following which a formal report will be distributed highlighting 'what went well' and potential areas for improvement.

The service embraces the principles of 'Plan, Do, Check, and Act' and aligns with some aspects of the ISO: 22301 (Societal Security – Business Continuity management systems and requirements).

A Contingency Response Team is responsible for the delivery of continuity in all Business Continuity incidents, in addition to an Operational Support Team which can be activated as required.

4. Governance

The Purpose of Corporate Governance

Corporate Governance comprises:

- the systems, processes, culture and values, by which the Authority is directed and controlled; and
- those activities through which it accounts to, engages with and leads the community.

Corporate Governance 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 and integral part of the governance arrangements designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. While it cannot eliminate all risk of failure to achieve policies, aims and objectives, it should nonetheless provide a reasonable level of assurance of organisational effectiveness in this area.

This statement refers to the governance arrangements that have been in place for the Authority up to the year ended 31 March 2019 and up to the date of consideration of the statement of accounts.

Code of Corporate Governance

The Authority has approved and adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy/ Society of Local Authority Chief Executives) framework "Delivering Good Governance in Local Government". A copy of the Code is on the Authority's website at [DSFIRE website](#) can be obtained from the Clerk to the Authority. This Statement explains how the Authority has complied with the Code.

Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance arrangements including the system of internal control. The review of the effectiveness is informed by the work of senior managers within the Service who have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The 2018-19 review has identified 25 key elements to the Authority's governance arrangements:

1. The Authority was constituted under the Devon and Somerset Fire and Rescue Authority (Combination Scheme) Order 2006. The Authority has strategic responsibility for discharging fire and rescue authority functions for the combined area with the day-to-day responsibility resting with the Chief Fire Officer and other officers within the Executive Board.
2. For the majority of the 2018-19 financial year, the Authority comprised 26 Members appointed by the constituent authorities (Devon County Council, Somerset County Council,

Plymouth City Council and Torbay Council). In addition, there is an “independent person” appointed in accordance with the requirements of the Localism Act 2011.

3. During the 2018-19 financial year, the Authority operated with the following permanent committees:-
 - Resources Committee (7 Members)
 - Human Resources Management & Development Committee (7 Members);
 - Audit & Performance Review Committee (7 Members);
 - Community Safety & Corporate Planning Committee (7 Members);
 - Chief Fire Officers’ Appraisal Panel (4 Members);
 - Standards Committee (7 Members plus consultation as required with an Independent person).

Terms of reference for each of these committees were approved by the Authority. The committee structure (including terms of reference) are subject to annual review but may also be amended in-year as circumstances dictate.

4. The Audit & Performance Review Committee operates in accordance with the CIPFA best practice guidance on audit committees. It provides an additional level of review and scrutiny of the organisation’s internal and external audit arrangements (including consideration and monitoring of any reports and associated action plans), corporate governance and risk arrangements, and financial statements (Annual Statement of Accounts). The Committee has responsibility for the operation of the Authority’s strategy for the prevention and detection of fraud and corruption and monitors the Service’s performance.
5. The constitutional governance arrangements are contained in the following documents:-
 - Members Roles and Responsibilities
 - Standing orders
 - Financial Regulations
 - Treasury Management Policy
 - Contract Standing Orders
 - Scheme of Delegations
 - Members Code of Conduct
 - Protocol for Member / Officer Relations
 - Policy on Gifts and Hospitality
 - Scheme of Members Allowances
 - Corporate Governance Code
 - “Whistleblowing” Code (Confidential Reporting Policy)
 - Strategy on the prevention and Detection of Fraud and Corruption
 - Code of Recommended Practice on Local Authority Publicity

These documents, with the exception of the Code of Recommended Practice on Local Authority publicity (which is a national document issued by the Department for Communities and Local Government under Section 4 of the Local Government Act 1986), are subject to review at least annually and are updated as and when necessary to reflect legislative change, organisational change or best practice, as relevant, to ensure they remain up-to-date and fit for purpose.

6. The Treasurer is responsible for ensuring that effective financial stewardship is in place across the Service in conducting the business of the Authority. 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.

7. The statutory functions of the Proper Financial and Monitoring Officers provide a source of assurance that the Authority's systems of governance and internal control are effective and being complied with.
8. The 2018-19 Internal Audit Plan was approved by the Audit & Performance Review Committee on the 26 April 2018. The plan sets out the combined scope of internal audit work to be completed by the Audit & Review manager, the Information Assurance team, and Devon Audit Partnership. A total of 345 internal audit days were utilised to provide assurance to the Authority relating to the management of risks and associated operational activities. The Audit & Review manager, the Information Assurance team and the Devon Audit Partnership are accountable for the delivery of the plan and the policy includes the requirement to report progress to the Audit & Performance Review Committee at least three times per year. This happened 27th July 2018, 9th November 2018, and 18th January 2019. The Authority's shared service internal audit arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit in public service organisations.
9. Service risk registers are populated and reviewed periodically. This process in turn informs the Corporate Risk Register. In order to embed the Service's approach to managing strategic and operational risks, risk management is being integrated within the planning process so that it is part of direction setting, activity and resource planning and activity monitoring. The process includes the identification, assessment and recording of risks and mitigating activities which will be incorporated into Directorate and Service plans.
10. The operation of the Authority's Corporate Risk Register is reviewed by Service management on a quarterly basis to ensure that risks to the Authority's strategic objectives and corporate plans are appropriately identified and managed. The Corporate Risk Register is presented to the Audit & Performance Review committee every six months.
11. The Authority maintains comprehensive insurance cover to support its management of organisational risk.
12. The 2018-19 External Audit provision was provided by Grant Thornton. The scope of the External Audit work includes the Accounting Statements and Whole of Government Accounts and a Value for Money Statement. No significant issues have arisen to date from the External Audit work completed in 2018-19.
13. The Authority participates in the biennial National Fraud Initiative scheme. A new data matching exercise has been completed in 2018-19, and the results will be reviewed throughout 2019-20.
14. The Service has a Strategic Health & Safety Committee which meets quarterly to monitor health, safety and welfare of employees as per section 2(7) of the Health and Safety at Work Act 1974. All representative bodies (trades unions) recognised by the Authority, i.e. the Fire Brigades Union (FBU), the Fire and Rescue Services Association (FRSA), the Fire Officers Association (FOA) and UNISON, are invited to sit on this Committee.
15. In 2018-19 the Health & Safety team trialled a new, specific Fire & Rescue service Safety Management System audit process, designed by the National Fire Chiefs Council, with a review completed by Devon Audit Partnership. The results of this will be examined and will help determine the approach to be used in future years.

16. The Operational Assurance Team is now embedded in the organisational structure and culture. As part of the 'Safe Person Concept' the team monitors and reports on a variety of activities linked to Operational Response.
17. The Organisational Safety Manager attends the National Fire Chiefs Council (NFCC) H&S meetings & chairs the regional NFCC H&S meetings.
18. A governance framework has been prepared for programme and project management, which defines roles and responsibilities, and outlines the methodology which will be applied, as the organisation embarks on the transformational change programme, "Safer Together".
19. Delivery of the General Data Protection Regulation (GDPR) Compliance Plan has resulted in the establishment of a Personal Information Management System for the Service. This is supported by a legally required Record of Processing Activity (ROPA) which provides Service-wide visibility of the personal data that is processed and why. Activities have been risk assessed to prioritise future assurance work. A compliance gap analysis has been completed and whilst this has identified that the majority of milestones are well established, there is future work planned to further embed this within the organisation. A compliance monitoring framework has been established which is informing the Information Assurance (IA) Plan and an internal audit by the Devon audit Partnership of GDPR compliance has been commissioned which will also inform the plan.
20. Contract Standing Orders (approved by the Authority at its Annual Meeting) are, along with the Authority's other constitutional framework documents, subject to annual review and in-year changes as and when required. Guidance materials on procurement and contract management are available on the Authority website and Service intranet for the Service staff. Priorities for 2018-19 have been to support the NFCC (fire) Commercial Transformation Programme (FCTP) and collaboration opportunities as well as deliver service priorities and savings.
21. The Procurement Team manage contracts above £20,000 to ensure compliance with EU and UK legislation and best practice; to ensure that the Authority can demonstrate value for money and deliver savings and efficiencies. The procurement team is actively engaged in wider collaborative National Procurement initiatives. The Service's Head of Fleet and Procurement is the NFCC Commercial Category lead for Fleet as part of the NFCC FCTP, who sits on the Local Government Association National Advisory Group for Procurement (representing Fire and Rescue Service nationally) and is part of the South West Procurement Board, which involves first tier and district councils from the region. The Corporate Procurement Manager is also the NFCC National Procurement Lead as part of the NFCC FCTP.

Within 2018-19 the Procurement team have been responsible for contract management of the NFCC's Emergency Response Vehicles framework, and the NFCC's Respiratory Protective Equipment framework on behalf of the fire sector and led on collaborative arrangements for Road traffic collision equipment (RTC), Employee Payroll, Firefighter pensions, and Pensioners payroll contracts have also been implemented, on a collaborative basis with Dorset & Wiltshire Fire & Rescue Service.
22. Red One Ltd has been established to allow the Authority to deliver commercial activities within the legislative framework that applies. The Authority has taken legal advice to ensure compliance with legislative requirements and to ensure effective governance arrangements, which have been enhanced following appointment of independent board members
23. Corporate commitments to equality, diversity and inclusion are set out in the Fire & Rescue Plan, and in our People Strategy. These set out the changes needed to support the new

Integrated Risk Management Plan and HMICFRS inspection. The Fire & Rescue Plan and People Strategy address issues relevant to equality, diversity and inclusion in the workplace at each stage of the employee lifecycle, including attraction, recruitment, retention, development and progression. These also state how the service will meet the needs of different communities and vulnerable people in order to reduce risk. The HRMD committee monitors progress on the linked Diversity & Inclusion plan every three months.

24. The Service has a process in place to ensure that potential equality impacts are identified and mitigated when preparing or reviewing policies. The process is called Equality Risks and Benefits Analysis and it helps us to deliver better services and working practices as well as ensuring compliance with the Public Sector Equality Duty. The process was updated in 2018-19 to reflect the latest legal developments. Implementation of a People Impact Assessment has broadened the scope to include wider impacts on people including data protection, health & safety and safeguarding. Mandatory equalities training was rolled out across the service in 2018-19 including a new “understanding unconscious bias” e-learning package.

25. Our Values were revised during a series of workshops with employees in 2017. These set out what the Service stands for and what matters most to employees and the Organisation. These are:

- We are proud to help
- We are honest
- We are respectful
- We are working together

A cultural audit took place in 2018-19 which aimed to establish how well understood and accepted our values are across DSFRS, as well as providing an objective review of our decision making process, levels of staff empowerment, and to help inform our new Fairness/Dignity at Work policy. The results of this audit will also be used to help inform review and development of other policy and processes in 2019-20 and assist in monitoring staff satisfaction levels.

The 2018-19 review by the Authority has concluded that there are good systems, procedures and checks in place to manage the Authority’s governance arrangements.

5. Financial Assurance

Statement of Accounts

It is a statutory requirement under the *Accounts and Audit (England) Regulations 2015* for authorities to publish the financial results of their activities for the year. The 'Statement of Accounts', shows the annual costs of providing the service and is determined by a Code of Practice published by CIPFA, which aims to give a "true and fair" view of the financial position and transactions of the authority.

The Treasurer is responsible for the approval of the Statement of Accounts prior to publication. To meet the requirements of the Regulations, the draft Statement of Accounts is published by the end of May with the final audited Statement of Accounts published by the end of July.

External Audit Arrangements

On an annual basis, the Statement of Accounts is subject to external audit scrutiny. Following a national procurement exercise (conducted by the Audit Commission), Grant Thornton was appointed as the external auditors for the South West region.

Grant Thornton is therefore responsible for the completion of the following assurance activities:

- Audit of the 2018-19 financial statements
- Proposed opinion on the Authority's accounts
- Proposed Value for Money conclusion

Internal Audit Arrangements

To support the External Audit process, the Authority has in place a robust system for Internal Auditing. The Audit & Review Manager worked with Senior Managers and Authority Members to develop an annual Internal Audit Plan that is delivered across the Service. The plan includes a contract with the Devon Audit Partnership to deliver specialised key financial audits, and detailed review of potential risk areas identified.

A full competitive procurement process was undertaken in 2018-19 to ensure that the appointed internal audit providers delivered appropriate value and quality; this process awarded Devon Audit Partnership with a 3 year contract to continue providing internal audit for the authority.

Performance against the Plan is reported to senior managers and Members on a quarterly basis, with a year-end report produced in April/May time. The Internal Audit Plan was successfully delivered in 2018-19.

The 2018-19 year end Internal Audit report concluded that the systems in operation within the Service demonstrated a good level of internal control.

Agreed management actions are monitored through the Service's Assurance tracking process alongside the outcomes of External Audits, Internal Audits, External reviews, security events, and safety events.

Public Contracts Regulations 2015 ("the Regulations")

The Regulations set out the EU legal framework for contracting public authorities to follow in securing a contract for works, supplies and services where the contract value exceeds set thresholds (unless the contract qualifies for a specific exclusion as defined in the Regulations applies). The Regulations are not static but subject to change, driven by evolving European and domestic case law and UK Regulations. The EU rules reflect and reinforce the value for money focus of the Government's procurement policy. The EU procurement regime is based on the Treaty principles of transparency, non-discrimination, equal treatment and proportionality. Even where the procurement process is not subject to the Regulations the EU Treaty based principles apply.

The Head of Fleet and Procurement and Corporate Procurement Manager is responsible for ensuring that the Service processes conform to the Regulations and Treaty principles.

Data Transparency

The Service complies with the Government's 'Local Government Transparency Code 2015' for releasing public data. The following arrangements are in place:

- A Freedom of Information Publication Scheme
- Publication of the annual statement of accounts
- Publication of all expenditure over £500
- Publication of all Government Procurement Card transactions
- Publication of Procurement Information
- Publication of land ownership
- Publication of Trade Union facility time
- Publication of a Pay Policy Statement including all senior employee salaries and the pay multiple
- Publication of fraud investigations
- Publication of Members' allowances and expenses
- Publication of External Audit reports
- Publication of all committee reports (other than those where a statutory exemption for publication applies).

Financial Planning

In order to secure a fixed level of central government grant funding for the 2016-20 financial years, the Service was required to submit an Efficiency Plan. The Efficiency Plan sets out how the Authority plans to improve the service it provides whilst managing with reduced real-terms funding levels. The Efficiency Plan outlines the key projects which will improve our efficiency alongside the underpinning medium term financial plan, reserves capital and commercial strategies and our Corporate Plan and is available here: [Efficiency Plan](#). The Efficiency Plan was submitted to the Home Office in October 2016 and approved by the Fire Minister in December 2016. As a result the Service has secured a four year settlement offer which will offer greater certainty over future funding levels.

6. Workforce

Training and Development - Academy

DSFRS, through its Academy, has enabled the delivery of quality assured training to its staff to improve safety and overall effectiveness, which is underwritten by the ISO 9001 (2015) Quality Management Framework.

Over the past 12 months significant changes have been implemented to how training is structured and delivered. We have moved away from a 'school' structure, and the instructors are now able to deliver training more locally. In addition to this, 35 Associate instructors have been recruited from existing station based personnel. These employees will receive further development to enable them to assist with delivery of local training.

This will enable our firefighting workforce to get the most out of their drill nights and training events, by participating in location based training and assessments, on the subjects that are most required by them.

The new functional leads within the training department will take responsibility for:

- **Quality assurance** – Reviewing governance arrangements and standards in training, process mapping, permit to teach standards and Quality assurance of our training activities.
- **Training Assets** – Management of estates, equipment and vehicles which are used for training, management of the learning library (which includes e-learning and course development), maintaining the asset register and liaison with other key departments such as the Health & Safety team, the Estates department and the Fleet & Equipment department.
- **Planning & Resourcing** – Planning, scheduling and updating the training and event programme, and includes allocation of required resources, from venues and equipment to trainers and assessors.
- **Customer Service & Administration** – Supporting the management of information assets and general administration functions to support the training teams. This will also involve liaising with external agencies, suppliers and partners. Financial and reporting functions will also be the responsibility of this functional area.
- **Training delivery** – Responsible for the delivery of training events and assessments as required.

DSFRS have invested in new vehicles to assist in the delivery of training, such as the Mobile Safety and Height and Confined Spaces (SHACS) training vehicle.

The Academy have also released a new e-learning system that links with other DSFRS Workbench applications. This utilises a "single-sign in" approach to ensure that it is fully accessible to all users, and uses an intuitive system which will target training towards the users.

DSFRS have also been working with an external provider to develop a training needs assessment algorithm, to ensure that our staff get the right training, at the right time, in the right place.

The service have developed new applications/systems which provides better accessibility and transparency when employees are checking their core competencies (the key training that they require in order to ensure they are completing their job in the most appropriate manner).

Firefighter Fitness

In December 2014 the Department for Communities and Local Government approved an Addendum to the National Framework for England in relation to firefighter fitness and the principles that should be applied to help ensure that firefighters maintain the standards of personal fitness required to safely perform their duties and that they are supported in remaining fit and in continued employment.

The National Fire Chiefs Council (NFCC) have a Firefit Steering Committee who provide guidance and recommendations to the UK Fire & Rescue Service on Fitness Standards, Protocols and Policy.

The Service has a Physical Fitness Policy and three dedicated Fitness Advisors in post to support Firefighters to attain and maintain the fitness standards that are required. The Service has also introduced Fitness Advocates who are existing operational staff that provide an additional fitness role to the Service and are qualified to a minimum of a Level 2 Gym Instructor.

There is an opportunity for DSFRS to improve and test information quality regarding this subject, to enable comparison to other Fire & Rescue services.

Commitment to Health & Safety

The Authority recognises and accepts its responsibility for the health, safety and welfare of its employees and others who may be affected by its activities. To achieve this, the Service looks to meet all relevant requirements of the Health & Safety at Work Act 1974 (together with all other statutory provisions associated with it) and support staff in meeting their obligations under the Act.

Detailed health, safety and welfare specific arrangements are set out in Service policies developed to take account of relevant legislation and guidance, including the Health and Safety Executive's HS(G)65 methodology. The policies provide employees with relevant and comprehensive information on the risks they face and the preventative and protective measures required to control them.

A robust system for actively monitoring the effectiveness of the Organisations Health and Safety Management procedures is in place. The process includes the completion of a rolling three year programme of audits of all premises and departments, provision of accident and near miss incident data to the Strategic Safety Committee every two months for review, annual completion of premises Health, Safety and Welfare Assessment Report Forms, and a

means to fully audit the organisations Health and Safety management systems on a 2 yearly basis.

In addition to this, the Health & Safety Executive (HSE) selected DSFRS as one of six Fire and Rescue Services to be inspected in 2018-19. The combined findings celebrated a number of areas of good practice across the Fire and Rescue Services inspected, as well as identifying some areas where all the services could improve, such as reducing reliance on paperwork. This process enabled identification and sharing of good practice across all participating services.

A comprehensive accident investigation system ensures all safety events are reported and investigated with corrective action completed as required. The system provides for detailed analysis of safety events to identify trends which further enhances a proactive health and safety management system.

Establishing a Charity



The charity SAFE South West continues to operate successfully as a Charitable Incorporated Organisation, working closely with Devon & Somerset Fire & Rescue Service, local communities and other emergency services. SAFE South West develops new and innovative community safety initiatives across communities in Devon and Somerset, raises funding and provides grants, support and guidance to organisations and projects. Further information on SAFE South West can be found on the Charity's website – www.safesouthwest.co.uk

7. Inspection, Intervention and Accountability

How we measure and monitor our performance

Significant work has been completed in 2018-19 to ensure that we are able to effectively review our performance in a way that is meaningful and practical. This work includes developing a suite of performance measures, setting performance targets and planning the reporting approaches for these. The below explains each of these in more detail.

Performance Measures

Effective performance management is key to delivering services successfully, it ensures a focus on what matters most and enables improvement. The Service's performance measures help us to know what current performance actually is and what needs to change to get us where we want to be.

DSFRS Key Performance Indicators (KPIs) represent the Service as a whole and are aligned to strategic priorities and focus on driving improvements. They form the basis of

regular performance monitoring reports to the Fire Authority, Executive Board (EB) and the Extended Leadership Team (ELT).

It is essential that the DSFRS KPIs are accounted for within the service planning process, clearly identifying the services responsible for the achievement of the targets set against the relevant DSFRS KPIs. In some cases we have additional Directorate, programme or service level indicators that are developed as part of the service planning process to monitor operational progress.

All performance indicators are reviewed annually to ensure they are still relevant.

Performance Targets

Targets will be set at all levels of the organisation, from the strategic DSFRS KPIs to the targets set for individuals within appraisals. Progress has been made on the development of a new appraisal system. Targets for the DSFRS KPIs will be discussed within the Service to review the resource implications and then be agreed by the EB and the Audit Performance and Review Committee (APRC) before being widely communicated.

In addition by the beginning of the financial year managers will also set forward targets for all other local PI's within their service. When setting targets managers will set them for improvement and where possible base them on trend or benchmarking information.

All targets will be reviewed at least annually and restated to reflect progress or deterioration.

Reporting Performance

Regular reporting against our plans and performance measures help to ensure a sustained focus on those things that matter most, resulting in delivery of our priorities and improvement agenda.

6 monthly / Quarterly

Reports of the key measures will be produced in a simple format using line / trend charts and graphs and will include interpretation, analysis and any actions to be taken. The audience for these reports are the Fire Authority, APRC, Executive Board/Extended Leadership Team and Group Commands.

Reports focus on exceptions, i.e. those measures that are exceeding target and those not on target. This encourages celebration of success and sharing of good practice along with discussion on actions needed to rectify poor performance.

Live

Reporting using dashboards of a small number of measures primarily for Service Delivery Management, Group Commands and Stations.

Audit & Review

The delivery of the annual Internal Audit Plan provides independent assurance to senior managers and Authority Members on the effectiveness of the risk management, internal control and governance arrangements in delivering organisational objectives.

The scope of audit work includes the review of operational activities including Response, Resilience, Protection, Prevention, Fire Control and all supporting departments.

HMICFRS

In summer 2017, Her Majesty's Inspectorate of Constabulary (HMIC) took on inspections of England's fire & rescue services, assessing and reporting on their efficiency, effectiveness and leadership, and changed their name to Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) reflect this change.

A national inspection programme was designed and in order to prepare for this, the 45 Fire & Rescue services in England were asked to provide the inspectorate with information and evidence to support their upcoming assessments.

At DSFRS an Inspection Readiness team was established, to work closely with HMICFRS, and to ensure that they have everything they need to conduct a fair assessment. Throughout 2018-19 this team have liaised regularly with HMICFRS, and have supported other departments in the gathering of evidence. DSFRS's self-assessment has been submitted to HMICFRS. The inspection is due to be completed in June 2019, and the outcome will be made publicly available towards the end of 2019.

8. Future Challenges

The following future changes or challenges have been identified that may impact the Authority in the next 12 months:

- Aligning resources to risk and prioritising prevention and protection activity.
- The existing shift patterns and some work routines are not always meeting our needs and the changing risks within our communities.
- By 2024, it is likely that we will need to have reduced our costs by £8.4 million and we need to plan a balanced budget that accommodates this.
- Making sure our workforce are clear on the organisation's future direction.
- Further developing contracts and career paths to support inclusivity ensuring that the service has a workforce that reflects communities served.
- Sharing information in a secure and meaningful way, considering cyber security and data protection risks.

9. Significant Governance, Operational or Financial Control Issues

Continuing appraisal of the governance and internal control mechanisms during the accounting period has identified the following internal control issues which the organisation will address in the next year via Action Plans:

- a. Performance measures: Reporting against the full suite of our agreed performance measures. Our Strategic Analyst team and our ICT department are working closely on developing solutions to this.
- b. ICT systems continuity: Failure of ICT systems is a risk which would impact on Business continuity, and our ability to access key records. Our Business Continuity Manager is reviewing system restoration plans with our ICT department and developing a regular Business Continuity exercise programme.
- c. Targeted negative media: This presents reputational risk and impacts ability to provide public reassurance. An out-of-hours communication rota has been established, and Head of Communication attends strategic meetings to support emerging issues.

10. Conclusion

The Devon and Somerset Fire & Rescue Authority is satisfied that the issues identified in Section 6 above are appropriate and that steps are already in place to address the improvement areas identified in this review. The Audit & Performance Review Committee will regularly monitor the implementation and operation of these improvement activities as part of its quarterly meetings.

Additionally, the Devon and Somerset Fire & Rescue Authority is satisfied that the systems and processes that are in place across the organisation fulfil the requirements of the Fire and Rescue National Framework for England.

CHIEF FIRE OFFICER

**CHAIR, AUDIT AND PERFORMANCE
REVIEW COMMITTEE**

APPENDIX A TO REPORT APRC/19/11 – ACTION PLAN

Identified Issue	Action Needed	Direction of Travel since 2017-18	Lead Officer	Target Date
Integrated Service Asset Register (Fleet and Operational Equipment)	An integrated fleet and operational service asset register needs to be developed and embedded to ensure all assets are effectively recorded and managed to provide consistent data to inform replacement plans and ensure operational assets are fit for purpose.	↑	Head of Fleet & Procurement	Part of the safer Together Change and Improvement Programme. Key milestones and project plan in development.
Performance Management	The performance management framework that is currently under development needs to be finalised and rolled out.	↑	Head of Organisational Assurance	December 2019
Policy Management	A policy management process needs to be developed and embedded.	↑	Director of Corporate Services	April 2020
Collaboration	An appropriate level of governance needs to be applied to Collaborative working initiatives.	↑	Executive Board	September 2019
Clinical Governance	Governance arrangements need to be more clearly defined around the care issued by the DSFRS, to casualties.	↑	Head of Service Delivery : functions	Currently being reviewed
Breathing Apparatus maintenance	The existing disjointed approach to breathing apparatus maintenance is to be investigated.	↑	Head of Procurement and fleet	August 2019
Terrorist/cyber & Data protection	The international increase in cyber attacks presents a growing risk to DSFRS, however, an IT Security Officer is in role, and work is underway to continue aligning our Information Security Practices to the international standard ISO 27001.	↑	Head of Organisational Assurance	December 2019

Identified Issue	Action Needed	Direction of Travel since 2017-18	Lead Officer	Target Date
Delayed or non-attendance of Ambulances	There have been instances of delayed ambulance attendance at scenes, which have been raised with SWAST.	↑	Head of Collaboration	Complete
GDPR	The General Data Protection Regulation came into full force from 25th May 2018. There will be an ongoing challenge to DSFRS to ensure that we maintain compliance, and the Information Assurance team have been working to inform the wider service of their responsibilities under this regulation.	↑	Head of Organisational Assurance	Complete

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Agenda Item 6

REPORT REFERENCE NO.	APRC/19/12
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	19 JULY 2019
SUBJECT OF REPORT	GOING CONCERN REVIEW
LEAD OFFICER	Director of Finance and Resourcing (Treasurer)
RECOMMENDATIONS	<i>That the report be noted.</i>
EXECUTIVE SUMMARY	<p>The Authority's External Auditors have requested a formal response from management over the ability of the Authority to continue as a going concern.</p> <p>This is the second such report which has been prepared and contains a review of the financial position as at 31 March 2019 alongside an assessment of the ability of the Authority to continue operating for the foreseeable future.</p> <p>The figures outlined in paragraph 5.2 concerning the pension liability on the Authority balance sheet is currently a draft figure, the final amount will be confirmed at the meeting.</p>
RESOURCE IMPLICATIONS	None
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	N/A
APPENDICES	None
LIST OF BACKGROUND PAPERS	None

1. INTRODUCTION AND BACKGROUND

- 1.1. Under International Audit Standards auditors are required to “obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements”, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern.
- 1.2. This report is the second such report made to the Audit and Performance Review Committee and will consider the Authority’s ability to continue as a “Going Concern” i.e. to deliver its functions and services for the foreseeable future, particularly focussing on the 12 month period following the Statement of Accounts balance sheet date of 31 March 2019.
- 1.3. The sustained period of Austerity since 2010 and resulting reductions to funding across Local Government now pose a significant threat to public sector organisations. As a consequence, the External Auditors, Grant Thornton LLP, are placing greater emphasis on the Authority’s ability to continue as a Going Concern. There have also been several high profile cases of Local Authorities struggling to meet their financial and service delivery obligations which makes the ability to continue as a Going Concern of greater relevance.

2. GOING CONCERN REVIEW

- 2.1 This report will consider the following factors which underpin the Authority’s ability to operate as a going concern:
 - (a) The current financial position;
 - (b) The projected financial position;
 - (c) The balance sheet and Cash Flow;
 - (d) Governance Arrangements; and
 - (e) The regulatory and control environment.
- 2.2 Each of these elements will be considered in greater detail in the following sections.

3. THE CURRENT FINANCIAL POSITION

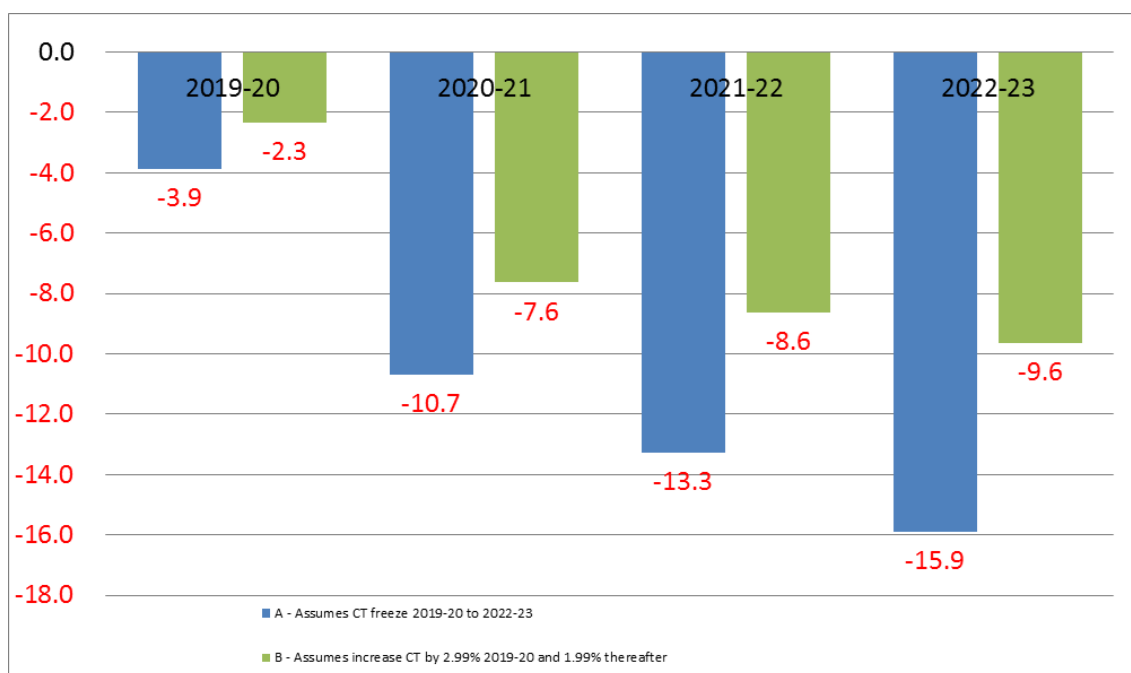
- 3.1 Total revenue spending in 2018-19 was £71.975m compared to an agreed budget of £73.871m, resulting in an underspend of £1.896m, equivalent to 2.6% of total budget.
- 3.2 The Authority has consistently delivered underspends against the Revenue Budget and has therefore built up Earmarked Reserves of £33.561m and General Reserves of £5.316m as at 31 March 2019. The strategy for use of those reserves and adequacy of the general fund is outlined in the Authority’s Reserves Strategy which was reviewed and approved by the Authority on 07 June 2019. The risk assessment of the general fund offers assurance that the Authority will be able to cover any unforeseen liabilities in the short to medium term.

- 3.3 The Authority has set a balanced budget for 2019-20 of £75.148m with £0.918m planned use of Reserves in respect of grants received in advance of need. At this early stage in the financial year forecasts suggest that spending will be within the agreed budget figure with no further depletion of Reserves to support revenue expenditure.
- 3.4 The Authority's main sources of funding are Council Tax and Business Rates income and central government grant funding. Levels of funding are agreed and set as part of the budget setting process which offers a guarantee that the income will be received for 2019-20. Any adjustments to Council Tax and Business Rates income are made via the collection fund budgeting process so will impact on future years.
- 3.5 Because there is surety of funding from billing authorities and central government the main area of risk to the short term financial position of the Authority is its ability to control expenditure. There are robust financial monitoring processes in place to review spend against budget, with reports presented monthly to the executive and quarterly to the Resources Committee.

4. THE PROJECTED FINANCIAL POSITION

Revenue Budgets

- 4.1 As outlined above, the predicted financial position for 2019-20 is for spend to be within the revenue budget. Expenditure from reserves is anticipated to be £8.760m within the financial year with projected balances of £6.816m by 2024.
- 4.2 In considering its annual budget requirement the Authority reviews the Medium Term Financial Plan. In February 2019, a potential funding gap of between £9.6 and £15.9m was identified as shown in the chart below. Following the Authority decision to increase Council Tax by 2.99% for 2019-20 the savings requirement will reduce to between £7.3 and £12m. In order to close the funding gap, significant savings will need to be identified.
- 4.3 The Authority has published its Medium Term Financial Plan, which articulates the basis of the forecast, funding scenarios and the assumptions made and covers the five year period to 2023-24.



- 4.4 The Safer Together programme has been developed which will support changes to current ways of working and the way the Service is organised to deliver a sustainable future in terms of community and financial outcomes. On 28 June 2019 the Fire Authority agreed to go out to public consultation on options for the Service Delivery Operating Model, which could see a significant change to the delivery of our services. The outcome of the consultation will be used to inform any future business cases for consideration by the Fire Authority and has the potential to release significant resources. £5.937m of funding has been earmarked as an Invest to Improve reserve to support the change activity and provide investment where necessary.
- 4.5 If improvement activity does not yield sufficient savings in the early years of the programme a budget smoothing reserve of £1.818m is available but can only be used once.

Capital Budgets

- 4.6 Capital Budgets are set annually by the Authority as part of the budget setting process and are published alongside an indicative programme for the following three financial years. Funding requirements are identified as part of that planning cycle and for 2019-20 consist of a Revenue Contribution of £2.614m, Application of Existing Borrowing of £2.004m and use of Earmarked Reserves of £4.195m.
- 4.7 In considering the Capital Programme over a longer time period, a healthy earmarked reserve of £19.960m is available. However, the need to progress assets following a pause in replacement means that the Authority may need to borrow in 2021/22. There is sufficient funding to support capital expenditure in the short term with a need to rationalise assets if the programme is to be accelerated.
- 4.8 The long term strategy of the Authority is to fully support the Capital programme through Revenue Contributions. This is achievable if the current contribution is enhanced to circa £6.5m per year; a further £0.8m of revenue contribution will need to be found (savings on debt servicing: Minimum Revenue Provision and Debt charges of £3.1m, current Revenue Contribution to Capital of £2.6m).

5. THE BALANCE SHEET AND CASH FLOW

Balance Sheet Review

- 5.1. Elsewhere on the agenda are the Audited Financial Statements of the Authority which show a balance sheet deficit of £611.8m including a pension scheme deficit of £733.3m which must be included under accounting rules. Were the pension scheme deficit to be excluded, net assets of £127.1m would be reported, representing a small increase of £5.6m over 2017-18.
- 5.2. Useable reserves were £38.9m as at 31 March 2019, an increase of £1.6m over 2017-18.
- 5.3. In order to determine and reach the conclusion that the Balance Sheet is robust specific areas of consideration were identified and reviewed, which were:
- Debts owed to the Authority
 - Net worth of the Authority
 - Adequacy of provisions held
 - Reserves set aside – either earmarked or not and whether actually committed

- The adequacy of the General Fund Balance to meet unforeseen expenditure.

Cash Flow

- 5.4. Financial Assets (excluding debtors) of the Authority were £38.6m as at 31 March 2019 (an increase of £1.1m over 2017-18) and are held as a mixture of short and long term investments. Income from central government and billing authorities is received throughout the year which enables robust forecasting of cash flow.
- 5.5. Cash flow is reviewed by officers on a daily basis so any risks can be identified and mitigated. In 2018-19 there was once instance where the bank account was overdrawn due to the unavailability of online banking; the amount of £0.067m was inconsequential, being within the agreed overdraft limit. A continued healthy cash position is anticipated given the profile of revenue and reserves expenditure.

6. GOVERNANCE ARRANGEMENTS

- 6.1 Elsewhere on this agenda is the Annual Statement of Assurance which makes up part of the suite of year end reporting. The Annual Statement of Assurance is reviewed taking account of external and internal audit reviews. Statements of assurance in the performance of internal controls and risk are sought from the management. The effectiveness of the Authority's governance arrangements are reviewed annually together with the evidence to support it and then presented to the Audit and Performance Review Committee.
- 6.2 Whilst it is not possible to secure absolute assurance the annual review of the statement and assurance reports received during the year offers evidence arrangements are fit for purpose and effective.

7. THE REGULATORY AND CONTROL ENVIRONMENT

- 7.1 The Authority is required to operate within a highly legislated and controlled environment and particular emphasis of this can be exemplified and demonstrated with the financial controls in place. Examples of controls include the requirement of Full Authority to approve a balanced annual budget, but within that to consider and have regard via assurance from the Treasurer as to the robustness of the budget, its estimates and the adequacy of reserves held.
- 7.2 The control environment is supported by the role of External Audit in auditing of the financial statements, the review of value for money and financial resilience. Further detail on the control environment of the Authority is available in the Annual Statement of Assurance elsewhere on this agenda.
- 7.3 The Service is also subject to a new inspection regime by Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services, the first inspection being undertaken in June 2019. The inspection report due in December 2019 will make a conclusion on the performance of the Service in three areas: Effectiveness, Efficiency and People, results of which will be made publicly available and which will be fed back in to the improvement process.

8. CONCLUSION

- 8.1 The Authority operates within a robust control environment which can be evidenced by review of its assurance arrangements such as External and Internal Audit processes, neither of which have identified any significant issues in the past year.
- 8.2 In addition to backwards looking assurance, financial and operational monitoring processes are in place to mitigate risks within the financial year and are regularly reported to management and those charged with governance.
- 8.3 In reviewing the financial indicators contained within this report and planning assumptions regarding the Medium Term Financial Plan, Cash Flow and Reserves Strategy there is a high level of confidence that the Authority will be able to continue as a going concern for the foreseeable future.

AMY WEBB
Director of Finance

Agenda Item 7

REPORT REFERENCE NO.	APRC/19/13
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	19 JULY 2019
SUBJECT OF REPORT	AUDIT & REVIEW 2019-20 PROGRESS REPORT
LEAD OFFICER	DIRECTOR OF SERVICE IMPROVEMENT
RECOMMENDATIONS	<i>That the report be noted.</i>
EXECUTIVE SUMMARY	<p>Attached for consideration and discussion is the 2019–20 Q1 Audit & Review report. This report sets out progress to date against the approved 2019-20 Internal Audit Plan, and updates on additional review work undertaken.</p> <p>The report provides assurance statements for the audits completed to date and records the progress against the approved Internal Audit Plan.</p> <p>Internal Audit activities across DSFRS are managed through a shared service agreement that sees Audit & Review and the Devon Audit Partnership (DAP) work together to deliver the Internal Audit Plan. Additionally this includes an overview of key assurance activities completed by other teams who contribute to the audit plan, such as Information Assurance, Operational Assurance, and Safety Assurance.</p> <p>The report provides an overview of the assurance tracking process and the current high priority recommendations that remain as ‘open’ on the assurance tracker.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)	Not applicable.
APPENDICES	<p>A. Internal Audit Planning Process</p> <p>B. Security Events</p>
LIST OF BACKGROUND PAPERS	<p>Audit & Review 2019-20 Plan</p> <p>Audit & Review Service Policy</p>

1. INTRODUCTION

- 1.1 The 2019-20 Internal Audit Plan was approved by this Committee at its meeting held on the 10th May 2019. The Plan sets out the combined scope of internal audit work to be completed by Audit & Review and the Devon Audit Partnership, and other assurance providing functions. The Audit planning process is shown in Appendix A.
- 1.2 Audit & Review and the Devon Audit Partnership are accountable for the delivery of the Plan and the policy includes the requirement to report progress to this Committee at least three times per year.
- 1.3 The key objective of this report is to provide the Committee with a progress report against the Plan.
- 1.4 The report includes the assurance statements for all audits completed during 2019-20.
- 1.5 The report also includes an overview of the assurance tracking process and the current high priority recommendations that remain as 'open' on the assurance tracker.

2. ASSURANCE STATEMENTS

- 2.1 One of the key roles of Internal Audit is to provide independent assurance as to how effectively risks are managed across the organisation.
- 2.2 The following assurance statements have been developed to evaluate and report audit conclusions:
- ★★★★ High Standard
- The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. Only minor recommendations aimed at further enhancing already sound procedures.
- ★★★ Good Standard
- The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
- ★★ Improvements Required
- In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.

★ Fundamental Weakness Identified

The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and/or resources of the Authority may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

3. PROGRESS AGAINST THE 2019-20 PLAN

- 3.1 The 2019-20 Internal Audit Plan has been assigned to the Audit & Review Manager, the Information Assurance Manager, the IT Security Officer, the Operational Assurance Manager, the Organisational Safety Manager, and the Risk & Insurance Manager.
- 3.2 To increase clarity on progress, audit phases have been added to Risk Based Audits.

Assurance Area	Progress	Assurance statement / Update
Operational Assurance		
Operational assurance (OpA) process captures information from operational activities, enables the identification of trends through a graphical dashboard and manage the resultant actions with the organisation. Actions are assigned a rating of safety critical, area of concern or notable practice. Actions are assigned to local risk managers and monitored to ensure improvements implemented.		
Operational Assurance	This is an area requiring continuous ongoing review to ensure compliance and organisational improvement	<p>For the period 1st April 2019 – 30th June 2019; a total of 408 incidents were monitored.</p> <p>82 of these incidents identified learning, resulting in 144 learning points being submitted, broken down as such; Safety Critical = 2 (both vehicle related incidents) Area of Concern = 108 Notable Practice = 34</p> <p>Learning points have been referred to the relevant teams to action. Trend analysis carried out by the OpA Department and incorporated into quarterly bulletin for organisational learning.</p> <p>50 Programmed Officer Visits were completed by Flexi Officers on targeted themes. These visits are to enhance learning identified through trend analysis, national learning and learning from other FRS.</p>

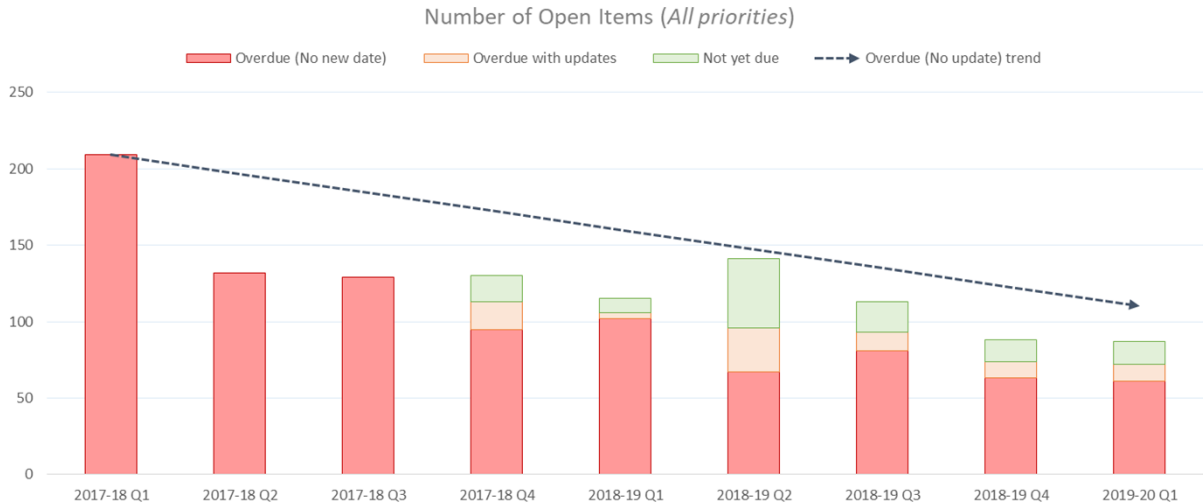
Data Protection / GDPR	This is an area requiring continuous ongoing review to ensure compliance and organisational improvement	A GDPR internal audit in 2018-19 identified a good standard of GDPR governance and improvements required for organisational compliance. Recommendations have been received and an action plan has been agreed.
ISO 27001 Alignment	Evidence / Information Gathering Phase	Good progress has been made in Q1 with gathering evidence for alignment against ISO27001.
National Fraud Initiative	In Progress	This is a mandatory initiative for public sector organisations, and is owned by the Cabinet Office. Within Q1 2019-20 148 (29%) of the 515 records returned, have been reviewed, and no fraudulent activity has been identified within these.
Cultural Audit (2018-19)	Complete	★★ Improvements Required The report has been finalised subsequent to the previous report. Further work will be completed during 2019-20 based on the outcome of this report, and “task and finish” groups are to be established to understand issues more thoroughly. Areas which will be looked into include empowerment, decision making, and Bullying & Harassment.
Fleet Review	In Progress	Further to the audit completed in 2018-19, Devon Audit Partnership have been asked to conduct the audit again, to help understand the effectiveness of the actions which have been taken since the previous report.
H&S Culture Audit	Planning phase	This audit is in the planning phase to understand the role that Health & Safety plays in the organisational culture, at all levels, in all areas.
Digital Transformation project process audit	Planning phase	This audit is in the planning phase to review the process that is being adopted for ICT developments, based on organisational requirements. Devon Audit Partnership will be completing the assessment on this.

Action Planning

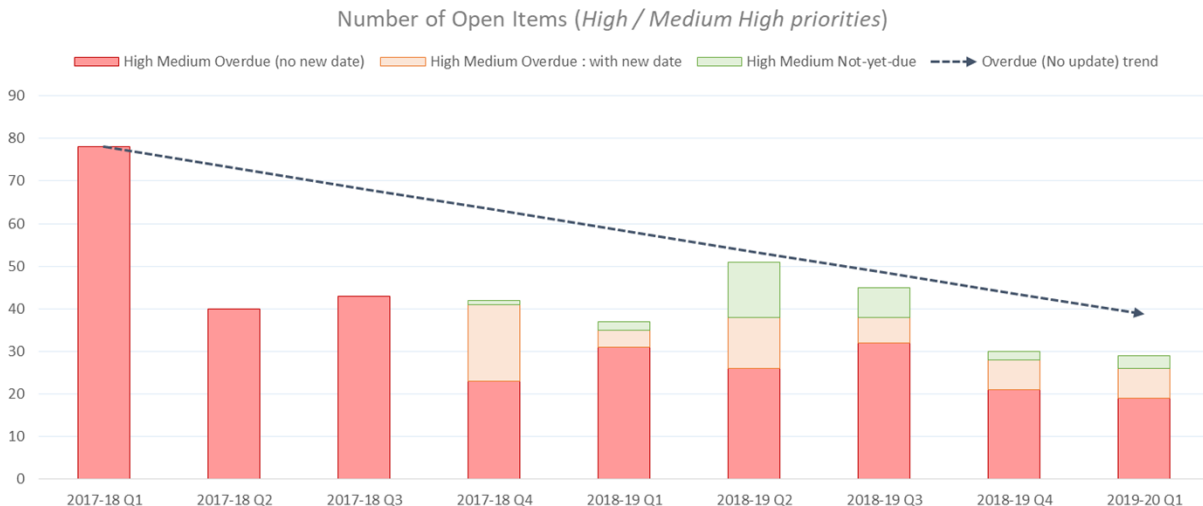
- 3.3 All issues have been discussed with the Lead Officers and Audit & Review are pleased to report that suitable action plans have been agreed to improve the management of any risks identified.
- 3.4 All agreed actions are captured and monitored through the assurance tracking process (see paragraph below), and where relevant, will be reflected in either department plans (if incremental improvement) or the Change & Improvement Plan (if strategic).

4. WHAT HAPPENS WITH AUDIT & REVIEW RECOMMENDATIONS

- 4.1 The Audit & Review Assurance Tracking system records all recommendations and agreed actions coming out of key assurance activities. The system tracks recommendations at the following assurance levels:
- External reviews (including External audit)
 - Annual Statement of Assurance
 - Internal Audit (Audit & Review and Devon Audit Partnership)
 - EFQM
 - Peer Review
 - ICT Health Checks
 - Security Events
- 4.2 The Assurance Tracker is available to all employees through the Service Information Point (SIP) and will be made available to the public in the future to fall in line with the new draft Fire & Rescue National Framework document.
- 4.3 A quarterly update procedure has been embedded that sees the export and distribution of outstanding recommendations to service managers to provide an update. This has been aligned to the Corporate Planning process to ensure outstanding recommendations are reviewed alongside departmental plans.
- 4.4 Updates are being focussed on the higher priority items, however, the overall trend in all priority of open items, continues to decrease. As at April 2019, refer to illustrated Graph 1 and Graph 2 overleaf.
- 4.5 The overdue actions are largely linked to longer term project work that remain on-going and are monitored through the assurance tracking process.
- 4.6 Additionally, open actions have been superseded by changes to the service structure, digital transformation and other actions. Further work is ongoing to ensure that actions that have been superseded are documented and recorded as closed.



Graph 1: Open recommendations (all priorities)



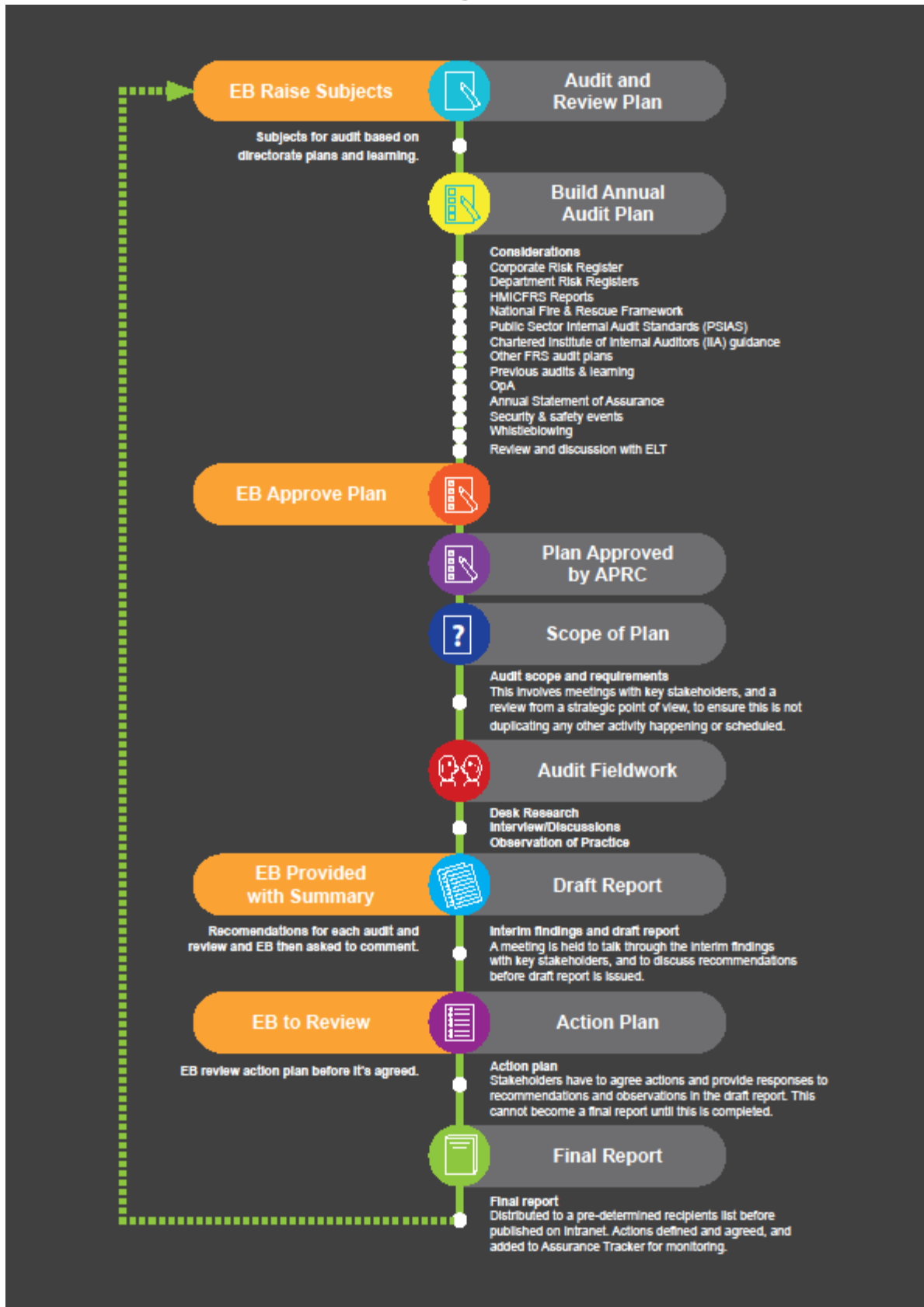
Graph 2: Open recommendations (High/Med High priority)

5. CONCLUSION & RECOMMENDATIONS

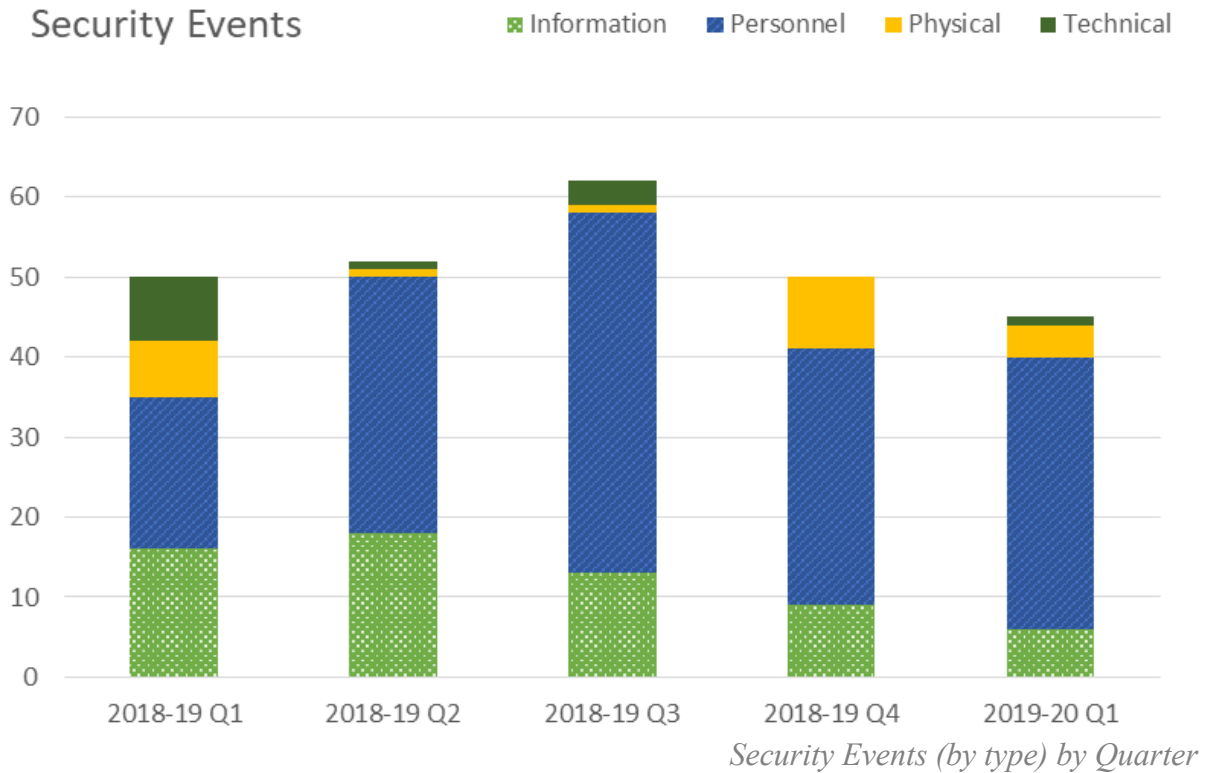
- 5.1 Based on the work completed to date in this year and knowledge from previous years, the systems in operation within Devon & Somerset Fire & Rescue Service continue to demonstrate a level of internal control.
- 5.2 Both Audit & Review and the Devon Audit Partnership would wish to use this report to thank all staff who have worked with them in delivering the audit programme and the willingness to positively engage in the audit process.
- 5.3 The progress made against the agreed Audit Plan will be reported back to this Committee at regular intervals.

PETE BOND
Director of Service Improvement

Internal Audit Planning Process



Security Events



Our security event categories are aligned to HMG Security policy framework.

Information Security events include data breaches, emails sent to incorrect recipients, or information left on printers.

Personnel Security events include people not displaying appropriate ID cards on DSFRS sites, or losing alerters, or mobile telephones.

Physical Security events involve doors or windows being left open, or physical break-ins at premises.

Technical Security events are problems relating to our technical systems for managing information.

Agenda Item 8

REPORT REFERENCE NO.	APRC/19/14
MEETING	AUDIT AND PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	19 JULY 2019
SUBJECT OF REPORT	COMPARATIVE ANALYSIS: NATIONAL INCIDENT STATISTICS, YEAR-ENDING DECEMBER 2018
LEAD OFFICER	Director of Service Improvement
RECOMMENDATIONS	<i>That the report be noted.</i>
EXECUTIVE SUMMARY	<p>The Home Office periodically reports national fire and rescue service operational activity through its publication: Fire and rescue incident statistics: England.</p> <p>The report compares the most recent national statistics (published on the 8th May 2019) covering the incidents attended from 1st January 2018 to the 31st December 2018, with the Devon & Somerset Fire & Rescue Service (DSFRS) activity for the same period.</p> <p>Understanding how DSFRS compares to the rest of the country, and other similar fire and rescue services (FRS), helps us to identify differences and leads us to ask questions to understand why we are different and how this information can help us to develop as an organisation.</p>
RESOURCE IMPLICATIONS	None
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	None
APPENDICES	A. Comparative Analysis: National Incident Statistics, Year-ending December 2018
LIST OF BACKGROUND PAPERS	<p>Fire and rescue incident statistics, England: year ending December 2018 (Home Office Publication)</p> <p>https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800492/fire-and-rescue-incident-dec18-hosb0619.pdf</p>

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DEVON &
SOMERSET
FIRE & RESCUE SERVICE

Comparative Analysis: National Incident Statistics

Year-ending December 2018

In May 2019 the Home Office published the National Fire and Rescue Incident Statistics England: Year Ending December 2018.

This document provides a comparison of the Devon & Somerset Fire & Rescue performance against the national picture.

Alice Murray – Strategic Analyst

Devon & Somerset
Fire & Rescue Service

08/07/2019

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1.0 Purpose

The Home Office periodically reports on the national picture of fire and rescue service operational activity through its publication: **Fire and rescue incident statistics: England**. This report will compare the most recently published statistics, which focus on data for the period from the 1st January 2018 to the 31st December 2018, with the Devon & Somerset Fire & Rescue Service (DSFRS) activity for the same period.

Understanding how DSFRS compares to the rest of the country, and other similar fire and rescue services (FRS), helps us to identify differences and leads us to ask questions to understand why we are different and how this information can help us to develop as an organisation.

2.0 Quick Facts

When comparing the DSFRS position against that of the national average there are a number of key points that emerge:

- 1) **DSFRS attended 17,814 incidents** within the service area during the year ending December 2018, a **five per cent decrease** when compared with the previous year (18,757). Nationally the fire service attended 576,586 incidents, a two per cent increase when compared with the previous year (565,777).
- 2) Around **42 per cent of all calls attended** in the **DSFRS area** during the year ending December 2018 were **non-fire¹ incidents** (7,548 of 17,814). Nationally the most common incident type is “Fire False Alarm” which constitutes 41 per cent of incidents (231,122 of 576,568).

However, DSFRS has seen **15 per cent decrease in non-fire incidents attended** (7,548) when compared to previous year (8,891). **Nationally there was a two per cent decrease** in non-fire incidents attended (167,620) compared to previous year (171,736).

The decrease, both nationally and within DSFRS, has been driven by a **large reduction in the number of co-responder incidents attended**. In the year-ending December 2018, **DSFRS attended 2,369** co responder incidents, a **40 per cent decrease** compared to previous year (3,953). **Nationally there was a reduction of 41 per cent**, down from 29,826 in 2017 to 17,497 in 2018.

- 3) There was a **seven per cent increase in fire incidents attended** within the DSFRS area in the year ending December 2018 (4,506) when compared to previous year (4,206). Nationally there was a **five per cent increase in fire incidents**. Data for the past five years show a slight upward trend, driven by a greater number of secondary fire incidents in 2016, 2017 and 2018.

Secondary² fires have contributed most to the rise in fires, with **DSFRS reporting a 17 per cent increase** for the period (1,821) compared to the previous year (1,555). Nationally there has been an increase in secondary fires of nearly 11 per cent.

DSFRS has also seen a rise in primary³ fires with an **increase of three per cent** compared to previous year. This is counter to the **national picture** where a **reduction of over two per cent** has been seen against previous year. However, both within DSFRS and nationally, primary fires are presenting a level trend over for the past five years of data.

¹ Non-fire incidents include any attendance to emergency incidents that were not either a fire or fire-related false alarm.

² Secondary fires are generally small outdoor fires, not involving people or property.

³ Primary fires are those that meet at least one of the following criteria – occurred in a (non-derelict) building, vehicle or outdoor structure or involved a fatality, casualty or rescue or were attended by five or more pumping appliances.

- 4) There **were 10 fire-related⁴ deaths** in the DSFRS area during the year ending December 2018, **four more than previous year (six)**. Nationally there were 261 deaths in the reporting period, 73 less than previous years (334 deaths including 71 resulting from Grenfell).

Seven of the 10 reported⁵ deaths have been confirmed as fire-related, three are still awaiting confirmation from the coroner on cause of death.

Of the seven deaths confirmed as fire-related:

- four occurred as a result of dwelling fires,
- one from a fire in a vehicle,
- one from a fire in a non-residential premises (private garage), and
- one from an outdoor fire (grassland).

Of the three deaths where cause of death is still unknown:

- two were involved in fire resulting from an RTC,
- one from a dwelling fire that was started deliberately.

- 5) There were **118 non-fatal casualties requiring hospital treatment** in the DSFRS area during the year ending December 2018, the **same as previous year**. Nationally there were 3,129 non-fatal casualties, a four per cent decrease compared to previous year (3,259).
- 6) There was a **two per cent increase in fire false alarm incidents attended** within DSFRS in the year ending December 2018 (5,760) when compared with previous year (5,660). Nationally the fire service attended 231,122 fire false alarms, an increase of just over three per cent compared to previous year (224,034).

⁴ Deaths are classed as fire-related when they would not have occurred if there had not been a fire.

⁵ Where cause of death has not been established it is reported as fire-related until notification is received from the coroner. If it is established that the cause of death was not as a direct result of the fire then the death will be removed from the statistics.

3.0 Analysis

3.1 Total incidents attended

During the year ending December 2018, **17,814 incidents were attended in the DSFRS service area**; a **decrease of five per cent** compared to the previous year (18,757). **Nationally** there has been a **two per cent increase in incidents attended** by fire and rescue services in England during the reporting period, up from 565,777 in 2017 to 576,586 in 2018.

The charts below show the number of incidents attended in the DSFRS area (figure 1) and by English fire services (figure 2) over the last nine years. In both cases the data is indicating a slight downward trend in total incidents.

Figure 1: Total incidents attended within the DSFRS service area, by year

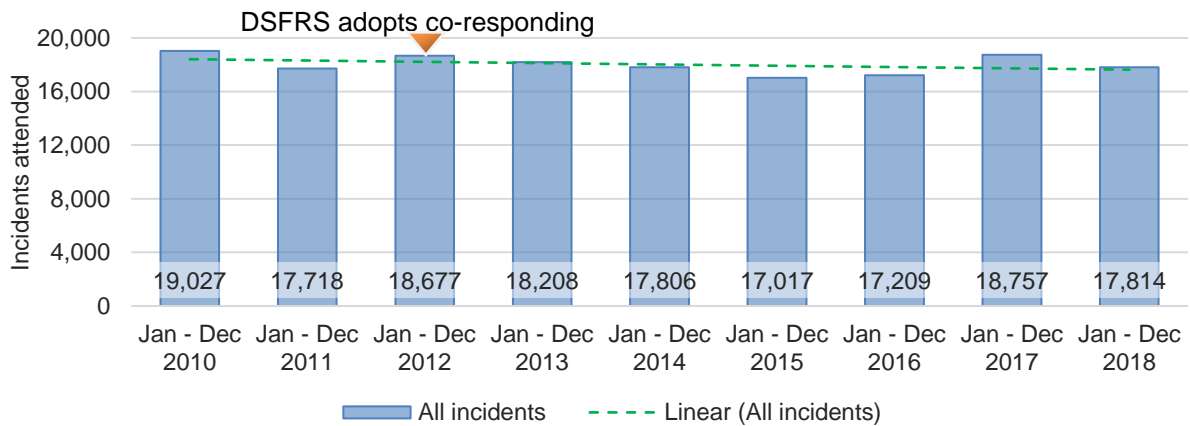
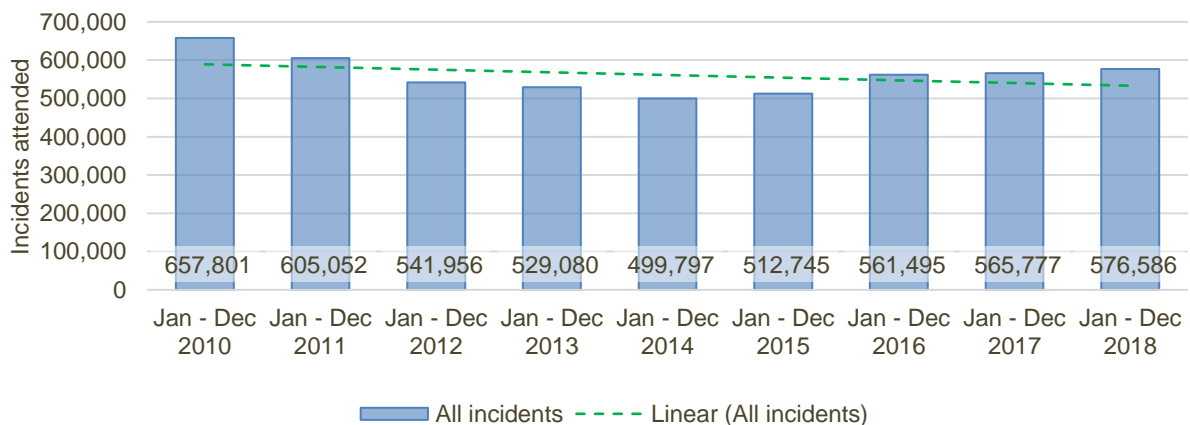


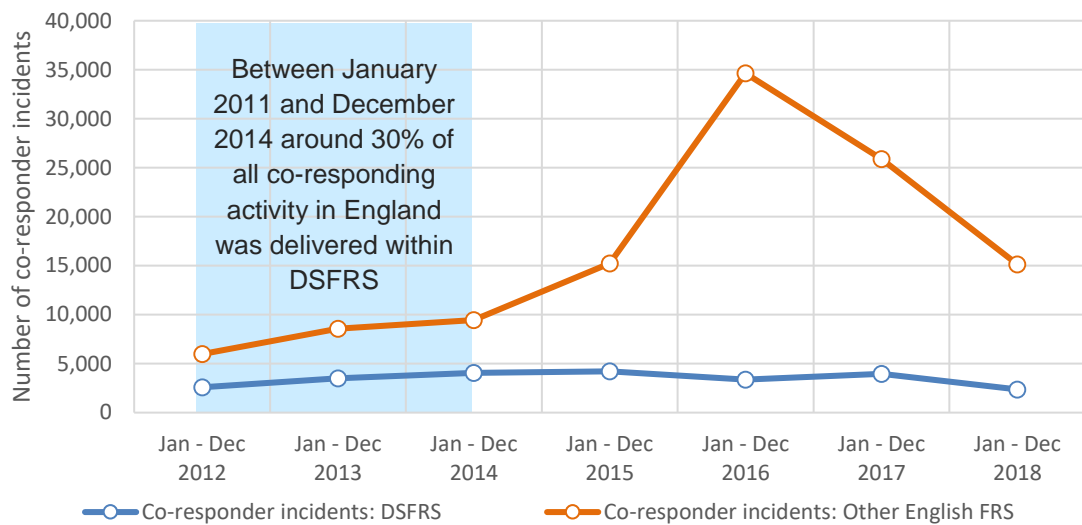
Figure 2: Total incidents attended by English FRS, by year



However, it is also evident from the charts above that the profile of DSFRS activity over the nine year period does not match that of England as a whole. This is largely due to the early adoption of co-responder activity by DSFRS.

Co-responding requires an FRS to provide first-line response on behalf of the ambulance service. It is not a statutory responsibility of fire and rescue services and therefore is not universally undertaken.

Figure 3: Co-responder incidents attended by DSFRS and other English FRS, by year



DSFRS co-responder activity has remained relatively constant, however as more services adopted co-responding activity the number of incidents attended nationally increased, peaking in the year-ending December 2016 (34,634 incidents).

Both DSFRS and England as a whole saw an increase in fires and fire false alarms during the reporting period. However, DSFRS has seen a significantly greater reduction in the proportion of non-fire incidents attended, recording a reduction of just 15 per cent against previous year.

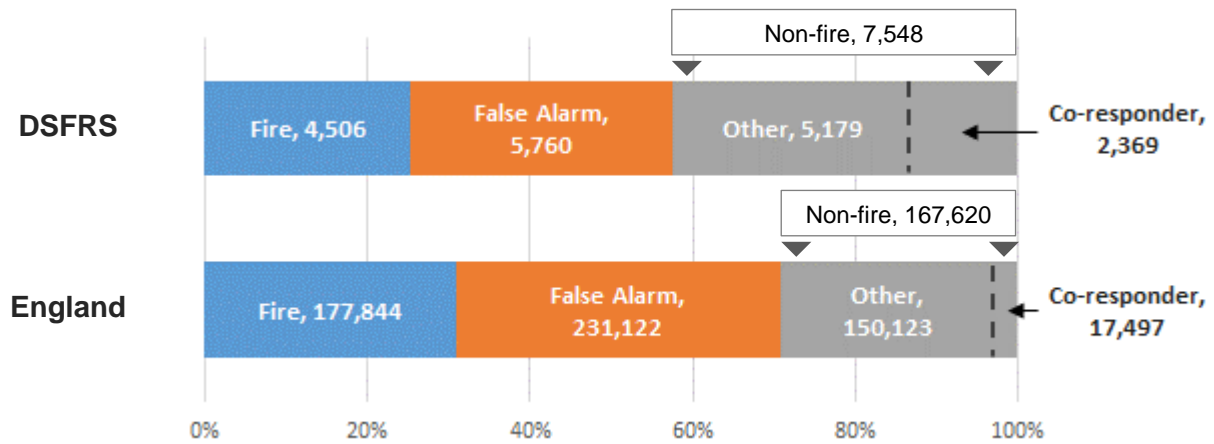
Figure 4: Incidents attended by DSFRS and English FRS by high level incident type

Incidents	England			Devon & Somerset		
	Current Jan-18 to Dec-18	Change vs previous year		Current Jan-18 to Dec-18	Change vs previous year	
Total Incidents	576,586	1.9% (565,777)	↑	17,814	-5.0% (18,757)	↓
Fires	177,844	4.6% (170,007)	↑	4,506	7.1% (4,206)	↑
Fire false alarms	231,122	3.2% (224,034)	↑	5,760	1.8% (5,660)	↑
Non-fire incidents	167,620	-2.4% (171,736)	↓	7,548	-15.1% (8,891)	↓

Around 42 per cent of all calls attended in the DSFRS area during the year ending December 2018 were non-fire⁶ incidents (7,548 of 17,814). Nationally the most common incident type is “Fire False Alarm” which constitutes 40 per cent of incidents (231,122 of 576,568).

⁶ Non-fire incidents include any attendance to emergency incidents that were not either a fire or fire-related false alarm. Examples of non-fire incidents include: Road Traffic Collisions (RTC), flooding, co-responding, gaining entry, animal rescue etc.

Figure 5: Comparison of high level incident profile, DSFRS and English FRS, Jan – Dec 2018



During the year-ending December 2018, co-responding activity comprised 31 per cent of non-fire incidents attended within the DSFRS service area.

To allow for better comparison of activity, co-responding calls can be excluded from the data. In this case, non-fire incidents contribute 33 per cent of all incidents attended in the DSFRS area, compared to 27 per cent nationally. However, the most prevalent incident type attended within DSFRS becomes fire false alarms, which contribute 37 per cent of incidents attended.

3.2 Fires incidents attended

During the year ending December 2018, 4,506 fires were attended in the DSFRS area, a seven per cent increase compared to previous year (4,206). Nationally there was a five per cent increase in fire incidents, up from 170,007 in 2017 to 177,844 in 2018.

Figure 6: Fire incidents attended by DSFRS and English FRS by high level incident type

Fires	England			Devon & Somerset		
	Current Jan-18 to Dec-18	Change vs previous year		Current Jan-18 to Dec-18	Change vs previous year	
Total fires	177,844	4.6% (170,007)	↑	4,506	7.1% (4,206)	↑
Primary	73,260	-2.2% (74,916)	↓	2,339	3.1% (2,269)	↑
Secondary	100,871	10.7% (91,159)	↑	1,821	17.1% (1,555)	↑
Chimney	3,713	-5.6% (3,932)	↓	346	-9.4% (382)	↓

Data for the past five years show a slight upward trend for fires as a whole, driven by a greater number of secondary fire incidents in 2016, 2017 and 2018.

Secondary fires have contributed most to the rise in fires, with DSFRS reporting a 17 per cent increase for the period (1,821) compared to previous year (1,555). Nationally there has been an increase in secondary fires of nearly 11 per cent, from 91,159 in 2017 to 100,871 in 2018.

DSFRS has also seen a rise in primary fires with an increase of three per cent compared to previous year. This is counter to the national picture where a reduction of over two per cent has been seen against previous year. However, both within DSFRS and nationally, primary fires are presenting a level trend over for the past five years of data.

3.2.1 Primary fires attended

As shown in figure 6, the three per cent rise in primary fires is counter to the national trend and is a result of a 20 per cent increase in primary vehicle fires (see figure 7), up from 636 in 2017 to 762 in 2018.

However, it is notable that DSFRS has seen a four per cent reduction in primary dwelling fires compared to previous year, with England as a whole seeing a slightly smaller reduction of just under two per cent.

Figure 7: Primary fire incidents attended by DSFRS and English FRS by property category

Primary fires	England			Devon & Somerset		
	Current Jan-18 to Dec-18	Change vs previous year		Current Jan-18 to Dec-18	Change vs previous year	
Total	73,260	-2.2% (74,916)	↓	2,339	3.1% (2,269)	↑
Dwelling	29,956	-1.6% (30,455)	↓	989	-4.0% (1,030)	↓
Other building	14,914	-6.2% (15,894)	↓	466	-0.9% (470)	↓
Vehicle	21,802	-5.3% (23,014)	↓	762	19.8% (636)	↑
Other outdoor	6,588	18.6% (5,553)	↑	122	-8.3% (133)	↓

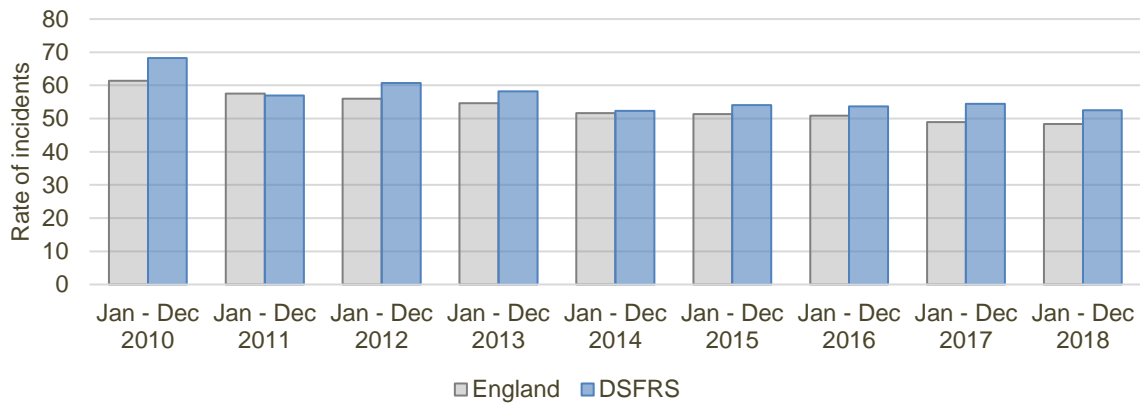
Primary dwelling fires attended

During the year-ending December 2018, 989 primary dwelling fires were attended in the DSFRS area, a reduction of four per cent when compared with previous year (1,030). There was a slightly smaller percentage decrease at a national level, with England as a whole reporting a reduction of just under two per cent, down from 30,455 in 2017 to 29,956 in 2018.

Nationally 90 per cent of dwelling fires in the year-ending December 2018 were accidental, within DSFRS the proportion was slightly higher at 92 per cent.

DSFRS also generally records a higher rate of accidental dwelling fires per head of population. In the year ending December 2018, the service recorded a rate of 52.5 dwelling fires per 100,000 population, compared to 48.4 for England as a whole.

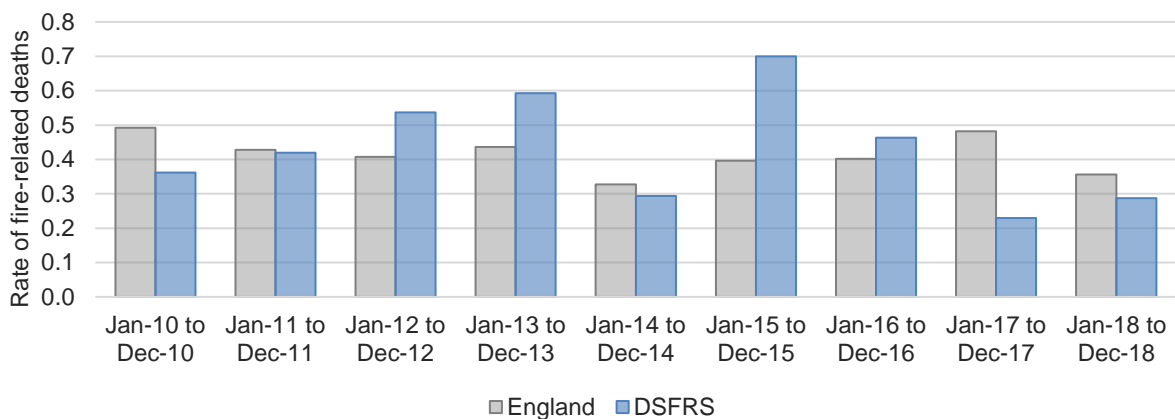
Figure 8: accidental dwelling fires attended per 100,000 population, year-ending December 2018



This may be due to demographic factors present within the communities served by DSFRS. Old age and living alone are key factors that raise the likelihood of both having a fire in the home and dying from fire in the home.

During the reporting period DSFRS recorded a total of five fire-related deaths resulting from dwelling fires, 0.29 deaths per 100,000 population. A slightly lower rate than that seen nationally of 0.36 deaths per 100,000 population.

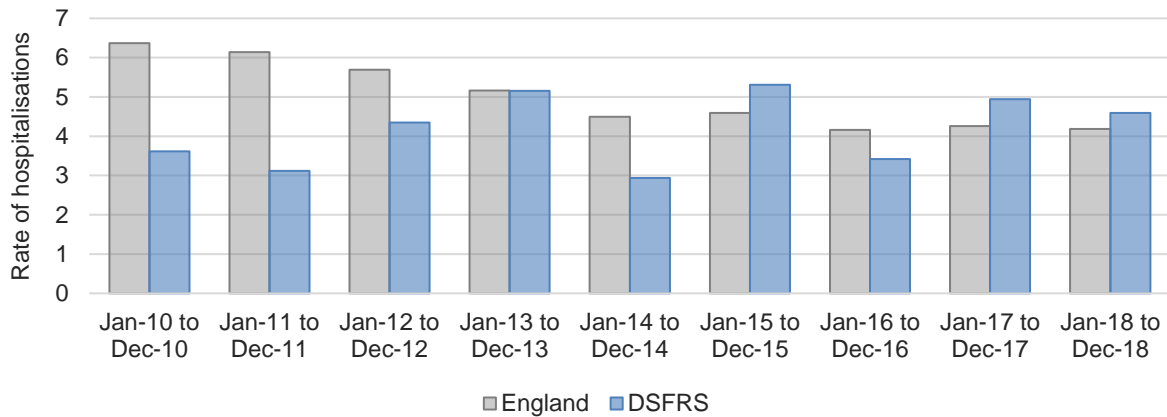
Figure 9: Dwelling fire deaths⁷ per 100,000 population, DSFRS and English FRS



Conversely, DSFRS has recorded a slightly higher rate of injuries requiring hospital admittance resulting from dwelling fires than the average for England. The increase seen in the DSFRS data is partly due to extensive quality assurance processes implemented during 2015 which have resulted in more injuries being captured within the recording system.

⁷ Deaths are only reported if the cause is deemed to be as a direct result of the fire, i.e. if there hadn't been a fire the victim would not have died, this includes deaths from falls, falling debris etc.

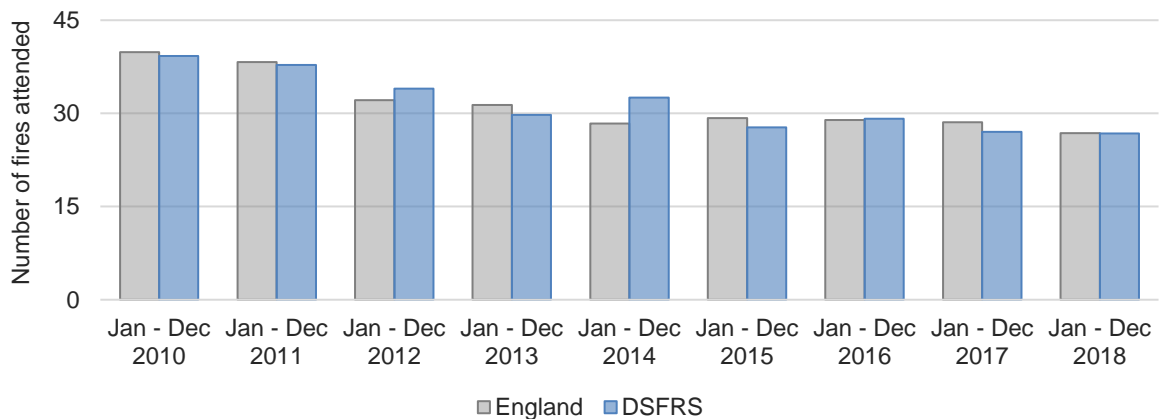
Figure 10: Dwelling fires injuries⁸ requiring hospitalisation per 100,000 population, DSFRS and English FRS



Primary fires attended in buildings other than dwellings

During the year-ending December 2018, 466 primary fires in buildings other than dwellings were attended in the DSFRS area, a reduction of just under one per cent compared to previous year (470). Nationally there was a reduction of just over six per cent, down from 15,894 in 2017 to 14,894 in 2018.

Figure 11: Number of fires in buildings other than dwellings per 10,000 rateable premises



Over the past five years there has been a downward trend in fires attended in buildings other than dwellings, both within DSFRS and nationally.

There has been one death resulting from a fire in a building of this type. The fire involved a privately owned garage and started accidentally.

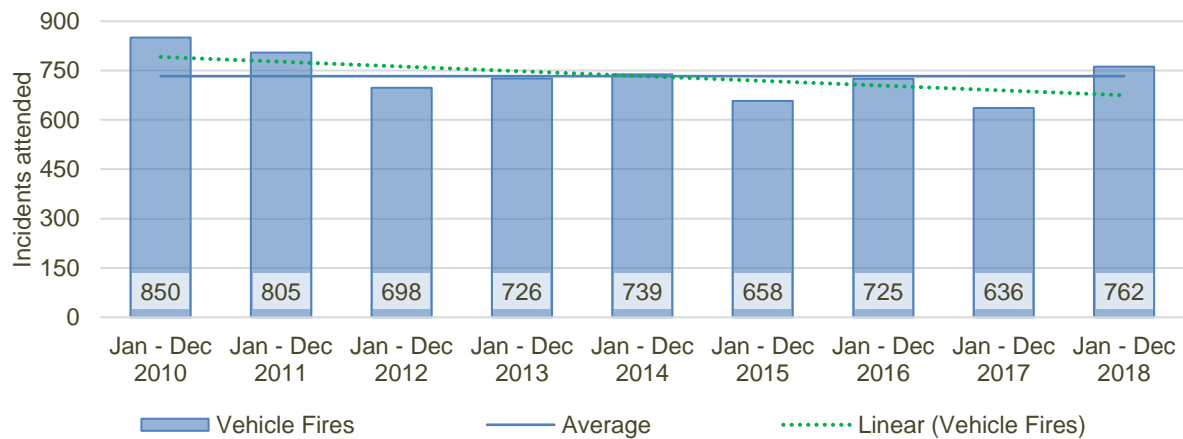
⁸ Non-fatal casualty data includes any injury recorded at a fire, irrespective of whether it was directly as a result of the fire itself.

Primary vehicle fires attended

The year-ending December 2018 saw the highest number of primary vehicle fires since 2012, this was only slightly above the average⁹ for the period.

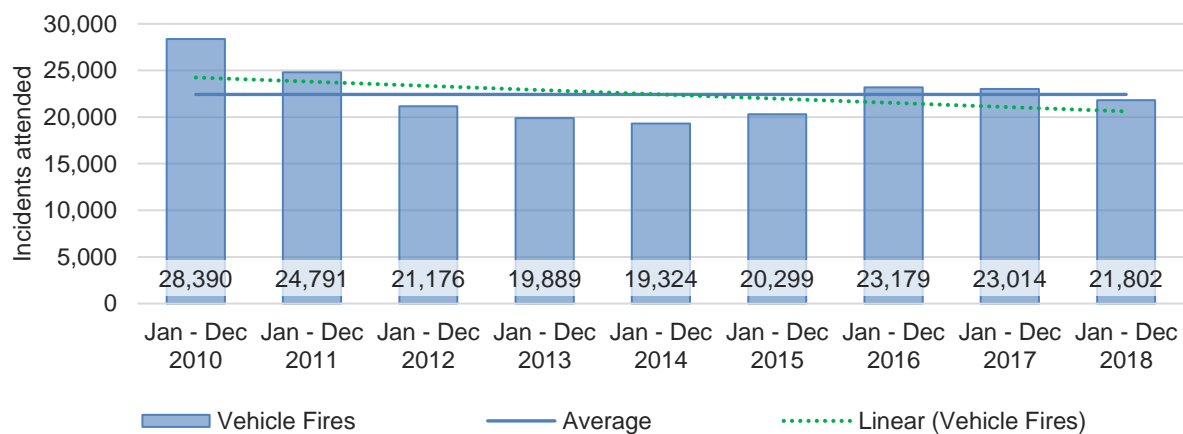
Conversely, 2017 saw the lowest number of fires in the period (636), contributing to the high percentage change in 2018 (20%).

Figure 12: Primary vehicle fires attended within the DSFRS service area, by year



The national data does not follow the same pattern, with 2017 seeing a slightly above average number of primary vehicle fires, see figure 13.

Figure 13: Primary vehicle fires attended by English FRS, by year



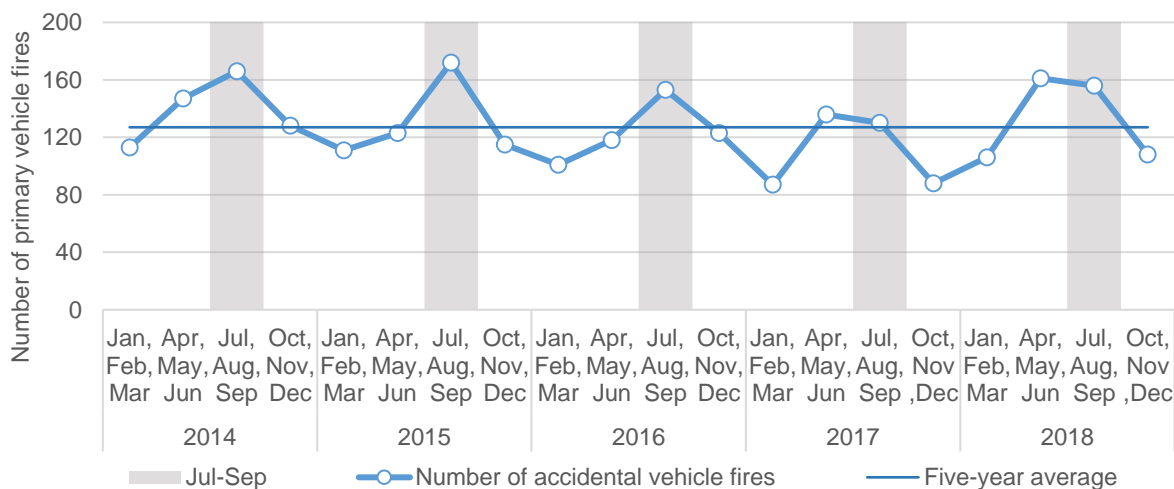
Both DSFRS and England as a whole are showing a downward trend in primary vehicle fires for the nine-year period. This is a result of a very high number of fires being recorded in 2010.

⁹ Average based upon the mean for the nine-year period.

On average, within DSFRS, 70 per cent of primary vehicle fires start accidentally, nationally the figure is just under 53 per cent. When considering these incidents, seasonality becomes a factor, with significantly higher numbers recorded during the summer months.

Between January 2014 and December 2018, the average number of accidental primary vehicle fires in DSFRS for the quarter covering July, August and September was 155, 22 per cent above the annual average of 127.

Figure 14: Primary vehicle fires attended by English FRS, by year and quarter



The increase in accidental primary vehicle fires during the summer months is likely to be related to the increase in miles driven during these periods. Data from the Department for Transport¹⁰ shows that drivers cover an average of four per cent more miles during the July, August and September compared to the annual average.

The influx of tourists into the region during the summer months will inevitably mean that the proportional increase in miles travelled will be significantly higher in the South West than the national average.

Three of the 10 reported fire deaths resulted from two separate vehicle fires, one of the deaths (vehicle type: tractor) has been confirmed as fire-related, two are awaiting confirmation on cause of death from the coroner (vehicle type: car, fire started following RTC).

Primary outdoor fires attended

During the year-ending December 2018, 122 primary outdoor fires were attended in the DSFRS area, a reduction of eight per cent when compared with previous year (133). Nationally, English FRS as a whole reported an increase of just under 19 per cent, up from 5,553 in 2017 to 6,588 in 2018.

¹⁰ [Traffic - www.gov.uk/government/organisations/department-for-transport/series/road-traffic-statistics](http://www.gov.uk/government/organisations/department-for-transport/series/road-traffic-statistics) - Table TRA2501e: road traffic (vehicle miles) by vehicle type in Great Britain, quarterly from 1994

One of the 10 fire deaths resulted from an outdoor fire, where a bonfire became out of control catching fire to surrounding vegetation. The death was confirmed as fire-related by the coroner.

3.2.2 Secondary fires attended

During the year-ending December 2018 there was a significant increase in secondary fires, both within DSFRS (from 1,555 in 2017 to 1,821 in 2018) and nationally (from 91,159 in 2017 to 100,971 in 2018).

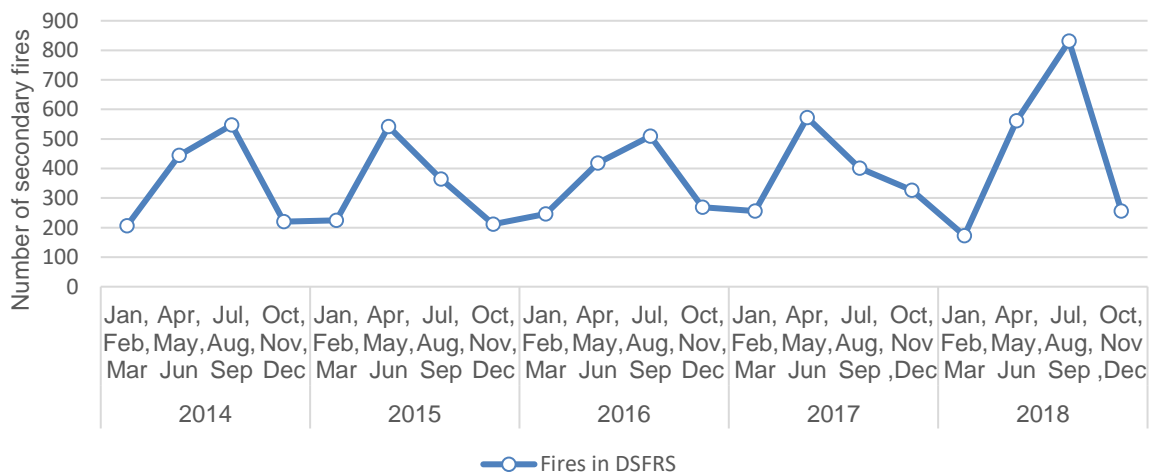
Figure 15: Secondary fires attended by DSFRS and English FRS and motive

Secondary	England			Devon & Somerset		
	Current Jan-18 to Dec-18	Change vs previous year		Current Jan-18 to Dec-18	Change vs previous year	
Total secondary	100,871	10.7% (91,159)	↑	1,821	17.1% (1,555)	↑
Accidental	41,064	35.3% (30,351)	↑	773	58.1% (489)	↑
Deliberate	59,807	-1.6% (60,808)	↓	1,048	-1.7% (1,066)	↓

The change is due to an exceptional rise in accidental fires and is a result of the particularly hot, dry summer experienced in 2018.

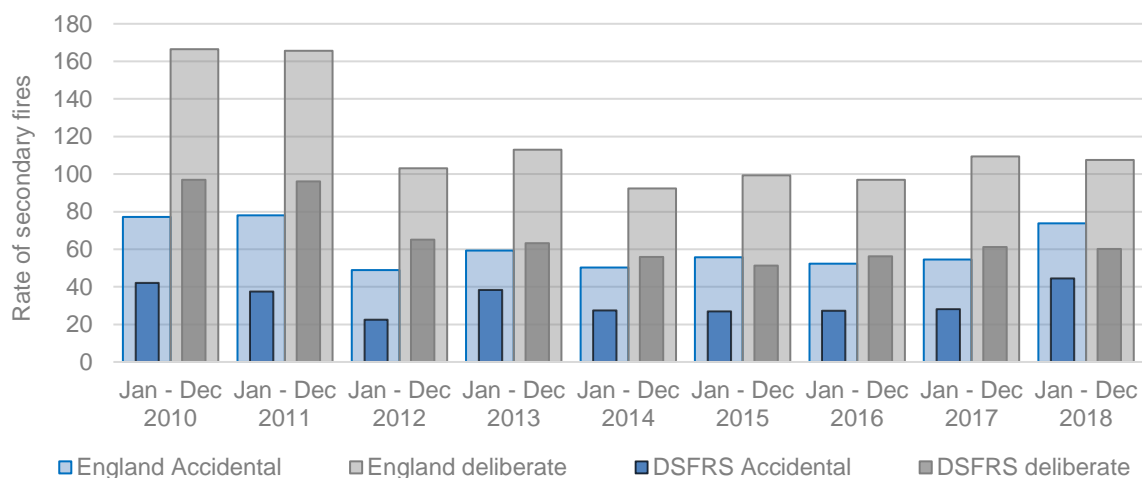
As can be seen in Figure 16, the number of secondary fires fluctuates seasonally with greater numbers recorded within the warmer, drier periods of the year.

Figure 16: Secondary fires attended within DSFRS by time of year



While DSFRS has seen a greater increase in fires of this type, it still sees a much lower rate of fires per head of population than that of England as a whole.

Figure 17: Secondary fires attended per 100,000 population, by DSFRS and English FRS and motive



3.3 Non-fires incidents attended

During the year ending December 2018, 7,548 non-fire incidents were attended in the DSFRS area, a 15 per cent decrease compared to previous year (8,981). Nationally there was a two per cent increase in non-fire incidents, down from 171,736 in 2017 to 167,620 in 2018.

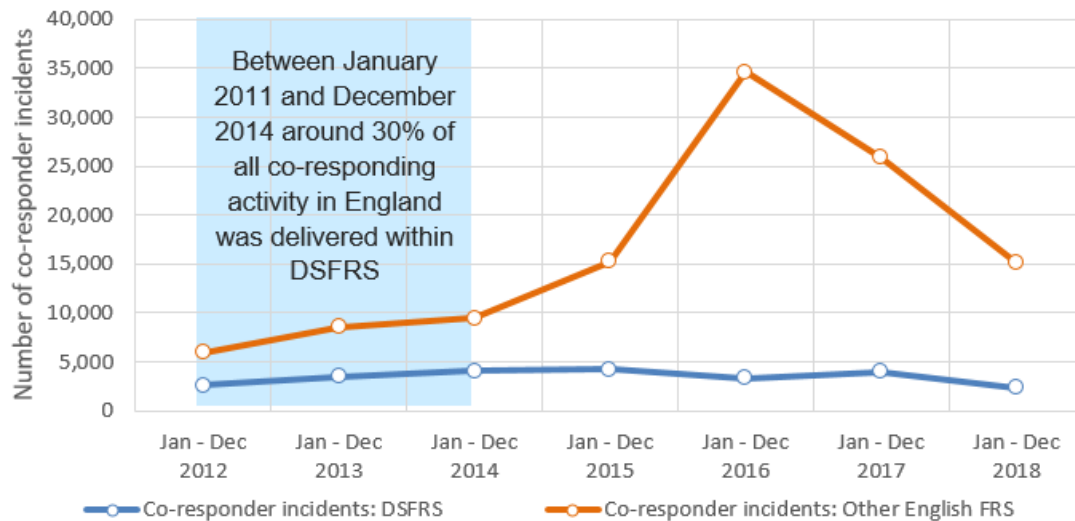
Within DSFRS 99 per cent of non-fire incidents are special service calls, with one per cent being non-fire false alarms. Figure 18 shows the breakdown of these incidents, excluding false alarms.

Figure 18: Non-fire incidents attended excluding false alarms, high level incident type, DSFRS and English FRS

Non-fire incidents	England			Devon & Somerset		
	Current Jan-18 to Dec-18	Change vs previous year		Current Jan-18 to Dec-18	Change vs previous year	
Total non-fires	160,446	-2.8% (165,101)	↓	7,435	-15.6% (8,808)	↓
RTC	30,872	3.8% (29,744)	↑	930	-6.2% (991)	↓
Co-responder	17,497	-41.3% (29,826)	↓	2,369	-40.1% (3,953)	↓
Effecting entry	24,876	6.8% (23,291)	↑	1,177	1.5% (1,160)	↑
Other	87,201	6.0% (82,240)	↑	2,959	9.4% (2,704)	↑

The greatest contributory factor in the reduction of non-fire incidents both within DSFRS and nationally is within co-responder incidents, which have decreased by over 40 per cent in both cases.

Figure 19: Co-responder incidents attended by DSFRS and other English FRS, by year



Levels of co-responder activity are largely dependent on mobilisation policies and agreements between the fire service and ambulance service. DSFRS now only attends the most life-threatening incidents, where speed of response is critical to giving the patient the best chance of survival. Previously the service has attended other, less high priority calls, which is likely to have contributed to the decrease in activity.

DSFRS has seen a reduction in RTCs attend of six per cent, down from 991 in 2017 to 930 in 2018. This is counter to the national trend which has seen an increase of eight per cent compared to previous year.

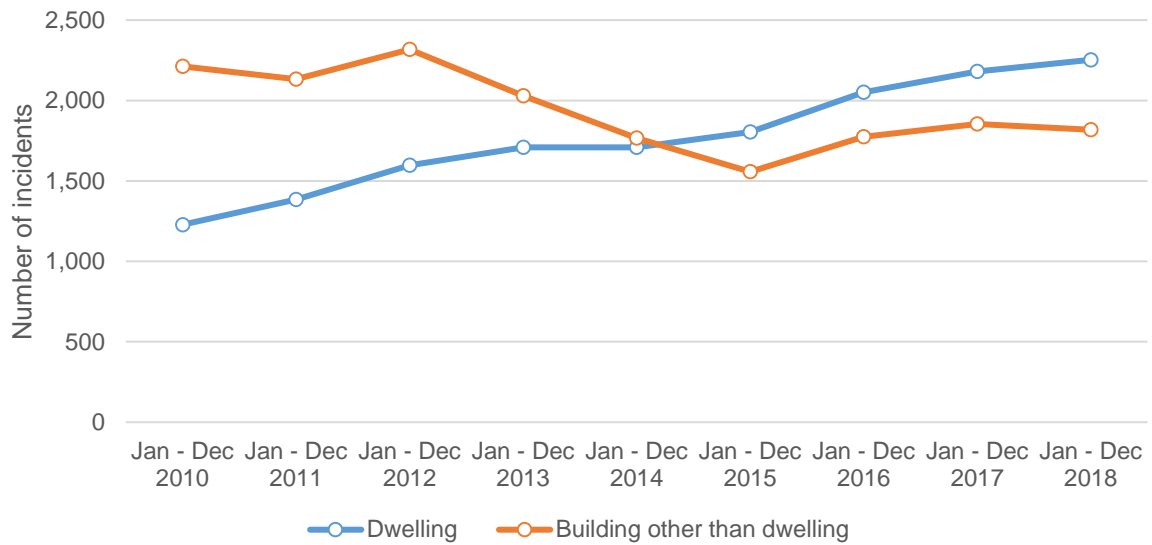
3.4 Fire false alarms

There was a two per cent increase in fire false alarm incidents attended within DSFRS in the year ending December 2018 (5,760) when compared with previous year (5,660). Nationally the fire service attended 231,122 fire false alarms, an increase of just over three per cent compared to previous year (224,034).

The data for the past five years is indicating an upward trend in fire false alarms, both within DSFRS and nationally. Over the past four years, there has been a year-on-year increase in fire false alarms due to apparatus.

Prior to 2014, the predominant property type responsible for this type of false alarm were buildings other than dwellings, however, from 2014 onwards the balance has changed with more fire false alarms due to apparatus attended within dwellings (see figure 20).

Figure 20: fire false alarms due to apparatus, by high level property type, DSFRS and English FRS



During the year-ending December 2018, DSFRS attended 5,760 fire false alarm incidents, constituting 33 per cent of incidents within DSFRS. Nationally, 40 per cent of incidents attended are fire false alarms.

To allow for better comparison of activity, co-responding calls can be excluded from the data. In this case, the proportion of false alarm incidents attended within DSFRS rises to 37 per cent and nationally to 41 per cent.

Agenda Item 9

REPORT REFERENCE NO.	APRC/19/15
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	19 JULY 2019
SUBJECT OF REPORT	LOCAL PENSIONS BOARD ANNUAL REPORT 2018-19
LEAD OFFICER	Director of Corporate Services
RECOMMENDATIONS	<i>That the Local Pensions Board Annual Report 2018-19, as appended to this report, be endorsed.</i>
EXECUTIVE SUMMARY	<p>The Local Pensions Board was established by the Devon & Somerset Fire & Rescue Authority in 2015 in compliance with the requirements of the Firefighters' Pension Scheme (Amendment)(Governance) Regulations. The role of the Board is to assist the Authority (as Scheme Manager) in ensuring the effective and efficient governance and administration of firefighters' pensions schemes. The Board is not, however, a decision making body. Day-to-day management and administration of the firefighters' pensions schemes functions are delegated to the Human Resources Manager (or equivalent post-holder).</p> <p>Nationally, a Scheme Advisory Board (SAB) exists to advise the Secretary of State on potential changes to the firefighters pensions schemes and advise scheme administrators and local pensions boards on the effective and efficient administration of the schemes. The SAB advocates that, as a matter of good practice and assurance, Local Pensions Boards should produce an Annual Report on their activities for consideration by their respective scheme managers. The Authority has delegated responsibility for this to this Committee.</p> <p>The Local Pension Board annual report for 2018-19 is now attached for consideration.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Local Pensions Board Annual Report 2018-19
LIST OF BACKGROUND PAPERS	Report DSFRA/15/5 (Establishment of Local Pensions Board for Firefighters' Pensions Scheme) to the Authority Budget Meeting on 20 February 2015 (and the Minutes of that meeting).

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Devon and Somerset Fire and Rescue Authority

Local Pension Board Annual Report 2018-19

1. Introduction

- 1.1. The purpose of this Annual Report is to provide information about the status of the Devon and Somerset Fire and Rescue Authority Local Pension Board for Scheme Members (employees and pensioners) and for the Scheme Manager (the Authority) together with a summary of issues considered in the relevant period (1 April 2018 – 31 March 2019).
- 1.2. In accordance with Section 5 and s.30 (1) of the Public Service Pensions Act 2013 and Regulation 4A of the Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015, the Devon and Somerset Fire and Rescue Authority Local Pension Board was established in February 2015 to provide advice on the effective and efficient administration and management of the various firefighter pension schemes.
- 1.3. The Report includes commentary on the following:
 - A summary of the work undertaken by the Local Pension Board during 2018-19
 - Detail of areas investigated and how these areas were dealt with
 - Any conflicts of interest and how these were managed
 - Any identified risks and other areas of potential concern
 - Any expenses and costs incurred by the Board
 - Gifts and hospitality received by members of the Board
 - Training for Board members

2. Membership and meetings of the Local Pension Board

- 2.1. During 2018-19, the Local Pension Board comprised of six members as follows:

Scheme Manager Representatives:

- Mike Pearson - Chair (Director of Corporate Services)
- Amy Webb (Director of Finance)
- Councillor George Wheeler

Scheme Member Representatives:

- Bob Walker
- Andy Hallam
- Peter Redbourn

2.2. In addition to the above, the following officers support the Board and regularly attend Board meetings:

- Steve Pope (HR Manager and Delegated Scheme Manager)
- Steve Yates (Democratic Services Manager)
- Hannah Singleton (Executive Support Assistant)

2.3. In accordance with the Terms of Reference, the Board was due to meet on four occasions during 2018-19 but two meetings (July and October 2018) had to be cancelled because the quorum could not be met. To resolve the difficulties in meeting the quorum, at its meeting on 15 February 2019 the Board agreed to recommend that the Authority increase the membership of the Board from six to eight and to amend the quorum to 50% to include at least one Scheme Manager and one Scheme Member representative. The Authority agreed to these changes at its meeting on 7 June 2019.

3. Work undertaken by the Local Pension Board

3.1. The Terms of Reference of the Board were updated in April 2018 to reflect the change of the pension administrator to West Yorkshire Pension Fund and to include the new Service Core Values.

3.2. In addition, during 2018-19 the following matters were undertaken/considered:

- Review of actions log
- Reviewed and updated the self-assessment using the Pension Regulator tool in April, August and October 2018
- Completed the Pension Regulator Public Service Governance Survey
- Completed LGA Pension Survey
- LGA/Scheme Advisory Board report on Local Pension Board Effectiveness
- Attendance at the Local Government Association (LGA) Fire Pensions Annual Conference
- Individual training using the Pension Regulator e-learning modules
- Reviewed potential breaches to report/record where necessary
- Held a workshop to review development of a risk register
- Received regular updates from the Scheme Manager, Scheme Administrator and the Scheme Advisory Board
- An Internal Audit report on the Board's governance arrangements
- LPB Annual Report for 2017-18

4. Identified risks and Board actions

Risks and issues are categorised as follows:

	Action Status
	Not yet started
	In progress
	Complete

Date	Risk/Issue	Agreed Action	Status
24/01/18	Pension Board members' knowledge/understanding.	All Board members to complete the Pension Regulator's e-learning modules	
24/01/18	Risk register and procedure for assessing and managing risks	Implement risk processes and risk register	
24/01/18	Production of Voluntary Scheme Pays Policy	Policy to be produced	
24/01/18	GDPR compliance	Assurance on GDPR compliance to be provided	
09/05/18	TPR Self-assessment	LPB members to review and refresh self-assessment	
09/05/18	Assurance on Board's governance arrangements	Internal Audit report to be completed	
09/11/18	LPB work is not programmed	Production of outline forward programme of work for Board's consideration	
15/02/19	Breach of the law regarding provision of annual benefit statements.	Breach recorded and reported to the Pensions Regulator	
15/02/19	Development of key performance indicators	KPIs to reflect contract for pension administration and best practice to be developed and reported to Board	
15/02/19	Cancellation of Board meetings because inquorate	Authority recommended to increase size of Board and amend quorum	
18/02/19	Opportunity to make work of Board more visible	Board agenda, papers and minutes to be published via Modern Gov	
18/02/19	Insufficient cover and contingency arrangements for scheme manager	Scheme manager to develop proposals for greater resilience in pensions management	

5. Devon and Somerset Fire and Rescue Service Website

- 5.1. Further information regarding the Local Pension Board can be found on the Service website:

<http://www.dsfire.gov.uk/AboutUs/Pensions/index.cfm?siteCategoryId=2&T1ID=193>

6. Conflicts of Interest

- 6.1. Members of the Local Pension Board are required to declare any personal, prejudicial, or conflicts of interest. Board members are asked at each meeting to declare any conflicts that may have arisen.
- 6.2. There have been no declarations made by any Board members, advisor or attendee at any meeting of the Board during the relevant period.

7. Expenses and Costs

- 7.1. Members of the Board, together with the Head of Human Resources (as day-to-day scheme manager) and a representative from the Service finance department attended the Local Government Association Fire Pensions Annual Conference in September 2018. There was no cost associated with this conference other than travel and accommodation which amounted to £1,107.30.
- 7.2. One Board member has been appointed to the Scheme Advisory Board Administration and Benchmarking Committee. The remit of the Committee is to provide guidance to the Scheme Advisory Board to assist understanding of the value and cost of appropriate administration for firefighters pensions schemes. The Committee considers how administrators can best be supported, centrally, by identifying and sharing best practice. The Board Member attended one meeting in London last year, incurring travel costs of £144.09.
- 7.3. Local Pension Board events in 2018-19 incurred, therefore, expenses and costs totalling £1,251.39.

8. Gifts and Hospitality

- 8.1. No declarations of gifts or hospitality were made by members of the Board during the relevant period.

9. Training

- 9.1. Board members have completed, or are in the process of completing, e-learning modules on the Pension Regulator's website. Details of each Board member training is published on the Service website.

10. Legislative and advisory updates

10.1. In accordance with statutory requirements, members of the Board have been provided with regular legislative updates together with updates from the Pension Regulator and the Scheme Advisory Board. The following have been provided during 2018-19:

- advice on GDPR compliance;
- information on changes to the Annual Benefit Statement;
- information on the management of risk and controls;
- information on managing conflicts of interest;
- information on the Firefighters Pension Scheme 2006 special member tax relief claims;
- Firefighters Pensions Schemes Valuations 2016; and
- Firefighters Pensions Schemes Bulletins No. 7 to 18 inclusive, setting out updates and news on a range of issues relating to Firefighters Pensions Schemes.

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