



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)**

Monday 7 September 2020

A meeting of the Audit & Performance Review Committee will be held on the above date, **commencing at 2.00 pm by Video Conference via Cisco Webex** to consider the following matters.

M. Pearson
Clerk to the Authority

PLEASE NOTE: This meeting will be livestreamed on the Devon & Somerset Fire & Rescue Service YouTube channel. This can be accessed by following the link below and then clicking on the Videos and Livestream buttons:

<https://www.youtube.com/dsfireupdates>

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 - 6)

of the previous meeting held on 4 March 2020 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 Financial Statements 2019-20

a Audit Findings for the Devon & Somerset Fire & Rescue Authority 2019-20 (Pages 7 - 36)

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 2020. This document is attached.

b Statement of Accounts 2019-20 (Pages 37 - 98)

Report of the Treasurer (APRC/20/8) attached.

c 2019-20 Letter of Representation (Pages 99 - 102)

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

5 2019-20 Statement of Assurance (Pages 103 - 136)

Report of the Director of Governance & Digital Services (APRC/20/9) attached.

6 Going Concern Review (Pages 137 - 144)

Report of the Treasurer (APRC/20/10) attached.

7 Audit & Review 2020-21 Progress Report (Pages 145 - 148)

Report of the Director of Governance & Digital Services (APRC/20/11) attached.

8 Local Pension Board Annual Report 2019-20 (Pages 149 - 156)

Report of the Director of Governance & Digital Services (APRC/20/12) attached.

9 Acquisition of Communications Data (Authority Policy on The Regulation of Investigatory Powers Act (Pages 157 - 158)

Report of the Director of Governance & Digital Services (APRC/20/13) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Healey MBE (Chair), Brazil, Buchan, Clayton, Napper, Prowse (Vice-Chair) and Saywell

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>Recording of Meetings</u> Given the social distancing measures introduced in response to the Covid-19 pandemic, Authority meetings will be held virtually and livestreamed on the Devon & Somerset Fire & Rescue Service YouTube channel. The meetings may also be recorded for subsequent viewing on the YouTube Channel. Any such recording does not constitute the official, Authority record of the meeting.
4.	<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.
5.	<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.
6.	<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.
7.	<u>Other Attendance at Committees (Standing Order 38)</u> Any Authority Member wishing to attend a meeting of a Committee of which they are not a Member should contact the Democratic Services Officer (see “please ask for” on the front page of this agenda) in advance of the meeting to obtain details of the Webex meeting invitation.

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AUDIT & PERFORMANCE REVIEW COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

4 March 2020

Present:

Councillors Coles (vice Clayton), Peart (vice Napper), Randall Johnson (vice Prowse), Saywell, Way, and Wheeler

Apologies:

Councillors Clayton, Healey MBE (Chair) and Prowse.

In attendance:

Mr Ami Sidhu – Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services Service Liaison Lead

Mr Barrie Morriss – Grant Thornton (external audit)

* **APRC/13** **Election of Chair**

RESOLVED that, in the absence of both the Chair and the Vice Chair, Councillor Wheeler be elected Chair for this meeting.

* **APRC/14** **Minutes**

RESOLVED that the Minutes of the meeting held on 13 November 2019 be signed as a correct record.

* **APRC/15** **External Audit Progress Report and Sector Update**

The Committee received, for information, an external audit progress report and sector update from Grant Thornton (the Authority’s external auditor) covering, amongst other areas:

- A summary of emerging national issues and developments relevant to the fire & rescue service;
- An update on progress made up to February 2020 including, amongst others:
 - The completion of the financial statements audit by 31 July 2020 and value for money assessment;
 - The 2019-20 audit deliverables;
 - The audit scope and additional work required in 2019/20.

Reference was made to Appendix A of the report that set out details of the audit scope and additional work required in 2019/20. The letter set out details of the increase in fees for the 2019-20 audit of £5250 for additional work to be undertaken on top of the scale fee of £26041 together with the reasons behind this. The impact on timescale for this additional work meant that the audit would be delivered by 30 September 2020 now.

Concern was expressed in terms of the increase in fees and the quality of work that could be delivered as a result and whether this matter needed to be raised with the body responsible for Public Sector Audit Appointments (PSAA). The Treasurer responded that the mechanism for audit fees put into place by the PSAA may not be working as well as intended. She added that she was comfortable with the increase in fees proposed for this Authority given its size and the need for the auditors to deliver the quality of audit required.

NB. Minute APRC/16 below also refers.

* **APRC/16**

External Audit Plan

The Committee received for information an external audit plan for the year ending 31 March 2020 from the Authority's auditors, Grant Thornton. The Plan provided the scope and timings for the statutory audit of Devon & Somerset Fire & Rescue Authority's financial statements. It also identified, amongst others, areas of significant risks for the Service, issues of materiality and details of Value for Money arrangements.

The Committee noted that, for the audit, Grant Thornton would be focussing on five significant risks as identified within the report which were:

- The revenue cycle including fraudulent transactions (rebutted);
- Management override of controls;
- The valuation of land and buildings;
- The valuation of pension fund net liability; and
- International Financial Reporting Standard (IFRS) 16 – Leases (issued but not adopted).

Attention was also drawn to the Value for Money arrangements and a significant risk identified which was Medium Term Financial Planning.

Reference was made to the materiality level which had been set at £1.56m (2% of gross expenditure) which reflected the auditor's good experience of working with this Authority and the robust accounts that it prepared. In respect of IFRS 16 on leases, it was noted that this now had to be brought onto the Balance Sheet for public authorities which was one of the most significant accounting developments in many years. The Treasurer confirmed that work was already in hand within the Service on this matter.

The report also set out the level of proposed audit fees for the 2019-20 audit of financial statements.

NB. Minute APRC/2015 above also refers.

* **APRC/17**

Group Accounts for Devon & Somerset Fire & Rescue Authority & Red One Ltd.

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (APRC/20/1) that set out the position in respect of the provision of group accounts for the Authority's trading company, Red One Limited.

Under the Chartered Institute for Public Financial Accountants Code of Practice, the Authority was able to take a view on materiality when presenting group accounts. Following discussion with the external auditor, Grant Thornton, it was the Treasurer's view that the activities of Red One Limited were not material to the Authority's Statement of Accounts and therefore, it was recommended that the accounts were not consolidated.

RESOLVED that the accounts of Red One Limited be not consolidated into group accounts for the 2019/20 financial year.

NB. Councillor Saywell declared a personal interest in this matter by virtue of being an Authority appointed Non-Executive Director on the Board of Red One Limited. Councillor Saywell neither spoke nor voted on this item.

* **APRC/18** **Audit & Review 2019-20 Progress Report**

The Committee received for information a report of the Director of Governance & Digital Services (APRC/20/2) that set out the progress made to date by the Service against the approved 2019-20 Internal Audit Plan and which also provided an update on any additional reviews undertaken.

Reference was made to the audits of the Service's Digital Transformation Project and Key Financial Systems, both of which had achieved a good standard in their final reports.

* **APRC/19** **2020-21 Internal Audit Plan**

The Committee considered a report of the Director of Service Improvement (APRC/20/3) identifying the proposed Internal Audit Plan for 2020-21. The Plan was divided into audits to be undertaken on an annual cycle. The types of reviews to be undertaken included:

- Strategic (annual Statement of Assurance and HMICFRS);
- Compliance (such as key financial systems);
- audit health checks (such as IT and ISO27001 alignment); and
- internal audit (on a risk based approach).

Other continuous improvement and assurance activity would also be undertaken during the year. The Plan would be delivered by in-house internal audit staff and the Devon Audit Partnership.

RESOLVED that the 2020-21 Internal Audit Plan as appended to report APRC/20/3 be approved.

* **APRC/20** **2019-20 Draft Annual Statement of Assurance**

The Committee considered a report of the Director of Service Improvement (APRC/20/4) to which was appended the draft Annual Statement of Assurance for 2019-20. 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 that the draft Annual Statement of Assurance 2019-20 as appended to report DSFRA/20/4 be approved in principle at this stage.

* **APRC/21 Her Majesty's Inspectorate of Constabulary & Fire & Rescue Services inspection - Progress Update**

The Committee received for information a report of the Director of Governance & Digital Services (APRC/20/5) together with a presentation (given at the meeting) setting out some areas of improvement and good practice for the Service highlighted within the recent inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

The presentation covered the following points:-

- The Inspection took place in July 2019 following which the Service was provided with a "hot debrief" setting out a summary of the key themes to be included in the full report;
- Improvements were recommended on firefighter fitness, the Safer Together Programme, people development and areas such as health and safety although actions had already been taken to improve against each of these by the time the full report was published in December 2020;
- The assurance around arrangements for firefighter fitness was resolved promptly, and this was reported back to HMICFRS ahead of schedule;
- Some recommendations were being handled within larger projects, such as the Safer Together programme or the People Development Project;
- Action had already been taken to improve against every recommendation;
- Where detailed action plans did not yet exist, work was underway/scheduled to enable production of these (e.g. workshops to gain feedback, or investigations to determine depth of issues);

The Service's Liaison Lead for HMICFRS, Mr Ami Sidhu, was present at the meeting to observe. In response to a question in respect of how HMICFRS perceived the Service was progressing towards implementation of the improvements identified, he responded that this was encouraging particularly in respect of fitness testing. The inspectorate was looking to see this completely embedded within the Service and meetings would be held to confirm this in due course. He advised that the next full inspection was confirmed for July 2021.

The Director of Finance & Resourcing (Treasurer) assured the Committee that the Service had now updated its governance around fitness testing. All operationally active staff had been tested for fitness to the standard recommended by the National Fire Chiefs Council (NFCC) which was 42 VO₂ max (cardio fitness) and it was recording the results of all testing. The Service had also expanded the options available on fitness testing to ensure that staff could reach the required standard. The Chief Fire Officer added that the Service had moved to annual fitness testing and he felt the organisation had discharged this point now.

The Committee enquired as to the timescale required by HMICFRS in respect of the improvements required. Mr Sidhu responded that the next inspection was scheduled for July 2021 and that the judgement criteria to be applied was already available. He added that HMICFRS was striving to achieve continuous improvements for the public. The Audit Manager added that he would ensure that the judgement criteria for the next inspection would be circulated to the Committee separately for information.

* **APRC/22** **Corporate Performance Measures - Review**

The Committee considered a joint report of the Director of Governance & Digital Services and Director of Service Improvement (APRC/20/6) that set out a proposal to establish a working group in accordance with Standing Order 31 to consider the existing performance measures and to develop any new corporate measures required as agreed by the Fire & Rescue Authority at its meeting on 10 January 2020.

RESOLVED

- (a) that a Working Group consisting of five member of the Audit and Performance Review (APR) Committee be established in accordance with Standing Order 31; and
- (b) That Councillors Saywell, Way and Wheeler be appointed to the Working Group and that Councillor Buchan also be invited to join, the remaining vacancy to be filled by the Clerk via an email to absent APR Committee members.

* **APRC/23** **Authority Policy For Regulation of Investigatory Powers Act 2000 (RIPA) - Review**

The Committee considered a report of the Director of Governance & Digital Services (APRC/20/7) on a review of the Authority's policy on the Regulation of Regulatory Powers Act 2000 (RIPA). An addendum report (APRC/20/7(a)) was also considered that set out confirmation that the revised procedure for the acquisition of communications data, as introduced by the Investigatory Powers Act 2016, was now in force.

It was noted that the revised procedure retains the three key roles of Applicant, Senior Point of Contact (SPoC) and Authorising Individual as per the previous RIPA regime but introduced a new authorisation process (by the Office for Communications Data Authorisations) for the acquisition of communications data in non-urgent circumstances. The relevant section of the Authority's policy was appended to this report, amended to reflect the new procedures and this was based on the relevant Home Office Code of Practice. It was also noted that other consequential amendments to the policy (specifically, to refer, where necessary, to the Investigatory Powers Act 2016) were also required.

RESOLVED

- (a) That the amendment (appended to report APRC/7(a)) required to align the Authority's policies and procedures for the acquisition of communications data with those now in place under the Investigatory Powers Act 2016 be approved;
- (b). that the Clerk be authorised to make other consequential amendments (to refer, where necessary, to the Investigatory Powers Act 2016) to the Authority's policies and procedures.

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

The Meeting started at 10.00 am and finished at 11.40 am



The Audit Findings for Devon and Somerset Fire and Rescue Authority

Year ended 31 March 2020

25 August 2020

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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 2020 for those charged with governance.

<p>Covid-19</p>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Authority, and measures have been put in place to respond to this, including increased home-working for its support staff and restricted access to stations to station personnel only. The Authority have been closely monitoring the Government response to coronavirus and have been making changes to the way services are delivered to protect frontline services. The Authority also updated their business continuity plans in order to respond efficiently to the Covid-19 pandemic during March and April 2020.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020, with the date for the audited financial statements deferred until 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 15 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both Authority and audit staff have had to undertake the audit remotely. This has included use of video conferencing and sharing screens to remotely view financial systems. The main challenge was around verifying the completeness and accuracy of information produced by the entity. The Authority has engaged with us proactively to ensure that our requirements have been met.</p>
<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 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 Statement of Assurance 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>Our audit work was completed remotely during June to August 2020. Our findings are summarised on pages 7 to 13. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Authority's Comprehensive Income and Expenditure Statement. However, we have identified a number of other audit adjustments, which are detailed in Appendix C. We have not raised any 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 (Appendix E) or material changes to the financial statements, subject to the outstanding matters set out on Page 5 of this report.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. The financial statements we have audited is up until 31 March 2020 which was at the very beginning of the outbreak of the Covid-19 coronavirus pandemic.</p> <p>Our anticipated audit report opinion will be unqualified, but includes an Emphasis of Matter paragraph highlighting a material uncertainty with regards to the valuation of land and buildings, as reported in the Authority's financial statements.</p>

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 2020 for those charged with governance.

Value for Money arrangements	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').	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. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 17 to 19.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: <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. 	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times. We have worked flexibly with your finance team to complete the audit in the most effective way, initially working on an incomplete draft of the financial statements, received on the 8 June 2020, whilst the Authority awaited final information from its partner organisations. This enabled us to commence the majority of audit work and complete testing whilst the final version was being compiled. We received the final complete version of the financial statements on 30 July 2020 which we then reconciled to the initial draft version. Whilst we encountered some delays in receiving evidence in relation to the valuation of land and buildings, this was due to the department's heightened responsibilities as a result of Covid-19, and the finance team liaised with the relevant department and the audit team to ensure that the quality of the evidence was appropriate.

Audit approach

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 had to alter our audit plan, as communicated to you on 15 April 2020 to reflect our response to the Covid-19 pandemic.

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 7 September 2020, as detailed in Appendix E. These outstanding items include:

- completion of our detailed sample testing of the valuation of fixed assets;
- testing of Council Tax and NDR Income;
- review of disclosure notes in relation to financial instruments, and provisions;
- review of responses to queries on a small number of areas, such as grants, and debtors;
- receipt and review of Pension Fund Auditor assurances;
- Resolution of queries in relation to the McCloud judgment and the Goodwin case;
- receipt and review of Annual Statement of Assurance;
- receipt of management representation letter; and
- receipt and review of the final version of the approved financial statements.

Materiality

Our approach to 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 levels 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.

	Authority Amount	Qualitative factors considered
Materiality for the financial statements	£1.85m	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. This is consistent with that reported in our Audit Plan in February 2020.
Performance materiality	£1.39m	This equates to 75% of materiality. This is consistent with that reported in our Audit Plan in February 2020.
Trivial matters	£93k	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. This is consistent with that reported in our Audit Plan in February 2020.
Materiality for senior officers' remuneration	£20k	Senior Officers' Remuneration is a balance which require a lower materiality due to its sensitive nature. This is consistent with that reported in our Audit Plan in February 2020.

Significant audit risks

Risks identified in our Audit Plan

Auditor commentary

Covid- 19

We have performed the following work in relation to this risk:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 8 June 2020 with some notes incomplete due to awaiting third party information. The final draft set of financial statements were received on 30 July 2020 once this information was obtained;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Authority's property valuation expert;
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations; and
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.

Our audit work has not identified any issues in respect of the Covid-19 risk.

The revenue cycle includes fraudulent transactions (rebutted)

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:

- 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.

Therefore we do not consider this to be a significant risk for the Authority.

There have been no changes to our assessment as reported in our Audit Plan.

Significant audit risks

Risks identified in our Audit Plan

Auditor commentary

Management override of controls

We have performed the following work in relation to this risk:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls

Valuation of land and buildings

We have performed the following work in relation to 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;
- wrote 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, the Authority's valuer's report and the assumptions that underpin the valuation;
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register; and
- as a result of the Covid-19 pandemic, management's expert reported the valuations on the basis of material valuation uncertainty. We reviewed the valuations in line with market trends, and challenged any valuations that were not in line with trends.

As a result of the Estates department need to prioritise the Authority's Covid-19 response and the increase in audit evidence required from the Estates team as a result of both the pandemic and increased audit work on valuations, there was a significant delay in obtaining some of the information that we had requested. We also encountered delays in obtaining evidence from management's expert. This has resulted in our audit work taking longer in this area and the work is currently in progress.

The management's expert has disclosed a material uncertainty with regards to the valuations and we have undertaken additional work as a result of this, as set out above. This will result in the audit report including an emphasis of matter, highlighting this material uncertainty.

Our audit work in this area is still ongoing as we complete the detailed testing in relation to valuations

Significant audit risks

Risks identified in our Audit Plan

Auditor commentary

Valuation of pension fund net liability

We have performed the following work in relation to 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 evaluate 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;
- 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 – this involved challenging the actuary to obtain additional information to corroborate some assumptions which were slightly outside the ranges advised by our consulting actuary.

We are awaiting assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund; and the fund assets valuation in the pension fund financial statements.

Our audit work in this area is still ongoing as we await the resolution of queries in relation to the McCloud and Goodwin judgments, and receipt of the Pension Fund auditor assurances

Significant findings – other issues


This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Auditor view
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IFRS 16 implementation has been delayed by one year	
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Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	We have reviewed the disclosures included within the accounting policies in relation to the deferral of IFRS 16, and consider them to be appropriate.
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Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £102.66m	<p>Other land and buildings comprises £102.66m of specialised assets namely the 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. The Authority has engaged Norfolk Property Services to complete the valuation of properties as at 31 March 2020. All of the assets were revalued during 2019/20.</p> <p>In line with RICS guidance, the Authority's valuer disclosed a material uncertainty in the valuation of the Authority's land and buildings at 31 March 2020 as a result of Covid-19. The Authority has included disclosures on this issue within their Accounting Policies.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £0.91m. 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 of the valuer in their capacity as the management experts. 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 undertook testing on a sample basis to corroborate the source data used by the valuer to data held by the Estates Team We tested revaluations made during the year to ensure they are input correctly into the asset register and subsequently recorded in the financial statements. <p>Our audit work in this area is still ongoing as we complete the detailed testing in relation to valuations. From our work completed to date, we have not identified any issues that we wish to bring to your attention.</p>	 <p>Green</p>

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 estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																								
Net pension liability – £729.884m	<p>The Authority's total net pension liability at 31 March 2020 is £729.884m (PY £785.502m) which includes both the Devon Pension Fund Local Government and the Firefighters unfunded defined benefit pension scheme obligations. The Authority uses Barnett 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.</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. 	<p style="text-align: center;">● Green</p>																								
	<p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £67.492m net actuarial gain during 2019/20.</p>																										
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.35%</td> <td>2.35%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Pension increase rate</td> <td>1.85%</td> <td>1.85% - 1.95%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Salary growth</td> <td>2.85%</td> <td>2.85%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.9</td> <td>21.4 – 23.3</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>24.1</td> <td>23.7 - 24.7</td> <td style="text-align: center;">●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.35%	2.35%	●	Pension increase rate	1.85%	1.85% - 1.95%	●	Salary growth	2.85%	2.85%	●	Life expectancy – Males currently aged 45 / 65	22.9	21.4 – 23.3	●	Life expectancy – Females currently aged 45 / 65	24.1	23.7 - 24.7	●	
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.35%	2.35%	●																								
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Life expectancy – Females currently aged 45 / 65	24.1	23.7 - 24.7	●																								
		<ul style="list-style-type: none"> 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. 																									

Our audit work in this area is still ongoing as we await the resolution of queries in relation to the McCloud and Goodwin judgments, and receipt of the Pension Fund auditor assurances.

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 – 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

- Management have prepared a paper which contains a review of the financial position as at 31 March 2020 alongside an assessment of the ability of the Authority to continue operating for the foreseeable future.
- Management have also prepared a cash flow forecast from April 2020 to September 2021, which shows that the cashflows over this period are sustainable.
- Management have considered the impact of Covid-19 on the Authority’s ability to continue as a going concern, and have factored this into their medium term financial planning.
- In making their assessment, management have considered the Authority’s reserves, liquidity, capital expenditure as well as assumptions about income and expenditure over the next few years.

Auditor commentary

- Management’s assessment of the use of the going concern basis of accounting is appropriate
- The cashflow projections and medium term financial planning projections are based on prudent assumptions about future income
- The disclosures in the accounts are considered appropriate

Work performed

- We have reviewed management’s assessment and cashflow projections in arriving at the conclusion that the Authority is a going concern, and reviewed the disclosures in the narrative report and financial statements.
- We have also reviewed the Medium Term Financial Plan to 2024/25, and the 2020-21 Budget and are satisfied that the Going Concern basis is appropriate for the 2019-20 financial statements

- We have not identified a material uncertainty in relation to management’s assessment of the use of the going concern basis of accounting
- We consider this to be appropriate

Concluding comments

Our audit opinion will be unmodified in respect of going concern.

Other matters for communication

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	Auditor commentary
Matters in relation to fraud	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.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Authority, which is included in the Audit and Performance Review Committee papers.
Confirmation requests from third parties	<ul style="list-style-type: none"> <li data-bbox="436 837 2154 933">• We requested permission from management to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. Two of these requests were not returned, and hence we undertook alternative audit procedures to gain sufficient assurances that these balances were appropriate. <li data-bbox="436 941 2154 1037">• We requested permission from management 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 but are liaising regularly with them whilst they complete their work. We will require this assurance prior to issuing our opinion. <li data-bbox="436 1045 2154 1141">• We requested permission from management to send requests to the valuer. This permission was granted and the requests were sent. We have not yet received the final response from the valuer and will require this prior to issuing our opinion.
Disclosures	Our review identified a number of disclosure changes within the draft financial statements. See page 23 for further details.
Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> <li data-bbox="436 1260 2154 1292">• All information and explanations requested from management were provided. <li data-bbox="436 1300 2154 1332">• We would like to reiterate our appreciation for the assistance provided by the finance team and other staff during our audit.

Other responsibilities under the Code

Issue	Commentary
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 Statement of Assurance 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>Our work in this area is substantially complete, subject to the resolution of an outstanding query on the Narrative Report. Our work in relation to the Annual Statement of Assurance is on hold as we await the receipt of this report.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception:</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>
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 for our local government clients. However, as the Authority does not exceed the threshold, we are not required to complete this work for the Authority.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2019/20 audit of Devon and Somerset Fire and Rescue Authority in the audit report, 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 April 2020. 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 below:

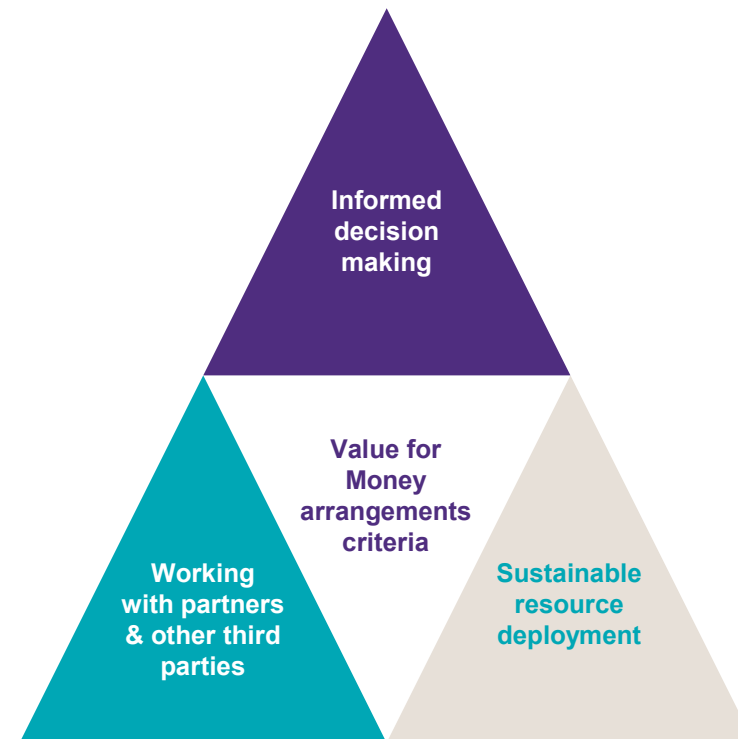
Risk assessment

We carried out an initial risk assessment in February 2020 and identified one significant risk 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 February 2020

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 have not identified any new VFM risks in relation to Covid-19. We do not consider Covid-19 to be a significant risk given the date of the pandemic. We have, however reviewed the updated medium term financial plan produced by the Authority, taking into account the impacts of Covid-19 on scenario planning.

We carried out further work only in respect of the significant risk 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
- Scenario planning identified within the Medium Term Financial Plan forecasting the levels of income and expenditure in the medium term affected by Covid-19

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 18 and 19

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 not raised any recommendations for improvement.

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.

Value for Money

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

Medium Term Financial Planning

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 2020/21 financial year, with a Council Tax increase of 1.99% being agreed. The balanced budget position was achieved by reducing the revenue contribution to capital expenditure by £577k and a transfer from reserves of £1,167k. The revised medium term financial plan also highlights that savings of between £8.6m and £14.1m will need to be made by 2024/25 depending on the level of future Council Tax increases.

- The Medium Term Financial Plan (MTFP) is a key element within the Authority's overall strategic planning framework. The Plan takes a five-year perspective and is reviewed, updated and rolled forward annually to set a framework for how budget pressures and priorities will be managed within the best estimates of available capital and revenue resources. An update to the medium term financial plan was made in June 2020, following the outbreak of the Covid-19 pandemic.
- 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 2019/20 was £0.163m below budget, which was transferred to reserves. At 31 March 2020 the Authority has reserves of £38.8m, with £33.5m being in earmarked reserves and £5.3m in the general reserve.
- The Authority set a balanced budget for the 2020/21 financial year, with a Council Tax increase of 1.99% being agreed. Savings within this were £1.323m, consisting of £217k from authority pensions, £106k from budget management savings (which includes reduction of non-operational budget heads), and £1m from vacancies, as a result of the current strategy to hold vacancies during the phased implementation of the Safer Together Plan. The balanced budget position was achieved by reducing the revenue contribution to capital expenditure by £577k, and a transfer from reserves of £1.167m, which relates to the funding for the Payment for Availability system for On-Call Staff. This will be funded from the Budget Smoothing Reserve, which contains £1.8m as at the end of 2019-20.
- The current MTFP runs to 2024/25 with the savings requirement over that period being between £8.6m and £14.1m 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. 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.
- The graph included on the next page is a diagrammatic representation of the savings requirements over the 2020-21 to 2024-25 period. As a result of the Covid-19 pandemic, the medium term financial planning assumptions have been updated. The major changes have been to the income assumptions, including the Council Tax base and surplus and NDR income. The Authority have used relevant market information, and central government announcements to analyse the loss in income over the next two years, and forecasted the level of recovery of the losses over the next five years. The Authority has also undertaken some market analysis to identify what level of Council Tax increases would be supported by businesses and residents in the region through a survey, commissioned in October 2019, of local 400 businesses and 400 residents. The purpose of the survey was to assess the opinions of business decision makers and residents on how the Authority should approach setting its budget for 2020/21 and on whether the Service is currently deemed to be providing value for money. The results of this survey were used in order to set the Council Tax increases at 1.99% for the next five years.

Value for Money

Key findings

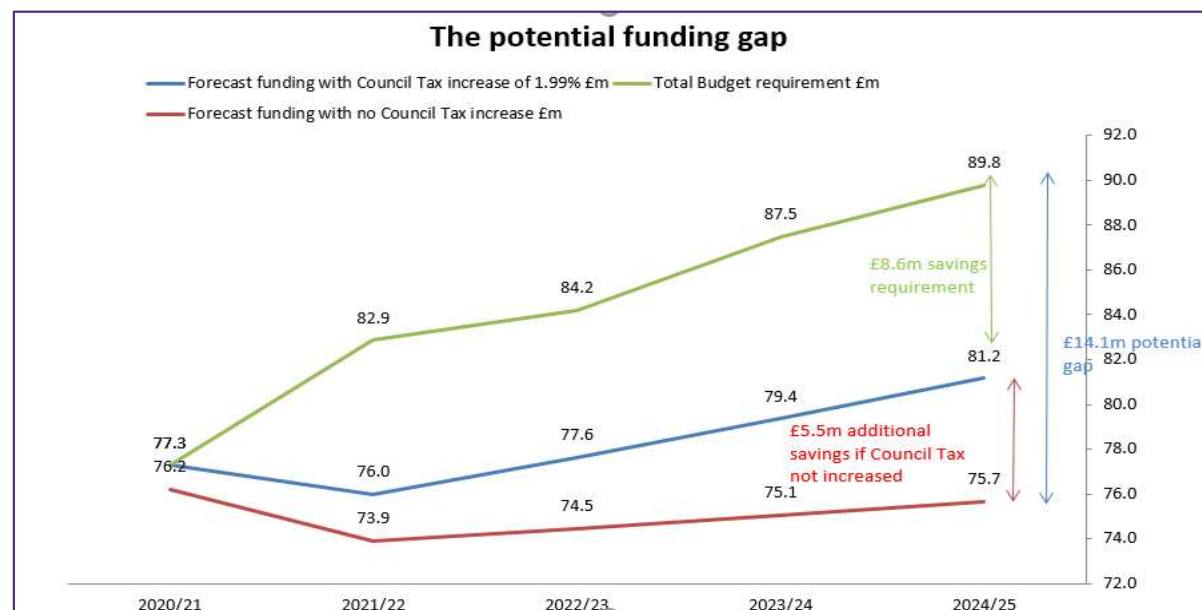
We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Findings

Medium Term Financial Planning

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 2020/21 financial year, with a Council Tax increase of 1.99% being agreed. The balanced budget position was achieved by reducing the revenue contribution to capital expenditure by £577k and a transfer from reserves of £1,167k. The revised medium term financial plan also highlights that savings of between £8.6m and £14.1m will need to be made by 2024/25 depending on the level of future Council Tax increases.



Auditor view

The Authority's MTFP has a gap of up to £14.1m over the 2020-21 to 2024-25 period. This represents a considerable challenge for the Authority given the savings it has already had to make in recent years. The Authority has undertaken a robust process to determine the scale of the challenge and has applied sensitivity analysis to this as well as incorporating third party evidence and independent research. It 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 Safer Together Programme.

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.

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 Council'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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we 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 issued in May 2020 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 which were charged from the beginning of the financial year to the date of the audit opinion.

Action plan

We have not identified any specific recommendations for the Authority as a result of issues identified during the course of our audit.

We have discussed with management a number of areas where the audit process could be further streamlined, but recognise the significant challenge that remote working has brought upon both the Authority's staff as well as our own audit teams. However, it should also be recognised that the necessity for remote working has also revealed some benefits in terms of how we complete our audit work and we will continue to liaise with management on how we can continue to utilise these in future years.

Management also recognise the significant challenge of delivering the scale of savings required as identified in the MTFS. Whilst we have not identified any specific areas for improvement or actions as a result of our value for money work, we are mindful of this challenge and will consider the progress being made as part of our detailed value for money work in future years.

Follow up of prior year recommendations

We identified the following issues in the audit of Devon and Somerset Fire and Rescue Authority's 2018/19 financial statements, which resulted in 3 recommendations being reported in our 2018/19 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
✓	<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>The file used to check the final parallel run was located and forwarded on to the audit team on 10/07/2019.</p> <p>No further issues were identified in the 2019-20 audit.</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>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. The Authority will also take account of the impact of the recent McCloud decision once the impact on Devon & Somerset FRS is understood.</p>
X	<p>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 and 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.</p>	<p>Management response</p> <p>A wider Protective Monitoring system, covering multiple systems, is being pursued by the FRA. Implementation and roll out is planned for 2020-21. We do not consider this to be high risk due to the small number of staff able to access the system and their levels of access</p>

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

No adjusted misstatements were identified within the 2019-20 statement of accounts.

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?
Senior officer remuneration	Total expenses allowance of £52k across all senior officers was originally omitted from the note	Amend the senior officer remuneration to include the taxable expenses of £52k	✓
Post balance sheet events	Post balance sheet events doesn't reflect the closure of two fire stations during the 2020-21 financial year	Amend the post balance sheet events note to reflect fire station closures	✓
Audit fees	Audit fees disclosure note doesn't reflect additional fees approved by PSAA	Audit fees disclosure to be updated	✓
Accounting policies	The accounting policies notes don't reference going concern, IFRS 15 or the material uncertainty in relation to the valuation of land and buildings as a result of Covid-19	Accounting policies to be updated to reflect going concern, IFRS 15 and material uncertainty	✓
Related parties	The related parties note currently includes items that do not meet the definition of related parties	The related parties note should be updated to only include items which meet the definition of related parties	✓
General	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 adjustments

Impact of unadjusted misstatements

No unadjusted misstatements were identified within the 2019-20 statement of accounts.

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2018/19 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Impact of the McCloud/Sargeant judgment – The Authority 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	In the prior year, when considered along with the adjustment below, the total impact on the net pension liability was below performance materiality. In the current year, this has been appropriately accounted for within the IAS19 actuary report
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	In the prior year, when considered along with the adjustment above, the total impact on the net pension liability was below performance materiality. In the current year, this has been appropriately accounted for within the IAS19 actuary report
Overall impact	£0	£485	£0	

Fees

We confirm below our final fees charged for the audit and there were no fees for the provision of non audit services.

Audit fees	Proposed fee	Final fee
Authority Audit	31,291	31,291
Total audit fees (excluding VAT)	£31,291	£31,291

The fees reconcile to the financial statements.

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 2020 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, Statement of Movement in Reserves and notes to the financial statements, including a summary of significant accounting policies and include the Pension Fund financial statements comprising the Firefighters' 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Treasurer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

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.

Audit opinion

In our evaluation of the Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of land and buildings as at 31 March 2020. As disclosed in Note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

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, and 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.

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 Statement of Assurance does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' 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 Statement of Assurance 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

In 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, and 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.

Audit opinion

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 11, 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as 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.

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 April 2020, 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 2020.

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 April 2020, 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 2020.

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.

Audit opinion

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.



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REPORT REFERENCE NO.	APRC/20/8
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	7 SEPTEMBER 2020
SUBJECT OF REPORT	STATEMENT OF ACCOUNTS 2019-20
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<i>That the final accounts for 2019-20 be approved for publication</i>
EXECUTIVE SUMMARY	<p>This report provides the Committee with an audited version of the Statement of Accounts for 2019-20 with an opportunity to review the content prior to publication per the Accounts and Audit Regulations 2015.</p> <p>It should be noted that there has been a delay in the publication of the accounts due to the extension to the timescale requested by the external auditors at the Audit & Performance Review Committee meeting on 4 March 2020. The extension was agreed as 30 September 2020 (Minute *APRC/15 refers). This accorded with the provisions in Section 2 of the Accounts and Audit Regulations 2015.</p> <p>Subsequently to these decisions, it was announced on 22 April 2020 that the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 would extend deadlines for preparation of accounts. The publication date for final, audited accounts moved from 31 July for Category 1 authorities and 30 September for Category 2 authorities to 30 November 2020 for all local authority bodies.</p> <p>Despite the complications arising from the Covid-19 pandemic, this Authority was able to provide its draft financial statements to the auditors on 30 July 2020.</p> <p>The audited accounts are attached to this report at Appendix A. The Audit Findings Report associated with the Statement of Accounts for 2019-20 is also available 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 2019-20
LIST OF BACKGROUND PAPERS	Audit & Performance Review Committee Minutes – 4 March 2020. External Audit Scope document – 4 March 2020

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 2020.
- 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.
- 1.3 On 4 March 2020, the external auditors, Grant Thornton, advised in its report to the Committee that, as a result of increased pressure from the Public Sector Accounts (PSA) to ensure the production of quality accounts, an extension to the timescale for the delivery of the audited accounts would be required for this Authority. This was no reflection on the Authority’s ability to produce a set of accounts by 30 July 2020 as would normally be required. The Committee acceded to this request and an extension was agreed to 30 September 2020 (Minute *APRC/15 refers). This accorded with the provisions in Section 2 of the Accounts and Audit Regulations 2015 as set out below for reference:
- (2). Where an audit of accounts has not been concluded before the date specified in paragraph (1) an authority must—
- (a) publish (which must include publication on the authority’s website) as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the statement of accounts and its reasons for this; and
- (b) comply with paragraph (1) as if for “but not later than 31st July of the financial year immediately following the end of the financial year to which the statement relates” there were substituted “as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor’s final findings from the audit which is issued before the conclusion of the audit”.
- 1.4 Subsequently to these decisions, it was announced on 22 April 2020 that the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 would extend deadlines for preparation of accounts as follows:
- The publication date for final, audited, accounts will move from 31 July for Category 1 authorities and 30 September for Category 2 authorities to 30 November 2020 for all local authority bodies:
 - To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June (for Category 1 authorities) and July (for Category 2 authorities) has been removed. Instead local authorities must commence the public inspection period on or before the first working day of September 2020.

- 1.5 Despite the complications that arose as a result of the subsequent Covid-19 pandemic, the 2019-20 draft financial statements were made available to the auditors on 30 July 2020. The revised deadlines meant that the important work of preparing the draft Financial Statements had to be completed in difficult circumstances, placing an increased burden on budget holders and the Service's 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 this timescale for publication and audit of the accounts in very different and difficult circumstances.
- 1.6 I would also like to place on record appreciation for the flexibility, professionalism and clear communication shown by our External Auditors in delivering a virtual audit to revised timescales.
- 1.7 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 2020 to be considered alongside the Statements themselves.

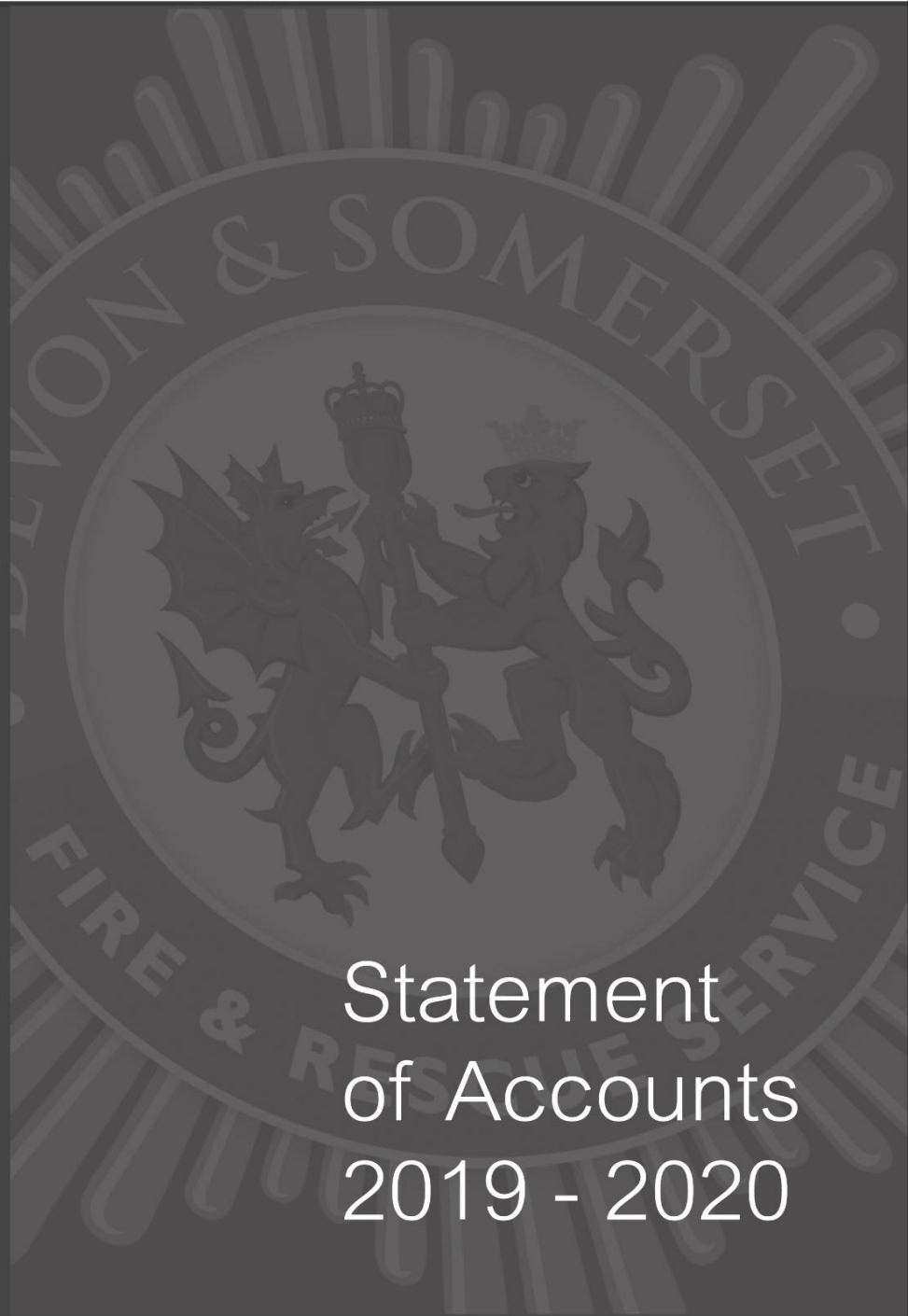
AMY WEBB

Treasurer

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DEVON & SOMERSET
FIRE & RESCUE AUTHORITY



Statement
of Accounts
2019 - 2020

Devon and Somerset Fire and Rescue Authority

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Devon & Somerset Fire & Rescue Authority - STATEMENT OF ACCOUNTS 2019/20

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 2020. The Accounts are presented in compliance with International Financial Reporting Standards (IFRS). The Accounts are prepared on the basis of a going concern given that the Authority has sufficient resources to fund its financial obligations and has no concerns of its financial viability over the medium term.

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

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

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

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

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

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

Coronavirus (Covid 19) - Pandemic

The Accounts demonstrate the performance of the Authority as at 31st March 2020, just one week after the UK officially went into lockdown as a result of the Covid 19 pandemic and changed the way we deliver services. It is unknown, at this stage, what impact the pandemic will have on the assets and liabilities of the Authority and its ability to deliver against agreed strategy and plans.

We have appointed a valuer who is a member of the Royal Institute of Chartered Surveyors (RICS) to value the Property, Plant and Equipment (PPE) who has stated that Land and Buildings are carried at current value. In his report he notes "the outbreak of the coronavirus and its impact on the world's economy could be felt for many months and possibly years. It seems likely that it will have an effect on property values but it is considered that it may take some time before the effect (if any) is felt in the UK property market.". The valuer has given regard to the guidance available and concluded "This valuation is therefore reported on the basis of 'material valuation uncertainty', as per Valuation and Performance Standards (VPS) 3 and Valuation Practice Guidance Applications (VPGA) 10 of the RICS Red Book. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that ensuring this valuation is kept under frequent review. The Valuer will review the valuation during 2020, having regard to evidence then available about the effect, if any, of the pandemic on asset values.".

Impact on Services

The Service deployed its Business Continuity measures as a result of COVID-19 on the 16th of March 2020, following well-rehearsed processes to stand up organisational and operational response to the outbreak and to support Local Resilience Forums. Due to restrictions on travel, office-based staff were asked to work from home and non-essential activity was paused. The Service has seen low levels of absence as a result of COVID-19 and staff absence has not impacted on the ability to maintain core services.

Focus was placed on the ability to maintain fire and rescue response activities, which meant that face-to-face prevention and protection activity could not go ahead. As part of the South Western Ambulance Service NHS Foundation Trusts (SWAST) continued response to Covid-19, a 'combined crewed' fleet of 15 patient support vehicles has been deployed in partnership with Cornwall, Devon and Somerset, Dorset and Wiltshire, Avon and Gloucestershire fire and rescue services. These vehicles are crewed by one firefighter and one SWAST emergency care assistant initially. Devon & Somerset are the lead fire and rescue service to allow for clear lines of communications and a consistent approach to this project and are currently providing blue light drivers for five patient support vehicles.

A COVID-19 Integrated Risk Management Plan (IRMP) was introduced which has driven a number of changes or pieces of activity to the work that would usually be undertaken, the most significant of which are:

- Home safety technicians redeployed to provide telephone fire safety advice to about 2,000 people that had existing bookings. Full visits will take place for those clients upon return to business as usual.
- Home safety technicians working with local councils to visit those that are shielding due to age and or long-term health effects.
- Insight driven communications have targeted members of the public to alert to the dangers around emerging risks and change behaviours. This includes risks around BBQs, garden bonfires, road risk, water safety, and advice for businesses.
- Businesses with Site Specific Risk Information (SSRI) have been contacted to confirm that all information held is up-to-date.
- A technical fire safety helpdesk has been established to support businesses during working hours.
- The introduction of NFCC desktop fire safety audits.
- Bespoke technical fire safety support provided to key sectors, such as healthcare and care home providers.
- The introduction of risk-based compliance checks of communal areas of high rise residential buildings.
- Provision of guidance to businesses throughout the phases of lockdown, such as 'closing your business', 're-opening your Business', and frequently asked questions. We are in the process of producing further communications to support those business balancing Covid-19 secure requirements with fire safety.
- Planning of up to date training on care homes, factories and high-rise buildings.
- Protection team mask fitting and provided training and access to PPE for 'dangerous conditions' inspections.
- Consultation and support provided to the design and build of Nightingale Hospital (Covid-19) in Exeter.

Recovery from COVID-19

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

Rather than return to 'business as usual', the Service will plan the recovery to ensure it learns from a variety of sources and adapts from the opportunities and lessons learnt. This reflection will review feed into strategic objectives to evaluate our learning. At time of signing off these financial statements, the recovery plan was in planning and evaluation stage and therefore further detail on the impact to the Authority's longer-term strategy will be available in due course.

Risks and Opportunities of COVID-19

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

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

Governance during COVID-19

Due to lockdown restrictions, the Authority and its committees have not been able to operate as usual. Per amended regulations, the Annual General Meeting of the Authority has been deferred to 2021. The Service has therefore been operating under urgency powers, as laid out in standing orders, with decisions being made by the Chief Fire Officer in consultation with the Chair. Further detail on revised governance arrangements is available in the Annual Statement of Assurance which is published alongside these accounts. Decisions made under urgency provisions are available on the Authority website. Video conferencing has been introduced and will be in place until guidance suggests it is safe to reintroduce physical meetings, the first properly constituted virtual meeting took place on the 2nd of July 2020 (Resources Committee). As part of our business continuity response, the Service has implemented a new management structure, using gold, silver and bronze (cells) tiers.

Financial Impacts of COVID-19

The key financial issues relating to the COVID-19 pandemic were reported to the Resources Committee on the 2nd of July 2020 (available on the Authority website). The cessation of some activity in particular delays to the capital programme will have the effect of improving cash flows for the Authority during 2020-21. The Authority has a healthy cash position, with sufficient reserves to ensure protection from any delayed payments in 2020-21. The majority of cash reserves are held in short-term investments which are accessible should the need arise. In addition, fire authorities have been supported by central government who have paid several grants early to ease any cash flow pressures. Cash flow issues are not anticipated to impact the Authority over the medium term financial period.

On the 2nd of July the government announced further measures to support local authorities with budgetary pressures arising from loss of income from Council Tax and Business Rates, spreading any losses over a three year period. The Authority, in collaboration with the fire sector, will be seeking to measure and understand the longer-term impact of losses and request government support against any detriment.

Financial Performance for the year

Economic Context and outlook

At the budget in 2020 the government announced that "Austerity is over" which was thought to mean a slow down in the rate of cuts to public services. However, the Fire Service is an "unprotected" service which means it can expect further reductions in government funding beyond the current Spending Review period. 2019-20 was the final year of a four-year Local Government Finance Settlement which saw a reduction in central government funding of 25% (£7.3m) over the period. The Government had announced that a new Spending Review, intended to span three years, was to be undertaken in 2019. Those plans were then deferred due to Brexit, resulting in a roll over of 2019-20 funding in to 2020-21 and are now likely to be further delayed due to the Coronavirus pandemic. Current expectation is for a three year settlement to cover 2021-24.

The Coronavirus pandemic has increased uncertainty over funding available to all public services, with the likely impact on the long-term economy unknown. It is therefore even more important that scenario planning informs financial plans for the Authority. A sustained economic downturn is likely to introduce the risk that households and business will struggle to pay their council tax and business rates bills, restricting the funding available to local services. Government grants of £1.6m have been received to fund the Coronavirus response and this will enable maintenance of operational capability and support business continuity activity.

Against this backdrop it is imperative for the Authority's Medium Term Financial Plans to be focused on providing forecasts of budget savings required and to inform its strategic planning. So far the Authority has responded well based upon a strategy which has been focused around the three key areas of improving efficiency, reducing costs and increasing income generation. Total recurring budget savings of £18.5m have been delivered since 2010. The Service is in the process of developing the next phase of savings and improvement plans for the period to 2023-24. It is forecast that a minimum of £8.6m of recurring savings need to be identified over that period but that this may increase to £26m if funding risks and cost pressures do materialise.

The Service is progressing well with its Safer Together programme, identifying a range of projects to deliver improvements to the Service alongside 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 funding reductions. It is considered that this reserve will also provide required financial contingency against any unforeseen change in circumstances. The Authority will review its published Reserves Strategy in light of the Coronavirus pandemic.

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

Net revenue spending in 2019-20 was £75.0m, compared to an agreed budget of £75.1m, resulting in an underspend of £0.2m (difference due to rounding). Table 1 provides a summary of revenue spending in 2019-20 compared with agreed budget headings.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2019-20

	Budget	Spending	Variance
	£m	£m	£m
Employee Costs	61.5	62.1	0.6
Premises Related Costs	3.9	3.9	(0.0)
Transport Related Costs	3.2	3.4	0.1
Supplies and Services	6.5	5.9	(0.6)
Establishment Expenses	0.7	0.6	(0.1)
Payments to Other Authorities	0.7	0.8	0.1
Capital Financing	6.1	3.7	(2.4)
Gross Spending	82.6	80.4	(2.2)
Income	(7.9)	(8.7)	(0.9)
Transfer to (from) Reserves	0.4	3.3	2.9
Net Spending	75.1	75.0	(0.2)
Funded By:			
Council Tax Precept	(53.2)		
Business Rates Redistribution	(15.6)		
Central Government Funding	(6.3)		
Total Funding	(75.1)		

An underspend of £0.163m, equivalent to 0.22% of the total revenue budget, has been achieved due to income exceeding targets in 2019/20, whilst employee costs were higher than anticipated this was offset by savings in supplies & services.

Contributions to Earmarked Reserve

Under urgency powers, the Chief Fire Officer has approved that the net underspend of £0.163m be transferred to Earmarked Reserve in support of the Authority's environmental strategy, initially focussing on benchmarking current performance and development of flexible working capability. Further detail on all Earmarked Reserve balances is included in Note 19 to the financial statements.

This new contribution, together with in-year transfers to Reserve balances offsetting expenditure, has reduced total Reserves by £0.066m to £38.8m as at 31 March 2020, of which £33.6m relates to Earmarked Reserves (committed) and £5.3m to General Reserves (uncommitted).

Contributions to Provisions

The reported spending for 2019-20 includes a £73k reversal of a provision set aside to fund future firefighter pension costs, which leaves the provision balance of £0.659m as at 31 March 2020. 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 2019/20

The financial statements include capital spending of £2.3m in 2019-20 of which £1.0m has been spent on improvements to fire stations and £1.3m 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 2019-20. Of the total spending of £2.3m an amount of £2.0m was funded from existing borrowing and the remaining £0.3m from the revenue budget.

Authority Borrowing

External borrowing from the Public Works Loan Board (PWLB) as at 31 March 2020 was £25.4m, 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 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.

Pension Liabilities

As at 31 March 2020 the Authority pension liability has been calculated to be £729.9m (£785.5m in 2018-19). 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.

In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges and fire fighters' schemes as part of the reforms amounted to unlawful discrimination. The Government sought permission to appeal from the Supreme Court, however this was not granted.

The Government has considered the impact of the Court of Appeal decision including any impact on other public service schemes and launched a consultation to address the discrimination in July 2020. The proposed remedy is to offer pension scheme members the option to return to their previous scheme if this is preferential and will therefore increase costs of the scheme going forward, although this cannot be measured with any certainty at this time. The impact for this Authority is that, under International Accounting Standards, an additional pension liability has been recognised as an estimate of the impact on

Assets/Liabilities of the Authority

The balance sheet of the Authority as at 31 March 2020 shows a net liability of £602.5m (£658.4m as at 31 March 2019). This includes the pension liability of £729.9m (£785.5m as at 31 March 2019) required to be included under IAS 19.

Performance and Use of Resources

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

If a fire does start, we want to make sure people have the best chance of escape and that the disruption to business and the community is kept to a minimum. We will work with businesses to influence and regulate the built environment to protect people, property and the natural environment from harm.

In situations when an emergency response is needed, we will make sure that our resources are appropriately located, reflecting our Integrated Risk Management Plan, so that we have the right resources in the right place at the right time.

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

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

Key Performance Indicators

In Table 2 is a summary of performance against corporate Key Performance Indicators (KPIs) in 2019-20 with a comparison against the previous year. Our KPIs are reported to the Fire Authority throughout the year and are used to benchmark against other Service's.

TABLE 2 – SUMMARY OF KPIs 2019-20			
Measure	2019-20	2018-19	Variance
Non-Financial Indicators			
Number of deaths as a result of fires where people live.	8	4	+100.0%
Number of injuries as a result of fires where people live.	84	85	-1.2%
Number of fires where people live.	932	926	+0.6%
Number of fire related deaths where people work, visit and in vehicles.	1	7	-85.7%
Number of fire related injuries where people work, visit and in vehicles.	16	24	-33.3%
Number of fires where people work, visit and in vehicles.	1,315	1,374	-4.3%
Emergency Response Standard for attendance at Fires where people live (1st appliance to attend within 10 minutes from time of call)	71.2%	72.4%	-1.2%pt
Emergency Response Standard for attendance at Road Traffic Collisions (1st appliance to attend within 15 minutes from time of call)	76.6%	76.0%	0.6%pt
Sickness – Rate of shifts lost to sickness per full time equivalent (FTE)	9.07%	7.68%	

Overview of Service Performance in 2019-20

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

Community Safety Prevention Activities

In the 2019/20 the Service delivered 16,697 targeted Home Fire Safety Visits (HFSV) to households identified as needing our expert guidance and support (up from 9,000 in 2018/19).

We work closely with our colleagues in other agencies and third sector organisations to build partnerships that enable us to ensure that our resources provide maximum benefit to the community.

We engage with our communities in a variety of ways including educating children and young people through schools talks and structured programmes such as Fire Cadets and Firesetters. In addition to the Home Safety Visit activities the Service undertook 2,559 preventative activities to improve public safety during 2019/20.

Safeguarding

The Safeguarding Team provides support, feedback and guidance to personnel in order to ensure that individuals identified through the safeguarding referral process as being at increased risk of sustaining a serious injury from fire are helped most effectively. This includes providing advice on engaging in multi-agency activities such as joint visits with care agencies to formulate care plans that include appropriate fire risk management.

The Team continues to develop, co-ordinate and monitor the work of the Firesetter Advisers in order to ensure that interventions are timely, appropriate and effective. Engaging with the Police and other partner agencies to address young people's serious fire-setting through the provision of targeted education is having a positive effect on behaviours.

Home Fire Safety Prevention

A new Home Safety application has been developed by the Service and is now fully embedded; this has helped the Service increase the number of HFSVs being provided to clients. Through joint funding with Historic England and NFU Mutual the Service has started targeting thatched roof properties and has worked with the Communications Team to use social media for campaigns.

The Service's HFSV screening process has been amended and thatch property owners now qualify automatically for a home safety visit. This key decision was made as the Service's Integrated Risk Management Plan has identified the financial burden that fires in these houses place on the organisation as well as the socio-economic cost to communities during and after an incident.

New initiatives for 2019/20 included the addition of "warm packs" comprising thermal clothing are on every Home Safety Technician van. These are aimed at vulnerable people suffering from fuel poverty, in addition to signposting them to energy support agencies.

Where personnel identify issues at operational incidents HFSVs and safeguarding referrals can now be generated through the Service's Single Operational Reporting Tool (SORT) application.

Business Safety Activities

DSFRS has a statutory obligation to ensure that non-domestic premises and public events are compliant with fire safety regulations. In 2019/20 the Service conducted 4,246 fire safety checks, 912 fire safety audits and 7,137 other protection activities to help ensure public safety. The Business Safety team continue to engage with the call for evidence initiative / Building a Safer Future (Post Grenfell) and have contributed to reviews of:

- Regulatory Reform (Fire Safety) Order 2005,
- NFCC Competency framework,
- Review of LACORS fire safety guidance,
- Building Regulations,
- Do you have paying guests,
- Sprinkler Review of High Rise Homes,
- Freedom of Information requests for information.

Developing and maintaining successful partnerships with businesses and partner agencies is essential to support improved understanding of regulatory requirements and ensure that the places that people work and visit are compliant and aware of fire safety.

Liaison with hospitals, universities, housing providers, the Care Quality Commission and Environmental Health is a key activity. The Service also works closely with council's Building Control Departments, communicating regularly regarding building developments to ensure compliance with fire safety regulations.

Ongoing support is provided to five Primary Authority Partners, reviewing their fire safety policies and procedures to ensure compliance.

Conclusion on performance for the year

The Authority has been in a good position to use its resources to effectively respond locally to the global coronavirus crisis and continue to meet the needs of the community it serves. The longer-term impact of the pandemic remains to be seen but a continued focus on organisational and financial risk management will enable effective performance going forward. For 2019-20, 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 2019-20.

Amy Webb
Authority Treasurer

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 2020.



Amy Webb
Treasurer to the Authority
Date: 27/08/2020

STATEMENT OF ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the Service transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the 2015 Act.

These accounts have been prepared on a going concern basis, it is assumed that the functions of the Authority will continue in operational existence for the foreseeable future.

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

Each entry in the Statement of Accounts is consistently rounded to the nearest £1,000 and because of the complexity of the accounts there will be instances where, due to the use of 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 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 2020. Debtors are accrued on income to cover goods and services provided before 31 March 2020 but for which no payment has been

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 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.

Post Employment Benefits

The treatment of pension costs in these accounts complies with the Code of Practice on Local Authority Accounting for 2019/20, which requires adoption of IAS19 Employee Benefits.

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

(a) Uniformed Staff

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

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

(b) Civilian Staff

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

Pensions Reserve and Impact on Council Tax

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

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

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Authority has not provided or received any soft loans as at 31st March 2020.

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

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

Financial Assets

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

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

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

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

Government Grants and Contributions

Revenue Support Grant and National Non Domestic Rates grant are received direct from government. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue 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 2020 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.

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 £20,000 on plant and equipment is treated as de-minimis, it is not capitalised and accordingly is charged to the revenue account in the year it is incurred.

Measurement

Assets are initially measured at cost, comprising: the purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets are then carried in the Balance Sheet using the following measurement bases:

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end. A full revaluation was undertaken as at the 31 March 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. The outbreak of coronavirus could have an impact on these valuations in the future so, the valuer will review the valuation during 2020 having regards to possible value of assets as a result of the pandemic.

Land and buildings costs have been separately identified and will continue to be so for all future revaluations. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following basis:

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

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

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

Intangible assets are to be amortised over 7 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately (see componentisation note below).

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

Componentisation

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

Disposals and Non-current assets held for sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposals of fixed assets are credited to the Capital Receipts in Advance Account. Receipts are appropriated to the account from the General Fund Balance in the Statement of Movement in Reserves.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Heritage Assets

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

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

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. Devon & Somerset Fire & Rescue Authority, in partnership with Avon Fire Authority and Gloucestershire County Council has invested in a PFI project to provide a Fire and Rescue Service training centre.

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

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Firefighter Employers pensions liability

The provision for Pension liabilities is £0.659m 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 £0.423m in 2019-20.

Contingent Liabilities

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

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

There is one contingent liability for 2019-20 which results from the O'Brien case details of which can be found within Note 30.

Reserves

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

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

Details of all reserve balances at the year end are included with note 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.

IFRS15 - Revenue from Contracts

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

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 2020

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.

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	NOTE	Gross Expenditure 2019/20 £000	Gross Income 2019/20 £000	Net Expenditure 2019/20 £000	Gross Expenditure 2018/19 £000	Gross Income 2018/19 £000	Net Expenditure 2018/19 £000
Fire & Rescue Service		92,222	(8,820)	83,402	109,573	(5,519)	104,053
Cost of Services		92,222	(8,820)	83,402	109,573	(5,519)	104,053
Financing and Investment Income and Expenditure	9	19,895	(398)	19,497	20,086	(345)	19,741
Other Operating Expenditure / (Income)	8		(10,214)	(10,214)		(13,188)	(13,188)
Taxation and Non Specific Grant Income	10		(74,700)	(74,700)		(74,497)	(74,497)
(Surplus) or deficit on provision of services				17,986			36,110
(Surplus)/Deficit on Revaluation of Non Current Assets	11 & 19			(6,380)			(7,346)
Impairment losses on non-current assets charged to the revaluation reserve	11 & 19			-			-
Actuarial (gains) or losses on Pension assets and liabilities	19			(67,492)			17,764
Other comprehensive income and expenditure				(73,872)			10,418
Total Comprehensive Income and Expenditure				(55,887)			46,528

BALANCE SHEET AS AT 31 March 2020

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 2020 £000	31 March 2019 £000
Non-Current assets			
Property, plant and equipment	11	114,850	114,003
Trade and other receivables	15	728	770
Total Long-Term assets		115,578	114,773
Current assets			
Inventories	14	392	316
Trade and other receivables	15	9,919	8,687
Short-term Investments (exceeding 3mths)	12	18,031	28,501
Cash and cash equivalents	16	19,037	10,245
Total current assets		47,378	47,749
Total assets		162,957	162,522
Current liabilities			
Trade and other payables	17	(7,820)	(7,348)
Borrowings	12	(188)	(188)
Provisions	18	(598)	(693)
Total current liabilities		(8,606)	(8,229)
Net current assets		38,772	39,521
Total assets less current liabilities		154,350	154,293
Non-current liabilities			
Borrowings	12	(26,458)	(26,649)
Pensions Liability	29	(729,884)	(785,502)
Provisions	18	(484)	(506)
Total non current liabilities		(756,827)	(812,657)
Total liabilities		(765,433)	(820,885)
Net assets employed		(602,477)	(658,363)
Unusable Reserves			
Revaluation reserve	19	(38,845)	(34,954)
Capital Adjustment Account	19	(49,452)	(52,307)
Pensions Reserve	19	729,884	785,502
Council Tax + Business Rates Adjustment Accounts	19	(531)	(973)
Accumulated Absence Account	19	961	739
PFI - Equalisation Fund	19	(728)	(770)
		641,289	697,238
Usable Reserves			
General fund balance	19	(5,317)	(5,315)
Earmarked reserves	19	(33,496)	(33,561)
Capital Grants Unapplied		-	-
		(38,812)	(38,875)
Total Reserves		602,477	658,363

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2020**

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	2019/20 £000	2018/19 £000
Cash flows from operating activities			
Net deficit on provision of services		(17,986)	(36,110)
<u>Adjustments to deficit relating to non cash movements</u>			
Depreciation and Impairment	11	7,655	6,909
Pension Liability	19	11,874	34,430
(Increase)/decrease in inventories	14	(76)	(49)
(Increase)/decrease in debtors	15	(1,190)	(616)
Increase/(decrease) in creditors	17	472	173
Increase/(decrease) in provisions	18	(116)	32
Other non cash movement	13.4	(50)	(588)
Net cash inflow/(outflow) from operating activities		583	4,181
<u>Adjustments to deficit relating to items that relate to investing and financing activities</u>			
Net cash inflow/(outflow) from operating activities		583	4,181
Net cash inflow/(outflow) from investing activities	13.2	8,400	(8,153)
Cash outflow from financing activities	13.3	(191)	(229)
Net increase/(decrease) in cash and cash equivalents	16	8,792	(4,201)
Cash/cash equivalents (and bank overdrafts) at the beginning of the financial year	16	10,245	14,446
Cash/cash equivalents (and bank overdrafts) at the end of the financial year	16	19,037	10,245

STATEMENT OF MOVEMENT IN RESERVES FOR THE YEAR ENDED 31 March 2020

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	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Note		£000	£000	£000	£000	£000	£000
	Balance carried forward as at 31 March 2019	38,875	-	-	38,875	(697,237)	(658,363)
	Movement in reserves during 2019/20						
	Cost of Service	(17,986)			(17,986)		(17,986)
	Other Comprehensive Income and Expenditure	-			-	73,872	73,872
	Total Comprehensive Income and Expenditure	(17,986)	-	-	(17,986)	73,872	55,887
	Adjustments between accounting basis and funding basis under regulations						
	<u>PFI Adjustment</u>						
	<u>Adjustments involving the Capital Adjustment Account</u>						
	Reversal of items in the C.I.E.S.						
	Depreciation, impairment & revaluation losses				42	(42)	-
	Reversal of Impairments	7,655			7,655	(7,655)	-
	Net gain or loss on sale of non-current assets	-			-	-	-
	Net gain or loss on sale of non-current assets	181	-		181	(181)	-
	Insertion of items not in the C.I.E.S.						
	Minimum Revenue Provision	(2,195)			(2,195)	2,195	-
	Capital expenditure funded direct from revenue	(299)			(299)	299	-
	<u>Adjustments involving the Pensions Reserve</u>						
	Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account	25,421			25,421	(25,421)	-
	Employers pension contributions and direct payments to pensioners	(13,547)			(13,547)	13,547	-
	<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	442			442	(442)	-
	<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	222			222	(222)	-
	<u>Adjustments to Capital Resources</u>						
	Application of capital grants to finance capital			-	-	-	-
	Total Adjustments between accounting basis and funding basis under regulations	17,922	-	-	17,922	(17,922)	-
	Increase/Decrease in year	(64)	-	-	(63)	55,950	55,887
	Balance carried forward as at 31 March 2020	38,811	-	-	38,811	(641,288)	(602,477)

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.

	Note	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	(36,110)			(36,110)		(36,110)
Other Comprehensive Income and Expenditure		-			-	(10,418)	(10,418)
Total Comprehensive Income and Expenditure		(36,110)	-	-	(36,110)	(10,418)	(46,528)
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>							
Reversal of items in the C.I.E.S.							
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)	-
Insertion of items not in the C.I.E.S.							
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	43,393			43,393	(43,393)	-
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		37,727	-	-	37,727	(37,727)	-
Increase/Decrease in year		1,617	-	-	1,617	(48,144)	(46,528)
Balance carried forward as at 31 March 2019		38,875	-	-	38,875	(697,237)	(658,363)

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 directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2019/20

	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	74,979	(24,816)	52,598	30,804	83,402
Net cost of services	74,979	(24,816)	52,598	30,804	83,402
Other income and expenditure	(75,142)	22,608	(52,534)	(12,882)	(65,416)
(Surplus) or Deficit	(163)	(2,208)	64	17,922	17,986

Opening General Fund	38,875
Plus Surplus on General Fund balance in year	(64)
Closing General Fund balance at 31 March	<u>38,811</u>

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	(42,120)	52,897	51,156	104,053
Net cost of services	71,975	(42,120)	52,897	51,156	104,053
Other income and expenditure	(73,871)	19,358	(54,513)	(13,429)	(67,943)
(Surplus) or Deficit	(1,896)	(22,762)	(1,616)	37,727	36,111

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>

1.2 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2019/20	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
Fire & Rescue Service	7,655	(2,494)	25,421	222	30,804
Net Cost of Services	7,655	(2,494)	25,421	222	30,804
Other income and expenditure		181	(13,547)	484	(12,882)
Total	7,655	(2,313)	11,874	706	17,922

2018/19	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
Fire & Rescue Service	10,806	(3,059)	43,393	16	51,156
Net Cost of Services	10,806	(3,059)	43,393	16	51,156
Other income and expenditure		(3,877)	(8,963)	(589)	(13,429)
Total	10,806	(6,936)	34,430	(573)	37,727

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. 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.

	2019/20			2018/19		
	£000	£000	£000	£000	£000	£000
<u>Amounts as reported to management</u>						
Employees	62,135			56,026		
Premises	3,851			3,933		
Transport	3,376			3,368		
Supplies & Services	5,872			6,188		
Establishment Costs	640			1,210		
External Support Costs	820			748		
Capital and Lease Financing Costs	3,701			4,425		
<u>Gross Expenditure</u>		80,394			75,898	
<u>Gross Income</u>		(8,724)			(5,478)	
Contributions to or (from) reserves		3,310			1,556	
Net Expenditure		74,979			71,975	
Government Grant and Council Tax Income (budget for the year)		(75,142)			(73,871)	
Net surplus - to be transferred to reserves		(163)			(1,896)	
Contributions to reserves		(3,473)			(1,556)	
Transfers between Useable Reserves		-			-	
Spending from Earmarked Reserves		3,699			1,835	
Net movement in Earmarked Reserves			63			(1,616)
<u>Amounts in the CIES not reported to management</u>						
Depreciation and impairment	7,655			6,909		
Net charges made for retirement benefits	25,421			43,393		
Surplus of PFI Equalisation Fund	42			37		
Employee Absence Accrual	222			16		
Deficit/(Surplus) on Council Tax and NNDR Collection Fund	442			(626)		
Net (Gain) or Loss on Sale of non-current Assets	181			20		
Capital Grants in year	-			-		
		33,964			49,749	
<u>Amounts in management information not included in the Cost of Services in the CIES</u>						
Minimum Revenue Provision	(2,195)			(2,093)		
Direct Revenue funding to Capital	(299)			(966)		
Employers Contributions to Pensions	(13,547)			(8,963)		
		(16,041)			(12,022)	
Total Adjustment Between funding and Accounting Basis (Surplus) or deficit on provision of services			17,922			37,727
			17,986			36,110

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 2019/20 (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 as 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) - Due to Covid 19, the implementation of this Standard has been delayed for a year until 2021/22

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 a one year 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, when combined with COVID-19 risks, are 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 March 2020.

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 2020 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. The outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in the property valuer's report in relation to the valuation of land and buildings.	If the value of the assets is reduced, revaluations will increase or decrease, resulting in a change to the carrying value of the asset.
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 2020 by actuarial valuation. For 2019/20, we used data from 11 months valuations.	If there was significant movement between 29th February 2020 and 31st March 2020, we would be required to restate the accounts. Assurance has been provided this is not the case in 2019-20.

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 the Treasurer on the 30th July 2020. Events taking place after this date are not reflected in the financial statements or notes unless otherwise stated. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. As part of the Safer Together Programme and, agreed by the Fire Authority on 10th January 2020, two Fire Stations will close during 2020, which will also see the removal of some front-line appliances that are no longer required when mapped to the risks in the area. Budleigh Salterton Fire Station closed on 1st April 2020 with Topsham due to close during 2020 when the restrictions associated with Covid 19 allow the safe relocation of the Fire Appliances currently based there being relocated to Service Headquarters and Middlemoor.

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

	2019/20	2018/19
	£000	£000
(Gains)/losses on the disposal of non-current assets	181	20
Communities for Local Government Firefighters Pension Top-Up Grant	(10,395)	(13,208)
	<u>(10,214)</u>	<u>(13,188)</u>

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2019/20	2018/19
	£000	£000
Interest on Loans	1,287	1,290
Investment income	(398)	(345)
Pensions Interest and administration Cost	18,608	18,796
	<u>19,497</u>	<u>19,741</u>

10 TAXATION AND NON SPECIFIC GRANT INCOMES

	2019/20	2018/19
	£000	£000
Council tax income	(52,977)	(50,901)
Non domestic rates	(15,436)	(16,301)
Non-ring-fenced government grants	<u>(6,286)</u>	<u>(7,295)</u>
	<u>(74,700)</u>	<u>(74,497)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

11. PROPERTY PLANT AND EQUIPMENT

	Land	Buildings excluding dwellings	Assets under construction	Plant and machinery	Transport	Total
2019/20	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2019	18,378	82,843	-	2,845	23,544	127,610
Additions - purchased	-	748	238	623	695	2,304
Additions - exchange	120	644	-	-	-	764
Additions government granted	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Derecognition - disposals	-	(216)	-	-	(29)	(245)
Derecognition - exchange	(120)	(644)	-	-	-	(764)
Reversal of impairments	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Revaluation Increase/(decrease):	-	-	-	-	-	-
- to Revaluation Reserve	(37)	978	-	-	-	941
- to Surplus/Deficit on the provision of services	(30)	-	-	-	-	(30)
At 31 March 2020	18,311	84,353	238	3,468	24,210	130,580
Depreciation at 1 April 2019	-	(4)	-	(1,365)	(12,238)	(13,607)
Reclassifications	-	-	-	-	-	-
Reclassified as held for sale	-	-	-	-	-	-
Derecognition - disposals	-	39	-	-	24	63
Revaluation removals	-	5,440	-	-	-	5,440
Impairments	-	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-	-
Charged during the year	-	(5,480)	-	(445)	(1,700)	(7,625)
Depreciation at 31 March 2020	-	(5)	-	(1,810)	(13,914)	(15,729)
Net book value						
As at 31 March 2019	18,378	82,839	-	1,480	11,306	114,003
As at 31 March 2020	18,311	84,348	238	1,658	10,296	114,851
Asset financing						
Owned	18,311	83,236	238	1,658	10,296	113,739
Finance Leased	-	-	-	-	-	-
Private finance initiative	-	-	-	-	-	-
PFI residual interests	-	1,112	-	-	-	1,112
Total 31 March 2020	18,311	84,348	238	1,658	10,296	114,851

Impact of Covid 19

The valuation was carried out with the information available at the time. Given the unknown impact of COVID 19 the valuation is due to be reviewed during 2020, having regard to evidence then available about the effect, if any, of the pandemic on asset values.

SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2020 the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2020/21 and future years budgeted to cost £1.8m. There were similar commitments at 31 March 2019 of £1.3m. Of these contracts there are two of significant value, being £0.3m committed to 4x4 vehicle replacement and £1.4m to replacing appliances (MRPs).

NOTES TO THE CORE FINANCIAL STATEMENTS

11.1 PROPERTY PLANT AND EQUIPMENT VALUATIONS

	Land	Buildings excluding dwellings	Assets under construction	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000	£000
2019/20						
Valued at Historical Cost	-	-	238	3,468	24,209	27,915
Valued at Current Value in:						
2019/20	18,311	84,352	-	-	-	102,663
2018/19	-	-	-	-	-	-
2015/16	-	-	-	-	-	-
2014/15	-	-	-	-	-	-
2013/14	-	-	-	-	-	-
Total	18,311	84,352	238	3,468	24,209	130,578

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	Assets under construction	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000	£000
2018/19						
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

NOTES TO THE CORE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS

A new standard IFRS9 Financial Instruments came into effect 1 April 2018 and replaced IAS39 Financial Instruments. The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

12.1 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	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Investments				
Loans and Receivables	-	28,501	-	-
Amortised Costs	18,031	-	-	-
Fair Value through Profit or Loss	-	-	-	-
Total Investments	18,031	28,501	-	-
Cash and Cash Equivalents				
Amortised Costs	8,310	9,168	-	-
Fair Value through Profit or Loss	10,727	1,077	-	-
Total Cash and Cash Equivalents	19,037	10,245	-	-
Debtors (Trade Receivables)				
Amortised Costs	7,598	6,099	728	770
Total Debtors (Trade Receivables)	7,598	6,099	728	770
Borrowings				
Amortised Costs	(188)	(188)	(26,457)	(26,649)
Total Borrowings	(188)	(188)	(26,457)	(26,649)
Finance Lease				
Amortised Costs	(1,013)	(1,111)	(98)	(98)
Total Finance Lease	(1,013)	(1,111)	(98)	(98)
Creditors (Trade Payables)				
Amortised Costs	(5,854)	(8,469)	-	-
Total Creditors (Trade Payables)	(5,854)	(8,469)	-	-

12.1.1 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.

12.1.2 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.

12.1.3 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.

12.2 INCOME, EXPENSES, GAIN AND LOSSES

	Surplus or Deficit on the Provision of Services Financing and Investment Income and Expenditure	
	2019/20 £000	2018/19 £000
Net gains/losses on:		
Financial assets measured at Amortised Cost	(2)*	-
Total net gains/losses	(2)*	-

* The £2k 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.

	2019/20 £000		2018/19 £000	
	Interest Revenue			
Financial assets measured at Amortised Cost		398		345
Total Interest Revenue		398		345

	2019/20 £000		2018/19 £000	
	Interest Expense			
Financial liabilities measured at Amortised Cost		(1,287)		(1,290)
Total Interest Expense		(1,287)		(1,290)

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

Financial Liabilities	2019/20 £000		2018/19 £000	
	PWLB Debt	33,557		35,286
Short Term Borrowing	(90)		(90)	
Short Term Creditors	(5,854)		(8,469)	
Short Term PFI & Finance Lease Liability	(98)		(98)	
Long Term PFI & Finance Lease Liability	(1,013)		(1,111)	
Total Liabilities	26,502		25,517	

Financial Assets	2019/20 £000		2018/19 £000	
	Money Market Loans < 1 Year	10,727		1,077
Short Term Investments	8,232		8,951	
Long Term Investments	18,601		28,577	
Short Term Debtors	7,598		6,099	
Long Term Debtors	728		770	
Total Assets	45,885		45,474	

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 2020.

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

Recurring Fair Value Measurements using:	Quoted Prices			Total
	in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant observable inputs (Level 3)	
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB Debt	-	33,557	-	33,557
PFI and Finance Lease Liability	-	(98)	-	(98)
Total	-	33,460	-	33,460
Financial Assets				
Financial Assets held at amortised cost:				
Total	-	37,421	-	37,421

12.4 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 2019	-	-	-	-
Financial Assets held at amortised cost:	(2)	-	-	(2)
As at 31 March 2020	(2)	-	-	(2)

Credit Risk Exposure	Credit Risk Rating £	Gross Carrying Amount
12 Month Expected Credit Loss	AAA	-
12 Month Expected Credit Loss	AAA	-
12 Month Expected Credit Loss	A (incl A+)	2

Interest Rate Risk	Total £000
Decrease in Fair Value of Fixed Rate Investments	151
Impact on Other Comprehensive Income and Expenditure	(4,720)
Decrease in fair value of Fixed Rate Borrowings Liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income or Expenditure)	(4,871)

These are notional costs and they would not be incurred if the outstanding loans run to their contractual maturity date. The approximate impact of a 1% Decrease 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;

	2019/20	2018/19
	£000	£000
Interest Received	398	345
Interest Paid	(1,287)	(1,290)
Total	(889)	(945)

13.2 INVESTMENT ACTIVITIES

	2019/20	2018/19
	£000	£000
Payments for property, plant and equipment	(2,070)	(2,659)
Sale of investments	-	-
Increase in Short-Term Deposits	10,470	(5,494)
Capital Grant Received	-	-
Net Cash Flows from investing activities	8,400	(8,153)

13.3 FINANCING ACTIVITIES

	2019/20	2018/19
	£000	£000
Loans Repaid	(93)	(140)
Loan Capital Repayments of PFI and finance leases	(98)	(89)
Net Cash Flows from investing activities	(191)	(229)

13.4 OTHER NON CASH MOVEMENT

	2019/20	2018/19
	£000	£000
(Gains)/losses on the disposal of non-current assets	181	20
PWLB Interest due, paid in new year	90	(434)
Accumulated Absence Account	(222)	(16)
Other Adjustments	(100)	(157)
Net Other non cash movement	(50)	(588)

NOTES TO THE CORE FINANCIAL STATEMENTS

14 INVENTORIES

	31 March 2020 £000	31 March 2019 £000
Uniforms and Protective Clothing	194	115
Vehicle Spares Stocks	123	120
Equipment Stocks	75	81
Total	392	315

15 DEBTORS

15.1 Trade and other receivables

	Current		Non-current	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Current Assets				
Public Sector Bodies	8,096	7,055	728	770
Other	2,477	2,287	-	-
Provision for the impairment of receivables	(655)	(655)	-	-
Total	9,919	8,687	728	770

15.2 Receivables past their due date but not impaired

	31 March 2020 £000	31 March 2019 £000
By up to three months	119	252
By three to six months	-	49
By more than six months	685	594
Total	804	895

15.3 Provision for impairment of receivables

	31 March 2020 £000	31 March 2019 £000
Balance at 1 April	(655)	(55)
(Increase)/decrease in receivables impaired	0	(600)
Balance at 31 March	(655)	(655)

16 CASH AND CASH EQUIVALENTS

	31 March 2020 £000	31 March 2019 £000
Balance at 1 April	10,245	14,446
Net change in year	8,792	(4,200)
Balance at 31 March	19,037	10,245
Made up of		
Commercial banks and cash in hand	(353)	270
Cash in Transit	469	-
Current investments (less than 3 Months to maturity)	18,921	9,975
Cash and cash equivalents as in statement of financial position	19,037	10,245
Bank Balance - Commercial banks	-	-
Cash and cash equivalents as cash flow statement	19,037	10,245

NOTES TO THE CORE FINANCIAL STATEMENTS

17 CREDITORS

	Current		Non-current	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Current Liabilities				
Public Sector Bodies	(3,831)	(2,645)	-	-
Other entities and individuals	(3,028)	(3,964)	-	-
Accum absence	(961)	(739)	-	-
Defined Benefit Pension Schemes	-	-	(729,884)	(785,502)
Total	(7,820)	(7,348)	(729,884)	(785,502)

18 PROVISIONS

	Current		Non-current	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Firefighter Employer Pension Contribution	(598)	(693)	(61)	(66)
NDR Appeals Provision	-	-	(423)	(440)
Total	(598)	(693)	(484)	(506)

	Firefighter Employer Pension Contribution £000	PFI Equalisation £000	NDR Appeals £000	Total £000
At 1 April 2018	754	-	412	1,167
Arising during the year	28	-	-	28
Used during the year	(23)	-	-	(23)
Reversed unused	-	-	27	27
Unwinding of discount	-	-	-	-
At 31 March 2019	759	-	440	1,199
At 1 April 2019	759	-	440	1,199
Arising during the year	(73)	-	-	(73)
Used during the year	(27)	-	-	(27)
Reversed unused	-	-	(16)	(16)
At 31 March 2020	659	-	423	1,082
Expected timing of cash flows:				
Between 1 April 2020 & 31 March 2021	598	-	-	598
Thereafter	61	-	423	484

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 2019/20.

As part of the annual review of reserves in 2019-20, 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 2018/19 for each reserve may not collate but, the overall total is correct. The information below mirror what is presented to Fire Authority members.

2019/20

Earmarked reserve	Balance 1 April	Transfers In	Transfers Out	Balance 31 March
	£000	£000	£000	£000
Grants unapplied from previous years	1,145	(631)	(130)	383
Invest to Improve	5,937	13	(1,446)	4,503
Budget Smoothing Reserve	1,818	-	-	1,818
Direct Funding to Capital	19,960	2,348	-	22,308
Projects, risks, & budget carry forwards				
PFI Equalisation	295	-	(145)	150
Emergency Services Mobile Communications Programme	932	-	(56)	877
Breathing Apparatus Replacement	1,449	18	(1,466)	-
Mobile Data Terminals Replacement	381	-	(102)	279
PPE & Uniform Refresh	488	-	-	488
Pension Liability reserve	461	962	-	1,423
National Procurement Project	90	-	(90)	-
Budget Carry Forwards	363	618	(83)	898
Environmental Strategy	-	308	-	308
Upgrade Wi-Fi Internet Connection	75	-	(26)	50
Respiratory Protection Masks - Personal Fit	70	-	(69)	1
VEMA Outriggers	95	-	(85)	10
Total Earmarked Reserves	33,561	3,635	(3,699)	33,495
General Fund (non Earmarked) Balance	5,316	-	-	5,316
Total General Fund	38,877	3,635	(3,699)	38,811

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)	-
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

NOTES TO THE CORE FINANCIAL STATEMENTS

19.2 UNUSABLE RESERVES

	31 March 2020 £000	31 March 2019 £000
Revaluation Reserve	(38,845)	(34,954)
Capital Adjustment Account	(49,452)	(52,307)
Pensions Reserve	729,884	785,502
Collection Fund Adjustment Account	(604)	(865)
NDR Adjustment Account	73	(108)
Accumulated Absences Account	961	739
PFI Equalisation Fund	(728)	(770)
Total	641,289	697,238

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	(52,307)	(54,339)
<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	181	89
Amounts of non-current assets written off on exchange as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	764	
Revaluation losses on property, plant and equipment	30	7
Charges for depreciation and impairment of non-current assets	7,625	6,903
	8,600	6,999
Minimum Revenue Provision	(2,195)	(2,093)
Capital Expenditure charged against the Revenue Account	(299)	(966)
Capital Receipts Reserve		
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing		
Exchange of asset	(764)	-
Adjusting amounts written out of the Revaluation Reserve	(2,488)	(1,838)
Depreciation written down in-year		(70)
Balance at 31 March	(49,452)	(52,307)

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	(34,954)	(29,447)
Upward Revaluation of assets	(7,077)	(7,425)
Disposal/derecognition	100	
Downward revaluations	697	80
Difference between fair value depreciation and historical cost depreciation	2,389	1,838
Balance at 31 March	(38,845)	(34,954)

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	785,502	733,309
Remeasurements of the net defined liability/ (asset)	(67,492)	17,764
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of services	25,421	43,393
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,547)	(8,963)
Balance at 31 March	729,884	785,502

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	(865)	(981)
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	261	115
Balance at 31 March	(604)	(865)

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	(108)	633
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	181	(741)
Balance at 31 March	73	(108)

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	739	723
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	222	16
Balance at 31 March	961	739

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 2020 a surplus of £0.728m (£0.77m as at 31 March 2019) was attributable to Devon and Somerset FRA and this has been included as a PFI debtor against Gloucestershire County Council.

	2019/20 £000	2018/19 £000
Balance at 1 April	(770)	(807)
PFI Movement for the year	42	37
Balance at 31 March	(728)	(770)

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 2019/20 are shown in the following table which shows all serving members during 2018/19 and 2019/20.

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

	Basic and Special Responsibility Allowance	Travel and Subsistence	2019/20	2018/19
	£	£	£	£
Michael Best	2,733	-	2,733	2,679
Frank Biederman	2,733	387	3,120	3,123
Ann Bown	3,496	227	3,723	7,672
Lynda Bowyer	402	42	444	2,806
Pam Buchan	2,388	426	2,814	-
Peter Burridge-Clayton	2,733	463	3,196	3,864
Caroline Chugg	-	-	-	1,000
Simon Coles	3,496	741	4,237	8,216
Polly Colthorpe	2,733	-	2,733	2,679
Ian Doggett	2,307	237	2,544	-
Jonathan Drean	6,081	915	6,996	2,892
Andrew Eastman	2,733	314	3,047	3,291
Victor Ellery	447	-	447	3,103
Brian Greenslade	-	-	-	1,440
Robert Hannaford	6,081	263	6,344	2,876
Mark Healey	6,833	1,084	7,917	9,084
Neil Hendy	353	150	503	3,144
Gordon Hook	331	-	331	2,019
Richard Hosking	-	-	-	652
Martin Leaves	-	-	-	245
John Mathews	447	-	447	2,584
Terry Napper	2,733	490	3,223	2,870
Ronald Peart	2,733	281	3,014	3,194
Graham Prowse	2,733	-	2,733	2,679
Ray Radford	2,733	199	2,932	2,562
Sara Randall Johnson	16,398	554	16,952	17,062
Leigh Redman	6,833	1,445	8,278	8,293
John Riley	-	-	-	245
Andrew Saywell	9,038	1,122	10,160	9,829
Chaz Singh	862	121	983	-
David Thomas	9,038	542	9,580	9,258
Jeffrey Trail	2,733	574	3,307	2,902
Ian Tuffin	1,526	-	1,526	-
Linda Vjeh	2,733	389	3,122	3,810
David Watson	200	-	200	-
Nick Way	2,307	209	2,516	-
George Wheeler	9,648	1,406	11,054	10,102
Jeremy Yabsley	2,344	162	2,506	-
Totals	120,919	12,746	133,665	136,176

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 senior staff.

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

	2019/20	2018/19
£50,000 - £54,999	58	43
£55,000 - £59,999	26	36
£60,000 - £64,999	23	18
£65,000 - £69,999	7	6
£70,000 - £74,999	-	1
£75,000 - £79,999	4	5
£80,000 - £84,999	1	1
£85,000 - £89,999	-	1
£90,000 - £94,999	1	1
£95,000 - £99,999	1	-
£100,000 - £104,999	1	-
£115,000 - £119,999	2	2
£130,000 - £134,999	1	-
£150,000 - £154,999	-	2
£155,000 - £159,999	1	-

NOTES TO THE CORE FINANCIAL STATEMENTS

21.2 Senior Officers Remuneration 2019/20 over £50k

There were leavers and new starters in senior management which has amended the number of individuals shown on the list below when compared to 2018/19.

Post Title	Salary (Including			Compensation for loss of office £	Total Remuneration excluding pension contrbns £	Pension Contribns £	Total Remuneration including pension contrbns 2019/20 £
	Fees and Allowances) £	Benefits in Kind £					
Chief Fire Officer - Lee Howell	157,302	-	-	-	157,302	45,192	202,494
Deputy Chief Fire Officer	130,691	-	-	-	130,691	48,587	179,278
Assistant Chief Fire Officer - Service Improvement	117,974	-	-	-	117,974	40,141	158,115
Assistant Chief Fire Officer - Service Delivery	117,974	-	-	-	117,974	33,893	151,867
Assistant Chief Fire Officer - Service Delivery (a)	93,045	-	-	-	93,045	22,617	115,662
Area Manager – Service Delivery - Functions	78,240	-	-	-	78,240	22,838	101,078
Area Manager – Service Delivery - Delivery (b)	43,928	-	-	-	43,928	12,655	56,583
Area Manager – Service Delivery - Capabilities	78,527	-	-	-	78,527	22,655	101,182
Area Manager - Head of Transformational Change	83,303	-	-	-	83,303	29,393	112,696
Area Manager - Service Improvement	76,025	-	-	-	76,025	18,981	95,006
Director of Corporate Services	97,869	-	-	-	97,869	17,957	115,826
Director of Finance and Resourcing (c)	103,673	-	-	-	103,673	19,046	122,719
HR Manager	66,879	-	-	-	66,879	12,100	78,979
Head of Finance	63,523	-	-	-	63,523	11,666	75,189
Head of Estates (d)	59,299	-	-	-	59,299	10,884	70,183
Head of Corporate Communications	61,608	-	-	-	61,608	11,297	72,905
Head of Procurement and Fleet (e)	69,392	-	-	-	69,392	11,861	81,253
Head of ICT	63,639	-	-	-	63,639	11,689	75,328
	1,562,891	-	-	-	1,562,891	403,452	1,966,343

(a) AM Service Delivery for 9 months of the year and then ACFO for 3 months. (b) Left 6/9/2019 (c)Seconded to NFCC fm 16/03/20
(d) In post from 01/05/19 (e)Director of Resourcing interim from 16/03/20

Senior Officers Remuneration 2018/19 over £50k

Post Title	Salary (Including			Compensation for loss of office £	Total Remuneration excluding pension contrbns £	Pension Contribns £	Total Remuneration including pension contrbns 2018/19 £
	Fees and Allowances) £	Benefits in Kind £					
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

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	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
£0 - £20,000	-	-	3	6	3	6	£22,771	£70,288
£20,001 - £40,000	-	-	-	3	-	3	£0	£75,178
£40,001 - £60,000	-	-	1	-	1	-	£40,202	£0
£60,001 - £80,000	-	-	-	-	-	-	£0	£0
Total	-	-	4	9	4	9	£62,972	£145,466

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.

	2019/20 £000	2018/19 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	31	28
Total	31	28

23 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement (CIES) in 2019/20

	2019/20 £000	2018/19 £000
Grants		
New Dimensions Grant	(945)	(816)
Firelink Grant *	-	(918)
Hinkley Point Grant	(74)	(128)
Rural Services Delivery Grant	(424)	(424)
Business Rates Relief	(1,335)	(1,166)
Fire Pension Grant	(3,904)	-
Section 31 Grants (Minor)	(17)	(17)
Levy Account Surplus	(53)	(240)
Covid 19 Grant	(281)	-
Sub Total Grants	(7,033)	(3,709)
		-
Insurance cost recovery	(72)	(11)
Legal fees	1	(38)
NNDR Imbalance	-	(153)
Procurement income from Frameworks	(30)	(28)
Rental income	(61)	(168)
Secondment income	(353)	(318)
Vehicle sales and maintenance	(42)	(53)
Other income and donations	(361)	(196)
Corresponder Income	(35)	(64)
Community Responders	-	(11)
PFI Fair value	(447)	(447)
Training Income	(342)	(289)
Primary Authority	(44)	(35)
Sub Total Other Income	(1,787)	(1,810)
Total within cost of services in the CIES	(8,820)	(5,519)

* Firelink grant for 2019/20 was received in advance and transferred in from reserves

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 2019/20 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 2019/20 no material transactions were disclosed.**

	2019/20 £000	2018/19 £000
Red One Limited^		
Receipts from Red One Ltd of training income and reimbursements	(245)	(285)
FRIC*		
Payments for Insurance	832	807

^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 £832k to the company for the year end 31 October 2019 of which £467k relates to the 2020/21 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.

	2019/20 £000	2018/19 £000
Opening Capital Financing Requirement	26,746	26,928
<u>Capital investment</u>		
Operational assets	2,303	2,877
<u>Sources of Finance</u>		
Government grants and contributions	-	-
<u>Sums set aside from revenue</u>		
Minimum Revenue Provision	(2,195)	(2,093)
Direct revenue funding	(299)	(966)
Closing Capital Financing Requirement	26,555	26,746
Explanation of movements in year	2019/20	2019/20
	£000	£000
Increase/(Decrease) in underlying need to borrow	(93)	(93)
(Decrease) in PFI/lease liabilities	(98)	(89)
Increase/(decrease) in Capital Financing Requirement	(191)	(182)

26 LEASES

26.1 OPERATING LEASES AS LESSEE

Total rentals paid during the year amounted to £0.751m. It is estimated that the outstanding liability for future years, in relation to existing lease agreements is £1.268m. But under IFRS16 the majority of this future cost will be via financing costs and minimum revenue provision.

	2019/20 £000	2018/19 £000
<u>Payments recognised as an expense in year</u>	751	754
<u>Future Minimum Lease Payments payable:</u>		
Not later than one year	580	595
Between one and five years	688	1,001
Total	1,268	1,596

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 2020 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	2019/20 £000	2018/19 £000
Paid in 2019/20	552	98	107	756	739
Outstanding undischarged contract obligations:					
Payable within one year	576	101	99	776	757
Payable within two to five years	2,502	501	298	3,301	3,221
Payable within six to ten years *	2,095	509	92	2,697	3,552
	<u>5,173</u>	<u>1,112</u>	<u>489</u>	<u>6,774</u>	<u>7,530</u>

* There are eight 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:

	2019/20 £000	2018/19 £000
Balance outstanding at 1 April	1,209	1,298
Payments in year	(98)	(89)
Capital Expenditure incurred in the year		
Other movements		
Balance outstanding at 31 March	<u>1,111</u>	<u>1,209</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.

	2019/20 £000	2018/19 £000
Impairment of Land	-	-
Impairment of Buildings	-	-
Net Amount Charged to the CIES	<u>-</u>	<u>-</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 2019/20	Total Contributions expected to be made by the authority in the year to 31st March 2021 £000
Local Government Pension Scheme	19.6%	1,996
1992 Firefighters Pension Scheme	37.3%	} 4,555
2006 New firefighters Pension Scheme	27.4%	
2006 Modified firefighters Pension Scheme	37.3%	
2015 Firefighters Pension Scheme	28.8%	

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 2019/20 £000	LG Pension Scheme 2018/19 £000	LG Unfunded 2019/20 £000	LG Unfunded 2018/19 £000	Fire schemes 2019/20 £000	Fire schemes 2018/19 £000	Total 2019/20 £000	Total 2018/19 £000
Comprehensive Income & Expenditure Statement								
<i>Service Cost Comprising:</i>								
Current Service Cost	3,966	3,546	-	-	12,249	11,203	16,215	14,749
Past Service Costs	993	13	-	-	-	23,042	993	23,055
<i>Financing and Investment Income and Expenditure:</i>								
Net Interest Expense	886	931	7	8	17,675	17,823	18,568	18,762
Administration Expenses	40	34					40	34
CLG Pension top up grant					(10,395)	(13,208)	(10,395)	(13,208)
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	5,885	4,524	7	8	19,529	38,860	25,421	43,392
<i>Remeasurement of the net defined benefit liability comprising:</i>								
Expected return on plan assets (excluding the amount included in net interest expense)	5,930	(1,750)					5,930	(1,750)
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	5,930	(1,750)	-	-	-	-	5,930	(1,750)
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	(5,885)	(4,524)	(7)	(8)	(19,529)	(38,860)	(25,421)	(43,392)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>								
Employers contributions payable to scheme	2,107	1,815			8,753	4,437	10,860	6,251
Employers contributions payable to scheme (seconded not charged to general fund)	-	-	-	-	63	33	63	33
Ill health charges					474	281	474	281
Retirement benefits payable to pensioners - Authority			19	18	2,131	2,379	2,150	2,397
Retirement benefits payable to pensioners - Fund	1,682	1,914			23,579	21,768	25,261	23,682
Total Retirement benefits payable to pensioners	1,682	1,914	19	18	25,710	24,147	27,411	26,079

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of the present value of the scheme liabilities	LG Pension Scheme 2019/20 £000	LG Pension Scheme 2018/19 £000	LG Unfunded 2019/20 £000	LG Unfunded 2018/19 £000	Fire schemes 2019/20 £000	Fire schemes 2018/19 £000	Total 2019/20 £000	Total 2018/19 £000
1st April	93,212	89,188	345	339	747,336	695,575	840,893	785,102
Current Service Cost	3,966	3,546	-	-	12,249	11,203	16,215	14,749
Interest Cost	2,229	2,259	7	8	17,675	17,823	19,911	20,090
Contributions by scheme participants	725	653	-	-	3,893	3,810	4,618	4,463
<i>Remeasurement (gains) and losses:</i>								
Actuarial gains and losses arising on changes in demographic assumptions	(1,722)	(5,403)	2	17	1,116	(20,422)	(604)	(25,808)
Actuarial gains and losses arising on changes in financial assumptions	(11,665)	4,870	(11)	-	(62,645)	40,452	(74,321)	45,322
Experience gains and losses	1,418	-	-	-	-	-	1,418	-
Past service Costs	993	13	-	-	-	23,042	993	23,055
Benefits Paid	(1,682)	(1,914)	(19)	(18)	(25,710)	(24,147)	(27,411)	(26,079)
31st March	87,475	93,212	324	345	693,914	747,336	781,712	840,894

Pensions Assets and Liabilities Recognised in the Balance Sheet	2019/20 £000	2018/19 £000
Present value of liabilities		
LGPS	(87,475)	(93,212)
LGPS- unfunded	(324)	(345)
Firefighters Pension schemes	(658,203)	(742,020)
Firefighters Compensation Regulations	(35,711)	(5,316)
Fair value of assets in the LGPS	51,829	55,391
	(729,884)	(785,502)
Surplus/(deficit) in the scheme:		
LGPS	(35,646)	(37,821)
LGPS- unfunded	(324)	(345)
Firefighters Pension schemes	(658,203)	(742,020)
Firefighters Compensation Regulations	(35,711)	(5,316)
Net Liability arising from defined benefit obligation	(729,884)	(785,502)

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

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

The Fire Fund has no assets to cover its liabilities. The Local Government Pension 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 2020	£000	31 March 2019
		%		%
Gilts	2,211	4%	1,786	3%
UK Equities	6,897	13%	9,105	21%
Overseas Equities	22,289	43%	23,639	37%
Property	4,882	9%	4,962	9%
Infrastructure	2,233	4%	2,083	4%
Target Return Portfolio	6,805	13%	7,917	15%
Cash	604	1%	943	2%
Other Bonds	2,716	5%	1,064	2%
Alternative Assets	3,192	6%	2,966	5%
Private Equity	0	0%	926	1%
Total Fair value of LGPS assets	51,829	100%	55,391	100%

Based on estimated bid values.

Movement between the opening and closing balances of the fair value of assets:	Year to 31 March 2020	Year to 31 March 2019
	£000	£000
Opening fair value	55,391	51,793
Interest Income	1,343	1,328
Return on plan assets (excluding the amount included in net interest expense)	(5,930)	1,750
Other Actuarial Gains/ (Losses)	(85)	-
Administration Expenses	(40)	(34)
Contributions by employer	2,126	1,833
Contributions by scheme participants	725	653
Estimated benefits paid	(1,701)	(1,932)
Fair value of scheme assets at end of period	51,829	55,391

Basis for establishing assets and liabilities	LG Pension Scheme	LG Pension Scheme	LG Unfunded	LG Unfunded	Fire Schemes	Fire Schemes
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £0	2019/20 £000	2018/19 £000
Mortality assumptions						
Longevity at 65 for current pensioners						
Men	22.90	22.40	22.90	22.40	21.00	20.80
Women	24.10	24.40	24.10	24.40	23.10	23.10
Longevity at 65 for future pensioners						
Men	24.30	24.10	24.30	24.10	22.70	22.40
Women	25.50	26.20	25.50	26.20	24.90	25.00
Rate of inflation RPI	2.65%	3.40%	2.65%	3.40%	2.70%	3.40%
Rate of inflation CPI	1.85%	2.40%	1.85%	2.40%	1.90%	2.40%
Rate of increase in salaries	2.85%	3.90%			3.40%	3.90%
Rate of increase in pensions	1.85%	2.40%	1.85%	2.40%	1.90%	2.40%
Rate for discounting scheme liabilities	2.35%	2.40%	2.35%	2.40%	2.35%	2.40%
Take-up of option to convert annual pension into retirement lump sum	50% of commutable pension				50% of commutable pension	

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 2019/20	LG Pension Scheme	Fire Schemes
	PV* £000	PV* £000
Adjustment to the Discount Rate		
+0.1%	85,845	680,670
0.0%	87,799	693,914
-0.1%	89,799	707,448
Adjustment to Long Term Salary Increase		
+0.1%	88,041	695,537
0.0%	87,799	693,914
-0.1%	87,559	692,305
Adjustment to Pension Increases and Deferred Revaluation		
+0.1%	89,565	705,872
0.0%	87,799	693,914
-0.1%	86,074	682,209
Adjustment to Mortality Age Rating Assumption		
+ 1 year	90,798	722,197
None	87,799	693,914
- 1 year	84,902	666,766

* Present Value of Total Obligation

NOTES TO THE CORE FINANCIAL STATEMENTS

30 CONTINGENT LIABILITIES

There is one contingent liability for 2019-20 which arises from a pensions tribunal case. The O'Brien case found that there has been discrimination against part-time judges in the calculation of pension entitlement. The issue was whether periods of part-time employment prior to the coming into effect of Part Time Workers Directive should be taken into account in calculating the amount of pension to be paid upon retirement - this was found to be discriminatory. A potential remedy will impact upon the Authority due to the high proportion of On Call (Part-time) staff and ex-employees. A reliable estimate cannot be calculated as, at this stage, it is unclear how many of the pension scheme members will choose to buy-back pension rights and for what duration. As there is no remedy in place yet it has not been determined who will fund the Employers contribution on back-dated pension costs, and therefore this is a contingent liability.

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 2020 £000	Historical Experience of Default £000	Historical Experience adjusted for market conditions as at 31 March 2020 £000	Estimated maximum exposure to default and uncollectability £000
Deposits with bank & financial institutions	37,068	-	-	-
Public Sector Bodies	8,096	-	-	-
Other	2,477	-	-	-
Total	47,642	-	-	-

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 2020, the value of debt which exceeded this period was £804K, broken down as follows:

	2019/20 £000	2018/19 £000
Two to Three Months	119	252
Over Three Months	685	643
Total	804	895

An allowance for potential bad debts of £655k 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:-

	2019/20 £000	2018/19 £000
Less than one year – including trade and other creditors	7,042	6,792
Between one and two years – PWLB loan repayments	93	593
Between two and five years – PWLB loan repayments	1,445	1,080
More than five years – PWLB loan repayments	23,313	23,771
Total	31,893	32,236

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	2019/20	2018/19
	£000	£000
Contributions receivable from:		
Fire authority:-		
a) contributions in relation to pensionable pay	(8,683)	(4,470)
b) early ill health retirements & other income	(474)	(281)
c) Firefighters contributions	(3,919)	(3,810)
	(13,076)	(8,561)
Transfers In	(289)	(19)
Benefits payable		
d) pensions	18,540	17,445
e) commutations and lump sum benefits	5,220	4,307
f) lump sum death benefits	1	36
	-	-
g) transfers out	-	-
h) refunds of contributions	-	-
Net amount payable for the year	10,395	13,208
Top up grant payable by the government	(10,395)	(13,208)
	-	-
Net Assets Statement	2019/20	2018/19
	£000	£000
Current assets		
Devon & Somerset Fire Authority - debtor	(3,953)	(2,407)
Current liabilities		
Top up grant payable from HomeOffice - creditor	3,953	2,407
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 2019/20 and do not take into account liabilities to pay pensions or benefits after that period.

Note 3 - £6.442m had been received from Home Office by 31st March 2020, being 70% of notified top up grant available. As there was a funding shortfall £3.953m is due from the Home Office in order to balance the total costs to total income within the fund.

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

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 2019/20. 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.

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 July 2020 and the audited accounts were authorised for issue on the 07 September 2020

**Amy Webb
Treasurer to the Authority**

**Mark Healey
Chair Audit Performance Review Committee**

07 September 2020

07 September 2020

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DEVON & SOMERSET FIRE & RESCUE AUTHORITY

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

7 September 2020

Dear Sirs

Devon and Somerset Fire and Rescue Authority Financial Statements for the year ended 31 March 2020

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 2020 for the purpose of expressing an opinion as to whether the 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 2019/20 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 2019/20 ("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. Management's valuation expert has reported a material valuation uncertainty associated with the valuations of land and buildings as at 31 March 2020 as a result of the Covid-19 pandemic.
- vi. 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.

- vii. *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.
- 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. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern 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

- xiii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Authority via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xiv. We have communicated to you all deficiencies in internal control of which management is aware.
- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. 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.
- xvii. 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.

- xviii. 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.
- xix. 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.
- xx. 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.
- xxi. 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

- xxii. 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

- xxiii. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the 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 the 7th of September 2020

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/20/9
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	7 SEPTEMBER 2020
SUBJECT OF REPORT	2019-20 ANNUAL STATEMENT OF ASSURANCE
LEAD OFFICER	Director of Governance & Digital Services
RECOMMENDATIONS	<i>That that the final Annual Statement of Assurance appended to this report - required to accompany the 2019-20 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 2019-20 has been submitted, along with the draft 2019-20 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. 2019-20 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

2019-20 Annual Statement of
Assurance

Devon and Somerset
Fire & Rescue Authority

27/08/2020

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1. Introduction

- 1.1. 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 Authority can deliver its vision as well as ensuring there are effective mechanisms for control and the management of risk.
- 1.2. 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.

Accounts and Audit (England) Regulations 2015 Requirements

- 1.3. 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

- 1.4. 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. The Framework sets out that the statement should outline the way in which the authority and its fire and rescue service has had regard to the Framework, the Integrated Risk Management Plan and to any strategic plan (e.g. the Fire and Rescue Plan) prepared by the authority for that period. Each authority must also provide assurance to their community and to government on financial, governance and operational matters.
- 1.5. 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.

Authority Approach

- 1.6. The Authority has agreed that the most appropriate way to manage both the National Framework and the Accounts and Audit (England) Regulations 2015 requirements is through the creation of one assurance report entitled ‘Annual Statement of Assurance’. 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.

- 1.7. 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 Statement of Assurance is then published alongside the approved Statement of Accounts for the financial year in question on the Authority's website.

Covid-19

- 1.8. Due to the Covid-19 pandemic, the period covered by Annual Governance Statements must be extended from the close of the financial year, to the date that the Statement of accounts is signed by the responsible financial officer. During this extended period, there have been changes made to the Authority's governance system, which are detailed as follows.
- 1.9. As with other public authorities, social distancing measures introduced in response to the Covid-19 pandemic have impacted on the Authority's governance arrangements. On 4 April 2020, the Government introduced Regulations under the Coronavirus Act 2020 providing for formal Authority meetings to be held "virtually" i.e. with remote access (including telephone and video conference) for Authority Members, the press and the public. The Regulations, which at present remain in force until 7 May 2021, also provide that an Annual Meeting need not be held until 2021.
- 1.10. As a result, this Authority has:
- agreed not to hold an Annual Meeting in 2020. Any appointments (e.g. Committees, Outside Bodies such as the Local Government Association Fire Commission) which would normally be made at an Annual Meeting remain in place until the next Annual Meeting;
 - introduced a platform to enable its meetings to be held "virtually", with proceedings livestreamed to the press and public (in compliance with the Regulations);
 - introduced a Remote Meetings Protocol and amended Standing Orders to reflect the provisions of the Regulations and the Protocol. These documents can be found on the Authority's website;
 - approved a calendar of meetings for 2020-21 proportionate to meeting business need while maintaining public transparency and the democratic process. Details of meetings for 2020-21, together with agendas (once published) for the meetings, can be found on the Authority's website and
 - In the absence of timely, formal meetings, used the Urgency provisions of its Standing Orders to make certain decisions (e.g. approval of the Remote Meetings Protocol and amended Standing Orders; 2019-20 budget outturn; disposal of Budleigh Salterton Fire & Rescue Station). Detail of all decisions taken using the Urgency provisions have been published on the Authority's website.

2. Operational

2.1. The Authority's functional (operational) activities are discharged through the Devon & Somerset Fire & Rescue Service ("the Service) and are set out in a clear statutory and policy framework, the key parts 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; and
- the Fire and Rescue National Framework for England 2018.

Strategic Planning

2.2. Two key documents, combined, set out the strategic direction for both the Authority and the Service:

- the Integrated Risk Management Plan (IRMP) 2018-22; and
- the Fire and Rescue Plan 2018-22.

These inform the "Safer Together" change and improvement programme.

2.3. The IRMP is the means by which the Service assesses and analyses the risks faced by the communities we serve. It undergoes regular review and gives a clear mandate to address those risks through the prevention, protection and response activities of the Service.

2.4. The Fire and Rescue Plan contains the Service's vision, purpose, values and priorities. It describes the challenges faced by the Service (for example, the financial challenge) and how the Service proposes to address those challenges, setting out the strategic intent for the key areas of the organisation.

2.5. Having these strategic documents will facilitate greater transparency and clarity, to better achieve the Authority's priorities and the implementation of change and improvement within the Service.

2.6. 'Safer Together' is the Authority's change and improvement programme and is derived from the IRMP and the Fire and Rescue Plan. Established in 2019, the programme contains the prioritised work streams for the next three to four years that the Service must deliver if it is to achieve real improvements in the service provided to communities whilst also making the financial savings required.

2.7. The Safer Together programme is all about working as a team to reshape the Service to prevent and respond to new risks. This includes reviewing staffing at stations, fleet and equipment requirements and the use of digital technology to improve and where possible automate processes. It also means training and supporting employees to manage all of this change.

- 2.8. The strategic documents and the Safer Together programme are underpinned by Annual Directorate Statements, which clearly reflect the priorities set out in those documents, and a series of Group and Departmental Service plans, which describe in more detail how the Service will deliver its organisational priorities during the financial year. Achievement of the objectives set out in the IRMP, the Fire and Rescue Plan and the Safer Together Programme is monitored by the Service Executive Board and the Authority, via its Committees. The Directorate, Group and Departmental Service plans are monitored at least quarterly by their respective management teams. The Safer Together Programme is governed by a programme board, chaired by a member of the Executive Board, with each constituent project also having its own project board.
- 2.9. 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. Service plans include an indication of direction of travel of identified risks as well as a facility to escalate risks to the corporate risk register.
- 2.10. Programme and Project risks are subject to the governance arrangements established for our Safer Together Programme, which includes a Business Design Authority, ensuring all the business outputs of the projects remain aligned to the organisational goals and are pulling in the same direction.
- 2.11. The Service's planning framework requires all the plans to be reviewed, updated and re-focussed where required at least annually.

Fleet, Equipment and Water Supplies

- 2.12. 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 the Service's intention for supporting a new service delivery model, modernising fleet management operations and collaboration and innovation to reflect an increasingly diverse workforce and the environmental aims of communities served. The Service has a 10 year replacement programme with the capital budget approved by the Authority. The Service follows the National Fire Chiefs Council (NFCC) Best Practice Manual for the maintenance of Fire Service Vehicles. The NFCC has a representative Council which enables locally accountable Chief Fire Officers (CFO), Chief Officers, Chief Executives or their representatives to coordinate the work of the UK Fire & Rescue Services to protect the public and improve community safety. Under the Fire and Rescue Services Act 2004, 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+ hydrant management and maintenance requirements. Priorities in 2020/21 are to progress the fleet capital replacement programme.

Operational Debriefs

- 2.13. 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

- 2.14. The 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 staff are appropriately supported and well trained, providing risk-based training and development that is centred on safety-critical elements.
 - Making sure firefighters remain fit and take a holistic approach to health, safety and wellbeing across the whole organisation.
- 2.15. 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 Service's policy and performance groups, and our Training Academy, the team works to ensure that the Service has a clear line of sight on trends and performance to address any identified areas of concern.
- 2.16. 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

- 2.17. In accordance with the Authority's commitment to public and staff safety, the Operational Assurance Team ensures that the learning outcomes from significant national events are fed back into the Service. This learning, from other fire and rescue services directly affected, comes via:
- the National Operational Learning portal;
 - Coroners Regulations 28/29 reports (formerly known as 'Rule 43' reports); and
 - Health and Safety Executive recommendations to all fire and rescue services.

A process has been implemented to enable efficient management of learning and outcomes.

- 2.18. 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

- 2.19. The Service is committed to forming or joining partnerships that assist it in achieving its organisational goals and contribute to its purpose “to Protect and Save”.
- 2.20. 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.
- 2.21. Collaborative working continued to grow through the South West Emergency Services Collaboration (SWESC) group, to achieve a number of agreements. This group continues to liaise and work together on new pieces of work, and has changed from a group that worked together to reach agreement on changing practice in individual organisations into a good practice sharing forum. For example, the Service will share its experience of the trial on community responders (the dual role of a firefighter and special constable) and police access to fire stations.
- 2.22. Other pieces of work currently being progressed are:
- Initial visual checks – wholtime stations will receive information on missing vulnerable persons within 30 minutes of notification, so they can report any sightings to the police.
 - Road closures – closing roads and managing traffic at incidents where police are not required, reducing the demand on Devon & Cornwall Police and enabling DSFRS to legally close a road.
 - Community responders – 7 existing firefighters have been trained as special constables, to keep the fire appliance available, be a visible police presence in the community and be proactive in community engagement i.e. leading and participating in local events.
 - Police access to fire stations – access granted for use by Devon & Cornwall Police of the welfare facilities and meeting the public (not for any meetings under caution for offences)
 - Clinical governance – ensuring the organisation is safely working within guidelines of NHS and South Western Ambulance Service Foundation Trust (the Ambulance Service) when delivering any first aid at incidents, this includes our training course content.
 - Drones – using Dorset Police drones to gain vision at height, e.g. over view of an incident ground to assist in developing a plan for resolving.
- 2.23. Early considerations for:
- ‘GoodSam’ – an alert is sent to those who register to provide initial assistance at a situation eg member of public collapsed in high street. This work has been paused because the Ambulance Service identified a number of issues in the pilot. The Service is maintaining an awareness for future consideration.

2.24. Future projects:

- Fire investigation – understand and address the impact of new International Organisation for Standards (ISO) requirements;
- Explore opportunities with non-blue light partners; and
- Multi Agency Incident Transfer– This is about emergency services sharing information coming into their control rooms via 999 etc to benefit the responders and deliver a more effective service to members of public.

2.25. Fire and Rescue Indemnity Company (FRIC), the mutual protection provider that has 11 fire and rescue authorities as members, has completed its third year of operations culminating in surplus being achieved every year since it was formed, with a current total of £832k. 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.

2.26. 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

2.27. 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 which is due to replace the Airwave service.

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

Co-Responding

2.29. The Authority has a formal partnership agreement in place with the Ambulance Service 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).

2.30. Co-responding continues to be part of the Service's 'business as usual' with 621 calls responded to between 1 April and 31 Dec 2019. There has been a fall in demand due to internal changes in the Ambulance Service.

National Resilience

- 2.31. 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 2004.
- 2.32. Effective arrangements are in place to collaborate with partners through Local Resilience Forums, the National Inter-Agency Liaison Officers network and Safety Advisory Groups which support multi-agency planning activity and the Critical National Infrastructure in line with Joint Emergency Services Interoperability Principles.
- 2.33. Previously the Service had created a specialist team of volunteers to respond to Marauding Terrorist Attacks (MTA). Following changes in the National Planning Assumptions, the Service has supplemented this capability with a further 16 specialist responders based at Plympton funded via a Home Office Grant.
- 2.34. This MTA capability has been established in order to support specialist emergency service response alongside Police and Ambulance responders 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 fire and rescue supports support during this type of incident are for casualty care and fire hazards management.
- 2.35. The capability is made up of two key groups;
- (a). National Interagency Liaison Officers (known as NILOs); and
 - (b). Specialist Response Team (SRT) Operatives
- 2.36. Both of the above groups undergo specialist training for responding to the MTA threat, but fulfil different specific functions within a response.

Specialist Operations

- 2.37. 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.
- 2.38. The programme is also a response to increased risks from non-terrorist emergencies, such as major flooding resulting from changing climate patterns. The UK has faced the challenge of large scale flooding, the fuel crisis and a major epidemic of Foot and Mouth Disease. The Service needs to be able to cope with and recover from a range of unexpected disruptive events, for example building collapse, or natural disasters.
- 2.39. 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
- 2.40. 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.
- 2.41. 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

- 2.42. 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 Service has arrangements in place with its neighbouring fire and rescue authorities for response to incidents requiring their support.
- 2.43. In addition to sections 13 and 16 there is a partnership agreement between this Authority, 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

- 2.44. The Service has a Strategic Business Continuity Policy which was approved by the Executive Board in July 2019. This document sets out the corporate business continuity management structure and goals for business continuity assessment, training and exercising.
- 2.45. The Service has 32 Tactical business continuity plans in place to ensure that it is prepared for a range of threats and challenges. Business continuity management processes are also undertaken so that the Service can continue to deliver services following a disruptive incident.
- 2.46. The Service business continuity arrangements cannot be considered reliable unless they are reviewed, tested and plans kept up to date. Testing the plans is essential for the development of teamwork, competence and confidence in the knowledge of experience that is vital during a disruptive event.
- 2.47. A business continuity exercise for strategic and tactical management took place in March 2019 focusing on an escalating Pandemic Flu epidemic.
- 2.48. Exercise 'Long Drag', held in October 2019, was a strategic business continuity exercise designed to validate the Service's response to a 'no deal' Brexit scenario.

- 2.49. Exercise 'Mariana' was held on 2 December 2019 which was designed to allow players from all levels of the organisation to consider an internal and external response to a catastrophic IT systems failure. The event was attended by a number of senior managers who were able to contribute from a 'Strategic' perspective. Department and team managers taking part were able to consider the 'tactical' elements of the response such as providing equipment, resources, and appropriate numbers of staff etc. Operational staff took in the exercise to think through the 'hands on' implications of how to physically respond and recover from the incident. The exercise also provided an opportunity for individual loggists to gain experience at noting 'actions and decisions' that were made during this session.
- 2.50. The Service employs a Business Continuity Manager in who is responsible for providing specialist advice and guidance on business continuity issues, including the co-ordination, development, implementation and review of business continuity plans, processes and procedures. The Business Continuity Manager also has the responsibility of meeting with identified directorate representatives to review the effectiveness of 'Business Impact Analysis' assessments and business continuity plans as required.
- 2.51. The Service embraces the principles of 'Plan, Do, Check, and Act' and aligns with aspects of the ISO: 22301 (Societal Security – Business Continuity management systems and requirements).
- 2.52. A Contingency Response Team is set up as necessary to manage business continuity incidents and, in addition, an Operational Support Team can be activated as required.
- 2.53. During the Covid-19 pandemic, it was necessary for the Service to employ business continuity arrangements. Whilst the business continuity plans were found to be effective, the opportunity to evaluate these during a "live" business continuity event over a sustained period has provided valuable learning enabling further refinement of the existing processes.

Covid-19 Service Response

- 2.54. The Service deployed its Business Continuity measures as a result of Covid-19 on 16 March 2020, following well-rehearsed processes to implement organisational and operational response to the outbreak and to support Local Resilience Forums. Due to restrictions on travel, office-based staff were asked to work from home and non-essential activity was paused. The Service has seen low levels of absence from Covid-19 and staff absence has not impacted on the ability to maintain core services.
- 2.55. Focus was placed on the ability to maintain fire and rescue response activities, which meant that face-to-face prevention and protection activity could not go ahead. As part of the South Western Ambulance Service NHS Foundation Trusts (SWAST) continued response to Covid-19, a 'combined crewed' fleet of 15 patient support vehicles has been deployed in partnership with fire and rescue services from Cornwall, Devon and Somerset, Dorset and Wiltshire, Avon and Gloucestershire. These vehicles are crewed by one firefighter and one SWAST emergency care assistant initially.

- 2.56. Devon & Somerset acted as the lead fire and rescue service to provide for clear lines of communications and a consistent approach to this project. The Service provided blue light drivers for five patient support vehicles as part of this project.
- 2.57. A Covid-19 Integrated Risk Management Plan (IRMP) was introduced which drove a number of changes to the work that would have been undertaken usually. The most significant of these were:
- Home safety technicians redeployed to provide telephone fire safety advice to about 2,000 people that had existing bookings. Full visits will take place for those clients upon return to business as usual.
 - Home safety technicians working with local councils to visit those that are shielding due to age and or long-term health effects.
 - Insight driven communications targeted members of the public to alert to the dangers around emerging risks and change behaviours. This included risks around BBQs, garden bonfires, road risk, water safety, and advice for businesses.
 - Businesses with Site Specific Risk Information (SSRI) contacted to confirm that all information held is up-to-date.
 - A technical fire safety helpdesk was established to support businesses during working hours.
 - The introduction desktop fire safety audits developed by the National Fire Chief's Council (NFCC).
 - Bespoke technical fire safety support provided to key sectors, such as healthcare and care home providers.
 - The introduction of risk-based compliance checks of communal areas of high rise residential buildings.
 - Provision of guidance to businesses throughout the phases of lockdown, such as 'closing your business', 're-opening your business', and frequently asked questions. At the time of producing this Statement, the Service is in the process of producing further communications to support those business balancing Covid-19 secure requirements with fire safety.
 - Planning of up to date training on care homes, factories and high-rise buildings.
 - Protection team mask fitting and provided training and access to PPE for 'dangerous conditions' inspections.
 - Consultation and support provided to the design and build of Nightingale Hospital (Covid-19) in Exeter.
- 2.58. At the time of producing this Statement, the Service is in a recovery planning phase and a recovery impact assessment has been issued to key functions and stakeholders to identify the impacts, opportunities and risks that this business continuity event have shown. While the government continues to evaluate the changing environment and reviews the rules and regulations originally in place, the Service will respond accordingly to ensure its approach to recovery remains measured, coordinated and safe.

- 2.59. This business continuity event has provided the Service with the unique opportunity to review and ensure that all department and strategic plans pull in the same direction.
- 2.60. Rather than return to 'business as usual', the Service is planning the recovery to ensure it learns from a variety of sources and adapts from the opportunities and lessons learnt. This reflection will feed into strategic objectives to evaluate Service learning. At time of signing off financial statements, the recovery plan was in planning and evaluation stage and therefore further detail on the impact to the Authority's longer-term strategy will be available in due course.

Training and Development - Academy

- 2.61. The Service, 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.
- 2.62. Over the past twelve months significant changes have been implemented to how training is structured and delivered. The Service has moved away from a 'school' structure, and the instructors are now able to deliver training more locally. In addition to this, Associate instructors have been recruited from existing station based personnel to assist with delivery of local training.
- 2.63. This will enable the firefighting workforce to get the most out of drill nights and training events, by participating in locally based training and assessments, on the subjects that are most required.
- 2.64. The new functional leads within the Academy will take responsibility for:
- **Quality assurance** – Reviewing governance arrangements and standards in training, process mapping, permit to teach standards and quality assurance of 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.

- 2.65. The Service has invested in new vehicles to assist in the delivery of training, such as the Mobile Safety at Height and Confined Spaces (SHACS) training vehicle and a mobile Incident Command Training Vehicle which has received excellent feedback from staff.
- 2.66. The Academy has also released a new e-learning system that links with other IT 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.
- 2.67. The Service has 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.
- 2.68. The Service has developed new applications/systems which provide 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

- 2.69. In December 2014 the [then] 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.
- 2.70. The National Fire Chief’s Council (NFCC) has a Firefit Steering Committee which provides guidance and recommendations to the fire & rescue services on fitness standards, protocols and policy.
- 2.71. 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.
- 2.72. There is an opportunity for the Service to improve and test information quality regarding this subject, to enable comparison with other fire & rescue services.

Commitment to Health & Safety

- 2.73. 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 and subordinate legislation.
- 2.74. Health, Safety and Wellbeing has been identified as a key theme within the People Strategy, with specific subject areas identified for review. Progress towards achieving the aims are monitored via the People Strategy monitoring group.

- 2.75. Detailed health, safety and welfare 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, they also identify roles and responsibilities of duty holders who are to ensure measures are implemented.
- 2.76. Systems for monitoring the effectiveness of the organisation's health and safety management procedures are in place, including proactive and reactive monitoring. The process includes air sampling on station of diesel engine exhaust emissions, provision of accident and near miss incident data to the Strategic Safety Committee for quarterly review, annual completion of premises Health, Safety and Welfare Assessment Report Forms, and a means to fully audit the organisation's health and safety management systems on a two yearly basis.
- 2.77. The Health and Safety Manager has developed a fresh approach for the Health and Safety Team to align to, this will increase their capacity, improve access to specialist advice, assure legislative requirements are being met and improve team welfare and work life balance. The team will move to directly supporting two Service Delivery Groups each, greatly enhancing a positive safety culture. To achieve this the team has been joined by an additional Health and Safety Officer. The next reporting period will see the team fully embed this approach.
- 2.78. Procedures are in place to report all safety events, allocate an investigator and where required make recommendations for corrective action to be completed.

3. Governance

- 3.1. As with functional issues, the Authority's governance arrangements derive from a clearly defined statutory and policy framework the key parts of which are:
- the Local Government Act 1972;
 - the Local Government Finance Act 1988;
 - Local Government and Housing Act 1989;
 - Local Government Finance Act 1992;
 - Local Government Act 2003;
 - the Localism Act 2011;
 - the Accounts and Audit Regulations 2015;
 - the Policing and Crime Act 2017;
 - The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020; and
 - The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

The Purpose of Corporate Governance

- 3.2. 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.
- 3.3. Corporate Governance enables the Authority to monitor the achievement of its strategic policy objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 3.4. 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.
- 3.5. Due to Covid-19 arrangements, the period covered by this statement must be extended from the close of the financial year, to the date that the Statement of Accounts is signed by the responsible financial officer. This statement refers to the governance arrangements that have been in place for the authority for the financial year ending 31 March 2020 and over this extended period.

Code of Corporate Governance

- 3.6. 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 or can be obtained from the Clerk to the Authority. This Statement explains how the Authority has complied with the Code.

Review of Effectiveness

- 3.7. 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.
- 3.8. The key elements of the Authority's governance arrangements are:
- (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) During the 2019-20 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, an “independent person” is appointed in accordance with the requirements of the Localism Act 2011 and in June 2019 the Authority agreed to the appointment of a second independent person in line with recommendations made by the Committee on Standards in Public Life following its review of local government ethical standards. Also in June 2019, the Authority agreed to increase membership of the Local Pension Board from six to eight, the additional Scheme Manager (employer) representative being an external appointment, i.e. a co-opted member of the Board.
- (3) During the 2019-20 financial year, the Authority operated with the following permanent committees:
- i. Resources Committee (7 Members)
 - ii. Human Resources Management & Development Committee (7 Members);
 - iii. Audit & Performance Review Committee (7 Members);
 - iv. Community Safety & Corporate Planning Committee (7 Members);
 - v. The Appraisals and Disciplinary Committee (from June 2019 – formerly the Chief Fire Officers’ Appraisal Panel) (4 Members);
 - vi. 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) is 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 Authority’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); and
- Strategy on the prevention and Detection of Fraud and Corruption
- Code of Recommended Practice on Local Authority Publicity

Each of these documents is published on the Authority’s website. All the documents, with the exception of the Code of Recommended Practice on Local Authority publicity (which is a national document issued by the 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. Additionally, the Authority has in place arrangements to investigate and determine alleged breaches of the Members’ Code of Conduct. These arrangements, together with guidance on how to make a complaint, are published on the website.

- (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 2019-20 Internal Audit Plan was approved by the Audit & Performance Review Committee on 10 May 2019. 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 264 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 on 19 July 2019, 13 November 2019 and 4 March 2020. 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 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 are incorporated into respective Directorate and Service plans. The inspection report from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), published in December 2019, confirmed that "the Service uses an innovative risk management approach. It records risks it identifies as an issue on directorate and service plans. This approach is designed to put risks at the right level in the organisation where action can be taken to mitigate them. The Service only takes risks to the corporate risk register if they can't be managed or mitigated at the service or directorate level". HMICFRS identified that the Service needs to assure itself that its risk management and control process has a mechanism that allows escalation of risks to the appropriate level in the organisation and process improvements are ongoing.
- (10) The operation of the Authority's Corporate Risk Register is reviewed by Service management at least on a quarterly basis to ensure that risks to the Authority's strategic objectives and strategic plans are appropriately identified and managed. The corporate risk management process includes horizon scanning that supports deep dive risk identification and assessment. The Corporate Risk Register is discussed with the Audit & Performance Review committee every six months.
- (11) The Authority maintains comprehensive insurance cover to support its management of organisational risk.
- (12) The 2019-20 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 2019-20.
- (13) The Authority participates in the biennial National Fraud Initiative scheme. A new data matching exercise was completed in 2018-19, with results being examined throughout 2019-20 and 2020-21. No confirmed fraud cases have been identified through this current data matching exercise, to date.
- (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) The Human Resources Management & Development Committee meeting on 5 November 2019 received for the first time a report on the Health, Safety and Wellbeing of the Service. This is now a regular report to the Committee to facilitate performance monitoring in these areas.

- (16) The Operational Assurance Team is 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 and Assurance Manager attends the National Fire Chiefs Council (NFCC) Health and Safety meetings and chairs the regional NFCC Health and Safety meetings.
- (18) A governance framework has been prepared for programme and project management, which defines roles and responsibilities and outlines the methodology that will be applied as the Service embarks on its transformational change programme, "Safer Together".
- (19) The General Data Protection Regulations (GDPR) compliance plan and gap analysis has been regularly monitored to inform the Service of any high risk areas of non-compliance. Data retention is an area for improvement and is now a key consideration for all in-house development projects. How data retention is managed within external and legacy systems requires further scrutiny to ensure GDPR principles are complied with. The Personal Information Management System (PIMS) is a framework for how we manage personal information within the service. Performance against the PIMS is included within the quarterly Information Security & Governance Report. The GDPR compliance plan has now become a business as usual activity and is used to inform the Information Assurance work plan on an annual basis.
- (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 2019-20 have been to support the Safer Together Programme and the National Fire Chiefs Council's (NFCC) [Fire] Commercial Transformation Programme as well as deliver service priorities and savings.
- (21) The Procurement Team review third party expenditure and manage contracts above £20,000. This is 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 was (until March 2020) the NFCC Commercial Category lead for Fleet as part of the NFCC [Fire] Commercial Transformation Programme, part of the Local Government Association National Advisory Group for Procurement (representing the 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 was (until March 2019) also the NFCC National Procurement Lead as part of the NFCC [Fire] Commercial Transformation Programme. Within the 2019-20 financial year, the Procurement team has 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.

- (22) Red One Ltd. was established in 2012 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 were enhanced in January 2018 by the appointment of independent non-executive directors. Governance arrangements were further enhanced in July 2018 by the adoption of revised Articles of Association, which strengthened the composition of the Board to include a mix of:
- Authority Member non-executive directors;
 - independent non-executive directors;
 - Service officer non-executive directors; and
 - company appointed executive directors.
- (23) Corporate commitments to equality, diversity and inclusion are set out in the Fire & Rescue Plan and People Strategy, which 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. The strategy and plan also state how the Service will meet the needs of different communities and vulnerable people in order to reduce risk and align with the changes needed to support the IRMP and HMICFRS inspection outcomes. The Human Resource Management & Development Committee monitors progress on the linked Diversity & Inclusion plan every six months.
- (24) The Service has a process in place to ensure that potential equality impacts are identified and mitigated when preparing or reviewing policies and procedures. The process is called Equality Risks and Benefits Analysis (ERBA) and it helps in delivering 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. In 2019 the Service introduced a broader assessment of impact i.e. the People Impact Assessment into which the ERBA can be incorporated. Implementation of the People Impact Assessment has broadened the scope to include wider impacts on people including data protection, health & safety and safeguarding. Mandatory equalities training has been reviewed and refreshed with a roll out early 2020 and a Fairness & Respect Policy has replaced our outdated Bullying & Harassment policy.
- (25) “Our Values” set out what the Service stands for and what matters most to employees and the Service. These are:
- We are proud to help
 - We are honest
 - We are respectful
 - We are working together

A cultural audit took place in 2019 which aimed to establish how well understood and accepted our values are across the Service, as well as providing an objective review of our decision making process, levels of staff empowerment. The outcomes have been considered by task and finish groups which will inform action plans. A follow up audit is scheduled for 2020.

- 3.9. The 2019-20 review by the Authority has concluded that there are good systems, procedures and checks in place to manage the Authority's governance arrangements.

4. Performance Management

- 4.1. Significant work was completed in 2019-20 to ensure that the Service is able to effectively measure and review its performance in a way that is meaningful and practical. This work includes developing a suite of performance measures, setting performance targets and designing and launching an electronic dashboard. The paragraphs below explain each of these in more detail.

Performance Measures

- 4.2. Effective performance management is key to delivering services successfully - it ensures a focus on what matters most and enables improvement. Performance measures help the Service to know what current performance actually is and what needs to change to get the Service to where it wants to be.
- 4.3. The Service's Key Performance Indicators (KPIs) cover the Service as a whole and are aligned to strategic priorities and a focus on driving improvements. They form the basis of regular performance monitoring reports to the Authority, the Service Executive Board and the Service Leadership Team (Heads of Department).
- 4.4. It is essential that the KPIs are accounted for within the service planning process, clearly identifying those responsible for the achievement of the targets set against the relevant KPIs. In some cases, additional Directorate, programme or service level indicators are developed as part of the service planning process to monitor operational progress.
- 4.5. All performance indicators are reviewed at least annually to ensure they are still relevant.

Performance Targets

- 4.6. Where appropriate, targets will be set at all levels of the organisation, from strategic KPIs to the targets set for individuals within appraisals. Good progress has been made with the development of a new appraisal system, which went live in the Service in July 2019. Targets for the KPIs will be discussed within the Service to review the resource implications and then be agreed by the Executive Board and the Audit & Performance Review Committee.
- 4.7. In addition, by the beginning of each financial year managers will have also been set forward targets for all other local performance indicators within their service area. Targets will be set with a focus for improvement and, where possible, will be based on trend or benchmarking information.

- 4.8. All targets will be reviewed at least annually.

Reporting Performance

- 4.9. Regular reporting against Service plans and performance measures help to ensure a sustained focus on those things that matter most, resulting in delivery of priorities and the improvement agenda.
- 4.10. Reports of the key measures will be produced and will include interpretation, analysis and any actions to be taken. The audience for these reports are the Authority, the Audit & Performance Review Committee, the Executive Board, the Extended Leadership Team, Group Commands and support departments.
- 4.11. Reports focus on exceptions, i.e. those measures either exceeding target or those not on target. This encourages celebration of success and sharing of good practice along with discussion on actions needed to rectify under performance.

Performance dashboards

- 4.12. The Service has recognised that the visibility of performance information needs to improve in order to support effective performance management. In light of this, the Service is developing “live” performance dashboards to provide teams with the information they need to ensure that they are on target to achieve their objectives. In 2019, the first of these dashboards went live. The Service Delivery Dashboard displays performance indicators and targets identified by the Service Delivery Directorate and is used to inform daily decision-making and focus weekly performance discussions.
- 4.13. Provision of an organisation-wide capability is planned to be delivered through the Safer Together Programme. In the interim, work is underway to streamline delivery of existing Microsoft Excel-based performance dashboards to improve the efficiency of performance information production.

5. Audit & Review

- 5.1. 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.

6. Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)

- 6.1. In summer 2017, Her Majesty’s Inspectorate of Constabulary took on inspections of England’s fire & rescue services, assessing and reporting on their efficiency, effectiveness and leadership. The Inspectorate consequently became Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) to reflect this new responsibility. A national inspection programme was completed of the 45 fire and rescue services in England.

- 6.2. The inspection for the Devon & Somerset Fire & Rescue Service (the Service) concluded that it was 'Good' in its Effectiveness, but 'Requires Improvement' in Efficiency and in looking after People. A number of recommendations were made by HMICFRS. The Service has compiled an action plan to address these recommendations. Progress against this action plan will be monitored by the Executive Board and will be used as evidence during the next inspection.

7. Financial Assurance

Statement of Accounts

- 7.1. 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.
- 7.2. 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 once the audit process has been completed.

External Audit Arrangements

- 7.3. On an annual basis, the Statement of Accounts is subject to external audit. Following a national procurement exercise, Grant Thornton was appointed as the external auditors for the South West region.
- 7.4. Grant Thornton is therefore responsible for the completion of the following assurance activities:
- Audit of the 2019-20 financial statements
 - Proposed opinion on the Authority's accounts
 - Proposed Value for Money conclusion

Internal Audit Arrangements

- 7.5. 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.
- 7.6. 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.

- 7.7. 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 number of audit days completed within 2019-20 was below that approved by the Authority in the 2019-20 Audit Plan, because of staff vacancies and other prioritised responsibility. The plan was therefore reviewed and prioritised according to risk, to ensure that all high-priority audit activity was addressed appropriately, and to minimise risk to the authority.
- 7.8. The Service uses four levels of audit assurance opinion levels; High Standard, Good Standard, Improvements required and Fundamental Weaknesses Identified. The 2019-20 year end Internal Audit report concluded that the systems in operation within the Service demonstrated a good level of internal control, defined as follows: *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.*
- 7.9. Agreed management actions are monitored through the Service's assurance tracking process alongside the outcomes of external and internal audits, external reviews, security events, and safety events.

Financial Planning

- 7.10. Currently, the amount of Central Government funding is reviewed annually, with a three year spending review taking place in Autumn 2020 which is likely to determine grant funding for 2021-2024. So that the Authority understand the potential risks regarding funding, a number of scenarios are published within the Medium Term Financial Plan demonstrating the possible funding position for the next 5 years. This is published alongside the underpinning:
- Reserves Strategy;
 - Capital Strategy;
 - Commercial Strategy; and
 - the Safer Together Programme.

Covid-19 impact

- 7.11. The key financial issues relating to the Covid-19 pandemic were reported to the Resources Committee on 2 July 2020 (available on the Authority website). The cessation of some activity, in particular delays to the capital programme, will have the effect of improving cash flows for the Authority during 2020-21. The Authority has a healthy cash position, with sufficient reserves to ensure protection from any delayed payments in 2020-21. The majority of cash reserves are held in short-term investments which are accessible should the need arise. In addition, fire authorities have been supported by central government who have paid several grants early to ease any cash flow pressures. Cash flow issues are not anticipated to impact the Authority over the medium term financial period.

- 7.12. On the 2 July 2020, the government announced further measures to support local authorities with budgetary pressures arising from loss of income from Council Tax and Business Rates, spreading any losses over a three year period. The Authority, in collaboration with the fire sector, will be seeking to measure and understand the longer-term impact of losses and request government support against any detriment.
- 7.13. Whilst it is not possible to predict the ultimate extent and duration of the pandemic, or its wider impact on the economy, stakeholders will look to authorities to use best endeavours to explain the specific known impacts on their organisation to date, as well as the anticipated future impacts under different scenarios. The specific areas affected by uncertainty are discussed below in more detail, however it is expected that many authorities will have to reconsider their strategies and outlook going forward given the significant impacts of Covid-19. Further, measures to contain the pandemic have placed pressure on governance processes and on elected members in discharging their responsibilities.

Public Contracts Regulations 2015 (“the Regulations”)

- 7.14. 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.
- 7.15. The Head of Fleet and Procurement is responsible for review of all third party expenditure and ensuring that the Service processes conform to the Regulations and Treaty principles.

8. Data Transparency

- 8.1. The Authority complies with the Government’s ‘Local Government Transparency Code 2015’ for releasing public data. The following arrangements are in place and published on the website:
- 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 pay multiple comparators

- 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).

9. Future Improvements

- 9.1. The following improvements were previously identified as required in the 2018-19 Annual Statement of Assurance. Whilst many of these form parts of the Safer Together programme, these remain the key challenges throughout 2019-20:
- (a). Aligning resources to risk and prioritising prevention and protection activity.
 - (b). The existing shift patterns and some work routines are not always meeting Service needs and the changing risks within communities.
 - (c). By 2024, the Service may need to reduce its costs by up to £8.4 million and will need to plan a balanced budget to accommodate this.
 - (d). Making sure the Service workforce is clear on the organisation's future direction.
 - (e). Further developing contracts and career paths to support inclusivity ensuring that the Service has a workforce that reflects communities served.
 - (f). Managing information in a secure and purposeful way, while mitigating cyber security and data protection risks.
- 9.2. 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). Functional and process issues encountered with the software solution for reporting safety events impacted on the recording and management of safety event investigations as well as the ability to monitor accidents through trend analysis. This reduced the ability to learn from safety events and near misses and take action to reduce further accidents from occurring. This has been raised on the Corporate Risk Register, business continuity measures have been put in place and work is progressing with the development of replacement system.
 - (b). The Service's processes and systems for the management of assets require improvement.

10. Conclusion

- 10.1. The Authority is satisfied that the issues identified 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.
- 10.2. Additionally, the 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 2019-20 ANNUAL STATEMENT OF ASSURANCE – ACTION PLAN

Identified Issue	Action Needed	Direction of Travel since 2018-19	Lead Officer	Update
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	On track. Part of the safer together programme.
Performance Management	The performance management framework that is currently under development needs to be finalised and rolled out.	↑	Head of Organisational Development and Planning	Planning, performance and Evaluation manager has been recruited, who will be picking this up as part of the role.
Policy Management	A policy management process needs to be developed and embedded.	↑	Head of Organisational Assurance	This is now being managed within our Information Assurance team. Dedicated resource is being allocated to improve this subject.
Collaboration	An appropriate level of governance needs to be applied to Collaborative working initiatives.	↑	Executive Board	
Clinical Governance	Governance arrangements need to be more clearly defined around the care issued by the Service to casualties.	↑	Head of Service Delivery : functions	

Identified Issue	Action Needed	Direction of Travel since 2018-19	Lead Officer	Update
Breathing Apparatus maintenance	The existing disjointed approach to breathing apparatus maintenance is to be investigated.	↑	Head of Procurement and fleet	Project has been completed and is now closed. All risks should be mitigated.
Terrorist/cyber & Data protection	The increase in cyber-attacks presents a growing risk to the Service. Work to align information security practices to ISO 27001 to be completed.	↑	Head of Organisational Assurance	The IT Security Officer role is now well established and embedded. Work to align information security practices to ISO 27001 is on track. A Protective Monitoring System is now in place.
Safety Event Management	Work in underway to facilitate the management and analysis of safety events.	New Addition	Head of Organisational Assurance	Progress expected April 2021

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Agenda Item 6

REPORT REFERENCE NO.	APRC/20/10
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	7 SEPTEMBER 2020
SUBJECT OF REPORT	GOING CONCERN REVIEW
LEAD OFFICER	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 third such report which has been prepared and contains a review of the financial position as at 31 March 2020 alongside an assessment of the ability of the Authority to continue operating for the foreseeable future.</p> <p>The COVID-19 Pandemic is likely to have significant impact on financial risk in the coming years but the Authority is well placed to respond to these.</p>
RESOURCE IMPLICATIONS	As indicated within this report.
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 third 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 2020.
- 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. The COVID-19 Pandemic is likely to have a significant impact on public sector finances and the Authority as a whole. This is covered in more detail below.

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

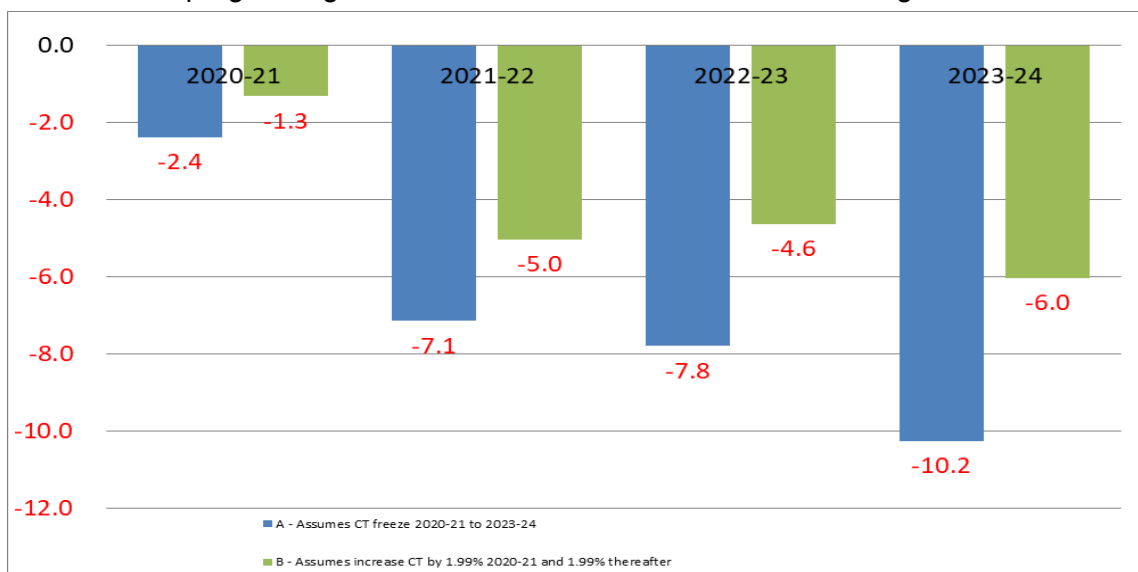
- 3.1. Total revenue spending in 2019-20 was £74.979m compared to an agreed budget of £75.142m, resulting in an underspend of £0.163m, equivalent to 0.2% of total budget.
- 3.2. The Authority has consistently delivered underspends against the Revenue Budget and has therefore built up Earmarked Reserves of £33.496m and General Reserves of £5.317m as at 31 March 2020. 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 7 June 2019. The next iteration of this is in development and will be presented to the Resources Committee at its forthcoming meeting. 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 2020-21 of £75.148m with £1.167m 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. A risk assessment of COVID-19 related cost pressures and grant income has been undertaken. It is expected that spending will be reduced whilst in business continuity response phase and additional costs can be accommodated within central government grant funding, producing a year-end surplus position for 2020-21. Further analysis will be made available to the Resources Committee and Authority when more information comes to light.
- 3.5. 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 2020-21. Any adjustments to Council Tax and Business Rates income are made via the collection fund budgeting process so will impact on future years.
- 3.6. 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 Board and quarterly to the Resources Committee.

4. THE PROJECTED FINANCIAL POSITION

Revenue Budgets

- 4.1. As outlined above, the predicted financial position for 2020-21 is for spend to be within the revenue budget. Expenditure from reserves is anticipated to be £9.402m within the financial year with projected balances of circa £10m by 2024.
- 4.2. In considering its annual budget requirement, the Authority reviews the Medium Term Financial Plan (MTFP). In February 2020, a potential funding gap of between £6.0 and £10.2m was identified as shown in the chart below. Following the Authority decision to increase Council Tax by 1.99% for 2020-21, the savings requirement will reduce to between £4.7 and £7.8m. In order to close the funding gap, significant savings will need to be identified and Safer Together, the Authority's change programme, along with efficiencies is progressing towards a model which will fit future funding.



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 2024-25.

4.4. COVID-19 is likely to pose significant risk to the collection of Council Tax and National Non-Domestic Rates and therefore, the MTFP has been revised to take in to account potential losses. Utilising national forecasts of income losses, budget gaps are considered to be in the range of £8.1 to £11.3m. The Government has announced that a level of support will be available to help with shortfalls in collection rates, but given that no detail on this has been released at time of writing, the support scheme has not been taken in to account in the estimate below.



4.5. Until further information is available to inform financial strategy, new targets cannot be established. However, the Authority has sufficient reserves which could be repurposed over the medium term to fund budget gaps. This is not a sustainable long term solution and therefore, the Authority will need to reconsider savings programmes going forward.

4.6. 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 10 January 2020 the Fire Authority agreed a revised Service Delivery Operating Model, which makes a reallocation of resources and changes to the way that services are delivered. £4.843m of funding is earmarked as an Invest to Improve reserve to support the change activity and provide investment where necessary.

4.7. 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

- 4.8. 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 2020-21 consist of a Revenue Contribution of £2.097m, Application of Existing Borrowing of £1.528m and use of Earmarked Reserves of £7.592m.
- 4.9. In considering the Capital Programme over a longer time period, a healthy earmarked reserve of £22.308m is available. However, the need to progress assets following a pause in replacement means that the Authority may need to borrow in 2024/25. 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.
- 4.10. 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 £1.3m 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 £2.1m).

5. THE BALANCE SHEET AND CASH FLOW

Balance Sheet Review

- 5.1. Elsewhere on the agenda for this meeting are the Audited Financial Statements of the Authority which show a balance sheet deficit of £602.5m including a pension scheme deficit of £729.9m which must be included under accounting rules. Were the pension scheme deficit to be excluded, net assets of £127.4m would be reported, representing a small increase of £0.3m over 2018-19.
- 5.2. Useable reserves were £38.8m as at 31 March 2020, a decrease of £0.1m since 2018-19. Reserves expenditure was considerably below that planned within the year.
- 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; and
 - The adequacy of the General Fund Balance to meet unforeseen expenditure.

Cash Flow

- 5.4. Financial Assets (excluding debtors) of the Authority were £36.8m as at 31 March 2020 (a decrease of £1.7m since 2018-19) 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 2019-20 there were no instances where the bank accounts were overdrawn and no short-term borrowing took place.

- 5.6. The Cash Flow forecast for the next 12 months has been reviewed. A continued healthy cash position is anticipated given the profile of income, revenue and reserves expenditure.

6. GOVERNANCE ARRANGEMENTS

- 6.1. Elsewhere on this agenda for this meeting (report APRC/20/xx) 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 the 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 (report APRC/20/xx refers).
- 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 was undertaken in June 2019. The inspection report published in December 2019 made a conclusion on the performance of the Service in three areas: Effectiveness (Good), Efficiency (Requires Improvement) and People (Requires Improvement). The resulting improvement plans have been incorporated in to the Authority's performance management reporting.

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. Despite additional uncertainty caused by the COVID-19 pandemic, 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
Treasurer

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Agenda Item 7

REPORT REFERENCE NO.	APRC/20/11
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	7 SEPTEMBER 2020
SUBJECT OF REPORT	AUDIT & REVIEW 2020-21 PROGRESS REPORT
LEAD OFFICER	Director of Governance & Digital Services
RECOMMENDATIONS	<i>That the report be noted.</i>
EXECUTIVE SUMMARY	Attached for consideration and discussion is the 2020–21 first Audit & Review report. This report sets out progress that was made to date against the approved 2020-21 Internal Audit Plan, and updates on additional review work undertaken this financial year.
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)	Not applicable.
APPENDICES	Appendix 1 : Internal Audit Planning Process
LIST OF BACKGROUND PAPERS	Audit & Review 2020-21 Plan Audit & Review Service Policy

1. **INTRODUCTION**

- 1.1 The 2020-21 internal audit plan was approved by the Audit & Performance Review Committee on 4 March 2020. Subsequent to approval of the plan, the COVID19 pandemic caused Devon & Somerset Fire & Rescue Service (the Service) to employ business continuity arrangements. As a result of these arrangements, the plan was unable to progress in the usual manner.
- 1.2 The aim of this report is to provide assurance of the internal governance arrangements and compliance during our business continuity arrangements, to advise the Committee on how the approved internal audit resource has been used so far and to update the Committee on the audit plan approach for the remainder of 2020-21.

2. **ASSURANCE**

- 2.1 A temporary business continuity organisational structure was employed by the Service. This incorporated Gold and Silver commands sitting above a collection of cells, which reflected the different and urgent work areas that needed considering.
- 2.2 The existing internal audit resource (from the Audit & Review team) was deployed to the Assurance Cell, alongside the Business Continuity Manager. The Assurance Cell dedicated resource specifically to tracking and monitoring changes to legislation (changes that would both directly and indirectly impact the Service), national guidance (via the National Fire Chiefs Council) and worked closely with colleagues who were monitoring changes in government guidance during the rapidly evolving situation.
- 2.3 Compliance with new and amended legislation was recorded alongside compliance with existing statutory obligations, e.g. the Fire & Rescue Services Act 2004, Data Protection Act 2018 etc. The Assurance Cell also ensured that all Business Continuity Plans were kept up to date by departments and monitored this considering requirement under the Civil Contingencies Act. A weekly question set was also issued to all Business Continuity Plan owners to capture updates that may need reporting.
- 2.4 The Assurance Cell had representation at all Silver command meetings and provided weekly assurance updates to the Gold command. Where guidance was issued suggesting that the service gave consideration to practices that were not employed, this was recorded and stated. The Assurance Cell identified no gaps in compliance with statutory requirements or with guidance.
- 2.5 The Assurance Cell was also commissioned to complete specific reviews, including around the development of COVID specific ICT applications and around the work completed during secondment of Service staff to support the Devon Cornwall and Isles of Scilly local resilience forum.

3. **RESOURCE**

- 3.1 In the internal audit plan, 143 days were approved for internal audit and review work and a further 200 days for Her Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) related activity.

3.2 Within the business continuity arrangements, 285 audit days have been used from these resources, which is higher than initially anticipated for this point in the year.

4. **NEXT STEPS**

4.1 The internal audit plan will be revised to consider the requirements for the remainder of the year once the Service has clear sight of the exit from the Recovery phase of its Business Continuity response. The remaining audit days will then be assigned to the highest priority subjects for this financial year, as agreed by our Executive Board, to then be reported to the Committee at the subsequent APRC meeting, following the usual Audit planning process.

MIKE PEARSON
Director of Governance & Digital Services

INTERNAL AUDIT PLANNING PROCESS

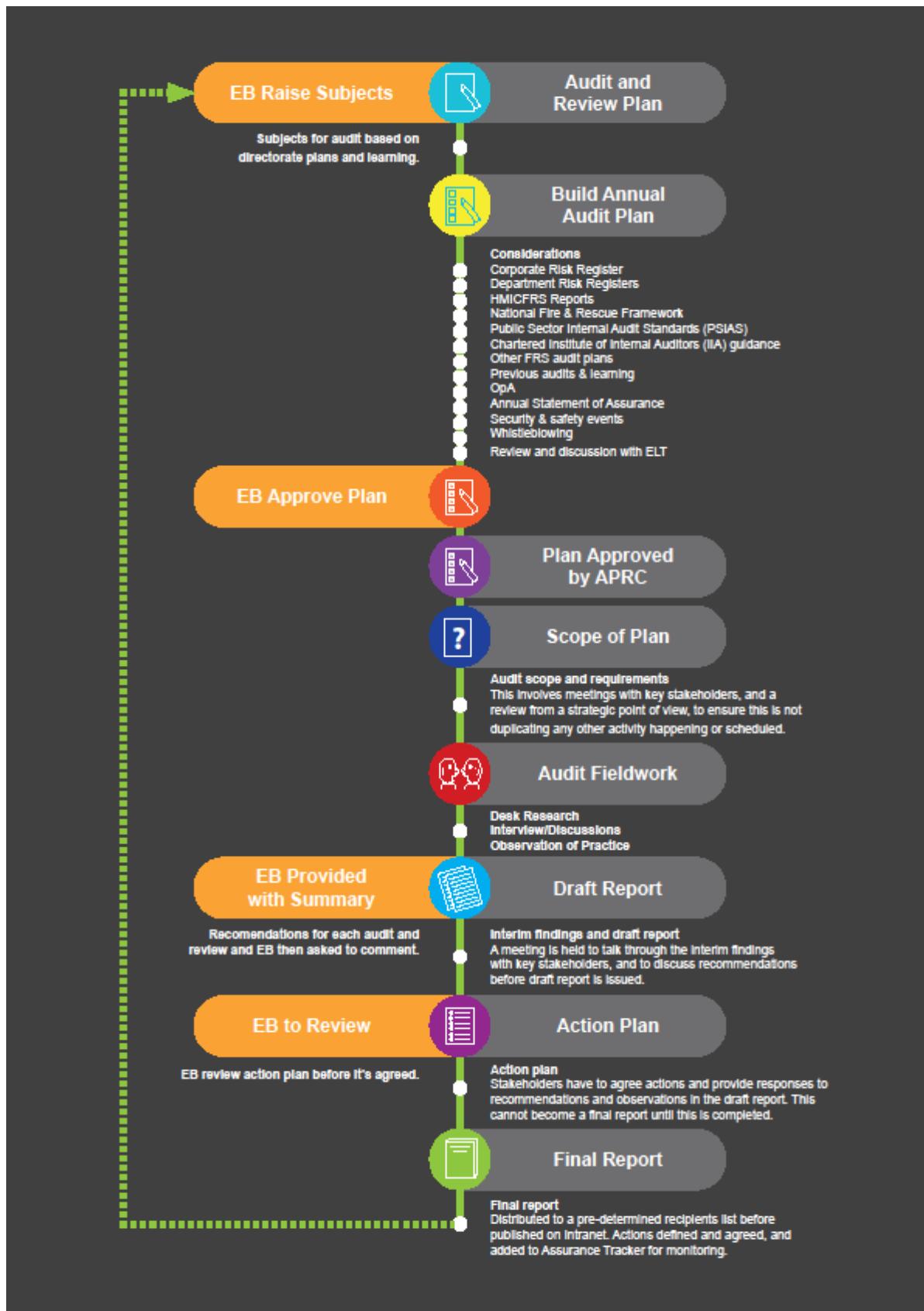


Figure 1: Internal Audit process

Agenda Item 8

REPORT REFERENCE NO.	APRC/20/12
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	7 SEPTEMBER 2020
SUBJECT OF REPORT	LOCAL PENSIONS BOARD ANNUAL REPORT 2019-20
LEAD OFFICER	Director of Governance & Digital Services
RECOMMENDATIONS	<i>That the Local Pensions Board Annual Report 2019-20, 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 2019-2019 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 2019-20
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 2019-20

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 (LPB) 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 2019 – 31 March 2020).
- 1.2. In accordance with Sections 5 and 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 2019-20;
 - 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; and
 - Training for Board members.

2. Membership and Meetings of the Local Pension Board

- 2.1. The Authority, at its meeting on 7 June 2019, increased the membership of the Board from six to eight and amended the quorum to 50% to include at least one Scheme Manager and one Scheme Member representative.
- 2.2. The Local Pension Board is now comprised of eight members as follows:
- Scheme Manager Representatives:
- Mike Pearson - Chair (Director of Governance & Digital Services);
 - Amy Webb (Director of Finance and Resourcing);
 - Councillor George Wheeler; and
 - Satnam Singh Rai (Independent Co-opted Member appointed 19 December 2019).

Scheme Member Representatives:

- Andy Hallam;
- Peter Redbourn;
- James Leslie (from 17 October 2019); and
- Ben Redwood (from 17 October 2019).

2.3. Bob Walker obtained a promotion to Scotland Fire and Rescue Service on 3 September 2019 and was replaced by James Leslie as a Scheme Member Representative.

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

- Steve Pope (HR Manager and Delegated Scheme Manager);
- Caroline Gourlay (HR Reward and Benefits Manager);
- Steve Yates (Democratic Services Manager); and
- Lisa Etchell (Executive Support Assistant).

2.5. In accordance with the Terms of Reference, the Board met on four occasions during 2019-20.

3. Work undertaken by the Local Pension Board

3.1. During 2019-20, the following matters were undertaken/considered:

- Monitoring of actions log;
- Development of Risk Register;
- Development of Work Programme;
- Review of Roles and Responsibilities Documentation;
- Annual Training plan;
- Reviewed and updated the self-assessment using the Pension Regulator tool;
- Recruitment/Re-appointment of scheme members and new member induction training;
- Increased Board size and changed quorum;
- Key Performance Indicators (KPI) - Performance Measures (data collection & reporting);
- Raising Data Standards - Government Actuarial Department request for Fire and Rescue Authorities to review member data held/ provided for valuations – not a material issue for DSFRS;
- Completed the Pension Regulator (TPR) Annual Governance and Administration survey;
- Completed the Scheme Advisory Board Survey;
- Individual training using the Pension Regulator e-learning modules;
- Received regular updates from the Scheme Manager, Scheme Administrator and the Scheme Advisory Board;

- An Internal Audit report on the Board's governance arrangements;
- Reviewed potential breaches to report/record where necessary;
- Attendance at the Local Government Association (LGA) Fire Pensions Annual Conference; and
- LPB Annual Report for 2018-19.

4. Identified risks and Board actions

4.1. Risks and issues are categorised as follows:

	Action Status
	Not yet started
	In progress
	Complete

Date	Risk/Issue	Agreed Action	Status
09/05/18	Risk register and procedure for assessing and managing risks	Implement risk processes and risk register	
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	
29/05/19	Incorrect application of abatement rules	Breach recorded and reported to the Pensions Regulator	
29/05/19	Data extraction from HR system requiring extensive manual effort	Manual extraction completed, ABS produced on time. Data now produced monthly	
19/07/19	Split Pension breach	Breach recorded and reported to the Pensions Regulator	
28/10/19	Court of Appeal decision on unlawful discrimination (McCloud/Sargent & O'Brien/Matthews)	Cases remitted to ET for remedy. Significant pension administration expected in making back-dated adjustments	
18/03/20	Cyber Attack	Review WYPF business continuity plan	

5. Statutory Breaches

- 5.1. Two statutory breaches were reported to the Regulator during the period, one concerning delays in the issuing of Annual Benefit Statements and another relating to how split pensions had been dealt with.
- 5.2. There is a legal requirement to provide an Annual Benefit Statement (ABS) to all active members by no later than the 31 August each year in accordance with Public Service Pensions Act 2013. The Service's Pension Administrator, West Yorkshire Pension Fund (WYPF), had a delay in the production of ABS statements for members of the Firefighters' Pension Scheme (FPS) 2006 Modified Scheme. There had also been delays for these members for the previous financial year, however, this had been due to complications in the data transfer from our previous pension administrator to WYPF. This time the delay has been across all WYPF fire clients as it had not been possible to develop an automated approach in time and ABS statements were prepared manually. This impacted approximately 70 active members and since it was a breach of our statutory duties, it was reported to the Pension Regulator. The Pension Regulator confirmed that they did not intend to take any enforcement action but noted that "a failure to provide eligible scheme members with an ABS may affect their confidence in the Scheme as well as their ability to plan and make decisions about their retirement. It is also indicative of possible wider governance and administrative failings."
- 5.3. In terms of the split pension, there had been an incorrect application of the entitlement to two pensions (Rule B5A within the FPS 1992 Scheme) by our previous pension provider, however, the split pension regulations concerning applying only one split and using equivalent indexing had only recently been highlighted by the LGA Pension Advisors. The matter had been corrected through WYPF but had resulted in an Internal Disputes Resolution case. This matter was again a breach of the law and one that was reportable to the Pension Regulator. Again, the Pension Regulator confirmed that they did not intend to take any further action and that they were satisfied that the matter had been resolved.
- 5.4. Whilst both breaches were assessed as being reportable, the Regulator was satisfied with the remedial action taken and no regulatory action has been taken.

6. Devon and Somerset Fire and Rescue Service Website

- 6.1. 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>

7. Scheme Membership

- 7.1. The Board has not received details of scheme membership numbers to date but this has been included in the work programme for 2020/21. The Delegated Scheme Manager has been asked to develop a report for consideration at each Board meeting that details: membership numbers; opt out numbers; new starters; and retirements.
- 7.2. Analysis of scheme membership numbers will be reported in future annual reports.

8. Conflicts of Interest

- 8.1. 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.
- 8.2. There have been no declarations made by any Board members, advisor or attendee at any meeting of the Board during the relevant period.

9. Expenses and Costs

- 9.1. Members of the Board, together with the Head of Human Resources (as day-to-day Scheme Manager) attended the Local Government Association Fire Pensions Annual Conference in September 2019. There was no cost associated with this conference other than travel and subsistence which amounted to £1,171.
- 9.2. One former Board Member had 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 firefighter's 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 £257.
- 9.3. Total Local Pension Board expenditure for 2019-20 was, therefore, £1,428.

10. Gifts and Hospitality

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

11. Knowledge and Understanding

- 11.1. 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's training is published on the Service website.
- 11.2. Monthly updates from the scheme administrator, the West Yorkshire Pension Fund, and the LGA's monthly Firefighters Pensions Schemes Bulletin are shared with Board members.
- 11.3. Completion of the Regulator's self-assessment toolkit identified a need to develop a process for completion of individual training needs analysis for Board members and the creation of individual training plans/records. This has been included in the work programme for 2020/21.

12. Legislative and advisory updates

12.1. 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 2019-20:

- information on the management of risk and controls;
- information on managing conflicts of interest;
- Firefighters Pensions Schemes Bulletins No. 19 to 30 inclusive, setting out updates and news on a range of issues relating to Firefighters Pensions Schemes

Agenda Item 9

REPORT REFERENCE NO.	APRC/20/13
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	7 SEPTEMBER 2020
SUBJECT OF REPORT	ACQUISITION OF COMMUNICATIONS DATA UNDER THE INVESTIGATORY POWERS ACT [IPA] 2016
LEAD OFFICER	Director of Governance & Digital Services
RECOMMENDATIONS	<i>That the report be noted.</i>
EXECUTIVE SUMMARY	This paper advises of a legislative change removing fire and rescue authorities as relevant authorities for the purposes of the Investigatory Powers Act 2017 (dealing with the acquisition of communications data) and a consequential amendment to the Authority's RIPA/IPA policy.
RESOURCE IMPLICATIONS	There is a requirement to ensure that relevant officers receive appropriate training and that sufficient awareness-raising is undertaken to promote understanding of the processes to be followed to obtain RIPA authorisations. Any costs associated with the above will be met from within existing resources.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	<p>A. Report APRC/20/7 (Authority Policy for Regulation of Investigatory Powers Act 2000 (RIPA) – Review) to Audit & Performance Review Committee meeting held on 4 March 2020 (and the Minutes of that meeting).</p> <p>B. Report APRC/20/9(a) (Authority Policy for Regulation of Investigatory Powers Act 2000 (RIPA) – Further Considerations (Acquisition of Communications Data under the Investigatory Powers Act [IPA] 2016)) to Audit & Performance Review Committee meeting held on 4 March 2020 (and the Minutes of that meeting).</p> <p>C. The Investigatory Powers (Communications Data) (Relevant Public Authorities and Designated Senior Officers) (No. 2) Regulations 2020.</p>

1. BACKGROUND

- 1.1. At its meeting on 4 March 2020, the Committee considered, amongst other things, a report reviewing the Authority's policy in relation to the Regulation of Investigatory Powers Act (RIPA) 2000 and a supplementary report advising of the need to amend this policy to reflect provisions introduced by the Investigatory Powers Act (IPA) 2016 in relation to the acquisition of communications data.
- 1.2. At that time, the Committee was also advised of representations made by the National Fire Chief's Council (NFCC) to the Office of the Investigatory Powers Commissioner (IPC) seeking to remove fire and rescue authorities from regulatory regimes for:
 - (a). direct surveillance and covert human intelligence sources (RIPA); and
 - (b). the acquisition of communications data (IPA)on the basis that these provisions were not required or used by fire and rescue authorities.
- 1.3. The IPC had responded to the NFCC to advise that any change to the regimes would require a decision from the Office for Security and Counter Terrorism but that, pending such a decision, the RIPA inspection regime would be suspended for fire and rescue authorities subject to such authorities not using these provisions.

2. CURRENT POSITION

- 2.1. The Investigatory Powers (Communications Data) (Relevant Public Authorities and Designated Senior Officers) (No. 2) Regulations 2020 came into force on 22 July 2020. Amongst other things, these Regulations remove fire and rescue authorities as relevant authorities for the purposes of the Investigatory Powers Act 2016, which deals with the acquisition of communications data.
- 2.2. In light of this, the Authority's RIPA/IPA policy will be amended to remove that section dealing with the acquisition of communications data (as this is no longer relevant to the Authority). It should also be noted, however, that the Communications Act 2003 requires certain telecommunications operators to provide communications data to the emergency services following a "999" emergency call. IPA and its associated Codes of Practice are not intended to regulate the handling of such emergency calls and a period of one hour after termination of an emergency call (referred to as "the golden hour") falls outside the provisions of IPA in relation to the disclosure of communications data to emergency services.
- 2.3. The Authority has, historically, never used either direct surveillance or covert human intelligence sources for any of its functional activities and it is not envisaged that there would ever be a requirement for these techniques to be used. Nonetheless, pending any further legislative change the RIPA regime continues to apply to the Authority albeit that the associated inspection regime remains suspended. The Committee will be advised of any further changes.

MIKE PEARSON

Director of Governance & Digital Services