



DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

M. Pearson
CLERK TO THE AUTHORITY

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

(see below)

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AUDIT & GOVERNANCE COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

Wednesday, 18th January, 2023

A meeting of the Audit & Governance Committee will be held on the above date, **commencing at 2.00 pm in Committee Room A, Somerset House, Devon & Somerset Fire & Rescue Service Headquarters, Exeter** to consider the following matters.

M. Pearson
Clerk to the Authority

A G E N D A

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

1 Apologies

2 Minutes (Pages 1 - 6)

of the previous meeting held on 29 November 2022 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 Statement of Accounts 2021-22 (Pages 7 - 70)

Report of the Treasurer (AGC/23/1) attached.

5 Annual Statement of Assurance 2021-22 (Pages 71 - 108)

Report of the Director of Governance & Digital Services (AGC/23/2) attached.

6 Internal Audit Charter and Strategy 2022-23 and Planning 2023-24 (Pages 109 - 136)

Report of the Devon Audit Partnership (DAP) (AGC/23/3) attached and presentation at the meeting.

7 Internal Audit Follow Up: Home Fire Safety Visits (Pages 137 - 138)

Report of the Director of Governance & Digital Services (AGC/23/4) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Brazil (Chair), Hendy, Kerley, McGeough, Power, Prowse, Roome, Sellis and Thomas

NOTES

1. **Access to Information**

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. **Reporting of Meetings**

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. **Declarations of Interests at meetings (Authority Members only)**

If you are present at a meeting and you are aware that you have either a disclosable pecuniary interest, personal interest or non-registerable interest in any matter being considered or to be considered at the meeting then, unless you have a current and relevant dispensation in relation to the matter, you must:

- (i) disclose at that meeting, by no later than commencement of consideration of the item in which you have the interest or, if later, the time at which the interest becomes apparent to you, the existence of and – for anything other than a “sensitive” interest – the nature of that interest; and then
- (ii) withdraw from the room or chamber during consideration of the item in which you have the relevant interest.

If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have an interest of a sensitive nature. You must still follow (i) and (ii) above.

Where a dispensation has been granted to you either by the Authority or its Monitoring Officer in relation to any relevant interest, then you must act in accordance with any terms and conditions associated with that dispensation.

Where you declare at a meeting a disclosable pecuniary or personal interest that you have not previously included in your Register of Interests then you must, within 28 days of the date of the meeting at which the declaration was made, ensure that your Register is updated to include details of the interest so declared.

	NOTES (Continued)
4.	<p><u>Part 2 Reports</u></p> <p>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.</p>
5.	<p><u>Substitute Members (Committee Meetings only)</u></p> <p>Members are reminded that, in accordance with Standing Orders, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings.</p>
6.	<p><u>Other Attendance at Committees)</u></p> <p>Any Authority Member wishing to attend, in accordance with Standing Orders, a meeting of a Committee of which they are not a Member should contact the Democratic Services Officer (see “please ask for” on the front page of this agenda) in advance of the meeting.</p>

AUDIT & GOVERNANCE COMMITTEE (Devon & Somerset Fire & Rescue Authority)

29 November 2022

Present:

Councillors Brazil (Chair), Hendy, Kerley, Power, Prowse, Randall-Johnson (vice Roome), Sellis and Thomas

Apologies:

Councillor Roome

In attendance (in accordance with Standing Order 39):

Councillors Clayton, Coles and Cook-Woodman

* **AGC/22/9** **Minutes**

RESOLVED that the Minutes of the meeting held on 22 July 2022 be signed as a correct record.

* **AGC/22/10** **Items Requiring Urgent Attention**

An item taken in accordance with Section 100(B)4(b) of the Local Government Act 1972.

In view of the point that the Authority had been notified on Friday 25 November 2022 of a change in appointee by Plymouth City Council – taking Councillor Partridge off the Authority (and thus this Committee) - the Chair agreed to take this item as urgent business to ensure the appointment of the new Vice Chair was considered in a timely manner.

RESOLVED that the Authority be **RECOMMENDED** to appoint Councillor David Thomas as Vice Chair of the Audit & Governance Committee (and ex-officio Authority appointee to the Devon Audit Partnership Committee) until the Authority's next annual meeting in 2023.

* **AGC/22/11** **Internal Audit 2022-23 Progress Report**

NB. Jo McCormick representing the Devon Audit Partnership (DAP) was present for this item of business.

The Committee considered a report of the Director of Governance & Digital Services (AGC/22/15) on the progress made against the approved Internal Audit Plan for 2022-23 together with an update on the completion of the 2021-22 Plan. The report also included a proposal for a revised Internal Audit Plan for 2022-23.

It was noted that work on delivery of the 2022-23 Plan had been delayed as a result of the late completion of the 2021-22 work. The following audits were in the process of being completed now as part of completion of the 2021-22 Plan:

- Organisational Safeguarding Assurance;
- Information Security – Availability of Systems; and
- Use of Data.

Key Financial Systems had been omitted inadvertently from the previous report to the Committee (CSC/22/10) but this had been completed now with a level of reasonable assurance. The impact of the carry forward of work from the 2021-22 Plan together with the implementation of the Transfer of Undertakings and Protection of Employment (TUPE) requirements to move over internal audit to the Devon Audit Partnership (DAP) had impacted substantially on the ability to deliver against the 2022-23 Plan.

In terms of the 2022-23 Plan, 2 audits had been completed, namely:

- Crewing pool – limited assurance; and
- Application of Learning – limited assurance.

The report also set out the progress made on the actions taken in respect of those audits previously reported to the Committee in July 2022 with limited assurance. These audits were:

- Community Safety – Fire Prevention;
- Personal Protective Equipment (PPE); and
- Flexi Duty Rota.

At this point, reference was made to the position on the number of Home Fire Safety Visits undertaken and assurance was sought on the Service's confidence level in delivery of the target for 18000 visits in 2022-23. The Deputy Chief Fire Officer responded that the Service was on track to meet this target and he explained that the issue previously reported had been largely to do with the extrapolation of data from the visits. He added that an external consultant had been engaged to work with the Service on this matter and he was confident that the target would be achieved. The Committee noted that performance updates on home fire safety visits were reported in depth to the Community Safety Committee but asked for the updated number of visits achieved to be included as part of this report to the next meeting in January 2023.

Attention was also drawn to the audit of PPE and the issue of contaminants and the point was made that the completion date for the station audits of April 2023 seemed to be quite long given this was a major risk to staff. The question was asked as to whether it would be practicable to have a short video produced for eLearning for staff to plug the gap on this important issue in the meantime. The Deputy Chief Fire Officer referred to a report on contaminants that had been commissioned by the Fire Brigades' Union with the University of Central Lancashire. The Service had already begun implementing changes to procedure on stations to address the issues of contaminated PPE and this matter was discussed as a standing item at the Joint Strategic Safety Committee.

The Chief Fire Officer added that the Service already had key safety videos in place for eLearning and that he would make arrangements for the Committee to be more sighted on this area. He undertook to include additional paragraphs in the next Internal Audit report to provide assurance on the effectiveness of the Service's procedures for ensuring the safety and competence of its staff. This could involve using screen grabs to demonstrate the way in which the Service was mitigating the risks through training and to arrange a presentation at a future Members' Forum for information.

At this point, the Committee received a presentation given by Jo McCormick of the DAP on the way in which it would be undertaking the role of internal audit for the Authority in future. A copy of the presentation slides would be emailed out to the Committee for reference.

RESOLVED

- (a). that the revised 2022-23 internal audit plan be approved;
- (b). that future updates on progress in addressing the findings of audits with a limited assurance rating be submitted to the Committee on at least an annual basis until there is sufficient assurance that appropriate action had been taken; and
- (c). subject to (a) and (b) above, together with the provision of further assurance on the number of Home Fire Safety Visits completed in 2022-23 and on the Service's procedures for ensuring the safety and competence of staff, the report be noted.

* **AGC/22/12 Corporate Risk Register**

The Committee received for information a report of the Director of Governance & Digital Services (AGC/22/16) that provided an update on the Corporate Risk Register. The Corporate Risk Register captured and described the most significant risks, both internally and externally, facing the Devon & Somerset Fire & Rescue Service ("the Service"), with a focus on cross-cutting risks and major projects.

The risk management process included the identification, assessment and recording of risks together with mitigating activities. There were currently 18 risks entered with 3 risks escalated from the local risk register, 3 de-escalated to local and thematic risk and no risks closed. Of the 18 risks, 5 were high risk and 13 were medium. In terms of the risks escalated, these were:

- CR080 – failure to create a diverse and inclusive workforce;
- CR081 – failure to operate appropriate trading company governance; and
- CR055 – failure to thoroughly investigate and learn from safety events and take action to prevent foreseeable recurrence.

Reference was made to CR080 in particular in terms of the failure to create a diverse and effective workforce. The Deputy Chief Fire Officer advised the Committee that this matter was also highlighted within the report of His Majesty's Inspectorate of Constabulary and Fire and Rescue Services and an action plan had been implemented to address this. Reference was also made to the recent report issued on the London Fire Brigade Cultural Review and the Deputy Chief Fire Officer stated he was confident that the actions listed therein were being addressed by this Service. This linked directly to the work of the People Committee which received detailed reports on the progress being made within the Service on Diversity and Inclusion. It was suggested at this point that the report should be annotated against each risk to identify which Committee might be responsible for the actions which the Risk Manager undertook to include in future.

The Director of Governance and Digital Services advised that a review of governance associated with the Authority's trading company, Red One Ltd. (CR081), had been agreed and would be reported to this Committee in due course.

The Committee referred to the position on Industrial Action (CR077) and requested an update on the position on strike action associated with the rejection of the latest pay offer. The Chief Fire Officer replied that the Fire Brigades' Union was balloting for strike action which would run from mid mid-December to the end of January 2023. The Authority would be updated on the implications of this potential strike action in a Members' Forum on the rising of the Authority's meeting on 12 December 2022.

Reference was made at this point to the style and content of the report and it was suggested that it could include additional information such as on direction of travel. It was suggested that the Committee may benefit from some training on risk management to understand fully the monitoring role. The Director of Governance & Digital Services undertook to look at the style and content of the report and the provision of training for the Committee on risk management. The Risk Manager added that the SharpCloud system was utilised to monitor risks daily and this contained a lot of background information which could be presented to the Committee to assist its understanding of the risks faced by the Service and mitigating actions at a future meeting.

At this point, the Chair asked if further information was required by the Committee whereupon Councillor Power **MOVED** (seconded by Councillor Sellis):

“that a detailed report on the position on contaminants and its impact on staff safety be submitted to the People Committee”.

Upon a vote, the motion was **CARRIED** unanimously.

RESOLVED

- (a). that a detailed report on the position on contaminants and its impact on staff safety be submitted to the People Committee; and
- (b). Subject to (a) above, the report be noted.

NB. Minutes AGC/22/11 above also refers.

* **AGC/22/13 His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) Areas for Improvement Action Plan Update**

The Committee received for information a report of the Deputy Chief Fire officer (AGC/22/17) setting out the progress that had been made against the His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Areas for Improvement as set out in the Action Plan appended to the report.

There were four actions directly related to the work of this Committee together with the progress made to date which were set out below, namely:

- HMI-1.-2-202202 – the Service should make sure its integrated risk management plan included clear outcomes that showed the public how it was currently mitigating risk;
- HMI-1-3-202205 – the Service should make sure that it had an effective quality assurance process so staff carry out audits and fire safety checks to an appropriate standard;
- HMI-2-2-202207a – Prevention and Protection – the Service should be aware of and invest in developments in technology and future innovation to help improve and sustain operational efficiency and effectiveness; and
- HMI – 2.2-202207b – Response – the Service should be aware of and invest in developments in technology and future innovation to help improve and sustain operational efficiency and effectiveness.

It was noted that there were 19 individual actions sitting beneath these of which 7 were in progress and 12 had not been started. The Committee would be apprised of progress at future meetings.

NB. Minute AGC/22/11 above also refers.

* **AGC/22/14 Local Pension Board Annual Report 2021-22**

The Committee considered a report of the Director of Governance & Digital Services (AGC/22/18) to which was appended the Local Pension Board annual report for 2021-22. The report provided information on (amongst other things):

- work undertaken by the Board in 2021-22;
- details of any identified risks and Board actions (based on a RAG rating);
- details of statutory breaches (if any); and
- the management of conflicts of interest.

RESOLVED that the Local Pensions Board Annual Report for 2021-22, as appended to report AGC/22/18 be endorsed.

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

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Agenda Item 4

REPORT REFERENCE NO.	AGC/23/1
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	18 JANUARY 2023
SUBJECT OF REPORT	STATEMENT OF ACCOUNTS 2021-22
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<i>That the final Statement of Accounts for 2021-22 be approved for publication.</i>
EXECUTIVE SUMMARY	<p>This report provides the Committee with an audited version of the draft Statement of Accounts for 2021-22 with an opportunity to review the content prior to publication per the Accounts and Audit Regulations 2015.</p> <p>The Ministry of Housing, Communities and Local Government (MHCLG) has put in place revised regulations that extend the statutory audit deadlines for 2021/22. The publication date for audited bodies has moved to 30 November 2022. Whilst the Service published the draft accounts within the deadline, the external audit has been protracted until after the deadline.</p> <p>The audited accounts are attached to this report at Appendix A and incorporate amendments to the draft Statement of Accounts as agreed with the auditors. The Audit Findings Report associated with the Statement of Accounts for 2021-22 was not available at the time of publication of this agenda but is anticipated will be available by the time of the meeting.</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 2021-22
LIST OF BACKGROUND PAPERS	Accounts and Audit Regulations 2015 (as amended 2022)

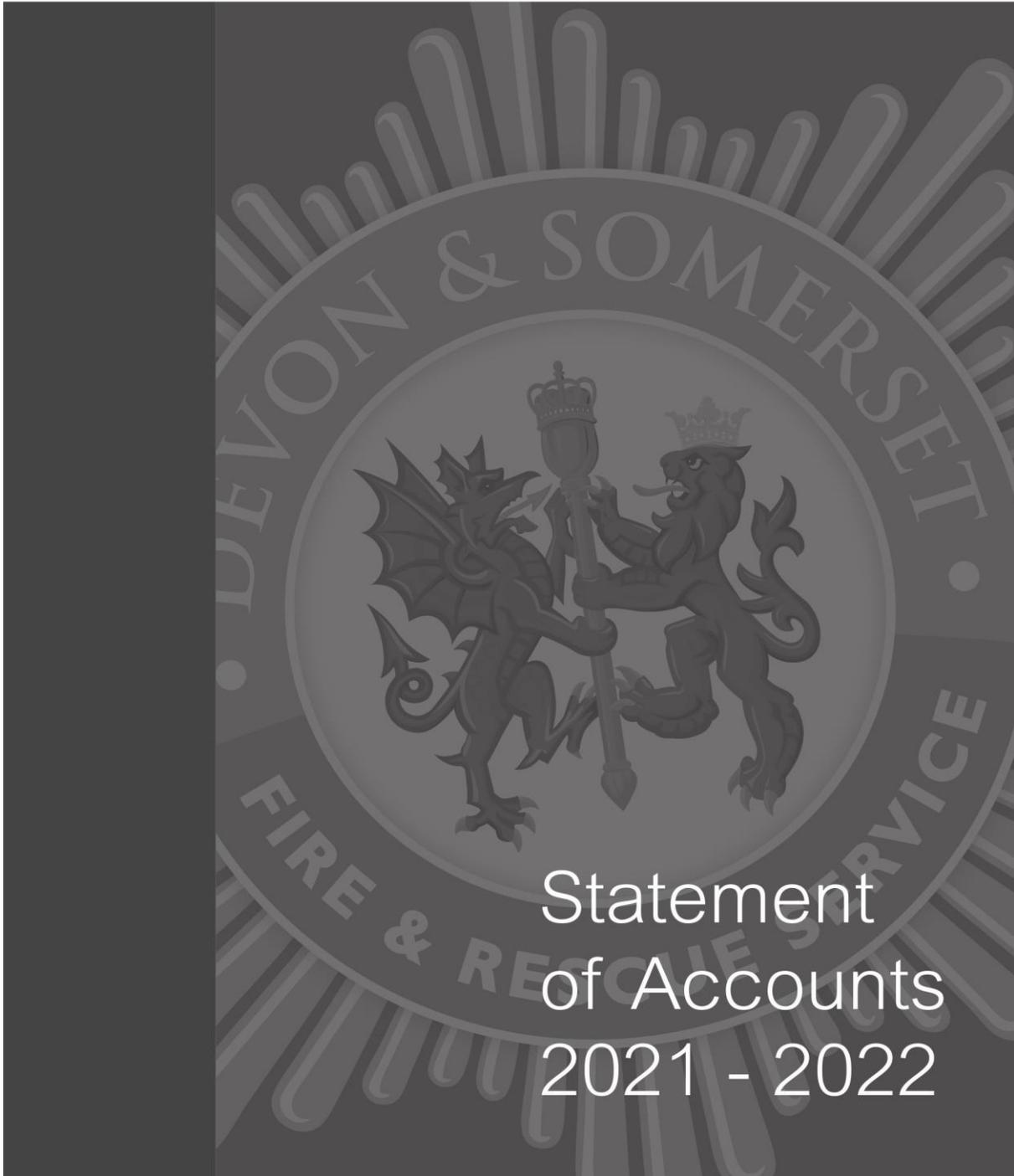
1. INTRODUCTION AND BACKGROUND

- 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 into 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 2022.
- 1.2 The Regulations require the final financial statements to be signed off by the Authority and this is delegated to the Audit & Governance 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 the 30 June 2022, the Accounts and Audit (Amendment) Regulations 2022 were published. These amendments changed the deadlines for the publication of audited accounts from 31 July 2022 to 30 November 2022.
- 1.4 The majority of the financial audit is now complete, the Audit Findings Report will hopefully be distributed before the meeting once it is complete.
- 1.5 The draft financial statements were made available to the auditors on 12th July 2022. 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.

SHAYNE SCOTT
Treasurer



DEVON & SOMERSET FIRE & RESCUE AUTHORITY



Statement of Accounts 2021 - 2022

Devon and Somerset Fire and Rescue Authority

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Devon & Somerset Fire & Rescue Authority - STATEMENT OF ACCOUNTS 2021/22

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 2022. 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 major 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 2022, the period covers the period when the legal Covid 19 restrictions ended which are now treated as any other infectious disease. At this stage, the pandemic had a minimal impact on the assets and liabilities of the Authority and enabled the Service to catch-up on items such as the delivery of new fire engines.

Recovery from COVID-19

Rather than return to 'business as usual', the Service will plan the recovery to ensure it learns from a variety of sources and adapts from the opportunities and lessons learnt. This reflection will feed into strategic objectives to evaluate our learning, particularly focussing on organisational resilience. At the time of signing off these financial statements, the People by Design project was being designed to consider items such as hybrid working and the use of our Estate.

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

Financial Performance for the year

At the Chancellor of the Exchequer's budget speech in March 2020 it was 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 could expect further reductions in government funding beyond the current Spending Review period. 2019/20 was the final year of a four-year Local Government Finance Settlement which saw a reduction in central government funding of 25% (£7.3m) over the period. The Government has delayed its Spending Review from 2019, initially due to Brexit and then the pandemic. This has resulted in a rollover of 2019/20 funding in to 2020/21 and 2021/22 with additional support for fire protection activity via section 31 (one-off) grants. Our current expectation is for a two year settlement to cover 2023/24 to 2024/25.

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

Against this backdrop it is imperative for the Authority's Medium Term Financial Plans to be focused on providing forecasts of budget savings required and to inform its strategic planning. So far the Authority has responded well based upon a strategy which has been focused around the three key areas of improving efficiency, reducing costs and increasing income generation. Total recurring budget savings of £20.2m 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 2022-25. It is forecast that a minimum of £0.60m of recurring savings need to be identified over that period but that this may increase to £9.5m if funding risks and cost pressures do materialise.

The Service has progressed well with its Safer Together programme, a range of projects to deliver improvements to the Service alongside the required savings coupled with significant investment in the On Call service. However some projects will take longer than others to deliver cashable savings and it may be the case that there will be some call on reserve balances during the next few 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 a degree of financial contingency against any unforeseen change in circumstances. The Authority has reviewed its published Reserves Strategy in light of the Coronavirus pandemic.

Revenue spending in 2021/22 before transfer from reserves of £1.379m was £75.601m, compared to an agreed budget of £74.222m. Table 1 provides a summary of revenue spending in 2021/22 compared with agreed budget headings.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2020/21

	Budget	Spending	Variance
	£m	£m	£m
Employee Costs	66.6	69.8	3.2
Premises Related Costs	4.0	4.1	0.1
Transport Related Costs	3.4	3.1	(0.3)
Supplies and Services	7.2	6.9	(0.4)
Establishment Expenses	0.7	0.8	0.0
Payments to Other Authorities	0.7	1.0	0.2
Capital Financing	5.5	5.4	(0.1)
Gross Spending	88.1	91.0	2.9
Income	(10.2)	(12.7)	(2.6)
Transfer to (from) Reserves	(3.7)	(4.1)	(0.3)
Net Spending	74.2	74.2	0.0
Funded By:			
Council Tax Precept	(54.8)		
Business Rates Redistribution	(13.0)		
Central Government Funding	(6.4)		
Total Funding	(74.2)		

An overspend of £1.379m, equivalent to 1.86% of the total revenue budget, has occurred due to unbudgeted pay awards for both firefighters and professional and support staff of 1.5% and 1.75 respectively. Coupled with a quicker than expected take up of the pay-for-availability pay system for on-call firefighters resulted in the Service exceeding spending targets in 2021/22.

Contributions from Earmarked Reserve

The Fire Authority approved that the net overspend of £1.379m be transferred from the General Fund balance to ensure the outturn position was neutral. The balance of the General Fund Balance is still in excess of the 5% suggested amount as directed by CIPFA. Further detail on all Earmarked Reserve balances is included in Note 20 to the financial statements.

Reductions to Provisions

The reported spending for 2021/22 includes a £0.409m reversal of a provision set aside to fund future firefighter pension costs which is now deemed not to be necessary and has been closed. A review of the bad debt provision has also seen a reduction of £0.600m.

Capital Expenditure and Financing 2021/22

The financial statements include capital spending of £8.2m in 2021/22 of which £2.9m has been spent either on the rebuild of fire stations or improvements to them and £5.3m on replacement fleet and equipment, primarily focused on the continued roll-out of new traditional fire appliances to replace older vehicles of the same type.

Aligned to the Authority strategy to avoid any new external borrowing to fund medium term capital spending, no new borrowing was taken out in 2021/22. Of the total spending of £8.2m an amount of £2.0m was funded from existing borrowing.

Authority Borrowing

External borrowing from the Public Works Loan Board (PWL) as at 31 March 2022 was £24.8m. 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 £27.0m, 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 2022 the Authority pension liability has been calculated to be £920.7m (£883.2m in 2020-21). 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 (support staff). Further details of the assets and liabilities of each scheme are included in note 30 of these Accounts.

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

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

The Government has considered the impact of the Court of Appeal decision including any impact on other public service schemes and launched a consultation to address the discrimination in July 2020. The proposed remedy is to offer pension scheme members the option to return to their previous scheme if this is preferential and will therefore increase costs of the scheme going forward, although this cannot be measured with any certainty at this time. The final remedy was confirmed when HMT published their response to their consultation on 4 February 2021, with no change to that proposed in the consultation. Last year's Statement of Accounts was in line with this remedy therefore no further adjustments are required to the allowance for the McCloud/Sargent case.

Assets/Liabilities of the Authority

The balance sheet of the Authority as at 31 March 2022 shows a net liability of £783.1m (£754.5m as at 31 March 2021). This includes the pension liability of £920.6m (£883.2m as at 31 March 2021) 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 Community 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 2021/22 with a comparison against the previous year. Our KPIs are reported to the Fire Authority throughout the year and are used to benchmark against other Service's.

Measure			
Non-financial Indicators	2021-22	2020-21	variance
Number of deaths as a result of fires where people live	6	10	-40.0%
Number of injuries as a result of fire where people live	75	69	8.7%
Number of fires where people live	864	877	-1.5%
Number of fire related deaths where people work, visit and in vehicles	2	2	0.0%
Number of fire related injuries where people work, visit and in vehicles	14	15	-6.7%
Number of fires where people work, visit and in vehicles	1171	1100	6.5%
Emergency Response Standard for attendance at fires where people live (1st appliance to attend within 10 minutes)	71.4%	71.3%	+0.1% pt
Emergency Response Standard for attendance at road traffic collisions (1st appliance to attend within 15 minutes)	76.4%	75.5%	+0.9% pt
Sickness - Rate of shifts lost to sickness per full time equivalent (FTE)	9.42	6.27	50.2%

Overview of Service Performance in 2021/22

The COVID-19 pandemic 'enabled' the Authority to review the delivery model of some of the activities. Working patterns that were historically ingrained have vastly changed following the pandemic. Even with more and more people working at home for longer, the number of fires where people live have reduced slightly. It is a similar story for the number of recorded fires where people work, visit and in vehicles which increased slightly. As lockdowns eased, people undertook more journeys during the year 2021/22. Whilst looking internally, the level of sickness recorded increased compared to the previous year, again this reflects the fact the workforce were subject to the usual sickness issues encountered before the pandemic.

The prevention work undertaken by the service took a drastic hit during the pandemic. The easing of restrictions has enabled the number of face to face visits in people's homes and places of work to increase considerably.

Devon & Somerset Fire & Rescue has a statutory obligation to ensure that non-domestic premises and public events are compliant with fire safety regulations. In a similar vein to the prevention work, the COVID-19 pandemic hampered the Service in undertaking on-site visits. In 2021/22 the Service conducted over 3,271 fire safety checks (400 in 2020/21), 549 fire safety audits (300 in 2020/21) and over 7,200 other protection activities (6,000 in 2020/21) to help ensure public safety.

The Business Safety team continue to engage with the call for evidence initiative / Building a Safer Future (Post Grenfell) and have contributed to reviews of:

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

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

Group Accounts

This is the first set of Accounts produced by the Authority which includes Group Accounts incorporating the trading arm of the Authority, Red One Ltd. Red One Ltd was formed in 2010 and provides fire and safety training for both fire services and commercial clients as well as providing stand-by rescue teams and event safety. Until 2021/22, the turnover of Red One Ltd has been deemed immaterial (consistently in the region of £1.3m per year) to warrant producing Group Accounts. However, a large commercial contract was secured by Red One during 2020/21 which has resulted in turnover exceeding £4.3m for 2021/22. Due to the turnover of the company being considered material, the first set of Group Accounts have been produced.

Climate change

In October 2020, the Fire Authority declared a climate emergency and endorsed the green Devon and Somerset Fire and Rescue strategy.

During 2021/22 a review of our impact on the environment was undertaken along with a baseline of the amount of greenhouse gas emissions the Service produce or contribute towards.

Activities are defined into three core scopes and the raw consumption data associated with the activities is converted into a mass (CO₂) using greenhouse gas conversion factors which are produced annually by the Department of Environment, Fisheries and Rural Affairs (DEFRA).

The three scopes

Scope one 'direct emissions' from the activities under our control and includes fuel use in areas such as onsite gas boilers, fleet vehicles, and leaks from air conditioning units.

Scope two 'indirect emissions' from electricity used at our sites.

Scope three covers all 'other indirect emissions' from our activities. They include (but are not limited to) the carbon embodied in everything that we purchase, our business travel, waste disposal and water consumption.

Scope three emissions are likely to account for the greatest share of our carbon footprint, however, core data is not as readily available and the emissions are harder to accurately calculate.

For 2021/22, the Service are reporting 2,548.4 tCO₂e greenhouse gas emissions for the year.

The Service has a green goal to be carbon net zero by 2030 and carbon positive by 2050.

Targets will be set, however, at this time a tolerance of 50% reduction of gross scope 1, 2 and 3 emissions will be considered as a successful achievement towards our 2050 goal.

Progress this year towards achieving reductions has been focussed on;

- Identifying consumption data and the current position
- Developing the action plan to align with the ISO14001 standard
- Increasing compliance with environmental legislation at Service premises and in operations
- Implementing a structure of governance to deliver the green goals
- Introduction of 20 new HGV vehicles to Euro 6 standards
- Disposal of older HGV vehicles

Conclusion on performance for the year

The Authority has been in a good position to use its resources to effectively respond locally to the increase in pay costs 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.

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 2021/22.

Shayne Scott

Treasurer to the Authority

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 2022.

Shayne Scott
Treasurer to the Authority
Date: 12-07-2022

STATEMENT OF ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the Service transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the 2015 Act.

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

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

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

Charges to Revenue

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

The extent to which the Authority is to set aside an amount each year from its revenue budget to repay debt is laid down in its Minimum Revenue Provision (MRP) Statement, as agreed at the beginning of the financial year. The policy adopted by the Authority is to make a provision based upon the useful lives of the assets which are being provided for.

Interest charged on external borrowing, and also interest receivable on investments, is accrued and accounted for in the period to which it relates.

Accruals of Income and Expenditure

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

Revenue is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. The main source of revenue for the Service is Council Tax and Government Grant.

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

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. They are measured at the fair value of the consideration payable.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The basis on which payables and receivables are included in the Accounts is as follows:

Payables are accrued on expenditure to cover goods and services received but not paid for by 31 March 2022. Receivables are accrued on income to cover goods and services provided before 31 March 2022 but for which no payment has been received.

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

Cash and Cash Equivalents

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

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

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

There were no changes to accounting policies or prior-period adjustments during 2021/22.

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 2021/22, 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 as at March 2021. As from 1st April 2022, only one scheme remains (the 2015 scheme) all others have closed with everyone transitioning over to the 2015 scheme by 1st April 2022. 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 2022.

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 2022 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 27).

Overheads Support Services Costs

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

Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are 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 2022. A full revaluation will be undertaken every five years as a minimum. The Authority's valuer is NPS South West Ltd which is a subsidiary of NPS Consultants Ltd, a controlled company of Norfolk County Council.

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

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

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

Impairment

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

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

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

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.

Non Domestic Rates Appeals provision

A number of appeals have been made to billing authorities against the rateable value of Non Domestic Properties. The Fire Authority is required to account for its share of the provision for successful appeals, amounting to £0.510m in 2021/22.

Contingent Liabilities

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

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

There are three contingent liabilities for 2021/22 which result from challenges to changes to the firefighters pension schemes plus a possible Employment Tribunal claim. All of which can be found within Note 31.

Reserves

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

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

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

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

Devon & Somerset Fire & Rescue Authority

Group Accounts

2021/22 is the first year that these consolidated Accounts have been produced for the Authority and Red One Ltd. Due to a large increase in the turnover of Red One Ltd during 2021/22, it is now considered they have a material impact on the accounts of the Authority. There are also comparator figures provided for 2020/21.

Devon & Somerset Fire & Rescue Authority Group Accounts

Group Accounts

The group accounts contain core financial statements such as those included in the Authorities single entity statements, but which represent the consolidated position of the group. Notes to the Group accounts have been included where relevant values and/or the impact on the group statements are material

The group accounts are presented in the following pages

Group Comprehensive Income and Expenditure Statement for year ended 31st March 2022

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

	NOTE	Gross Expenditure 2021/22 £000	Gross Income 2021/22 £000	Net Expenditure/ (Income) 2021/22 £000	Gross Expenditure 2020/21 £000	Gross Income 2020/21 £000	Net Expenditure/ (Income) 2020/21 £000
Fire & Rescue Service		110,245	(16,878)	93,367	89,054	(17,494)	71,560
Cost of Services		110,245	(16,878)	93,367	89,054	(17,494)	71,560
Financing and Investment Income and Expenditure	9	18,806	(93)	18,713	18,142	(204)	17,938
Other Operating Expenditure / (Income)	8	-	(10,522)	(10,522)	-	(11,269)	(11,269)
Taxation and Non Specific Grant Income	10	-	(76,298)	(76,298)	-	(74,002)	(74,002)
(Surplus) or deficit on provision of services				25,259			4,227
(Surplus)/Deficit on Revaluation of Non-Current Assets	11 & 20			(15,567)			(1,984)
Impairment losses on non-current assets charged to the revaluation reserve	11 & 20			-			-
Actuarial (gains) or losses on Pension assets and liabilities	20			20,785			149,208
Other comprehensive income and expenditure				5,218			147,224
Total Comprehensive Income and Expenditure				30,477			151,451

GROUP BALANCE SHEET AS AT 31 March 2022

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'.

		31 March 2022	31 March 2021
	NOTE	£000	£000
Non-Current assets			
Intangible Assets		3	-
Property, plant and equipment	11	127,791	112,991
Long-term Investments	12	-	1,500
Trade and other receivables	15	620	678
Total Long-Term assets		128,414	115,170
Current assets			
Inventories	14	498	479
Trade and other receivables	15	11,931	15,857
Short-term Investments	12	24,500	19,000
Cash and cash equivalents	16	10,519	17,990
Assets held for sale	17	273	-
Total current assets		47,722	53,327
Total assets		176,136	168,496
Current liabilities			
Trade and other payables	18	(13,109)	(12,611)
Borrowings	12	(188)	(188)
Provisions	19	-	(440)
Total current liabilities		(13,298)	(13,239)
Net current assets		34,424	40,087
Total assets less current liabilities		162,839	155,257
Non-current liabilities			
Borrowings	12	(25,567)	(25,763)
Pensions Liability	30	(921,661)	(883,324)
Provisions	19	(655)	(738)
Total non current liabilities		(947,884)	(909,825)
Total liabilities		(961,181)	(923,065)
Net assets employed		(785,046)	(754,569)
Unusable Reserves			
Revaluation reserve	20	(49,986)	(37,695)
Capital Adjustment Account	20	(52,385)	(49,431)
Pensions Reserve	20	921,542	883,190
Council Tax + Business Rates Adjustment Accounts	20	669	2,745
Accumulated Absence Account	20	1,391	1,549
PFI - Equalisation Fund	20	(620)	(678)
		820,610	799,680
Usable Reserves			
General fund balance	20	(4,050)	(5,283)
Earmarked reserves	20	(31,759)	(40,471)
Capital Grants Unapplied		-	-
Profit & Loss Reserve		245	643
Total Reserves		(35,564)	(45,110)
		785,046	754,569

Shayne Scott
Treasurer to the Authority
12/07/2022

**GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2022**

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	2021/22 £000	2020/21 £000
Cash flows from operating activities			
Net deficit on provision of services		(25,259)	(4,221)
<u>Adjustments to deficit relating to non-cash movements</u>			
Depreciation and Impairment	11	8,668	7,921
Pension Liability	20	17,552	4,165
(Increase)/decrease in inventories	14	(19)	(87)
(Increase)/decrease in debtors	15	3,941	(6,363)
Increase/(decrease) in creditors	18	542	4,363
Increase/(decrease) in provisions	19	(523)	96
Other non-cash movement	13.4	(341)	(610)
Net cash inflow/(outflow) from operating activities		4,562	5,263
<u>Adjustments to deficit relating to items that relate to investing and financing activities</u>			
Transfer from government grant reserve		-	-
Net cash inflow/(outflow) from operating activities		4,562	5,263
Net cash inflow/(outflow) from investing activities	13.2	(11,333)	(5,452)
Cash outflow from financing activities		(698)	(700)
Net increase/(decrease) in cash and cash equivalents	16	(7,472)	(889)
Cash/cash equivalents (and bank overdrafts) at the beginning of the financial year	16	17,990	18,879
Cash/cash equivalents (and bank overdrafts) at the end of the financial year	16	10,519	17,990

STATEMENT OF MOVEMENT IN RESERVES FOR THE YEAR ENDED 31 March 2022

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or Deficit on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Increase/Decrease in year' line shows the movement on the statutory General Fund Balance including Earmarked Reserves.

	Total General fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Authorities Useable Reserves £000	Authorities Share Of Subsidiaries Useable Reserves £000	Total Usable Reserves £000	Authorities Share Of Subsidiaries Unusable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Group £000
Balance carried forward as at 31 March 2020	45,753	-	-	45,753	(643)	45,110	(799,681)	-	(754,568)
Movement in reserves during 2021/22									
Surplus or (deficit) on provision of services	(25,073)	-	-	(25,073)	(186)	(25,259)	-	-	(25,259)
Other Comprehensive Income and Expenditure	-	-	-	-	27	27	(5,245)	-	(5,218)
Total Comprehensive Income and Expenditure	(25,073)	-	-	(25,073)	(159)	(25,232)	(5,245)	(5,245)	(30,477)
Group Account Adjustments									
Adjustments between group accounts and authority accounts	(557)	-	-	(557)	557	-	-	-	-
Net increase or decrease before transfers	(25,630)	-	-	(25,630)	398	(25,232)	(5,245)	(5,245)	(30,477)
Adjustments between accounting basis and funding basis under regulations									
<u>PFI Adjustment</u>									
<u>Adjustments involving the Capital Adjustment Account</u>									
<u>Reversal of items in the C.I.E.S.</u>									
Depreciation, impairment & revaluation losses	8,661	-	-	8,661	-	8,661	(8,661)	(8,661)	-
Reversal of Impairments									
Net gain or loss on sale of non-current assets	89	20	-	109	-	109	(109)	(109)	-
Capital grants received									
<u>Insertion of items not in the C.I.E.S.</u>									
Minimum Revenue Provision	(2,219)	-	-	(2,219)	-	(2,219)	2,219	2,219	-
Revenue Provision in respect of finance leases									
Capital expenditure funded direct from revenue	(6,210)	-	-	(6,210)	-	(6,210)	6,210	6,210	-
<u>Adjustments involving the Pensions Reserve</u>									
Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account	31,736	-	-	31,736	-	31,736	(31,736)	(31,736)	-
Employers pension contributions and direct payments to pensioners	(14,196)	-	-	(14,196)	-	(14,196)	14,196	14,196	-
<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	(2,076)	-	-	(2,076)	-	(2,076)	2,076	2,076	-
<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	(159)	-	-	(159)	-	(159)	159	159	-
<u>Adjustments to Capital Resources</u>									
Use of the Capital Receipts Reserve to finance capital expenditure	-	(20)	-	(20)	-	(20)	20	20	-
Application of capital grants to finance capital	-	-	-	-	-	-	-	-	-
Cumulative Roundings	-	-	-	-	-	-	-	-	-
Total Adjustments between accounting basis and funding basis under regulations	15,684	-	-	15,684	-	15,684	(15,684)	(15,684)	-
Increase/Decrease in year	(9,947)	-	-	(9,947)	398	(9,547)	(20,929)	(20,929)	(30,477)
Balance carried forward as at 31 March 2022	35,806	-	-	35,806	(245)	35,564	(820,610)	(820,610)	(785,045)

STATEMENT OF MOVEMENT IN RESERVES FOR THE YEAR ENDED 31 March 2021

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	Authorities Useable Reserves £000	Authorities Share Of Subsidiaries Useable Reserves £000	Total Usable Reserves £000	Authorities Unuseable Reserves £000	Authorities Share Of Subsidiaries Unuseable Reserves £000	Total Unusable Reserves £000	Total Reserves (Including Group) £000
Balance carried forward as at 31 March 2020	38,811	-	-	38,811	(646)	38,165	(641,288)	-	(641,288)	(602,477)
Remeasurement of pensions reserve following McCloud Sargent guidance Sept 2020	-	-	-	-	-	-	-	-	-	-
Remeasured balance carried forward as at 31 March 2020	38,811	-	-	38,811	(646)	38,165	(641,288)	-	(641,288)	(602,477)
Movement in reserves during 2020/21										
Surplus or (deficit) on provision of services	(4,147)	-	-	(4,147)	(74)	(4,221)	-	-	-	(4,218)
Other Comprehensive Income and Expenditure	-	-	-	-	(60)	(60)	(147,164)	-	(147,164)	(147,164)
Total Comprehensive Income and Expenditure	(4,147)	-	-	(4,147)	(134)	(4,281)	(147,164)	-	(147,164)	(151,382)
Group Account Adjustments										
Adjustments between group accounts and authority accounts	(138)	-	-	(138)	138	-	-	-	-	(710)
Net increase or decrease before transfers	(4,284)	-	-	(4,285)	3	(4,281)	(147,164)	-	(147,164)	(152,092)
Adjustments between accounting basis and funding basis under regulations										
<u>PFI Adjustment</u>	20.2	50	-	50	-	50	(50)	-	(50)	-
<u>Reversal of items in the C.I.E.S.</u>										
Depreciation, impairment & revaluation losses	11	7,917	-	7,917	-	7,917	(7,917)	-	(7,917)	-
Reversal of Impairments	11	-	-	-	-	-	-	-	-	-
Net gain or loss on sale of non-current assets	8	138	379	517	-	517	(517)	-	(517)	-
Capital grants received	10	-	-	-	-	-	-	-	-	-
<u>Insertion of items not in the C.I.E.S.</u>										
Minimum Revenue Provision	20.2	(2,223)	-	(2,223)	-	(2,223)	2,223	-	2,223	-
Revenue Provision in respect of finance leases	20.2	-	-	-	-	-	-	-	-	-
Capital expenditure funded direct from revenue	20.2	(2,675)	-	(2,675)	-	(2,675)	2,675	-	2,675	-
<u>Adjustments involving the Pensions Reserve</u>										
Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account	20.2	17,549	-	17,549	-	17,549	(17,549)	-	(17,549)	-
Employers pension contributions and direct payments to pensioners	20.2	(13,390)	-	(13,390)	-	(13,390)	13,390	-	13,390	-
<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	20.2	3,276	-	3,276	-	3,276	(3,276)	-	(3,276)	-
<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	20.2	588	-	588	-	588	(588)	-	(588)	-
<u>Adjustments to Capital Resources</u>										
Use of the Capital Receipts Reserve to finance capital expenditure	-	(379)	-	(379)	-	(379)	379	-	379	-
Application of capital grants to finance capital	-	-	-	-	-	-	-	-	-	-
Cumulative Roundings	-	-	-	-	-	-	-	-	-	-
Total Adjustments between accounting basis and funding basis under regulations	11,228	-	-	11,228	-	11,228	(11,228)	-	(11,228)	-
Increase/Decrease in year	6,944	-	-	6,943	3	6,947	(158,392)	-	(158,392)	(152,092)
Balance carried forward as at 31 March 2021	45,754	-	-	45,754	(643)	45,111	(799,680)	-	(799,680)	(754,569)

Notes To The Group Accounts

The Group

The relevant accounting standards have been applied in determining which organisations are included in the group boundary. The extent of the Authorities interest and control over the entity was considered as was the materiality of the financial impact on the Authorities group accounts and the transparency of less material entities to allow the reader to understand the Groups consolidated position. From the assessment of Red One Ltd they are considered to fall into the following category

Subsidiaries - Where the Authority either wholly or by majority controls the entity. Red One is consolidated within the group accounts on a subsidiary basis.

The authority has disclosed further information on all of its major business interests in the Related Parties note, in the Authorities single entity accounts (Note 25)

Accounting Policies

Subsidiaries have been consolidated using the acquisition accounting basis. This is the full, line by line consolidation of the financial transactions and balances of the Authority and Red One Ltd. To avoid overstating balances within the group financial statements, all transactions between the authority and group companies have been eliminated.

Alignment of accounting framework and policies

Where the accounting framework used by the group companies differs from that of the Authority including the accounting policies and impact of such differences would have a material impact on the group financial statements the relevant balances would be adjusted to bring them in line with the policies of that Authority.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 March 2022

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 2021/22 £000	Gross Income 2021/22 £000	Net Expenditure/ (Income) 2021/22 £000	Gross Expenditure 2020/21 £000	Gross Income 2020/21 £000	Net Expenditure/ (Income) 2020/21 £000
Fire & Rescue Service		106,836	(13,095)	93,740	87,774	(16,145)	71,629
Cost of Services		106,836	(13,095)	93,740	87,774	(16,145)	71,629
Financing and Investment Income and Expenditure	9	18,805	(93)	18,711	18,130	(204)	17,927
Other Operating Expenditure / (Income)	8	-	(10,522)	(10,522)	-	(11,269)	(11,269)
Taxation and Non Specific Grant Income	10	-	(76,299)	(76,299)	-	(74,002)	(74,002)
(Surplus) or deficit on provision of services				25,630			4,285
(Surplus)/Deficit on Revaluation of Non-Current Assets	11 & 20			(15,567)			(1,984)
Impairment losses on non-current assets charged to the revaluation reserve	11 & 20			-			-
Actuarial (gains) or losses on Pension assets and liabilities	20			20,812			149,148
Other comprehensive income and expenditure				5,245			147,164
Total Comprehensive Income and Expenditure				30,875			151,449

BALANCE SHEET AS AT 31 March 2022

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'.

	31 March 2022		31 March 2021
	NOTE	£000	£000
Non-Current assets			
Property, plant and equipment	11	127,759	112,983
Long-term Investments	12	-	1,500
Trade and other receivables	15	620	678
Total Long-Term assets		128,379	115,161
Current assets			
Inventories	14	498	479
Trade and other receivables	15	11,868	15,989
Short-term Investments	12	24,500	19,000
Cash and cash equivalents	16	9,936	17,581
Assets held for sale	17	273	-
Total current assets		47,076	53,049
Total assets		175,455	168,210
Current liabilities			
Trade and other payables	18	(12,303)	(11,816)
Borrowings	12	(188)	(188)
Provisions	19	-	(440)
Total current liabilities		(12,491)	(12,445)
Net current assets		34,585	40,605
Total assets less current liabilities		162,964	155,766
Non-current liabilities			
Borrowings	12	(25,567)	(25,763)
Pensions Liability	30	(921,542)	(883,190)
Provisions	19	(655)	(738)
Total non current liabilities		(947,765)	(909,691)
Total liabilities		(960,256)	(922,136)
Net assets employed		(784,800)	(753,925)
Unusable Reserves			
Revaluation reserve	20	(49,986)	(37,695)
Capital Adjustment Account	20	(52,385)	(49,431)
Pensions Reserve	20	921,542	883,190
Council Tax + Business Rates Adjustment Accounts	20	669	2,745
Accumulated Absence Account	20	1,391	1,549
PFI - Equalisation Fund	20	(620)	(678)
		820,610	799,680
Usable Reserves			
General fund balance	20	(4,050)	(5,283)
Earmarked reserves	20	(31,759)	(40,471)
Capital Grants Unapplied		-	-
		(35,809)	(45,753)
Total Reserves		784,800	753,925

Shayne Scott
Treasurer to the Authority
Date: 12-07-22

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2022**

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	2021/22 £000	2020/21 £000
Cash flows from operating activities			
Net deficit on provision of services		(25,630)	(4,285)
<u>Adjustments to deficit relating to non-cash movements</u>			
Depreciation and Impairment	11	8,661	7,917
Pension Liability	20	17,540	4,159
(Increase)/decrease in inventories	14	(19)	(87)
(Increase)/decrease in debtors	15	4,178	(6,020)
Increase/(decrease) in creditors	18	487	3,996
Increase/(decrease) in provisions	19	(523)	96
Other non-cash movement	13.4	(341)	(615)
Net cash inflow/(outflow) from operating activities		4,353	5,160
<u>Adjustments to deficit relating to items that relate to investing and financing activities</u>			
Net cash inflow/(outflow) from operating activities		4,353	5,160
Net cash inflow/(outflow) from investing activities	13.2	(11,299)	(5,451)
Cash outflow from financing activities	13.3	(696)	(694)
Net increase/(decrease) in cash and cash equivalents		(7,644)	(986)
Cash/cash equivalents (and bank overdrafts) at the beginning of the financial year	16	17,581	18,568
Cash/cash equivalents (and bank overdrafts) at the end of the financial year		9,936	17,581

STATEMENT OF MOVEMENT IN RESERVES FOR THE YEAR ENDED 31 March 2022

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 2021	45,753	-	-	45,753	(799,681)	(753,927)
Movement in reserves during 2021/22						
Surplus or (deficit) on provision of services	CIES (25,630)	-	-	(25,630)	-	(25,630)
Other Comprehensive Income and Expenditure	-	-	-	-	(5,245)	(5,245)
Total Comprehensive Income and Expenditure	(25,630)	-	-	(25,631)	(5,245)	(30,875)
Adjustments between accounting basis and funding basis under regulations						
<u>PFI Adjustment</u>	20.2 58	-	-	58	(58)	-
<u>Adjustments involving the Capital Adjustment Account</u>						
<u>Reversal of items in the C.I.E.S.</u>						
Depreciation, impairment & revaluation losses	11 8,661	-	-	8,661	(8,661)	-
Reversal of Impairments	11 -	-	-	-	-	-
Net gain or loss on sale of non-current assets	8 89	20	-	109	(109)	-
<u>Insertion of items not in the C.I.E.S.</u>						
Minimum Revenue Provision	20.2 (2,219)	-	-	(2,219)	2,219	-
Capital expenditure funded direct from revenue	20.2 (6,210)	-	-	(6,210)	6,210	-
<u>Adjustments involving the Pensions Reserve</u>						
Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account	20.2 31,736	-	-	31,736	(31,736)	-
Employers pension contributions and direct payments to pensioners	20.2 (14,196)	-	-	(14,196)	14,196	-
<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	20.2 (2,076)	-	-	(2,076)	2,076	-
<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	20.2 (159)	-	-	(159)	159	-
<u>Adjustments to Capital Resources</u>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	(20)	-	(20)	20	-
Application of capital grants to finance capital	-	-	-	-	-	-
Cumulative Roundings	-	-	-	-	-	-
Total Adjustments between accounting basis and funding basis under regulations	15,684	-	-	15,684	(15,684)	-
Increase/Decrease in year	(9,947)	-	-	(9,947)	(20,929)	(30,875)
Balance carried forward as at 31 March 2022	35,806	-	-	35,806	(820,608)	(784,802)

STATEMENT OF MOVEMENT IN RESERVES FOR THE YEAR ENDED 31 March 2021

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 2020	38,811	-	-	38,811	(641,288)	(602,477)
20.2	Remeasurement of pensions reserve following McCloud Sargent guidance Sept 2020	-	-	-	-	-	-
	Remeasured balance carried forward as at 31 March 2020	38,811	-	-	38,811	(641,288)	(602,477)
	Movement in reserves during 2021/22						
	Surplus or (deficit) on provision of services	(4,285)	-	-	(4,285)	-	(4,285)
	Other Comprehensive Income and Expenditure	-	-	-	-	(147,164)	(147,164)
	Total Comprehensive Income and Expenditure	(4,285)	-	-	(4,285)	(147,164)	(151,449)
	Adjustments between accounting basis and funding basis under regulations						
	<u>PFI Adjustment</u>						
20.2	<u>Adjustments involving the Capital Adjustment Account</u>	50	-	-	50	(50)	-
	<u>Reversal of items in the C.I.E.S.</u>						
	Depreciation, impairment & revaluation losses	7,917	-	-	7,917	(7,917)	-
11	Net gain or loss on sale of non-current assets	138	379	-	517	(517)	-
8	Capital grants received	0	-	-	-	-	-
10	Minimum Revenue Provision	(2,223)	-	-	(2,223)	2,223	-
20.2	Revenue Provision in respect of finance leases	-	-	-	-	-	-
20.2	Capital expenditure funded direct from revenue	(2,675)	-	-	(2,675)	2,675	-
20.2	<u>Adjustments involving the Pensions Reserve</u>						
	Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account	17,549	-	-	17,549	(17,549)	-
20.2	Employers pension contributions and direct payments to pensioners	(13,390)	-	-	(13,390)	13,390	-
20.2	<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	3,276	-	-	3,276	(3,276)	-
20.2	<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	588	-	-	588	(588)	-
20.2	<u>Adjustments to Capital Resources</u>						
	Application of capital grants to finance capital	-	-	-	-	-	-
	Cumulative Roundings	-	-	-	-	-	-
	Total Adjustments between accounting basis and funding basis under regulations	11,228	-	-	11,228	(11,228)	-
	Increase/Decrease in year	6,943	-	-	6,943	(158,392)	(151,449)
	Balance carried forward as at 31 March 2021	45,753	-	-	45,753	(799,681)	(753,927)

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).

2021/22

	Net Expenditure on General Fund reported to Members	Adjustments to arrive at net amount chargeable to General Fund	Net Expenditure Chargeable 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	74,222	(33,812)	61,931	31,809	93,740
Net cost of services	74,222	(33,812)	61,931	31,809	93,740
Other income and expenditure	(74,222)	22,237	(51,985)	(16,125)	(68,110)
(Surplus) or Deficit	0	(11,574)	9,946	15,684	25,630

Opening General Fund	45,753
Plus Surplus/(Deficit) on General Fund balance in year	(9,947)
Closing General Fund balance at 31 March	<u>35,805</u>

2020/21

	Net Expenditure on General Fund reported to Members	Adjustments to arrive at net amount chargeable to General Fund	Net Expenditure Chargeable 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	77,277	(14,273)	50,474	21,155	71,629
Net cost of services	77,277	(14,273)	50,474	21,155	71,629
Other income and expenditure	(77,277)	19,858	(57,418)	(9,927)	(67,345)
(Surplus) or Deficit	0	5,586	(6,943)	11,228	4,284

Opening General Fund	38,811
Plus Surplus/(Deficit) on General Fund balance in year	6,943
Closing General Fund balance at 31 March	<u>45,753</u>

1.2 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

	Depreciation charged to the General Fund	Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustment Between funding and Accounting Basis
2021/22	£000	£000	£000	£000	£000
Fire & Rescue Service	8,661	(8,430)	31,736	(159)	31,809
Net Cost of Services	8,661	(8,430)	31,736	(159)	31,809
Other income and expenditure		89	(14,196)	(2,018)	(16,125)
Total	8,661	(8,341)	17,540	(2,177)	15,684

	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
2020/21	£000	£000	£000	£000	£000
Fire & Rescue Service	7,917	(4,899)	17,549	588	21,155
Net Cost of Services	7,917	(4,899)	17,549	588	21,155
Other income and expenditure		138	(13,390)	3,326	(9,927)
Total	10,806	(6,936)	4,159	(573)	11,228

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.

	2021/22			2020/21		
	£000	£000	£000	£000	£000	£000
<u>Amounts as reported to management</u>						
Employees	69,761			63,481		
Premises	4,114			4,072		
Transport	3,116			2,843		
Supplies & Services	6,872			6,210		
Establishment Costs	766			623		
External Support Costs	963			588		
Capital and Lease Financing Costs	5,434			5,373		
<u>Gross Expenditure</u>		91,026			83,191	
<u>Gross Income</u>		(12,734)			(15,954)	
Contributions to or (from) reserves		(4,069)			10,041	
Net Expenditure		74,222			77,277	
Government Grant and Council Tax Income (budget for the year)		(74,222)			(77,277)	
Net surplus - to be transferred to reserves		(0)			(0)	
Contributions (to) from reserves		(3,338)			(9,991)	
Transfers between Useable Reserves		-			-	
Spending from Earmarked Reserves		13,281			3,047	
Net movement in Earmarked Reserves			9,943			(6,944)
<u>Amounts in the CIES not reported to management</u>						
Depreciation and impairment	8,661			7,916		
Net charges made for retirement benefits	31,736			17,548		
Surplus of PFI Equalisation Fund	58			50		
Employee Absence Accrual	(159)			588		
Deficit/(Surplus) on Council Tax and NNDR Collection Fund	(2,077)			3,276		
Net (Gain) or Loss on Sale of non-current Assets	89			137		
		38,307			29,514	
<u>Amounts in management information not included in the Cost of Services in the CIES</u>						
Minimum Revenue Provision	(2,219)			(2,223)		
Direct Revenue funding to Capital	(6,210)			(2,675)		
Employers Contributions to Pensions	(14,196)			(13,390)		
		(22,626)			(18,289)	
Total Adjustment Between funding and Accounting Basis (Surplus) or deficit on provision of services			15,679			11,223
			25,621			4,278

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 2021/22 (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 the financial statements however, the impact cannot be quantified at this time:

- Leases, classification of Leases (IFRS 16) - Due to Covid 19, the implementation of this Standard has been delayed until 2024/25

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 2021/22 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.

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 2022 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.	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 Depreciated Replacement cost which is dependent 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.

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

There are none to report.

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

	2021/22	2020/21
	£000	£000
(Gains)/losses on the disposal of non-current assets	89	138
Communities for Local Government Firefighters Pension Top-Up Grant	(10,612)	(11,407)
	<u>(10,522)</u>	<u>(11,269)</u>

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2021/22	2020/21
	£000	£000
Interest on Loans	1,341	1,278
Investment income	(93)	(204)
Pensions Interest and administration Cost	17,464	16,852
	<u>18,711</u>	<u>17,927</u>

10 TAXATION AND NON SPECIFIC GRANT INCOMES

	2021/22	2020/21
	£000	£000
Council tax income	(56,017)	(53,980)
Non domestic rates	(13,858)	(13,633)
Non-ring-fenced government grants	(6,424)	(6,389)
	<u>(76,299)</u>	<u>(74,002)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

11. PROPERTY PLANT AND EQUIPMENT

	Land	Buildings excluding dwellings	Surplus Assets	Assets under construction	Plant and machinery	Transport	Total
2021/22	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2021	18,226	80,339	280	3,765	3,378	24,474	130,462
Additions - purchased	-	1,069	-	5,317	26	1,842	8,254
Additions - exchange	-	-	-	-	-	-	-
Additions government granted	-	-	-	-	-	-	-
Reclassifications	-	1,888	-	(6,072)	-	4,184	-
Reclassified as held for sale	-	-	(280)	-	-	-	(280)
Derecognition - disposals	-	-	-	-	-	(285)	(285)
Derecognition - exchange	-	-	-	-	-	-	-
Reversal of impairments	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-
Revaluation Increase/(decrease):	-	-	-	-	-	-	-
- to Revaluation Reserve	891	8,348	-	-	-	-	9,239
- to Surplus/Deficit on the provision of services	(75)	(635)	-	-	-	-	(710)
At 31 March 2022	19,042	91,009	-	3,010	3,404	30,215	146,680
Depreciation at 1 April 2021	-	(5)	-	-	(2,019)	(15,455)	(17,479)
Reclassifications	-	-	-	-	-	-	-
Reclassified as held for sale	-	-	-	-	-	-	-
Derecognition - disposals	-	-	-	-	-	182	182
Revaluation removals	-	6,327	-	-	-	-	6,327
Impairments	-	-	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-	-	-
Charged during the year	-	(6,328)	-	-	(222)	(1,401)	(7,951)
Depreciation at 31 March 2022	-	(6)	-	-	(2,241)	(16,674)	(18,921)
Net book value							
As at 31 March 2021	18,226	80,334	280	3,765	1,359	9,019	112,983
As at 31 March 2022	19,042	91,003	-	3,010	1,163	13,541	127,759
Asset financing							
Owned	19,042	89,853	-	3,010	1,163	13,541	126,609
Finance Leased	-	-	-	-	-	-	-
Private finance initiative	-	-	-	-	-	-	-
PFI residual interests	-	1,150	-	-	-	-	1,150
Total 31 March 2022	19,042	91,003	-	3,010	1,163	13,541	127,759

SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2022 the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years budgeted to cost £6m. There were similar commitments at 31 March 2021 of £8.1m. Of these contracts there are two of significant value, being £0.5m committed to Plymouth station replacement and £4.8m to purchase appliances.

NOTES TO THE CORE FINANCIAL STATEMENTS

11.1 PROPERTY PLANT AND EQUIPMENT VALUATIONS

	Land	Buildings excluding dwellings	Surplus Assets	Assets under construction	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000	£000	£000
2021/22							
Valued at Historical Cost	-	-	-	3,010	3,404	30,215	36,629
Valued at Current Value in:							
2021/22	19,042	91,009	-	-	-	-	110,051
2020/21	-	-	-	-	-	-	-
2015/16	-	-	-	-	-	-	-
2014/15	-	-	-	-	-	-	-
2013/14	-	-	-	-	-	-	-
Total	19,042	91,009	-	3,010	3,404	30,215	146,680

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	Surplus Assets	Assets under construction	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000	£000	£000
2020/21							
Cost or valuation at 1 April 2020	18,311	84,353	-	238	3,468	24,209	130,579
Additions - purchased	-	708	-	3,527	14	333	4,582
Additions - exchange	-	-	-	-	-	-	-
Additions government granted	-	-	-	-	-	-	-
Reclassifications	(85)	(737)	822	-	-	-	-
Reclassified as held for sale	-	-	(125)	-	-	-	(125)
Derecognition - disposals	-	(462)	-	-	(104)	(68)	(634)
Derecognition - exchange	-	-	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-
Revaluation increase/(decrease):							
- to Revaluation Reserve	-	(3,431)	(417)	-	-	-	(3,848)
- to Surplus/Deficit on the provision of services	-	(92)	-	-	-	-	(92)
At 31 March 2021	18,226	80,339	280	3,765	3,378	24,474	130,462
Depreciation at 1 April 2020	-	(5)	-	-	(1,810)	(13,913)	(15,728)
Reclassifications	-	28	(28)	-	-	-	-
Reclassified as held for sale	-	-	-	-	-	-	-
Derecognition - disposals	-	74	-	-	104	64	242
Revaluation removals	-	5,804	28	-	-	-	5,832
Impairments	-	-	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-	-	-
Charged during the year	-	(5,906)	-	-	(313)	(1,606)	(7,825)
Depreciation at 31 March 2021	-	(5)	-	-	(2,019)	(15,455)	(17,479)
Net book value							
As at 31 March 2020	18,311	84,348	-	238	1,658	10,296	114,851
As at 31 March 2021	18,226	80,334	280	3,765	1,359	9,019	112,983
Asset financing							
Owned	18,226	79,367	280	3,765	1,359	9,019	112,016
Finance Leased	-	-	-	-	-	-	-
Private finance initiative	-	-	-	-	-	-	-
PFI residual interests	-	967	-	-	-	-	967
Total 31 March 2021	18,226	80,334	280	3,765	1,359	9,019	112,983

NOTES TO THE CORE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS

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	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Investments				
Loans and Receivables	-	-	-	-
Amortised Costs	24,500	19,000	-	1,500
Fair Value through Profit or Loss	-	-	-	-
Total Investments	24,500	19,000	-	1,500
Cash and Cash Equivalents				
Amortised Costs	8,185	14,065	-	-
Fair Value through Profit or Loss	1,751	3,516	-	-
Total Cash and Cash Equivalents	9,936	17,581	-	-
Debtors (Trade Receivables)				
Amortised Costs	8,463	13,894	620	678
Total Debtors (Trade Receivables)	8,463	13,894	620	678
Borrowings				
Amortised Costs	(90)	(188)	(24,757)	(25,763)
Total Borrowings	(90)	(188)	(24,757)	(25,763)
Finance Lease				
Amortised Costs	(98)	(98)	(809)	(912)
Total Finance Lease	(98)	(98)	(809)	(912)
Creditors (Trade Payables)				
Amortised Costs	(9,185)	(8,769)	-	-
Total Creditors (Trade Payables)	(9,185)	(8,769)	-	-

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	
	2021/22 £000	2020/21 £000
Net gains/losses on:		
Financial assets measured at Amortised Cost	(2)*	(2)*
Total net gains/losses	(2)*	(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.

	2021/22 £000	2020/21 £000
Interest Revenue		
Financial assets measured at Amortised Cost	93	204
Total Interest Revenue	93	204

	2021/22 £000	2020/21 £000
Interest Expense		
Financial liabilities measured at Amortised Cost	(1,341)	(1,278)
Total Interest Expense	(1,341)	(1,278)

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)

	2021/22 £000	2020/21 £000
Financial Liabilities		
PWLB Debt	(32,166)	(35,058)
Short Term Borrowing	(90)	(90)
Short Term Creditors	(9,185)	(8,769)
Short Term PFI & Finance Lease Liability	(98)	(98)
Long Term PFI & Finance Lease Liability	(809)	(912)
Total Liabilities	(42,349)	(44,927)

	2021/22 £000	2020/21 £000
Financial Assets		
Money Market Loans < 1 Year	1,751	3,516
Short Term Investments	32,529	33,063
Long Term Investments	0	1,512
Short Term Debtors	8,463	13,894
Long Term Debtors	620	678
Total Assets	43,363	52,664

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 2022.

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

	Quoted Prices			Total
	in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant observable inputs (Level 3)	
Recurring Fair Value Measurements using:				
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB Debt	-	(24,848)	-	(24,848)
PFI and Finance Lease Liability	-	(98)	-	(98)
Total	-	(24,945)	-	(24,945)
Financial Assets				
Financial Assets held at amortised cost:				
Total	-	34,251	0	34,251

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 2020	(2)	-	-	(2)
Financial Assets held at amortised cost:	-	-	-	-
As at 31 March 2021	(2)	-	-	(2)

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

	Total £000
Interest Rate Risk	
Decrease in Fair Value of Fixed Rate Investments	180
Impact on Other Comprehensive Income and Expenditure	(4,246)
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)	(4,425)

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;

	2021/22	2020/21
	£000	£000
Interest Received	93	204
Interest Paid	(1,341)	(1,278)
Total	(1,247)	(1,075)

13.2 INVESTMENT ACTIVITIES

	2021/22	2020/21
	£000	£000
Payments for property, plant and equipment	(8,804)	(4,572)
Sale of property, plant and equipment	(20)	(379)
Increase in Short-Term Deposits	(2,475)	(500)
Capital Grant Received	-	-
Net Cash Flows from investing activities	(11,299)	(5,451)

13.3 FINANCING ACTIVITIES

	2021/22	2020/21
	£000	£000
Loans Repaid	(593)	(593)
Loan Capital Repayments of PFI and finance leases	(103)	(101)
Net Cash Flows from investing activities	(696)	(694)

13.4 OTHER NON CASH MOVEMENT

	2021/22	2020/21
	£000	£000
(Gains)/losses on the disposal of non-current assets	89	138
PWLB Interest due, paid in new year	90	90
Accumulated Absence Account	159	(588)
Other Adjustments	(678)	(255)
Net Other non cash movement	(340)	(615)

NOTES TO THE CORE FINANCIAL STATEMENTS

14 INVENTORIES

	31 March 2022 £000	31 March 2021 £000
Uniforms and Protective Clothing	248	225
Vehicle Spares Stocks	129	118
Equipment Stocks	122	137
Total	498	479

15 DEBTORS

15.1 Trade and other receivables

	Current		Non-current	
	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
Public Sector Bodies	9,601	14,414	620	678
Other	2,321	2,229	-	-
Provision for the impairment of receivables	(55)	(655)	-	-
Total	11,868	15,989	620	678

15.2 Receivables past their due date but not impaired

	31 March 2022 £000	31 March 2021 £000
By up to three months	135	288
By three to six months	20	0
By more than six months	767	741
Total	922	1,030

15.3 Provision for impairment of receivables

	31 March 2022 £000	31 March 2021 £000
Balance at 1 April	(655)	(655)
(Increase)/decrease in receivables impaired	600	0
Balance at 31 March	(55)	(655)

16 CASH AND CASH EQUIVALENTS

	31 March 2022 £000	31 March 2021 £000
Balance at 1 April	17,581	18,568
Net change in year	(7,645)	(986)
Balance at 31 March	9,936	17,581
Made up of		
Commercial banks and cash in hand	185	65
Current investments (less than 3 Months to maturity)	9,751	17,516
Cash and cash equivalents as in statement of financial position	9,936	17,581
Bank Balance - Commercial banks	-	-
Cash and cash equivalents as cash flow statement	9,936	17,581

NOTES TO THE CORE FINANCIAL STATEMENTS

17 Assets Held for Sale

The Fire Authority agreed to close Topsham station at its meeting of 10th January 2020. During the 2021/22 financial year the decision was taken to sell the property and actively seek a buyer triggering the requirement of the Code to reclassify it to Assets Held for Sale. The property has not been sold as off 31st March 2022 so remains a current asset at that time.

	Current		Non-current	
	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
Balance outstanding at start of year	-	-	-	-
Assets newly classified as held for sale:				
Property, plant & equipment	280	125	-	-
Revaluation losses	(7)	(9)	-	-
Assets sold	0	(116)	-	-
Balance outstanding at year-end	273	-	-	-

18 CREDITORS

	Current		Non-current	
	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
Current Liabilities				
Public Sector Bodies	(6,389)	(6,321)	-	-
Other entities and individuals	(4,523)	(3,946)	-	-
Accum absence	(1,391)	(1,549)	-	-
Defined Benefit Pension Schemes	-	-	(921,542)	(883,190)
Total	(12,303)	(11,816)	(921,542)	(883,190)

19 PROVISIONS

	Current		Non-current	
	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
Firefighter Employer Pension Contribution	-	(440)	-	(61)
NDR Appeals Provision	-	-	(656)	(677)
Total	-	(440)	(656)	(739)

	Firefighter Employer Pension Contribution £000	PFI Equalisation £000	NDR Appeals £000	Total £000
At 1 April 2020	639	-	423	1,062
Arising during the year (restated)	(5)	-	-	(5)
Used during the year	-	-	-	-
Reversed unused	-	-	(363)	(363)
Unwinding of discount	-	-	-	-
At 31 March 2021	633	-	60	694
At 1 April 2021	633	-	60	694
Arising during the year	(300)	-	-	(300)
Used during the year	(429)	-	-	(429)
Reversed unused	95	-	596	691
At 31 March 2022	(0)	-	656	656
Expected timing of cash flows:				
Between 1 April 2022 & 31 March 2023	-	-	-	-
Thereafter	-	-	656	656

NOTES TO THE CORE FINANCIAL STATEMENTS

20 USABLE AND UNUSABLE RESERVES

20.1 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 2021/22.

2021/22

Earmarked reserve	Balance 1 April	Transfers In	Transfers Out	Balance 31 March
	£000	£000	£000	£000
Grants unapplied from previous years	4,526	2,270	(3,703)	3,093
Invest to Improve	3,896	219	(1,246)	2,869
Budget Smoothing Reserve	1,818	288	(275)	1,831
Direct Funding to Capital	23,270	100	(4,338)	19,032
Projects, risks, & budget carry forwards				
PFI Equalisation	150	-	(100)	50
Emergency Services Mobile Communications Programme	1,347	-	(45)	1,302
Mobile Data Terminals	266	-	(98)	168
Pension Liability reserve	1,231	139	(8)	1,362
Budget Carry Forwards	3,458	64	(1,889)	1,633
Environmental Strategy	308	-	(40)	268
MTA Action Plan	200	-	(49)	151
Total Earmarked Reserves	40,470	3,080	(11,791)	31,759
General Fund (non-Earmarked) Balance	5,282	258	(1,490)	4,050
Total General Fund	45,752	3,338	(13,281)	35,809

2020/21

Earmarked reserve	Balance 1 April	Transfers In	Transfers Out	Balance 31 March
	£000	£000	£000	£000
Grants unapplied from previous years	384	4,397	(254)	4,526
Invest to Improve	4,504	200	(808)	3,896
Budget Smoothing Reserve	1,818	-	-	1,818
Direct Funding to Capital	22,308	1,759	797	23,270
Projects, risks, & budget carry forwards				
PFI Equalisation	150	-	-	150
Emergency Services Mobile Communications Programme	877	550	(80)	1,347
Mobile Data Terminals	279	-	(13)	266
PPE & Uniform Refresh	488	-	(488)	-
Pension Liability reserve	1,423	-	(192)	1,231
Budget Carry Forwards	898	2,881	(321)	3,458
Environmental Strategy	308	-	-	308
Upgrade Wi-Fi Internet Connection	50	-	(50)	-
Respiratory Protection Masks - Personal Fit	1	0	(1)	-
VEMA Outriggers	10	-	(10)	-
MTA Action Plan	-	200	-	200
Total Earmarked Reserves	33,496	9,987	(3,014)	40,470
General Fund (non-Earmarked) Balance	5,316	-	(33)	5,282
Total General Fund	38,812	9,987	(3,047)	45,752

NOTES TO THE CORE FINANCIAL STATEMENTS

20.2 UNUSABLE RESERVES

	31 March 2022 £000	31 March 2021 £000
Revaluation Reserve	(49,986)	(37,695)
Capital Adjustment Account	(52,386)	(49,431)
Pensions Reserve	921,542	883,190
Collection Fund Adjustment Account	(1,086)	140
NNDR Adjustment Account	1,755	2,605
Accumulated Absences Account	1,391	1,549
PFI Equalisation Fund	(620)	(678)
Total	820,609	799,681

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	(49,431)	(49,452)
<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	109	517
Revaluation losses on property, plant and equipment	710	92
Charges for depreciation and impairment of non-current assets	7,951	7,825
	8,770	8,434
Minimum Revenue Provision	(2,219)	(2,223)
Capital Expenditure charged against the Revenue Account	(6,210)	(2,675)
Capital Receipts Reserve	(20)	(379)
Adjusting amounts written out of the Revaluation Reserve	(3,276)	(3,135)
Balance at 31 March	(52,386)	(49,431)

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	(37,695)	(38,845)
Upward Revaluation of assets	(15,567)	(2,804)
Disposal/derecognition	-	267
Downward revaluations	-	820
Difference between fair value depreciation and historical cost depreciation	3,276	2,868
Balance at 31 March	(49,986)	(37,695)

NOTES TO THE CORE FINANCIAL STATEMENTS

20.2 UNUSABLE RESERVES (Continued)

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	883,190	729,884
Remeasurements of the net defined liability/ (asset)	20,812	149,148
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of services	31,736	17,549
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,196)	(13,390)
Balance at 31 March	921,542	883,190

Collection Fund Adjustment Account

1

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	140	(604)
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	(1,226)	744
Balance at 31 March	(1,086)	140

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	2,605	73
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	(850)	2,532
Balance at 31 March	1,755	2,605

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	1,549	961
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	(159)	588
Balance at 31 March	1,391	1,549

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 2022 a surplus of £0.620m (£0.678m as at 31 March 2021) was attributable to Devon and Somerset FRA and this has been included as a PFI debtor against Gloucestershire County Council.

	2021/22 £000	2020/21 £000
Balance at 1 April	(678)	(728)
PFI Movement for the year	58	50
Balance at 31 March	(620)	(678)

NOTES TO THE CORE FINANCIAL STATEMENTS

21 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 2021/22 are shown in the following table which shows all serving members during 2020/21 and 2021/22.

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

	Basic and Special Responsibility Allowance	Travel and Subsistence	2021/22	2020/21
	£	£	£	£
Michael Best	2,786	-	2,786	2,786
Frank Biederman	2,786	264	3,050	2,786
Ann Bown	5,872	75	5,947	3,004
Julian Brazil	2,786	210	2,996	1,925
Pam Buchan	2,786	142	2,928	2,786
Peter Burridge-Clayton	2,786	226	3,012	2,786
Richard Chesterton	5,446	54	5,500	-
Simon Coles	2,786	400	3,186	2,786
Polly Colthorpe	307	-	307	2,786
Margaret Corvid	2,786	-	2,786	2,213
Ian Doggett	-	-	-	1,876
Jonathan Drean	3,800	79	3,879	6,886
Andrew Eastman	307	-	307	2,786
Robert Hannaford	3,800	-	3,800	6,886
Mark Healey	6,886	335	7,221	6,886
Swithin Long	3,378	105	3,483	-
Dermot McGeough	2,359	-	2,359	-
Terry Napper	2,786	259	3,045	2,786
Sarah Parker-Khan	2,359	-	2,359	-
Ronald Peart	5,872	114	5,986	2,786
Graham Prowse	2,786	-	2,786	2,786
Ray Radford	6,735	61	6,796	2,877
Satnam Rai	500	-	500	500
Sara Randall Johnson	16,736	-	16,736	16,716
Leigh Redman	3,800	843	4,643	6,886
Ian Roome	2,359	179	2,538	-
Andrew Saywell	1,393	-	1,393	9,091
Richard Scott	2,359	-	2,359	-
Mark Shayer	6,353	-	6,353	-
David Thomas	9,550	802	10,352	9,091
Jeffrey Trail	427	-	427	2,786
Ian Tuffin	-	-	-	447
Linda Vjeh	2,090	52	2,142	2,786
Nick Way	-	-	-	869
George Wheeler	1,330	-	1,330	9,701
Jeremy Yabsley	427	-	427	2,786
Totals	119,519	4,201	123,720	122,072

22 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-£59,999 since last year is due to cost of living pay rise at 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.

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

	2021/22	2020/21
£50,000 - £54,999	50	64
£55,000 - £59,999	56	31
£60,000 - £64,999	31	26
£65,000 - £69,999	13	10
£70,000 - £74,999	1	1
£75,000 - £79,999	2	2
£80,000 - £84,999	4	3
£85,000 - £89,999	-	-
£90,000 - £94,999	-	1
£95,000 - £99,999	-	-
£100,000 - £104,999	-	1
£105,000 - £109,999	1	1
£110,000 - £114,999	-	1
£115,000 - £119,999	-	-
£120,000 - £124,999	2	1
£125,000 - £129,999	1	-
£130,000 - £134,999	-	1
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £149,999	-	-
£150,000 - £154,999	-	-
£155,000 - £159,999	-	-
£160,000 - £164,999	1	1

NOTES TO THE CORE FINANCIAL STATEMENTS

22.2 Senior Officers Remuneration 2021/22 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 2020/21.

Post Title	Salary (Including	Benefits in	Compensation for loss	Total Remuneration	Pension	Total Remuneration
	Fees and Allowances)					
	£	£	£	£	£	£
Chief Fire Officer - Lee Howell	162,660	-	-	162,660	46,846	209,506
Deputy Chief Fire Officer (a)	123,860	-	-	123,860	35,654	159,514
Deputy Chief Fire Officer (b)	126,140	-	-	126,140	35,445	161,585
Director of Service Delivery	122,008	-	-	122,008	35,134	157,142
Director of Service Improvement (c)	84,979	-	-	84,979	24,474	109,453
Director of Governance & Digital Services	106,129	-	-	106,129	18,443	124,572
Director of Finance & Resourcing (d)	14,361	-	-	14,361	1,921	16,282
Director of Finance, People and Estates (e)	80,224	-	-	80,224	12,116	92,340
Area Manager Corporate Planning & Strategic Analysis (f)	54,134	-	-	54,134	10,255	64,389
Area Manager Corporate Planning & Strategic Analysis (g)	82,068	-	-	82,068	21,375	103,443
Area Manager Service Delivery Resilience	81,774	-	-	81,774	23,525	105,299
Area Manager Service Delivery Risk	81,100	-	-	81,100	21,430	102,530
Head of ICT	66,351	-	-	66,351	11,597	77,948
Co-Head of People Services	64,326	-	-	64,326	11,293	75,619
Head of Finance	68,698	-	-	68,698	11,924	80,622
Head of Estates	65,957	-	-	65,957	11,370	77,327
Head of Communications & Engagement	66,717	-	-	66,717	11,649	78,366
Head of Fleet & Procurement	69,215	-	-	69,215	12,359	81,574
Head of Organisational Assurance	63,932	-	-	63,932	11,147	75,079
Head of Portfolio & Programme Manager	64,140	-	-	64,140	11,370	75,510
	1,648,773	-	-	1,648,773	379,327	2,028,100
(a)Left post 28/02/2022 (b)In post 01/03/22. Was ACFO Service Improvement 01/08/20 to 28/02/22						
(c)In post 01/03/22. Was AM Service Delivery Response 01/04/21 to 28/02/22 (d)Left post 09/05/2021						
(e)In post from 19/07/2021 (f)Left post 30/10/2021 (g)In post from 31/10/2021						

Senior Officers Remuneration 2020/21 over £50k

Post Title	Salary (Including	Benefits in	Compensation for loss	Total Remuneration	Pension	Total Remuneration
	Fees and Allowances)					
	£	£	£	£	£	£
Chief Fire Officer - Lee Howell	160,449	-	-	160,449	46,209	206,658
Deputy Chief Fire Officer (a)	132,409	-	-	132,409	33,192	165,601
Director of Service Delivery	120,334	-	-	120,334	37,482	157,816
Director of Service Improvement (b)	111,535	-	-	111,535	30,632	142,167
Area Manager - Service Delivery Resilience (c)	90,243	-	-	90,243	23,108	113,351
Area Manager – Service Delivery Risk (d)	68,323	-	-	68,323	18,110	86,433
Area Manager – Service Delivery Response (e)	80,237	-	-	80,237	19,456	99,693
Area Manager – Service Improvement (f)	77,927	-	-	77,927	17,989	95,916
Area Manager - Corporate Planning & Strat Analysis (e)	80,237	-	-	80,237	26,359	106,596
Area Manager - Head of Organisational Development (k)	20,923	-	-	20,923	7,385	28,308
Director of Governance & Digital Services	106,514	-	-	106,514	17,999	124,513
Director of Finance and Resourcing	101,132	-	-	101,132	17,652	118,784
Head of Human Resources (h)	67,622	-	37,030	104,652	8,636	113,288
Head of Finance	66,914	-	-	66,914	11,702	78,616
Head of Estates	64,454	-	-	64,454	11,244	75,698
Head of Corporate Communications	65,395	-	-	65,395	11,419	76,814
Head of Procurement and Fleet	79,478	-	-	79,478	13,639	93,117
Head of ICT	68,360	-	-	68,360	11,971	80,331
Programme Manager	69,058	-	-	69,058	11,187	80,245
Head Of Organisational Assurance (i)	30,210	-	-	30,210	5,255	35,465
Head of Organisational Development (j)	59,283	-	-	59,283	10,371	69,654
	1,721,037	-	37,030	1,758,067	390,997	2,149,064
(a)In post from 28/07/2020 (b)In post from 01/08/2020 (c)ACFO fm 01/05/2020 to 31/07/2020 (d)In post from 01/11/2020						
(e)In post from 05/09/2020 - on secondment from 01/04/2020 to 04/09/2020 (f)In post from 21/10/2020 (g)In post from 21/10/2020						
(h)Left post 31/12/2020 (i)Started in post 05/10/2020 (j)Started in post 29/06/2020 (k)Left post 29/06/2020						

22.3 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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
£0 - £20,000	-	-	2	3	2	3	19,361	£14,827
£20,001 - £40,000	-	-	-	1	-	1	-	£22,839
£40,001 - £60,000	-	-	-	1	-	1	-	£54,350
Total	-	-	2	5	2	5	19,361	£92,015

NOTES TO THE CORE FINANCIAL STATEMENTS

23 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.

	2021/22 £000	2020/21 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	41	41
Total	41	41

24 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement (CIES) in 2021/22

	2021/22 £000	2020/21 £000
Grants		
New Dimensions Grant	(953)	(945)
Firelink Grant	(859)	(970)
Hinkley Point Grant	(109)	(75)
Rural Services Delivery Grant	(445)	(424)
Covid 19 Grant	(121)	(1,622)
Business Rates Relief	(1,528)	(1,695)
Fire Pension Grant	(4,022)	(4,022)
Section 31 Grants (Minor)	(17)	(17)
Building Protection Grant	(344)	(476)
ESMCP Grant	-	(550)
Business Rates Grant	(1,756)	(2,846)
Council Tax Grant	(943)	(1,208)
	(11,097)	(14,851)
Insurance cost recovery	(9)	(13)
Legal fees	-	(5)
Procurement income from Frameworks	(73)	(12)
Rental income	(73)	(81)
Secondment income	(241)	(343)
Vehicle sales and maintenance	(40)	(23)
Other income and donations	(460)	(196)
Co-responder Income	(89)	(50)
Ambulance Covid Support	(289)	(490)
PFI Fair value	(447)	(447)
Training Income	(270)	(326)
Primary Authority	(7)	(24)
Sub Total Other Income	(1,999)	(2,012)
Total within cost of services in the CIES	(13,095)	(16,863)

NOTES TO THE CORE FINANCIAL STATEMENTS

25 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 24.

Members Members of the Authority have direct control over the Service's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in Note 21. 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 2021/22 no material transactions were disclosed.**

	2021/22 £000	2020/21 £000
Red One Ltd[^]		
Net receipts from Red One Ltd of training income & reimbursements, minus any payments made	(557)	(138)
FRIC*		
Payments for Insurance	876	876

[^]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 the decision to consolidate the activity of both the Authority and Red One Ltd into Group Accounts for the first time for 2021-22 due to the increase in activity generated by Red One Ltd.

As at 31st March 2022 the Authority had a closing balance of £499k in trade receivables due from Red One - reduced from £750K as at the end of 2020/21

***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 £876k to the company for the insurance year-end 31 October 2021 of which £511k relates to the 2022/23 financial year.

NOTES TO THE CORE FINANCIAL STATEMENTS

26 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.

	2021/22 £000	2020/21 £000
Opening Capital Financing Requirement	25,860	26,555
<u>Capital investment</u>		
Operational assets	8,254	4,582
<u>Sources of finance</u>		
Capital receipt	(20)	(379)
<u>Sums set aside from revenue</u>		
Minimum Revenue Provision	(2,219)	(2,223)
Direct revenue funding	(6,210)	(2,675)
Closing Capital Financing Requirement	25,665	25,860
Explanation of movements in year	2021/22	2020/21
	£000	£000
Increase/(Decrease) in underlying need to borrow	(92)	(594)
(Decrease) in PFI/lease liabilities	(103)	(101)
Increase/(decrease) in Capital Financing Requirement	(195)	(695)

27 LEASES

27.1 OPERATING LEASES AS LESSEE

Total rentals paid during the year amounted to £0.647m. It is estimated that the outstanding liability for future years, in relation to existing lease agreements is £0.495m.

	2021/22 £000	2020/21 £000
<u>Payments recognised as an expense in year</u>	647	712
<u>Future Minimum Lease Payments payable:</u>		
Not later than one year	266	473
Between one and five years	229	309
Total	495	782

NOTES TO THE CORE FINANCIAL STATEMENTS

28 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 2022 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	2021/22 £000	2020/21 £000
Paid in 2021/22	603	103	90	794	776
Outstanding undischarged contract obligations:					
Payable within one year	618	117	81	815	795
Payable within two to five years	2,654	608	205	3,467	3,383
Payable within six to ten years *	723	182	16	921	1,820
	<u>3,994</u>	<u>907</u>	<u>301</u>	<u>5,202</u>	<u>5,998</u>

* There are six 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:

	2021/22 £000	2020/21 £000
Balance outstanding at 1 April	1,010	1,111
Payments in year	(103)	(101)
Capital Expenditure incurred in the year		
Other movements		
Balance outstanding at 31 March	<u>907</u>	<u>1,010</u>

29 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.

	2021/22 £000	2020/21 £000
Impairment of Land	-	-
Impairment of Buildings	-	-
Net Amount Charged to the CIES	<u>-</u>	<u>-</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

30. PENSIONS

30.1 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 of 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 into 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	Total Contributions expected to be made by the authority in the year to 31st March 2022
	2021/22	
		£000
Local Government Pension Scheme	18.6%	2,066
1992 Firefighters Pension Scheme	37.3%	}
2006 New firefighters Pension Scheme	27.4%	
2006 Modified firefighters Pension Scheme	37.3%	}
2015 Firefighters Pension Scheme	28.8%	
		9,490

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 30.2 Pension Schemes

	LG Pension Scheme 2021/22 £000	LG Pension Scheme 2020/21 £000	LG Unfunded 2021/22 £000	LG Unfunded 2020/21 £000	Fire schemes 2021/22 £000	Fire schemes 2020/21 £000	Total 2021/22 £000	Total 2020/21 £000
Comprehensive Income & Expenditure Statement								
<i>Service Cost Comprising:</i>								
Current Service Cost	6,478	4,019	-	-	17,938	9,863	24,416	13,882
Past Service Costs	-	-	-	-	468	(1,778)	468	(1,778)
<i>Financing and Investment Income and Expenditure:</i>								
Net Interest Expense	1,085	806	5	6	16,333	16,000	17,423	16,812
Administration Expenses	41	40	-	-	-	-	41	40
Home Office Pension top up grant					(10,612)	(11,407)	(10,612)	(11,407)
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	7,604	4,865	5	7	24,127	12,678	31,736	17,549
<i>Remeasurement of the net defined benefit liability comprising:</i>								
Expected return on plan assets (excluding the amount included in net interest expense)	(3,591)	(12,224)					(3,591)	(12,224)
Actuarial gains and losses arising on changes in demographic assumptions					14,775		14,775	
Actuarial gains and losses arising on changes in financial assumptions	(7,830)				(28,413)		(36,243)	
Other								
Total Post-employment benefits charged to the CIES	(11,421)	(12,224)	-	-	(13,638)	-	(25,059)	(12,224)
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	(7,604)	(4,865)	(5)	(6)	(24,127)	(12,678)	(31,736)	(17,549)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>								
Employers contributions payable to scheme	2,280	2,541	-	-	9,542	8,481	11,821	11,022
Employers contributions payable to scheme (seconded not charged to general fund)	-	1	-	-	25	30	25	31
Ill health charges	-	-	-	-	66	88	66	88
Payment in advance	-	-	-	-	-	-	-	-
Retirement benefits payable to pensioners - Authority	-	-	18	19	2,266	2,230	2,284	2,249
Retirement benefits payable to pensioners - Fund	2,008	1,360	-	-	24,594	23,887	26,602	25,247
Total Retirement benefits payable to pensioners	2,008	1,361	18	19	26,860	26,117	28,886	27,496

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of the present value of the scheme liabilities	LG Pension Scheme 2021/22 £000	LG Pension Scheme 2020/21 £000	LG Unfunded 2021/22 £000	LG Unfunded 2020/21 £000	Fire schemes 2021/22 £000	Fire schemes 2020/21 £000	Total 2021/22 £000	Total 2020/21 £000
1st April	122,492	87,475	314	324	827,599	693,914	950,405	781,712
Opening balance adjustment	58	-	(58)	-	-	-	-	-
Current Service Cost	6,478	4,019	-	-	17,938	9,863	24,416	13,882
Interest Cost	2,439	2,051	5	6	16,333	16,000	18,777	18,057
Contributions by scheme participants	752	775	-	-	4,350	3,880	5,102	4,655
<i>Remeasurement (gains) and losses:</i>								
Actuarial gains and losses arising on changes in demographic assumptions	-	(958)	-	3	14,775	(20,887)	14,775	(21,842)
Actuarial gains and losses arising on changes in financial assumptions	(7,830)	31,491	(7)	-	(28,413)	152,804	(36,250)	184,295
Experience gains and losses	229	(1,001)	1	-	45,648	(80)	45,878	(1,081)
Past service Costs	-	-	-	-	468	(1,778)	468	(1,778)
Benefits Paid	(2,008)	(1,360)	(18)	(19)	(26,860)	(26,117)	(28,886)	(27,496)
31st March	122,610	122,492	237	314	871,838	827,599	994,685	950,405

Pensions Assets and Liabilities Recognised in the Balance Sheet	2021/22 £'000	2020/21 £'000
Present value of liabilities		
LGPS	(122,610)	(122,492)
LGPS- unfunded	(237)	(314)
Firefighters Pension schemes	(820,768)	(789,372)
Firefighters Compensation Regulations	(51,070)	(38,227)
Fair value of assets in the LGPS	73,143	67,215
	(921,542)	(883,190)
Surplus/(deficit) in the scheme:		
LGPS	(49,467)	(55,277)
LGPS- unfunded	(237)	(314)
Firefighters Pension schemes	(820,768)	(789,372)
Firefighters Compensation Regulations	(51,070)	(38,227)
Net Liability arising from defined benefit obligation	(921,542)	(883,190)

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 2021.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 30.3 Pension Assets & Basis For Valuation

Proportion of assets held - LGPS	£000	31 March 2022	£000	31 March 2021
		%		%
Gilts	9,983	14%	2,366	4%
UK Equities	6,623	9%	7,344	11%
Overseas Equities	36,385	50%	34,965	52%
Property	6,746	9%	5,497	8%
Infrastructure	4,333	6%	2,291	3%
Target Return Portfolio	6,936	9%	6,445	10%
Cash	618	1%	483	1%
Other Bonds	1,530	2%	3,021	4%
Alternative Assets	-11	0%	4,803	7%
Total Fair value of LGPS assets	73,143	100%	67,215	100%

Based on estimated bid values.

Movement between the opening and closing balances of the fair value of assets:	Year to 31 March 2022	Year to 31 March 2021
	£000	£000
Opening fair value	67,215	51,829
Interest Income	1,354	1,245
Return on plan assets (excluding the amount included in net interest expense)	3,591	12,224
Other Actuarial Gains/ (Losses)	-	-
Administration Expenses	(41)	(40)
Contributions by employer	2,298	2,561
Contributions by scheme participants	752	775
Estimated benefits paid	(2,026)	(1,379)
Fair value of scheme assets at end of period	73,143	67,215

Basis for establishing assets and liabilities	LG Pension Scheme	LG Pension Scheme	LG Unfunded	LG Unfunded	Fire Schemes	Fire Schemes
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £0	2021/22 £000	2020/21 £000
Mortality assumptions						
Longevity at 65 for current pensioners						
Men	22.7	22.60	22.7	22.60	25.1	20.50
Women	24.0	23.90	24.0	23.90	27.6	22.70
Longevity at 65 for future pensioners						
Men	24.0	24.00	24.0	24.00	26.1	21.70
Women	25.4	25.40	25.4	25.40	28.7	24.20
Rate of inflation CPI	3.20%	2.85%	3.20%	2.85%	3.30%	2.80%
Rate of increase in salaries	4.20%	3.85%			4.30%	3.80%
Rate of increase in pensions	3.20%	2.85%	3.20%	2.85%	3.30%	2.80%
Rate for discounting scheme liabilities	2.60%	2.00%	2.60%	2.00%	2.60%	2.00%
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 has 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 2021/22	LG Pension Scheme	Fire Schemes
	PV* £000	PV* £000
Adjustment to the Discount Rate		
+0.1%	120,185	854,121
0.0%	122,913	871,014
-0.1%	125,706	888,166
Adjustment to Long Term Salary Increase		
+0.1%	123,234	872,628
0.0%	122,913	871,014
-0.1%	122,595	869,410
Adjustment to Pension Increases and Deferred Revaluation		
+0.1%	125,366	886,425
0.0%	122,913	871,014
-0.1%	120,516	855,925
Adjustment to Mortality Age Rating Assumption		
+ 1 year	127,939	914,557
None	122,913	871,014
- 1 year	118,087	829,608

* Present Value of Total Obligation

NOTES TO THE CORE FINANCIAL STATEMENTS

31 CONTINGENT LIABILITIES

There are three contingent liabilities for 2021/22 which arise from a pensions tribunal case and a claim for hurt of feelings resulting from the changes to the pension scheme. 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 chose 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.

The hurt of feeling claim resulted in a number of firefighters who registered an Employment Tribunal claim in 2015 regarding changes to the firefighters pension schemes. A potential remedy will impact on the Authority due to the high number of claimants - 143 in total. It is anticipated these could be settled using the 'Vento' principles. As there is no remedy in place and the amount that could be paid is we have classed it as a contingent liability.

There is one Employment Tribunal appeal awaiting a decision. If the appeal is unsuccessful, a further remedy hearing will be listed with the award likely to be in excess of £85,000.

32 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 2022 £000	Historical Experience of Default £000	Historical Experience adjusted for market conditions as at 31 March 2022 £000	Estimated maximum exposure to default and uncollectability £000
Deposits with bank & financial institutions	34,436	-	-	-
Public Sector Bodies	9,601	-	-	-
Other	2,321	-	-	-
Total	46,359	-	-	-

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 31st March 2022, the value of debt which exceeded this period was £922k, broken down as follows:

	2021/22 £000	2020/21 £000
Two to Three Months	135	288
Over Three Months	787	741
Total	922	1,029

An allowance for potential bad debts of £65k 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:-

	2021/22 £000	2020/21 £000
Less than one year – including trade and other creditors	11,496	10,451
Between one and two years – PWLB loan repayments	493	493
Between two and five years – PWLB loan repayments	3,145	1,045
More than five years – PWLB loan repayments	20,626	23,219
Total	35,760	35,208

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 year's 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 being met in year from a Pension Fund. Out of the fund come pension costs and commutation payments with the "income" coming from employee and employer 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	2021/22	2020/21
	£000	£000
Contributions receivable from:		
Fire authority:-		
a) contributions in relation to pensionable pay	(9,566)	(8,513)
b) early ill health retirements & other income	(66)	(88)
c) Firefighters contributions	(4,350)	(3,880)
	(13,981)	(12,481)
Transfers In	(277)	(296)
Benefits payable		
d) pensions	19,960	19,171
e) commutations and lump sum benefits	4,896	4,462
f) lump sum death benefits	-	116
g) transfers out	14	435
h) refunds of contributions	-	-
Net amount payable for the year	10,612	11,407
Top up grant payable by the government	(10,612)	(11,407)
	-	-
Net Assets Statement		
	2021/22	2020/21
	£000	£000
Current assets		
Devon & Somerset Fire Authority - debtor	1,846	4,635
Current liabilities		
Top up grant payable from HomeOffice - creditor	(1,846)	(4,635)
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 2021/22 and do not take into account liabilities to pay pensions or benefits after that period.

Note 3 - £8.765m had been received from Home Office by 31st March 2022, being 70% of notified top up grant available. As there was a funding shortfall £1.846m 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 payments.

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 sector

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 through technical or other changes.

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.

Agenda Item 5

REPORT REFERENCE NO.	AGC/23/2
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	18 JANUARY 2023
SUBJECT OF REPORT	2021-22 ANNUAL STATEMENT OF ASSURANCE
LEAD OFFICER	DIRECTOR OF GOVERNANCE & DIGITAL SERVICES
RECOMMENDATIONS	<i>That the final Annual Statement of Assurance appended to this report - required to accompany the 2021-22 final accounts – be approved and published on the Authority’s website.</i>
EXECUTIVE SUMMARY	<p>To comply with both the 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 show how the Authority has had regard to both its Integrated Risk Management Plan (now Community Risk Management Plan) and the expectations in the Fire & Rescue Service National Framework.</p> <p>The Audit and Governance Committee reviewed the draft Annual Statement of Assurance on 10 May 2022 and resolved that, subject to inclusion of the amendments as detailed in paragraph 1.3 of this report, the draft Annual Statement of Assurance 2021-22 be approved and submitted to the Authority’s external auditor.</p> <p>The Annual Statement of Assurance has been reviewed by the Authority’s external auditor, the outcome of which is that three minor points, were noted, all of which have now been addressed as detailed in paragraph 1.4of this report.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. 2021-22 Annual Statement of Assurance FINAL
BACKGROUND PAPERS	Nil.

1. **INTRODUCTION**

- 1.1. To comply with both the 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 show how the Authority has had regard to both its Integrated Risk Management Plan (now Community Risk Management Plan) and the expectations in the Fire & Rescue Service National Framework.
- 1.2. 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.
- 1.3. The Audit and Governance Committee reviewed the draft Annual Statement of Assurance on 10 May 2022 and resolved that, subject to inclusion of the amendments as indicated below, the draft Annual Statement of Assurance 2021-22 be approved in principle and submitted to the Authority's external auditor alongside the draft financial statements for the same financial year:

1. Devon & Somerset Fire & Rescue Service had fared particularly well in the specific inspection undertaken by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services into the fire service response to the COVID pandemic and that this could be referenced in the Annual Statement of Assurance.

This particular review was conducted in 2020, included in the 2020-21 Annual Statement of Assurance and therefore is not relevant to the 2021-22 Annual Statement of Assurance. However, the 2021-22 full inspection report was published in July 2022 allowing inclusion of the outcome of this inspection in the Annual Statement of Assurance (see paragraphs 3.18 and 3.19).

2. The reference on page 26 of the draft Statement that "The Service uses an agency to draft and check recruitment adverts to ensure they don't inadvertently obstruct applications from people from under-represented groups" could be further clarified.

Further information has been provided to the Member that raised this point for clarification and it is considered that no further clarity is required within the Annual Statement of Assurance other than to add the word 'external' to clarify that recruitment adverts are reviewed by an external agency.

- 1.4. The Annual Statement of Assurance for 2021-22 has been submitted, along with the draft 2021-22 Statement of Accounts, to the Authority's external auditor for review. The outcome of this review is that no significant points were noted. The following points were raised for consideration and have been addressed:
 - "Paragraph 4.2 - states publication deadline is end of September 2022. For 2021/22 it is end of November 2022." Document amended.

- “Paragraph 4.11 - link to MTFP brings up 21/22 MTFP which is correct however, the link to the reserve’s strategy brings up 2020/21 - this is out of date for the period in question.” Document updated with a link to the latest Reserves Strategy.
- “Paragraph 4.11 - There is no link to a commercialisation strategy. I have checked the website and cannot find this. Does the Authority have a commercialisation strategy? and can it be linked for consistency?” The Authority does not have a commercial strategy and the document has been updated accordingly.

MIKE PEARSON
Director of Governance & Digital Services

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Annual Statement of Assurance 2021-22



Devon and Somerset
Fire & Rescue Authority

16/08/2022

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1 Introduction

- 1.1. The Devon and Somerset Fire and Rescue Authority (“the Authority”) recognises that good governance supports the setting of clear objectives, effective management of risk to delivery of their objectives, delivery of defined performance standards, accountability in the use of public money, continued public engagement and helps to deliver the Authority’s vision and defined outcomes for the community that the Authority serves.
- 1.2. The Authority is responsible for:
 - Ensuring that there is a sound system of governance in place.
 - Ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.
 - Meeting its 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.
 - Preparing an annual governance statement in support of its Statement of Accounts in line with the Accounts and Audit (England) Regulations 2015. This is an expression of the measures taken to ensure appropriate business practice, high standards of conduct and sound governance.
 - Publishing an annual Statement of Assurance as required by The Fire and Rescue National Framework for England (May 2018). 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.
- 1.3. The Authority has agreed that the most appropriate way to meet 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 statutory responsibilities.

2 Operational

Statutory Responsibility

- 2.1. The Authority functions within a clearly defined statutory and policy framework. The key documents setting this out are:
 - Fire and Rescue Services Act 2004
 - Civil Contingencies Act 2004
 - Regulatory Reform (Fire Safety) Order 2005
 - Fire and Rescue Services (Emergencies) (England) Order 2007

- Localism Act 2011
- Accounts and Audit Regulations 2015
- Fire and Rescue National Framework for England 2018

2.2. In addition, other key statutes include:

- Local Government Act 1972
- Local Government Finance Act 1988
- Local Government and Housing Act 1989
- Local Government Finance Act 1992
- Local Government Act 2003

2.3. Within this statutory framework, the Authority has three main responsibilities: to determine a strategic policy agenda for its area; set a budget to fund delivery of the policy agenda; and to undertake scrutiny to ensure that intended outcomes are being achieved efficiently, effectively and in accordance with statutory requirements. The Authority creates the organisational capacity to 'operationalise' these responsibilities through the Devon and Somerset Fire and Rescue Service (the Service), which is led by the Chief Fire Officer.

Planning, Performance and Continuous Improvement

- 2.4. For 2021-2022, the Authority's strategic plans were detailed in two key corporate documents: the [Integrated Risk Management Plan](#) and the [Fire & Rescue Plan](#) (with supporting strategies including the [Safer Together Programme](#)).
- 2.5. During 2021-22 work was undertaken to develop and consult on the [Community Risk Management Plan 2022-27](#) which will replace the Integrated Risk Management Plan from April 2022. The Community Risk Management Plan requires the Authority to determine and analyse the risks present within the communities that it serves and is the Service's statement to the public about how its Prevention, Protection and Response activities will address these risks.
- 2.6. The [Fire & Rescue Plan 2018-22](#) details the Service's strategic intent for improvement, and contains the Vision, Purpose and Values by which its staff are encouraged to operate. The plan focuses on six priorities: service delivery, people, value for money and use of resources, governance, collaboration, and digital transformation. As the period that this plan covers now approaches its end, a review is taking place of progress against it. This, along with the introduction of the new Community Risk Management Plan, will determine the shape of the next portfolio of change for Service Improvement.

- 2.7. In 2019, the [Safer Together Programme](#) was borne out of the strategic change and improvement projects identified as necessary for the delivery of the Integrated Risk Management Plan and Fire & Rescue plans. The programme sets out the prioritised and sequenced work required to achieve the optimal balance between efficiency and effectiveness of the Service provided to its communities. The programme is governed by a programme board, chaired by an Executive Board member, with the constituent projects each having their own project boards and jointly governed by the Portfolio Steering Group and Portfolio Board as the governance of Service Improvement moves to a portfolio approach.
- 2.8. The Service's investment in a new web-based planning and performance management system (InPhase) has provided the opportunity to undertake a complete review of corporate planning. In addition, investment in a risk management software 'SharpCloud', has seen significant improvements in the way in which risk is assessed and mitigated. Alongside the development of the Community Risk Management Plan, these have improved coordination between objectives and outcomes. Development of the new systems continues but requires greater investment to realise their full potential. Once mature, it is anticipated that InPhase will be the focal point for strategic decision making and fostering a culture of performance-led, evidence-based thinking.
- 2.9. The Service continuously strives to improve. This is done in several ways, through horizon scanning for emerging risks and opportunities, to reviewing processes and policies to ensure that the Service is delivering in an efficient and effective manner and delivering value for money to its communities.

Operational Assurance

- 2.10. In accordance with the Authority's commitment to public and staff safety, the Operational Assurance team ensures that all learning submitted nationally is positively utilised to review current Service ways of working, implement Service improvements where necessary and to raise awareness across the Service. National and regional learning is fed in and out of the Service via several different pathways which include:
- National Operational Learning.
 - Joint Organisational Learning.
 - Coroner's Regulation 28 - Prevention of Future Death reports.
 - Health and Safety Executive recommendations.
 - Local Resilience Forum debriefing focus group.
 - South West Regional Operational Assurance Group.
- 2.11. The Operational Assurance team is a key stakeholder in a number of these groups which enables the Service to play a vital role in ensuring that all learning received drives positive organisational change in a timely manner. The team also strives to promote a culture where all internal learning and best practice, identified from a variety of activities linked to operational response, is shared, and communicated in a way that supports self-development and organisational improvement, including regular updates on internal social media, a dedicated intranet repository for employees to use, and via posters and printed media for stations.

2.12. A process has been developed to enable the effective management of identified learning and outcomes which is achieved through:

- Operational monitoring and feedback.
- Debriefing incidents and training exercises.
- National and regional learning.
- Audit and engagement with all key stakeholders within the Service.

2.13. The Operational Assurance team has adapted its working practices throughout the COVID-19 pandemic to ensure a minimal impact on the Service's ability to capture and manage organisational learning and best practice.

Training and Development – Training Academy

2.14. The Service, through its Training 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.

2.15. 2021-22 has been another challenging year dealing with the effects of the COVID-19 pandemic. Training is an essential activity, helping to keep staff and the public safe from harm. Following the initial lockdown in March 2020, the Training Academy introduced innovative ways of training and continued to deliver training throughout the lockdown period. The Training Academy then commenced a planned and phased resumption of face-to-face training, focusing initially on high-risk activities such as Breathing Apparatus, Incident Command and Driving.

2.16. The Service has put strict safety measures in place, supported by risk assessments, to make sure that all training venues are COVID-19 secure. This enabled other elements of training to be gradually re-introduced. As the country has moved in and out of lockdown, the Training Academy has strived to continue to provide as much training as possible, maintaining the overall focus on staff safety and welfare.

2.17. The Service continues to invest in new vehicles to assist in the delivery of training, such as two additional mobile Incident Command Training Vehicles which have received excellent feedback. The e-learning system continues to grow enabling students access to theoretical elements of training from a range of access points, for example tablets and laptops. This enables a greater focus on practical based training on drill night sessions.

2.18. The Training Academy introduced virtual face to face training delivered by Academy instructors when station drill nights were suspended due to the COVID-19 pandemic. This maintained competence with direct contact to Academy instructors and staff able to access from home.

2.19. The Training Academy also introduced 'Flexi Friday' where they host weekly Continuing Professional Development training for Station Managers and above in a range of subjects. This was well received and continues now that business has returned to normal.

Commitment to Health & Safety

- 2.20. 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.
- 2.21. Health, Safety and Wellbeing is a key theme within the People Strategy. The Strategy sets out key areas for focused work designed to achieve the aim of this element of the strategy. Progress towards achieving the aims is monitored via the People Strategy monitoring group. Preparation for the development of the 2022-2026 People Strategy has commenced.
- 2.22. 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 staff with relevant and comprehensive information on the risks they face, and the preventative, and protective measures required to control them. They also identify the roles and responsibilities of duty holders who have a responsibility to ensure that measures are implemented. Additional safe systems of work, risk assessments and guidance for staff have been developed and maintained to support staff during the Service response to the COVID-19 pandemic.
- 2.23. Systems for monitoring the effectiveness of the Service's Health and Safety Management procedures are in place; this includes proactive and reactive monitoring. The process includes air sampling on station of diesel engine exhaust emissions, legionella testing on Service facilities, provision of accident and near miss incident data to the Strategic Safety Committee for review, annual completion of premises Health, Safety and Welfare Assessment Report Forms, annual review of fire risk assessments for Service premises, COVID-19 Secure audits and a means to fully audit the Service's Health and Safety management systems.
- 2.24. Procedures are in place to report all safety events, allocate an investigator and where required make recommendations for corrective action to be completed. Functional and process issues were encountered with the software solution for reporting safety events, which impacted on the recording and management of safety event investigations as well as the ability to monitor accidents through trend analysis. A replacement Safety Event Management System to enable this process to work more effectively was implemented in February 2022.
- 2.25. Effective management of, and learning from, safety events also relies upon the right cultural conditions to support this. Cultural work continued to progress during 2021-22 through the 'Safe To' initiative, aimed at developing and supporting a positive culture of psychological safety. The work in this area will continue to develop and expand throughout 2022-23.

2.26. The Service's commitment to health and safety has been further enhanced through:

- Establishment of health and safety as an agenda item on the Executive Board meeting schedule which includes routine reporting following each Strategic Safety Committee meeting.
- Creation of a strategic thematic health and safety risk register which is monitored monthly and reported to the Strategic Safety Committee.
- Investment in additional resource for the Health and Safety team.

Environmental Management

2.27. On 23rd October 2020 the Authority supported the declaration of a Climate Emergency and agreed the [Environmental Strategy](#). Measures on the Service's environmental performance including the calculation of carbon footprint (scope 1 and 2) have been developed and will be reported in the statement of accounts.

2.28. A range of departmental activities have taken place to progress specific initiatives in the environmental action plan. An Initial Environmental Review was commissioned to support the Service's understanding of environmental legislation and compliance in relation to Service activities and the action plan will now be aligned to ISO14001. The Service will maintain and update its Environmental legislation and aspects register to capture the Service's interactions with the environment and its impact (inputs and outputs) as part of control measures for ISO14001.

Fleet, Equipment and Water Supplies

2.29. A Fleet and Equipment Strategy and Workstream are in place to deliver the two main investment projects which are currently in progress: the Fleet Capital Programme and the Asset Management Project.

2.30. The Service adheres to relevant legislation and the National Fire Chiefs Council Best Practice Manual for the maintenance of Fire Service Vehicles.

2.31. In 2020 the service upgraded its fleet management system as part of the asset management project and have planned the equipment management system upgrade for 2022.

2.32. Under the Fire and Rescue Services Act the Service has a duty to secure Water. Adopting the National Guidance Document for provision of Water for fire-fighting purposes (2017), the Service operates a risk-based approach for the 70,000+ hydrant management and maintenance requirements.

Collaborative and Partnership Working

2.33. The Service continues to strengthen its partnership working with other fire and rescue services, blue light 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.

- 2.34. During the first half of 2021 the Service lent significant mutual aid support to Cornwall Fire and Rescue Service in the planning for, and delivery of, specialist response capabilities for the G7 Summit in Carbis Bay.
- 2.35. Collaborative working continues to grow through local partnerships and the South West Emergency Services Collaboration (SWESC). The SWESC Forum meets every six months and has set three regional priorities that will drive improvement at local (organisational) level. The DSFRA Chair leads this meeting, supported by DSFRS Chief Fire Officer who manages the arrangements. The Service continues to share good practice and to scope areas of joint improvement. The recent pilot for Community Responders (the dual role of a firefighter and special constable) is an example of innovative working where shared learning and comparison of benefits with other shared roles is undertaken.
- 2.36. In 2020 at the beginning of the COVID-19 pandemic, a national Tripartite agreement was established between the Fire Brigades Union, The National Fire Chiefs Council and the Local Government Association. This was a strategic framework where a number of activities were agreed at a national level for local implementation. This included providing staff to support ambulance personnel, as well as to provide support through Nightingale hospital transfers, and to complete face-fit testing of personal protective equipment for other services and for care home staff. The Service also provided driver familiarisation training packages and driving assessments for ambulances to Service employees, and to those from other fire and rescue services.
- 2.37. Although the Tripartite agreement came to an end in 2021, the Service through an arrangement known as Operation Braidwood, continued to support South Western Ambulance Service by providing Firefighters to drive ambulances and support medical intervention; this is expected to continue until Easter 2022. DSFRS and South Western Ambulance Service are helping to create a collaborative legacy with the aim to save lives by working together.
- 2.38. The Service has successfully completed the trial of Community Responders which has resulted in making the shared roles permanent.
- 2.39. The Police and Fire Community Support Officer roles which were originally a trial, have been maintained in North Devon. The Service is seeking to expand this arrangement across a wider area.
- 2.40. Throughout the COVID-19 pandemic, the Service has provided support to the Local Resilience Forums, which included establishing a Strategic Community Support cell, and a volunteer co-ordination cell for Devon, Cornwall, and Isles of Scilly Local Resilience Forum. The Chief Fire Officer represents fire and rescue services in the region at a regional strategic oversight group where various senior officers in the health, local authority, military and emergency services at local/regional level work together to improve the collective system, using the benefits of closer working during Covid to drive benefit post the Covid pandemic peak.

Co-Responding

2.41. The Authority has a formal partnership agreement in place with South Western 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). Work has commenced to review training, procedures, and equipment, with the goal of improving clinical governance as well as improving efficiency and effectiveness.

Civil Contingencies

2.42. The Emergency Planning Team is the primary means through which the Service meets the Authority's obligations as laid out in the Civil Contingencies Act 2004 and elements of the Fire Services Act 2004.

2.43. Effective arrangements are in place to collaborate with partners through Local Resilience Forums and other national, regional and local networks dealing with resilience and emergency and contingency planning arrangements. This includes collaboration with the South West Malicious Risk Working Group, Counter-Terrorism Police South West, and other local and national constabularies (Devon & Cornwall Police, Avon and Somerset Police, British Transport Police and the Civil Nuclear Constabulary).

2.44. The Emergency Planning Team also works in close collaboration with the Service's National Interagency Liaison Officers Team in respect of risk, response and contingency arrangements for key events or sites of sensitivity (local and critical national infrastructure, hazardous materials etc).

National Inter-Agency Liaison Officers, Marauding Terrorist Attacks, Hazardous Materials and Chemical, Biological, Radiological and Nuclear Capability

2.45. In line with the Joint Emergency Services Interoperability Principles, the National Inter-Agency Liaison Officer (NILO) cadre supports collaborative working with key partner organisations. NILOs provide specialist advice about the Service's operational capability and capacity to partners and supports both the planning for intelligence led operations and the response to dynamic incidents.

2.46. Whilst the national planning assumption is for a 'lite' Marauding Terrorist Attack team to be in place in Devon and Somerset, the Service leadership supported by the Fire Authority have increased capability above this minimum provision and has trained additional responders in both Plymouth as well as in Exeter to help improve attendance times and casualty outcomes.

2.47. This Marauding Terrorist Attack capability has been established to support specialist emergency service response alongside Police and Ambulance responders in response to a marauding terrorist attack 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 support during this type of incident are for casualty care and fire hazards management.

2.48. The Marauding Terrorist Attack capability is made up of two key groups, NILO qualified officers who would adopt the command role and Specialist Response Team Operatives. Both groups undergo specialist training for responding to the Marauding Terrorist Attack threat.

2.49. With strategic funding support from the Service, the Hazardous Materials capability has invested in a set of Raman (laser) and Infrared spectroscopy chemical identification equipment for the Service. This equipment will bridge the gap between the existing hazard classification field testing capability of hazmat advisers in the Service and the National Resilience Detection Identification and Monitoring capability that is hosted in the South West Region by Avon Fire and Rescue Service. This will enable swifter resolution of incidents involving unknown chemical substances and reduced disruption to the community.

National Resilience

2.50. The National Resilience Capabilities are comprised of several specialist capabilities which are funded by the English Government via lead Government department the Home Office and hosted within English Fire and Rescue Services.

2.51. The National Resilience Capabilities hosted by the Service are Urban Search & Rescue, High Volume Pumping, Chemical, Biological, Radiological and Nuclear (explosion) Mass Decontamination and Command & Control (Enhanced Logistics Support).

2.52. The Capabilities are managed and assured on behalf of the Home Office by the National Resilience Assurance Team, supported under a Lead Authority arrangement by Merseyside Fire & Rescue Service.

Over the Border Mutual Aid Arrangements

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

2.54. In addition to sections 13 and 16, there is a partnership agreement between the Authority and Dorset and Wiltshire and Hampshire and Isle of Wight Fire and Rescue Services 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. This Networked Fire Services Partnership (the Partnership) also has the benefit of providing business continuity so that in the event of one control room experiencing a high volume of calls or being unable to function, either of the other two control rooms can conduct all of their emergency business, including call handling, mobilising resources, and supporting incidents.

- 2.55. An Information Governance Partnership Group meets regularly to review the governance procedures that are required under legislation and monitor current and emerging risks to the information that the Partnership system holds. A risk remediation plan is in place to ensure that 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.
- 2.56. Subsequently the Partnership 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.
- 2.57. The Partnership has a formal structure for the programme, continuing to explore areas such as Fire Investigation and future control arrangements.

Business Continuity and Resilience

- 2.58. The Service has a strategic business continuity policy which sets out the corporate business continuity management structure and goals for business continuity assessment, training and exercising. The Service also has a business continuity framework which details how it will respond to specific disruptions.
- 2.59. The Service has 36 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 the delivery of services following a disruptive incident.
- 2.60. The Business Continuity Manager is responsible for providing specialist advice and guidance on business continuity management issues, including the co-ordination, development, implementation and review of business continuity plans, processes and procedures.
- 2.61. The Service has a statutory responsibility to conduct business continuity as mandated in The Civil Contingencies Act 2004. 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).
- 2.62. The COVID-19 pandemic 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.

3 Governance

Code of Corporate Governance

- 3.1 The Authority has approved and adopted a Code of Corporate Governance, consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / 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 Annual Statement of Assurance explains how the Authority has complied with the Code.
- 3.2 In addition to internal governance systems (including internal and external audit), the Service is inspected approximately every two years by a large number of inspectors who spend a significant amount of time in the Service, interviewing staff and examining data to inform their independent view. A report is produced which assesses the Service against three criteria: efficiency, effectiveness and people. This provides Fire Authority members with an external inspector’s view of performance (see more detail below).

Review of Effectiveness

- 3.1. 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 by comments made by the external auditors and other review agencies and inspectorates.
- 3.2. The 2021-22 review identified the following key elements to the Authority’s governance arrangements:
 - (1) The Authority was constituted under the Devon and Somerset Fire and Rescue Authority (Combination Scheme) Order 2006. The Authority has strategic responsibility for discharging fire and rescue authority functions for the combined area with the day-to-day responsibility resting with the Chief Fire Officer and other Officers within the Executive Board.
 - (2) During the 2021-22 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 as part of the Authority’s arrangements for dealing with standards issues in accordance with the requirements of the Localism Act 2011. 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.
 - (3) Following a governance review in December 2020, the Authority approved, at its annual meeting on 29 June 2021, a revised governance structure to operate going forwards. The main aspects of this revised structure are:
 - Resources Committee (7 Members)

- People Committee (7 Members)
 - Audit & Governance Committee (9 Members)
 - Community Safety Committee (7 Members)
 - Appointments and Disciplinary Committee (4 Members)
- (4) The Authority approves its Strategic Policy Objectives annually. The focus of the committees is to scrutinise and monitor Service performance in achieving the Strategic Policy Objectives in the areas for which the committees are responsible. The full terms of reference for all Authority committees can be found [here](#). The committee structure (including terms of reference) is subject to annual review but may also be amended in-year as required.
- (5) The Audit & Governance 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 also has responsibility for discharging the Authority's member conduct arrangements as required by the Localism Act 2011 and monitors the operation of the Authority's strategy for the prevention and detection of fraud and corruption and policy and usage in relation to the Regulation of Investigatory Powers (RIPA) Act 2000.
- (6) The Authority has [a constitutional governance framework](#) which includes the following documents:
- Members and Officers Accountabilities, 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
 - Confidential Reporting Policy (Whistleblowing" Code)
 - Strategy on the prevention and Detection of Fraud and Corruption
 - Code of Recommended Practice on Local Authority Publicity

- (7) These documents, except for 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 to ensure they remain up-to-date and fit for purpose.
- (8) 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".
- (9) The statutory functions of the Proper Financial Officer (as per Section 112 of the Local Government Finance Act 1988) and Monitoring Officers (as per Section 5 of the Local Government and Housing Act 1989) provide a source of assurance that the Authority's systems of governance and internal control are effective and being complied with.
- (10) The 2021-22 Internal Audit Plan sets out the resource required for independent assurance activity to be completed by the Service's Audit and Review Manager and the Authority's shared service internal audit arrangements with Devon Audit Partnership. The latter conforms to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit in public service organisations.
- (11) The Authority participates in the biennial National Fraud Initiative. The 2021-22 data matching exercise has been completed in full, with no fraudulent activity identified and just one irregularity. All matches reviewed and analysed have allowed the Service to update the Integra system to support a reduction in future potential data matches.
- (12) Based on the completed audit work, it is the view of Internal Audit that the systems in operation within the Service demonstrate a reasonable level of assurance. This means that there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
- (13) The 2021-22 External Audit provision was provided by Grant Thornton. The scope of the External Audit work includes the Accounting Statements, Whole of Government Accounts and a commentary on Value for Money arrangements. No significant issues have arisen to date from the External Audit work completed in 2021-22.
- (14) The effective management of risk is critical for the Service to ensure that it maintains services and continues to progress effectively towards achieving its strategic objectives. The risk management framework provides a structured way to deal with uncertainty which can help everyone in the Service to manage their area effectively.

- (15) The Service risk registers are populated and reviewed periodically. This process in turn informs the corporate risk register. Risks are only escalated to the corporate risk register if they cannot be managed or mitigated at department level. The Service risk management framework includes the risk escalation and de-escalation process that ensures that risks are considered at appropriate levels within the Service
- (16) The corporate risk register is reviewed by Service management monthly (dependent on the level of risk) to ensure that risks to the Authority's strategic objectives and corporate plans are appropriately identified and managed. Horizon scanning has now been introduced into Service management review of the corporate risk register to support deep dive risk identification and assessment. The corporate risk register is presented to the Audit & Governance committee every six months.
- (17) The introduction of the SharpCould software solution has facilitated greatly enhanced risk visualisation which has led to greater engagement across the Service in the effective management of risk.
- (18) The Authority maintains comprehensive insurance cover to support its management of organisational risk. The Authority is a member of the Fire and Rescue Indemnity Company (FRIC), the mutual protection provider that has 12 fire and rescue authority members and has completed its fifth year of operations culminating in surplus being achieved every year since it was formed. This is a significant result for FRIC and shows what can be achieved when fire authorities collaborate in an innovative and mutually beneficial manner. The surplus generated can be retained to support further improvements, drive better risk management and deliver lower costs for FRIC's members. A performance management system has now been implemented to FRIC members which provides individual and membership claims performance.
- (19) The Service has a Strategic Safety Committee which meets quarterly to monitor the 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, the Fire and Rescue Services Association, the Fire Officers Association and UNISON, are invited to sit on this committee.
- (20) The People Committee receives regular reports on the Health, Safety and Wellbeing of the Service. These reports help the committee to monitor and scrutinise performance in these areas on behalf of the Authority.
- (21) The Health and Safety Manager attends the National Fire Chiefs Council Health & Safety meetings and chairs the regional National Fire Chiefs Council Health & Safety meetings.
- (22) A governance framework has been prepared for change management, which defines roles and responsibilities and outlines the methodology that will be applied as the Service adopts a centralised portfolio office approach to all requests for strategic change.

- (23) The Protective Security Group was relaunched in September 2021. The Group sets the strategic blueprint for the Service's approach to security aligned to the HMG Security Policy Framework and oversees the thematic risk register and escalation to the Executive Board. The transformation of the Information Assurance Team into an Information Governance Team is progressing but has not fully been implemented due to ongoing risk-based priorities relating to the Service's response to the COVID-19 pandemic and demands on the ICT department. Records management is a critical area for the Service which has previously lacked clearly defined ownership. The new Information Governance Team is proactively taking steps to implement an Information Governance Framework that incorporates records management principles across the Service. Performance of critical compliance areas including responding to subject access requests and Freedom of Information requests, remains in place with a high level of compliance achieved.
- (24) Contract Standing Orders 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's [website](#) and Service intranet for Service staff and contractors. The Service continues to be part of the National Fire Chiefs Council (fire) Commercial Transformation Programme as well as working on opportunities with our Networked Fire Service Partnership (see para 2.54).
- (25) The Procurement Team reviews third party expenditure and manage contracts above £20,000 in value. This is to ensure compliance with 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 and local procurement initiatives. The Service's Head of Fleet and Procurement is part of the Local Government Association National Advisory Group for Procurement representing fire and rescue services nationally.
- (26) The Procurement team has been responsible for re-tendering the National Fire Chiefs Council's Emergency Response Vehicles framework on behalf of the National Fire Chiefs Council and the fire sector. The team is also responsible for ongoing contract management of the National Fire Chiefs Council's Respiratory Protective Framework.
- (27) Red One Ltd. was established in 2012 to allow the Authority to deliver commercial activities within the legislative framework that applies. This is a stand alone company that manages its own affairs whilst reporting to the single shareholder, the Fire Authority. It is not managed by the Service.

- (28) 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.
- (29) 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 to reduce risk and align with the changes needed to support the Integrated Risk Management Plan and external inspection outcomes. The People Committee monitors progress of actions relating to the People Strategy, and particularly matters of diversity and inclusion, every three months.
- (30) 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 the Service to deliver better services and working practices as well as ensuring compliance with the Public Sector Equality Duty. In 2019 the Service introduced a broader assessment of impact, the People Impact Assessment into which the ERBA is incorporated. Implementation of the People Impact Assessment includes wider impacts on people including data protection, health & safety and safeguarding. This process has been used extensively during the COVID-19 pandemic to support the Service's decisions in response and recovery. Mandatory equalities training has been reviewed and rolled out. The Service has now started work on increasing psychological safety including addressing identified levels of unwanted behaviour.
- (31) The Employers Network for Equality & Inclusion benchmarked the Service against Talent, Inclusion, Diversity & Equality and awarded the Service a Silver Award in July 2021.
- (32) A plan to build understanding of, and integrate the core code of ethics into relevant processes has been developed. Ethics have been incorporated into a cultural communication and engagement campaign to be launched in March 2022. In addition, learning approaches to build capability in challenging unethical and inappropriate behaviour are being developed alongside work to embed ethics in recruitment and selection, policies and initiatives through People Impact Assessment and Leadership Development.
- (33) The Service has not received any Whistleblowing alerts in this financial year.
- 3.3. The 2021-22 review by the Authority has concluded that there are good systems, procedures and checks in place to manage the Authority's governance arrangements.

How we measure and monitor our performance

- 3.4. The Service has a performance framework in place to ensure effective measurement and review of performance in a way that is meaningful and practical. This framework was reviewed in 2021 to align with the new performance management system and to reflect advances in smarter working.
- 3.5. The Authority and the Executive Board have set out 25 corporate performance objectives, aligned to its four strategic priorities. Each objective is supported by desired outcomes, defining what successful delivery looks like. Activity across the Service is monitored by a wide range of measures and indicators, with individual metrics potentially contributing to one or more objectives.
- 3.6. The Authority, committees, and the Executive Board are provided with high-level indicators and analytical reporting by exception, to ensure governance and oversight of service provision and performance.
- 3.7. Operationally, community-facing staff and their managers receive performance information specific to their roles and areas. Performance measures presented to operational staff are set against inputs, therefore influencing and focusing only on activity which supports and delivers the corporate objectives. Information at this level is dynamic and is presented in an easily accessible way, to facilitate timely management and intervention. These supporting measures also apply to non-operational roles, so that functions such as training, fleet and ICT are all reported on to maximise effectiveness and efficiency in achieving good performance.
- 3.8. Timely reporting of performance against plans and objectives is necessary to ensure a sustained focus on the aims and objectives that the Service sets itself to provide an efficient and effective service. Targets are set against the high-level objectives and are reviewed annually. These are set based on historic benchmarks, identified trends, comparison with other fire and rescue services and future aspirations.
- 3.9. The Service continues to invest in improving its performance measurement and reporting capabilities, to better exploit data and enrich the analysis and visualisation of information. Ongoing development of self-serve information will put relevant and actionable insight into the hands of Service leaders, enabling managers and staff alike to be better informed to carry out their work effectively. By presenting timely and relevant information to all staff, the Service seeks to promote an evidence-based and performance-led culture of continuous improvement and evaluation.

COVID-19 Pandemic

- 3.10. A temporary strategic, tactical and operational level command structure was implemented within the Service, to improve speed of decision-making, in response to the COVID-19 pandemic. The operational level consisted of cells with clearly defined roles and responsibilities, captured in a business continuity response governance document. A dedicated triage team was established to handle queries and direct actions to the most appropriate cells. Action tracking software was developed and implemented to enable visibility of outstanding and completed actions, and to assist with resource allocation.

- 3.11. The tactical team held regular meetings with all cell leads, at an agreed, variable frequency, as required. Throughout 2021-22 this frequency varied between daily and twice weekly. The strategic team met on a weekly basis, with representation also available at tactical meetings.
- 3.12. A Recovery Planning team was established, who met regularly throughout 2021-22. Their work was aligned with other members of National Fire Chiefs Council business continuity planning groups, and with other members of the Local Resilience Forums. The role of this team was to ensure that appropriate measures were put in place to enable the Authority to return to more standard ways of working without risking the safety of staff or the public.

His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)

- 3.13. HMICFRS undertook its first assessment of fire and rescue services in 2018-19. The assessment examined services' effectiveness, efficiency and how well they look after their people. HMICFRS raised concerns regarding the fitness testing of staff as at that time the Service had stopped undertaking fitness tests whilst a trial of the national drill ground test was undertaken. HMICFRS wrote to the Service with a cause of concern and the Service implemented an action plan ahead of the required schedule.
- 3.14. The Service now 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.
- 3.15. With the introduction of a data management system the Service can now assure itself that fitness requirements are being met, reviewed, and evaluated. In February 2022 the Service reported a 98% pass rate compared to the previous 2021 data set of 82% for all 'in scope' employees.
- 3.16. In September - October 2021 HMICFRS conducted its second-round full inspection of the Service, with the final report published in July 2022. HMICFRS recognised the efforts that the Service has made through its improvement plans in embedding the Safer Together programme. The Service was assessed as Good across all five areas of the effectiveness pillar, which relates to how services are provided to the community. The Service was also assessed as Good for the overall pillar of efficiency, which is an improvement on the first inspection in 2019.
- 3.17. HMICFRS's assessment of the people pillar remains the same as at the previous inspection, Requires Improvement. HMICFRS was satisfied that the Service has made enough progress for the cause of concern related to fitness testing of staff to be discharged. However, a new cause of concern was raised related to culture and behaviour. Whilst the report recognises the commitment of the Executive Board and senior leaders to address this concern, more work needs to be done. An action plan to address this concern will be developed and submitted to HMICFRS by 31 August 2022; this links to the future improvements set out in section 5. Progress in delivering this action plan will be monitored by the Executive Board.

4 Financial Assurance

Statement of Accounts

- 4.1. 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. The Treasurer is responsible for the approval of the Statement of Accounts prior to publication.
- 4.2. 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. The Redmond Review has recommended that the publication date be end of November.

External Audit Arrangements

- 4.3. 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.
- 4.4. Grant Thornton is therefore responsible for the completion of the following assurance activities:
 - Audit of the 2021-22 financial statements.
 - Proposed opinion on the Authority's accounts.
 - Commentary on the Authority's Value for Money arrangements.

Internal Audit Arrangements

- 4.5. To support the external audit process, the Authority has a process for internal auditing. The Audit & Review Manager works with senior management teams to develop an Internal Audit Plan to be delivered across the Service. Devon Audit Partnership support delivery of the plan to deliver specialised key financial audits, to provide expertise that is not available internally or to ensure maintenance of auditor independence and objectivity for the area subject to audit.
- 4.6. Performance against the plan is reported to the Executive Board and the Audit & Governance Committee at scheduled meetings throughout the year. The plan was reviewed and prioritised according to corporate risk, to ensure that high-priority audit activity was addressed appropriately.
- 4.7. Agreed management actions are monitored through the Service's assurance tracking process alongside the outcomes of external audits and external reviews.

Public Contracts Regulations 2015 (“the Regulations”)

- 4.8. The Regulations set out a 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. The Regulations are not static but subject to change, driven by evolving case law. The Regulations reflect and reinforce the value for money focus of the Government’s procurement policy. Where the procurement process is not subject to the Regulations, the principles of transparency, non-discrimination, equal treatment, and proportionality apply.
- 4.9. The Corporate Procurement Manager is responsible for review of all third-party expenditure and ensuring that the Service processes conform to UK Regulations.

Data Transparency

- 4.10. The Authority complies with the Government’s ‘Local Government Transparency Code 2015’ for releasing public data. The following arrangements are in place:
- A Freedom of Information Publication Scheme
 - Publication of the annual statement of accounts
 - Publication of all expenditure over £500
 - Publication of all Government Procurement Card transactions
 - Publication of Procurement Information
 - Publication of land ownership
 - Publication of Trade Union facility time
 - Publication of a Pay Policy Statement including all senior employee salaries and 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).

Financial Planning

- 4.11. Currently, the amount of Central Government funding is reviewed annually. To ensure that the Authority understands 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](#); and the [Safer Together Programme](#).

5 Future Improvements

5.1. The following areas for improvement remain our key areas of focus throughout 2022-23:

- Service policy management.
- Information governance to facilitate the easy location of accurate and up to date information when required.
- Aligning resources to risk and prioritising prevention and protection activity.
- Improving diversity across the Service including operational management and senior roles.
- Ensuring that the Service's planning processes integrate performance, projects and risk so that all activity is aligned to the strategic objectives, vision and purpose.
- Improving the integrity of data to support the effective implementation of the performance framework and the systems supporting this.
- The Service's processes and systems for the management of assets require improvement. This will continue with implementation of Phase 2 of the asset management implementation project in 2022-23.
- Further improving our People arrangements.

5.2. The following new areas for improvement have been identified:

- An Information Governance Framework that incorporates records management principles needs to be implemented across the Service.
- The Service will need to respond to the requirements of the Environmental Act 2021 and other environmental legislation and work to achieve its plans to be carbon neutral by 2030 and carbon positive by 2050.
- The Service needs to ensure that it has the appropriate resource, capacity, structure, health and safety management framework and assurance systems to ensure compliance with its statutory health and safety duties and to ensure that all staff, both uniformed and non-uniformed, are able to be healthy and safe at work when undertaking their duties.

6 Conclusion

6.1. 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 & Governance Committee will receive updates on the implementation and operation of these improvement activities annually, through the updated action plan attached in Appendix A to this report.

6.2. 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 GOVERNANCE
COMMITTEE**

APPENDIX A TO REPORT – ACTION PLAN

Identified Issue	Action Needed	Lead Officer	Update	Status
<p>Service Policy Management Improvements are required to ensure that the Service has an effective policy framework, effective document lifecycle management and compliance with the latest accessibility standards.</p>	<p>As part of the Microsoft 365 rollout:</p> <ul style="list-style-type: none"> • Deliver new policy template repository with automated document management information reporting on the policy lifecycle. • Enable automatic publication of policies to the website to decrease the Freedom of Information response burden. • Implement an improved mechanism to store documents to enable easier location by employees. 	<p>Head of ICT</p>	<p>The new Policy Management Framework has been agreed, the system is being configured and will be delivered within 2022. The migration of policies into the new system will also be completed in 2022.</p>	<p>Carry forward to 2022-23</p>
<p>Information governance The approach to information governance is driven at department level rather than taking an enterprise approach to how information is managed across the Service. This leads to difficulty for employees easily finding accurate and up to date information when required. This also impedes the ability to lead to smarter working practices.</p>	<p>As part of the Microsoft 365 (MS365) project, an enterprise wide approach to information management will be developed which will form the basis of the new Intranet.</p>	<p>Head of ICT</p>	<p>This work is progressing as part of the MS365 project, with a new information architecture designed and being implemented in the migration of file-shares and existing Intranet content to the cloud. An initial deployment of the new Records Management approach will be the new Policy Management System, currently under development by one of the Service’s 3d party suppliers. This will provide a full lifecycle management approach to policies, including management information.</p>	<p>Carry forward to 2022-23</p>

Identified Issue	Action Needed	Lead Officer	Update	Status
<p>Aligning resources to risk and prioritising prevention and protection activity. We need to ensure that we allocate our resources for response, prevention and protection in a way that best reflects the risks to our communities, prioritising our prevention and protection work to prevent fires and other emergencies from occurring, but being able to respond when emergencies do happen.</p>	<ul style="list-style-type: none"> • Ensure that the decisions of the Fire and Rescue Authority with regards to the new Service Delivery Operating Model (SDOM) have been implemented. • Review the Community Safety Plan to ensure that the most vulnerable communities are being prioritised through our prevention work. • Review the Risk Based Inspection Programme to ensure that high risk buildings are being inspected and are compliant with legislation. • Review the Service Delivery strategic plan to ensure that resources are deployed to support efficiency and effectiveness of all response, prevention and protection activity. 	<p>Area Manager Service Delivery - Community Risk</p>	<p>The implementation of the Service Delivery Operating Model required a number of projects to be delivered, namely:</p> <ul style="list-style-type: none"> - Introduction of a new On Call Duty System - Review of the Wholetime Duty System - Closure of two fire stations - Removal of nine fire engines - Change eleven fire engines from 24 hour cover to night cover only - Introduce Roving Appliances <p>In terms of project management, all of these projects have now been closed and either completed or moved into business as usual for Service Delivery.</p> <p>Of the projects noted above only the introduction of Roving Appliances has failed to deliver a successful outcome at present. This is due to two main factors.</p> <p>Firstly, the main reason for considering Roving Appliances was to further support On Call Availability; this has been superseded by the successful roll out of the new On Call Duty System – Pay for Availability.</p>	<p>Complete</p>

Identified Issue	Action Needed	Lead Officer	Update	Status
			<p>Secondly, the ability to crew Roving Appliances was predicated on the latent capacity of the wholtime station based workforce; this has not been at full establishment until Quarter 4 2021/22 and therefore the Service has not had the staff to provide Roving Appliances in its original concept.</p> <p>Having absorbed the idea into business as usual the intention is to change the descriptor of this model to Roving Vehicles and place the emphasis on the delivery of more prevention and protection activity in rural and hard to reach areas using a combination of Wholtime and On Call staff. This will not require fully crewed fire engines and so better utilises all resources available to the Service.</p> <p>The Community Safety Plan has been reviewed to ensure that we continue to target the most vulnerable members of society by using a triaged approach. The review has also confirmed that there are a number of data sources within the organisation that require analytical support to assure the Service that the triage approach is working.</p>	<p>Carry forward to 2022-23</p> <p>Complete</p> <p>Carry forward to 2022-23</p>

Identified Issue	Action Needed	Lead Officer	Update	Status
			<p>The Risk Based Inspection Programme has been reviewed and implemented. This includes an updated definition of High Risk Buildings that reflects both likelihood and severity of a fire occurring at a particular location. In addition to this the Service completed the High Rise Building Risk Review on time as required by the Home Office in the wake of the Grenfell Tower Inquiry.</p> <p>The Service Delivery Strategic Plan provides direction for all staff to support positive outcomes in regard to public safety. The plan takes a risk based approach to prioritising activity that enables staff to fulfil their roles by identifying key functions that enable the deployment of resources to support efficiency and effectiveness of all response, prevention and protection activity. Upon review the following areas are considered a priority:</p> <ul style="list-style-type: none"> - Workforce Planning - Training, exercising and standards - Capability 	

Identified Issue	Action Needed	Lead Officer	Update	Status
<p>Improving diversity across the Service including operational management and senior roles.</p> <p>There is a need to further develop contracts and career paths to support inclusivity ensuring that the Service has a workforce that reflects the communities that it serves.</p>	<p>Implement positive action such as direct entry (an NFCC project) supported by the 'Our Time' sponsorship programme.</p>	<p>Head of HR</p>	<p>The External to Wholetime and On Call to Wholetime recruitment processes were developed with this in mind. Continual monitoring of the recruitment process is undertaken to ensure that it does not inadvertently impact on certain groups in a way which means that they are less likely to succeed.</p> <p>The fitness standard set by the Authority does impact negatively on gender and age, but the Service keeps this under continuous review and all process changes are impact assessed (ERBA). Reasonable adjustments can be facilitated for individuals with underlying conditions so that diversity in ability can occur.</p> <p>The Service uses an external agency to draft all external adverts and to check internal adverts on request to ensure that they don't inadvertently put barriers in the way for people from under-represented groups to apply.</p> <p>The Service is preparing for a new cohort of women to start the 'Our Time' programme at the end of September 2022.</p> <p>Further initiatives are being developed.</p>	<p>Carry forward to 2022-23</p>

Identified Issue	Action Needed	Lead Officer	Update	Status
<p>Planning, Performance and Continuous Improvement In order to ensure that all activity is aligned to the strategic objectives, vision and purpose, the Service's planning processes need to integrate with performance, projects and risk.</p>	<p>The planning and performance management framework that is currently under development needs to be finalised and rolled out. This has been reworked to address the identified issue and we are in the process of purchasing a new system through the procurement framework. The new system is cloud based so will require connection rather than installation and will support the integrated approach, linking planning, performance, projects and risk as well as giving a much clearer view of performance against key objectives.</p>	<p>Area Manager Service Improvement</p>	<p>The planning and performance framework is subject to a further review to reflect changes to the number of planning documents created, to reduce the admin burden and ambiguity of the purpose of documents. The performance management system, InPhase, is in development, and is expected to take a further year to fully refine and embed. It is intended that the Head of Service Improvement will chair a new performance management meeting with relevant stakeholders once the product is sufficiently mature, which will direct responsibilities and actions down through managers, and elicit best practice back up from teams.</p>	<p>Carry forward to 2022-23</p>
<p>Data integrity Work has commenced to redesign the performance framework and to procure a system to support this. To ensure successful implementation, work is required to improve the integrity of data and to ensure proportionate and robust controls on data to: promote valid data at the point</p>	<ul style="list-style-type: none"> • Map the data requirements for the Service and where these are held. • Agree data owners. • Develop automated reporting. 	<p>Area Manager Service Improvement</p>	<p>The new corporate performance management system has been procured and is nearing initial rollout to service leaders. It will initially be populated using data manually extracted from source systems and keyed into the performance system. This interim state is likely to remain in some form for several months whilst data requirements for departments are established, and the necessary integrations with source systems are</p>	<p>Carry forward to 2022-23</p>

Identified Issue	Action Needed	Lead Officer	Update	Status
<p>of capture; maintain up to date, accurate records; enable the exploitation of external data sources, particularly in relation to location and premises data; and ensure consistency in reporting information.</p>			<p>developed. At this juncture, the system will then be able to directly consume a broadening range of data, supporting more effective generation of insight relevant to users' needs. It is anticipated that the demand for insight will grow, which will need to be met by a flexible and proportionate approach to data capture and usage. This flexible and proportionate approach is to be delivered via a number of corporate projects which are focusing online-of-business capture, whilst ensuring this capture meets the articulated needs of our performance framework. This allows an evolving approach to react to changing business need, with embedded oversight through our Information Governance function to assure that data is appropriately managed through the information lifecycle. The change projects are overseen by the Executive Board via the Portfolio governance structure allowing due priority and resourcing to be allocated to meet the needs of our performance framework.</p>	

Identified Issue	Action Needed	Lead Officer	Update	Status
<p>Safety Event Management Functional and process issues were encountered with the software solution for reporting safety events, which impacted on the recording and management of safety event investigations as well as the ability to monitor accidents through trend analysis.</p>	<p>Develop and implement an improved solution for the recording and management of safety event investigations</p>	<p>Head of Organisation Assurance</p>	<p>The new Safety Event Management system went live 15 February 2022.</p>	<p>Complete</p>
<p>Integrated Service Asset Register (Fleet and Operational Equipment) An integrated fleet and operational service asset register needs to be developed and embedded to ensure that all assets are effectively recorded and managed to provide consistent data to inform replacement plans and ensure operational assets are fit for purpose.</p>	<ul style="list-style-type: none"> • Undertake Operational Equipment review – complete. • Develop an equipment register to capture all legislative and manufacturer requirements for the different categories of equipment and their corresponding risk assessments - complete. • Implement Phase 2 of the asset management implementation project. 	<p>Head of Fleet & Procurement</p>	<p>Phase 1 (Fleet) systems is complete. Phase 2 (equipment) of the asset management implementation project is due to be complete October 2022.</p>	<p>Carry forward to 2022-23</p>
<p>Strategic Policy determination Lack of a clearly defined strategic policy agenda.</p>	<p>Fire & Rescue Authority to set strategic policy agenda with professional advice and support from Service Officers.</p>	<p>Chief Fire Officer</p>	<p>At its meeting on 29 June 2021, the authority set its strategic policy agenda in the form of 12 strategic policy objectives that underpinned its four strategic priorities. The strategic policy objectives were reconfirmed by the Authority at its meeting on 21 February 2022.</p>	<p>Complete</p>

Identified Issue	Action Needed	Lead Officer	Update	Status
<p>Further improving our Efficiency, Effectiveness and People arrangements. We need to deliver our statutory duties, add value through improved community outcomes and create a workplace where all employees are able to perform at their best.</p>	<ul style="list-style-type: none"> • Effectiveness and Efficiency: Improve the performance management framework to ensure that all activities are aligned to corporate priorities to reduce duplication of effort and to performance manage the Service. • People: Further to the external review of Human Resources and Organisational Development, identify key priorities and implement an improvement plan. • People: Implement the Safe To intervention throughout the Service so that people feel included and feel safe to speak up, to learn, to contribute and to challenge 	Chief Fire Officer	<p>The Service is in the process of implementing a new performance management system (InPhase). There are agreed corporate objectives with the Fire Authority who use the objectives to provide oversight to the officers who in turn have a number of strategic priorities. The Service has developed a performance framework which aligns all activities across the organisation up to the strategic priorities and corporate objectives. This enables objectives to be set within each department and team that directly contribute to the identified outcomes for the organisation.</p> <p>A revised management structure has been agreed to Co-Head the Human Resources and Organisational Development (HROD) department. A HR systems project has begun to move towards supporting the new People Services model, which will define business process improvements to align with system requirements. Work continues to fully establish the HR business partner model through a measurable customer charter and to redefine HROD as People Services.</p>	Carry forward to 2022-23

Identified Issue	Action Needed	Lead Officer	Update	Status
			<p>The Safe To intervention has been in the 'build 'phase of progress where artefacts, processes and policy have been designed to support a Just Culture, along with engagement to build understanding with managers and staff. The next 'Power Up' phase is about to be launched through an immersive communication, engagement and capability building programme. This phase links Safe To with our values and the Core Code of Ethics.</p>	
<p>Information Governance Framework An Information Governance (IG) Framework that incorporate records management principles needs to be implemented across the Service.</p>	<ul style="list-style-type: none"> • Develop new role profiles to ensure that the IG Team is structured to support delivery of the IG Framework. • Undertake selection processes to appoint staff into new roles and develop individual development plans to achieve full competency in new roles. • Develop and implement the IG Framework. 	Head of ICT		New

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Identified Issue	Action Needed	Lead Officer	Update	Status
<p>Environmental Strategy The UK has a legislative commitment to be net zero (carbon neutral) by 2050. The Service will need to respond to the requirements of the Environmental Act 2021 and environmental legislation. The Service response will need to mitigate against changing environmental threats.</p>	<p>The three main projects for carbon reductions are:</p> <ul style="list-style-type: none"> • Reducing electricity and gas consumption. • Introduction of vehicle telematics. • Alternatively fuelled vehicles and electric charging points. <p>The environmental action plan will need to identify the full scope of carbon emissions and work with our suppliers and departments to develop a comprehensive carbon neutral plan.</p>	<p>Head of Fleet and Procurement.</p>		<p>New</p>
<p>Health and Safety The Service needs to ensure that it has the appropriate resource, capacity, structure, health and safety management framework and assurance systems to ensure compliance with its statutory Health and Safety duties and to ensure that all staff, both uniformed and non-uniformed, are able to be healthy and safe at work when undertaking their duties.</p>	<p>Strategic health and safety improvement plan to be developed and implemented.</p>	<p>Head of Organisational Assurance</p>		<p>New</p>

Agenda Item 6

REPORT REFERENCE NO.	AGC/23/3
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	18 JANUARY 2023
SUBJECT OF REPORT	INTERNAL AUDIT CHARTER AND STRATEGY 2022-23 AND PLANNING 2023-24
LEAD OFFICER	HEAD OF DEVON AUDIT PARTNERSHIP
RECOMMENDATIONS	<p><i>That the following be noted:</i></p> <p><i>(a). the Internal Audit Charter and Strategy for 2022-23; and</i></p> <p><i>(b). the approach to compiling the Internal Audit Plan for 2023-24.</i></p>
EXECUTIVE SUMMARY	<p>The Authority agreed the transfer of its internal audit service provision to the Devon Audit Partnership (DAP) on 10 June 2022 (Minute DSFRA/22/8 refers) as part of a shared services agreement, with the Authority being a full, voting partner. This report sets out how the Devon Audit Partnership will be fulfilling this responsibility from 2023-24.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	<p>A. Audit Charter and Strategy 2023-24</p> <p>B. Internal Audit Planning Process 2023-24</p>
BACKGROUND PAPERS	Nil.

1. INTRODUCTION

- 1.1. The Authority agreed the transfer of its internal audit service provision to the Devon Audit Partnership (DAP) on 10 June 2022 (Minute DSFRA/22/8 refers) as part of a shared services agreement, with the Authority being a full, voting partner. This report sets out how the Devon Audit Partnership will be fulfilling this responsibility.

2. AUDIT CHARTER AND STRATEGY

- 2.1. One of the requirements of the Public Sector Internal Audit Standards (PSIAS) is that the Purpose, Authority and Responsibility of the Internal Audit activity must be formally defined in an Internal Audit Charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.
- 2.2. The Internal Audit Charter for 2022/23 is set out in detail in the document attached together with a supporting Audit Strategy at Appendix A of this report.
- 2.3. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.

3. INTERNAL AUDIT PLAN

- 3.1. One of the responsibilities of the Audit and Governance Committee is “focusing audit resources, by agreeing the audit plans and monitoring delivery of the audit service”. The programme of internal audit work for the financial year 2023/24 is being developed.
- 3.2. The key objectives of Internal Audit plans are:
- to provide assurance to the Senior Leadership, Audit and Governance Committee and to other parties on the adequacy and security of those systems on which the service relies for its internal control (the “control environment”).
 - to provide advice and assurance to managers and staff within service.
- 3.3. The planning process takes place towards the end of each financial year, resulting in an updated risk-based annual plan for the coming year.
- 3.4. Risk-based audit work planned for 2023/24 should be linked through service risk registers, to risks related to the achievement of strategic objectives as defined in any Strategic Plan.
- 3.5. Delivery of the Internal Audit service provision will be by the Devon Audit Partnership, a shared services arrangement between Devon County Council, Plymouth City, Torbay Council, Mid Devon District Council, North Devon District Council, Torridge District Council, and South Hams and West Devon Councils and the Devon and Somerset Fire and Rescue Service.

TONY ROSE
Head of Devon Audit Partnership



MISSION

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

TERMS OF REFERENCE

This document details the **Internal Audit Charter** and **Internal Audit Strategy** as required by the Public Sector Internal Audit Standards (PSIAS). The Audit Charter formally describes the purpose, authority, and principal responsibilities of the Internal Audit Service, which is provided by the [Devon Audit Partnership \(DAP\)](#), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the PSIAS. The accompanying Audit Strategy is designed to deliver the requirements outlined in the Charter.

DEFINITIONS

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

The PSIAS set out the requirements of a ‘Board’ and of ‘Senior Management’. For the purposes of the internal audit activity within DSFRA the role of the Board within the Standards is taken by the Audit and Governance Committee and Senior Management is the Executive Board. They also make reference to the role of “Chief Audit Executive”. For DSFRA this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).

INDEX TO SECTIONS OF THE CHARTER AND STRATEGY

Charter

1. Statutory Requirements and Purpose of Internal Audit
2. Professionalism, Ethics and Independence
3. Authority
4. Accountability
5. Responsibilities
6. Management
7. Internal Audit Plan and Resources
8. Internal Audit Reporting
9. Relationship with the Audit Committee and Non Conformance to the Charter
10. Quality Assurance and Improvement Programme

Strategy

- Audit Strategy - Purpose
- Annual Audit Opinion
- Audit Planning & Delivery
- Performance Management and Quality Assurance
- Resources and skills
- Staff Development and use of MKI

CHARTER - STATUTORY REQUIREMENTS AND PURPOSE OF INTERNAL AUDIT

Statutory Requirements

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

One way in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The Purpose and Aim of Internal Audit

The role of Internal Audit is to understand the key risks of DSFRA, to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation, and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

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- Support the Chief Finance Officer to discharge his / her statutory duties
- Contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- Support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- Provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for DSFRA is provided by Devon Audit Partnership. We aim to provide a high quality, professional, effective and efficient Internal Audit Service, adding value whenever possible.

CHARTER - PROFESSIONALISM, ETHICS AND INDEPENDENCE

Being Professional

Devon Audit Partnership will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere relevant policies and procedures and the internal audit manual. Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

Our Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by IIA. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation. The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing.
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others, and applies to both individuals and entities that provide internal auditing services. The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

CHARTER - PROFESSIONALISM, ETHICS AND INDEPENDENCE



devon **audit** partnership

Being Independent

Internal Audit should be independent of the activities that it audits. The status of Internal Audit should enable it to function effectively. The support of DSFRA is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all, Staff, Officers and Members and particularly to those charged with governance (the Audit and Governance Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Fire Officer, the Chief Finance Officer, the Head of Organisational Assurance and the Chair of the Audit and Governance Committee.

DSFRA should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with Senior Management and Members.

Auditors should be mindful of being independent, and must:

- Have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / DSFRA, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.

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CHARTER - AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that: Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:

(a) make available such documents and records; and

(b) supply such information and explanations; as are considered necessary by those conducting the internal audit.

(3) in this regulation “documents and records” includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- The Chief Fire Officer
- Members
- Department Heads
- Chief Finance Officer
- Director of Governance
- All authority employees
- All authority premises

CHARTER - ACCOUNTABILITY

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each Partner. The Partnership operates as a separate entity from the client bodies and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. DAP operates within a framework that allows:

- Unrestricted access to senior management and members;
- Reporting in its own name;
- and Separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The HoDAP fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit and Governance Committee, at least annually, the organisational independence of the internal audit activity. The Chief Finance Officer or agreed delegate will liaise with the HoDAP and is therefore responsible for monitoring performance and ensuring independence.

The HoDAP reports functionally to the Audit and Governance Committee on items such as:

- Approving the internal audit charter;
- Approving the risk based internal audit plan and resources;
- Receiving reports from the Head of Devon Audit Partnership on the section's performance against the plan and other matters;
- Approving the Head of Devon Audit Partnership's annual report'
- Approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Audit and Governance Committee, and has the opportunity to meet privately with the Audit and Governance Committee.

CHARTER - RESPONSIBILITIES

The Chief Fire Officer, Heads of Service and other senior officers are responsible for ensuring internal control arrangements are sufficient to address the risks facing their services. The HoDAP will provide assurance to the Chief Finance Officer regarding the adequacy and effectiveness of the Authority's financial framework.

The HoDAP will provide assurance in relation to the adequacy and effectiveness of the systems of governance within DSFRA. The HoDAP will also work with staff to ensure the effective delivery of the DSFRA Whistleblowing Policy where applicable.

Internal Audit responsibilities include:

- Examining and evaluating the soundness, adequacy and application of DSFRA systems of internal control, risk management and corporate governance arrangements;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Reviewing the systems established to ensure compliance with policies, plans, procedures and regulations which could have a significant impact on operations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- Working in partnership with other bodies to secure robust internal controls that protect DSFRA interests;
- Advising on internal control implications of new systems;
- Providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation; and,
- Reporting significant risk exposures and control issues identified to Audit and Governance Committee and to senior management, including fraud risks, governance issues.

CHARTER - MANAGEMENT

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

- Be appropriately qualified;
- Determine the priorities of, deliver and manage the DSFRA internal audit service through a risk based annual audit plan;
- Regularly liaise with the DSFRA external auditors to ensure that scarce audit resources are used effectively;
- Include in the plan the approach to using other sources of assurance if appropriate;
- Be accountable, report and build a relationship with the Audit and Governance Committee and Chief Finance Officer and delegates; and
- Monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The HoDAP is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Fire Officer and meet periodically with the Director of Governance, Chief Finance Officer or delegates to discuss issues that may impact on DSFRA governance, risk and control framework and agree any action required.

CHARTER - INTERNAL AUDIT PLAN AND RESOURCES

At least annually, the HoDAP will submit to the Audit and Governance Committee a risk-based internal audit plan for review and approval. The HoDAP will:

- Develop the annual plan through discussions with Leadership based on an understanding of the significant risks of the organisation;
- Submit the plan to the Audit and Governance Committee for review and agreement;
- Implement the agreed audit plan;
- Maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- Maintain a programme of quality assurance and a culture of continuous improvement;

The Head of internal audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit and Governance Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of DSFRA systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

Monitoring of internal audit's processes is carried out on a continuous basis by internal audit management. DSFRA members and management may rely on the professional expertise of the HoDAP to provide assurance. Periodically, independent review may be carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

CHARTER - INTERNAL AUDIT REPORTING

The primary purpose of Internal Audit reporting is to provide to management an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions. Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit and Governance Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be to:

- Give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- Recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report within 15 days, although this period can be extended by agreement.

The response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken, this must also be stated. The HoDAP is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, an Internal Audit report will be subject to a follow-up, normally within six – twelve months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The HoDAP will:

- Submit periodic reports to the Audit and Governance Committee summarising key findings of reviews and the results of follow-ups undertaken;
- Submit an Annual Internal Audit Report to the Audit and governance Committee. incorporating an opinion on the DSFRA control environment. This will also inform the Annual Governance Statement.

CHARTER - RELATIONSHIP WITH THE AUDIT AND GOVERNANCE COMMITTEE, AND NON CONFORMANCE TO THE CHARTER

The DSFRA Audit and Governance Committee will act as “the Board” as defined in the Public Sector Internal Audit Standards (PSIAS),

The Specific Functions of the Audit and Governance Committee should be set out in the relevant continuation and or approved Terms of Reference documents.

The HoDAP will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP or Delegate will:

- Attend meetings, and contribute to the agenda;
- Ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- Report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- Establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- Present an annual report on the effectiveness of the system of internal audit; and
- Present an annual internal audit report including an overall opinion on the governance, risk and control framework

Any instances of non conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit and Governance Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement. The Head of Devon Audit Partnership will advise the Audit and Governance Committee on behalf of DSFRA on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit and Governance Committee.

CHARTER - QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor.

In November 2021 an independent assessment was conducted which concluded that;

*“It is our overall opinion that the Devon Audit Partnership **generally conforms*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards”.*

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

AUDIT STRATEGY - PURPOSE

The PSIAS require the HoDAP to produce an Audit Charter setting out audits purpose, authority and responsibility. We deliver this through our Audit Strategy which:

- Is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- Should be approved, but not directed, by the Audit and Governance Committee.
- Will communicate the contribution that Internal Audit makes to the organisation and should include:
 - Internal audit objectives and outcomes;
 - How the HoDAP will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
 - How Internal Audit's work will identify and address significant local and national issues and risks;
 - How the service will be provided, and
 - The resources and skills required to deliver the Strategy.

The Strategy should be kept up to date with the organisation and its changing priorities.



AUDIT STRATEGY - OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

A key objective of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks will be brought to the attention of the Chief Finance Officer or delegate as and when they arise. Regular formal meetings will be held to discuss issues arising and other matters.

The HoDAP will report progress against the annual audit plan and any emerging issues and risks to the Audit and Governance Committee.

The HoDAP will also provide a written annual report to the Audit and Governance Committee, timed to support their recommendation to approve the Annual Governance Statement.

The Head of Devon Audit Partnership's annual report to the Audit and Governance Committee will:

- Provide an opinion on the overall adequacy and effectiveness of the DSFRA governance, risk and control framework;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- Draw attention to any issues the HoDAP judges particularly relevant to the preparation of the Annual Governance Statement;
- Comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

AUDIT STRATEGY - PLANNING & AUDIT DELIVERY

INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

The audit planning process can include the creation of and ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe would include a risk assessment scoring methodology that takes account of a number of factors including: DSFRA own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This may inform the basis of the resources allocated to each planned audit area.

The results from the audit universe can be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

Assignment Planning & Delivery

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

The primary objective of the audit is to provide management with an independent opinion on the risk and control framework through individual audits in the audit plan. Individual audits will be completed using our methodology in our Audit Manual to the standards set by PSIAS, to independently evaluate the effectiveness of internal controls. Our audit assignment report will communicate our opinion and include agreed management action, where required, to improve the effectiveness of risk management, control and governance processes.

AUDIT STRATEGY - PERFORMANCE MANAGEMENT AND QUALITY ASSURANCE

The PSIAS state that the HoDAP should have in place an internal performance management and quality assurance framework; this framework must include:

- A comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- Seeking *user feedback* for each individual audit and periodically for the whole service;
- A periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit and Governance Committee;
- Internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment);
- and
- An action plan to implement improvements.

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed for each individual audit; and for the Internal Audit Service as a whole. The HoDAP will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see the following pages).

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from: auditees; senior leadership; and executive management. The results from our feedback will be reported to Senior Management and the Audit and Governance Committee in the half year and annual reports.

The HoDAP is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.



AUDIT STRATEGY - PERFORMANCE MANAGEMENT AND QUALITY ASSURANCE

Performance Indicator	Full year target
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

Internal Audit
Performance
Monitoring
Targets

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Task	Performance measure
Agreement of Annual audit plan	Agreed by Chief Fire Officer, Leadership Team and Audit and Governance Committee prior to start of financial year
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.
Draft report meeting (if required)	Such a meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration by end of June. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to Management and Audit and Governance Committee.	Presentation was clear and concise. Presented was knowledgeable in subject area and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Other indicators measured as part of the audit process that will be captured and reported to senior management

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AUDIT STRATEGY - RESOURCES AND SKILLS

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Audit Executive (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

DAP currently has c.45 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter), we also operate from offices at Torridge DC (Bideford), Mid Devon DC (Tiverton) and South Hams/West Devon Councils (Totnes). The Partnership employs a number of specialists in areas such as Computer Audit, Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff includes: -

- 3 x CCAB qualified
- 8 x qualified IIA
- 2 x qualified computer audit (QICA & CISA)
- 1 x risk management (IRM)
- 10 x AAT qualified
- 7 x ACFS (accredited counter fraud specialists)
- 5 x ILM (Institute of Leadership & Management) level 5 or above

AUDIT STRATEGY - STAFF DEVELOPMENT AND TRAINING AND USE OF MK AUDIT

Staff Skills and Development

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

Internal Audit Software System

Devon Audit Partnership uses Pentana MK as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.



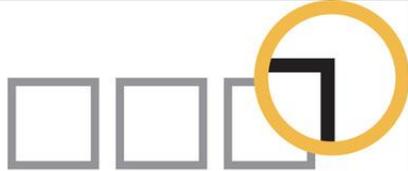
devon**audit**partnership

Devon Audit Partnership (DAP) provides professional services to not-for-profit organisations. We are experts in our field covering areas such as:

- Internal Audit
- Risk Management
- Fraud Services
- Consultancy
- Schools and Academies
- Cyber Security
- EU Audit and Compliance

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Support, Assurance & Innovation



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Internal Audit- Risk Based Internal Audit (RBIA) Plans

What is Risk Based Internal Audit?

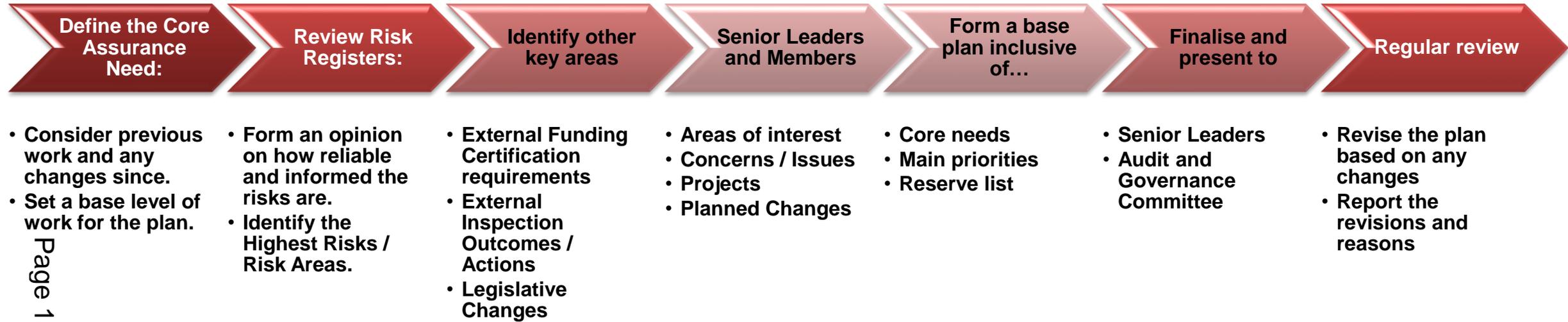
This is the approach of undertaking both the planning and delivery of work based on the key risks being faced at any given point in time.

How to make the most of this approach

- Core Assurance - Internal Control Framework.
- Risk Register – Core source of information for the annual planning process.
- Risk Register – Periodic checks for new risks that could influence the planned work.
- Flexibility – Ability to react to change in context and circumstance.
- Communication – Regular, open and honest.



Flexible and Responsive Internal Audit Plans - Stages



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The whole process helps inform the Annual Head of Internal Audit Opinion



What might a plan look like?

Key/Core Financial Systems

Review of the control framework is key to ensuring that systems and processes is well controlled. Examples include:

- Payroll
- Income Collection (Debtors)
- Payments – (Creditors)
- Treasury Management
- ICT – Cyber Security
- Information Governance
- Medium Term Financial Planning
- Governance Structures and Systems

Over time we aim to have a rolling programme that takes account of the assurance given each year. This allows a greater focus on areas with less assurance, recent changes, or those that have not had a detailed review in recent plans.

Known Key, High Risk or Other Areas

These are the areas that will detract the organisation from meeting its objectives, also the areas where management believe there is value in obtaining independent assurance. Examples include:

- Strategic and Operational Business Planning
- Project / Programme Assurance
- New Systems
- New Ways of Working
- Fleet / Premises / HR
- Commissioning of Services
- Contract Monitoring

Red One Limited

- What assurance do you receive from or seek from Red One each year?
- Do you need to / want to commission work on their behalf.

The Unknowns

This is where the value of in year response and flexibility comes through.

These are areas that come up via new issues and risks, or known risks that increase. This generally occurs following changes in context both Internally and externally.

These need to be reviewed and so the plan changes to reflect that. We work together to set the headline plan in advance, then proactively review and revise each quarter.

- New Risk
- Changed Risk
- New Systems
- Legislative Changes



Devon Audit Partnership – Assurance for DSFRS

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REPORT REFERENCE NO.	AGC/23/4
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	18 JANUARY 2023
SUBJECT OF REPORT	INTERNAL AUDIT FOLLOW UP: HOME FIRE SAFETY VISITS
LEAD OFFICER	DIRECTOR OF GOVERNANCE AND DIGITAL SERVICES
RECOMMENDATIONS	<i>That the update on delivery of Home Fire Safety Visits be noted.</i>
EXECUTIVE SUMMARY	<p>At its meeting on 22 July 2022, Audit & Governance Committee requested an update to its November meeting on the actions to address the audits that had been reported to the July meeting with a limited assurance rating. One of these updates related to Community Safety – Fire Prevention.</p> <p>Assurance was provided in November that although operational issues with the Home Safety app and data continue, the Prevention team was on track to deliver the target of 18,000 home safety visits this year. The Committee requested that the number of Home Fire Safety Visits undertaken be reported back to the January 2023 meeting.</p> <p>This report provides confirmation that achievement of the annual target remains on track.</p>
RESOURCE IMPLICATIONS	Nil
EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)	The contents of this report are considered compatible with existing human rights and equalities legislation.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	<u>AGC/22/15 INTERNAL AUDIT 2022-23 PROGRESS REPORT</u>

1. INTRODUCTION

- 1.1. The aim of Internal Audit is to provide independent and objective assurance that the Service's risk management, governance and internal control processes are operating effectively.
- 1.2. Where recommendations for improvements have been made within audit reports, action plans have been agreed with management and regular reviews conducted.
- 1.3. At its meeting on 22 July 2022, Audit & Governance Committee requested an update to its November meeting on the actions to address the audits that had been reported to the July meeting with a limited assurance rating. One of these updates related to Community Safety – Fire Prevention. Assurance was provided in November 2022 that, although operational issues with the Home Safety app and data continue, the Prevention team was on track to deliver the target of 18,000 home safety visits this year. The Committee requested that the number of Home Fire Safety Visits undertaken be reported back to the January 2023 meeting.

2. UPDATE ON DELIVERY OF HOME FIRE SAFETY VISITS

- 2.1. The Area Manager - Service Delivery Risk - has confirmed the following:
 - Annual target for Home Fire Safety Visits: 18,000 visits;
 - Target for completion of Home Fire Safety Visits at the end of December 2022: 13,500 visits;
 - Completed Home Fire Safety Visits April 1 to December 31 2022: 14,544.
- 2.2. Achievement of the annual target is therefore on track.

3. NEXT STEPS

- 3.1. Future updates on progress related specifically to the performance on Home Fire Safety Visits will be reported to the Community Safety Committee.
- 3.2. This Committee will continue to be apprised of the findings of audits with a limited assurance rating on at least an annual basis until there is sufficient assurance that appropriate action has been taken.

MIKE PEARSON
Director of Governance & Digital Services