DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

Statement of accounts
2017 - 2018

Devon and Somerset Fire and Rescue Authority

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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 2018. The Accounts are presented in compliance with International Financial Reporting Standards (IFRS). The Accounts are prepared on the basis of a going concern given that the Authority has sufficient resources to fund its financial obligations and has no concerns of its financial viability over the medium term.

The Accounts and Audit Regulations 2015 included a new requirement that local authorities are to include a Narrative Report within their financial statements. This replaces the previous requirement to include an Explanatory Foreword. The main purpose of the report is to provide an explanation of the financial position of the authority and assist in the interpretation of the financial statements and now also provides information on the economy, efficiency and effectiveness in its use of resources over the financial year.

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

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

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

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

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

Financial Performance for the year

Economic Context

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

Against this backdrop it is imperative for the Authority's Medium Term Financial Plans to be focused on providing forecasts of budget savings required to 2019-20 and beyond. So far the Authority has responded well based upon a strategy which has been focused around the three key areas of improving efficiency, reducing costs and increasing income generation. Total recurring budget savings of £15.1m have already been delivered since 2010. The 2017 - 2022 Creating Safer Communities Plan approved by the Authority at its meeting in February 2018. The Service is in the process of developing the next phase of savings and improvement plans for the period to 2021-22. It is forecast that a minimum of £7.7m of recurring savings need to be identified over that period.

The Service is well ahead in terms of identifying a range of projects to deliver the required savings and will implement as soon as possible in order to secure savings at the earliest opportunity. However some projects will take longer than others to deliver cashable savings and it may be the case that there will be some call on reserve balances during the next four years to assist in setting a balanced budget.

The Authority has established an Earmarked Reserve specifically to provide funding to enable a smoothing of the impact of the grant reductions over the next 4 years. It is considered that this reserve will also provide required financial contingency against any unforeseen change in circumstances, e.g. impact of Brexit negotiations, during this period.

Revenue Spending in 2017/18

Net revenue spending in 2017-18 was £72.2m, compared to an agreed budget of £72.6m, resulting in an underspend of £0.32m. Table 1 provides a summary of revenue spending in 2017-18 compared with agreed budget headings.

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TABLE 1 – SUMMARY OF REVENUE SPENDING 2017-18

	Budget	Spending	Variance
	£m	£m	£m
Employee Costs	55.2	55.5	0.3
Premises Related Costs	4.0	3.9	(0.1)
Transport Related Costs	3.5	3.5	0.0
Supplies and Services	5.8	5.6	(0.2)
Establishment Expenses	0.7	0.7	(0.0)
Payments to Other Authorities	0.7	0.9	0.2
Capital Financing	7.0	4.3	(2.7)
Gross Spending	**76.9**	**74.3**	**(2.6)**
Income	(4.9)	(5.5)	(0.7)
Transfer to (from) Reserves	0.6	3.5	2.9
Net Spending	**72.6**	**72.2**	**(0.3)**
Funded By:			
Council Tax Precept	(49.1)		
Business Rates Redistribution	(14.5)		
Central Government Funding	(9.0)		
Total Funding	**(72.6)**		

An underspend of £0.3m, equivalent to 0.44% of the total revenue budget, has been achieved due to income exceeding targets in 2017/18.

Contributions to Earmarked Reserve

At the Resources Committee on 16 May 2018 it was agreed to recommend to the Full Authority that the net underspend of £0.3m be transferred to Earmarked Reserve as shown below. Further detail on all Earmarked Reserve balances is included in Note 19 to the financial statements.

Comprehensive Spending Review Reserve (£0.3m) – The underspend of £0.3m to be transferred to the existing Comprehensive Spending Review Reserve to be used to support future change activity and projects.

This new contribution, together with in-year transfers to Reserve balances, has increased total Reserves from £35.3m at the beginning of the year to £37.2m as at 31 March 2018, of which £31.9m relates to Earmarked Reserves (committed) and £5.3m to General Reserves (uncommitted).

Contributions to Provisions

The reported spending for 2017-18 includes an additional provision of £20k set aside to fund future firefighter pension costs. Of the original provision, £20k was used in year so the £20k allocated brings the provision back to the original position leaving the balance of £755k as at 31 March 2018. This balance is considered to be sufficient to fund any costs resulting from case law relating to pensionable allowances and has been based upon information received from the National Employers Council relating to compensatory payments to be made to individual fire-fighters and internal calculations of employer's pension.

Capital Expenditure and Financing 2017/18

The financial statements include capital spending of £2.9m in 2017-18 of which £1.8.m has been spent on improvements to fire stations and £1.1m on replacement fleet and equipment, primarily focused on the continued roll-out of the new concept of replacing the traditional fire appliance with much smaller type of fire appliance which are known as a Rapid Intervention Vehicle.

Aligned to the Authority strategy to avoid any new external borrowing to fund medium term capital spending, no new borrowing was taken out in 2017-18. Of the total spending of £2.9m an amount of £2.0m was funded from existing borrowing and the remaining £0.9m from the revenue budget and earmarked reserves.

Authority Borrowing

External borrowing from the Public Works Loan Board (PWLB) as at 31 March 2018 was £25.7m, a reduction of £0.1m from the figure at the beginning of the financial year as a result of principal repayments. All of this debt is at fixed rates which protects interest costs from adverse changes in interest rates in the future. This level of debt is well within the maximum debt level of £26.9m, set by the Authority at the beginning of the financial year as one of its prudential indicators for capital financing.

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Pension Liabilities

As at 31 March 2018 the Authority pension liability has been calculated to be £733.3m (£809.2m in 2016-17). This is based on an actuarial assessment and represents accrued benefits of members of the pension schemes that the Authority participates in; the Fire-fighter Pension Schemes (operational staff) and the Local Government Pension scheme (civilian staff). Further details of the assets and liabilities of each scheme are included in note 29 of these Accounts.

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

Assets/Liabilities of the Authority

The balance sheet of the Authority as at 31 March 2018 shows a net liability of £611.8m (£687.9m as at 31 March 2017).
This includes the pension liability of £733.3m (£809.2m as at 31 March 2017) required to be included under IAS 19.

Performance and Use of Resources

During the year the authority refreshed its Integrated Risk Management Plan which can be found at http://www.dsfire.gov.uk/AboutUs/WhatWeDo/OurCorporatePlan . This document provides a summary of the areas of focus during this period all with the objective to make the people who live in, work in and visit our area safer from fire, road collisions and other emergency incidents, while reducing costs and increasing income.

Each of our areas of focus, support one of the three main priorities:

Public Safety - We believe it is better to prevent an emergency from happening in the first place rather than deal with it when it does. To support this belief we work with local communities and partners to educate them in how to reduce the risk of fires and other emergencies and do all we can to help prevent crime and disorder through, for example, our work on reducing incidents of arson.
If a fire does start, we want to make sure people have the best chance of escape and that the disruption to business and the community is kept to a minimum. We will work with businesses to influence and regulate the built environment to protect people, property and the natural environment from harm.
In situations when an emergency response is needed, we will make sure that our resources are appropriately located, reflecting our Integrated Risk Management Plan, so that we have the right resources in the right place at the right time.

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

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

Key Performance Indicators

In Table 2 is a summary of performance against corporate Key Performance Indicators (KPIs) in 2017-18 with a comparison against the previous year.

TABLE 2 – SUMMARY OF KPIs 2017-18

Measure	2017-18	2016-17	Variance	
Non-Financial Indicators				
Number of deaths as a result of fires where people live.	5	4	25.0%	
Number of injuries as a result of fires where people live.	78	63	23.8%	
Number of fires where people live.	1059	1005	5.4%	
Number of fire related deaths where people work, visit and in vehicles.	1	3	-66.7%	1
Number of fire related injuries where people work, visit and in vehicles.	34	21	61.9%	
Number of fires where people work, visit and in vehicles.	1,231	1,332	-7.6%	
Emergency Response Standard for attendance at Fires where people live (1st appliance to attend within 10 minutes from time of call)	68%	68%	0.0%pt	2
Emergency Response Standard for attendance at Road Traffic Collisions (1st appliance to attend within 15 minutes from time of call)	76%	75%	1.0%pt	2
Sickness – Rate of shifts lost to sickness per full time equivalent (FTE)	8.52	8.63	-1.3%	

[Notes: 1) Percentage v Variance is undefined for an original value of zero 2) %pt - percentage point for difference between percentages]

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TABLE 2 – SUMMARY OF KPIs 2017-18			
Measure	**2017-18**	**2016-17**	**Variance (%)**
Financial Indicators			
Revenue Spending within budget.	0.4%	2.9%	-2.5%pt
Capital Spending within budget	38.5%	57.1%	-18.6%pt
General Reserve Levels (%age of Revenue Budget)	7.3%	7.2%	0.1%pt
Debt Ratio (%age of Revenue Budget)	4.3%	4.1%	0.2%pt
External Borrowing	£25.631m	£25.723m	-0.1%

Overview of Service Performance in 2017-18

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

In the 2017/18 the Service conducted 10,864 targeted Home Safety Visits to households identified as needing our expert guidance and support. We work closely with our colleagues in other agencies and third sector organisations to build partnerships that enable us to ensure that our resources provide maximum benefit to the community.

We engage with our communities in a variety of ways including educating children and young people through schools talks and structured programmes such as Fire Cadets, Phoenix and FireSetters. In addition to the Home Safety Visit activities the Service undertook 4,990 preventative activities to improve public safety during 2017/18.

Safeguarding

The Safeguarding Team continues to provide support, feed-back and guidance to Home Safety Technicians and Group Support Teams to ensure that individuals identified through the safeguarding referral process as being at increased risk of sustaining a serious injury from fire are helped most effectively. This includes additional advice on engaging in multi-agency activities such as joint visits with care agencies to formulate care plans that include appropriate fire risk management.

The Team continues to develop, co-ordinate and monitor the work of the Firesetter Advisers in order to ensure that interventions are timely, appropriate and effective. Engaging with the Police and other partner agencies to address young people's serious fire-setting through the provision of targeted education is having a positive effect on behaviours. For example, a recent series of interventions with a young girl involved in lighting fires in the home was successful in furthering her understanding of the danger of playing with fire, while at the same time ensuring that the parents took responsibility for keeping lighters out of her reach.

Home Fire Safety Prevention

Cooking fires continue to be a focus across all Groups; a Community Safety-led working group has been set up to investigate and to look to create a Service-wide campaign with the aim of reducing fires that start in the kitchen and associated injuries. Engagement has been undertaken with staff and partner agencies with a view to launching a campaign in April 2018.

The roll out of the new approach to home safety is ongoing with full deployment planned to be completed early in the 2018/19 financial year. The development of the technology required to undertake the role is nearing completion. All Home Safety Technicians are now in place and following participation in a number of development days and they are now delivering Level 2 Home Fire Safety Visits across the service area.

Protection Activities

DSFRS has a statutory obligation to ensure that non-domestic premises and public events are compliant with fire safety regulations. In 2017/18 the Service conducted 3,738 fire safety checks, 684 fire safety audits and 9,507 other protection activities to ensure public safety.

Update on Actions Following the Grenfell Tragedy

Following the tragic events at Grenfell Tower, the Service conducted inspections at the 141 high rise premises identified through Site Specific Risk Information (SSRI). This pre-empted requirements set by The National Fire Chiefs Council (NFCC) and The Ministry for Housing, Communities and Local Government (MHCLG).

In addition to the high rise inspections MHCLG requirements led to identification of a further 1,400 educational and health care premises for inspection. The inspections are being completed by the Service's Business Safety teams and have been incorporated into their current inspection programmes. Business Safety leads have been tasked with identifying any additional private health care or educational establishments that are not detailed within the corporate gazetteer.

It is anticipated that the inspection process should be completed by June 2019. A summary of the fire safety inspections carried out by the Business Safety teams as part of the initiative following the Grenfell Tower tragedy can be seen below:

•141 fire safety checks have been completed in premises identified as high rise buildings;

•of these, 6 resulted in Fire Safety Audits (meaning that there were fire safety concerns identified which required more in-depth attention of the Business Safety team);

•71 did have cladding however only three have been reported as Aluminium Composite Cladding (ACM).

•Steady progress is being made on inspections of NHS and Educational premises, where we have completed 569 of the 1,400 checks;

•of these, 11 resulted in Fire Safety Audits;

•197 of them have been found to have some level of cladding but none have ACM cladding.

NARRATIVE REPORT

Economic Outlook

Following on from the referendum result for the UK to leave the EU and impact of negotiations around Brexit, we are currently in a period of economic uncertainty which brings the potential for further periods of austerity for the UK as a whole. Given that the Authority has accepted the government offer of a four year settlement covering 2016-17 through 2019-20 the risk to levels of government funding is considered low, although if inflation increases greater efficiencies will be required. There is upside potential to investment values and yields following the decision by the Bank of England to increase interest rates by 0.25% to 0.50% in November 2017, resulting in an potential increase to investment income in 2018-19 and beyond. At the time of writing, the investment portfolio of the Authority is not considered to be impaired and therefore no amendments have been made to the balance sheet since approved for publication by the Treasurer.

Conclusion on performance for the year

We continue to have to respond to the squeeze on public sector spending, and the Authority has no choice but to seek efficiencies within the Service to reduce costs, whilst maintaining the quality of the services that we provide to the community which we serve. For 2017-18 the Authority has been able to not only deliver the targeted savings required to set a balanced budget, but also to deliver income in exccess of target which has been transferred to Earmarked Reserves to fund future change activity.

I would like to take this opportunity to place on record my own thanks to members and officers of the Authority who have played their part in securing the financial health of the Authority during 2017-18.

Amy Webb
Director of Finance (Treasurer)

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

Responsibilities of the Authority

The Authority is required to:

· Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. For the Fire Authority, that Officer is the Treasurer.

· Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
· Approve the Statement of Accounts

Responsibilities of the Treasurer

The Treasurer is responsible for the preparation of the Authority's Statement of Acccounts 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 2018.

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

STATEMENT OF ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the Service transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the 2015 Act.

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

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

Charges to Revenue

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

Basis of Provision for the Redemption of Debt and External interest

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

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

Accruals of Income and Expenditure

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

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

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

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

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

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

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

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

The basis on which debtors and creditors at 31 March 2018 are included in the Accounts is as follows:

Creditors are accrued on expenditure to cover goods and services received but not paid for by 31 March 2018. Debtors are accrued on income to cover goods and services provided before 31 March 2018 but for which no payment has been received.

STATEMENT OF ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

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

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

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

depreciation attributable to the assets used by the relevant service

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

amortisation of intangible fixed assets attributable to the service.

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

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Statement of Movement in Reserves so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Benefits are charged on an accruals basis to the Cost of Service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

STATEMENT OF ACCOUNTING POLICIES

Post Employment Benefits

The treatment of pension costs in these accounts complies with the Code of Practice on Local Authority Accounting for 2017/18, which requires adoption of IAS19 Employee Benefits.

The Authority participates in five different pension schemes to meet the needs of the employees. Each scheme provides members with defined benefits related to pay and service. Each of these schemes is administered by Peninsula Pension Services under a Service Level Agreement.

(a) Uniformed Staff

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

(b) Civilian Staff

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Scheme through the Pension Fund, which is administered by Devon County Council. The employer's contribution rate for those employees in the scheme is based on advice from the Fund's Actuary who carries out regular actuarial valuations. The last valuation was undertaken in March 2016.

Pensions Reserve and Impact on Council Tax

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

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

Financial Instruments

Financial Liabilities

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

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

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.

STATEMENT OF ACCOUNTING POLICIES

Any gains and losses that arise on the de-recognition of an 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 2018 the Authority had two significant Capital contract 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.

<u>The Authority as Lessee</u>
<u>Finance Leases</u>

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.

<u>Operating Leases</u>

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).
Further information in respect of leasing obligations is included in the notes to the core financial statements (Note 26).

Overheads Support Services Costs

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

STATEMENT OF ACCOUNTING POLICIES

Property, plant and equipment

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

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

Intangible Assets
There are no intangible assets recognised by the Authority.

Tangible Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Expenditure below £5,000 on plant and equipment is treated as de-minimis, it is not capitalised and accordingly is charged to the revenue account in the year it is incurred.

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

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

All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
Under IFRS 13 Fair Value Measurement, non-cash and non-operational current assets are required to be valued at Market Value. The Authority does not hold any of this type of asset.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end. A full revaluation was undertaken as at the 31 March 2018. 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 for except specialist vehicles (e.g. Aerial Platforms) which have longer useful lives dependent on the specifics of the vehicle
Vehicles, plant and furniture and equipment – useful economic life assessed to range from 5-7 years.
Intangible assets are to be amortised over 7 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately (see componentisation note below).
Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

STATEMENT OF ACCOUNTING POLICIES

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

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.
As the Authority is deemed to control part of the services that are provided (25%) under the PFI scheme, and as part ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment.
The original recognition of these assets at fair value is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- 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.

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

Two such Provisions exist as at 31 March 2018; (Note 18)
Firefighter Employers pensions liability
The provision for Pension liabilities is £0.754m which reflect legislative changes which may have the impact of increasing employers pension contributions.

Non Domestic Rates Appeals provision

A number of appeals have been made to billing authorities against the rateable value of Non Domestic Properties. The Fire Authority is required to account for its share of the provision for successful appeals, amounting to £412k in 2017-18.

Reserves

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

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

Details of all reserve balances as at 31 March 2018 are included with note 19 to these accounts.

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 March 2018

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

	NOTE	**Gross Expenditure 2017/18 £000**	**Gross Income 2017/18 £000**	**Net Expenditure 2017/18 £000**	Gross Expenditure 2016/17 £000	Gross Income 2016/17 £000	Net Expenditure 2016/17 £000
Fire & Rescue Service		88,493	(5,772)	82,720	82,617	(5,418)	**77,199**
Cost of Services		**88,493**	**(5,772)**	**82,720**	**82,617**	**(5,418)**	**77,199**
Financing and Investment Income and Expenditure	9	22,938	(186)	22,752	24,700	(205)	24,495
Other Operating Expenditure / (Income)	8		(9,606)	(9,606)		(11,087)	(11,087)
Taxation and Non Specific Grant Income	10		(71,677)	(71,677)		(73,536)	(73,536)
(Surplus) or deficit on provision of services				**24,189**			**17,071**
(Surplus)/Deficit on Revaluation of Non Current Assets	11 & 19			(4,435)			(7,928)
Impairment losses on non-current assets charged to the revaluation reserve	11 & 19			-			492
Acturial (gains) or losses on Pension assets and liabilities	19			(95,785)			132,552
Other comprehensive income and expenditure				**(100,220)**			**125,116**
Total Comprehensive Income and Expenditure				**(76,032)**			**142,187**

BALANCE SHEET AS AT 31 March 2018

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 second category of reserves comprises those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	NOTE	**31 March 2018 £000**	31 March 2017 £000
Non-Current assets			
Property, plant and equipment	11	**110,705**	111,948
Trade and other receivables	15	**807**	975
Total Long-Term assets		**111,511**	112,923
Current assets			
Inventories	14	**266**	239
Trade and other receivables	15	**8,035**	8,216
Short-term Investments (exceeding 3mths)	12	**23,007**	19,300
Cash and cash equivalents	16	**14,446**	15,365
Total current assets		**45,754**	43,120
Total assets		**157,265**	156,043
Current liabilities			
Trade and other payables	17	**(7,175)**	(6,191)
Borrowings	12	**(614)**	(169)
Provisions	18	**(713)**	(695)
Total current liabilities		**(8,502)**	(7,055)
Net current assets		**37,252**	36,064
Total assets less current liabilities		**148,763**	148,987
Non-current liabilities			
Borrowings	12	**(26,839)**	(27,021)
Pensions Liability	29	**(733,309)**	(809,183)
Provisions	18	**(454)**	(654)
Total non current liabilities		**(760,602)**	(836,858)
Total liabilities		**(769,104)**	(843,913)
Net assets employed		**(611,839)**	(687,870)
Unusable Reserves			
Revaluation reserve	19	**(29,461)**	(30,054)
Capital Adjustment Account	19	**(54,319)**	(54,799)
Pensions Reserve	19	**733,309**	809,183
Council Tax + Business Rates Adjustment Accounts	19	**(348)**	(1,266)
Accumulated Absence Account	19	**723**	962
PFI - Equalisation Fund	19	**(807)**	(831)
		649,097	723,194
Usable Reserves			
General fund balance	19	**(5,315)**	(5,319)
Earmarked reserves	19	**(31,944)**	(29,985)
Capital Grants Unapplied		**-**	(21)
		(37,259)	**(35,324)**
Total Reserves		**611,839**	**687,870**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 March 2018

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	**2017/18 £000**	2016/17 £000
Cash flows from operating activities			
Net deficit on provision of services		**(24,189)**	(17,071)
Adjustments to deficit relating to non cash movements			
Depreciation and Impairment	11	**7,581**	6,249
Pension Liability	19	**19,911**	18,569
(Increase)/decrease in inventories	14	**(27)**	14
(Increase)/decrease in debtors	15	**349**	2,527
Increase/(decrease) in creditors	17	**984**	126
Increase/(decrease) in provisions	18	**(183)**	(318)
Other non cash movement	13.4	**1,734**	41
Net cash inflow/(outflow) from operating activities		**6,161**	**10,136**
Adjustments to deficit relating to items that relate to investing and financing activities			
Net cash inflow/(outflow) from operating activities		**6,161**	10,136
Net cash inflow/(outflow) from investing activities	13.2	**(6,957)**	(5,946)
Cash outflow from financing activities	13.3	**(122)**	(162)
Net increase/(decrease) in cash and cash equivalents	16	**(918)**	4,028
Cash/cash equivalents (and bank overdrafts) at the beginning of the financial year	16	15,365	11,338
Cash/cash equivalents (and bank overdrafts) at the end of the financial year	16	**14,446**	**15,365**

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

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

	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 2017		**35,303**	**-**	**21**	**35,324**	**(723,194)**	**(687,870)**
Movement in reserves during 2017/18							
Cost of Service	CIES	(24,189)			(24,189)		(24,189)
Other Comprehensive Income and Expenditure		-			-	100,220	100,220
Total Comprehensive Income and Expenditure		(24,189)	-	-	(24,189)	100,220	76,032
Adjustments between accounting basis and funding basis under regulations							
PFI Adjustment	19.2	24			24	(24)	-
Adjustments involving the Capital Adjustment Account							-
Reversal of items in the C.I.E.S.							-
Depreciation,impairment & revaluation losses	11	7,899			7,899	(7,899)	-
Reversal of Impairments	11	(318)			(318)	318	-
Net gain or loss on sale of non-current assets	8	985	-		985	(985)	-
Insertion of items not in the C.I.E.S.							-
Minimum Revenue Provision	19.2	(2,131)			(2,131)	2,131	-
Capital expenditure funded direct from revenue	19.2	(906)			(906)	906	-
Adjustments involving the Pensions Reserve							-
Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account	19.2	29,014			29,014	(29,014)	-
Employers pension contributions and direct payments to pensioners	19.2	(9,103)			(9,103)	9,103	-
Adjustments involving the Collection Fund Adjustment Account							-
Amount by which council tax and business rates income credited to the CIES is different from the council tax calculated by statutory regulations	19.2	918			918	(918)	-
Adjustments involving the Accumulated Absence Account							-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration charged in accordance with statutory requirements	19.2	(239)			(239)	239	-
Adjustments to Capital Resources							-
Application of capital grants to finance capital				(21)	(21)	21	-
							-
Total Adjustments between accounting basis and funding basis under regulations		26,144	-	(21)	26,123	(26,123)	-
Increase/Decrease in year		**1,955**	-	**(21)**	**1,934**	**74,098**	**76,032**
Balance carried forward as at 31 March 2018		**37,258**	-	**-**	**37,258**	**(649,097)**	**(611,839)**

STATEMENT OF MOVEMENT IN RESERVES FOR THE YEAR ENDED 31 March 2017

	Note	Total General fund balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£000			£000	£000	£000
Balance carried forward as at 31 March 2016		**29,812**	**-**	**-**	**29,812**	**(575,495)**	**(545,683)**
Movement in reserves during 2016/17							
Cost of Service	CIES	(17,071)			(17,071)		(17,071)
Other Comprehensive Income and Expenditure		-			-	(125,116)	(125,116)
Total Comprehensive Income and Expenditure		(17,071)	-	-	(17,071)	(125,116)	(142,187)
Adjustments between accounting basis and funding basis under regulations							
PFI Adjustment	21.2	12			12	(12)	-
Adjustments involving the Capital Adjustment Account							-
Reversal of items in the C.I.E.S.							-
Depreciation,impairment & revaluation losses	13	6,416			6,416	(6,416)	-
Reversal of Impairments	13	(167)			(167)	167	-
Net gain or loss on sale of non-current assets	10	147	14		161	(161)	-
Insertion of items not in the C.I.E.S.							-
Minimum Revenue Provision	21.2	(2,155)			(2,155)	2,155	-
Capital expenditure funded direct from revenue	21.2	(759)			(759)	759	-
Adjustments involving the Pensions Reserve							-
Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account	21.2	27,858			27,858	(27,858)	-
Employers pension contributions and direct payments to pensioners	21.2	(9,289)			(9,289)	9,289	-
Adjustments involving the Collection Fund Adjustment Account							-
Amount by which council tax and business rates income credited to the CIES is different from the council tax calculated by statutory regulations	21.2	461			461	(461)	-
Adjustments involving the Accumulated Absence Account							-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration charged in accordance with statutory requirements	21.2	60			60	(60)	-
Adjustments to Capital Resources							-
Application of capital grants to finance capital				-	-	-	-
							-
Total Adjustments between accounting basis and funding basis under regulations		22,563	-	21	22,584	(22,584)	-
Increase/Decrease in year		**5,492**	-	**21**	**5,512**	**(147,700)**	**(142,187)**
Balance carried forward as at 31 March 2017		**35,303**	-	**21**	**35,324**	**(723,194)**	**(687,870)**

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

2017/18

	Net Expenditure Chargable to the General Fund (Note 1.2)	**Adjustments between Funding and Accounting Basis (Note 1.2)**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
	£000	£000	£000
Fire & Rescue Service	49,082	33,638	82,720
Net cost of services	**49,082**	**33,638**	**82,720**
Other income and expenditure	(51,038)	(7,493)	(58,532)
(Surplus) or Deficit	**(1,956)**	**26,144**	**24,189**

Opening General Fund	35,304
Plus Surplus on General Fund balance in year	1,956
Closing General Fund balance at 31 March	37,259

2016/17

	Net Expenditure Chargable to the General Fund	**Adjustments between Funding and Accounting Basis (Note 1.2)**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
	£000	£000	£000
Fire & Rescue Service	45,780	31,419	77,199
Net cost of services	**45,780**	**31,419**	**77,199**
Other income and expenditure	(51,273)	(8,855)	(60,128)
(Surplus) or Deficit	**(5,492)**	**22,563**	**17,069**

Opening General Fund	29,812
Plus Surplus on General Fund balance in year	5,492
Closing General Fund balance at 31 March	35,304

1.2 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2017/18	Depreciation charged to the General Fund	Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustment Between funding and Accounting Basis
	£000	£000	£000	£000	**£000**
Fire & Rescue Service	7,899	(3,037)	29,014	(239)	33,638
Net Cost of Services	7,899	(3,037)	29,014	(239)	**33,638**
Other income and expenditure		667	(9,103)	942	(7,493)
Total	**7,899**	**(2,370)**	**19,911**	**704**	**26,144**

2016/17	Depreciation charged to the General Fund	Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustment Between funding and Accounting Basis
	£000	£000	£000	£000	**£000**
Fire & Rescue Service	6,416	(2,915)	27,858	60	31,419
Net Cost of Services	6,416	(2,915)	27,858	60	**31,419**
Other income and expenditure		(27)	(9,289)	461	(8,855)
Total	**6,416**	**(2,941)**	**18,569**	**521**	**22,563**

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 2017/18. 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. This note replaces our previous note "Amounts Reported for Resource Allocation Decisions".

	2017/18			2016/17		
	£000	£000	£000	£000	£000	£000
Amounts as reported to management						
Employees	55,533			54,602		
Premises	3,859			3,502		
Transport	3,462			3,105		
Supplies & Services	5,590			5,052		
Establishment Costs	687			566		
External Support Costs	886			883		
Capital and Lease Financing Costs	4,266			4,383		
Gross Expenditure		74,282			72,093	
Gross Income		(5,540)			(5,027)	
Contributions to or (from) reserves		3,531			4,718	
Net Expenditure		72,273			71,784	
Government Grant and Council Tax Income (budget for the year)		(72,596)			(73,977)	
Net surplus - to be transferred to reserves		**(322)**			**(2,193)**	
Contributions to reserves		(3,531)			(4,718)	
Transfers between Usable Reserves		(103)			(237)	
Spending from Earmarked Reserves		2,000			1,655	
Net movement in Earmarked Reserves			**(1,956)**			**(5,493)**
Amounts in the CIES not reported to management						
Depreciation and impairment	7,581			6,249		
Net charges made for retirement benefits	29,014			27,858		
Surplus of PFI Equalisation Fund	24			12		
Employee Absence Accrual	(239)			60		
Deficit/(Surplus) on Council Tax and NNDR Collection Fund	918			461		
Net (Gain) or Loss on Sale of non-current Assets	985			147		
Capital Grants in year	-			(21)		
		38,284			34,766	
Amounts in management information not included in the Cost of Services in the CIES						
Minimum Revenue Provision	(2,131)			(2,155)		
Direct Revenue funding to Capital	(906)			(759)		
Employers Contributions to Pensions	(9,103)			(9,289)		
		(12,140)			(12,203)	
Total Adjustment Between funding and Accounting Basis			**26,144**			**22,563**
(Surplus) or deficit on provision of services			**24,189**			**17,070**

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 2013/14 (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 ie there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services:

- **Financial Instruments, classification of Financial Assets (IFRS 9)**
- **Commercialisation Agenda and Revenue from Contracts (IFRS 15)**

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Whilst there is a better degree of certainty in the medium term regarding levels of government funding for the Fire Sector following the offer of a four year grant settlement at the 2017/18 budget announcement, risks remain regarding the levels of local funding achievable via the Council Tax Precept and Business Rates retention scheme as well as longer term grant funding. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Under a joint PFI venture, Gloucestershire County Council, Avon Fire & Rescue Service and Devon & Somerset Fire & Rescue Service receive a significant element of their training from Babcock International Group PLC, a Ltd company contracted to provide the training until 31 March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates under the PFI contract. As such, the Authority is deemed to part control the training services provided under the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the authority's share of the training centre is recognised as Property, Plant and Equipment on the Authority's Balance Sheet.
Red One Ltd has not been consolidated due to materiality as agreed by Audit, Performance and Review Committee in January 2018.

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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Property, Plant and Equipment	Assets are revalued on the basis of Direct Replacement cost which is dependant on assumptions about the building industry, for which there is a level of uncertainty.	If Direct Replacement Cost differs significantly, revaluations will increase or decrease, resulting in a change to the carrying value of the asset.
Pensions Liabilities	Assets and Liabilities of the Local Government Pension Scheme (LGPS) have been assessed based on values at the 31st March 2018 by actuarial valuation. For 2017/18, we used data from 12 months valuations.	As we have used a full year's valaution, restatement won't be required.
Provisions	The Authority has made a provision of £0.4m for successful NNDR appeals which is based on information received from billing Authorities.	An accounting adjustment will be required to the Provision on the balance sheet.
Provisions	The Authority has made a provision of £0.7m for firefighters pension contributions on the assumption that a legal obligation will result from case law. Legislation is yet to be finalised.	Reliance will have to be placed on reserves if the actual figures are greater than estimated.

NOTES TO THE CORE FINANCIAL STATEMENTS

5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

6 EVENTS AFTER THE BALANCE SHEET DATE

The draft Statement of Accounts was authorised for issue by Treasurer on the 24 May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This Movement In Reserves Statement details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

8 OTHER OPERATING INCOME AND EXPENDITURE

	2017/18	2016/17
	£000	£000
(Gains)/losses on the disposal of non-current assets	985	147
Communities for Local Government Firefighters Pension Top-Up Grant	(10,591)	(11,234)
	(9,606)	(11,087)

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2017/18	2016/17
	£000	£000
Interest on Loans	1,290	1,293
Investment income	(186)	(205)
Pensions Interest and administration Cost	21,648	23,407
	22,752	24,495

10 TAXATION AND NON SPECIFIC GRANT INCOMES

	2017/18	2016/17
	£000	£000
Council tax income	(48,880)	(47,171)
Non domestic rates	(13,790)	(14,050)
Non-ring-fenced government grants	(9,007)	(12,294)
Capital grants and contributions	0	(21)
	(71,677)	(73,536)

NOTES TO THE CORE FINANCIAL STATEMENTS

11. PROPERTY PLANT AND EQUIPMENT

2017/18	Land	Buildings excluding dwellings	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2017	18,376	79,289	4,646	22,468	124,779
Additions purchased	-	1,772	446	671	2,889
Additions donated	-	-	-	-	-
Additions government granted	-	-	-	-	-
Reclassifications	-	-	268	(268)	-
Derecognition - disposals	-	-	(2,996)	(824)	(3,820)
Reversal of impairments	-	318	-	-	318
Impairments	-	-	-	-	-
Revaluation Increase/(decrease):					
- to Revaluation Reserve	2	(682)	-	-	(680)
- to Surplus/Deficit on the provision of services	-	(1,108)	-	-	(1,108)
At 31 March 2018	**18,378**	**79,589**	**2,364**	**22,047**	**122,378**
Depreciation at 1 April 2017	-	(747)	(2,562)	(9,522)	(12,831)
Reclassifications	-	-	(134)	134	-
Reclassified as held for sale	-	-	-	-	-
Derecognition - disposals	-	-	2,262	572	2,834
Revaluation removals	-	5,114	-	-	5,114
Impairments	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-
Charged during the year	-	(4,371)	(558)	(1,862)	(6,791)
Depreciation at 31 March 2018	**-**	**(4)**	**(992)**	**(10,678)**	**(11,674)**
Net book value					
As at 31 March 2017	18,376	78,542	2,084	12,946	111,948
As at 31 March 2018	18,378	79,585	1,372	11,369	110,704
Asset financing					
Owned	18,378	78,524	1,372	11,369	109,643
Finance Leased	-	-	-	-	-
Private finance initiative	-	-	-	-	-
PFI residual interests	-	1,061	-	-	1,061
Total 31 March 2018	**18,378**	**79,585**	**1,372**	**11,369**	**110,704**

SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2018 the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2018/19 and future years budgeted to cost £1.9m. There were similar commitments at 31 March 2017 of £1.0m. Of these contracts there are two of significant value, being £0.5m committed to vehicle washing works and £1.3m to Rapid Intervention Vehicles.

NOTES TO THE CORE FINANCIAL STATEMENTS

11.1 PROPERTY PLANT AND EQUIPMENT VALUATIONS

2017/18	Land	Buildings excluding dwellings	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000
Valued at Historical Cost	-	-	2,364	22,047	24,411
Valued at Current Value in:	-	-	-	-	
2017/18	18,378	79,589	-	-	97,967
2016/17	-	-	-	-	-
2015/16	-	-	-	-	-
2014/15	-	-	-	-	-
2013/14	-	-	-	-	-
Total	**18,378**	**79,589**	**2,364**	**22,047**	**122,378**

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

2016/17	Land	Buildings excluding dwellings	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2016	18,361	75,534	3,967	21,624	119,486
Additions purchased	-	453	679	1,634	2,766
Additions donated	-	-	-	-	-
Additions government granted	-	-	-	-	-
Reclassifications	-	-	-	-	-
Derecognition - disposals	-	-	-	(790)	(790)
Revaluation gains	14	3,726	-	-	3,740
Revaluation removals	-	(99)	-	-	(99)
Impairments	-	(164)	-	-	(164)
Downward revaluations	-	(491)	-	-	(491)
Reversal of Impairments	1	330	-	-	331
At 31 March 2017	**18,376**	**79,289**	**4,646**	**22,468**	**124,779**
Depreciation at 1 April 2016	-	(843)	(2,122)	(8,365)	(11,330)
Reclassifications	-	-	-	-	-
Reclassified as held for sale	-	-	-	-	-
Derecognition - disposals	-	-	-	628	628
Revaluation removals	-	4,287	-	-	4,287
Impairments	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-
Charged during the year	-	(4,191)	(440)	(1,785)	(6,416)
Depreciation at 31 March 2017	**-**	**(747)**	**(2,562)**	**(9,522)**	**(12,831)**
Net book value					
As at 31 March 2016	18,361	74,691	1,845	13,259	108,156
As at 31 March 2017	18,376	78,542	2,084	12,946	111,948
Asset financing					
Owned	**18,376**	**77,497**	**2,084**	**12,946**	**110,903**
Finance Leased	**-**	**-**	**-**	**-**	**-**
Private finance initiative	**-**	**-**	**-**	**-**	**-**
PFI residual interests	**-**	**1,045**	**-**	**-**	**1,045**
Total 31 March 2017	**18,376**	**78,542**	**2,084**	**12,946**	**111,948**

NOTES TO THE CORE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS

12.1 BALANCE SHEET FINANCIAL INSTRUMENTS

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

	Long-Term			Current	
	£000	£000		**£000**	£000
	31 March 2018	**31 March 2017**		**31 March 2018**	**31 March 2017**
Financial Liabilities					
Borrowings at amortised cost (PWLB)	(25,631)	(25,722)		(524)	(93)
Private Finance Initiative	(1,209)	(1,299)		(90)	(75)
Finance Lease	-	-		-	-
Commercial Bank	-	-		-	-
Creditors	-	-	*	(5,650)	(4,361)
	(26,839)	(27,021)		**(6,265)**	(4,530)
*Excludes following amounts which are not classed as financial instruments					
Income in advance				**(118)**	(118)
Non contractual creditors e.g. council tax				**(684)**	(751)
Accumulated absence accrual				**(723)**	(962)
Amount shown as short-term creditors in balance sheet				**(7,175)**	(6,191)
Financial Assets					
Cash at Bank	**-**	-		**146**	3
Investments (Cash equivalents)	**-**	-		**14,300**	15,362
Investments (exceeding 3 mths.)	**-**	-		**23,007**	19,300
Debtors	**807**	975	**	**6,086**	6,180
	807	975		**43,538**	**40,844**
**Excludes following amounts which are not classed as financial instruments					
Non contractual debtors e.g. council tax				**930**	1,017
Payments in advance				**1,019**	1,019
Amount shown as current trade & other receivables in balance sheet				**8,035**	8,216

12.2 INCOME AND EXPENDITURE FINANCIAL INSTRUMENTS

The gains and losses recognised in the Comprehensive Income and Expenditure Account are made up as follows:

	Financial Liabilities		Financial Assets		Total	
	£000	£000	**£000**	£000	**£000**	£000
	31 March 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**	**31 March 2018**	**31 March 2017**
Interest Expense	**(1,290)**	(1,293)			**(1,290)**	(1,293)
Interest payable and similar charges	**(1,290)**	(1,293)	**-**	-	**(1,290)**	(1,293)
Interest Income		-	**186**	205	**186**	205
Interest and Investment Income	**-**	-	**186**	205	**186**	205
Net Gain/(loss) for the year	**(1,290)**	(1,293)	**186**	205	**(1,104)**	(1,088)

NOTES TO THE CORE FINANCIAL STATEMENTS

12.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:-
For loans from the PWLB, new loan rates have been applied to provide the fair value under PWLB debt redemption procedures.
For investments the principal amount is taken as fair value.
No early repayment or impairment is recognised.
Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
The fair value of trade and other receivables is taken to be the invoiced or billed amount.
The fair values are calculated as follows:

FINANCIAL LIABILITIES	Carrying Amount		Fair Values	
	£000	£000	£000	£000
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Total Debt				
- PWLB	(26,155)	(25,815)	(35,210)	(35,224)
- Other Credit Arrangements	(1,299)	(1,375)	(1,299)	(1,375)
- Commercial Overdraft	-	-	-	-
Trade and other creditors	(5,650)	(4,361)	(5,650)	(4,361)
Total Liabilities	(33,104)	(31,550)	(42,159)	(40,959)

FINANCIAL ASSETS	Carrying Amount		Fair Values	
	£000	£000	£000	£000
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Financial assets				
Total Investments	37,307	34,662	37,322	34,734
Cash and Bank	146	3	146	3
Trade and other debtors	6,892	7,155	6,892	7,155
Total Financial assets	44,345	41,819	44,360	41,892

Fair Values are calculated using Level 2 inputs (PWLB certainty rate), being inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The PWLB certainty rate (20 base points below the PWLB new loan rates as at 31/03/2018) is applicable to all Local Authorities, though some may not apply if they do not need funds. The certainty rate is therefore used as a benchmark rate across what Local Authorities would borrow at if they needed to.

13 CASH FLOW STATEMENT NOTES

13.1 OPERATING ACTIVITIES

The cash flows for operating activities include the following items;

	2017/18	2016/17
	£000	£000
Interest Received	186	205
Interest Paid	(1,290)	(1,293)
Total	(1,104)	(1,088)

13.2 INVESTMENT ACTIVITIES

	2017/18	2016/17
	£000	£000
Payments for property, plant and equipment	(3,250)	(2,667)
Sale of investments	-	-
Increase in Short-Term Deposits	(3,707)	(3,300)
Capital Grant Received	-	21
Net Cash Flows from investing activities	(6,957)	(5,946)

13.3 FINANCING ACTIVITIES

	2017/18	2016/17
	£000	£000
Loans Repaid	(47)	(93)
Loan Capital Repayments of PFI and finance leases	(75)	(69)
Net Cash Flows from investing activities	(122)	(162)

13.4 OTHER NON CASH MOVEMENT

	2017/18	2016/17
	£000	£000
(Gains)/losses on the disposal of non-current assets	985	147
PWLB Interest due, paid in new year	524	(125)
Other Adjustments	224	20
Net Other non cash movement	1,734	41

NOTES TO THE CORE FINANCIAL STATEMENTS

14 INVENTORIES

	31 March 2018 £000	31 March 2017 £000
Uniforms and Protective Clothing	**97**	86
Vehicle Spares Stocks	**94**	86
Equipment Stocks	**75**	67
Total	**266**	239

15 DEBTORS

15.1 Trade and other receivables

	Current		Non-current	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Current Assets				
Central Government Departments	**3,750**	3,501	**-**	-
Other Local Authorities	**2,420**	2,761	**807**	831
NHS bodies	**-**	130	**-**	-
Other	**1,920**	1,829	**-**	144
Provision for the impairment of receivables	**(55)**	(5)	**-**	-
Total	**8,035**	8,216	**807**	975

15.2 Receivables past their due date but not impaired

	31 March 2018 £000	31 March 2017 £000
By up to three months	**15**	421
By three to six months	**2**	2
By more than six months	**422**	-
Total	**439**	423

15.3 Provision for impairment of receivables

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	(5)	(5)
(Increase)/decrease in receivables impaired	(50)	-
Balance at 31 March	**(55)**	(5)

16 CASH AND CASH EQUIVALENTS

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	**15,365**	11,338
Net change in year	**(919)**	4,027
Balance at 31 March	**14,446**	15,365
Made up of		
Commercial banks and cash in hand	**146**	3
Current investments (less than 3 Months to maturity)	**14,300**	15,362
Cash and cash equivalents as in statement of financial position	**14,446**	15,365
Bank Balance - Commercial banks	**-**	-
Cash and cash equivalents as cash flow statement	**14,446**	15,365

NOTES TO THE CORE FINANCIAL STATEMENTS

17 CREDITORS

	Current		Non-current	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
	£000	£000	**£000**	£000
Current Liabilities				
Central Government Departments	**(696)**	(1,141)	**-**	-
Other Local Authorities	**(1,944)**	(1,326)	**-**	-
NHS bodies	**-**	(1)	**-**	-
Other entities and individuals	**(3,813)**	(2,761)	**-**	-
Accum absence	**(723)**	(962)	**-**	-
Defined Benefit Pension Schemes	**-**	-	**(733,309)**	(809,183)
Total	**(7,175)**	(6,191)	**(733,309)**	(809,183)

18 PROVISIONS

	Current		Non-current	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
	£000	£000	**£000**	£000
Firefighter Employer Pension Contribution	**(713)**	(695)	**(42)**	(60)
NDR Appeals Provision	**-**	-	**(412)**	(299)
PFI Equalisation	**-**	-	**-**	(295)
Total	**(713)**	(695)	**(454)**	(654)

	Firefighter Employer Pension Contribution	**PFI Equalisation**	**NDR Appeals**	**Total**
	£000	**£000**	**£000**	**£000**
At 1 April 2016	694	295	679	**1,668**
Arising during the year	64	-	-	**64**
Used during the year	(2)	-	-	**(2)**
Reversed unused	-	-	(380)	**(380)**
Unwinding of discount	-	-	-	**-**
At 31 March 2017	755	295	299	**1,350**
At 1 April 2017	755	295	299	**1,350**
Arising during the year	19	-	-	**19**
Used during the year	(20)	(295)	-	**(315)**
Reversed unused	-	-	113	**113**
At 31 March 2018	754	-	412	**1,167**
Expected timing of cash flows:				
Between 1 April 2018 & 31 March 2019	713	-	-	**713**
Thereafter	42	-	412	**454**

NOTES TO THE CORE FINANCIAL STATEMENTS

19 USABLE AND UNUSABLE RESERVES

19.1 USABLE RESERVES

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

Earmarked Reserves

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

The table below also shows the amounts posted back (transfers out) from earmarked reserves to meet the specific expenditure which is included within the CIES in 2017/18.

2017/18

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

2016/17

Earmarked reserve	Balance 1 April	Transfers In	Transfers Out	Balance 31 March
	£000	£000	£000	£000
Investment in Community Safety	173	-	(84)	89
Mobilisation ICT Equipment	46	-	(9)	37
Home Safety Visits	100	281	-	381
Uniform replacement	996	-	(455)	542
Station Improvements	297	-	(61)	236
Grants Unapplied	950	854	(275)	1,528
Change and improvement	1,112	475	(693)	894
CSR strategy reserve	4,957	-	-	4,957
Commercial Services	191	-	(19)	172
Support for Capital Programme	12,912	3,679	(14)	16,577
Telephone System Replacement	215	-	-	215
Specialist Rescue Level 4 Boat Training	33	-	(33)	-
Pensions Reserve	1,525	-	-	1,525
Thermal Imaging Cameras	19	-	(19)	-
NNDR Smoothing Reserve	612	30	-	642
National Procurement Project	372	-	27	399
Firefighter fitness	15	-	(15)	-
Aide Memoire for appliances	5	-	(5)	-
ICT Network Enhancements	-	50	-	50
Estates Revenue Projects	-	160	-	160
Performance Management System Replacement	-	230	-	230
Risk Critical Operational Equipment	-	38	-	38
Firefighter fitness monitoring & support	-	176	(1)	175
Operational Safety - new training model	-	404	-	404
Emergency Services Mobile Communications Project	-	688	-	688
SHQ Canteen remodel	-	49	-	49
Total Earmarked Reserves	**24,529**	**7,111**	**(1,655)**	**29,985**
General Fund (non Earmarked) Balance	5,282	37	-	5,319
Total General Fund	**29,811**	**7,148**	**(1,655)**	**35,304**

NOTES TO THE CORE FINANCIAL STATEMENTS

19.2 UNUSABLE RESERVES

	31 March 2018 £000	31 March 2017 £000
Revaluation Reserve	**(29,461)**	(30,054)
Capital Adjustment Account	**(54,319)**	(54,799)
Pensions Reserve	**733,309**	809,183
Collection Fund Adjustment Account	**(981)**	(1,161)
NNDR Adjustment Account	**633**	(105)
Accumulated Absences Account	**723**	962
PFI Equalisation Fund	**(807)**	(831)
Total	**649,098**	723,195

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the

	2017/18 £000	2016/17 £000
Balance at 1 April	**(54,799)**	(54,094)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
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	**3,819**	790
Revaluation losses on property, plant and equipment	**1,107**	
Charges for depreciation and impairment of non-current assets	**6,474**	6,249
	11,400	7,039
Minimum Revenue Provision	**(2,131)**	(2,155)
Capital Expenditure charged against the Revenue Account	**(906)**	(759)
Capital Receipts Reserve	**-**	(14)
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	**(21)**	
Adjusting amounts written out of the Revaluation Reserve	**(1,615)**	(1,515)
Depreciation written down in-year	**(6,247)**	(3,301)
Balance at 31 March	**(54,319)**	(54,799)

NOTES TO THE CORE FINANCIAL STATEMENTS

Revaluation Reserve

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

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

	2017/18 £000	2016/17 £000
Balance at 1 April	**(30,054)**	(26,805)
Upward Revaluation of assets	**(5,430)**	(5,256)
Downward revaluations	**4,408**	492
Difference between fair value depreciation and historical cost depreciation	**1,615**	1,515
Balance at 31 March	**(29,461)**	(30,054)

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.

	2017/18 £000	2016/17 £000
Balance at 1 April	**809,183**	658,061
Remeasurements of the net defined liability/ (asset)	**(95,785)**	132,552
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of services	**29,014**	27,858
Employer's pensions contributions and direct payments to pensioners payable in the year	**(9,103)**	(9,289)
Balance at 31 March	**733,309**	809,183

Collection Fund Adjustment Account

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

	2017/18 £000	2016/17 £000
Balance at 1 April	**(1,161)**	(1,280)
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	**181**	119
Balance at 31 March	**(981)**	(1,161)

NOTES TO THE CORE FINANCIAL STATEMENTS

National Non Domestic Rates (NNDR) Adjustment Account

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

	2017/18	2016/17
	£000	£000
Balance at 1 April	**(105)**	(447)
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	**738**	342
Balance at 31 March	**633**	(105)

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.

	2017/18	2016/17
	£000	£000
Balance at 1 April	**962**	902
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	(239)	60
Balance at 31 March	**723**	962

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 2018 a surplus of £0.807m (£0.831m as at 31 March 2017) was attributable to Devon and Somerset FRA and this has been included as a PFI debtor against Gloucestershire County Council.

	2017/18	2016/17
	£000	£000
Balance at 1 April	**(831)**	(843)
PFI Surplus for the year	**24**	12
Balance at 31 March	**(807)**	(831)

NOTES TO THE CORE FINANCIAL STATEMENTS

20 MEMBERS ALLOWANCES

It is a requirement that after the end of the year to which a scheme relates, an Authority shall make arrangements for the publication of the total sum paid by it in the year under the scheme to each recipient in respect of basic allowance and special responsibility allowance. Details of such payments in 2016/17 are shown in the following table which shows all serving members during 2015/16 and 2016/17.

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

	Basic and Special Responsibility Allowance	Travel and Subsistence	2017/18	2016/17
	£	£	£	£
Kevin Ball	**395**	**-**	**395**	**2,619**
Michael Best	**2,245**	**-**	**2,245**	**-**
Frank Biederman	**2,238**	**454**	**2,691**	**-**
Ann Bown	**6,565**	**634**	**7,199**	**7,807**
Peter Burridge-Clayton	**2,626**	**1,049**	**3,675**	**3,268**
Caroline Chugg	**2,626**	**980**	**3,606**	**3,253**
Simon Coles	**4,924**	**1,582**	**6,506**	**3,202**
Polly Colthorpe	**2,626**	**-**	**2,626**	**2,600**
William Dyke	**688**	**409**	**1,097**	**8,210**
Andrew Eastman	**3,500**	**646**	**4,147**	**6,210**
Michael Edmunds	**275**	**62**	**337**	**3,380**
Victor Ellery	**2,626**	**604**	**3,230**	**2,681**
Brian Greenslade	**3,921**	**1,370**	**5,291**	**10,742**
Robert Hannaford	**2,238**	**-**	**2,238**	**-**
Mark Healey	**16,546**	**3,240**	**19,786**	**27,651**
Neil Hendy	**2,626**	**307**	**2,933**	**2,605**
Roy Hill	**275**	**85**	**360**	**2,761**
Richard Hosking	**2,238**	**375**	**2,612**	**-**
James Hunt	**424**	**49**	**472**	**-**
Robin Julian	**275**	**65**	**340**	**3,408**
James Knight	**275**	**-**	**275**	**2,600**
Martin Leaves	**2,626**	**-**	**2,626**	**2,630**
Terry Napper	**1,828**	**-**	**1,828**	**-**
Ronald Peart	**2,238**	**248**	**2,485**	**-**
Graham Prowse	**2,238**	**-**	**2,238**	**-**
Ray Radford	**988**	**57**	**1,045**	**7,084**
Sara Randall Johnson	**13,166**	**620**	**13,787**	**2,529**
Leigh Redman	**5,474**	**1,171**	**6,646**	**3,479**
John Riley	**2,626**	**-**	**2,626**	**2,251**
Andrew Saywell	**6,375**	**854**	**7,230**	**-**
David Thomas	**8,686**	**405**	**9,091**	**9,113**
Jeffrey Trail	**2,238**	**68**	**2,305**	**-**
Linda Vijeh	**1,401**	**-**	**1,401**	**-**
William Wallace	**438**	**-**	**438**	**-**
Nicholas Way	**395**	**-**	**395**	**2,600**
George Wheeler	**5,613**	**933**	**6,546**	**3,210**
John Woodman	**1,284**	**48**	**1,332**	**10,031**
Derek Yeomans	**212**	**38**	**250**	**2,436**
Totals	**117,978**	**16,538**	**134,517**	**138,360**

21 OFFICERS REMUNERATION

The remuneration paid to the Authority's senior employees is as follows analysed in bands of £5,000 in excess of £50,000:
The increase in numbers earning £50,000-£54,999 since last year is due to cost of living pay rises at 1% increasing the total earnings of some Station Managers to within that band and is not reflective of an increased number of senior staff.

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

	2017/18	2016/17
£50,000 - £54,999	**35**	28
£55,000 - £59,999	**26**	23
£60,000 - £64,999	**11**	6
£65,000 - £69,999	**4**	3
£70,000 - £74,999	**3**	3
£75,000 - £79,999	**2**	2
£80,000 - £84,999	**-**	1
£85,000 - £89,999	**-**	3
£90,000 - £94,999	**2**	-
£95,000 - £99,999	**-**	1
£110,000 - £114,999	**1**	-
£125,000 - £129,999	**1**	-
£150,000 - £155,999	**1**	1

NOTES TO THE CORE FINANCIAL STATEMENTS

21.2 Senior Officers Remuneration 2017/18 over £50k

The number of posts attracting remuneration over £50k has reduced slightly in 2017/18. There were several leavers and new starters in senior management which has increased the number of individuals shown on the list below when compared to 2016/17.

Post Title	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of office	Total Remuneration excluding pension contrbns	Pension Contrbns	Total Remuneration including pension contrbns 2017/18
	£	£	£	£	£	£
Chief Fire Officer (a) Lee Howell	150,829	-	-	150,829	30,066	180,895
Chief Fire Officer (b)	128,689	-	-	128,689	24,547	153,236
Assistant Chief Fire Officer (c)	90,775	1,463	-	92,238	14,871	107,109
Assistant Chief Fire Officer	114,406	-	-	114,406	13,053	127,459
Area Manager – Central Operations (d)	60,422	-	-	60,422	12,907	73,329
Area Manager - Head of Transformational Change	73,333	510	-	73,843	9,847	83,690
Area Manager - Head of Organisational Assurance (e)	52,165	3,112	-	55,277	10,810	66,087
Area Manager Collaboration (f)	62,474	-	-	62,474	7,434	69,908
Area Manager - Head of Organisational Assurance (g)	74,882	1,660	-	76,542	8,436	84,978
Area Manager – Central Operations (h)	74,244	2,186	-	76,430	14,706	91,136
Area Manager – Area Operations	74,214	-	-	74,214	16,104	90,318
Area Manager - Head of Training	71,637	-	-	71,637	8,951	80,588
Head of ICT	57,324	-	-	57,324	11,235	68,559
HR Manager	58,938	-	-	58,938	11,552	70,490
Head of Estates	57,324	-	-	57,324	11,235	68,559
Head of Procurement and Fleet	51,901	4,354	-	56,255	10,173	66,428
Head of Fleet	55,099	-	-	55,099	-	55,099
Director of Finance (i)	63,564	-	-	63,564	11,907	75,471
Director of Corporate Services	86,411	4,881	-	91,292	16,937	108,229
Director of People & Organisational Development (j)	14,224	732	156,383	171,339	150,034	321,373
Treasurer (k)	22,880	-	-	22,880	-	22,880
Commercial Business Development Manager (l)	30,838	-	-	30,838	5,355	36,193
	1,526,573	18,898	- 156,383	- 1,701,854	400,160	2,102,014

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

Senior Officers Remuneration 2016/17 over £50k

Post Title	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of office	Total Remuneration excluding pension contrbns	Pension Contrbns	Total Remuneration including pension contrbns 2016/17
	£	£	£	£	£	£
Chief Fire Officer	149,335	1,784	-	151,119	32,406	183,525
Assistant Chief Fire Officer (a)	97,316	294	-	97,610	20,580	118,190
Assistant Chief Fire Officer (b)	86,452	1,780	-	88,232	7,732	95,964
Assistant Chief Fire Officer (j)	94,256	314	-	94,570	17,458	112,028
Director of Corporate Services	85,556	4,416	-	89,972	15,742	105,714
Director of People & Organisational Development	85,556	4,086	-	89,642	15,742	105,384
Treasurer>	36,690	-	-	36,690	-	36,690
Area Manager	78,768	0	-	78,768	16,539	95,307
Area Manager (c)	65,482	1,241	-	66,723	13,625	80,348
Area Manager (e)	74,531	1,127	-	75,658	15,637	91,295
Area Manager (f)	77,481	162	-	77,643	14,812	92,455
Area Manager (g)	73,916	776	-	74,692	14,724	89,416
Area Manager (h)	54,803	0	-	54,803	6,886	61,689
Area Manager (i)	59,151	2,200	-	61,351	8,424	69,775
Head of ICT	56,757	0	-	56,757	10,443	67,200
HR Manager	57,103	0	-	57,103	10,507	67,610
Strategic Assets Manager	57,997	0	-	57,997	10,671	68,668
Head of Procurement*	47,553	3,788	-	51,341	8,750	60,091
Head of Finance	48,394	0	-	48,394	8,904	57,298
Commercial Business Development Manager	54,553	1,886	-	56,439	10,038	66,477
Fleet and Engineering Manager	51,407	0	-	51,407	-	51,407
	1,565,570	25,412	-	- 1,590,982	274,833	1,865,815

(a) In Post 05/10/2016, previously Area Manager (b) Left Post 15/08/2016 (c) In Post 27/10/2016 to 31/03/2017
(d) Left Post 28/02/2017 (e) Left Post 28/02/2017 (f) In Post from 01/01/2016
(g) In Post from 12/01/2016 (h) In post from 06/03/2017 (i) In Post from 06/03/2017
>Renumerated via Personal Service Co. * Part-time

21.3 Exit Packages agreed

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

Exit Package Cost Band (including special payments)	No of Compulsory Redundancies		No of other departures agreed		Total No of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
£0 - £20,000	2	4	3	2	5	6	£51,042	£29,585
£20,001 - £40,000	0	0	0	2	0	2	£0	£60,030
£40,001 - £60,000	0	0	0	1	0	1	£0	£44,429
£300,001 - £320,000	0	0	1	0	1	0	£303,211	£0
Total	**2**	**4**	**4**	**5**	**6**	**9**	**£354,253**	**£134,044**

NOTES TO THE CORE FINANCIAL STATEMENTS

22 EXTERNAL AUDITOR FEES

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

	2017/18	2016/17
	£000	£000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	34	34
Forensic Review	-	5
Provision of P11D advice	-	1
Total	**34**	39

23 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement (CIES) in 2017/18

	2017/18	2016/17
	£000	£000
Grants		
New Dimensions Grant	(1,289)	(988)
Firelink Grant	(1,038)	(1,562)
Hinkley Point Grant	(174)	(25)
Rural Services Delivery Grant	(340)	(421)
Business Rates Relief	(651)	(503)
Section 31 Grants (Minor)	(188)	(85)
Procurement Grant Funding	-	(190)
Capitalisation funding Grant	(188)	(149)
Sub Total Grants	(3,868)	(3,924)
Canteen income	(6)	(24)
Insurance cost recovery	(81)	46
Legal fees	(6)	(17)
Procurement income from Frameworks	(81)	(82)
Rental income	(98)	(65)
Secondment income	(166)	(89)
Vehicle sales and maintenance	(32)	(65)
Other income and donations	(260)	(291)
Coresponder Income	(196)	(137)
JCP Phoenix Courses	-	(11)
PFI Fair value	(447)	(447)
Training Income	(533)	(312)
Sub Total Other Income	(1,905)	(1,495)
Total within cost of services in the CIES	(5,772)	(5,418)

NOTES TO THE CORE FINANCIAL STATEMENTS

24 RELATED PARTY TRANSACTIONS

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

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

Members Members of the Authority have direct control over the Service's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 20. In relation to members, the Authority's constitution requires members to declare their interests in related parties in a register of interests. In addition, members are asked to declare separately any transactions with the Authority. **In relation to 2017/18 no material transactions were disclosed**. The table below summarises transactions with other public bodies.

	2017/18 £000	2016/17 £000
Central government income		
New Dimensions Grant	**(1,289)**	(988)
Red One Limited^		
Receipts from Red One Ltd of training income and reimbursements	**(533)**	(574)
Devon County Council		
Payments to DCC for provision of financial services	**94**	93
Payments to DCC Pension Fund for employers contributions	**1,687**	1,540
Payments to DCC for provision of payroll services	**36**	55
Cornwall Council		
Payments to CC for provision of legal services	**60**	70
Plymouth City Council		
Payments to PCC for provision of legal services	**36**	30
SAFE South West"		
Payments to support SAFE Charity including transfer of grant funds	**0**	25
FRIC*		
Payments for Insurance	**724**	701

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

^Red One Ltd.

In 2013 the Authority established Red One Ltd., which is a wholly owned subsidisary limited by shares, to enable trading activity to take place. The company focuses on selling training and specialist staffing solutions to public and private sector clients both in the UK and overseas. Any costs born by the Authority in relation to this activity are directly reimbursed and an annual dividend is paid over to the Authority from retained profits.

The Authority and management have made a judgement that the activities of Red One Ltd. do not have a material impact upon the accounts of the Authority and as a result the accounts have not been consolidated as a group.

"SAFE South West.

The charity SAFE South West, has a Board of Trustees comprised of ex officio Trustees i.e. the Chair and Vice chair of the Fire Authority Community Safety and Corporate Planning Committee, the DSFRS Assistant Chief Fire Officer (Director of Service Improvement) the Central Operations Manager, the Community Safety Prevention Manager and the Deputy Community Safety Prevention Manager. There is also the capacity for up to 5 Appointed Trustees, currently the charity has two appointed Trustees who are both Members of the Fire Authority.

***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 £724k to the company for the year end 31 October 2017 of which £302k relates to the 2017/18 financial year.

25 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2017/18 £000	2016/17 £000
Opening Capital Financing Requirement	**27,097**	27,260
Capital investment		
Operational assets	**2,889**	2,765
Sources of Finance		
Government grants and contributions	**(21)**	-
Capital receipt	**-**	(14)
Sums set aside from revenue		
Minimum Revenue Provision	**(2,131)**	(2,155)
Direct revenue funding	**(906)**	(759)
Closing Capital Financing Requirement	**26,928**	27,097

Explanation of movements in year	**2017/18 £000**	2016/17 £000
Increase/(Decrease) in underlying need to borrow	**(94)**	(94)
(Decrease) in PFI/lease liabilities	**(75)**	(69)
Increase/(decrease) in Capital Financing Requirement	**(169)**	(163)

26 LEASES

26.1 OPERATING LEASES AS LESSEE

Total rentals paid during the year amounted to £0.854m. It is estimated that the outstanding liability for future years, in relation to existing lease agreements is £1.398m.

	2017/18 £000	2016/17 £000
Payments recognised as an expense in year	854	223
Future Minimum Lease Payments payable:		
Not later than one year	514	157
Between one and five years	884	4
Total	**1,398**	161

26.2 OPERATING LEASES AS LESSEE PRIOR YEAR COMPARISON

	2017/18 £000	2016/17 £000
Payments recognised as an expense in year	854	223
Total Future Minimum Lease Payments		
Payable:		
Not later than one year	514	157
Between one and five years	884	4
After 5 years	-	-
Total	**1,398**	161

27 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

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

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

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2018 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	2017/18 £000	2016/17 £000
Paid in 2017/18	524	75	122	**720**	703
Outstanding undischarged contract obligations:					
Payable within one year	534	90	115	**739**	721
Payable within two to five years	2,349	419	376	**3,144**	3,068
Payable within six to ten years	3,376	791	221	**4,387**	4,282
Payable within eleven to fifteen years *	-	-	-	**-**	921
	6,259	1,299	712	**8,270**	8,991

** There are ten 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:

	2017/18 £000	2016/17 £000
Balance outstanding at 1 April	**1,374**	1,444
Payments in year	**(75)**	(69)
Balance outstanding at 31 March	**1,299**	1,375

28 IMPAIRMENT LOSSES & REVERSALS

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

	2017/18 £000	2016/17 £000
Impairment of Land	**-**	-
Impairment of Buildings	**-**	(164)
Net Amount Charged to the CIES	-	(164)

NOTES TO THE CORE FINANCIAL STATEMENTS

29.1 PENSION COSTS

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

The Local Government Pension Scheme is a funded defined benefit final salary scheme meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. In addition, there is a second unfunded local government pension scheme liability which was previously reported under the LGPS but is now called out separately. This unfunded scheme is where the Authority has, as an employer, agreed to enhance the retirement pensions of staff, for which there are no additional employee contributions received.

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

Contribution percentages vary depending upon each scheme.

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

Scheme	**Employer Percentage Rate 2017/18**	**Total Contributions expected to be made by the authority in the year to 31st March 2019 £000**
Local Government Pension Scheme	19.6%	1,631
1992 Firefighters Pension Scheme	21.7%	
2006 New firefighters Pension Scheme	11.9%	
		4,592
2006 Modified firefighters Pension Scheme	21.7%	
2015 Firefighters Pension Scheme	14.3%	

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 29.2 Pension Schemes

	LG Pension Scheme 2017/18 £000	LG Pension Scheme 2016/17 £000	LG Unfunded 2017/18 £000	LG Unfunded 2016/17 £000	Fire schemes 2017/18 £000	Fire schemes 2016/17 £000	Total 2017/18 £000	Total 2016/17 £000
Comprehensive Income & Expenditure Statement								
Service Cost Comprising:								
Current Service Cost	3,438	2,216	-	-	14,519	13,367	17,957	15,583
Past Service Costs	-	101	-	-	-	-	-	101
Financing and Investment Income and Expenditure:								
Net Interest Expense	1,047	913	10	12	20,565	22,456	21,622	23,381
Administration Expenses	26	26					26	26
CLG Pension top up grant					(10,591)	(11,234)	(10,591)	(11,234)
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**4,511**	**3,256**	**10**	**12**	**24,493**	**24,589**	**29,014**	**27,857**
Remeasurement of the net defined benefit liability comprising:								
Expected return on plan assets (excluding the amount included in net interest expense)	(650)	(6,223)					(650)	(6,223)
Actuarial gains and losses arising on changes in demographic assumptions								
Actuarial gains and losses arising on changes in financial assumptions								
Other								
Total Post-employment benefits charged to the CIES	**(650)**	**(6,223)**	**-**	**-**	**-**	**-**	**(650)**	**(6,223)**
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post - employment benefits in accordance with the code	(4,511)	(3,256)	(10)	(12)	(24,493)	(24,589)	(29,014)	(27,857)
Actual amount charged against the General Fund Balance for pensions in the year								
Employers contributions payable to scheme	1,833	1,676			4,661	4,680	6,494	6,356
Employers contributions payable to scheme (secondees not charged to general fund)	-	2	-	-	7	7	7	10
Ill health charges					363	512	363	512
Retirement benefits payable to pensioners - Authority			18	19	2,221	2,387	2,239	2,406
Retirement benefits payable to pensioners - Fund	1,805	1,237			19,482	20,339	21,287	21,576
Total Retirement benefits payable to pensioners	**1,805**	**1,237**	**18**	**19**	**21,703**	**22,726**	**23,526**	**23,982**

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of the present value of the scheme liabilities	**LG Pension Scheme 2017/18 £000**	**LG Pension Scheme 2016/17 £000**	**LG Unfunded 2017/18 £000**	**LG Unfunded 2016/17 £000**	**Fire schemes 2017/18 £000**	**Fire schemes 2016/17 £000**	**Total 2017/18 £000**	**Total 2016/17 £000**
1st April	87,444	65,921	352	326	770,536	632,962	858,332	699,209
Current Service Cost	3,438	2,216	-	-	14,519	13,367	17,957	15,583
Interest Cost	2,432	2,496	10	12	20,565	22,456	23,007	24,964
Contributions by scheme participants	607	614	-	-	3,860	3,903	4,467	4,517
Remeasurement (gains) and losses:								
Actuarial gains and losses arising on changes in demographic assumptions	-	(63)	-	(7)	20,751	(31,203)	20,751	(31,273)
Actuarial gains and losses arising on changes in financial assumptions	(2,928)	17,828	(5)	40	(51,190)	151,531	(54,123)	169,399
Experience gains and losses	-	(432)	-	-	(61,763)	246	(61,763)	(186)
Past service Costs	-	101	-	-	-	-	-	101
Benefits Paid	(1,805)	(1,237)	(18)	(19)	(21,703)	(22,726)	(23,526)	(23,982)
31st March	**89,188**	**87,444**	**339**	**352**	**695,575**	**770,536**	**785,102**	**858,332**

Pensions Assets and Liabilities Recognised in the Balance Sheet	**2017/18**	**2016/17**
	£000	**£000**
Present value of liabilities		
LGPS	(89,188)	(87,444)
LGPS- unfunded	(339)	(352)
Firefighters Pension schemes	(655,533)	(726,740)
Firefighters Compensation Regulations	(40,042)	(43,797)
Fair value of assets in the LGPS	51,793	49,149
	(733,309)	**(809,183)**
Surplus/(deficit) in the scheme:		
LGPS	(37,395)	(38,295)
LGPS- unfunded	(339)	(352)
Firefighters Pension schemes	(655,533)	(726,740)
Firefighters Compensation Regulations	(40,042)	(43,797)
Net Liability arising from defined benefit obligation	**(733,309)**	**(809,183)**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. All schemes have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the LGPS Devon Fund being based on the latest full valuation of the scheme undertaken in 2016 and the Devon & Somerset FPS valuation in 2017.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 29.3 Pension Schemes

Proportion of assets held - LGPS	£000	31 March 2018	£000	31 March 2017
		%		%
Gilts	1,626	3%	1,467	3%
UK Equities	11,104	21%	11,819	24%
Overseas Equities	19,169	37%	17,091	35%
Property	4,819	9%	4,300	9%
Infrastructure	1,858	4%	1,913	4%
Target Return Portfolio	7,735	15%	7,297	15%
Cash	1,265	2%	1,312	3%
Other Bonds	1,059	2%	1,256	3%
Alternative Assets	2,813	5%	2,694	5%
Private Equity	345	1%	0	0%
Total Fair value of LGPS assets	**51,793**	**100%**	**49,149**	**100%**

Based on estimated bid values.

Movement between the opening and closing balances of the fair value of assets:	Year to 31 March 2018	Year to 31 March 2017
	£000	£000
Opening fair value	49,149	41,148
Interest Income	1,385	1,583
Return on plan assets (excluding the amount included in net interest expense)	650	6,223
Other Actuarial Gains/ (Losses)	-	(834)
Administration Expenses	(26)	(26)
Contributions by employer	1,851	1,697
Contributions by scheme participants	607	614
Estimated benefits paid	(1,823)	(1,256)
Fair value of scheme assets at end of period	**51,793**	**49,149**

Basis for establishing assets and liabilities	LG Pension Scheme 2017/18 £000	LG Pension Scheme 2016/17 £000	LG Unfunded 2017/18 £000	LG Unfunded 2016/17 £000	Fire Schemes 2017/18 £000	Fire Schemes 2016/17 £000
Mortality assumptions						
Longevity at 65 for current pensioners						
Men	23.50	23.40	23.50	23.40	21.40	21.70
Women	25.60	25.50	25.60	25.50	23.70	24.20
Longevity at 65 for future pensioners						
Men	25.70	25.60	25.70	25.60	23.20	23.80
Women	27.90	27.80	27.90	27.80	25.60	26.50
Rate of inflation RPI	3.3%	3.6%	3.3%	3.6%	3.3%	3.6%
Rate of inflation CPI	2.3%	2.7%	2.3%	2.7%	2.3%	2.7%
Rate of increase in salaries	3.8%	4.2%			3.8%	5.1%
Rate of increase in pensions	2.3%	2.7%	2.3%	2.7%	2.3%	2.7%
Rate for discounting scheme liabilities	2.6%	2.8%	2.6%	2.8%	2.6%	2.7%
Take-up of option to convert annual pension into retirement lump sum	50% of commutable pension				50% of commutable pension	

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

Sensitivity Analysis 2017/18	LG Pension Scheme PV* £000	Fire Schemes PV* £000
Adjustment to the Discount Rate		
+0.1%	87,631	682,493
0.0%	89,527	695,575
-0.1%	91,466	708,938
Adjustment to Long Term Salary Increase		
+0.1%	89,761	696,607
0.0%	89,527	695,575
-0.1%	89,294	694,549
Adjustment to Pension Increases and Deferred Revaluation		
+0.1%	91,234	707,932
0.0%	89,527	695,575
-0.1%	87,857	683,469
Adjustment to Mortality Age Rating Assumption		
+ 1 year	92,758	723,216
None	89,527	695,575
- 1 year	86,411	669,021

* Present Value of Total Obligation

NOTES TO THE CORE FINANCIAL STATEMENTS

30 CONTINGENT LIABILITIES

There are no contingent liabilities identified.

31 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

KEY RISKS

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

Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority’s overall financial risk management procedures focus on the unpredictability of financial markets and seek to minimise those risks. The procedures for risk management are set out through a legal framework in the **Local Government Act** and the associated regulations. These require the Authority to comply with the CIPFA Prudential code and The CIPFA Treasury Management in the Public Services Code of Practice. The Authority’s Treasury Management explains the risks to the Authority and sets procedures to be followed in order to keep such risks to a minimum.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority’s customers. Deposits are not made with banks and financial institutions unless they comply with the requirements of the Authority’s Treasury Management Policy mentioned above.

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

	Amount as at 31 March 2018 £000	Historical Experience of Default £000	Historical Experience adjusted for market conditions as at 31 March 2018 £000	Estimated maximum exposure to default and uncollectability £000
Deposits with bank & financial institutions	37,453	-	-	-
Central government & other local authorities	6,169	-	-	-
Trade & other debtors	1,920	-	-	-
Total	45,543	-	-	-

All deposits with the bank and financial institutions are due within a year. The Authority generally allows 28 days for debts to be settled before debt recovery processes are implemented. As at the 31 March 2018, the value of debt which exceeded this period was £439K, broken down as follows:

	2017/18 £000	2016/17 £000
Two to Three Months	15	421
Over Three Months	424	2
Total	**439**	423

An allowance for bad debts of £55k has been made at the year- end.

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:-

	2017/18 £000	2016/17 £000
Less than one year – including trade and other creditors	7,502	5,414
Between one and two years – PWLB loan repayments	93	93
Between two and five years – PWLB loan repayments	11,798	780
More than five years – PWLB loan repayments	13,215	24,757
Total	32,608	31,044

Market Risk

Interest Rate risk

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

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

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

Price Risk

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

Foreign Exchange risk

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

THE PENSION FUND

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

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

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

Firefighter Pensions Fund	2017/18 £000	2016/17 £000
Contributions receivable from:		
Fire authority:-		
a) contributions in relation to pensionable pay	**(4,668)**	(4,692)
b) early ill health retirements	**(363)**	(512)
c) Firefighters contributions	**(3,860)**	(3,898)
	(8,891)	(9,102)
Transfers In	**(21)**	(4)
Benefits payable		
e) pensions	**16,349**	15,742
f) commutations and lump sum benefits	**3,143**	4,318
g) lump sum death benefits	**3**	34
h) Contribution Refunds	**-**	246
Payments to and on account of leavers		
i) transfers out	**8**	-
j) refunds of contributions	**-**	-
Net amount payable for the year	**10,591**	11,234
Top up grant payable by the government	**(10,591)**	(11,234)
	-	-

Net Assets Statement	2017/18 £000	2016/17 £000
Current assets		
Devon & Somerset Fire Authority - debtor	**(3,151)**	(3,225)
Current liabilities		
Top up grant payable from HomeOffice - creditor	**3,151**	3,225
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 2017/18 and do not take into account liabilities to pay pensions or benefits after that period.

Note 3 - £7.440m had been received from Home Office by 31st March 2018, being 70% of notified top up grant avaliable. As there was a funding shortfall £3.151m is due from the Home Office in order to balance the total costs to total income within the fund.

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is the main professional body for accountants working in the public service.

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

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

The "Code"

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. This prescribes the form and content of the Statement of Accounts, and is published by a joint committee of CIPFA and LASAAC. It is based on approved accounting standards and reflects specific statutory accounting requirements. Compliance with the Code is necessary in order that the Authority's Accounts give a "true and fair" view of its financial position and performance.

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

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

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

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

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

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

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

GLOSSARY OF TERMS

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

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

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

Inventories
The new name for stocks.

Leasing
There are two main types of leasing arrangements:
Finance leases which transfer all the risks are rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet.
Operating leases where the risks and rewards of ownership of the asset remain with the leasing company and the annual rental is charged directly to the revenue account.

Liabilities
Amounts owed by the Authority to lenders or suppliers.

Long-term borrowing
Loans raised to finance capital spending which have still to be repaid.

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

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

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

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

Private Finance Initiative (PFI)
A credit arrangement which enables private sector financing of public sector facilities or services.

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

Projected Unit Method
An accrued benefit valuation method in which the Scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a method in which the scheme liabilities at the valuation date relate to:
a) The benefits for pensioners and deferred pensioners (i.e. Individuals who have ceased to be active members but are entitled at a later date) and their dependants allowing where appropriate for future increases, and
b) The accrued benefits for members in service on the valuation date.
The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

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

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

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

Revaluation Reserve

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

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

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

CERTIFICATION OF ISSUE

The unaudited accounts were issued on the 24th May 2018 and the audited accounts were authorised for issue on the 27 July 2018.

Amy Webb
Treasurer to the Authority

27 July 2018

George Wheeler
Chair Audit Performance Review Committee

27 July 2018