DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

Statement of Accounts 2018 - 2019

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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 2019. The Accounts are presented in compliance with International Financial Reporting Standards (IFRS). The Accounts are prepared on the basis of a going concern given that the Authority has sufficient resources to fund its financial obligations and has no concerns of its financial viability over the medium term.

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

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

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

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

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

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

Financial Performance for the year

Economic Context

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

Against this backdrop it is imperative for the Authority's Medium Term Financial Plans to be focused on providing forecasts of budget savings required to 2019-20 and beyond. So far the Authority has responded well based upon a strategy which has been focused around the three key areas of improving efficiency, reducing costs and increasing income generation. Total recurring budget savings of £16.1m have already been delivered since 2010. The Service is in the process of developing the next phase of savings and improvement plans for the period to 2021-22. It is forecast that a minimum of £8.4m of recurring savings need to be identified over that period.

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

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

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Revenue Spending in 2018/19

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

TABLE 1 – SUMMARY OF REVENUE SPENDING 2018-19

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

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

Contributions to Earmarked Reserve

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

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

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

Contributions to Provisions

The reported spending for 2018-19 includes an additional provision of £20k set aside to fund future firefighter pension costs. Of the original provision, £17k was also added in year which increases the provision balance to £0.759m as at 31 March 2019. This balance is considered to be sufficient to fund any costs resulting from case law relating to pensionable allowances and has been based upon information received from the National Employers Council relating to compensatory payments to be made to individual fire-fighters and internal calculations of employer's pension.

Capital Expenditure and Financing 2018/19

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

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

Authority Borrowing

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

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Pension Liabilities
As at 31 March 2019 the Authority pension liability has been calculated to be £762.5m (£733.3m in 2017-18). This is based on an actuarial assessment and represents accrued benefits of members of the pension schemes that the Authority participates in; the Fire-fighter Pension Schemes (operational staff) and the Local Government Pension scheme (civilian staff). Further details of the assets and liabilities of each scheme are included in note 29 of these Accounts.

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

Assets/Liabilities of the Authority
The balance sheet of the Authority as at 31 March 2019 shows a net liability of £635.3m (£611.8m as at 31 March 2018).
This includes the pension liability of £762.5m (£733.3m as at 31 March 2018) required to be included under IAS 19.

Performance and Use of Resources

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

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

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

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

NARRATIVE REPORT

Key Performance Indicators

In Table 2 is a summary of performance against corporate Key Performance Indicators (KPIs) in 2018-19 with a comparison against the previous year. Our KPIs are reported to the Fire Authority throughout the year and are used to benchmark against other Service's.

TABLE 2 – SUMMARY OF KPIs 2018-19

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

Overview of Service Performance in 2018-19

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

Community Safety / Prevention Activities

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

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

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

Safeguarding

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

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

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

Home Fire Safety Prevention

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

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

Protection Activities

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

NARRATIVE REPORT

Economic Outlook

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

Medium Term Financial Position

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

Conclusion on performance for the year

We continue to have to respond to the squeeze on public sector spending, and the Authority has no choice but to seek efficiencies within the Service to reduce costs, whilst maintaining the quality of the services that we provide to the community which we serve. For 2018-19, the Authority has been able to not only deliver the targeted savings required to set a balanced budget, but also to deliver income in excess of target which has been transferred to Earmarked Reserves to fund future change activity.

I would like to take this opportunity to place on record my own thanks to members and officers of the Authority who have played their part in securing the financial health of the Authority during 2018-19.

Amy Webb
Director of Finance (Treasurer)

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STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

Responsibilities of the Authority

The Authority is required to:

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

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

Responsibilities of the Treasurer

The Treasurer is responsible for the preparation of the Authority's Statement of 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 2019.

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

STATEMENT OF ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the Service transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which are to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the 2015 Act.

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

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

Charges to Revenue

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

Basis of Provision for the Redemption of Debt and External interest

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

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

Accruals of Income and Expenditure

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

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

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

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

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

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

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

The basis on which debtors and creditors at 31 March 2019 are included in the Accounts is as follows:
Creditors are accrued on expenditure to cover goods and services received but not paid for by 31 March 2019. Debtors are accrued on income to cover goods and services provided before 31 March 2019 but for which no payment has been received.

STATEMENT OF ACCOUNTING POLICIES

Cash and Cash Equivalents

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

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

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

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

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

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

Charges to Revenue for Non-Current Assets

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

depreciation attributable to the assets used by the relevant service

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

amortisation of intangible fixed assets attributable to the service.

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

STATEMENT OF ACCOUNTING POLICIES

Post Employment Benefits

The treatment of pension costs in these accounts complies with the Code of Practice on Local Authority Accounting for 2018/19, which requires adoption of IAS19 Employee Benefits.

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

(a) Uniformed Staff

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

(b) Civilian Staff

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

Pensions Reserve and Impact on Council Tax

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

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

Financial Instruments

Financial Liabilities

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

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

The Authority has not provided or received any soft loans as at 31st March 2019.

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

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

Financial Assets

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

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

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

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

STATEMENT OF ACCOUNTING POLICIES

Government Grants and Contributions

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

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

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

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

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

Inventories and Long Term Contracts

Inventories are included in the Consolidated Balance Sheet at cost.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. As at 31 March 2019 the Authority had significant Capital contracts outstanding as detailed in Note 11 to the accounts.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<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 2019. A full revaluation will be undertaken every five years as a minimum. The Authority's valuer is NPS South West Ltd which is a subsidiary of NPS Consultants Ltd, a controlled company of Norfolk County Council.

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

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

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

Depreciation is calculated on the following basis:

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

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

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

Intangible assets are to be amortised over 7 years.

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

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

STATEMENT OF ACCOUNTING POLICIES

Componentisation

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

Disposals and Non-current assets held for sale

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

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

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

Heritage Assets

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

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

Private Finance Initiative (PFI) and Similar Contracts

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

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

Provisions

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

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

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

Firefighter Employers pensions liability
The provision for Pension liabilities is £0.759m which reflect legislative changes which may have the impact of increasing employers pension contributions.

Non Domestic Rates Appeals provision
A number of appeals have been made to billing authorities against the rateable value of Non Domestic Properties. The Fire Authority is required to account for its share of the provision for successful appeals, amounting to £0.440m in 2018-19.

Contingent Liabilities

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

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

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

STATEMENT OF ACCOUNTING POLICIES

Reserves

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

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

Details of all reserve balances as at 31 March 2019 are included with note 19 to these accounts.

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

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

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

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

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BALANCE SHEET AS AT 31 March 2019

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

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 March 2019

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

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

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

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

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

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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**	**(723,189)**	**(687,870)**
Movement in reserves during 2017/18							
Cost of Service	CIES	(24,189)			(24,189)		(24,189)
Other Comprehensive Income and Expenditure		-			-	100,220	100,220
Total Comprehensive Income and Expenditure		(24,189)	-	-	(24,189)	100,220	76,032
Adjustments between accounting basis and funding basis under regulations							
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**	**(649,092)**	**(611,834)**

NOTES TO THE CORE FINANCIAL STATEMENTS

1.1 EXPENDITURE AND FUNDING ANALYSIS

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

2018/19

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

2017/18

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

1.2 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2018/19	Depreciation charged to the General Fund	Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustment Between funding and Accounting Basis
	£000	£000	£000	£000	**£000**
Fire & Rescue Service	10,806	(3,059)	20,351	16	28,114
Net Cost of Services	10,806	(3,059)	20,351	16	**28,114**
Other income and expenditure		(3,877)	(8,963)	(589)	(13,429)
Total	**10,806**	**(6,936)**	**11,388**	**(573)**	**14,685**
					14685

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**

NOTES TO THE CORE FINANCIAL STATEMENTS

1.3 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

The CIPFA Code of Practice requires disclosure of information relating to the impact of accounting standards that have been issued but not yet adopted.
The Authority does not anticipate that the following amendments will have a material impact on the information provided the financial statements ie there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services:

- Leases, classification of Leases (IFRS 16)

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Under a joint PFI venture, Gloucestershire County Council, Avon Fire & Rescue Service and Devon & Somerset Fire & Rescue Service receive a significant element of their training from Babcock International Group PLC, a Ltd company contracted to provide the training until 31 March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates under the PFI contract. As such, the Authority is deemed to part control the training services provided under the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the authority's share of the training centre is recognised as Property, Plant and Equipment on the Authority's Balance Sheet.
Red One Ltd has not been consolidated due to materiality as agreed by Audit, Performance and Review Committee in January 2019.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

6 EVENTS AFTER THE BALANCE SHEET DATE

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

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

8 OTHER OPERATING INCOME AND EXPENDITURE

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

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

10 TAXATION AND NON SPECIFIC GRANT INCOMES

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

NOTES TO THE CORE FINANCIAL STATEMENTS

11. PROPERTY PLANT AND EQUIPMENT

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

SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

11.1 PROPERTY PLANT AND EQUIPMENT VALUATIONS

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

Valuation Information:
The above statement shows the impact of the Authority's programme for the revaluation of property, plant and equipment, including assets valued following completion of significant projects. The Authority has moved away from the five year rolling programme of revaluations in order to ensure that all revalued assets falling under the same class are assessed at the same time, per CIPFA guidance.
Valuations of land and buildings are carried out by a qualified surveyor (FRICS) in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies.
The authority is not aware of any material changes in asset values that have not been updated.

11.2 PROPERTY PLANT AND EQUIPMENT PRIOR YEAR

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	-	(1,103)	-	-	(1,103)
At 31 March 2018	**18,378**	**79,594**	**2,364**	**22,047**	**122,383**
Depreciation at 1 April 2017	-	(747)	(2,562)	(9,522)	(12,831)
Reclassifications	-	-	(134)	134	-
Reclassified as held for sale	-	-	-	-	-
Derecognition - disposals	-	-	2,262	572	2,834
Revaluation removals	-	5,114	-	-	5,114
Impairments	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-
Charged during the year	-	(4,371)	(558)	(1,862)	(6,791)
Depreciation at 31 March 2018	**-**	**(4)**	**(992)**	**(10,678)**	**(11,674)**
Net book value					
As at 31 March 2017	18,376	78,542	2,084	12,946	111,948
As at 31 March 2018	18,378	79,590	1,372	11,369	110,709
Asset financing					
Owned	**18,378**	**78,534**	**1,372**	**11,369**	**109,653**
Finance Leased	**-**	**-**	**-**	**-**	**-**
Private finance initiative	**-**	**-**	**-**	**-**	**-**
PFI residual interests	**-**	**1,061**	**-**	**-**	**1,061**
Total 31 March 2018	**18,378**	**79,595**	**1,372**	**11,369**	**110,714**

NOTES TO THE CORE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS

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

The effects of the transition are shown below: -

12.1 RECLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS AT 1 APRIL 2018

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

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

12.2 EFFECT OF RECLASSIFICATION AND MEASUREMENT ON THE BALANCE SHEET

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

12.3 RECLASSIFICATION AND REMEASUREMENT OF IMPAIRMENT LOSSES AT 1 APRIL 2018

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

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

0 0

12.4 CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

12.4.1 BORROWING

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

12.4.2 FINANCIAL ASSETS

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

12.4.3 CASH AND CASH EQUIVALENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

12.5 INCOME, EXPENSES, GAIN AND LOSSES

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

12.7 AMOUNTS ARISING FROM EXPECTED CREDIT LOSSES

Loss Allowance by Asset Class

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

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

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

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

13 CASH FLOW STATEMENT NOTES

13.1 OPERATING ACTIVITIES

The cash flows for operating activities include the following items;

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

13.2 INVESTMENT ACTIVITIES

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

13.3 FINANCING ACTIVITIES

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

13.4 OTHER NON CASH MOVEMENT

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

NOTES TO THE CORE FINANCIAL STATEMENTS

14 INVENTORIES

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

15 DEBTORS

15.1 Trade and other receivables

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

15.2 Receivables past their due date but not impaired	**31 March 2019 £000**	31 March 2018 £000
By up to three months	**119**	15
By three to six months	**-**	2
By more than six months	**685**	422
Total	**804**	439

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

17 CREDITORS

(5,316)

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

18 PROVISIONS

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

19 USABLE AND UNUSABLE RESERVES

19.1 USABLE RESERVES

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

Earmarked Reserves

One of the categories of usable reserves is earmarked reserves. Details of the amounts set aside (transfers in) from the General Fund to provide financing for future expenditure is given in the table below.
The table below also shows the amounts posted back (transfers out) from earmarked reserves to meet the specific expenditure which is included within the CIES in 2018/19.

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

2018/19

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

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	(5,316)	295	-	295
Breathing Apparatus Replacement	-	1,650	-	1,650
Mobile Data Terminals Replacement	-	800	-	800
Emergency Services Mobile Communications Project	688	257	(80)	865
SHQ Canteen remodel	49	-	(49)	-
Total Earmarked Reserves	**29,985**	**3,956**	**(1,997)**	**31,944**
General Fund (non Earmarked) Balance	5,319	-	(3)	5,316
Total General Fund	**35,304**	**3,956**	**(2,000)**	**37,260**

NOTES TO THE CORE FINANCIAL STATEMENTS

19.2 UNUSABLE RESERVES

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

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Revaluation Reserve

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

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

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

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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

Collection Fund Adjustment Account

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

National Non Domestic Rates (NNDR) Adjustment Account

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

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

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

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

PFI - Equalisation Fund

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

20 MEMBERS ALLOWANCES

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

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

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

21 OFFICERS REMUNERATION

The remuneration paid to the Authority's senior employees is as follows analysed in bands of £5,000 in excess of £50,000:
The increase in numbers earning £50,000-£54,999 since last year is due to cost of living pay rise at 2% increasing the total earnings of some uniform staff and a regrade of the station manager pay bands. The change is not reflective of an increase in the number of staff.

21.1 Number of Employees earning in excess of £50,000 (5,316)

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

NOTES TO THE CORE FINANCIAL STATEMENTS

21.2 Senior Officers Remuneration 2018/19 over £50k

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

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

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

Senior Officers Remuneration 2017/18 over £50k

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

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

21.3 Exit Packages agreed

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

22 EXTERNAL AUDITOR FEES

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

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

23 GRANT INCOME

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

	2018/19	2017/18	
	£000	£000	
Grants			
New Dimensions Grant	**(816)**	(1,289)	
Firelink Grant	**(918)**	(1,038)	
Hinkley Point Grant	**(128)**	(174)	
Rural Services Delivery Grant	**(424)**	(340)	
Business Rates Relief	**(1,166)**	(651)	
Section 31 Grants (Minor)	**(17)**	(188)	
Levy Account Surplus	**(240)**	-	
Capitalisation funding Grant	**-**	(188)	
Sub Total Grants	**(3,709)**	(3,868)	
		-	0
Canteen income	**(5)**	(6)	
Insurance cost recovery	**(11)**	(81)	
Legal fees	**(38)**	(6)	
NNDR Imbalance	**(153)**	-	
Procurement income from Frameworks	**(28)**	(81)	
Rental income	**(168)**	(98)	
Secondment income	**(318)**	(166)	
Vehicle sales and maintenance	**(53)**	(32)	
Other income and donations	**(226)**	(260)	
Coresponder Income	**(64)**	(196)	
Community Responders	**(11)**	-	
PFI Fair value	**(447)**	(447)	
Training Income	**(289)**	(533)	
Sub Total Other Income	**(1,810)**	(1,905)	
Total within cost of services in the CIES	**(5,519)**	(5,772)	

NOTES TO THE CORE FINANCIAL STATEMENTS

24 RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

25 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

26 LEASES

26.1 OPERATING LEASES AS LESSEE

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

27 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

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

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

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

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

** There are nine years remaining.*

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

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

28 IMPAIRMENT LOSSES & REVERSALS

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

	2018/19 £000	2017/18 £000
Impairment of Land	**-**	-
Impairment of Buildings	-	(164)
Net Amount Charged to the CIES	-	(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 2018/19**	**Total Contributions expected to be made by the authority in the year to 31st March 2020 £000**
Local Government Pension Scheme	19.6%	1,786
1992 Firefighters Pension Scheme	21.7%	
2006 New firefighters Pension Scheme	11.9%	4,549
2006 Modified firefighters Pension Scheme	21.7%	
2015 Firefighters Pension Scheme	14.3%	

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 29.2 Pension Schemes

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS
Note 29.3 Pension Schemes

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

Based on estimated bid values.

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

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

£0

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

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

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

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

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

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

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:-

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

Market Risk

Interest Rate risk

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

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

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

Price Risk

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

Foreign Exchange risk

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

THE PENSION FUND

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

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

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

Firefighter Pensions Fund	**2018/19**	2017/18	
	£000	£000	
Contributions receivable from:			
Fire authority:-			
a) contributions in relation to pensionable pay	**(4,470)**	(4,668)	
b) early ill health retirements	**(281)**	(363)	
c) Firefighters contributions	**(3,810)**	(3,860)	
	(8,561)	(8,891)	
Transfers In	**(19)**	(21)	
Benefits payable			
d) pensions	**17,445**	16,349	
e) commutations and lump sum benefits	**4,307**	3,143	
f) lump sum death benefits	**36**	3	
g) Contribution Refunds	**-**	**-**	
Payments to and on account of leavers			
h) transfers out	**-**	**8**	
i) refunds of contributions	**-**	**-**	0
Net amount payable for the year	**13,208**	10,591	
Top up grant payable by the government	**(13,208)**	(10,591)	
	-	-	

Net Assets Statement	**2018/19**	2017/18
	£000	£000
Current assets		
Devon & Somerset Fire Authority - debtor	**(2,407)**	(3,151)
Current liabilities		
Top up grant payable from HomeOffice - creditor	**2,407**	3,151
Total	**-**	-

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

Note 2 - It should be noted that the amounts included within the firefighters pension fund are only for the period of 2018/19 and do not take into account liabilities to pay pensions or benefits after that period.

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

THE PENSION FUND

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

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

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

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

Cash Flow Statement 0 0
The statement which summarises the Authority's inflows and outflows of cash during the year.

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

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

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

The "Code"

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

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

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

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

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

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

Amy Webb	**Mark Healey**
Director of Finance & Resourcing and Treasurer to the Authority	**Chair Audit Performance Review Committee**
19 July 2019	**19 July 2019**

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