



DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

Statement of accounts 2013 - 2014



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Devon & Somerset Fire & Rescue Authority - STATEMENT OF ACCOUNTS 2013-14

EXPLANATORY FOREWORD

Introduction

The purpose of these Accounts is to advise stakeholders of the financial performance of the Authority for the financial year ending 31 March 2014. This is the fourth year of the legislative requirement for local authorities to present Accounts in compliance with International Financial Reporting Standards (IFRS); having previously been prepared using UK generally accepted accounting practices (GAAP). 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.

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

The governments strategy to reduce the structural deficit continues until at least 2017-18, which means further austerity measures to come including more significant reductions in government funding towards local authority spending. The June 2013 Spending Round announcement confirmed that local authorities need to plan for a further 10% reduction in government grant in 2015-16. For Devon and Somerset FRA this will mean total grant reductions of over £8m over the three years to 2015-16.

Against this backdrop it is imperative for Authority Medium Term Financial Plans to be focused on providing forecasts of budget savings required to 2017-18. Latest forecasts, including the measures announced in the 2013 Spending Round, are that the Authority needs to plan on the basis of delivering further on-going savings of £7m over the next three years. This is in addition to the £7m already delivered to 2014-15. To deliver savings of this magnitude requires a strategy to change the way we do things across the whole organisation which inevitably require some difficult decisions in order that a balanced budget can be set in each of the next three years. 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. The 2013 Corporate Plan approved by the Authority at its meeting in July 2013 included eleven proposals which when fully implemented will deliver total savings of £6.8m. Whilst not all of this saving is achievable by 2015-16, because staffing changes are dependent on natural turnover, the Service is focused on implementing as soon as possible in order to secure savings at the earliest opportunity.

Revenue Spending in 2013-14

A further part of our strategy to prepare for the more difficult budgets to come is that the Chief Fire Officer has instructed budget holders to play their part by only committing spending on those areas of spending that are essential and adding value to the organisation. This strategy has again been reinforced during 2013-14 which has contributed to a large underspend against the revenue budget. The net underspend against all budget lines in 2013-14 was £2.6m. Table 1 provides a summary of spending against all agreed budget heads.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2013-14

	Budget	Spending	Variance
	£m	£m	£m
Employee Costs	59.8	58.3	-1.5
Premises Related Costs	3.7	3.6	-0.1
Transport Related Costs	3.7	3.5	-0.2
Supplies and Services	6.6	5.4	-1.2
Establishment Expenses	0.8	0.7	-0.1
Payments to Other Authorities	0.6	1.0	0.4
Capital Financing	4.7	4.4	-0.3
Gross Spending	79.9	76.9	-3.0
Income	-3.1	-4.4	-1.3
Transfer to Reserves	0.0	1.7	1.7
Net Spending	76.8	74.2	-2.6

EXPLANATORY FOREWORD

Contributions to Earmarked Reserve

At the Fire Authority meeting held on the 29 May 2014 it was agreed that the net underspend of £2.6m be transferred to Earmarked Reserves as shown below and in more detail within note 18.

Essential Spending Pressures (£0.3m) – An amount of £0.300m has been earmarked to be used to fund two identified one-off spending pressures for which no funding has been provided in the 2013-14 base budget.

Direct Revenue Funding to Capital (£2.3m) – the remaining balance of underspend of £2.3m is to be transferred to Earmarked Reserve for Direct Revenue funding to Capital, increasing the balance to £4.1m. This reserve has been established as a result of reduced Capital Grant funding from Central Government and a strategy to reduce the cost of Capital (which would otherwise be funded from debt) in future years.

The inclusion of these transfers increases total usable reserves for the Authority as at 31 March 2014 to £17.6m (£15.8m as at 31 March 2013), of which £12.4m relates to Earmarked Reserves (committed) and a further £5.2m to General Fund (un-committed).

Contributions to Provisions

Total revenue spending of £74.2m for 2013-14 includes amounts of £0.481m set aside in the Provision for fire-fighter pension costs and £0.295m for PFI Equalisation.

The Provision for pensions liability is primarily to provide the funding for the financial impact of the Employment Tribunal case which has ruled in favour of retained fire-fighters under the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations and further enhanced as a result of case law on Pensionable allowances. The balance on this Provision as at 31 March 2014 of £2.084m is considered to be sufficient to fund the forecast of costs which has been made based upon information received from the National Employers Council relating to compensatory payments to be made to individual fire-fighters and internal calculations of employers pension liability. Note 17 provides further analysis of movements on Provisions.

The Authority, in partnership with Gloucestershire County Council and Avon Fire Authority, has invested in a twenty-five year PFI contract to provide a joint fire and rescue service training centre at Avonmouth. Using existing indices and interest rates a shortfall had been predicted at the end of the contract period of around £1.2m. Based upon this forecast an amount of £295k, reflecting the Fire Authority's share, has been set aside as a provision.

Red One Ltd

An arms length company Red One Ltd (100% owned by the Authority) was established in 2012-13 which is now used as the main vehicle to introduce a more commercial focus for income generation activities. Whilst only a small amount (£3k) was generated in 2012-13 it became substantially active in 2013-14 with turnover of £0.981m (subject to audit) which resulted in the requirement for the company to file company accounts and a contribution before profits towards the Service budget of £0.350m. Future profits from the Company, over and above the target of £0.256m included in the Service Revenue budget, will substantially be used to fund Service capital projects therefore reducing borrowing costs.

Capital Expenditure and Financing 2013-14

A capital programme of £6.8m was agreed for 2013-14 to fund estates and fleet capital spending. Total accrued spending against this programme was £3.9m and of the underspend of £2.9m, £2.8m was treated as slippage and carried forward into 2014-15 to complete committed projects.

Of the total spend figure of £3.9m an amount of £2.1m was spent on estates projects, primarily focusing on minor improvement works to fire stations and completion of the enhanced training capability at Exeter Airport started in 2011-12. The remaining £1.7m was spent on fleet and equipment replacements, including the roll out of the Light Response Pump appliance.

Spending of £3.9m has been funded from CLG capital grants (£1.4m), revenue funding (£2.2m) and reserves (£0.2m).

Authority Borrowing

Ultimately, the Authority can only borrow to fund long-term capital investment; however actual in-year borrowing will be dependent on prevailing market conditions and appetite for risk around changes in interest rates. During 2013-14 there was no new borrowing. Debt repayments totalling £1.0m were also made maintaining total external debt as at 31 March 2014 at £26.2m, which is well within the maximum agreed borrowing figure of £32.8m.

EXPLANATORY FOREWORD

Assets/Liabilities of the Authority

The balance sheet of the Authority as at 31 March 2014 shows a net liability of £482.8m (£443.0m as at 31 March 2013). This includes a pension liability of £566.8m required to be included under IAS 19.

Pension Liabilities

As at 31 March 2014 the Authority pensions liability has been calculated to be £566.8m. This is based on an actuarial assessment and represents accrued benefits of members of the two 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 30 of these Accounts.

The impact of reporting pension assets and liabilities, under the current accounting standards (IAS19), is that all fire and rescue authorities, and also police authorities, 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.

Conclusion

We are in unprecedented times in terms of 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 to which we serve. For 2013-14 the Authority has been able to not only deliver the targeted savings required to set a balanced budget but also, through the implementation of its Corporate Plan proposals, to deliver in-year savings which have been transferred to Earmarked Reserves primarily to be used to reduce the Authority's reliance on external borrowing to fund capital investment.

For 2013-14 budget holders across the Service have responded well to the instructions to secure in-year savings, which has enabled the Authority to set aside an additional £2.6m into earmarked reserves to assist with our strategy to manage future budget settlements.

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 2013-14.

Kevin Woodward
Treasurer to the Authority

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

Responsibilities of the Authority

The Authority is required to:

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

Responsibilities of the Treasurer

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

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 hereby certify that this Statement of Accounts for the year ended 31 March 2014 has been prepared in accordance with the Accounts and Audit Regulations 2011, and that it gives a true and fair view of the financial position of the Authority as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

Kevin Woodward
Treasurer to the Authority

STATEMENT OF ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the Service transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Service is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require 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 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the 2011 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.

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 4% of the capital financing requirement for borrowing, which is subject to government support as part of the revenue support grant settlement, and asset life for borrowing which is not subject to such support.

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 2014 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 2014. Debtors are accrued on income to cover goods and services provided before 31 March 2014 but for which no payment has been received.

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.

STATEMENT OF ACCOUNTING POLICIES

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 Movement in Reserves Statement 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 Movement in Reserves Statement 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 Non Distributed Costs 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 Movement in Reserves Statement, 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 2013/14, which requires adoption of IAS19 Employee Benefits.

The Authority participates in three 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 2006, the Firefighters pension 1992 scheme was closed to new entrants and replaced with the new Firefighters pension scheme 2006 and Firefighters Compensation Scheme 2006. Both schemes are unfunded, and under new funding arrangements, 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 March 2014.

(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 2014.

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 new Standard IAS19. This means that the figures are calculated on an actuarial basis to reflect the Authority's share of the increase in the present value of pension liabilities arising from employee service in the current period.

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

Financial Instruments

Financial Liabilities

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES

Financial Assets

Loans and receivables 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. 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.

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

Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. 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 2014 the Authority had no significant Capital contracts outstanding

Leases

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

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

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

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

STATEMENT OF ACCOUNTING POLICIES

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 Movement in Reserves Statement for the difference between the two.

Operating Leases

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

Further information in respect of leasing obligations is included in the notes to the core financial statements (Note 27).

Overheads Support Services Costs

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Property, plant and equipment

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

Recognition

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

Intangible Assets

There are no intangible assets recognised by the Authority.

Tangible Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Expenditure below £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.

STATEMENT OF ACCOUNTING POLICIES

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).

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. As a consequence of the impact to asset values from the economic recession a full revaluation was undertaken as at the 31 March 2009. From April 2009 a five year rolling programme of revaluations has been carried out to ensure that all assets are re-valued within a five-year time period. The Authority's valuer is John Penaligan of NPS South West Ltd which is a subsidiary of NPS Consultants Ltd, a controlled company of Norfolk County Council.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following basis:

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

Fire Appliances – useful economic life assessed to be 12 years.

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

Intangible assets are to be amortised over 7 years.

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

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

Componentisation

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

STATEMENT OF ACCOUNTING POLICIES

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 Movement in Reserves Statement.

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 any such 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.

As the Authority is deemed to control part of the services that are provided (25%) under the PFI scheme, and as part ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Provisions

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

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

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

STATEMENT OF ACCOUNTING POLICIES

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

Three such Provisions exists as at 31 March 2014; (Note 17)

Firefighter Employers pensions liability

As at 31/3/2013 an amount of £1.6m had been set aside to provide funding in relation to the impact of the Part-Time Workers (Prevention of Less Favourable Working Conditions) Regulations as they impact on retained firefighter pay and pension costs. Following negotiations legislation has now introduced from 1 April 2014 to deal with the access to a pension scheme for all retained staff. An options exercise is now underway to identify those staff who are interested in joining such a scheme, which means that during 2014-15 more accurate information will be available to assess the total liability to the Service.

The total provision for Pension liabilities has been increased by an amount of £0.481m to reflect further legislative changes which will have the impact of increasing employers pension contributions.

PFI Equalisation

Using existing indices and interest rates a shortfall had been predicted at the end of the contract period of around £1.2m. An amount of £295k reflecting the Fire Authority's share of 25% has been set aside as a provision in 2013-14.

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 £234k in 2013-14.

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 2014 are shown in the notes to the core financial statements (Note 31)

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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 Movement in Reserves Statement 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 2014 are included with note 18 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.

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 March 2014

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 Movement in Reserves Statement.

	NOTE	Gross Total			Gross Total		Net Total
		Cost	Income	Net Total Cost	Cost	Income	Cost
		2013/14	2013/14	2013/14	2012/13	2012/13	2012/13
		£000	£000	£000	£000	£000	£000
Community Fire Safety							
Statutory Inspection, certification and enforcement		2,803	(93)	2,710	2,757	(80)	2,677
Prevention and education		5,569	(388)	5,181	5,223	(286)	4,937
Fire Fighting and Rescue Operations							
Operational Responses		69,225	(3,957)	65,268	67,189	(3,475)	63,714
Communications and mobilising		3,667	(112)	3,555	3,349	(97)	3,252
Securing water supplies		538	(15)	523	552	(13)	539
Corporate and demographic core costs		578	(2)	576	671	(1)	670
Operating (surplus)/deficit		82,380	(4,567)	77,813	79,741	(3,952)	75,789
Finance costs:							
Investment revenue	9			(173)			(231)
Other (gains) and Losses	8			(7,053)			(6,878)
Finance costs:	9			23,450			22,764
(Surplus)/deficit for the financial year				94,037			91,444
Council Tax	10			(42,306)			(45,931)
Non-domestic rates redistribution	10			(13,799)			(31,964)
Central government grant	10			(20,935)			(620)
Capital Grants and Contributions	10			(1,440)			(2,021)
Taxation and non-specific grant income				(78,480)			(80,536)
Retained (surplus)/deficit for the year				15,557			10,908
Other comprehensive income and expenditure							
Gains on revaluations	18			(4,503)			(1,760)
Impairment losses on non-current assets charged to the revaluation reserve	11			456			
Remeasurements of the net defined liability/ (asset) on pension schemes	18			28,318			28,905
Total comprehensive expenditure for the year				39,829			38,052

BALANCE SHEET AS AT 31 March 2014

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

		31 March 2014 £000	31 March 2013 £000
	NOTE		
Long-term assets			
Property, plant and equipment	11	91,741	90,228
Trade and other receivables	14	1,047	1,075
Total Long-Term assets		92,788	91,303
Current assets			
Inventories	13	211	251
Trade and other receivables	14	4,865	5,399
Short-term Investments (exceeding 3mths)	12	5,000	11,000
Cash and cash equivalents	15	20,115	6,824
Total current assets		30,191	23,474
Total assets		122,979	114,777
Current liabilities			
Trade and other payables	16	(8,549)	(5,929)
Borrowings	12	(394)	(768)
Bank Overdraft	12	(40)	-
Provisions	17	-	(1,624)
Total current liabilities		(8,983)	(8,321)
Net current assets		21,208	15,152
Total assets less current liabilities		113,996	106,456
Non-current liabilities			
Borrowings	12	(27,443)	(28,047)
Pensions Liability	30	(566,760)	(521,401)
Provisions	17	(2,614)	-
Total non current liabilities		(596,817)	(549,448)
Total liabilities		(605,800)	(557,769)
Net assets employed		(482,821)	(442,992)
Unusable Reserves			
Revaluation reserve	18	(16,905)	(13,569)
Capital Adjustment Account	18	(48,928)	(48,802)
Council Tax + Business Rates Adjustment Accounts	18	(529)	(274)
PFI - Equalisation Fund	18	(871)	(887)
Accumulated Absence Account	18	878	986
Pensions Reserve	18	566,760	521,401
		500,406	458,855
Usable Reserves			
General fund balance	MIRS	(5,191)	(5,191)
Earmarked reserves	18	(12,394)	(10,671)
		(17,585)	(15,862)
Total Reserves		482,821	442,992

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 March 2014**

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	2013/14 £000	2012/13 £000
Cash flows from operating activities			
Net deficit on provision of services		(15,557)	(10,908)
<u>Adjustments to deficit relating to non cash movements</u>			
Depreciation and Impairment	11	6,428	4,555
Pension Liability	18	17,040	15,187
(Increase)/decrease in inventories	13	40	(7)
(Increase)/decrease in debtors	14	562	(1,133)
Increase/(decrease) in creditors	16	2,188	(225)
Increase/(decrease) in provisions	17	990	(229)
Other non cash movement		(41)	(74)
Net cash inflow/(outflow) from operating activities		11,650	7,166
<u>Adjustments to deficit relating to items that relate to investing and financing activities</u>			
Transfer from government grant reserve		(1,440)	(2,021)
Net cash inflow/(outflow) from operating activities		10,210	5,145
Net cash inflow/(outflow) from investing activities	19.2	(1,980)	(2,560)
Cash outflow from financing activities	19.3	5,021	(3,955)
Net (increase)/decrease in cash and cash equivalents	15	13,251	(1,370)
Cash/cash equivalents (and bank overdrafts) at the beginning of the financial year	15	6,824	8,194
Cash/cash equivalents (and bank overdrafts) at the end of the financial year	15	20,075	6,824

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 March 2014

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 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General fund	Earmarked	Total Usable	Revaluation	Pensions	Capital	Collection	PFI	Accumulated	Total	Total
	balance	reserves	Reserves	reserve	Reserve	Adjustment	Fund	Account	Absences	Unusable	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012	4,872	6,485	11,357	12,472	(477,310)	48,132	436	897	(924)	(416,297)	(404,940)
Movement in reserves during 2012/13											
Deficit on provision of services	(10,908)	-	(10,908)	-	-	-	-	-	-	-	(10,908)
Other Comprehensive Income and Expenditure	-	-	-	1,750	(28,905)	10	-	-	-	(27,145)	(27,145)
Total Comprehensive Income and Expenditure	(10,908)	-	(10,908)	1,750	(28,905)	10	-	-	-	(27,145)	(38,052)
Adjustments between accounting basis and funding basis under regulations	15,414	-	15,414	(653)	(15,187)	660	(162)	(10)	(62)	(15,414)	-
Net Increase/Decrease before transfers to Earmarked Reserves	4,506	-	4,506	1,097	(44,092)	670	(162)	(10)	(62)	(42,558)	(38,052)
Transfers to Earmarked Reserves	(4,186)	4,186	-	-	-	-	-	-	-	-	-
Increase/Decrease in year	320	4,186	4,506	1,097	(44,092)	670	(162)	(10)	(62)	(42,558)	(38,052)
Balance carried forward as at 31 March 2013	5,191	10,671	15,862	13,569	(521,401)	48,802	274	887	(986)	(458,855)	(442,992)
Movement in reserves during 2013/14											
Deficit on provision of services	(15,557)	-	(15,557)	-	-	-	-	-	-	-	(15,557)
Other Comprehensive Income and Expenditure	-	-	-	3,335	(28,318)	711	-	-	-	(24,272)	(24,272)
Total Comprehensive Income and Expenditure	(15,557)	-	(15,557)	3,335	(28,318)	711	-	-	-	(24,272)	(39,829)
Adjustments between accounting basis and funding basis under regulation:											
<u>PFI Adjustment</u>	16	-	16	-	-	-	-	(16)	-	(16)	-
<u>Adjustments involving the Capital Adjustment Account</u>											
Reversal of items in the C.I.E.S.											
Depreciation	5,115	-	5,115	-	-	(5,115)	-	-	-	(5,115)	-
Impairment losses	1,313	-	1,313	-	-	(1,313)	-	-	-	(1,313)	-
Capital grants received	(1,440)	-	(1,440)	-	-	1,440	-	-	-	1,440	-
Insertion of items not in the C.I.E.S.											
Minimum Revenue Provision	(1,950)	-	(1,950)	-	-	1,950	-	-	-	1,950	-
Capital expenditure funded direct from revenue	(2,453)	-	(2,453)	-	-	2,453	-	-	-	2,453	-
<u>Adjustments involving the Pensions Reserve</u>											
Reversal of items related to pension benefits debited or credited to the Comprehensive Expenditure and Income Account	26,043	-	26,043	-	(26,043)	-	-	-	-	(26,043)	-
Employers pension contributions and direct payments to pensioners	(9,002)	-	(9,002)	-	9,002	-	-	-	-	9,002	-
<u>Adjustments involving the Collection Fund Adjustment Account</u>											
Amount by which council tax and business rates income credited to the CIES is different from the council tax calculated by statutory regulations	(255)	-	(255)	-	-	-	255	-	-	255	-
<u>Adjustments involving the Accumulated Absence Account</u>											
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration charged in accordance with statutory requirements	(108)	-	(108)	-	-	-	-	-	108	108	-
Total Adjustments between accounting basis and funding basis under regulations:	17,280	-	17,280	-	(17,040)	(585)	255	(16)	108	(17,279)	-
Net Increase/Decrease before transfers to Earmarked Reserves	1,723	-	1,723	-	(17,040)	(585)	255	(16)	108	(17,279)	(15,557)
Transfers to Earmarked Reserves	(1,723)	1,723	-	-	-	-	-	-	-	-	-
Increase/Decrease in year	-	1,723	1,723	-	(17,040)	(585)	255	(16)	108	(17,279)	(15,557)
Balance carried forward as at 31 March 2014	5,191	12,394	17,585	16,905	(566,760)	48,928	529	871	(878)	(500,406)	(482,821)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT BEEN ADOPTED

The CIPFA Code of Practice requires disclosure of information relating to the impact of accounting standards that have been issued but not yet adopted. **IFRS 13 Fair Value Measurement** Adoption of this standard will only affect non-Operational assets and surplus assets/ assets held for sale. The authority holds very few of these assets and therefore this standard is unlikely to have a material impact on the accounts.

For both **IAS 32 Financial Instruments: Presentation** and **Annual Improvements to IFRSs 2009 – 2011 Cycle**: disclosure requirements are expected to be included in a subsequent edition of the Code and there are not expected to be any impact on the authority other than changes in presentation.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

There is a high degree of uncertainty about future levels of funding for the fire service. 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 now 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.

3. 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 2014 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. Due to timescales of the five year revaluation programme, previous valuations may not remain valid if costs of replacement have fluctuated significantly.	If Direct Replacement Cost differs significantly, revaluations will increase or decrease, resulting in a change to the carrying value of the asset.
Provisions	The Authority has made a provision of £0.2m for successful NNDR appeals which is based on information received from Billing authorities.	An accounting adjustment will be required to the Provision on the balance sheet.
Provisions	The Authority has made a provision of £2.1m 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

4. 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.

5. EVENTS AFTER THE BALANCE SHEET DATE

The audited Statement of Accounts was authorised for issue by the Audit & Performance Committee on xx September 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This Movement In Reserve 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.

7. PRIOR PERIOD ADJUSTMENT

No prior period adjustments have been identified within the accounts

8. OTHER OPERATING INCOME AND EXPENDITURE

	2013/14 £000	2012/13 £000
Communities for Local Government Firefighters Pension Top-Up Grant	(7,053)	(6,878)
	<u>(7,053)</u>	<u>(6,878)</u>

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2013/14 £000	2012/13 £000
Interest on Loans	1,304	1,387
Other interest expense	(173)	(231)
Pensions Interest and administration Cost	22,146	21,377
	<u>23,277</u>	<u>22,533</u>

10. TAXATION AND NON SPECIFIC GRANT INCOMES

	2013/14 £000	2012/13 £000
Council tax income	(42,306)	(45,931)
Non domestic rates	(13,799)	(31,964)
Non-ring-fenced government grants	(20,935)	(620)
Capital grants and contributions	(1,440)	(2,021)
	<u>(78,480)</u>	<u>(80,536)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

11. PROPERTY PLANT AND EQUIPMENT

	Land	Buildings excluding dwellings	Assets under construction	Plant and machinery	Transport	Total
2013/14	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2013	19,261	67,702	2,229	4,875	12,742	106,809
Additions purchased	-	2,135	-	201	1,556	3,892
Additions donated	-	-	-	-	-	-
Additions government granted	-	-	-	-	-	-
Reclassifications	-	2,229	(2,229)	-	-	-
Disposals other than by sale	-	-	-	-	(125)	(125)
Revaluation gains	444	3,491	-	-	8	3,943
Revaluation removals	-	(3,142)	-	-	-	(3,142)
Impairments	(924)	(389)	-	-	-	(1,313)
Downward Revaluations	(401)	(55)	-	-	-	(456)
Reversal of impairments	-	-	-	-	-	-
At 31 March 2014	18,380	71,971	-	5,076	14,181	109,608
Depreciation at 1 April 2013	-	(8,354)	-	(4,008)	(4,219)	(16,581)
Reclassifications	-	-	-	-	-	-
Reclassified as held for sale	-	-	-	-	-	-
Disposals other than by sale	-	-	-	-	-	-
Revaluation removals	-	3,737	-	-	92	3,829
Impairments	-	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-	-
Charged during the year	-	(3,789)	-	(304)	(1,022)	(5,115)
Depreciation at 31 March 2014	-	(8,406)	-	(4,312)	(5,149)	(17,867)
Net book value						
Purchased	18,380	63,565	-	764	9,032	91,741
Donated	-	-	-	-	-	-
Government granted	-	-	-	-	-	-
Total at 31 March 2014	18,380	63,565	-	764	9,032	91,741
Asset financing						
Owned	18,380	62,052	-	764	9,029	90,225
Finance Leased	-	-	-	-	4	4
Private finance initiative	-	-	-	-	-	-
PFI residual interests	-	1,513	-	-	-	1,513
Total 31 March 2014	18,380	63,565	-	764	9,032	91,741

SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2014 the Authority had not entered in to any significant capital contracts where balances remained outstanding.

NOTES TO THE CORE FINANCIAL STATEMENTS

11. PROPERTY PLANT AND EQUIPMENT VALUATIONS

	Land	Buildings excluding dwellings	Assets under construction	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000	£000
Valued at Historical Cost	-	-	-	5,076	14,181	19,258
Valued at Current Value in:	-	-	-	-	-	-
2013/14	6,094	28,101	-	-	-	34,196
2012/13	4,484	13,203	-	-	-	17,688
2011/12	2,293	11,432	-	-	-	13,725
2010/11	2,057	7,573	-	-	-	9,630
2009/10	3,452	11,662	-	-	-	15,113
Total	18,380	71,971	-	5,076	14,181	109,609

Valuation Information:

The above statement shows the impact of the Authority's rolling programme for the revaluation of property, plant and equipment, including assets valued following completion of significant projects.

Valuations of land and buildings are carried out by John Penaligan (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. PROPERTY PLANT AND EQUIPMENT

Prior year:

	Land	Buildings excluding dwellings	Assets under construction	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2012	19,542	66,469	-	4,556	12,370	102,937
Additions purchased	7	1,848	2,090	319	406	4,671
Reclassifications	74	(213)	139	-	-	0
Disposals other than by sale	-	-	-	-	(24)	(24)
Revaluation gains	15	2,198	-	-	-	2,213
Revaluation removals	-	(2,525)	-	-	(10)	(2,536)
Impairments	(377)	(76)	-	-	-	(453)
At 31 March 2013	19,261	67,701	2,229	4,875	12,742	106,808
Depreciation at 1 April 2012	-	(7,659)	-	(3,650)	(3,274)	(14,583)
Disposals other than by sale	-	-	-	-	33	33
Revaluation removals	-	2,525	-	-	-	2,525
Charged during the year	-	(3,220)	-	(357)	(977)	(4,555)
Depreciation at 31 March 2013	-	(8,354)	-	(4,007)	(4,219)	(16,580)
Net book value						
Purchased	19,261	59,347	2,229	868	8,523	90,228
Donated	-	-	-	-	-	-
Government granted	-	-	-	-	-	-
Total at 31 March 2013	19,261	59,347	2,229	868	8,523	90,228
Asset financing						
Owned	19,261	57,768	2,229	868	8,512	88,638
Finance Leased	-	-	-	-	12	12
PFI residual interests	-	1,579	-	-	-	1,579
Total 31 March 2013	19,261	59,347	2,229	868	8,523	90,228

NOTES TO THE CORE FINANCIAL STATEMENTS

12. FINANCIAL INSTRUMENTS

12.1 BALANCE SHEET FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	£000 31 March 2014	£000 31 March 2013	£000 31 March 2014	£000 31 March 2013
Financial Liabilities				
Borrowings at amortised cost (PWLB)	(26,035)	(26,613)	(270)	(645)
Private Finance Initiative	(1,408)	(1,434)	(124)	(123)
Finance Lease	-	-	-	-
Commercial Bank	-	-	(40)	-
Creditors	-	-	(6,782)	(4,082)
	(27,443)	(28,047)	(7,216)	(4,850)
*Excludes following amounts which are not classed as financial instruments				
Income in advance			(184)	(275)
Non contractual creditors e.g. council tax			(705)	(586)
Accumulated absence accrual			(878)	(986)
Amount shown as short-term creditors in balance sheet			(8,549)	(5,929)

Financial Assets

Cash at Bank	-	-	8	32
Investments (Cash equivalents)	-	-	20,107	6,792
Investments (exceeding 3 mths.)	-	-	5,000	11,000
Debtors	1,047	1,075	2,263	3,402
	1,047	1,075	27,378	21,226
**Excludes following amounts which are not classed as financial instruments				
Non contractual debtors e.g. council tax			1,681	860
Payments in advance			921	1,136
Amount shown as current trade & other receivables in balance sheet			4,865	5,399

12.2 INCOME AND EXPENDITURE FINANCIAL INSTRUMENTS

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

	Financial Liabilities		Financial Assets		Total	
	£000 31 March 2014	£000 31 March 2013	£000 31 March 2014	£000 31 March 2013	£000 31 March 2014	£000 31 March 2013
Interest Expense	(1,304)	(1,387)			(1,304)	(1,387)
Interest payable and similar charges	(1,304)	(1,387)	-	-	(1,304)	(1,387)
Interest Income		-	173	231	173	231
Interest and Investment Income	-	-	173	231	173	231
Net Gain/(loss) for the year	(1,304)	(1,387)	173	231	(1,132)	(1,156)

NOTES TO THE CORE FINANCIAL STATEMENTS

12.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:-
For loans from the PWLB, premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures

For investments the principal amount is taken as fair value

No early repayment or impairment is recognised.

Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values are calculated as follows:

FINANCIAL LIABILITIES	Carrying Amount		Fair Values	
	£000 31 March 2014	£000 31 March 2013	£000 31 March 2014	£000 31 March 2013
Total Debt				
- PWLB	(26,305)	(27,258)	(30,834)	(33,924)
- Other Credit Arrangements	(1,532)	(1,557)	(1,532)	(1,557)
- Commercial Overdraft	(40)	-	(40)	-
Trade and other creditors	(6,782)	(4,082)	(6,782)	(4,082)
Total Liabilities	(34,659)	(32,897)	(39,188)	(39,563)

FINANCIAL ASSETS	Carrying Amount		Fair Values	
	£000 31 March 2014	£000 31 March 2013	£000 31 March 2014	£000 31 March 2013
Financial assets				
Total Investments	25,107	17,792	20,136	17,792
Cash and Bank	(33)	32	(33)	32
Trade and other debtors	3,310	5,337	3,310	5,337
Total Financial assets	28,384	23,161	23,413	23,161

NOTES TO THE CORE FINANCIAL STATEMENTS

13. INVENTORIES

	31 March 2014 £000	31 March 2013 £000
Uniforms and Protective Clothing	41	124
Vehicle Spares Stocks	70	81
Equipment Stocks	100	46
Total	211	251

14. DEBTORS

14.1 Trade and other receivables

	Current		Non-current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Current Assets				
Central Government Departments	1,086	2,098	0	0
Other Local Authorities	1,728	1,008	871	887
NHS bodies	1	85	0	0
Other	2,092	2,233	176	188
Provision for the impairment of receivables	(42)	(25)	0	0
Total	4,865	5,399	1,047	1,075

14.2 Receivables past their due date but not impaired

	31 March 2014 £000	31 March 2013 £000
By up to three months	340	35
By three to six months	0	101
By more than six months	68	0
Total	408	136

14.3 Provision for impairment of receivables

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	(25)	(5)
Amount written off during the year	3	-
Amount recovered during the year	0	-
(Increase)/decrease in receivables impaired	(20)	(20)
Balance at 31 March	(42)	(25)

15. CASH AND CASH EQUIVALENTS

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	6,824	8,194
Net change in year	13,251	(1,370)
Balance at 31 March	20,075	6,824
Made up of		
Commercial banks and cash in hand	8	8
Current investments (term less than 3 mths)	20,107	6,792
Cash and cash equivalents as in statement of financial position	20,115	6,800
Bank Balance - Commercial banks	(40)	24
Cash and cash equivalents as in statement of cash flows	20,075	6,824

NOTES TO THE CORE FINANCIAL STATEMENTS

16. CREDITORS

	Current		Non-current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Current Liabilities				
Central Government Departments	(3,354)	(1,467)	-	-
Other Local Authorities	(841)	(928)	-	-
NHS bodies	-	(1)	-	-
Other entities and individuals	(3,476)	(2,548)	-	-
Accum absence	(878)	(986)	-	-
Defined Benefit Pension Schemes	-	-	(566,760)	(521,401)
Total	(8,549)	(5,929)	(566,760)	(521,401)

17. PROVISIONS

	Current		Non-current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Firefighter Employer Pension Contribution	-	(1,624)	(2,084)	-
NDR Appeals Provision	-	-	(235)	-
PFI Equalisation	-	-	(295)	-
Total	-	(1,624)	(2,614)	-

	Firefighter Employer Pension Contribution £000	PFI Equalisation £000	NDR Appeals £000	Total £000
At 1 April 2012	-	-	-	-
Arising during the year	1,853	-	-	-
Used during the year	798	-	-	-
Reversed unused	(1,027)	-	-	-
At 31 March 2013	1,624	-	-	-
At 1 April 2013	1,624	-	-	1,624
Arising during the year	481	295	235	1,011
Used during the year	(21)	-	-	(21)
At 31 March 2014	2,084	295	235	2,614
Expected timing of cash flows:				
Between 1 April 2014 & 31 March 2015	-	-	-	-
Thereafter	2,084	295	235	-

NOTES TO THE CORE FINANCIAL STATEMENTS

18. USABLE AND UNUSABLE RESERVES

18.1 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 2013/14.

2013/14

Earmarked reserve	Balance 1 April	Transfers In	Transfers Out	Balance 31 March
	£000	£000	£000	£000
Investment in Community Safety	-	450	(45)	405
Mobilisation ICT Equipment	-	65	-	65
Home Safety Visits	-	100	-	100
Uniform replacement	-	450	-	450
Station Improvements	-	37	-	37
Grants Unapplied	2,389	314	(439)	2,265
Change and improvement	511	228	-	739
CSR strategy reserve	3,389	-	-	3,389
Commercial Services	252	-	(41)	211
Support for Capital Programme	3,877	2,595	(2,078)	4,393
Telephone System Replacement	100	-	-	100
Taunton Fire Station Oil Bunker	50	-	(48)	2
Breathing Apparatus Cylinder Testing	70	135	-	205
Specialist Rescue Level 4 Boat Training	33	-	-	33
Total	10,671	4,374	(2,651)	12,394

2012/13

Earmarked reserve	Balance 1 April	Transfers In	Transfers Out	Balance 31 March
	£000	£000	£000	£000
North Devon training & Lundy related costs	13	-	(13)	-
Positive Pressure Ventilation training	4	-	(4)	-
Mobilisation ICT eqpt & Firelink	57	-	(57)	-
Welfare facilities at stations	15	-	(15)	-
Workforce development training	6	-	(6)	-
Gold command training	24	-	(24)	-
Interagency Liaison Officers	11	-	(11)	-
Grants Unapplied	2,522	139	(272)	2,389
Change and improvement	673	-	(162)	511
CSR strategy reserve	1,815	1,574	-	3,389
Commercial Services	300	-	(48)	252
Support for Capital Programme	1,045	2,832	-	3,877
Telephone System Replacement	0	100	-	100
Taunton Fire Station Oil Bunker	0	50	-	50
Breathing Apparatus Cylinder Testing	-	70	-	70
Specialist Rescue Level 4 Boat Training	-	33	-	33
Total	6,485	4,798	(612)	10,671

18.2 UNUSABLE RESERVES

	31 March 2014	31 March 2013
	£000	£000
Revaluation Reserve	(16,905)	(13,569)
Capital Adjustment Account	(48,928)	(48,802)
Pensions Reserve	566,760	521,401
Collection Fund Adjustment Account	(758)	(274)
NNDR Adjustment Account	229	-
Accumulated Absences Account	878	986
PFI Equalisation Fund	(871)	(887)
Total	500,405	458,855

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.

	2013/14 £000	2012/13 £000
Balance at 1 April	(13,569)	(12,472)
Upward Revaluation of assets	(3,943)	(2,214)
Downward revaluations	456	464
Difference between fair value depreciation and historical cost depreciation	151	653
Balance at 31 March	(16,905)	(13,569)

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.

	2013/14 £000	2012/13 £000
Balance at 1 April	(48,802)	(48,132)
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	125	24
Charges for depreciation and impairment of non-current assets	6,429	4,555
	6,554	4,579
Minimum Revenue Provision	(1,950)	(1,966)
Capital Expenditure charged against the Revenue Account	(2,453)	(575)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,440)	(2,021)
Adjusting amounts written out of the Revaluation Reserve	(754)	(653)
Depreciation written down in-year	(82)	(34)
Balance at 31 March	(48,928)	(48,802)

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Reserve

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

	2013/14 £000	2012/13 £000
Balance at 1 April	521,401	477,310
Remeasurements of the net defined liability/ (asset)	28,318	28,905
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of services	26,043	24,647
Employer's pensions contributions and direct payments to pensioners payable in the year	(9,002)	(9,460)
Balance at 31 March	566,760	521,401

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.

	2013/14 £000	2012/13 £000
Balance at 1 April	(274)	(436)
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	(484)	162
Balance at 31 March	(758)	(274)

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. This is a new note so there won't be any amounts for previous years.

	2013/14 £000	2012/13 £000
Balance at 1 April	-	-
Amount by which NNDR are credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	229	-
Balance at 31 March	229	-

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2013/14	2012/13
	£000	£000
Balance at 1 April	986	924
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	(108)	62
Balance at 31 March	878	986

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 2014 a surplus of £0.871m (£0.887m as at 31 March 2013) was attributable to Devon and Somerset FRA and this has been included as a PFI debtor against Gloucestershire County Council.

	2013/14	2012/13
	£000	£000
Balance at 1 April	(887)	(897)
PFI Surplus for the year	16	10
Balance at 31 March	(871)	(887)

NOTES TO THE CORE FINANCIAL STATEMENTS

19. CASH FLOW STATEMENT NOTES

19.1 OPERATING ACTIVITIES

The cash flows for operating activities include the following items;

	2013/14 £000	2012/13 £000
Interest Received	173	204
Interest Paid	(1,304)	(1,200)
Total	(1,131)	(996)

19.2 INVESTMENT ACTIVITIES

	2013/14 £000	2012/13 £000
Payments for property, plant and equipment	(3,420)	(4,581)
Sale of investments		
Capital Grant Received	1,440	2,021
Net Cash Flows from investing activities	(1,980)	(2,560)

19.3 FINANCING ACTIVITIES

	2013/14 £000	2012/13 £000
Loans Received	-	2,000
Loans Repaid	(954)	(1,899)
Increase in Short-Term Deposits	6,000	(4,000)
Loan Capital Repayments of PFI and finance leases	(25)	(56)
Net Cash Flows from investing activities	5,021	(3,955)

20. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. 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.

	2013/14 £000	2012/13 £000
<u>Expenditure</u>		
Employees	58,242	59,135
Premises	3,557	3,564
Transport	3,542	3,237
Supplies & Services	5,411	5,875
Establishment Costs	695	571
External Support Costs	1,018	505
Capital Financing Costs	4,379	4,870
<u>Income</u>		
General income	(1,107)	(1,541)
Interest	(173)	(231)
Grants & staffing reimbursements	(3,154)	(2,107)
Contributions to or from reserves	1,723	3,121
Government Grant and Council Tax Income	(76,784)	(78,677)
Net surplus - as reported to management	(2,651)	(1,678)
<u>Amounts in the CIES not reported to management</u>		
Depreciation and impairment	6,428	4,555
Net charges made for retirement benefits	26,043	24,647
Surplus of PFI Equalisation Fund	16	10
Employee Absence Accrual	(108)	62
Deficit/(Surplus) on Council Tax and NNDR Collection Fund	(255)	162
Capital Grants in year	(1,440)	(2,021)
Spending from Earmarked Reserves	2,651	294
	33,336	27,709
<u>Amounts in management information not included in the Cost of Services in the CIES</u>		
Minimum Revenue Provision	(1,950)	(1,966)
Direct Revenue funding to Capital	(2,453)	(575)
Employers Contributions to Pensions	(9,002)	(9,460)
Transfer to Earmarked Reserves	(1,723)	(3,121)
	(15,127)	(15,122)
Cost of Services in CIES	15,557	10,908

NOTES TO THE CORE FINANCIAL STATEMENTS

21. MEMBERS ALLOWANCES

It is a requirement that after the end of the year to which a scheme relates, an Authority shall make arrangements for the publication of the total sum paid by it in the year under the scheme to each recipient in respect of basic allowance and special responsibility allowance. Details of such payments in 2013/14 are shown in the following table which shows all serving members during 2012/13 and 2013/14.

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

	Basic and Special Responsibility Allowance	Travel and Subsistence	2013/14	2012/13
	£	£	£	£
Bakewell CM	222	-	222	3,206
Bown AE	6,203	594	6,797	4,656
Boyd A	-	-	-	1,308
Bowyer L	961	259	1,220	-
Brazil J	5,342	666	6,008	-
Brooksbank JS	2,525	518	3,043	2,933
Burridge-Clayton PL	2,525	763	3,288	3,168
Cann RS	-	-	-	1,386
Chugg C	2,020	1,225	3,245	2,215
Colthorpe P	2,165	-	2,165	-
Darcy I	404	-	404	-
Drean JCT	-	-	-	329
Dyke W	6,313	774	7,087	4,643
Eastman AJ	3,745	706	4,451	2,537
Edmunds M	5,342	1,121	6,462	-
Ellery V	2,226	422	2,648	-
Foggin O	363	-	363	2,500
Fry A	222	-	222	2,654
Gordon IP	8,423	1,374	9,798	7,973
Greenslade B	4,291	614	4,904	-
Gribble GJ	3,413	274	3,686	7,611
Healey C	-	-	-	269
Healey M	22,725	11,603	34,328	24,844
Horsfall AJ	2,525	472	2,997	2,500
Hughes BCJ	290	-	290	2,081
Knight J	2,020	-	2,020	1,479
Leaves ME	2,419	79	2,499	6,725
Mills DA	756	25	781	3,364
Owen J	2,165	70	2,235	-
Phillips DJ	-	-	-	125
Prior-Sankey H	2,179	474	2,653	-
Radford R	5,875	208	6,083	4,476
Randall Johnson S	5,020	-	5,020	2,469
Smith DE	444	-	444	2,259
Smith J	2,525	465	2,990	2,579
Watson DJ	-	-	-	125
Way N	363	-	363	2,608
Withers FR	-	-	-	125
Woodman JC	6,313	1,396	7,708	3,639
Wright MG	-	-	-	368
Yeomans D	2,020	491	2,511	2,491

22. OFFICERS REMUNERATION

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

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

	2013/14	2012/13
£50,000 - £54,999	25	23
£55,000 - £59,999	18	21
£60,000 - £64,999	4	3
£65,000 - £69,999	-	6
£70,000 - £74,999	4	2
£75,000 - £79,999	3	2
£80,000 - £84,999	2	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	1	2
£105,000 - £109,999	-	1
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	1	1
£140,000 - £144,999	-	-

The figures for 2013-14 have decreased over those of 2012-13 as a result of senior management redundancies.

NOTES TO THE CORE FINANCIAL STATEMENTS

22.2 Senior Officers Remuneration 2013/14

Post Title	Salary (Including Fees and Allowances)	Expense Allowances	Benefits in Kind	Compensation for loss of office	Total Remuneration excluding pension contrbns	Pension Contrbns	Total Remuneration including pension contrbns 2013/14
	£	£	£	£	£	£	£
Chief Fire Officer	136,392	0	1,325	0	137,717	29,052	166,769
Assistant Chief Fire Officer B	102,296	24	2,297	0	104,617	18,822	123,440
Treasurer and Director of Finance^	41,440	723	0	70,845	113,008	7,625	120,633
Deputy Chief Fire Officer*	32,302	9	288	66,639	99,238	5,944	105,182
Assistant Chief Fire Officer A*	34,991	80	649	60,291	96,011	6,438	102,450
Director of Corporate Services	78,140	327	3,500	0	81,967	14,378	96,344
Director of People & Organisational Development	78,140	0	3,455	0	81,595	14,378	95,973
Area Manager	76,939	126	187	0	77,252	14,139	91,391
Area Manager	74,313	60	1,340	0	75,713	14,442	90,155
Area Manager	74,270	126	1,340	0	75,736	14,332	90,068
Area Manager	72,889	181	1,388	0	74,458	14,139	88,597
Area Manager	71,504	173	1,297	0	72,974	14,111	87,085
Area Manager	61,340	163	43	0	61,546	12,434	73,979
HR Manager	54,985	78	0	0	55,063	10,117	65,180
ICT Manager	52,117	319	1,484	0	53,920	9,520	63,440
Estates Manager	49,880	1,640	0	0	51,520	9,178	60,698
Head of Procurement (Part Time)	29,508	0	3,789	0	33,297	11,848	45,145
	1,121,446	4,029	22,382	197,775	1,345,632	220,897	1,566,529

* Left 30/06/2013
^ Left 31/10/2013

This table now includes all employees who are part of senior management.

Senior Officers Remuneration 2012/13

Post Title	Salary (Including Fees and Allowances)	Expense Allowances	Benefits in Kind	Total Remuneration excluding pension contrbns	Pension Contrbns	Total Remuneration including pension contrbns 2012/13
	£	£	£	£	£	£
Chief Fire Officer	136,212		1,742	137,954	29,052	167,006
Deputy Chief Fire Officer	109,116	96	1,298	110,510	20,077	130,587
Assistant Chief Fire Officer A	102,461	165	2,731	105,357	18,822	124,179
Assistant Chief Fire Officer B	102,296	17	3,137	105,450	18,822	124,272
Treasurer and Director of Finance	71,040	1,701		72,741	13,071	85,812
Director of Corporate Services	78,140	234	4,363	82,737	14,378	97,115
Director of People & Organisational Development	78,140	77	3,726	81,943	14,378	96,321
	677,405	2,290	16,997	696,692	128,600	825,292

22.3 Exit Packages agreed

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

Exit Package Cost Band (including special payments)	No of Compulsory Redundancies		No of other departures agreed		Total No of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
£0 - £20,000	1	1	30	5	31	6	£326,827	£49,900
£20,001 - £40,000	0	1	9	1	9	2	£259,405	£48,562
£40,001 - £60,000	0	0	1	0	1	0	£40,152	£0
£60,001 - £80,000	0	0	3	0	3	0	£197,775	£0
£80,001 - £100,000	0	0	0	0	0	0	£0	£0
£100,001 - £150,000	0	0	0	0	0	0	£0	£0
Total	1	2	43	6	44	8	£824,159	£98,462

Redundancy has increased in 2013-14 as a result of a programme of voluntary redundancies for uniformed and support staff.

23. EXTERNAL AUDITOR FEES

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

	2013/14 £000	2012/13 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	45	41
Total	45	41

NOTES TO THE CORE FINANCIAL STATEMENTS

24. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement (CIES) in 2013/14

	2013/14 £000	2012/13 £000
Grants		
New Dimensions Grant	(1,126)	(1,120)
Firelink Grant	(693)	(652)
Hinkley Point Grant	(64)	(104)
Council Tax Transition Grants	(188)	-
Capitalisation funding Grant	(110)	-
Sub total Grants	<u>(2,180)</u>	<u>(1,876)</u>
Other income and donations	(778)	(659)
Reimbursement of flooding incidents	(526)	-
Coresponder Income	(142)	(139)
JCP Phoenix Courses	(146)	(95)
PFI Fair value	(447)	(447)
Training Income	(347)	(736)
Sub total other income	<u>(2,387)</u>	<u>(2,076)</u>
Total within cost of services in the CIES	<u>(4,567)</u>	<u>(3,952)</u>

25. RELATED PARTY TRANSACTIONS

The Authority is required to disclose material transactions with related parties/bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the council 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 the subjective analysis in Note 20 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in Note 24.

Members Members of the authority have direct control over the Service's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 21. In relation to members, the Authority's constitution requires members to declare their interests in related parties in a register of interests. In addition, members are asked to declare separately any transactions with the Authority. **In relation to 2013/14 no material transactions were disclosed.** The table below summarises transactions with other public bodies.

	2013/14 £000	2012/13 £000
Central government income		
New Dimensions Grant	(1,126)	(1,120)
Red One Limited		
Receipts from Red One Ltd of training income and reimbursements	(789)	-
Devon County Council		
Payments to DCC for provision of financial services	104	85
Payments to DCC Pension Fund for employers contributions	1,476	1,502
Payments to DCC for provision of payroll services	41	43
Cornwall Council		
Payments to CC for provision of legal services	61	58
Somerset County Council		
Payments to SCC for provision of payroll services	-	1

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, Internal Audit Services and Payroll which are provided by Devon County Council, and to the costs of Legal Advice, which is provided by Cornwall Council. The Authority provides other support services such as Accounting and Property Management in-house.

NOTES TO THE CORE FINANCIAL STATEMENTS

26. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2013/14	2012/13
	£000	£000
Opening Capital Financing Requirement	27,865	27,756
<u>Capital investment</u>		
Operational assets	3,893	2,572
Non-operational assets	-	2,090
<u>Sources of Finance</u>		
Government grants and contributions	(1,440)	(2,021)
<u>Sums set aside from revenue</u>		
Minimum Revenue Provision	(1,950)	(1,966)
Direct revenue funding	(2,453)	(566)
Closing Capital Financing Requirement	25,915	27,865
Explanation of movements in year	2013/14	2012/13
	£000	£000
Increase/(Decrease) in underlying need to borrow	(1,925)	165
(Decrease) in PFI/lease liabilities	(25)	(56)
Increase/(decrease) in Capital Financing Requirement	(1,950)	109

27. LEASES

27.1 OPERATING LEASES AS LESSEE

Total rentals paid during the year amounted to £1.150m. It is estimated that the outstanding liability for future years, in relation to existing lease agreements is £0.589m.

	2013/14	2012/13
	£000	£000
<u>Payments recognised as an expense in year</u>	1,150	1,348
<u>Total Future Minimum Lease Payments</u>		
Payable:		
Not later than one year	575	1,145
Between one and five years	14	310
After 5 years	-	-
Total	589	1,455

NOTES TO THE CORE FINANCIAL STATEMENTS

28. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

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

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

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2014 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	2013/14 £000	2012/13 £000
Paid in 2013/14	392	124	138	654	638
Outstanding undischarged contract obligations:					
Payable within one year	402	132	136	670	654
Payable within two to five years	1,710	641	499	2,850	2,782
Payable within six to ten years	2,387	1,145	446	3,978	3,883
Payable within eleven to fifteen years *	2,131	1,270	151	3,552	4,387
	<u>6,630</u>	<u>3,188</u>	<u>1,232</u>	<u>11,050</u>	<u>11,706</u>

* There are fourteen 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:

	2013/14 £000	2012/13 £000
Balance outstanding at 1 April	1,557	1,611
Payments in year	(25)	(54)
Balance outstanding at 31 March	<u>1,532</u>	<u>1,557</u>

29. IMPAIRMENT LOSSES & REVERSALS

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

	2013/14 £000	2012/13 £000
Impairment of Land	(924)	(377)
Impairment of Buildings	(389)	(76)
Reversal of items charged to the revaluation reserve	-	453
Net Amount Charged to the CIES	<u>(1,313)</u>	<u>-</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

30 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 two Fire pension schemes for fire officers, both 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 CLG. The first scheme is the 1992 Firefighters Pension Scheme (FPS), the second being the 2006 New firefighters pension scheme, which opened in April 2006 at the same time as the 1992 scheme was closed to new members. The Authority has one further pension liability which is in respect of injury awards issued under the Firefighters Compensation Regulations. Previously, these liabilities have been reported within the 1992 Firefighters Pension Scheme figures, but are now called out separately.

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. For the LGPS the employer's percentage contribution rate is set for three years and has been assessed at 18.4%, the 1992 Firefighters pension scheme employer percentage is 21.3% and the 2006 New Firefighters pension scheme employer percentage rate is 11%.

Total contributions expected to be made by the authority in the year to 31st March 2015 are as follows:

Local Government Pension Scheme £1.254m

1992 Firefighters Pension Scheme £3.913m

2006 New firefighters Pension Scheme £0.984m

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

	LG Pension Scheme 2013/14 £000	LG Pension Scheme 2012/13 £000	LG Unfunded 2013/14 £000	LG Unfunded 2012/13 £000	1992 Firefighters Pension Scheme 2013/14 £000	1992 Firefighters Pension Scheme 2012/13 £000	New Firefighters Pension Scheme 2013/14 £000	New Firefighters Pension Scheme 2012/13 £000	Firefighters Compensation Regs. 2013/14 £000	Firefighters Compensation Regs. 2012/13 £000	Total 2013/14 £000	Total 2012/13 £000
Comprehensive Income & Expenditure Statement												
<i>Service Cost Comprising:</i>												
Current Service Cost	1,971	1,957	-	-	6,009	5,763	2,551	2,093	399	366	10,930	10,179
<i>Financing and Investment Income and Expenditure:</i>												
Net Interest Expense	690	701	14	13	18,943	18,639	789	602	1,691	1,643	22,127	21,598
Administration Expenses	19	14									19	14
CLG Pension top up grant					(8,561)	(8,582)	1,509	1,704	-	-	(7,053)	(6,878)
Total Post-employment benefits charged to the Surplus or Defecit on the Provision of Services	2,680	2,672	14	13	16,391	15,820	4,849	4,399	2,090	2,009	26,023	24,913
<i>Remeasurement of the net defined benefit liability comprising:</i>												
Expected return on plan assets (excluding the amount included in net interest expense)	(21)	(1,570)									(21)	(1,570)
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	(21)	(1,570)	-	-	-	-	-	-	-	-	(21)	(1,570)
Movement in Reserves Statement												
Reversal of net charges made to the Surplus or Defecit on the Provision of Services for post - employment benefits in accordance with the code	(2,680)	(2,672)	(14)	(13)	(16,391)	(15,820)	(4,849)	(4,399)	(2,090)	(2,009)	(26,023)	(24,913)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>												
Employers contributions payable to scheme	1,476	1,508			4,241	4,514	719	920			6,436	6,942
Employers contributions payable to scheme (secondees not charged to general fund)	17	10	-	-	17	37	-	-	-	-	34	47
Ill health charges					99	38	25	36			124	74
Retirement benefits payable to pensioners			21	21	Paid from Firefighters Pension Fund	Paid from Firefighters Pension Fund			2,393	2,423	2,414	2,444

Revised figures on IAS19 Basis for 2012/13 have been included in these tables

Reconciliation of the present value of the scheme liabilities	LG Pension	LG Pension	LG	LG	1992	1992	New	New	Firefighters	Firefighters	Total	Total
	Scheme	Scheme	Unfunded	Unfunded	Firefighters	Firefighters	Firefighters	Firefighters	Compensation	Compensation	2013/14	2012/13
	2013/14	2012/13	2013/14	2012/13	Pension	Pension	Pension	Pension	Regs.	Regs.	2013/14	2012/13
	£000	£000	£000	£000	Scheme	Scheme	Scheme	Scheme	2013/14	2012/13	£000	£000
1st April	49,029	43,910	309	300	446,942	411,698	17,921	12,708	40,496	36,914	554,697	505,530
Current Service Cost	1,944	1,926	-	-	6,009	5,763	2,551	2,093	399	366	10,903	10,148
Interest Cost	2,234	2,019	14	13	18,943	18,639	789	602	1,691	1,643	23,671	22,916
Contributions by scheme participants	529	547	-	-	2,437	2,216	893	753	-	-	3,859	3,516
<i>Remeasurement (gains) and losses:</i>												
Actuarial gains and losses arising on changes in demographic assumptions	(13)	-	10		14,360	-	(25)	-	(2,053)	-	12,279	-
Actuarial gains and losses arising on changes in financial assumptions	3,791	1,227	12		16,949	26,714	920	1,770	9,343	1,296	31,014	31,007
Experience gains and losses	(1,443)	(3)	(33)	17	(4,144)	(2,700)	(2,907)	-	(6,381)	2,700	(14,909)	14
Past service Costs	-	-	-	-	-	-	-	-	-	-	-	-
Losses (gains) on curtailments	27	31	-	-	-	-	-	-	-	-	27	31
Benefits Paid	(1,498)	(628)	(20)	(21)	(15,372)	(15,388)	(37)	(5)	(2,393)	(2,423)	(19,320)	(18,465)
31st March	54,599	49,029	292	309	486,123	446,942	20,105	17,921	41,102	40,496	602,221	554,697

Revised figures on IAS19 Basis for 2012/13 have been included in these tables

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Assets and Liabilities Recognised in the Balance Sheet	2012/13	2013/14
	£000	£000
Present value of liabilities		
LGPS	(49,030)	(54,599)
LGPS- unfunded	(309)	(292)
1992 Firefighters Pension scheme	(446,942)	(486,123)
New Firefighters Pension scheme	(17,921)	(20,105)
Firefighters Compensation Regulations	(40,497)	(41,102)
Fair value of assets in the LGPS	33,298	35,461
	(521,401)	(566,760)
Surplus/(deficit) in the scheme:		
LGPS	(15,732)	(19,138)
LGPS- unfunded	(309)	(292)
1992 Firefighters Pension scheme	(446,942)	(486,123)
New Firefighters Pension scheme	(17,921)	(20,105)
Firefighters Compensation Regulations	(40,497)	(41,102)
Net Liability arising from defined benefit obligation	(521,401)	(566,760)

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 Devon Fund being based on the latest full valuation of the scheme undertaken in 2014.

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:-

Proportion of assets held - LGPS	£000	31 March	£000	31 March
		2014		2013
		%		%
Gilts	2,482	7.00%	4,329	13.00%
UK Equities	9,220	26.00%	20,311	61.00%
Overseas Equities	12,057	34.00%	0	0.00%
Property	3,192	9.00%	2,664	8.00%
Infrastructure	709	2.00%	0	0.00%
Target Return Portfolio	5,319	15.00%	4,995	15.00%
Cash	709	2.00%	999	3.00%
Other Bonds	1,773	5.00%	0	0.00%
Total Fair value of LGPS assets	35,461	100%	33,298	100.00

Quoted securities are valued at bid price

The movement between the opening and closing balances of the fair value of assets is as follows:

	Year to 31 March 2014	Year to 31 March 2013
	£000	£000
Opening fair value	33,298	28,222
Interest Income	1,544	1,331
Return on plan assets (excluding the amount included in net interest expense)	21	2,322
Other Actuarial Gains/ (Losses)	93	-
Administration Expenses	(19)	(14)
Contributions by employer	1,513	1,539
Contributions by scheme participants	529	547
Estimated benefits paid	(1,518)	(649)
Fair value of scheme assets at end of period	35,461	33,298

NOTES TO THE CORE FINANCIAL STATEMENTS

Basis for establishing assets and liabilities	LG Pension Scheme	LG Pension Scheme	LG	LG	1992 Firefighters Pension Scheme	1992 Firefighters Pension Scheme	New Firefighters Pension Scheme	New Firefighters Pension Scheme	Firefighters Compensation Regs.	Firefighters Compensation Regs.
	2013/14	2012/13	Unfunded	Unfunded	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Long-term expected rate of return on assets in the scheme										
Total	5.4%	5.4%								
Mortality assumptions										
Longevity at 65 for current pensioners										
Men	22.70	20.60	22.70	20.60	22.50	21.60	22.50	21.60	22.50	21.60
Women	26.00	24.60	26.00	24.60	25.70	24.20	25.70	24.20	25.70	24.20
Longevity at 65 for future pensioners										
Men	24.90	22.60	24.90	22.60	24.70	23.50	24.70	23.50	24.70	23.50
Women	28.30	26.50	28.30	26.50	28.00	26.00	28.00	26.00	28.00	26.00
Rate of inflation RPI	3.7%	3.4%	3.7%	3.4%	3.6%	3.3%	3.6%	3.3%	3.6%	3.3%
Rate of inflation CPI	2.9%	2.6%	2.9%	2.6%	2.8%	2.5%	2.8%	2.5%	2.8%	2.5%
Rate of increase in salaries	4.7%	4.4%			4.6%	4.3%	4.6%	4.3%		
Rate of increase in pensions	2.9%	2.6%	2.9%	2.6%	2.8%	2.5%	2.8%	2.5%	2.8%	2.5%
Rate for discounting scheme liabilities	4.5%	4.6%	4.5%	4.6%	4.4%	4.3%	4.4%	4.3%	4.4%	4.3%
Take-up of option to convert annual pension into retirement lump sum	50% of commutable pension				50% of commutable pension		50% of commutable pension		50% of commutable pension	

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

Sensitivity Analysis 2013/14	LG Pension Scheme		1992 Firefighters Pension Scheme		New Firefighters Pension Scheme		Firefighters Compensation Regs.	
	PV*	Service Cost^	PV	Service Cost	PV	Service Cost	PV	Service Cost
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustment to the Discount Rate								
+0.1%	53,777	1,891	477,806	10,617	19,765	2,745	40,406	622
0.0%	54,891	1,936	486,124	10,868	20,105	2,808	41,101	637
-0.1%	56,029	1,981	494,595	11,125	20,451	2,873	41,808	651
Adjustment to Long Term Salary Increase								
+0.1%	55,101	1,936	487,200	10,873	20,205	2,809	41,101	637
0.0%	54,891	1,936	486,124	10,868	20,105	2,808	41,101	637
-0.1%	54,682	1,936	458,053	10,863	20,005	2,807	41,101	636
Adjustment to Pension Increases and Deferred Revaluation								
+0.1%	55,836	1,982	493,644	11,124	20,356	2,872	41,819	651
0.0%	54,891	1,936	486,124	10,868	20,105	2,808	41,101	637
-0.1%	53,968	1,891	478,740	10,618	19,859	2,745	40,395	622
Adjustment to Mortality Age Rating Assumption								
+ 1 year	52,982	1,870	468,691	10,491	19,408	2,711	39,595	615
None	54,891	1,936	486,124	10,868	20,105	2,808	41,101	637
- 1 year	56,817	2,002	503,705	11,248	20,808	2,906	42,620	659

* Present Valur of Total Obligation

^Projected Service Cost

The International Accounting Standards Board has published a final version of the revised IAS19 standard which applied for accounting periods beginning on or after the 1st January 2013. As a result disclosures of 2012/13 amounts have been restated for the revised standard.

In summary the changes that affect the charge to the Income and Expenditure (I&E) statement are:-

Expected return on assets has been removed and replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities both of which are calculated with reference to the discount rate - Some labelling changes to the I&E, e.g. Service cost now includes what was previously described as the Current Service Cost plus the Past Service Cost plus any curtailments plus any settlements.

NOTES TO THE CORE FINANCIAL STATEMENTS

31. CONTINGENT LIABILITIES

There are no contingent liabilities identified.

32. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

KEY RISKS

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

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

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

Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

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

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

	Amount as at 31 March 2014 £000	Historical Experience of Default £000	Historical Experience adjusted for market conditions as at 31 March 2014 £000	Estimated maximum exposure to default and uncollectability £000
Deposits with bank & financial institutions	25,074			
Central government & other local authorities	2,815			
Trade & other debtors	2,092		-	
Total	29,981	-	-	-

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 2014, the value of debt which exceeded this period was £68k, broken down as follows:

	2013/14 £000	2012/13 £000
Two to Three Months	-	35
Over Three Months	68	101
Total	68	136

An allowance for bad debts of £42k has been made at the year- end.

NOTES TO THE CORE FINANCIAL STATEMENTS

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:-

	2013/14	2012/13
	£000	£000
Less than one year – including trade and other creditors	8,031	5,988
Between one and two years – PWLB loan repayments	126	270
Between two and five years – PWLB loan repayments	280	220
More than five years – PWLB loan repayments	25,629	25,723
Total	34,066	32,201

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 two fire pension schemes those being the 1992 Firefighters Pension Scheme and the 2006 New Firefighters Pension Scheme (NFPS). Before 2006/07, there had only been the 1992 scheme and in year retirement costs were met from the authority's funds where major fluctuations could occur depending upon the number of officers who retired during the financial year.

In 2006/07 a replacement pension scheme was established (with the 1992 being closed to new members) called the new firefighters pension scheme, which retained personnel could also join. Both 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 (Communities and Local Government), 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.

Firefighter Pensions Fund	2013/14 £000	2012/13 £000
Contributions receivable from:		
Fire authority:-		
a) contributions in relation to pensionable pay	(4,898)	(4,928)
b) early ill health retirements	(128)	(75)
c) Firefighters contributions	(3,330)	(2,969)
d) contributions in relation to ill health pensions (note4)	-	(542)
	(8,356)	(8,514)
Transfers In	(32)	(31)
Benefits payable		
e) pensions	13,765	13,084
f) commutations and lump sum benefits	1,539	2,177
g) lump sum death benefits	0	0
Payments to and on account of leavers		
h) transfers out	137	162
Net amount payable for the year	7,053	6,878
Top up grant payable by the government	(7,053)	(6,878)
	-	-
Net Assets Statement	2013/14 £000	2012/13 £000
Current assets		
Recoverable overpayments of pensions		
Top up grant repayable to CLG - creditor	(1,509)	1,634
Current liabilities		
Unpaid pension benefits		
Devon & Somerset Fire & Rescue Authority – creditor	1,509	(1,634)
Total	-	-

Note 1 - £8.561m had been received from CLG by 31st March 2014. As there was a surplus in funding of £1.509m this is to be returned to CLG in order to balance total costs incurred.

Note 2 - 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 3 - It should be noted that the amounts included within the firefighters pension fund are only for the period of 2013/14 and do not take into account liabilities to pay pensions or benefits after that period.

Note 4 - During 2012/13 an adjusting entry was made to the pension fund reflecting an amount due to the CLG for ill health pensions which had been charged to the fund in error.

GLOSSARY OF TERMS

Accounting Policies

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

Accruals

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

Actuary

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

Actuarial Valuation

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

Assets

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

Balance Sheet

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

Capital Expenditure

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

Capital Financing Costs

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

Capital Receipts

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

Cash equivalents

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

Cash Flow Statement

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in the public 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 2012/13. This prescribes the form and content of the Statement of Accounts, and is published by a joint committee of CIPFA and LASAAC. It is based on approved accounting standards and reflects specific statutory accounting requirements. Compliance with the Code is necessary in order that the Authority's Accounts give a "true and fair" view of its financial position and performance.

Contingent Liability

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

Creditors

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

Current Assets

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

Debtors

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

Defined Benefit Scheme

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

Depreciation

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

Earmarked Reserves

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

GLOSSARY OF TERMS

Financial Instruments

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

Heritage asset

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

International Financial Reporting Standards (IFRS)

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

Inventories

The new name for stocks.

Leasing

There are two main types of leasing arrangements:

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

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

Liabilities

Amounts owed by the Authority to lenders or suppliers.

Long-term borrowing

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

Minimum Revenue Provision

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

Movement in Reserves Statement

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

National Non-Domestic Rates (NNDR)

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

Property, Plant and Equipment

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

Private Finance Initiative (PFI)

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

Provisions

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

Projected Unit Method

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

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

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

PWLB

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

Reserves

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

Revaluation

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

Revaluation Reserve

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

Scheme Liabilities

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

Treasury Management

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

CERTIFICATION OF ISSUE

The unaudited accounts were issued on the 26th June 2014 and the audited accounts were authorised for issue on the 24 September 2014.

**Kevin Woodward
Treasurer to the Authority**

Date

**Ray Radford
Chair Audit Performance Review Committee**

Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY

Opinion on the Authority financial statements

We have audited the financial statements of Devon and Somerset Fire and Rescue Authority for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Statement of Movement in Reserves, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 4. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Devon and Somerset Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities for the accounts, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Devon and Somerset Fire and Rescue Authority as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial

for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all

published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, *Devon and Somerset Fire and Rescue Authority* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Devon and Somerset Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Peter Barber
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

29 September 2014