DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

Statement of accounts
2014 - 2015

Devon and Somerset Fire and Rescue Authority

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Devon & Somerset Fire & Rescue Authority - STATEMENT OF ACCOUNTS 2014/15

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 2015. The Accounts are presented in compliance with International Financial Reporting Standards (IFRS). The Accounts are prepared on the basis of a going concern given that the Authority has sufficient resources to fund its financial obligations and has no concerns of its financial viability over the medium term.

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

It is clear from the newly elected Conservative government manifesto that it is a key priority to eliminate the structural deficit during the course of the current 5 year parliament and bring into surplus by 2019-20. This will undoubetdly mean further reductions in local government funding until at least 2018-19 and the likelihood that those reductions will be put in place sooner than previously planned. Given that the Fire Service is one of those unprotected services it is vitally important that measures are taken now to prepare for the scale of reductions ahead. The next Spending Review later in 2015 will bring more context to better inform financial planning.
Against this backdrop it is imperative for Authority Medium Term Financial Plans to be focused on providing forecasts of budget savings required to 2018-19. Current forecasts are that the Authority needs to plan on the basis of delivering further on-going savings of £5.8m over the next three years. It is very likely that this figure will increase given that the newly elected government are likely to look for savings quicker than originally planned. So far the Authority has responded well based upon a strategy which has been focused around the three key areas of improving efficiency, reducing costs and increasing income generation. Total recurring budget savings of £9m have already been delivered since 2010. 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. Because the release of these savings are dependent on natural staff turnover it had always been anticipated that it would take several years to deliver all of these savings. Some of these savings therefore are still to be released after 2015 and will therefore be avaialable to contribute towards future savings requirments. However it is not anticipated that this provide all of the required savings and therefore further savings will need to be identified. The Service is focused on implementing as soon as possible in order to secure savings at the earliest opportunity. The Authority has established an Earmarked Reserve specifically to provide funding to enable a smoothing of the impact of the grant reductions over the next 5 years. This will also provide an element of financial contingency should the grant reductions be more severe than planned.

Revenue Spending in 2014/15

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 2014-15 which has contributed to a large underspend against the revenue budget. The net underspend against all budget lines in 2014-15 was £2.1m. Table 1 provides a summary of spending against all agreed budget heads.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2014/15

	Budget	Spending	Variance
	£m	£m	£m
Employee Costs	55.8	53.8	-2.0
Premises Related Costs	4.1	3.9	-0.2
Transport Related Costs	3.5	3.2	-0.2
Supplies and Services	5.6	5.3	-0.3
Establishment Expenses	0.8	0.6	-0.2
Payments to Other Authorities	0.6	0.6	0.0
Capital Financing	6.6	5.0	-1.6
Gross Spending	**76.9**	**72.3**	**-4.6**
Income	-3.6	-4.4	-0.9
Transfer to Reserves	2.1	5.5	3.4
Net Spending	**75.5**	**73.3**	**-2.1**

EXPLANATORY FOREWORD

Contributions to Earmarked Reserve

At the Fire Authority meeting held on the 28 May 2015 it was agreed that the net underspend of £2.1m be transferred to Earmarked Reserves as shown below and in more detail within note 18.

Essential Spending Pressures (£0.5m) – An amount of £0.506m has been earmarked to be used to fund four identified one-off spending pressures for which no funding has been provided in the 2014-15 base budget.

Comprehensive Spending Review Reserve (£1.6m) – the remaining balance of underspend of £1.568m is to be transferred to Earmarked Reserve for Comprehensive Spending Review Strategy, bringing the total balance to £5.0m. This reserve has been established as a result of reductions in funding from Central Government to combat further austerity measures in future years.

The inclusion of these transfers increases total usable reserves for the Authority as at 31 March 2015 to £23.8m (£17.6m as at 31 March 2014), of which £18.5m relates to Earmarked Reserves (committed) and a further £5.3m to General Fund (un-committed).

Contributions to Provisions

Total revenue spending of £73.5m for 2014-15 includes amounts of £0.288m set aside in the Provision for fire-fighter pension costs.

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 2015 of £0.784m 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.
An amount of £1.525m has been released from the Provision in 2014-15 and transferred for an Earmarked Reserve for the same purpose, as it has now been confirmed that any future liabilities will be funded by ongoing employers pension contributions. Note 17 provides further analysis of movements on Provisions.

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. Turnover has continued to see growth in 2014-15 resulting in a contribution before profits towards the Service budget of £0.348m. Future profits from the Company, over and above the contribution target of £0.200m inlcuded in the Service Revenue budget, will substantially be used to fund Service capital projects therefore reducing borrowing costs.

Capital Expenditure and Financing 2014/15

A capital programme of £7.6m was agreed for 2014-15 to fund estates and fleet capital spending. Total accrued spending against this programme was £2.8m and the underspend of £4.8m was treated as slippage and carried forward into 2015-16 to complete committed projects.

Of the total spend figure of £2.8m an amount of £1.2m was spent on estates projects, primarily focusing on minor improvement works to fire stations. The remaining £1.6m was spent on fleet and equipment replacements, including continued roll out of the Light Response Pump appliance.

Spending of £2.8m has been funded from CLG capital grants (£1.4m), revenue funding (£1.2m) 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 2014-15 there was no new borrowing. Debt repayments totalling £0.3m were also made maintaining total external debt as at 31 March 2015 at £25.9m, which is well within the maximum agreed borrowing figure of £31.0m.

EXPLANATORY FOREWORD

Assets/Liabilities of the Authority

The balance sheet of the Authority as at 31 March 2015 shows a net liability of £579.0m (£481.0m as at 31 March 2014). This includes a pension liability of £684.7m required to be included under IAS 19.

Pension Liabilities

As at 31 March 2015 the Authority pensions liability has been calculated to be £684.7m. 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 2014-15 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 protect against future austerity and also to reduce the Authority's reliance on external borrowing to fund capital investment.

For 2014-15 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 £2.2m 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 2014-15.

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 Acccounts in accordance with proper practices, as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom.

In preparing the Statement of Accounts, the Treasurer has:

Selected suitable accounting policies and then applied them consistently.
Made judgements and estimates that were reasonable and prudent.
Complied with the Code of Practice.

The Treasurer has also:

Kept proper accounting records which were up to date.
Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Treasurer’s Certificate

I certify that the Statement of Accounts on pages 15-18 provide a true and fair view of the financial position of the Authority at the accounting data and its income and expenditure for the year ended 31 March 2015.

Kevin Woodward
Treasurer to the Authority
Date: 30/06/2015

STATEMENT OF ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the Service transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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 2015 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 2015. Debtors are accrued on income to cover goods and services provided before 31 March 2015 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 2014/15, 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 2015, the Firefighters pension 2006 scheme was closed to new entrants and replaced with the new Firefighters pension scheme 2015. Both these schemes and the previous 1992 scheme are unfunded. The Authority is responsible for deducting contributions from current employees to be paid into the Pensions Account, together with an employer's contribution based upon a rate set by the Government Actuary Department (GAD). The last valuation was undertaken in March 2015.

(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 2015.

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 2015 the Authority had one significant Capital contracts outstanding as detailed in Note 11 to the accounts.

Leases

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

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

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

The Authority as Lessee

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

Further information in respect of leasing obligations is included in the notes to the core financial statements (Note 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 2014/15 (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.

<u>Recognition</u>
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.

<u>Intangible Assets</u>
There are no intangible assets recognised by the Authority.

<u>Tangible Assets</u>
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 change to the Code which requires all assets of the same class to be valued concurrently, a full revaluation was undertaken as at the 31 March 2015. A full revaluation will be undertaken every five years as a minimum. 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 for a Medium Rescue Pump and 10 years for a Light Rescue Pump.
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

Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

Provisions

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

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

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

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

Four such Provisions exists as at 31 March 2015; (Note 17)

<u>Firefighter Employers pensions liability</u>

As at 31/3/2014 an amount of £2.1m 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 was introduced from 1 April 2014 to deal with the access to a pension scheme for all retained staff. Following an options exercise and confirmation of funding methods from DCLG, an amount of £1.5m has been released from the Provision and transferred to an Earmarked reserve.
The total provision for Pension liabilities has been increased by an amount of £0.228m to reflect further legislative changes which will have the impact of increasing employers pension contributions.

<u>Pension Commutations</u>

The Pension Ombudsman determined in July 2015 that the calculation of pensioners' lump sum amounts on commutation since 1998 was not based on the right actuarial data and therefore there will be an additional liability to the Pension fund for backpayment of the amounts due and associated interest amounting to £2.215m

<u>PFI Equalisation</u>

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% was set aside as a provision in 2013-14 and remains on the Authority's Balance Sheet.

<u>Non Domestic Rates Appeals provision</u>

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 £371k in 2014-15.

STATEMENT OF ACCOUNTING POLICIES

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the 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 2015 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 2015

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 Cost 2014/15 £000	Income 2014/15 £000	Net Total Cost 2014/15 £000	Restated Gross Total Cost 2013/14 £000	Restated Income 2013/14 £000	Restated Net Total Cost 2013/14 £000
Community Fire Safety							
Statutory Inspection, certification and enforcement		764	(170)	**594**	2,803	(93)	2,710
Prevention and education		2,821	(30)	**2,791**	5,569	(388)	5,181
Fire Fighting and Rescue Operations							
Operational Responses		71,958	(4,323)	**67,635**	69,403	(3,957)	65,446
Communications and mobilising		6,263	(71)	**6,192**	3,667	(112)	3,555
Securing water supplies		423	(6)	**417**	538	(15)	523
Corporate and democratic core costs		997	(38)	**959**	578	(2)	576
Non distributed costs*		17,119	(2,215)	**14,904**	-	-	-
Operating (surplus)/deficit		**100,345**	**(6,854)**	**93,492**	82,558	(4,567)	77,991
Finance costs:							
Investment revenue	9			**(186)**			(173)
Other (gains) and Losses	8			**(6,988)**			(7,053)
Finance costs:	9			**25,909**			23,450
(Surplus)/deficit for the financial year				**112,227**			94,215
Council Tax	10			**(43,770)**			(42,306)
Non-domestic rates redistribution	10			**(14,444)**			(13,799)
Central government grant	10			**(18,096)**			(20,935)
Capital Grants and Contributions	10			**(1,428)**			(1,440)
Taxation and non-specific grant income				**(77,738)**			(78,480)
Retained (surplus)/deficit for the year				**34,489**			15,735
Other comprehensive income and expenditure							
Gains on revaluations	18			**(15,222)**			(4,503)
Impairment losses on non-current assets charged to the revaluation reserve	11			**480**			456
Remeasurements of the net defined liability/ (asset) on pension schemes	18			**78,253**			28,318
Total comprehensive expenditure for the year				**98,000**			40,007

* £14.904m relating to Past Service costs arising from the Modified New Firefighters Pension Scheme which are required to be charged to the Comprehensive Income and Expenditure account under the Code, per Note 30.2.
£2.215m relating to the provision for backdated pension commutations and related interest and related DCLG Debtor, per Note 2

BALANCE SHEET AS AT 31 March 2015

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

	NOTE	**31 March 2015 £000**	**Restated** 31 March 2014 £000	**Restated** 01 April 2013 £000
Long-term assets				
Property, plant and equipment	11	**104,720**	93,554	92,218
Trade and other receivables	14	**1,024**	1,047	1,075
Total Long-Term assets		**105,744**	94,601	93,293
Current assets				
Inventories	13	**255**	211	251
Trade and other receivables	14	**7,156**	4,865	5,399
Short-term Investments (exceeding 3mths)	12	**16,500**	5,000	11,000
Cash and cash equivalents	15	**14,465**	20,115	6,824
Total current assets		**38,376**	30,191	23,474
Total assets		**144,120**	124,792	116,767
Current liabilities				
Trade and other payables	16	**(6,666)**	(8,549)	(5,929)
Borrowings	12	**(259)**	(394)	(768)
Bank Overdraft	12	**(529)**	(40)	-
Provisions	17	**(2,433)**	-	(1,624)
Total current liabilities		**(9,887)**	(8,982)	(8,321)
Net current assets		**28,489**	21,209	15,152
Total assets less current liabilities		**134,233**	115,809	108,446
Non-current liabilities				
Borrowings	12	**(27,285)**	(27,443)	(28,047)
Pensions Liability	30	**(684,723)**	(566,760)	(521,401)
Provisions	17	**(1,232)**	(2,614)	-
Total non current liabilities		**(713,242)**	(596,817)	(549,448)
Total liabilities		**(723,129)**	(605,799)	(557,769)
Net assets employed		**(579,008)**	(481,009)	(441,002)
Unusable Reserves				
Revaluation reserve	18	**(27,271)**	(16,937)	(13,601)
Capital Adjustment Account	18	**(53,362)**	(50,708)	(50,761)
Council Tax + Business Rates Adjustment Accounts	18	**(1,317)**	(529)	(274)
PFI - Equalisation Fund	18	**(861)**	(871)	(887)
Accumulated Absence Account	18	**860**	878	986
Pensions Reserve	18	**684,723**	566,760	521,401
		602,773	498,593	456,866
Usable Reserves				
General fund balance	MIRS	**(5,271)**	(5,191)	(5,191)
Earmarked reserves	18	**(18,494)**	(12,394)	(10,671)
		(23,765)	**(17,585)**	**(15,862)**
Total Reserves		**579,008**	**481,009**	**441,002**

The updated Balance Sheet was certified by the Treasurer on 28th September 2015

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2015

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	**2014/15** **£000**	**Restated** 2013/14 £000
Cash flows from operating activities			
Net deficit on provision of services		**(34,489)**	(15,735)
Adjustments to deficit relating to non cash movements			
Depreciation and Impairment	11	**6,449**	6,607
Pension Liability	18	**39,710**	17,040
(Increase)/decrease in inventories	13	**(44)**	40
(Increase)/decrease in debtors	14	**(2,269)**	562
Increase/(decrease) in creditors	16	**(1,882)**	2,188
Increase/(decrease) in provisions	17	**1,051**	990
Other non cash movement		**(5)**	(41)
Net cash inflow/(outflow) from operating activities		**8,520**	**11,650**
Adjustments to deficit relating to items that relate to investing and financing activities			
Transfer from government grant reserve		**(1,428)**	**(1,440)**
Net cash inflow/(outflow) from operating activities		**7,092**	10,210
Net cash inflow/(outflow) from investing activities	19.2	**(1,439)**	(1,980)
Cash outflow from financing activities	19.3	**(11,793)**	5,021
Net (increase)/decrease in cash and cash equivalents	15	**(6,140)**	13,251
Cash/cash equivalents (and bank overdrafts) at the beginning of the financial year	15	20,075	6,824
Cash/cash equivalents (and bank overdrafts) at the end of the financial year	15	**13,936**	**20,075**

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 March 2015

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 balance £000	Earmarked reserves £000	Total Usable Reserves £000	Revaluation reserve £000	Pensions Reserve £000	Capital Adjustment Account £000	Collection Fund Adjustment Account £000	PFI Equalisation Account £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2013	**5,191**	**10,671**	**15,862**	**13,601**	**(521,401)**	**50,761**	**274**	**887**	**(986)**	(456,865)	**(441,002)**
Movement in reserves during 2013/14											
Deficit on provision of services (restated)	(15,735)		(15,735)	-	-	-	-	-	-	-	**(15,735)**
Other Comprehensive Income and Expenditure	-	-	-	3,336	(28,318)	711	-	-	-	(24,271)	**(24,271)**
Total Comprehensive Income and Expenditure	(15,735)	-	(15,735)	3,336	(28,318)	711	-	-	-	(24,271)	(40,007)
Adjustments between accounting basis and funding basis under regulations	17,457	-	17,457	-	(17,040)	(764)	255	(16)	108	(17,457)	-
Net Increase/Decrease before transfers to Earmarked Reserves	1,723	-	1,723	3,336	(45,358)	(53)	255	(16)	108	(41,729)	(40,007)
Transfers to Earmarked Reserves	(1,723)	1,723	-								
Increase/Decrease in year	**-**	**1,723**	**1,723**	**3,336**	**(45,358)**	**(53)**	**255**	**(16)**	**108**	**(41,729)**	**(40,007)**
Balance carried forward as at 31 March 2014	**5,191**	**12,394**	**17,585**	**16,937**	**(566,760)**	**50,708**	**529**	**871**	**(878)**	**(498,594)**	**(481,009)**
Movement in reserves during 2014/15											
Deficit on provision of services	(34,488)		(34,488)	-	-	-	-	-	-	-	(34,488)
Other Comprehensive Income and Expenditure	-	-	-	10,335	(78,253)	4,408	-	-	-	(63,511)	(63,511)
Total Comprehensive Income and Expenditure	(34,488)	-	(34,488)	10,335	(78,253)	4,408	-	-	-	(63,511)	(97,999)
Adjustments between accounting basis and funding basis under regulations											
PFI Adjustment	10		10					(10)		(10)	-
Adjustments involving the Capital Adjustment Account											-
Reversal of items in the C.I.E.S.											-
Depreciation	6,221		6,221			(6,221)				(6,221)	-
Impairment losses	228		228			(228)				(228)	-
Capital grants received	(1,428)		(1,428)			1,428				1,428	-
Insertion of items not in the C.I.E.S.											-
Minimum Revenue Provision	(1,822)		(1,822)			1,822				1,822	-
Capital expenditure funded direct from revenue	(1,445)		(1,445)			1,445				1,445	-
Adjustments involving the Pensions Reserve											-
Reversal of items related to pension benefits debited or credited to the Comprehensive Expenditure and Income Account	48,891		48,891		(48,891)					(48,891)	-
Employers pension contributions and direct payments to pensioners	(9,181)		(9,181)		9,181					9,181	-
Adjustments involving the Collection Fund Adjustment Account											-
Amount by which council tax and business rates income credited to the CIES is different from the council tax calculated by statutory regulations	(787)		(787)				787			787	-
Adjustments involving the Accumulated Absence Account											-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration charged in accordance with statutory requirements	(18)		(18)						18	18	-
											-
Total Adjustments between accounting basis and funding basis under regulations	40,668	-	40,668	-	(39,710)	(1,754)	787	(10)	18	(40,668)	-
Net Increase/Decrease before transfers to Earmarked Reserves	6,180	-	6,180	-	(39,710)	(1,754)	787	(10)	18	(40,668)	(34,488)
Transfers to Earmarked Reserves	(6,100)	6,100	-								-
Increase/Decrease in year	**79**	**6,100**	**6,180**	**-**	**(39,710)**	**(1,754)**	**787**	**(10)**	**18**	**(40,668)**	**(34,488)**
Balance carried forward as at 31 March 2015	**5,271**	**18,494**	**23,764**	**27,271**	**(684,723)**	**53,363**	**1,316**	**861**	**(860)**	**(602,773)**	**(579,008)**

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 **Annual Improvements to IFRSs 2011-2013 Cycle:** the issues covered by this aspect of the code are not relevant to the authority and therefore no changes to the accounts are expected.
For **IFRIC 21 Levies**: Given that the authority is not currently subject to any government levies, no changes to the accounts are expected.

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.
The Pension Ombudsman determined in July 2015 that the calculation of pensioners' lump sum amounts on commutation since 1998 was not based on the right actuarial data and therefore there will be an additional liability to the Pension fund for backpayment of the amounts due and associated interest. The Government Actuary's Department has issued guidance in respect of the Firefighters' Pension Scheme (England): 1992 Scheme. This enables each Fire Authority to calculate the impact for their 2014/15 accounts.

The Pension Administrators have calculated that in total there were 196 leavers affected and that the estimated revised commutations and interest payable amount to £2.215m. Whilst this figure has not been finalised there is a high degree of confidence in the material accuracy of the estimate because each case has been reviewed and assessed individually. The Authority has taken a view that this is material to the accounts and therefore the figure of £2.215m has been included as a provision in the Statement of Accounts as an adjusting post balance sheet event under IAS37 Provisions. Assurance has been received from HM Treasury that the Department for Communities & Local Goverment (DCLG) will be required to compensate Fire Authorities for these costs and therefore the corresponding income and debtor have been included, meaning that there is a net nil affect to the Authority's balance sheet.

In addition to those adjustments made under Non Distributed Costs on the face of the Comprehensive Income and Expenditure Statetement the adjustments are also shown under Provisions (Note 17) and Debtors (Note 14) in the 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows and continued overleaf:

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 basic 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (continued)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liabilities	Assets and Liabilities of the Local Government Pension Scheme (LGPS) have been assessed based on values at the 28th February 2015 by actuarial valuation. This is a change from previous practice of annual valuation at 31st March. The decision to use month 11 valuations has been made as a result of shortened deadlines for publication of the Annual Statement of Accounts laid out in the Accounts and Audit Regulations 2015. Whilst the earlier deadlines apply from 2018, given common delays to receipt of the Actuarial report, the practice has been introduced in advance	If there is significant movement in the valuation between 28th February and 31st March, the accounts would require restatement. Assurance has been received that this was not the case in 2014-15.
Provisions	The Authority has made a provision of £0.4m for successful NNDR appeals which is based on information received from Billing authorities.	An accounting adjustment will be required to the Provision on the balance sheet.
Provisions	The Authority has made a provision of £0.8m 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 28 September 2015. 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 2015, 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

7. PRIOR PERIOD ADJUSTMENT

The Authority was gifted National Resilience vehicles and equipment from the Department for Communities and Local Government (DCLG) as at 1st April 2010. Due to a dispute over ongoing liability the assets were not recognised on the Authority balance sheet at this time. This meant that the service expenditure for Operational Responses was understated in 2013/14 by £0.178m depreciation.

The following are the relevant extracted lines from the Comprehensive Income and Expenditure Statement which, with appropriate restatement for 2013/14, can be found within these financial statements.

	Originally Stated 2013/14 Net Expenditure £000s	Restated 2013/14 Net Expenditure £000s	Amount of Restatement £000s
Operational Responses	65,268	65,446	178
Operating (surplus)/deficit	77,813	77,991	178
(Surplus)/deficit for the financial year	94,037	94,215	178
Retained (surplus)/deficit for the year	15,557	15,735	178
Total comprehensive expenditure for the year	39,829	40,007	178

The net value of the assets at 1st April 2013 was £1.801m. As a result of Audit recommendations last year the Authority also rebalanced the property, plant and equipment between fixed assets, the revaluation reserve and the capital adjustment account with a net £0.012m impact. The table below demonstrates the effects on the following line items in the balance sheet for the financial year 2013/14 which, with restated figures can be found within the financial statements.

	Originally Stated 2013/14 £000s	Restated 2013/14 £000s	Amount of Restatement £000s
Property, plant and equipment	91,741	93,554	1,813
Total Long-Term assets	92,788	94,601	1,813
Total assets	122,979	124,792	1,813
Total assets less current liabilities	113,996	115,809	1,813
Net assets employed	(482,821)	(481,008)	1,813
Revaluation reserve	(16,905)	(16,937)	(32)
Capital Adjustment Account	(48,928)	(50,708)	(1,780)
Total Reserves	482,821	481,008	(1,813)

The following restatement was also required for the Movement in Reserves Statement. The restated (for the relevant line items) prior period Movement in Reserves Statement is provided with current year information within the financial statements.

	As previously stated 31 March 2014 £000s	As restated 31 March 2014 £000s	Amount of Restatement £000s
Balance at 31 March 2013	(442,992)	(441,002)	1,990
Deficit on provision of services	(15,557)	(15,735)	(178)
Total Comprehensive Income and Expenditure	(39,829)	(40,007)	(178)
Balance carried forward as at 31 March 2014	(482,821)	(481,008)	1,813

8. OTHER OPERATING INCOME AND EXPENDITURE

	2014/15 £000	2013/14 £000
Communities for Local Government Firefighters Pension Top-Up Grant	**(6,988)**	(7,053)
	(6,988)	(7,053)

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2014/15 £000	2013/14 £000
Interest on Loans	**1,284**	1,304
Investment income	**(186)**	(173)
Pensions Interest and administration Cost	**24,625**	22,146
	25,723	23,277

10. TAXATION AND NON SPECIFIC GRANT INCOMES

	2014/15 £000	2013/14 £000
Council tax income	**(43,770)**	(42,306)
Non domestic rates	**(14,444)**	(13,799)
Non-ring-fenced government grants	**(18,096)**	(20,935)
Capital grants and contributions	**(1,428)**	(1,440)
	(77,738)	(78,480)

NOTES TO THE CORE FINANCIAL STATEMENTS

11. PROPERTY PLANT AND EQUIPMENT

2014/15	Land	Buildings excluding dwellings	Assets under construction	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2014	18,380	71,974	-	5,364	16,398	112,116
Additions purchased	81	1,162	-	345	1,255	2,843
Additions donated	-	-	-	-	30	30
Additions government granted	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Derecognition - disposals	-	-	-	(1)	(94)	(95)
Revaluation gains	-	10,826	-	-	-	10,826
Revaluation removals	-	(7,469)	-	-	-	(7,469)
Impairments	(11)	(812)	-	-	-	(823)
Downward Revaluations	(89)	(391)	-	-	-	(480)
Reversal of impairments	-	595	-	-	-	595
At 31 March 2015	**18,361**	**75,885**	**-**	**5,708**	**17,589**	**117,543**
Depreciation at 1 April 2014	-	(8,400)	-	(4,395)	(5,767)	(18,562)
Reclassifications	-	-	-	-	-	-
Reclassified as held for sale	-	-	-	-	-	-
Derecognition - disposals	-	-	-	1	86	87
Revaluation removals	-	11,874	-	-	-	11,874
Impairments	-	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-	-
Charged during the year	-	(4,653)	-	(209)	(1,359)	(6,221)
Depreciation at 31 March 2015	**-**	**(1,179)**	**-**	**(4,603)**	**(7,040)**	**(12,822)**
Net book value						
As at 31 March 2014	18,380	63,574	-	969	10,631	93,554
As at 31 March 2015	18,361	74,706	-	1,105	10,549	104,720
Asset financing						
Owned	18,361	73,610	-	1,105	10,547	103,623
Finance Leased	-	-	-	-	2	2
Private finance initiative	-	-	-	-	-	-
PFI residual interests	-	1,096	-	-	-	1,096
Total 31 March 2015	**18,361**	**74,706**	**-**	**1,105**	**10,549**	**104,720**

SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2015 the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2015/16 and future years budgeted to cost £2.0m. There were no similar commitments at 31 March 2014. Of these contracts only one is of significant value, with £1.7m being committed to purchase Light Rescue Pump Vehicles.

NOTES TO THE CORE FINANCIAL STATEMENTS

11. PROPERTY PLANT AND EQUIPMENT VALUATIONS

2014/15	Land	Buildings excluding dwellings	Assets under construction	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000	£000
Valued at Historical Cost	-	-	-	5,708	17,589	23,297
Valued at Current Value in:	-	-	-	-	-	
2014/15	18,362	75,885	-	-	-	94,246
2013/14	-	-	-	-	-	-
2012/13	-	-	-	-	-	-
2011/12	-	-	-	-	-	-
2010/11	-	-	-	-	-	-
Total	**18,362**	**75,885**	**-**	**5,708**	**17,589**	**117,543**

Valuation information:

The above statement shows the impact of the Authority's programme for the revaluation of property, plant and equipment, including assets valued following completion of significant projects. The Authority has moved away from the five year rolling programme of revaluations in order to ensure that all revalued assets falling under the same class are assessed at the same time, per CIPFA guidance.

Valuations of land and buildings are carried out by 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

2013/14 - Restated	Land	Buildings excluding dwellings	Assets under construction	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2013	19,261	67,705	2,229	5,163	14,959	109,317
Additions purchased	-	2,135	-	201	1,556	3,892
Additions donated	-	-	-	-	-	-
Additions government granted	-	-	-	-	-	-
Reclassifications	-	2,229	(2,229)	-	-	-
Derecognition - disposals	-	-	-	-	(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**	**71,974**	**-**	**5,364**	**16,398**	**112,116**
Depreciation at 1 April 2013	-	(8,348)	-	(4,058)	(4,691)	(17,097)
Reclassifications	-	-	-	-	-	-
Reclassified as held for sale	-	-	-	-	-	-
Derecognition - disposals	-	-	-	-	-	-
Revaluation removals	-	3,737	-	-	92	3,829
Impairments	-	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-	-
Charged during the year	-	(3,789)	-	(337)	(1,168)	(5,294)
Depreciation at 31 March 2014	**-**	**(8,400)**	**-**	**(4,395)**	**(5,767)**	**(18,562)**
Net book value						
As at 31 March 2013	19,261	59,357	2,229	1,105	10,268	92,220
As at 31 March 2014	18,380	63,574	-	969	10,631	93,554
Asset financing						
Owned	**18,380**	**62,061**	**-**	**969**	**10,627**	**92,037**
Finance Leased	**-**	**-**	**-**	**-**	**4**	**4**
Private finance initiative	**-**	**-**	**-**	**-**	**-**	**-**
PFI residual interests	**-**	**1,513**	**-**	**-**	**-**	**1,513**
Total 31 March 2014	**18,380**	**63,574**	**-**	**969**	**10,631**	**93,554**

12. FINANCIAL INSTRUMENTS

12.1 BALANCE SHEET FINANCIAL INSTRUMENTS

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

	Long-Term			Current	
	£000	£000		**£000**	£000
	31 March 2015	**31 March 2014**		**31 March 2015**	**31 March 2014**
Financial Liabilities					
Borrowings at amortised cost (PWLB)	(25,908)	(26,035)		(127)	(270)
Private Finance Initiative	(1,377)	(1,408)		(132)	(124)
Finance Lease	-	-		-	-
Commercial Bank	-	-		(529)	(40)
Creditors	-	-	*	(4,751)	(6,782)
	(27,285)	(27,443)		**(5,539)**	(7,216)
*Excludes following amounts which are not classed as financial instruments					
Income in advance				**(261)**	(184)
Non contractual creditors e.g. council tax				**(794)**	(705)
Accumulated absence accrual				**(860)**	(878)
Amount shown as short-term creditors in balance sheet				**(6,666)**	(8,549)
Financial Assets					
Cash at Bank	**-**	-		**9**	8
Investments (Cash equivalents)	**-**	-		**14,456**	20,107
Investments (exceeding 3 mths.)	**-**	-		**16,500**	5,000
Debtors	**1,024**	1,047	**	**4,113**	2,263
	1,024	1,047		**35,078**	**27,378**
**Excludes following amounts which are not classed as financial instruments					
Non contractual debtors e.g. council tax				**1,986**	1,681
Payments in advance				**1,057**	921
Amount shown as current trade & other receivables in balance sheet				**7,156**	4,865

12.2 INCOME AND EXPENDITURE FINANCIAL INSTRUMENTS

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

	Financial Liabilities		Financial Assets		Total	
	£000	£000	**£000**	£000	**£000**	£000
	31 March 2015	**31 March 2014**	**31 March 2015**	**31 March 2014**	**31 March 2015**	**31 March 2014**
Interest Expense	**(1,284)**	(1,304)			**(1,284)**	(1,304)
Interest payable and similar charges	**(1,284)**	(1,304)	**-**	-	**(1,284)**	(1,304)
Interest Income		-	**186**	173	**186**	173
Interest and Investment Income	**-**	-	**186**	173	**186**	173
Net Gain/(loss) for the year	**(1,284)**	(1,304)	**186**	173	**(1,098)**	(1,132)

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	£000	**£000**	£000
	31 March 2015	**31 March 2014**	**31 March 2015**	**31 March 2014**
Total Debt				
- PWLB	**(26,035)**	(26,305)	**(37,850)**	(30,834)
- Other Credit Arrangements	**(1,509)**	(1,532)	**(1,509)**	(1,532)
- Commercial Overdraft	**(529)**	(40)	**(529)**	(40)
Trade and other creditors	**(4,751)**	(6,782)	**(4,751)**	(6,782)
Total Liabilities	**(32,825)**	(34,659)	**(44,640)**	(39,188)

FINANCIAL ASSETS	**Carrying Amount**		**Fair Values**	
	£000	£000	**£000**	£000
	31 March 2015	**31 March 2014**	**31 March 2015**	**31 March 2014**
Financial assets				
Total Investments	**30,956**	25,107	**30,995**	20,136
Cash and Bank	**(520)**	(33)	**(520)**	(33)
Trade and other debtors	**6,194**	3,310	**6,194**	3,310
Total Financial assets	**36,630**	28,384	**36,669**	23,413

NOTES TO THE CORE FINANCIAL STATEMENTS

13. INVENTORIES

	31 March 2015 £000	31 March 2014 £000
Uniforms and Protective Clothing	**109**	41
Vehicle Spares Stocks	**89**	70
Equipment Stocks	**58**	100
Total	**255**	211

14. DEBTORS

14.1 Trade and other receivables	**Current**		**Non-current**	
	31 March 2015 £000	31 March 2014 £000	**31 March 2015 £000**	31 March 2014 £000
Current Assets				
Central Government Departments	**2,826**	1,086	**0**	0
Other Local Authorities	**2,488**	1,728	**861**	871
NHS bodies	**0**	1	**0**	0
Other	**1,853**	2,092	**164**	176
Provision for the impairment of receivables	**(12)**	(42)	**0**	0
Total	**7,156**	4,865	**1,024**	1,047

14.2 Receivables past their due date but not impaired	**31 March 2015 £000**	31 March 2014 £000
By up to three months	**14**	340
By three to six months	**1**	0
By more than six months	**11**	68
Total	**25**	408

14.3 Provision for impairment of receivables	**31 March 2015 £000**	31 March 2014 £000
Balance at 1 April	**(42)**	(25)
Amount written off during the year	**30**	3
(Increase)/decrease in receivables impaired	**0**	(20)
Balance at 31 March	**(12)**	(42)

15. CASH AND CASH EQUIVALENTS	**31 March 2015 £000**	31 March 2014 £000
Balance at 1 April	**20,075**	6,824
Net change in year	**(6,139)**	13,251
Balance at 31 March	**13,936**	20,075
Made up of		
Commercial banks and cash in hand	**9**	8
Current investments (term less than 3 mths)	**14,456**	20,107
Cash and cash equivalents as in statement of financial position	**14,465**	20,115
Bank Balance - Commercial banks	**(529)**	(40)
Cash and cash equivalents as in statement of cash flows	**13,936**	20,075

16. CREDITORS

	Current		Non-current	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	£000	£000	**£000**	£000
Current Liabilities				
Central Government Departments	**(1,493)**	(3,354)	**-**	-
Other Local Authorities	**(943)**	(841)	**-**	-
NHS bodies	**-**	-	**-**	-
Other entities and individuals	**(3,370)**	(3,476)	**-**	-
Accum absence	**(860)**	(878)	**-**	-
Defined Benefit Pension Schemes	**-**	-	**(684,723)**	(566,760)
Total	**(6,666)**	(8,549)	**(684,723)**	(566,760)

17. PROVISIONS

	Current		Non-current	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	£000	£000	**£000**	£000
Firefighter Employer Pension Contribution	**(218)**	-	**(566)**	(2,084)
Pension Commutations	**(2,215)**	-	**-**	-
NDR Appeals Provision	**-**	-	**(371)**	(235)
PFI Equalisation	**-**	-	**(295)**	(295)
Total	**(2,433)**	-	**(1,232)**	(2,614)

	Firefighter Employer Pension Contribution	**Pension Commutations**	**PFI Equalisation**	**NDR Appeals**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
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**
At 1 April 2014	2,084	-	295	235	**2,614**
Arising during the year	228	2,215	-	136	**2,579**
Used during the year	(3)	-	-	-	**(3)**
Reversed unused	(1,525)	-	-	-	**(1,525)**
At 31 March 2015	784	2,215	295	371	**3,665**
Expected timing of cash flows:					
Between 1 April 2015 & 31 March 2016	218	2,215	-	-	**2,433**
Thereafter	566	-	295	371	**1,232**

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 2014/15.

2014/15

Earmarked reserve	Balance 1 April	Transfers In	Transfers Out	Balance 31 March
	£000	£000	£000	£000
Investment in Community Safety	405	-	(190)	215
Mobilisation ICT Equipment	65	21	(11)	75
Home Safety Visits	100	-	-	100
Uniform replacement	450	546	-	996
Station Improvements	37	300	(37)	300
Grants Unapplied	2,265	170	(761)	1,674
Change and improvement	739	399	(200)	938
CSR strategy reserve	3,389	1,568	-	4,957
Commercial Services	211	-	(19)	191
Support for Capital Programme	4,393	2,794	(12)	7,176
Telephone System Replacement	100	70	-	170
Taunton Fire Station Oil Bunker	2	-	-	2
Breathing Apparatus Cylinder Testing	205	-	(205)	-
Specialist Rescue Level 4 Boat Training	33	-	-	33
Pensions Reserve	-	1,525	-	1,525
Software/ Licencing	-	62	-	62
Thermal Imaging Cameras	-	19	-	19
NNDR Smoothing Reserve	-	62	-	62
Total	**12,394**	**7,534**	**(1,434)**	**18,494**

2013/14

Earmarked reserve	Balance 1 April	Transfers In	Transfers Out	Balance 31 March
	£000	£000	£000	£000
Investment in Community Safety	0	450	(45)	405
Mobilisation ICT Equipment	0	65	-	65
Home Safety Visits	0	100	-	100
Uniform replacement	0	450	-	450
Station Improvements	0	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**

18.2 UNUSABLE RESERVES

	31 March 2015	31 March 2014
	£000	£000
Revaluation Reserve	**(27,271)**	(16,937)
Capital Adjustment Account	**(53,362)**	(50,708)
Pensions Reserve	**684,723**	566,760
Collection Fund Adjustment Account	**(1,131)**	(758)
NNDR Adjustment Account	**(185)**	229
Accumulated Absences Account	**860**	878
PFI Equalisation Fund	**(861)**	(871)
Total	**602,774**	498,593

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.

	2014/15 £000	2013/14 - restated £000
Balance at 1 April	**(16,937)**	(13,601)
Upward Revaluation of assets	**(10,826)**	(3,943)
Downward revaluations	**480**	456
Difference between fair value depreciation and historical cost depreciation	**11**	151
Balance at 31 March	**(27,271)**	(16,937)

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.

	2014/15 £000	2013/14 - restated £000
Balance at 1 April	**(50,708)**	(50,761)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**86**	125
Charges for depreciation and impairment of non-current assets	**6,449**	6,607
	6,535	6,732
Minimum Revenue Provision	**(1,822)**	(1,950)
Capital Expenditure charged against the Revenue Account	**(1,445)**	(2,453)
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	**(1,428)**	(1,440)
Adjusting amounts written out of the Revaluation Reserve	**(1,272)**	(754)
Depreciation written down in-year	**(3,222)**	(82)
Balance at 31 March	**(53,362)**	(50,708)

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.

	2014/15	2013/14
	£000	£000
Balance at 1 April	**566,760**	521,401
Remeasurements of the net defined liability/ (asset)	**78,253**	28,318
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of services	**48,891**	26,043
Employer's pensions contributions and direct payments to pensioners payable in the year	**(9,181)**	(9,002)
Balance at 31 March	**684,723**	566,760

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.

	2014/15	2013/14
	£000	£000
Balance at 1 April	**(758)**	(274)
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	**(373)**	(484)
Balance at 31 March	**(1,131)**	(758)

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.

	2014/15	2013/14
	£000	£000
Balance at 1 April	**229**	-
Amount by which NNDR credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	**(414)**	229
Balance at 31 March	**(185)**	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.

	2014/15	2013/14
	£000	£000
Balance at 1 April	**878**	986
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	(18)	(108)
Balance at 31 March	**860**	878

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 2015 a surplus of £0.861m (£0.871m as at 31 March 2014) was attributable to Devon and Somerset FRA and this has been included as a PFI debtor against Gloucestershire County Council.

	2014/15	2013/14
	£000	£000
Balance at 1 April	**(871)**	(887)
PFI Surplus for the year	**10**	16
Balance at 31 March	**(861)**	(871)

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;

	2014/15	2013/14
	£000	£000
Interest Received	186	173
Interest Paid	(1,284)	(1,304)
Total	(1,098)	(1,131)

19.2 INVESTMENT ACTIVITIES

	2014/15	2013/14
	£000	£000
Payments for property, plant and equipment	(2,837)	(3,420)
Capital Grant Received	1,398	1,440
Net Cash Flows from investing activities	(1,439)	(1,980)

19.3 FINANCING ACTIVITIES

	2014/15	2013/14
	£000	£000
Loans Received	-	-
Loans Repaid	(270)	(954)
Increase in Short-Term Deposits	(11,500)	6,000
Loan Capital Repayments of PFI and finance leases	(22)	(25)
Net Cash Flows from investing activities	(11,793)	5,021

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.

	2014/15	2013/14
	£000	£000
Expenditure		
Employees	53,792	58,242
Premises	3,912	3,557
Transport	3,233	3,542
Supplies & Services	5,284	5,411
Establishment Costs	587	695
External Support Costs	598	1,018
Capital Financing Costs	4,996	4,379
Income		
General income	(1,169)	(1,107)
Interest	(186)	(173)
Grants & staffing reimbursements	(3,059)	(3,154)
Contributions to or from reserves	5,482	1,723
Government Grant and Council Tax Income*	(75,523)	(76,784)
Net surplus - as reported to management	(2,051)	(2,651)
Amounts in the CIES not reported to management		
Depreciation and impairment	6,449	6,607
Net charges made for retirement benefits	48,891	26,043
Surplus of PFI Equalisation Fund	10	16
Employee Absence Accrual	(18)	(108)
Deficit/(Surplus) on Council Tax and NNDR Collection Fund	(787)	(255)
Capital Grants in year	(1,428)	(1,440)
Spending from Earmarked Reserves	1,355	2,651
	54,471	33,514
Amounts in management information not included in the Cost of Services in the CIES		
Minimum Revenue Provision	(1,822)	(1,950)
Direct Revenue funding to Capital	(1,445)	(2,453)
Employers Contributions to Pensions	(9,181)	(9,002)
Transfer to Earmarked Reserves	(5,482)	(1,723)
	(17,931)	(15,128)
Cost of Services in CIES	34,489	15,735

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 2014/15 are shown in the following table which shows all serving members during 2013/14 and 2014/15.

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

	Basic and Special Responsibility Allowance	Travel and Subsistence	2014/15	2013/14
	£	£	£	£
Bakewell	-	-	-	222
Ball Kevin	5,441	189	5,630	-
Bown Ann	6,347	752	7,100	6,797
Bowyer Lynda	2,539	518	3,057	1,220
Brazil Julian	781	140	920	6,008
Brooksbank John	2,539	387	2,926	3,043
Burridge-Clayton Peter	2,539	620	3,159	3,288
Chugg Caroline	2,031	1,413	3,444	3,245
Colthorpe Polly	2,539	-	2,539	2,165
Darcy I	-	-	-	404
Dyke William	6,347	1,044	7,391	7,087
Eastman Andrew	5,095	752	5,847	4,451
Edmunds Michael	6,347	1,516	7,863	6,462
Ellery Victor	2,539	358	2,897	2,648
Foggin Olwen	-	-	-	363
Fry A	-	-	-	222
Gordon Ian	1,283	982	2,264	9,798
Greenslade Brian	8,486	1,260	9,746	4,904
Gribble George	312	34	346	3,686
Healey Mark	22,850	7,554	30,404	34,328
Horsfall Alvin	2,539	447	2,986	2,997
Hughes B C J	-	-	-	290
Knight James	2,031	-	2,031	2,020
Leaves Martin	4,649	317	4,966	2,499
Mills DA	-	-	-	781
Owen Jill	2,539	90	2,629	2,235
Prior-Sankey Hazel	2,539	536	3,075	2,653
Radford Ray	6,347	246	6,593	6,083
Randall Johnson Sara	5,108	-	5,108	5,020
Singh Charanjeet	2,083	145	2,228	-
Smith, D D	-	-	-	444
Smith, J J	-	-	-	2,990
Smith John	2,539	508	3,047	-
Way Nicholas	2,234	54	2,288	363
Woodman John	6,347	1,331	7,678	7,708
Yeomans Derek	2,020	454	2,474	2,511

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

	2014/15	2013/14
£50,000 - £54,999	17	25
£55,000 - £59,999	27	18
£60,000 - £64,999	7	4
£65,000 - £69,999	1	-
£70,000 - £74,999	3	4
£75,000 - £79,999	2	3
£80,000 - £84,999	4	2
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	1
£105,000 - £109,999	-	-
£110,000 - £114,999	1	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	1
£140,000 - £144,999	1	-

NOTES TO THE CORE FINANCIAL STATEMENTS

22.2 Senior Officers Remuneration 2014/15 over £50k

Post Title	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of office	Total Remuneration excluding pension contrbns	Pension Contrbns	Total Remuneration including pension contrbns 2014/15
	£	£	£	£	£	£
Chief Fire Officer	137,642	2,491	0	140,133	29,318	169,451
Assistant Chief Fire Officer	103,546	3,087	0	106,633	19,052	125,686
Director of Corporate Services	79,117	3,486	0	82,603	14,558	97,160
Director of People & Organisational Development	79,117	3,226	0	82,343	14,558	96,900
Area Manager	79,005	0	0	79,005	14,168	93,173
Area Manager	72,155	0	0	72,155	14,242	86,398
Area Manager	77,805	0	0	77,805	14,280	92,086
Area Manager	83,043	39	0	83,082	14,280	97,362
Area Manager*	55,262	1,031	0	56,292	10,701	66,994
Area Manager**	70,841	895	0	71,735	12,930	84,665
Area Manager	80,210	1,043	0	81,253	14,280	95,533
Area Manager	74,585	1,742	0	76,327	14,280	90,607
Head of ICT***	36,963	0	0	36,963	6,801	43,764
HR Manager	55,387	0	0	55,387	10,191	65,579
Strategic Assets Manager	51,770	0	0	51,770	9,526	61,296
Head of Procurement****	40,591	2,441	0	43,032	7,469	50,501
	1,177,038	**19,482**	**0**	**1,196,520**	**220,635**	**1,417,155**

* Left Post 31/12/14 ** In Post 01/12/14
*** In Post 14/07/14 FTE £50799 **** Part Time from 01/10/14 FTE £52050

Senior Officers Remuneration 2013/14 over £50k - Restated

Post Title	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of office	Total Remuneration excluding pension contrbns	Pension Contrbns	Total Remuneration including pension contrbns 2013/14
	£	£	£	£	£	£
Chief Fire Officer	136,392	1,325	0	137,717	29,052	166,769
Assistant Chief Fire Officer B	102,296	2,297	0	104,593	18,822	123,415
Treasurer and Director of Finance^	41,440	0	70,845	112,285	7,625	119,910
Deputy Chief Fire Officer*	32,302	288	66,639	99,229	5,944	105,173
Assistant Chief Fire Officer A*	34,991	649	60,291	95,931	6,438	102,369
Director of Corporate Services	78,140	3,500	0	81,640	14,378	96,018
Director of People & Organisational Development	78,140	3,455	0	81,595	14,378	95,973
Area Manager	76,939	187	0	77,126	14,139	91,265
Area Manager	74,313	1,340	0	75,653	14,442	90,095
Area Manager	74,270	1,340	0	75,610	14,332	89,942
Area Manager	72,889	1,388	0	74,277	14,139	88,416
Area Manager	71,504	1,297	0	72,800	14,111	86,912
Area Manager	61,340	43	0	61,383	12,434	73,817
HR Manager	54,985	0	0	54,985	10,117	65,102
ICT Manager	52,117	1,484	0	53,601	9,520	63,121
Estates Manager	49,880	0	0	49,880	9,178	59,058
Head of Procurement (Part Time)	29,508	3,789	0	33,296	11,848	45,145
	1,121,446	**22,382**	**197,775**	**1,341,601**	**220,897**	**1,562,499**

NOTES TO THE CORE FINANCIAL STATEMENTS

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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£0 - £20,000	1	1	7	30	8	31	£61,475	£326,827
£20,001 - £40,000	0	0	1	9	1	9	£26,743	£259,405
£40,001 - £60,000	0	0	0	1	0	1	£0	£40,152
£60,001 - £80,000	0	0	0	3	0	3	£0	£197,775
Total	**1**	**1**	**8**	**43**	**9**	**44**	**£88,218**	**£824,159**

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.

	2014/15 £000	2013/14 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	45	45
Total	45	45

For 2014-15 the Authority recevied fee credits totalling £4,634 (2013-14 £6,171) direct from the Audit Commission in relation to prior years.

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 2014/15

	2014/15 £000	2013/14 £000
Grants		
New Dimensions Grant	**(1,131)**	(1,126)
Firelink Grant	**(742)**	(693)
Hinkley Point Grant	**(92)**	(64)
Council Tax Transition Grants	**-**	(188)
Business Rates Relief	**(516)**	-
Section 31 Grants (Minor)	**(4)**	-
Procurement Grant Funding	**(241)**	-
Capitalisation funding Grant	**-**	(110)
Sub Total Grants	**(2,726)**	(2,180)
Other income and donations	**(868)**	(778)
Reimbursement of flooding incidents	**16**	(526)
Coresponder Income	**(153)**	(142)
JCP Phoenix Courses	**(109)**	(146)
PFI Fair value	**(447)**	(447)
Training Income	**(351)**	(347)
Sub Total Other Income	**(1,913)**	(2,387)
Total within cost of services in the CIES	**(4,639)**	(4,567)

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 2015 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 2014/15 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 2014/15 no material transactions were disclosed**. The table below summarises transactions with other public bodies.

	2014/15 £000	2013/14 £000
Central government income		
New Dimensions Grant	**(1,131)**	(1,126)
Red One Limited		
Receipts from Red One Ltd of training income and reimbursements	**(630)**	(789)
Devon County Council		
Payments to DCC for provision of financial services	**134**	104
Payments to DCC Pension Fund for employers contributions	**1,551**	1,476
Payments to DCC for provision of payroll services	**44**	41
Cornwall Council		
Payments to CC for provision of legal services	**32**	61
SAFE South West		
Payments to support start up of SAFE Charity	**25**	-

Some of the specialist support services for the Fire Authority are provided by other local authorities by means of Service Level Agreements. These relate to the costs of Pensions Administration, Internal Audit Services and Payroll which are provided by Devon County Council, and to the costs of Legal Advice, which is provided by Cornwall Council. 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.

	2014/15 £000	2013/14 £000
Opening Capital Financing Requirement	25,915	27,865
Capital investment		
Operational assets	2,872	3,893
Non-operational assets	-	-
Sources of Finance		
Government grants and contributions	(1,428)	(1,440)
Sums set aside from revenue		
Minimum Revenue Provision	(1,822)	(1,950)
Direct revenue funding	(1,445)	(2,453)
Closing Capital Financing Requirement	24,091	25,915
Explanation of movements in year	2014/15	2013/14
	£000	£000
Increase/(Decrease) in underlying need to borrow	(1,801)	(1,925)
(Decrease) in PFI/lease liabilities	(22)	(25)
Increase/(decrease) in Capital Financing Requirement	(1,823)	(1,950)

27. LEASES

27.1 OPERATING LEASES AS LESSEE

Total rentals paid during the year amounted to £0.902m. It is estimated that the outstanding liability for future years, in relation to existing lease agreements is £0.729m.

	2014/15 £000	2013/14 £000
Payments recognised as an expense in year	902	1,150
Total Future Minimum Lease Payments		
Payable:		
Not later than one year	680	575
Between one and five years	49	14
After 5 years	-	-
Total	729	589

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 2015 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	2014/15	2013/14
	£000	£000	£000	£000	£000
Paid in 2014/15	402	132	136	**669**	654
Outstanding undischarged contract obligations:					
Payable within one year	412	141	134	**687**	670
Payable within two to five years	1,753	696	473	**2,921**	2,850
Payable within six to ten years	2,446	1,234	397	**4,077**	3,978
Payable within eleven to fifteen years *	1,618	986	92	**2,697**	3,552
	6,228	3,056	1,096	**10,382**	11,050

** There are thirteen 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:

	2014/15	2013/14
	£000	£000
Balance outstanding at 1 April	**1,532**	**1,557**
Payments in year	**(22)**	**(25)**
Balance outstanding at 31 March	**1,509**	1,532

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.

	2014/15	2013/14
	£000	£000
Impairment of Land	**(11)**	(924)
Impairment of Buildings	**(812)**	(389)
Reversal of items charged to the revaluation reserve	**-**	-
Net Amount Charged to the CIES	**(823)**	(1,313)

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 four 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 and the third being the 2006 Modified Pension scheme (reported within the 2006 scheme). From April 2015 the Fire Fighters Pension Scheme 2015 came in to being, with previous schemes being closed to new members. The Authority has one further pension liability which is in respect of injury awards issued under the Firefighters Compensation Regulations. 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.

Scheme	**Total Contributions expected to be made by the authority in the year to 31st March 2016 £000**	**Employer Percentage Rate 2015/16**
Local Government Pension Scheme	1,601	18.4%
1992 Firefighters Pension Scheme	2,704	21.7%
2006 New firefighters Pension Scheme	388	11.9%
2006 Modified firefighters Pension Scheme	85	21.7%
2015 Firefighters Pension Scheme	2,002	14.3%

The cost of retirement benefits are recognised in the comprehensive income and expenditure statement (CIES) when they

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 2014/15 £000	LG Pension Scheme 2013/14 £000	LG Unfunded 2014/15 £000	LG Unfunded 2013/14 £000	1992 Firefighters Pension Scheme 2014/15 £000	1992 Firefighters Pension Scheme 2013/14 £000	New Firefighters Pension Scheme 2014/15 £000	New Firefighters Pension Scheme 2013/14 £000	Firefighters Compensation Regs. 2014/15 £000	Firefighters Compensation Regs. 2013/14 £000	Total 2014/15 £000	Total 2013/14 £000
Comprehensive Income & Expenditure Statement												
Service Cost Comprising:												
Current Service Cost	2,040	1,971	-	-	10,518	6,009	3,155	2,551	637	399	16,350	10,930
Past Service Costs		-	-	-	-	-	14,904	-	-	-	14,904	-
Financing and Investment Income and Expenditure:												
Net Interest Expense	827	690	13	14	21,094	18,943	916	789	1,755	1,691	24,605	22,127
Administration Expenses	20	19									20	19
CLG Pension top up grant					(9,587)	(8,561)	2,599	1,509	-	-	(6,988)	(7,053)
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**2,887**	**2,680**	**13**	**14**	**22,025**	**16,391**	**21,574**	**4,849**	**2,392**	**2,090**	**48,891**	**26,023**
Remeasurement of the net defined benefit liability comprising:												
Expected return on plan assets (excluding the amount included in net interest expense)	(2,024)	(21)									(2,024)	(21)
Total Post-employment benefits charged to the CIES	**(2,024)**	**(21)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,024)**	**(21)**
Movement in Reserves Statement												
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post - employment benefits in accordance with the code	(2,887)	(2,680)	(13)	(14)	(22,025)	(16,391)	(21,574)	(4,849)	(2,392)	(2,090)	(48,891)	(26,023)
Actual amount charged against the General Fund Balance for pensions in the year												
Employers contributions payable to scheme	**1,520**	**1,476**			**3,785**	**4,241**	**1,142**	**719**			6,448	6,436
Employers contributions payable to scheme (secondees not charged to general fund)	**29**	**17**	**-**	**-**	**8**	**17**	**0**	**-**	**-**	**-**	37	34
Ill health charges					**201**	**99**	**26**	**25**			228	124
Retirement benefits payable to pensioners			**20**	**21**	**Paid from Firefighters Pension Fund**		**Paid from Firefighters Pension Fund**		**2,449**	**2,393**	**2,469**	**2,414**

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of the present value of the scheme liabilities	LG Pension Scheme 2014/15 £000	LG Pension Scheme 2013/14 £000	LG Unfunded 2014/15 £000	LG Unfunded 2013/14 £000	1992 Firefighters Pension Scheme 2014/15 £000	1992 Firefighters Pension Scheme 2013/14 £000	New Firefighters Pension Scheme 2014/15 £000	New Firefighters Pension Scheme 2013/14 £000	Firefighters Compensation Regs. 2014/15 £000	Firefighters Compensation Regs. 2013/14 £000	Total 2014/15 £000	Total 2013/14 £000
1st April	54,599	49,029	292	309	486,123	446,942	20,105	17,921	41,102	40,496	602,221	554,697
Current Service Cost	2,040	1,944	-	-	10,518	6,009	3,155	2,551	637	399	16,350	10,903
Interest Cost	2,442	2,234	13	14	21,094	18,943	916	789	1,755	1,691	26,220	23,671
Contributions by scheme participants	581	529	-	-	2,631	2,437	1,609	893	-	-	4,821	3,859
Remeasurement (gains) and losses:											-	-
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	8,885	3,791	22	12	63,781	16,949	7,089	920	3,648	9,343	83,425	31,014
Experience gains and losses	-	(1,443)	8	(33)	-	(4,144)	-	(2,907)	(3,156)	(6,381)	(3,148)	(14,909)
Past service Costs	-	-	-	-	-	-	14,904	-	-	-	14,904	-
Losses (gains) on curtailments	-	27	-	-	-	-	-	-	-	-	-	27
Benefits Paid	(1,242)	(1,498)	(20)	(20)	(16,212)	(15,372)	(179)	(37)	(2,449)	(2,393)	(20,102)	(19,320)
31st March	**67,305**	**54,599**	**315**	**292**	**567,935**	**486,123**	**47,599**	**20,105**	**41,536**	**41,102**	**724,691**	**602,221**

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Assets and Liabilities Recognised in the Balance Sheet	2014/15	2013/14
	£000	£000
Present value of liabilities		
LGPS	(67,305)	(54,599)
LGPS- unfunded	(315)	(292)
1992 Firefighters Pension scheme	(567,935)	(486,123)
New Firefighters Pension scheme	(47,599)	(20,105)
Firefighters Compensation Regulations	(41,536)	(41,102)
Fair value of assets in the LGPS	39,967	35,461
	(684,723)	**(566,760)**
Surplus/(deficit) in the scheme:		
LGPS	(27,338)	(19,138)
LGPS- unfunded	(315)	(292)
1992 Firefighters Pension scheme	(567,935)	(486,123)
New Firefighters Pension scheme	(47,599)	(20,105)
Firefighters Compensation Regulations	(41,536)	(41,102)
Net Liability arising from defined benefit obligation	**(684,723)**	**(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 2015	£000	31 March 2014
		%		%
Gilts	2,453	6%	2,482	7%
UK Equities	10,089	25%	9,220	26%
Overseas Equities	13,600	34%	12,057	34%
Property	4,093	10%	3,192	9%
Infrastructure	1,085	3%	709	2%
Target Return Portfolio	5,891	15%	5,319	15%
Cash	688	2%	709	2%
Other Bonds	1,354	3%	1,773	5%
Alternative assets	714	2%		
Total Fair value of LGPS assets	**39,967**	**100%**	**35,461**	**100%**

Based on estimated bid values.

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

	Year to 31 March 2015	Year to 31 March 2014
	£000	£000
Opening fair value	35,461	33,298
Interest Income	1,615	1,544
Return on plan assets (excluding the amount included in net interest expense)	2,024	21
Other Actuarial Gains/ (Losses)	-	93
Administration Expenses	(20)	(19)
Contributions by employer	1,569	1,513
Contributions by scheme participants	581	529
Estimated benefits paid	(1,262)	(1,518)
Fair value of scheme assets at end of period	**39,968**	**35,461**

NOTES TO THE CORE FINANCIAL STATEMENTS

Basis for establishing assets and liabilities	LG Pension Scheme 2014/15 £000	LG Pension Scheme 2013/14 £000	LG Unfunded 2014/15 £000	LG Unfunded 2013/14 £000	1992 Firefighters Pension Scheme 2014/15 £000	1992 Firefighters Pension Scheme 2013/14 £000	New Firefighters Pension Scheme 2014/15 £000	New Firefighters Pension Scheme 2013/14 £000	Firefighters Compensation Regs. 2014/15 £000	Firefighters Compensation Regs. 2013/14 £000
Mortality assumptions										
Longevity at 65 for current pensioners										
Men	22.80	22.70	22.80	22.70	22.60	22.50	22.60	22.50	22.60	22.50
Women	26.10	26.00	26.10	26.00	25.80	25.70	25.80	25.70	25.80	25.70
Longevity at 65 for future pensioners										
Men	25.10	24.90	25.10	24.90	24.80	24.70	24.80	24.70	24.80	24.70
Women	28.40	28.30	28.40	28.30	28.10	28.00	28.10	28.00	28.10	28.00
Rate of inflation RPI	3.3%	3.7%	3.3%	3.7%	3.2%	3.6%	3.2%	3.6%	3.2%	3.6%
Rate of inflation CPI	2.5%	2.9%	2.5%	2.9%	2.4%	2.8%	2.4%	2.8%	2.4%	2.8%
Rate of increase in salaries	4.3%	4.7%			4.2%	4.6%	4.2%	4.6%		
Rate of increase in pensions	2.5%	2.9%	2.5%	2.9%	2.4%	2.8%	2.4%	2.8%	2.4%	2.8%
Rate for discounting scheme liabilities	3.4%	4.5%	3.4%	4.5%	3.3%	4.4%	3.3%	4.4%	3.3%	4.4%
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 occuring at the end of the reporting period and assumes that the assumption analysed changes while all the other changes remain constant.

Sensitivity Analysis 2014/15	LG Pension Scheme	1992 Firefighters Pension Scheme	New Firefighters Pension Scheme	Firefighters Compensation Regs.
	PV* £000	PV* £000	PV* £000	PV* £000
Adjustment to the Discount Rate				
+0.1%	66,233	558,336	46,280	40,995
0.0%	67,620	567,936	47,599	41,535
-0.1%	69,037	577,711	48,957	42,082
Adjustment to Long Term Salary Increase				
+0.1%	67,856	569,145	47,789	41,535
0.0%	67,620	567,936	47,599	41,535
-0.1%	67,385	566,733	47,411	41,535
Adjustment to Pension Increases and Deferred Revaluation				
+0.1%	68,811	576,579	48,778	42,086
0.0%	67,620	567,936	47,599	41,535
-0.1%	66,455	559,446	46,455	40,990
Adjustment to Mortality Age Rating Assumption				
+ 1 year	65,278	547,850	45,953	40,005
None	67,620	567,936	47,599	41,535
- 1 year	69,983	588,086	49,249	43,072

* Present Value of Total Obligation

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 2015 £000	Historical Experience of Default £000	Historical Experience adjusted for market conditions as at 31 March 2015 £000	Estimated maximum exposure to default and uncollectability £000
Deposits with bank & financial institutions	30,436			
Central government & other local authorities	5,314			
Trade & other debtors	1,853			
Total	37,604	-	-	-

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 2015, the value of debt which exceeded this period was £25K, broken down as follows:

	2014/15 £000	2013/14 £000
Two to Three Months	14	-
Over Three Months	11	68
Total	**25**	68

An allowance for bad debts of £12k 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:-

	2014/15 £000	2013/14 £000
Less than one year – including trade and other creditors	**6,025**	8,031
Between one and two years – PWLB loan repayments	**93**	126
Between two and five years – PWLB loan repayments	**280**	280
More than five years – PWLB loan repayments	**25,444**	25,629
Total	**31,842**	34,066

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). Since its inception the 2006 NFPS has been extended to allow recognition of service back to 2000. Anyone electing to buy back this service and/or continue to contribute technically belongs to the 2006 Modified scheme. For the purposes of this years accounts all 2006 scheme entries are shown under the one heading.

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	**2014/15 £000**	Restated 2013/14 £000
Contributions receivable from:		
Fire authority:-		
a) contributions in relation to pensionable pay	**(4,935)**	(4,898)
b) early ill health retirements	**(228)**	(128)
c) Firefighters contributions	**(4,240)**	(3,330)
	(9,403)	(8,356)
Transfers In	**-**	(32)
Benefits payable		
e) pensions	**14,573**	13,762
f) commutations and lump sum benefits	**3,753**	1,399
g) lump sum death benefits	**33**	0
Payments to and on account of leavers		
h) transfers out	**247**	137
Net amount payable for the year	**9,203**	6,910
Top up grant payable by the government	**(9,203)**	(6,910)
	-	-

Net Assets Statement	**2014/15 £000**	2013/14 £000
Current assets		
Recoverable overpayments of pensions		
Devon & Somerset Fire Authority - debtor	**391**	1,652
Top up grant receivable from CLG in respect of Commutations - debtor	**2,215**	
Current liabilities		
Unpaid pension benefits	**(2,215)**	
Top up grant repayable to CLG - creditor	**(391)**	(1,652)
Total	**-**	-

Note 1 - £7.378m had been received from CLG by 31st March 2015, being 80% of notified top up grant available. As there was a funding surplus of £0.391m this will be returned to the CLG in order to balance total costs to total income within the Fund.

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 2014/15 and do not take into account liabilities to pay pensions or benefits after that period.

Note 4 - The 2013/14 benefits payable and top up grant figures have been changed in the sum of £0.143m to reflect ill health amounts which should not have been charged to the Fund. A provision was established at the end of the 2014/15 year to meet repayment of this sum to the CLG as details are awaited as to how the sums are to be repaid.

Note 5 - Included within the 2014/15 Benefits Payable, Top up Grant and Net Assets Statement is an amount of £2.215m for liabilities which have arisen as a result of a determination on Commutation Factors effecting the 1992 Firefighters Pension Scheme. Confirmation has been received that benefits payable along with any associated interest and taxation costs will be funded by CLG and therefore no additional cost will be incurred by the Authority.

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 2014/15. 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 are rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet.
Operating leases where the risks and rewards of ownership of the asset remain with the leasing company and the annual rental is charged directly to the revenue account.

Liabilities
Amounts owed by the Authority to lenders or suppliers.

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

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

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

National Non-Domestic Rates (NNDR)

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

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

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

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

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

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

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

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

Revaluation Reserve

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

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

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

CERTIFICATION OF ISSUE

The unaudited accounts were issued on the 30th June 2015 and the audited accounts were authorised for issue on the 28 September 2015.

Kevin Woodward
Treasurer to the Authority

28 September 2015

Ray Radford
Chair Audit Performance Review Committee

28 September 2015

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

We have audited the financial statements of Devon and Somerset Fire and Rescue Authority for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement in Reserves 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 2014/15.

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

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, 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 2014/15, 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 also 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 2015 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 2014/15 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 statements.

Matters on which we report by exception

We are required to 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; or

•we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or

•we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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 2014, 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 2015.

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
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT
30-Sep-15