

**DEVON & SOMERSET FIRE AND  
RESCUE AUTHORITY**

**STATEMENT OF ACCOUNTS  
FOR 2007/2008**



*Approval of Accounts by the Presiding Member of the Audit and Performance Review Committee*

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The 2003 Accounts and Audit Regulations require the Presiding Member of the Committee that approves the Authority's Statement of Accounts to sign and date such Accounts. Such approval does not replace the requirement of the Regulations that the Chief Financial Officer certifies that the Accounts have been prepared in accordance with required practices, but serves to complete the approval process.

I, as Vice Chairman of the Audit and Performance Review Committee and Presiding Member on the day, approve the Statement of Accounts for the financial year 2007/2008, as reported to the meeting of the Audit and Performance Review Committee held on the 29th September 2008.

Des Hannon  
29<sup>th</sup> September 2008



## **Opinion on the financial statements**

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of Devon and Somerset Fire and Rescue authority for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. The financial statements and firefighter pension fund accounting statements have been prepared under accounting policies set out within them.

This report is made solely to the members of the Devon and Somerset Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

## **Respective responsibilities of the Treasurer and auditor**

The Treasurer's responsibilities for preparing the financial statements, including the firefighters pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the firefighters pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local authority Accounting in the United Kingdom 2007.

- The financial position of the authority and its income and expenditure for the year; and
- The financial transactions of its firefighters' pension fund during the year and the amount of disposition of the funds assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

## Independent auditor's report to the Members of Devon and Somerset Fire and Rescue Authority

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I read other information published with the financial statements, the firefighters pension fund accounting statements and related notes, and consider whether it is consistent with the audited accounting statements, the firefighter pension fund statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the firefighters pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the firefighters pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the firefighters pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the firefighters pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the firefighters pension fund accounting statements and related notes.

### **Opinion**

In my opinion

- the accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- the firefighters' pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the firefighters' pension fund during the year ended 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

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### **Authority's Responsibilities**

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 regularly review the adequacy and effectiveness of these arrangements.

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire and rescue authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Devon and Somerset Fire and Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

### **Best Value Performance Plan**

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 27 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Brian Bethell, District Auditor

The Audit Commission  
Units 5 - 6, Blenheim Court,  
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EX2 8PW  
30 September 2008



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1. **Introduction**

This Statement of Accounts sets out the overall financial position of Devon and Somerset Fire and Rescue Authority (DSFRA) for the year ending 31<sup>st</sup> March 2008. As a consequence of the merger of ex Devon FRS and Somerset FRS (part of Somerset County Council), as from 1<sup>st</sup> April 2007, this represents the first ever set of Accounts for the new combined Authority. As a result, these Accounts are not able to show any comparative figures relating to the previous financial year.

The revised Statement of Recommended Practice (SORP) 2006 required changes to the core statements to be included in the Accounts, the most significant change being the replacement of the previously required Consolidated Revenue Account, with an Income and Expenditure Account. The core statements now required to be included are: -

- the Income and Expenditure Account, which reports the Service Expenditure Analysis in accordance with the Best Value Code of Accounting Practice, and demonstrates how the Service cost has been financed from government grants and income from local taxpayers;
- the Statement of Movement on the General Fund Balance, which reconciles those amounts required by statute to be included in the Income and Expenditure Account, but do not impact on the determination of the revenue budget requirement.
- the Statement of Total Recognised Gains and Losses, which reports details of gains and losses not included in the Income and Expenditure Account e.g. gains or losses arising from property revaluations.
- the Balance Sheet, which records the assets and liabilities of the Authority as at 31<sup>st</sup> March 2008;
- the Cash-Flow Statement, which shows the sources and application of the Authority's funds during the year.

The preparation of the Statement of Accounts is guided by two documents;

- the Statement of Recommended Practice (SORP) applicable for the year ended 31<sup>st</sup> March 2008; and
- the Best Value Accounting Code of Practice (BVACOP)

The financial year 2007/2008 is only the fourth year of full implementation of Financial Reporting standard (FRS17) in the Authority's Accounts. Based on actuarial assessments, the accounts reflect the benefits that have been accrued by members of the pension schemes, together with the assets available to meet those benefits. Details of pensions and assets are shown from Page 28. The Authority's net deficit in schemes as at 31<sup>st</sup> March 2008 is £368.878m. It must be emphasised that this figure reflects the position as at 31<sup>st</sup> March and the conditions and actuarial assumptions prevailing at that time. The Authority's annual revenue budget is set at sufficient levels to meet its annual pension costs.

Where applicable, accounting adjustments have been made and are supported by additional explanatory notes to the accounts.

**2. Revenue Expenditure and Income for the Year**

The revenue budget for 2007/2008 was set at £67.201m. Actual spending against the budget was £66,498m, showing a saving of £0.703m. This is a pleasing result, particularly given the fact that this was the first year of operation of the new Authority, which inevitably meant that the budget was set against a background of additional uncertainties e.g. harmonisation of pay and conditions for staff.

This final outcome is also broadly in line with what had been projected, as contained in budget monitoring reports presented to each meeting of the Resources Committee throughout the course of the financial year. Those reports had identified that significant savings would be achieved in 2007/2008, primarily from wholetime uniformed pay costs, as a result of the decision to hold posts vacant during the year. This decision was made in light of the fact that it had been identified that the Authority would be facing a very difficult budget setting round for 2008/2009 and beyond, and consequently would be faced with having to consider some difficult proposals to find permanent reductions in costs. As part of the package of savings agreed to fund a £1.346m shortfall in the 2008/2009 budget, decisions were made to commence the implementation of the dual crewing of the three aerial platforms at Barnstaple, Exeter and Torbay from 2008/2009, and to reduce the number of Area Manager posts over a three year period from 2008/2009. The fact that vacancies have deliberately been held in 2007/2008 means that these changes can be implemented by means of a managed redeployment of staff, with no need for compulsory redundancies. The vacancies have also resulted in one-off savings in 2007/2008 of £0.777m.

During 2007/2008 the Authority has had to deal with additional spending pressures, particularly in relation the financial burden from additional pension contributions from retained staff now having access to a pension scheme. In addition, a financial provision has been required to be made in relation to back dated costs of implementing a Job Evaluation Scheme for non-uniformed members of staff. Savings against other budget lines, in particular premises, transport and hydrant maintenance has enabled these pressures to be funded in-year, without the need to call upon the General Reserve.

It is also pleasing to be able to report that the anticipated contribution of £0.500m from the General Reserve, to assist the 2007/2008 spending, was not required to be called upon. This decision was taken at the meeting of the Resources committee on the 4<sup>th</sup> October 2007, given the then predicted underspend position.

The final outturn position was considered at the meeting of the Devon and Somerset Fire and Rescue Authority on the 28<sup>th</sup> May 2008. Approval was granted that of the underspend an amount of £0.108m be transferred to earmarked reserves, with the balance of £0.595m being transferred to the General Reserve. The total contribution to the General Fund balance in 2007/2008 was £1.345m, including a transfer of £0.500m from Somerset County Council as part of the merger, and an already agreed contribution of £0.250m from savings on insurance premiums, as a result of the authority joining the Fire and Rescue Authority Mutual Ltd (FRAML) during the financial year. Details of the authority total Reserve balances are shown on Page 26 of these Accounts.

3. **Capital Expenditure and Financing 2007/2008**

The capital programme for 2007/2008 was originally set at £8.830m, subject to further consideration as to which elements of the programme were affordable, given the pressures on the Authority revenue budget, identified from the Medium Term Financial Plan. A revised programme of £6.518m was approved at the meeting of the Fire and Rescue Authority held on the 30<sup>th</sup> May 2007. This figure was reduced to £6.468m following a report to the meeting of the Resources Committee held on the 4<sup>th</sup> October 2007, requesting approval for the capital programme to be revised to include the redevelopment of the existing Exeter West Station at Howell Road.

The revised figure of £6.468m is net of the capital grant funding made available by the CLG to Fire and Rescue Authorities to fund a programme of Home Fire Risk Checks, installation of free 10 year smoke alarms and automated fire suppression systems. The funding allocated to Devon and Somerset FRA for 2007/2008, including carry forward from 2006/2007, was £0.273m. As at the end of 2007/2008 an amount of £0.200m has been spent. As this grant is ring fenced to be used to fund the Home Safety Check Initiative the remaining £0.073m is available to be carried forward to 2008/2009.

During 2007/2008 £4.017m of cash was spent on the delivery of the capital programme, and a further £0.324m was accrued against the programme, giving a gross capital outturn figure for 2007/2008 of £4.341m. Table 1 provides a summary of how the spending was made up.

**TABLE 1 – SUMMARY OF CAPITAL SPENDING IN 2007/2008**

Project	2007/2008 Revised Programme (000)	2007/2008 Outturn (000)	Variance (000)
<b><u>Estates</u></b>			
Exeter East	700	609	(91)
Exeter West – Danes Castle	50	61	11
Somerset House	945	888	(57)
SHQ Infrastructure	446	131	(315)
USAR Project	251	356	105
Brixham – Temporary Station	0	38	38
Maintenance Ring Fenced	680	155	(525)
2006/2007 Slippage	778	679	(99)
<b>Estates Sub total</b>	<b>3,850</b>	<b>2,917</b>	<b>(933)</b>
<b><u>Fleet and Equipment</u></b>			
Appliance Replacement	720	-	(720)
Specialist Operational Vehicles	140	-	(140)
Equipment	300	56	(244)
Asset Management Plan	150	26	(124)
2006/2007 Slippage	1,308	1,142	(166)
<b>Fleet and Equipment Sub total</b>	<b>2,618</b>	<b>1,224</b>	<b>(1,394)</b>
<b>Total Estates and Fleet and</b>	<b>6,468</b>	<b>4,141</b>	<b>(2,327)</b>

<b>Equipment</b>			
Home Safety Checks/Smoke Alarms	-	200	200
<b>Total</b>	<b>6,468</b>	<b>4,341</b>	<b>(2,127)</b>

Of the total spending figure of £4.341m, an amount of £0.936m has been funded from sources other than borrowing. This relates to grant income of £0.456 to fund the Urban Search and Rescue facility at Service Headquarters, installation of smoke alarms, 'and access to work' schemes, an amount of £0.257m of agreed direct revenue funding towards capital spending and a capital receipt of £0.204m from the sale of the old Teignmouth Fire Station. The remaining spending of £3.405m is to be funded from external borrowing.

A consequence of the combination of Devon FRS and Somerset FRS, is that the newly created DSFRA has had transferred to it any debt sitting in the Accounts of Somerset County Council, as at 31<sup>st</sup> March 2007, relating to historical capital spending on the ex Somerset FRS. This is offset by the fact that under the Combination Order all assets relating to ex Somerset FRS also transfer to the new Authority. The amount of debt transferred under this arrangement was agreed as £5.467m, increasing the borrowing requirement in 2007/2008 to £8.872m i.e. £3.405m to fund capital spending and £5.467m to fund the debt transfer.

4. **Authority Borrowing**

The amount of borrowing taken out during 2007/2008 was £6,000,000, increasing the total external debt as at 31<sup>st</sup> March 2008 to £16,223,444.

5. **Assets/Liability of the Authority**

The balance sheet of the Authority as at 31 March 2008 shows a net liability of £309,426m. Under the new arrangements for reporting pension liabilities under FRS17, all fire authorities, and also police authorities, find themselves in the position of reporting significant net liability position in the balance sheet. This is because of the fact that Fire-fighter and Police Officer, pensions costs are not paid for from a funded scheme, and therefore unlike a funded scheme, such as the Local Government Pension Scheme, has no reported assets to meet future pension costs. This liability position does not cause any funding concerns; current accounting standards for the Fire-fighter Scheme require that the Authority set aside provision for retirement benefits in the year in which the commitment arises.

6. **Conclusion**

From a financial management perspective, the outcome for the year has been a very positive one, delivering an underspend position on the overall revenue budget. This has been achieved from sound management action being taken during the year, and the impact of efficiency savings delivered, enhanced by the merger of ex Devon FRS and Somerset FRS. This will undoubtedly have to continue for 2008/2009 and beyond, to manage the increasing demands for resources to meet pay awards, inflationary pressures, pension costs and implementation of the requirements of the national framework for the Fire Service.

Kevin Woodward (Treasurer)

## *Statement of Accounting Policies*

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### *General Principles*

The general principles in compiling these Accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), in its Code of Practice on Local Authority Accounting. The latest revision to the Code was published in 2006. As well as compliance with this Code these accounts also comply with the Best Value Code of Accounting Practice 2006.

In relation to the merger of ex-Devon FRS and Somerset FRS, and the fact that this represents the very first set of Accounts for the new combined Authority, where differences in accounting principles, previously adopted within the two organisations have been identified, decisions have been taken as to the appropriate harmonised accounting policy to be adopted by the new Authority. Issues requiring the harmonisation of accounting policy were:

- Accruals are to be made in relation to month 13 pay claims from retained firefighters relating to incident activity in March each year.
- Accruals are to be made in relation to month 13 pay claims relating to overtime incurred in March each year.
- Depreciation charged in relation to buildings is to be charged on the basis of an estimated economic useful life of 50 years.

### Extent of Compliance with the Relevant Codes of Practice and with the Applicable Accounting Standards

#### *Leasing - SSAP 21 Accounting for leases and Hire Purchase Transactions*

Leasing payments in respect of operating leases are charged direct to revenue in the year that the expenditure is incurred. Assets originally acquired through operational leasing and then renewed at the end of the primary period as finance leases are capitalised in the balance sheet at existing value. However, no liabilities for future rentals are included due to the outstanding amounts being of a 'peppercorn' nature.

Further information in respect of leasing obligations is included in the notes to the core financial statements (Note 14).

#### *Basis of Debtors and Creditors*

The Accounts are prepared on an Income and Expenditure basis, which means that transactions are matched to the appropriate period to which they relate and not on a cash basis, thus necessitating the use of debtors and creditors. The basis on which debtors and creditors at 31 March 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. Debtors are accrued on income to cover goods and services provided before 31 March but for which no payment has been received.

#### *Reserves and Provisions*

Any amounts set aside are considered to be Reserves. All transfers to and from them are distinguished from service expenditure disclosed in the Statement of Accounts.

## ***Statement of Accounting Policies***

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In accordance with the most recent Statement of Recommended Practice (SORP) 2007, two non-cash backed reserves exist as part of the capital accounting regulations. These are

- Revaluation Reserve – which records the value of any increase in assets following a revaluation assessment.
- Capital Adjustment Account - which stores capital resources set aside to meet past expenditure

An amount is set aside in a Provision where a liability is likely to be incurred but where the exact amount and the date on which it will arise is uncertain.

### ***Stocks and Stores***

Stocks appear in the Consolidated Balance Sheet at cost.

### ***Contingent Liabilities***

Details of any contingent liabilities as at 31<sup>st</sup> March 2008 are shown in the notes to the core financial statements (Note 17)

### ***Basis of Provision for the Redemption of Debt and External interest***

The authority has based the 2007/2008 Statutory General Fund MRP provision on 4% of the opening capital financing statement. This is in line with regulation implemented under the Local Government Act 2003. These regulations have been replaced with a more flexible MRP system based on statutory guidance. The charge for 2008/2009 will be reviewed to determine whether the new guidance issued in 2007/2008 will have any impact on this provision. Any changes will be implemented in 2008/2009.

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

### ***Fixed Assets***

#### **Recognition**

##### Intangible Assets

There are no intangible assets recognised by the authority.

##### Tangible Assets

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

#### **Measurement**

Operational land and properties plus other operational assets are included in the Consolidated Balance Sheet at net current replacement cost or net realisable value in existing use.

### **Impairment**

Where impairment is identified as part of a review or a revaluation of assets, a charge is written off against the Income and Expenditure Account, with a corresponding entry to the Capital Adjustment Account.

### **Revaluations**

A full revaluation of all Service land and buildings within Devon Fire and Rescue Authority was carried out in 2001/2002 and adjustments are reflected in the balance in the Capital Adjustment Account. Those assets transferring to the new Authority from Somerset County Council, as at 1<sup>st</sup> April 2007, have been recognised in the balance sheet at agreed net book value (NBV) for each asset. The total NBV of those assets of £22.567m has been added to the total Fixed Assets previously recorded in the balance sheet of ex Devon FRS. Of this figure an amount of £5.467m had been financed from borrowing within Somerset CC, for which the new authority has made a cash payment to Somerset CC, in recognition of that transfer of debt. The balance of £17.100m has been charged to the Capital Adjustment Account, as required under the new SORP 2007.

### **Disposals**

Income from the sale of fixed assets is credited to a Usable Capital Receipts Reserve.

### **Depreciation and Amortisation**

Depreciation is provided for all fixed assets (e.g. buildings, plant, vehicles and equipment) with a finite useful life. No depreciation charge is made for land, or buildings under construction. Where depreciation is provided for, assets are depreciated over the straight line method over the following periods:

- Buildings – useful economic life of each asset determined as part of the revaluation process. The current average life of all land and buildings is 43 years.
- Fire Appliances – useful economic life assessed to be 12 years.
- Vehicles, plant and furniture and equipment – useful economic life assessed to range from 5-7 years.
- Intangible assets are to be amortised over 7 years.

### **Charges to Revenue**

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

### ***Valuation of Investments***

Until August 2006, the Devon County Council Investment team managed the cash resources of the Authority. Since August this function has been handled in house under the appropriate Treasury Management policies of the Authority.

## **Statement of Accounting Policies**

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### **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 Best Value Accounting Code of Practice 2006. The full cost of overheads and support services are shared between subjective analysis headings in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core costs
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early or past service costs

These two categories are called out separately in the income & expenditure account as part of the Net Cost of Services.

### **Private Finance Initiative (PFI) scheme**

Devon & Somerset Fire 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 (see note 4). The Government provides some revenue support to the project in the form of grants (PFI credits), and the three authorities finance the balance by making contributions from within their own resources. The grant from the Government together with the contributions from partners is paid into an equalisation fund which is administered by Gloucestershire County Council on behalf of all the authorities. Surpluses on the equalisation fund are invested in order to ensure that adequate funding throughout the life of the contract is available. The fund is reviewed and, if necessary, contributions amended every three to five years with the intention that the balance on the fund at the end of the contract will be nil. The percentage contributions rates for the three authorities are as follows:

Avon Fire Authority	50%
Gloucestershire County Council	25%
Devon & Somerset Fire & Rescue authority	25%

### **Government Grants**

Specific grants are received in aid of specified services, and are credited to the service revenue accounts concerned.

Revenue Support Grant and National Non Domestic Rates grant are received direct from government.

Government grants received for capital purposes are credited in the first instance to the Government Grants Unapplied Account.

### **Preparation for the Introduction of the 'Euro'**

At this stage, the introduction of the Single European currency does not appear to be a significant issue for the Authority. Discussions are continuing with the Authority's Bankers

## ***Statement of Accounting Policies***

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and software suppliers to ensure that any challenges arising can be managed properly.

### **Pensions**

The treatment of pension costs in these accounts complies with the Code of Practice on Local Authority Accounting for 2007, which requires full adoption of FRS17 'Retirement Benefits' subject to statutory requirements and a variation of the discount rate for determining scheme liabilities.

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 Devon Pension Services under a Service Level Agreement.

#### **(a) Uniformed Staff**

From 6<sup>th</sup> April 2006, the Firefighters pension 1992 scheme was closed to new entrants and replaced with the new Firefighters pension scheme 2006 and Firefighters compensation scheme 2006. Both schemes are unfunded, and under new funding arrangements the Authority is responsible for deducting contributions from current employees to be paid into the Pensions Account, together with an employer's contribution, based upon a rate set by the Government Actuary Department (GAD).

#### **(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, including those ex-Somerset FRS staff previously employed by Somerset County Council prior to the merger. Under statutory arrangements, where such a merger takes place, the Local Government Pension Scheme shall be administered by the pensions administrator placed in the largest geographical area. The employer's contribution rate for those employees in the scheme is based on advice from the Fund's Actuary who carries out triennial actuarial valuations. The last valuation was undertaken in March 2007.

#### Changes to the Local Government Pension scheme

The benefits valued within this year's statement of accounts are those that are currently set out in legislation at the time of calculation and in particular allow for the impact of the new LGPS (Amendment) Regulations 2006 (SI 966). This brings in various changes from April 2006 including allowing commutation of pension for additional lump sum and removes the Rule of 85 age from October 2006.

## *Statement of Accounting Policies*

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### 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 FRS17. 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 Income & Expenditure Account.

### **VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

*Income & Expenditure Account for the year ended 31<sup>st</sup> March 2008*

	Gross Total Cost 2007/08	Income 2007/08	Net Total Cost 2007/08	Note
	£000	£000	£000	
<i>Community Fire Safety</i>				
Statutory Inspection, certification and enforcement	2,570	(12)	2,558	
Prevention and Education	4,631	(124)	4,507	
<i>Fire Fighting and Rescue Operations</i>				
Operational responses	59,753	(1,818)	57,935	
Communications and mobilising	4,010	(350)	3,660	
Securing water supplies	403	(2)	401	
Corporate and democratic core costs	1,075	(5)	1,070	
Non distributed costs	1,050	0	1,050	
Exceptional costs - Combination	128	(707)	(579)	1
<b>Net Cost of Services</b>	<b>73,620</b>	<b>(3,018)</b>	<b>70,602</b>	
Interest payable			493	
Investment Income			(325)	
Pensions interest cost and expected return on investments			21,370	
CLG Pension Top up grant			(3,744)	
<b>Net Operating Expenditure</b>			<b>88,396</b>	
Demand on the Collection Fund			(38,106)	
General Government Grant			(4,181)	
Non-domestic rates redistribution			(24,914)	
<b>Deficit for the year</b>			<b>21,195</b>	

## Statement of movement on the General Fund

The Income and Expenditure Account shows the Authority's actual financial performance in the year, measured in terms of the resources consumed and generated over the last twelve months. However the Authority is required to raise council tax on a different accounting basis, the main differences being:-

- Capital investment is accounted for as it financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Statement of movement on the General Fund		2007/08	Note
Deficit for the year on the Income and Expenditure Account		21,195	
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year		(22,040)	9
Increase in the General Fund Balance for the Year		(845)	
General Fund Balance as at 1 April 2007		(3,446)	
General Fund Balance carried forward		(4,291)	

Statement of Total Recognised Gains and Losses (STRGL)		2007/08	Note
Deficit for the year on the income and expenditure account		21,195	
Surplus arising on revaluation of fixed assets		(7,783)	
Actuarial gains and losses for the year		(59,045)	
Total recognised gains and losses for the year		(45,633)	

**Balance Sheet as at 31<sup>st</sup> March 2008**

	2007/2008 £000	2007/2008 £000	Note
<b>FIXED ASSETS</b>			
<i>Intangible Fixed Assets</i>		0	
<i>Tangible Fixed Assets</i>			
<i>Operational Assets</i>			
Land and Buildings	68,802		10
Plant, Vehicles and Equipment	5,325		10
<i>Non-Operational Assets</i>			
Assets under construction	723		10
Surplus assets held for disposal	183		10
Long term investment	226		
<b>Total Long Term Assets</b>		<b>75,259</b>	
<b>CURRENT ASSETS</b>			
Stocks and Stores	195		22d1
Debtors	4,751		22c
Temporary Investments	5,200		
Cash and Bank	90		22a
		10,236	
<b>Total Assets</b>		<b>85,495</b>	
<b>CURRENT LIABILITIES</b>			
Short-term borrowing (PWLb)	(91)		
Creditors	(5,842)		22e
Cash Overdrawn	0		
		(5,933)	
<b>Total Assets less Current Liabilities</b>		<b>79,562</b>	
Borrowing repayable within period exceeding 12 months		(16,223)	22b
Government grants unapplied		(92)	15
Government grants – deferred		(3,059)	16
Liability related to defined benefit pension schemes		(368,878)	19
Provision – part time workers regulations	(442)		18
- job evaluation	(294)		18
		(736)	
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>(309,426)</b>	
<b>FINANCED BY: -</b>			
Revaluation Reserve		7,960	19
Capital Adjustment Account		46,932	19
Pensions Reserve		(368,878)	19
General fund balance		4,291	19
Earmarked reserves		269	19
<b>TOTAL FINANCING</b>		<b>(309,426)</b>	

*Cash Flow Statement for the year ended 31 March 2008*

	2007/2008 £000	2007/2008 £000	2007/2008 £000	Note
<b>Revenue Activities</b>				
<u>Cash Outflows</u>				
Cash paid to and on behalf of employees	50,996			
Other Operating Costs	20,378			
		71,374		
<u>Cash Inflows</u>				
Precepts	(67,201)			
Contributions from other local authorities	(500)			
Cash received for goods and services	(6,759)			
		(74,460)		
<b>Revenue Activities Net Cash Flow</b>		<b>(3,086)</b>		22
<b>Return on Investments and Servicing of Finance</b>				
<u>Cash Outflows</u>				
Interest Paid	402			
<u>Cash Inflows</u>				
Interest Received	(250)			
		152		
<b>Capital Activities</b>				
<u>Cash Outflows</u>				
Purchase of Fixed Assets	4,085			
Debt Transfer from other local authority	5,349			
Long term Investment	226			
Other capital cash payments	105			
<u>Cash Inflows</u>				
Sale of Fixed Assets	(204)			
Capital Grants Received	(538)			
		9,023		
<b>Net cash outflow/(inflow) before financing</b>			<b>6,089</b>	22
<b>Revenue Activities</b>				
<b>Management of Liquid Resources</b>				
Net increase/(decrease) in short term deposits			(1,770)	
<b>Financing</b>				
<u>Cash Outflows</u>				
Repayment of loans		0		
<u>Cash Inflows</u>				
New loans raised		(6,000)		
			(6,000)	
<b>Decrease/(Increase) in cash</b>			<b>(1,681)</b>	

**1. EXCEPTIONAL ITEMS**

During 2007/8 costs were incurred following the combination of the Devon Fire and Rescue Authority with the Somerset Fire and Rescue Service. These costs are called out separately due to their materiality. In summary the costs & income can be broken down as follows:-

Combination costs during 2007/08	£000	£000
Employee costs	-1	
Premises costs	85	
Transport related costs	1	
Supplies and services	42	
Establishment costs	1	
		128
Contribution from Somerset County Council	-704	
Miscellaneous income	-3	
		-707
Contribution from DSFRS Earmarked reserves	-14	
Net income to DSFRS	593	
		579
		0

**2. MEMORANDUM PUBLICITY ACCOUNT**

Section 5 of the Local Government Act 1986 requires the Authority to keep a separate account of expenditure incurred on publicity. This is a memorandum account only and the expenditure figures shown below are included in the Income & Expenditure Account.

	<b>Actual 2007/2008 £000</b>
Recruitment Advertising	33
Fire Safety Education	9
General Publicity	34
<b>TOTALS</b>	<b><u>76</u></b>

**3. INCLUSION OF SOMERSET FIRE ENTRIES as at 31<sup>st</sup> MARCH 2007**

Upon the combination of Devon Fire Authority with Somerset Fire, some assets & financing sources formerly held by Somerset County Council such as buildings & reserves transferred to the new combined Authority. These figures, which are summarised below, have been incorporated into these Accounts as being transferred on the 1<sup>st</sup> April 2007.

	£000
<b>Fixed assets</b>	
Land & Buildings	18,471
Vehicles, plant, furniture & equipment	4,095
<b>Current assets</b>	
Cash	500
<b>Long term liabilities</b>	
Borrowing repayable within period exceeding 12 months	(5,467)
Government grants deferred	(473)
<b>Total assets less liabilities</b>	<b>17,126</b>
<b>Financed by</b>	
Capital adjustment account	16,626
General fund balance	500
<b>Total financing</b>	<b>17,126</b>

**4. UNDISCHARGED OBLIGATIONS – PRIVATE FINANCE INITIATIVE SCHEME (PFI)**

In a joint PFI venture Gloucestershire County Council, Avon Fire & Rescue Service and Devon and Somerset Fire & Rescue Service now receive a significant element of their fire training from VT Fire Training (Avonmouth) Ltd, a company contracted to provide the training until 31st 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 annual grant (PFI credits) is now received from the Government on an annuity basis and is approximately £1.789m. Following a review by Gloucestershire County Council it is estimated that the contributions from the three authorities will need to increase by 3% per annum. The balance on the fund as at 31 March 2008 was £3.135m

*Notes to the Core Financial Statements*

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The Authority share (25%) of the annual net contract payments paid during the year together with estimated amounts payable over the remaining 20 years of the venture are as follows;

	<b>2007/2008 £000</b>
Total contract payments made	184
Outstanding un-discharged contract obligations	
Within one year	184
Between one and two years	194
Between two and three years	200
Over three years	4,391

5. 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 2007/2008 are shown in the following table.

	Basic and Special Responsibility Allowance	Travel and Subsistence	2007/2008 Total
	£	£	£
BARTON HR	1,660	801	2,461
BEER T	1,500	260	1,760
BROWNE DI	444	86	530
BUTTON D	1,660	275	1,935
CANN RS	1,660	399	2,059
CLATWORTHY J	1,660	281	1,941
DYKE W	1,660	391	2,051
FOGGIN O	1,660	0	1,660
FORD D	810	156	966
FORD L	1,660	125	1,785
FRY A	1,660	130	1,790
GALLOWAY I	1,660	371	2,031
GORDON IP	4,860	376	5,236
HANNAFORD R	1,660	0	1,660
HEALEY M	4,079	269	4,348
HUGHES BCJ	9,953	1,680	11,633
HUGHES S	4,298	178	4,476
HULL D	0	21	21
KERSLAKE R	899	212	1,111
LEWIS C	1,388	224	1,612
MOCHNACZ J	4,888	749	5,637
NICHOLSON PD	1,660	334	1,994
OXLEY BI	0	230	230
PARSONS R	4,270	1,005	5,275
PHILLIPS DJ	500	60	560
PHILLIPS MJ	402	0	402
RENNIE ES	1,392	0	1,392
STRINGER R	553	0	553
TULLY R	1,660	0	1,660
TURNER M	0	19	19
VINEY DF	0	70	70
WALLACE W	4168	544	4712
WATSON DJ	500	229	729
WAY N	1,660	16	1,676
WILDY N	810	0	810
WITHERS FR	448	139	587
YEOMANS D	1,660	421	2,081
<b>Totals</b>	<b>69,402</b>	<b>10,051</b>	<b>79,453</b>

**6. EMPLOYEES REMUNERATION (ANALYSED IN BANDS OF £10,000 IN EXCESS OF £50,000)**

Number of Employees earning in excess of £50,000

	<u>2007/2008</u>
£50,000 - £59,999	35
£60,000 - £69,999	13
£70,000 - £79,999	1
£80,000 - £89,999	0
£90,000 - £99,999	2
£100,000 - £109,999	2
£130,000 - £139,999	1

**7. 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. 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 2007/2008 no material transactions were disclosed. The table below summarises transactions with other public bodies.

<b>Central Government</b>	<b>£000</b>
<i>Grant Income</i>	
Fire Safety Grant	(260)
New Dimensions Grants	(1,019)
Regional Control Grants	(112)
<b>South West Regional Management Board</b>	
Regional Control Grants	(179)
<b>Devon County Council</b>	
Payments to DCC for provision of financial services	21
Payments to DCC Pension Fund for employers contributions	1,403
<b>Somerset County Council</b>	
Payments to SCC for provision of financial services	96
Income from SCC relating to combination costs	(500)

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

**8. AUDIT FEES**

Fees paid to the appointed external auditors were: -

	<b>Actual 2007/2008 £000</b>
With regard to the external service carried out by the appointed auditor under the Audit Commission Code of Practice in accordance with Section 5 of the Audit Commission Act 1998	69
<b>Total</b>	<b>69</b>

**9. AMOUNTS ADDITIONAL TO THE DEFICIT**

<b>Note of reconciling items for the Statement of Movement on the General Fund Balance</b>		
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
Depreciation	(2,264)	
Impairment of fixed asset	(80)	
Government Grants Deferred amortisation	104	
Net charges made for retirement benefits in accordance with FRS17	(29,626)	
	(31,866)	
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
Minimum revenue provision for capital financing	954	
Capital expenditure charged in year to the General Fund Balance	257	
Employers contributions payable to the Local Government and Firefighters pension funds and retirement benefits payable direct to pensioners	8,543	
	9,754	
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
Net transfer to or from the earmarked reserves	72	
	72	
<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>(22,040)</b>	

10. CAPITAL EXPENDITURE AND FINANCING SOURCES

	Land & buildings	Plant vehicles & equipment	Total
	£000	£000	£000
<b>Operational assets</b>			
GBV as at 31 March 2007	43,238	2,101	45,339
Re-classification from non-operational	1,547		1,547
Depreciation to 31 March 2007	(3,180)	(1,351)	(4,531)
<b>Net book value of assets at 31 March 2007</b>	<b>41,605</b>	<b>750</b>	<b>42,355</b>
Transfer of Assets from Somerset CC	18,472	4,095	22,567
<b>Net book value of assets at 1 April 2007</b>	<b>60,077</b>	<b>4,845</b>	<b>64,922</b>
Additions	2,247	1,424	3,671
Disposals		(16)	(16)
Revaluations	7,922		7,922
Depreciation	(1,365)	(928)	(2,293)
Impairment	(79)		(79)
<b>Net book value of assets at 31 March 2008</b>	<b>68,802</b>	<b>5,325</b>	<b>74,127</b>
<b>Non operational assets</b>			
GBV as at 31 March 2007	2,125		2,125
Re-classification to operational	(1,547)		(1,547)
Depreciation to 31 March 2007	(43)		(43)
<b>Net book value of assets at 31 March 2007</b>	<b>535</b>		<b>535</b>
Additions	669		669
Disposals	(219)		(219)
De-Commissioned	(145)		(145)
Revaluations	38		38
Depreciation written down	29		29
Impairment	(1)		(1)
<b>Net book value of assets at 31 March 2008</b>	<b>906</b>		<b>906</b>
<b>Total assets</b>			
GBV as at 31 March 2007			47,464
Depreciation to 31 March 2007			(4,574)
<b>Net book value of assets at 31 March 2007</b>			<b>42,890</b>
Transfer of Assets from Somerset CC			22,567
<b>Net book value of assets at 1 April 2007</b>			<b>65,457</b>
Additions			4,340
Disposals			(235)
De-Commissioned			(145)
Revaluations			7,960
Depreciation			(2,264)
Impairment			(80)
<b>Net book value of assets at 31 March 2008</b>			<b>75,033</b>

**Capital expenditure financing sources**

	2007/08
<b>Additions</b>	£000
Operational	3,671
Non operational assets	669
Historic Capital spending on Somerset FRS prior to 1 April 2007	5,467
	<b>9,807</b>
<b>Sources of finance</b>	
Government grant	(474)
Sums set aside from revenue	(258)
Capital Receipt Applied	(204)
<b>Movement in year</b>	<b>8,871</b>
Increase in underlying need to borrow – supported by government assistance	1,573
Increase in underlying need to borrow – unsupported by government financial assistance	7,298
	<b>8,871</b>

**11. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS**

As at 31<sup>st</sup> March 2008, the Authority had not entered into any capital contracts which have resulted in significant costs being committed.

**12. INFORMATION ON TANGIBLE FIXED ASSETS**

**March 2008**

Fire Stations	77
Fire Stations which also includes mechanical workshop, office accommodation or training facilities	5
Service Headquarters Site including Control Room, Training Facility and Urban Search and Rescue Site	1

**13. VALUATION DETAILS**

The asset values included in the balance sheet for land and buildings are based on a full asset valuation carried out in 2002, by a qualified external valuer. A five-year rolling programme will continue to ensure that each building is re-valued during a five year time period. The Authority's valuer is Roger Folley of NPS South West Ltd which is a subsidiary of NPS Property Consultants Ltd, a controlled company of Norfolk County Council.

#### 14. LEASE RENTALS

Total rentals paid during the year amounted to £2.592 million. It is estimated that the outstanding liability for future years, in relation to existing lease agreements is: -

<u>Operating Leases</u>	<b>£000</b>	<u>Finance Leases</u>	<b>£000</b>
Within one year	1,925	Within one year	119
2 to 5 years	5,856	2 to 5 years	33
Over 5 years	494	Over 5 years	11
<b>Total</b>	<b>8,275</b>	<b>Total</b>	<b>163</b>

#### 15. GOVERNMENT GRANTS AND CONTRIBUTIONS – UNAPPLIED

	<b>Actual 2007/2008</b>
	<b>£000</b>
Balance as at 1 April 2007	31
Receipts in year	534
	<u>565</u>
<b>Applied in year</b>	
To capital spend	(473)
	<u>(473)</u>
<b>Balance at 31 March 2008</b>	<b>92</b>

The government grants and contributions – unapplied account contains the amount of grants and external contributions towards specific schemes, which have not been spent during the year. This amount is eligible to be held to fund spending in 2008/2009.

#### 16. GOVERNMENT GRANTS AND CONTRIBUTIONS – DEFERRED

	<b>Actual 2007/2008</b>
	<b>£000</b>
Balance as at 1 April 2007	2,690
<b>Applied in year</b>	
To capital spend	473
Offset against depreciation	(104)
	<u>369</u>
<b>Balance at 31 March 2008</b>	<b>3,059</b>

## **17. CONTINGENT LIABILITIES**

### **1. FRAML**

In September 2007, DSFRA, along with six other FRAs, joined the Fire and Rescue Authority Mutual Limited (FRAML), which was established to provide insurance cover to fire and rescue authorities at significantly more competitive rates. This company was set up following the successful formation of the London Authorities Mutual Ltd LAML, which was to provide insurance cover to London Councils. As part of the arrangement to join FRAML, DSFRA was required to make a cash capital payment of £0.226m to FRAML, which is included in the balance sheet to these Accounts as an investment. At the time of preparing the 2007/2008 Accounts, FRAML has ceased trading, following a legal decision which ruled that the insurance cover provided by LAML to one of the London Councils, is void. This ruling has created uncertainty as to the legality of other participants in LAML, and indeed FRAML. Given this position DSFRA have secured alternative insurance arrangements pending a final ruling which would allow FRAML to commence trading again, thought to be later in 2008. In the event that FRAML is not permitted to commence trading again, then it is considered highly likely that the Authority will be refunded its capital investment from FRAML funds. For this reason the investment of £0.226m remains in the Accounts as an Authority investment.

### **2. Part-Time Workers (Prevention of less Favourable Treatment) Regulations 2000**

In 2007/2008 it was decided to make a provision for superannuation costs to be incurred following the ruling that retained firefighters should have had access to a pension scheme. Details are still awaited regarding the timescale and terms of access to the scheme.

## **18. PROVISIONS**

In 2007/8 the Authority established two provisions. These were a charge to the Income and Expenditure account.

### **1. Part-Time Workers (Prevention of less Favourable Treatment) Regulations 2000**

£0.442m was based on the increased employers superannuation amount which would have been due if retained firefighters had access to the 1992 Firefighters Pension scheme rather than the 2006 New Firefighters pension scheme.

### **2. Non uniformed job evaluation scheme**

£0.294m was based on an anticipated 4% additional cost resulting from the outcome of the job evaluation scheme.

19. CONTRIBUTIONS TO/FROM RESERVES

The authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark reserves for future spending plans.

Reserve	Balance 1 April 2007	Net Movement in Year	Balance 31 March 2008	Purpose of Reserve	Note
	£000	£000	£000		
Revaluation Reserve	0	7,960	7,960	A new Reserve required under the revised SORP 2007, to record amounts of re-valued assets.	Note (a) below.
Capital Adjustment Account	48,138	(1,206)	46,932	A new Reserve required under the revised SORP 2007, required to store capital resources set aside to meet past expenditure	Note (a) below.
Pensions Reserve	(406,840)	37,962	(368,878)	Balancing account to allow inclusion of Pensions liability in the Balance Sheet	Note 20b to the Core Financial Statements – see also note (b) & (c) below
General Fund	3,446	845	4,291	Resources available to meet future running costs and/or to meet risks to the authority	
Earmarked Reserves	197	72	269	Resources available to meet specific costs of the authority	Note ( e ) below
Total	(355,059)	45,633	(309,426)		

## Notes to the Core Financial Statements

### Note

- (a) The Revaluation Reserve replaces the Fixed Asset Restatement Reserve (FARA). The credit balance of £51.670m (£34.571 Devon FRS plus £17.099m Somerset FRS) on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£3.059m credit balance) to form the Capital Adjustment Account with a balance of £48.611m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows a revaluation gains accumulated since 1 April 2007.
- (b) The pensions liability stated at the 1<sup>st</sup> April 2007 has been assessed by the actuary.
- (c) The new funding mechanism for the firefighters pension fund means that only costs in respect of injury and retained firefighters pensions are now contained within the Income & Expenditure account. All other fighter pension costs are contained within the Pension fund account (see page 45).
- (d) The Authority has a number of earmarked reserves which are to meet specific areas of spend authorised by the Members. Expenditure is contained within the Income & Expenditure account and details of movement on these earmarked reserves are as follows:-

Earmarked reserve	Expenditure in year contained within I&E a/c Net cost of services	Balance at 1 April 2007	Net Transfer to/from earmarked reserves Statement of Movement on the General Fund	Balance at 31 March 2008
	£000	£000	£000	£000
North Devon training & Lundy related costs	3	34	-3	31
Positive Pressure Ventilation training	10	35	-10	25
Mobilisation ICT eqpt & Firelink		100	85	185
Working at heights	9	14	-9	5
Convergence	14	14	-14	0
GIS gazetteer			15	15
World Fighter Games			5	5
Ceremonial Unit			3	3
Total	36	197	72	269
Net reduction in General fund			108	

## **20. AUTHORISATION OF THE STATEMENT OF ACCOUNTS**

The date on which the Statement of Accounts was authorised by the Treasurer was the 20<sup>th</sup> June 2008. This is the date after which any event is deemed not to have been reflected in the figures therein.

## **21. PENSION ASSETS AND LIABILITIES**

In accordance with the requirements of Financial Reporting Standard No 17 – Retirement Benefits (FRS 17) the Devon Fire and 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 that is administered by Devon County Council. The Local Government Pension Scheme is a defined benefit scheme based on pensionable salary. A further pension liability exists 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.

Following combination, the actuaries have re-assessed the value of the pension schemes as at the 31<sup>st</sup> March 2007, so that an opinion can be given as to the assets and liabilities as at the 31<sup>st</sup> March 2008. This has been done by rolling forward the information held and standardising the assumptions used. A full valuation for the schemes will be carried out as at the 31<sup>st</sup> March 2008 to inform future year's accounts.

The most recent valuation of the Local Government Pension Scheme (LGPS) was carried out as at 31 March 2007, and has been updated by independent actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the Fund as at 31 March 2008. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

Changes to the LGPS is operated means that the percentage contribution that an employee pays is based upon their gross salary, with that percentage varying if their salary changes. The employer's percentage contribution rate for the next three years (2008/09 to 2010/2011) has been assessed at 18.4%

The 1992 Firefighters pension scheme is now closed to new members, having been replaced by the availability of the 2006 New Firefighters pension scheme. As a result of the 1992 scheme no longer admitting new employees to the Fund, use of the projected unit method to value liabilities will mean that the current service cost will increase as a percentage of payroll as the members approach retirement.

(a) It is necessary to recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However the charge which has to be made against council tax is based on the cash payable in the year, so for the purposes of the Income & Expenditure Account, the real cost (service cost) of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income & Expenditure Account and Statement of Movement in the General Fund Balance during the year:-

*Notes to the Core Financial Statements*

	1992 Firefighters Pension Scheme £000	New Firefighters Pension Scheme £000	Firefighters Compensation Regs. £000
	2007/08	2007/08	2007/08
<i>Income &amp; Expenditure Account</i>			
Net Cost of Services			
Current Service Cost	8,990	770	0
Past Service Cost	540	60	0
<i>Net Operating Expenditure</i>			
Interest Cost	20,280	90	920
Expected return on assets in the scheme	0	0	0
CLG Pension top up grant	(4,312)	568	0
Net Charge to the Income & Expenditure Account	25,498	1,488	920
<i>Statement of Movement in the General Fund Balance</i>			
Reversal of net charges made for retirement benefits in accordance with FRS17	-25,498	-1,488	-920
Actual amount charged against the General Fund Balance for pensions in the year			
Employers contributions payable to scheme	5,804	336	1,035
Retirement benefits payable to pensioners	12,334	0	1,054

*Notes to the Core Financial Statements*

	Local Government Pension Scheme £000
	2007/08
<i>Income &amp; Expenditure Account</i>	
Net Cost of Services	
Current Service Cost	1,270
Past Service Cost	370
<i>Net Operating Expenditure</i>	
Interest Cost	960
Expected return on assets in the scheme	-880
Net Charge to the Income & Expenditure Account	1,720
<i>Statement of Movement in the General Fund Balance</i>	
Reversal of net charges made for retirement benefits in accordance with FRS17	-1,720
Actual amount charged against the General Fund Balance for pensions in the year	
Employers contributions payable to scheme	1,368
Retirement benefits payable to pensioners	

(b) Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March are as follows:-

	1992 Firefighters Pension Scheme £000		New Firefighters Pension Scheme £000		Firefighters Compensation Regs. £000	
	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08
Estimated liabilities in scheme	-382,830	-346,284	-940	-1,326	-17,850	-15,955
Estimated assets in scheme	0	0	0	0	0	0
Net liability	-382,830	-346,284	-940	-1,326	-17,850	-15,955

*Notes to the Core Financial Statements*

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	Local Government Pension Scheme £000		Total £000	
	2006/07	2007/08	2006/07	2007/08
Estimated liabilities in scheme	-16,890	-23,343	-418,510	-386,908
Estimated unfunded liabilities in scheme	-310	-300	-310	-300
Estimated assets in scheme	11,980	18,330	11,980	18,330
Net liability	-5,220	-5,313	-406,840	-368,878

## Notes to the Core Financial Statements

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £369m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £310m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:-

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary
- funding arrangements which exist between the Authority and the central government department of Communities and Local Government provide finance when pensions are actually paid.

### (c) Basis for Estimating Assets and Liabilities

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 Hewitt Associates Limited, an independent firm of actuaries, estimates for the Devon Fund being based on the latest full valuation of the scheme as at 1 April 2007.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Firefighters Pension (1992 & NFPS) Scheme		Firefighters Compensation Regs.	
	% pa 31 March 2007	% pa 31 March 2008	% pa 31 March 2007	% pa 31 March 2008	% pa 31 March 2007	% pa 31 March 2008
Discount Rate	5.3	6.8	5.3	6.8	5.3	6.8
Rate of increase in salaries	4.2	4.7	4.2	4.7		
Rate of increase to pensions in payment	3.2	3.7	3.2	3.7	3.2	3.7
Rate of increase to deferred pensions	3.2	3.7	3.2	3.7		
Rate of inflation	3.2	3.7			3.2	3.7

The Firefighters Scheme has no assets to cover its liabilities. Assets in the Local Government Pension Fund are valued at mid market value, principally market value for investments totalling £2,152.8m (£2,183.52m (fair value) as at 31 March 2007). The Fund's assets consist of the following categories, by proportion of the total assets held in the Fund:

*Notes to the Core Financial Statements*

	Long-term return %	Value at 31 <sup>st</sup> March 2007 £m	31 March 2007 %	Long-term return %	Value at 31 <sup>st</sup> March 2008 £m	31 March 2008 %
Equities	7.7	1,491.8	69 %	7.6	1,375.4	64%
Bonds – Govt	4.7	307.1	15 %	4.6	342.2	16%
Bonds	5.3	17.7	1%	6.8	22.4	1%
Corporate						
Property	6.7	217.9	10 %	6.6	189.2	9%
Other	5.6	149.1	5 %	6.0	223.6*	10%
<b>Total</b>	<b>7.0</b>	<b>2,183.5</b>	<b>100 %</b>	<b>6.9</b>	<b>2,152.8</b>	<b>100%</b>

\*Note that 'other' Assets above represent the Net Current Assets and Cash, of which £25.3m is invested in international infrastructure.

(d) Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008. This information will gradually build up to disclose current year and changes over a four year period

Local Government Pension Scheme	2007/08	
	£000	%
Differences between the expected & actual return on assets	3,870	21.1
Differences between actuarial assumptions about liabilities and actual experience	-7,260	-30.7
Changes in demographic & financial assumptions used to estimate liabilities	3,590	15.2
	200	0.8

*Notes to the Core Financial Statements*

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1992 Firefighters scheme	2007/08	
	£000	%
Differences between the expected & actual return on assets		
Differences between actuarial assumptions about liabilities and actual experience	-1,080	-0.3
Changes in demographic & financial assumptions used to estimate liabilities	57,310	16.5
	56,230	16.2

New Firefighters scheme	2007/08	
	£000	%
Differences between the expected & actual return on assets		
Differences between actuarial assumptions about liabilities and actual experience	0	0
Changes in demographic & financial assumptions used to estimate liabilities	750	42.4
	750	42.4

*Notes to the Core Financial Statements*

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Firefighters Compensation Regs.	2007/08	
	£000	%
Differences between the expected & actual return on assets		
Differences between actuarial assumptions about liabilities and actual experience	-120	-0.8
Changes in demographic & financial assumptions used to estimate liabilities	1,900	11.9
	1,780	11.2

22. Reconciliation of cash flow items

	2007/2008	2007/2008
	£000	£000
<b>Reconciliation of revenue cash flow</b>		
<b>Non-Cash Items</b>		
Contribution to Reserves and Provisions	(1,653)	
Direct Revenue Financing	(156)	
Provision for repayment of external loans	(954)	
		(2,763)
<b>Movement in Other Assets</b>		
Increase/(Decrease) in debtors	2,143	
(Increase)/Decrease in creditors	(2,275)	
Increase/(Decrease) in stock	(23)	
		(155)
Net Interest Payments		(168)
<b>Net cash outflow/(inflow) from revenue activities</b>		<b>(3,086)</b>

As at 1 April 2007 £000		As at 31 March 2008 £000	Movement £000
	<b>Movements in cash</b>		
(1,591)	<b>A</b> Cash and bank	90	1,681
<b>(1,591)</b>		<b>90</b>	<b>1,681</b>
	<b>Movements in liquid resources</b>		
6,970	Short Term Investments	5,200	(1,770)
<b>6,970</b>		<b>5,200</b>	<b>(1,770)</b>
	<b>Movements in Long Term Borrowing</b>		
(10,223)	<b>B</b> Public Works Loan Board	(16,223)	(6,000)
<b>(10,223)</b>		<b>(16,223)</b>	<b>(6,000)</b>
<b>(4,844)</b>	<b>Total Net Debt</b>	<b>(10,933)</b>	<b>(6,089)</b>
	<b>Movements in Other Current Assets/Liabilities</b>		
2,562	<b>C</b> Debtors	4,751	2,189
218	<b>D</b> Stocks and stores	195	(23)
(8,892)	<b>E</b> Creditors	(5,842)	3,050
<b>(6,112)</b>		<b>(896)</b>	<b>5,216</b>

*Notes to the Core Financial Statements*

	As at 31 March 2008 £000
<b>Reconciliation of net cash flow to movement in net debt</b>	
Increase/(decrease) in cash in the period – operational activities	1,681
Cash inflow from increase in debt financing	(6,000)
Cash (decrease)/increase in liquid resources	(1,770)
<b>Movement in net debt in the period</b>	<b>(6,089)</b>
Net debt at 1 <sup>st</sup> April 2007	(4,844)
<b>Net debt at 31<sup>st</sup> March 2008</b>	<b>(10,933)</b>

**A. CASH BALANCE**

	As at 31 March 2008 £000
Cash and Bank	90
<b>Total</b>	<b>90</b>

The bank balance figure as at 31<sup>st</sup> March 2008 includes a sum of £151,413, relating to cheques that had been drawn by 31<sup>st</sup> March 2008, but not presented.

**B. BORROWING REPAYABLE WITHIN A PERIOD EXCEEDING 12 MONTHS**

	2007/2008 £000
Public Works Loan Board	16,223
	<b>16,223</b>
Payable in 1 to 2 years	0
Payable in 2 to 5 years	0
Payable in 5 to 10 years	0
Payable in over 10 years	16,223
	<b>16,223</b>

## Notes to the Core Financial Statements

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The figures included in the above Table relate to the nominal value of fixed rate loans outstanding to the PWLB as at 31<sup>st</sup> March 2008, plus the amount of accrued interest.

The revised SORP 2007 also requires the disclosure in the accounts of the 'fair value' of fixed rate loans, in order that the value of the total liability of the loans, based on a net present value of future cash flows, can be compared with the carrying amount of the loans. The 'fair value' of the total loans outstanding as at 31<sup>st</sup> March 2008 has been assessed as being £17.353m.

### C. DEBTORS

These represent sums of money owed to the Authority for goods and services supplied during the year and not paid for by 31<sup>st</sup> March or where the Authority has made payments in advance.

An analysis of the amounts due at 31<sup>st</sup> March is given below: -

	<b>As at 31 March 2008</b>
	<b>£000</b>
Central Government Departments and Local Authorities	1,140
Leasing Companies relating to operational leasing	472
Other Debtors	3,139
Provision for Bad Debts	-
<b>Total</b>	<b>4,751</b>

### D. STOCKS AND STORES

	<b>As at 31 March 2008</b>
	<b>£000</b>
Uniforms and Protective Clothing	65
Vehicle Spares Stocks	79
Equipment Stocks	51
<b>Total</b>	<b>195</b>

**E. CREDITORS**

These represent sums of money owed by the Authority for goods and services received during the year and not paid for by 31<sup>st</sup> March or where the Authority has received money in advance.

An analysis of the amounts owed at 31<sup>st</sup> March is given below: -

	<b>As at 31 March 2008 £000</b>
Central Government Departments	1,726
Other Local Authorities	389
Other Creditors	3,727
<b>Total</b>	<b>5,842</b>

**23. FINANCIAL INSTRUMENTS**

The borrowings and investments disclosed in the Balance Sheet are made up of the following financial instruments:-

	<b>As at 31 March 2008 £000</b>	<b>As at 31 March 2008 £000</b>	<b>As at 31 March 2008 £000</b>
	Long-Term	Current	Total
Financial Liabilities at amortised cost	16,223	*5,344	21,567
<b>Total borrowings</b>	<b>16,223</b>	<b>5,344</b>	<b>21,567</b>
Loans and receivables	226	**9,047	9,273
<b>Total investments</b>	<b>226</b>	<b>9,047</b>	<b>9,273</b>
Note *£589k of the creditors sum within the balance sheet was income received in advance **£994k of the debtors sum within the balance sheet was payments in advance			

## Notes to the Core Financial Statements

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:-

	Financial Liabilities	Financial Assets	Total
	Liabilities measured at amortised cost	Loans & receivables	
	£000	£000	£000
Interest expense	(493)		(493)
<b>Interest payable and similar charges</b>	<b>(493)</b>		<b>(493)</b>
Interest income		325	325
<b>Interest and Investment income</b>		<b>325</b>	<b>325</b>
<b>Net Gain/(loss) for the year</b>	<b>(493)</b>	<b>325</b>	<b>(168)</b>

### Fair Values

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	As at 31 March 2008	As at 31 March 2008
	Carrying Amount	Fair Value
	£000	£000
Total debt – PWLB	16,314	17,353
Trade and other creditors	5,253	5,253
<b>Total Financial Liabilities</b>	<b>21,567</b>	<b>22,606</b>

The fair value is greater than the carrying amount because of the premature repayment rates used by the PWLB.

*Notes to the Core Financial Statements*

LOANS AND RECEIVABLES	As at 31 March 2008	As at 31 March 2008
	Carrying Amount	Fair Value
	£000	£000
Total investments	5,426	5,426
Cash and bank	90	90
Trade and other debtors	3,757	3,757
<b>Total Loans and receivables</b>	<b>9,273</b>	<b>9,273</b>
The fair value is the same as the carrying amount as all investments are taken at fixed rates over a short-term period, in line with Treasury Management policy.		

**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 seeks to minimise those risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 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 Policy – adopted by the shadow authority on 16 March 2007 – explains the risks to the authority and sets procedures to be followed in order to keep such risks to a minimum.

## Notes to the Core Financial Statements

### 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. Normally this would be over the last five financial years, adjusted to reflect current market conditions, however as Devon & Somerset Fire Authority has not existed for this period of time, the assessment has been taken over 2007/08 only.

	Amount at 31 March 2008	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2008	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with bank & financial institutions	5,516	0	0	0
Central government & other local authorities	1,140	0	0	0
Trade & other debtors	2,617	0	0	0
	9,273			0

All deposits with the bank and financial institutions are due within a year. The authority generally allows 28 days for debts to be settled before debt recovery processes are implemented. As at the 31<sup>st</sup> March 2008, the value of debt which exceeded this period was £139,000, broken down as follows:-

	£000
Two to three months	97
Over three months	42
	139
Debtor history is such that no provision for bad debts is currently deemed necessary	

### 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. 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.

## Notes to the Core Financial Statements

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The maturity analysis of financial liabilities is as follows:-

	£000
Less than one year – including trade and other creditors	5,344
Between one and two years – PWLB loan repayments	0
Between two and five years – PWLB loan repayments	1,000
More than five years – PWLB loan repayments	15,223
	21,567

### 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 I&E account or Statement of Total Recognised Gains and Losses. The authority has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to inform the budget monitoring process during the year.

#### Price Risk

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

#### Foreign Exchange risk

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

## *The Pension Fund*

The Authority participates in two fire pension schemes those being the 1992 Firefighters Pension Scheme and the 2006 New Firefighters Pension Scheme (NFPS). Before 2006/7, there had only been the 1992 scheme and in year retirement costs were met from the authority's funds, where major fluctuations could occur depending upon the number of officers who retired during the financial year.

In 2006/7 a replacement pension scheme was established (with the 1992 being closed to new members) called the new firefighters pension scheme, which retained personnel could also join. Both schemes are classed as "unfunded" in that they have no investment assets, with retirement benefits now being met in year from a newly created Pension Fund. Out of the fund come pension costs and commutation payments with the "income" coming from employees and employers superannuation contributions and a "top-up" grant from central government (Communities and Local Government), to balance the fund to nil.

The fire pension fund is currently dissimilar to a normal pension fund in that it has no trustees, bank account or investment assets. The fund is managed on a separate ledger to that for normal activities of the authority.

In 2007/8 the major issue for the fund was the ruling in respect of the part time workers regulations which indicated that retained firefighters should have had access to a pension scheme prior to 2006/7. A provision has been placed within the Authorities ledger to ensure that resources are available to meet the potential cost of this ruling. It is anticipated that retained firefighters will be given the option to back date their joining of a pension scheme to prior to the 6<sup>th</sup> April 2006. Accordingly, there are substantial debtors within the fund for both employee and employer contributions, as it was not possible to make such deductions by the end of 2007/8.

<b>Firefighters Fund Account</b>		
<b>Contributions receivable</b>	£000	£000
From employer – normal contributions in respect of pensionable pay	(5,269)	
- in respect of ill health retirements	(101)	
From firefighter members	(2,828)	
		(8,198)
<b>Transfers in</b>	(382)	
		(382)
<b>Benefits payable</b>		
Pensions	9,305	
Commutations & lump sum benefits	2,604	
Lump sum death benefits	0	
		11,909
<b>Payments to and on account of leavers</b>	415	
		415
Net amount payable for the year		3,744
Top up grant payable by the government		(3,744)
		0

*The Pension Fund*

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<b>Net Assets statement</b>		
Net current assets and liabilities		
	£000	
Unpaid commutations due	(168)	Note 1
Pension top up grant receivable from CLG – debtor	2,204	Note 2
	<u>2,036</u>	
Devon & Somerset Fire and Rescue Authority – creditor	(2,036)	Note 3
	0	
<p>Note 1 – Due to a change in how commutation payments should be calculated – which was notified in July 2008, £168k of additional commutation payments are due to pensioners.</p>		
<p>Note 2 - £1.540m had been received from CLG by 31<sup>st</sup> March 2008, being 80% of notified top up grant available. £385k is due from the original grant of £1,925m. A further £1.819m is required (initially to be found by DSFRS but with matching reimbursement from CLG) in order to meet total costs incurred.</p>		
<p>Note 3 – Devon &amp; Somerset Fire &amp; Rescue Authority has paid all pensions and commutation payments and is due reimbursement for costs incurred</p>		

## South West Regional Management Board

The Government White Paper "Our Fire and Rescue Service" required fire and rescue services to establish Regional Management Boards. The South West Regional Management Board (RMB) comprises elected Members drawn from the fire and rescue authorities of Avon, Cornwall, Devon, Dorset, Gloucestershire, Somerset and Wiltshire. The Board is responsible for progressing the following six themes within the South West Region: - the Regional FiReControl Centre; Personnel & Human Resources; Training & Development; Procurement; "New Dimension" and Resilience; and Common Services.

The Devon & Somerset Fire and Rescue Authority provides the Clerkship and Treasurer function for the Board and, in respect of the latter function, is required to publish accounts on its behalf. In this capacity, therefore, the following information on funding provided either directly by the constituent authorities or from the Communities and Local Government (CLG), and the use of this funding towards four of the six workstreams, is provided. It should be noted that funding for the "New Dimension" and Resilience and Common Services workstreams are administered directly by the individual constituent authorities and duly reported through the accounting processes for those individual authorities.

	Regional FiReControl Centre	Personnel & Human Resources	Training & Development	Procurement	Clerking & Finance	Total
	£000	£000	£000	£000	£000	£000
<b>Balance b/fwd</b>	(747)			(75)		<b>(822)</b>
<b>Spend</b>	913	30	26	188	26	<b>1,183</b>
<b>Income</b>						
From RMB participating Authorities		(28)	(44)	(85)	(33)	<b>(190)</b>
DCLoG	(2,789)					<b>(2,789)</b>
Other income				(73)	(93)	<b>(166)</b>
Total income	(2,789)	(28)	(44)	(158)	(126)	<b>(3,145)</b>
<b>Balance</b>	<b>(2,623)</b>	<b>2</b>	<b>(18)</b>	<b>(45)</b>	<b>(100)</b>	<b>(2,784)</b>

For information, the amounts which relate to RMB transactions which have been excluded from the Devon & Somerset Fire and Rescue Authority's financial statements are:-

Cash/bank    £2,787,000  
Debtors        £8,000  
Creditors     £10,000

## *Statement of Responsibilities for the Statement of Accounts*

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### ***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.

### ***Responsibilities of the Treasurer***

The Treasurer is responsible for the preparation of the Authority's Annual Statement of Accounts which, in accordance with the CIPFA Code of Practice on Local Authority Accounting in Great Britain, are required to present fairly the financial position of the Authority as at the 31 March 2008 and its income and expenditure for the year then ended.

In preparing the Statement of Accounts, the Treasurer has:

- > selected suitable accounting policies and then applied them consistently.
- > made judgements and estimates that were reasonable and prudent.
- > complied with the Code of Practice.

The Treasurer has also:

- > kept proper accounting records, which were up to date.
- > taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Treasurer's Certificate**

I hereby certify that this Statement of Accounts for the year ended 31 March 2008 has been prepared in accordance with the Accounts and Audit Regulations 2003.

I further certify that the Statement of Accounts presents fairly the financial position of the Devon & Somerset Fire and Rescue Authority at 31 March 2008, and its income and expenditure for the year ended 31 March 2008.

Kevin Woodward  
Treasurer to the Authority

**1. SCOPE OF RESPONSIBILITY**

- 1.1 The Devon and Somerset Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.
- 1.2 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government. A copy of the code is on our website at [www.dsfire.gov.uk](http://www.dsfire.gov.uk) or can be obtained from Clerk to the Authority. This Statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

**2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Fire and Rescue Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 A governance system has been in place for the Devon and Somerset Fire and Rescue Authority up to the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

**3. REVIEW OF EFFECTIVENESS**

- 3.1 The Devon and Somerset Fire and Rescue Authority have responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance

environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

3.2 Throughout 2007/08 the Devon and Somerset Fire and Rescue Authority maintained and reviewed its governance framework in a number of ways. In particular: -

(a) Elected members, Executive Management Board, and Service Management Team reviewed the operation of the Authority's Corporate Risk Profile to ensure that risks to the Authority's strategic objectives and corporate plans were appropriately identified and managed.

(b) The Authority received and/or adopted:-

- Three year Corporate Plan
- Statement of Accounts 2006/07
- External Auditors' Management Letter
- Budget Monitoring Reports
- Periodic Performance Reports
- Medium Term Financial Plan
- Comprehensive Performance Assessment and the actual assessment
- A revised code of Members conduct in accordance with recent legislative requirements
- Internal Audit Annual report 2006/07.

(c) The Audit and Performance Review Committee provided an additional level of review to a number of these plans and strategies.

(d) Internally, Service Planning and Review carried out a continuous assessment of the implementation of policies and procedures throughout the organisation, including follow-up on progress against the action plans.

(e) Internal Audit undertook a number of planned reviews of systems and internal control procedures across a range of functions in the Authority. Each review contained an opinion on the internal controls in place and any unsatisfactory audit opinions resulted in recommendations for improvement, which were implemented by Management. Copies of these reviews were sent both to the Authority's Treasurer and Monitoring Officer.

(f) The Authority has established, as required by law, a standards committee to oversee its ethical conduct. The composition of this committee has recently been revised to facilitate operation of the local assessment regime.

(g) The Authority adopted a corporate governance code which brought elected Members closer to the decision making process and served to strengthen overall governance arrangements

3.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Performance review committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

4. **SIGNIFICANT GOVERNANCE ISSUES**

4.1 Continuing appraisal of the governance and internal control mechanisms during the accounting period has identified internal control issues which the Authority will address in the next year:-

- a. The Authority should progress Member engagement and development.
- b. The Authority should continue the process of embedding the Risk Management ethos throughout the organisation using a combination of training and awareness programmes. Risk ownership should be devolved further into the organisation.
- c. The Authority should progress harmonisation and implementation of service continuity plans both for compliance with the Civil Contingencies Act and for good risk management.
- d. The Authority should produce a partnership framework featuring, amongst other things, a process for a robust, evidence based and reportable assessment prior to engagement. This will also include an ongoing review of partnership value and our contribution.

4.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Paul Young**  
**CHIEF FIRE OFFICER**

**Councillor Bernard Hughes**  
**CHAIRMAN OF AUTHORITY**

### **Accrual**

A sum included in the accounts to cover income or expenditure attributable to an accounting period for goods or work done, but for which payment has not been received/made, by the end of that accounting period.

### **Balance Sheet**

This is a summary of all the assets and liabilities of the Authority

### **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 Financing Account**

This account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets, or for the repayment of external loans.

### **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.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the main professional body for accountants working in the public service.

### **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.

### **Credit Ceiling**

Statutorily prescribed measure of net indebtedness arising from historical capital transactions.

### **Creditors**

Amounts due, but not yet paid for, for work done, goods received or services rendered during the financial year.

### **Debtors**

Amounts due, but not yet received, for work done or services supplied, during the financial year.

### **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, and the benefits 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 useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technical or other changes.

### **Fixed Assets**

Tangible assets that yield benefits to the Authority for a period of more than one year.

### **Fixed Asset Restatement Account**

Represents the difference between the re-valued amount for fixed assets and their original cost.

### **FRS**

Financial Reporting Standards.

### **Income and Expenditure Account**

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

### **Leasing**

There are two main types of leasing arrangements:

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

### **Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to a revenue account each year and set aside for repaying external loans, currently 4% of the credit ceiling.

### **Prior Period Adjustments**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years

### **Provision**

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

### **Public Works Loan Board (PWLB)**

A government agency that provides longer-term loans to local authorities, at

interest rates marginally above the government's own borrowing rate.

### **Projected Unit Method**

An accrued benefits 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 to benefits 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.

### **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 Revenue Accounts.

### **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.

**SSAP Statement of Standard Accounting Practice**

Standard accounting treatment of specific types of transaction as laid down by the Accounting Standards Board.

**Temporary Borrowing**

Borrowing for temporary purposes for a period of less than one year.

**SORP Statement of Recommended Practice**

Recommendations by the Accounting Standards Board as to accounting treatment but which do not have the same force as SSAP's.