

**DEVON & SOMERSET FIRE &
RESCUE AUTHORITY**

**STATEMENT OF ACCOUNTS
FOR 2008/2009**

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Approval of Accounts by the Presiding Member of the Devon & Somerset Fire & Rescue Authority

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 Chairman of the Devon & Somerset Fire & Rescue Authority and Presiding Member on the day, approve the Statement of Accounts for the financial year 2008/09, as reported to the meeting of the Devon & Somerset Fire & Rescue Authority held on the 28 September 2009.

Signature

Name ...Councillor Bernard Hughes OBE.....

Date

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ISBN x-xxxxx-xxx-x

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1. **Introduction**

The accounting statements contained in this publication represent the accounts position for Devon & Somerset Fire & Rescue Authority for the year ended 31 March 2009. Following the merger of ex-Devon FRS and ex-Somerset FRS (part of Somerset County Council) in April 2007, this represents only the second set of Accounts for the new merged Authority.

The accounts have been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement of Recommended Practice (SORP), and the Best Value Accounting Code of Practice (BVACOP). The core statements required to be reported within the accounts are:

Income & Expenditure Account

This 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.

Statement of Movement on the General Fund Balance

This statement reconciles those amounts required by statute to be included in the Income & Expenditure Account, but do not impact on the determination of the revenue budget requirement.

Statement of Total Recognised Gains and Losses

This explains details of gains and losses not included in the Income & Expenditure Account e.g. gains or losses arising from property revaluations.

Balance Sheet

This records the assets and liabilities of the Authority as at 31 March 2009.

Cash Flow Statement

This statement summarises the sources and application of the Authority's funds during the year.

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

Table 1 overleaf provides a summary of actual revenue spending for the financial year ending 31 March 2009 compared to the revised budget.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2008/09

	Revised Budget £m	Actual Spending £m	Variance £m
Employee Costs	56.583	55.881	(0.702)
Premises Related Costs	3.145	3.086	(0.059)
Transport Related Costs	2.708	2.962	0.254
Supplies and Services	4.901	5.059	0.158
Establishment Expenses	0.787	0.870	0.083
Payments to Other Authorities	0.623	0.553	(0.070)
Capital Financing	4.413	4.415	0.002
Gross Spending	73.160	72.826	(0.334)
Income	(2.705)	(3.458)	(0.753)
Transfer form Reserves	(0.153)	0.175	0.328
Net Spending	70.302	69.543	(0.759)

The accounts for 2008/09 show an under-spend against the approved revenue budget of £0.759m, equivalent to just over 1% of the total budget figure. This final outcome is broadly in line with what had been reported to the Authority during the course of the financial year, where it had been identified that savings against employee costs in particular, would be achieved from a higher level of vacancies than anticipated, and reductions in retained pay costs. Income levels have also exceeded targets, primarily from additional training income and New Burdens grant received from the government to cover additional costs relating to the transition to the Regional Control Centre, and support to the Urban Search and Rescue (USAR) facility. A number of additional spending pressures have also arisen during the year, particularly in relation to increases in fuel and utility costs, and costs emanating from a change of insurance provider. However, these costs have been able to be absorbed within the overall revenue position.

Given the under-spend position, it was agreed by the Authority during the year, that the anticipated contribution of £0.153m from the general reserve, to assist the 2008/09 spending, was not required to be called upon, and that an amount of £0.175m be transferred to earmarked reserves to fund the de-commissioning costs associated with existing radio systems, pending the full installation of the national radio scheme (Firelink).

The final outturn position was considered at the meeting of the Devon & Somerset Fire & Rescue Authority held on the 27 May 2009. It was reported at that meeting that of the total under-spend of £0.759m, an amount of £0.297m related to committed projects that had not been delivered by the 31 March 2009, and therefore this amount would need to be carried forward to 2009/10 in order that the funding is in place for the completion of those projects. This will be managed by way of a transfer of £0.297m to earmarked reserves. It was further agreed that an amount of £0.300m be transferred to earmarked reserves to fund the most urgent works required to improve shower facilities and other

welfare facilities on a number of identified fire stations. This issue was highlighted following a visit from the Health and Safety Executive (HSE) to one of those stations. The remaining balance of £0.162m is to be transferred to general reserve balances. Details of the Authority total reserve balances are shown on Page 27 of these Accounts.

3. Capital Expenditure and Financing 2008/09

The capital programme for 2008/09 was originally set at £8.099m at the budget setting meeting held on the 15 February 2008. This figure was reduced to £7.060m following a report to the meeting of the Resources Committee held on the 3 October 2008, to report slippage in the 2008/09 programme and the need to increase the 2009/10 programme accordingly. In addition to this programme, an amount of £0.073m was available from grant funding made available by the CLG to fund a programme of Home Fire Risk Checks, installation of free 10 year smoke alarms and automated fire suppression systems.

Total spending against this programme was £5.840m as detailed in Table 2 below. Of this spending an amount of £4.755m was made by cash, and a further £1.085m was accrued at the year end to reflect invoices not yet received. Table 3 summarises the sources of financing of the total spending of £5.840m.

TABLE 2 – SUMMARY OF CAPITAL SPENDING IN 2008/09

Project	2008/09 Revised Programme £m	2008/09 Outturn £m	Variance £m
<u>Estates</u>			
Exeter East	1.450	1.590	0.140
Exeter West – Danes Castle	0.864	1.023	0.159
SHQ Infrastructure	0.449	0.230	(0.219)
USAR Project	0.020	0.015	(0.005)
Maintenance Ring Fenced	0.714	0.415	(0.299)
Slippage from previous years	0.624	0.624	-
Estates Sub total	4.121	3.897	(0.224)
<u>Fleet and Equipment</u>			
Appliance Replacement	1.760	0.930	(0.830)
Other vehicles	0.200	0.267	0.067
Equipment	0.309	0.081	(0.228)
BA Cylinder Replacements	0.170	0.170	-
Asset Management Plan	0.100	0.022	(0.078)
Slippage from previous years	0.400	0.400	-
Fleet and Equipment Sub total	2.939	1.870	(1.069)
Total Estates and Fleet and Equipment	7.060	5.767	(1.293)
Home Safety Checks/Smoke Alarms	-	0.073	0.073
Total	7.060	5.840	(1.220)

TABLE 3 – SUMMARY OF CAPITAL FINANCING IN 2008/09

	£m
<u>Borrowing</u>	5.325
<u>Other Financing Sources</u>	
Revenue Contribution to Capital Spending	
Approved contribution (as agreed at the meeting of Resources Committee on the 21 July 2008).	0.170
Additional contribution to fund banded oil storage containers at workshops sites.	0.025
Purchase of appliance and light vehicles at expiry of leasing arrangements, funded from savings on leasing rentals and sale of vehicles.	0.211
Capital/Revenue Grants	
Home Fire Safety Initiative Capital Grant	0.073
Urban Search and Rescue (USAR) Grant	0.029
Incident Response Unit (IRU) Capital Grant	0.007
Sub Total - Other Financing Sources	0.515
Total Financing	5.840

4. **Authority Borrowing**

The actual amount of borrowing taken out during 2008/09 was £5.1m increasing the total external debt as at 31 March 2009 to £19.281m. This figure is well below the authorised limit of £29.214m, i.e. the absolute limit for 2008/09 that the Authority can borrow to finance capital spending.

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

The balance sheet of the Authority as at 31 March 2009 shows a net liability of £310.815m. 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 Firefighter 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 Firefighter Scheme require that the Authority set aside provision for retirement benefits in the year in which the commitment arises. The financial year 2008/09 is only the fifth 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 29. The Authority's net deficit in schemes as at 31st March 2009 is £373.731m. It must be emphasised that this figure reflects the position as at 31 March 2009 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.

Kevin Woodward
Treasurer to the Authority

Statement of Accounting Policies

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. As well as compliance with this Code, these accounts also comply with the Best Value Code of Accounting Practice.

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 & 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 2009 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 2009. Debtors are accrued on income to cover goods and services provided before 31 March 2009 but for which no payment has been received.

Provisions

An amount is set aside in a Provision where an event is likely or certain to happen but the amount and date is uncertain. Two such Provisions exist as at 31 March 2009;

Fire-fighter Pension Scheme Employer Costs – an amount of £0.497m has been provided for relating to the outcome of the ruling of an Employment Tribunal case in favour of retained firefighters having equal rights as wholetime firefighters in relation to access to a pension scheme.

Job Evaluation Scheme – an amount of £0.586m has been provided for relating to the implementation of a job evaluation scheme, the outcome of which is to be backdated to April 2007.

Statement of Accounting Policies

Reserves

Any amount set aside which falls outside of the definition of a provision is regarded as a Reserve. The Authority maintains a general reserve to provide financial contingency against unforeseen spending over and above the base budget, and a small number of earmarked reserves to finance future identified spending. In addition to revenue reserves, the most recent SORP requires two non-cash backed reserves to be formed 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.

Details of all reserve balances as at 31 March 2009 are included with Note 19 to these Accounts.

Stocks and Stores

Stocks appear in the Consolidated Balance Sheet at cost.

Contingent Liabilities

Details of any contingent liabilities as at 31 March 2009 are shown in the notes to the core financial statements (Note 17)

Basis of Provision for the Redemption of Debt and External interest

The extent to which the Authority is to set aside an amount each year from its revenue budget to repay debt is laid down in its Minimum Revenue Provision (MRP) Statement, as agreed at the beginning of the financial year. The policy adopted by the Authority is to make a provision based upon 4% of the capital financing requirement for borrowing, which is subject to government support as part of the revenue support grant settlement, and asset life for borrowing which is not subject to such support.

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

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.

Statement of Accounting Policies

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 & Expenditure Account, with a corresponding entry to the Capital Adjustment Account.

Revaluations

Normally, the Authority revalues its properties on a five year rolling programme. Due to the current economic climate and its potential impact on asset values, a full revaluation was undertaken as at the 31 March 2009. Land and buildings costs have been separately identified and will continue to be so for all future revaluations.

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

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.

Statement of Accounting Policies

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. 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 & Rescue Authority, in partnership with Avon Fire Authority and Gloucestershire County Council has invested in a PFI project to provide a Fire and Rescue Service training centre (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 annual grant is now received on an annuity basis of approximately £1.789m per annum. 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 balance on the fund as at 31 March 2009 was £3.391m. 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 next review is scheduled to take place during 2009/10. 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.

Statement of Accounting Policies

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. For 2008 the SORP requires a change in assessment method of assets from mid-market value to current bid price, which is classed as a change in accounting policy.

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

(b) Civilian Staff

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Scheme through the Pension Fund, which is administered by Devon County Council. The employer's contribution rate for those employees in the scheme is based on advice from the Fund's Actuary who carries out triennial actuarial valuations. The last valuation was undertaken in March 2007.

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.

Income & Expenditure Account for the year ended 31st March 2009

Net Total Cost 2007/08 £000		Gross Total Cost 2008/09 £000	Income 2008/09 £000	Net Total Cost 2008/09 £000	Note
	<i>Community Fire Safety</i>				
2,558	Statutory Inspection, certification and enforcement	2,569	(46)	2,523	
4,514	Prevention and Education	4,899	(123)	4,776	
	<i>Fire Fighting and Rescue Operations</i>				
58,306	Operational responses	61,676	(2,142)	59,534	
3,659	Communications and mobilising	4,668	(577)	4,091	
403	Securing water supplies	420	(3)	417	
				0	
1,071	Corporate and democratic core costs	1,387	(11)	1,376	
624	Non distributed costs	270	0	270	
(579)	Exceptional costs - Combination	0		0	1
70,556	Net Cost of Services	75,889	(2,902)	72,987	
0	Loss on disposal of fixed assets			22	
493	Interest payable			976	
(325)	Investment Income			(500)	
21,380	Pensions interest cost and expected return on investments			24,820	
(3,744)	CLG Pension Top up grant			(8,722)	
88,360	Net Operating Expenditure			89,583	
(38,106)	Demand on the Collection Fund			(40,388)	
(4,181)	General Government Grant			(3,655)	
(24,914)	Non-domestic rates redistribution			(26,259)	
21,159	Deficit for the year			19,281	

Statement of movement on the General Fund

The Income & 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 is 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 & Expenditure Account and the General Fund Balance.

2007/08	Statement of movement on the General Fund	2008/09	Note
£000 21,159	Deficit for the year on the Income and Expenditure Account	£000 19,281	9
(22,004)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(19,443)	
(845)	Increase in the General Fund Balance for the Year	(162)	
(3,446)	General Fund Balance brought forward	(4,291)	
(4,291)	General Fund Balance carried forward	(4,453)	

2007/08	Statement of Total Recognised Gains and Losses (STRGL)	2008/09	Note
£000 21,159	Deficit for the year on the Income and Expenditure Account	£000 19,281	
(7,783)	Surplus arising on revaluation of fixed assets	(6,461)	
(59,012)	Actuarial gains and losses for the year	(11,505)	
(45,636)	General Fund Balance carried forward	1,315	

Balance Sheet as at 31st March 2009

2007/08 £000		2008/09 £000	2008/09 £000	Note
	FIXED ASSETS			
0	<i>Intangible Fixed Assets</i>		0	
	<i>Tangible Fixed Assets</i>			
	<i>Operational Assets</i>			
68,802	Land and Buildings	72,241		11
5,332	Plant, Vehicles and Equipment	6,051		11
	<i>Non-Operational Assets</i>			
723	Assets under construction	3,336		11
183	Surplus assets held for disposal	183		11
226	Long term investment	226		17
75,266	Total Long Term Assets		82,037	
	CURRENT ASSETS			
195	Stocks and Stores	185		23D
4,751	Debtors	9,070		23C
5,200	Temporary Investments	3,010		
90	Cash and Bank	13		23A
10,236	Total Current Assets		12,278	
85,502	Total Assets		94,315	
	CURRENT LIABILITIES			
(91)	Short-term borrowing (PWLb)	(1,049)		
(5,849)	Creditors	(7,898)		23E
0	Cash Overdrawn	0		
(5,940)			(8,947)	
79,562	Total Assets less Current Liabilities		85,368	
(16,223)	Borrowing repayable within period exceeding 12 months		(18,332)	23B
(92)	Government grants unapplied		(12)	15
(3,059)	Government grants – deferred		(3,025)	16
(368,952)	Liability related to defined benefit pension schemes		(373,731)	22
(736)	Provisions		(1,083)	18
(309,500)	TOTAL ASSETS LESS LIABILITIES		(310,815)	
	FINANCED BY: -			
7,960	Revaluation Reserve		12,528	19
46,932	Capital Adjustment Account		44,985	19
(368,952)	Pensions Reserve		(373,731)	19
4,291	General fund balance		4,453	19
269	Earmarked reserves		950	19
(309,500)	TOTAL FINANCING		(310,815)	

Cash Flow Statement for the year ended 31 March 2009

2007/08	2008/09	2008/09	2008/09	Note
£000	£000	£000	£000	
Revenue Activities				
<u>Cash Outflows</u>				
50,996	Cash paid to and on behalf of employees	53,457		
20,378	Other Operating Costs	20,402		
71,374			73,859	
<u>Cash Inflows</u>				
(67,201)	Precepts	(70,302)		
(500)	Contributions from other local authorities	0		
(6,759)	Cash received for goods and services	(3,761)		
(74,460)			(74,063)	
(3,086)	Revenue Activities Net Cash Flow		(204)	23
Return on Investments and Servicing of Finance				
<u>Cash Outflows</u>				
402	Interest Paid	966		
<u>Cash Inflows</u>				
(250)	Interest Received	(564)		
152			402	
Capital Activities				
<u>Cash Outflows</u>				
4,085	Purchase of Fixed Assets	5,148		
5,349	Debt transfer from other Local Authority	0		
226	Long term Investment	0		
105	Other capital cash payments	8		
<u>Cash Inflows</u>				
(204)	Sale of Fixed Assets	0		
(538)	Capital Grants Received	(29)		23F
9,023			5,127	
6,089	Net cash outflow/(inflow) before financing		5,325	23
Management of Liquid Resources				
(1,770)	Net increase/(decrease) in short term deposits	(2,190)	(2,190)	
Financing				
<u>Cash Outflows</u>				
0	Repayment of loans	2,042		
<u>Cash Inflows</u>				
(6,000)	New loans raised	(5,100)		
(6,000)			(3,058)	
(1,681)	Decrease/(Increase) in cash		77	

1. EXCEPTIONAL ITEMS & PRIOR PERIOD ADJUSTMENT

An exceptional amount was declared during 2007/08 as costs were incurred following the combination of the Devon Fire & Rescue Authority with the Somerset Fire & Rescue Service. As the combination is complete, only normal running costs are now being incurred which are included within the net cost of services within the Income & Expenditure Account.

There are prior period adjustments for pensions within the accounts. SORP 2008 requires the value of assets to be at bid price not mid value. Also, a past service cost has been removed from the firefighters pension scheme. This has increased the pension liability as at 31 August 2008 by £74,000. The changes have required the figures within the Income & Expenditure account, Statement of movement on the General fund and statement of recognised gains and losses to be restated.

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.

Actual 2007/2008 £000		Actual 2008/2009 £000
33	Recruitment Advertising	44
9	Fire Safety Education	22
34	General Publicity	45
<u>76</u>	Total	<u>111</u>

3. AUDIT FEES

Fees paid to the appointed external auditors were:

Actual 2007/2008 £000		Actual 2008/2009 £000
69	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.	80
<u>69</u>	Total	<u>80</u>

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

In a joint PFI venture, Gloucestershire County Council, Avon Fire & Rescue Service and Devon & 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 31 March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates (DBFO) under the PFI contract.

The government provides some revenue support to the project in the form of grants (PFI credits), and the three authorities fund the balance by making contributions from within their own resources. The Authority's share of the total contributions required in 2008/09 was £0.189m (25%), which is included in the Income & Expenditure Account.

The Authority's share of the annual net contract payments paid during the year together with estimated amounts payable over the remaining 19 years of the venture are as follows:

2007/08		2008/09
£000		£000
184	Total contract payments made	189
	Outstanding un-discharged contract obligations	
184	Within one year	194
194	Between one and two years	200
200	Between two and three years	205
4,391	Over three years	4,186

5. VALUATION DETAILS

The asset values included in the balance sheet for land and buildings are based on a full asset valuation carried out in 2009 by qualified external valuers. 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 for Devon properties is Roger Folley of NPS South West Ltd which is a subsidiary of NPS Property Consultants Ltd, a controlled company of Norfolk County Council, and for Somerset properties it is Richard Burt of Property Services Southwest One.

Notes to the Core Financial Statements

6. 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 2008/09 are shown in the following table.

2007/08 Total £		Basic and Special Responsibility Allowance £	Travel and Subsistence £	2008/09 Total £
2,461	BARTON HR (replaced by D P Hannon)	671	270	941
1,760	BEER T (replaced by M E Leaves)	210	118	328
1,935	BUTTON D #	1,947	24	1,971
2,059	CANN RS #	5,080	958	6,038
1,941	CLATWORTHY J #	1,947	158	2,105
2,051	DYKE W #	1,947	509	2,456
1,660	FOGGIN O #	1,947	0	1,947
1,785	FORD L #	1,947	516	2,463
1,790	FRY A #	5,091	201	5,292
2,031	GALLOWAY I (replaced by P G H Parker)	741	276	1,017
5,236	GORDON IP #	4,707	1,778	6,485
1,660	HANNAFORD R (replaced by D H Shadrick)	672	0	672
0	HANNON DP	1,688	140	1,828
4,348	HEALEY M #	7,529	1,680	9,209
11,633	HUGHES BCJ #	11,862	4,643	16,505
4,476	HUGHES S #	2,697	248	2,945
0	LEAVES ME	1,688	211	1,899
1,612	LEWIS C #	1,846	324	2,170
0	MANNING T	882	227	1,109
5,637	MOCHNACZ J #	4,153	713	4,866
1,994	NICHOLSON PD #	1,947	235	2,182
0	PARKER PGH	1,371	0	1,371
5,275	PARSONS R #	2,719	822	3,541
560	PHILLIPS DJ	500	236	736
402	PHILLIPS MJ (replaced by Manning)	1,105	0	1,105
1,392	RENNIE ES (replaced by D F Viney)	210	0	210
0	SHADRICK DH (now deceased)	1,688	206	1,894
1,660	TULLY R #	1,947	227	2,174
70	VINEY DF	1,688	457	2,145
4,712	WALLACE W #	5,841	574	6,415
729	WATSON DJ	500	454	954
1,676	WAY N #	1,947	48	1,995
587	WITHERS FR	500	378	878
2,081	YEOMANS D #	1,947	413	2,360
75,213	Totals	83,162	17,044	100,206

This table shows all serving members during 2008/09.
indicates those members serving for the full year.
The total amount claimed for 2007/08 was £79,453.

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

Number of Employees earning in excess of £50,000

2007/08		2008/09
35	£50,000 - £59,999	39
13	£60,000 - £69,999	14
1	£70,000 - £79,999	4
0	£80,000 - £89,999	1
2	£90,000 - £99,999	1
2	£100,000 - £109,999	2
1	£130,000 - £139,999	0

8. 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 2008/09 no material transactions were disclosed. The table below summarises transactions with other public bodies.

2007/08 £000		2008/09 £000
	Central Government	
	<i>Grant Income</i>	
(260)	Fire Safety Grant	0
(1,019)	New Dimensions Grants	(1,107)
(112)	Regional Control Grants	(115)
	South West Regional Management Board	
(179)	Regional Control Grants	(412)
	Devon County Council	
86	Payments to DCC for provision of financial services	87
1,403	Payments to DCC Pension Fund for employers contributions	1,454
	Cornwall County Council	
43	Payments to CCC for provision of legal services	54
	Somerset County Council	
96	Payments to SCC for provision of financial services	96
(500)	Income from SCC relating to combination costs	0

Notes to the Core Financial Statements

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 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.

9. AMOUNTS ADDITIONAL TO THE DEFICIT

2007/08	Note of reconciling items for the Statement of Movement on the General Fund Balance	2008/09
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(2,264)	Depreciation	(3,884)
(80)	Impairment of fixed asset	(1,625)
104	Government Grants Deferred amortisation	143
0	Net loss on disposal of fixed assets	(22)
(29,193)	Net charges made for retirement benefits in accordance with FRS17	(24,488)
(31,433)		(29,876)
	Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
954	Minimum revenue provision for capital financing	1,140
257	Capital expenditure charged in year to the General Fund Balance	406
8,146	Employers contributions payable to the Local Government and Firefighters pension funds and retirement benefits payable direct to pensioners	8,206
9,357		9,752
	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	
72	Net transfer to or from the earmarked reserves	681
72		681
(22,004)	Net additional amount required to be credited to the General Fund balance for the year	(19,443)

10. INFORMATION ON TANGIBLE FIXED ASSETS

March 2008	March 2009
77 Fire Stations	76
5 Fire Stations which also includes mechanical workshop, office accommodation or training facilities	7
1 Service Headquarters Site including Control Room, Training Facility and Urban Search and Rescue Site	1

11. CAPITAL EXPENDITURE AND FINANCING SOURCES

	Land & buildings	Plant vehicles & equipment	Total
	£000	£000	£000
Operational assets			
Cost or valuation			
At 1 April 2008	73,347	7,611	80,958
Additions	1,284	1,944	3,228
Disposals	(86)	(385)	(471)
Reclassification from non-operational	0	0	0
Revaluations	7,215	12	7,227
At 31 March 2009	81,760	9,182	90,942
Depreciation and impairments			
At 1 April 2008	(4,545)	(2,279)	(6,824)
Charge for 2008/2009			0
Depreciation	(2,674)	(1,210)	(3,884)
Impairment	(1,624)	0	(1,624)
Disposals	10	358	368
Reclassification from non-operational	0	0	0
Revaluations	(686)	0	(686)
At 31 March 2009	(9,519)	(3,131)	(12,650)
Balance Sheet amount at 31 March 2009	72,241	6,051	78,292
Balance Sheet amount at 31 March 2008	68,802	5,332	74,134

Notes to the Core Financial Statements

	Land & buildings	Plant vehicles & equipment	Assets under construction	Assets held for disposal	Total
Non operational assets			£000	£000	£000
Cost or valuation					0
At 1 April 2008			723	197	920
Additions			2,613	0	2,613
Disposals			0	0	0
Reclassification to operational			0	0	0
Revaluations			0	0	0
At 31 March 2009			3,336	197	3,533
Depreciation and impairments					
At 1 April 2008			0	(14)	(14)
Charge for 2008/09					
Depreciation			0	0	0
Impairment			0	(1)	(1)
Disposals			0	0	0
Reclassification to operational			0	0	0
Revaluations			0	1	1
At 31 March 2009			0	(14)	(14)
Balance Sheet amount at 31 March 2009			3,336	183	3,519
Balance Sheet amount at 31 March 2008			723	183	906
Nature of asset holding					
Owned	72,241	6,015	3,336	183	81,775
Finance lease	0	36	0	0	36
PFI	0	0	0	0	0
Total Assets as at 31 March 2009	72,241	6,051	3,336	183	81,811

Notes to the Core Financial Statements

2007/08 £000	Capital expenditure and financing sources	2008/09 £000
14,641	Opening Capital Financing Requirement	17,092
	Capital investment	
3,671	Operational assets	3,228
669	Non-operational assets	2,613
	Sources of Finance	
(474)	Government grants and contributions	(109)
	Sums set aside from revenue	
(954)	Minimum Revenue Provision	(1,140)
(257)	Direct revenue funding	(406)
(204)	Capital receipt	0
17,092	Closing Capital Financing Requirement	21,278

Explanation of movements in year

1,573	Increase in underlying need to borrow - supported by government financial assistance	1,573
7,298	Increase in underlying need to borrow - unsupported by government financial assistance	3,752
8,871	Increase/(decrease) in Capital Financing Requirement	5,325

12. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2009, the Authority had entered into capital contracts for two fire stations. One at Danes Castle, Exeter for £2.528m of which £1.580m remains outstanding and one at Middlemoor, Exeter for £2.460m of which £1.201m remains outstanding.

13. DEPRECIATION METHODOLOGY

As mentioned in the statement of accounting policies, a full revaluation of the estate portfolio was undertaken due to the current economic climate. At the same time, the opportunity was taken to review the remaining life of each property and the depreciation charged in 2008/09 and ongoing years will reflect these assessments.

14. LEASE RENTALS

Total rentals paid during the year amounted to £1.892m. It is estimated that the outstanding liability for future years, in relation to existing lease agreements is: -

2007/08 £000	Operating leases	2008/09 £000	2007/08 £000	Finance Leases	2008/09 £000
1,925	Within one year	1,100	119	Within one year	8
5,856	2 to 5 years	4,360	33	2 to 5 years	0
494	Over 5 years	494	11	Over 5 years	4
<u>8,275</u>	Total	<u>5,954</u>	<u>163</u>	Total	<u>12</u>

15. GOVERNMENT GRANTS AND CONTRIBUTIONS – UNAPPLIED

2007/08 £000		2008/09 £000
31	Balance as at 1 April	92
<u>534</u>	Receipts in year	<u>29</u>
565		121
(473)	Applied in year To capital spend	(109)
<u>92</u>	Balance as at 31 March	<u>12</u>

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 2009/10.

16. GOVERNMENT GRANTS AND CONTRIBUTIONS – DEFERRED

2007/08 £000		2008/09 £000
2,690	Balance as at 1 April 2008	3,059
	Applied in year	
473	To capital spend	109
(104)	Offset against depreciation	(143)
<u>3,059</u>	Balance as at 31 March 2009	<u>3,025</u>

17. CONTINGENT LIABILITIES

1. FRAML

In September 2007, Devon & Somerset Fire & Rescue Authority (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. FRAML ceased trading in April 2008, following a legal decision which ruled that the insurance cover provided by LAML to one of the London Councils, was void. This ruling 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 may allow FRAML to commence trading again. In the event that FRAML is not permitted to commence trading again, 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 investment.

2. Employment Tribunals

As at the balance sheet date, there are two outstanding employment tribunal cases to be heard which may result in further liabilities being incurred during 2009.

18. PROVISIONS

The Authority holds two provisions relating to:

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

As a consequence of the ruling of the House of Lords during 2007/08, finding in favour of retained firefighters in relation to equal employment rights as that of wholetime firefighters, the Authority set aside a provision at as 31 March 2008 to cover employer pension contributions for those retained firefighters benefiting from the ruling. As at 31 March 2009, further guidance is still awaited as to the extent of the changes and the full impact. A review of the amount in the provision was carried out as at 31 March 2009.

2. Non uniformed Job Evaluation Scheme

As at 31 March 2009, the implementation of a Job Evaluation Scheme for non-uniformed staff had still not been implemented. A provision of £0.294m had been set aside in the 2007/08 Accounts to provide for the back-dated arrears to April 2007. This figure has been reviewed as at 31 March 2009, to provide a further year's back-dated arrears for 2008/09.

Notes to the Core Financial Statements

Balance 31 March 2008 £000	Provision	Net Movement in Year £000	Balance 31 March 2009 £000
442	Retained Firefighter Employer Pension Contributions	55	497
294	Job Evaluation Scheme	292	586
<u>736</u>	Total	<u>347</u>	<u>1,083</u>

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.

Balance 31 March 2008 £000	Reserve	Net Movement in year £000	Balance 31 March 2009 £000	Purpose of Reserve	Note
7,960	Revaluation Reserve	4,568	12,528	To record amounts of revalued assets	
46,932	Capital Adjustment Account	(1,947)	44,985	To store capital resources set aside to meet past expenditure	
(368,952)	Pensions Reserve	(4,779)	(373,731)	Balancing account to allow inclusion of Pensions liability in the Balance Sheet	
4,291	General Fund	162	4,453	Resources available to meet future running costs and/or risks to the authority	
269	Earmarked Reserves	681	950	Resources available to meet specific costs of the authority	See Note (a) below
<u>(309,500)</u>	Total	<u>(1,315)</u>	<u>(310,815)</u>		

Notes to the Core Financial Statements

Note

(a) 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:-

Balance at 31 March 2008	Earmarked reserve	Expenditure in year contained within I&E a/c Net cost of services	Net Transfer to/(from) earmarked reserves Statement of Movement on the General Fund	Balance at 31 March 2009
£000		£000	£000	£000
31	North Devon training & Lundy related costs	7	(7)	24
25	Positive Pressure Ventilation training	8	(8)	17
185	Mobilisation ICT eqpt & Firelink	68	(68)	117
5	Working at heights	0	0	5
15	GIS gazetteer	0	0	15
5	World Fighter Games	5	(5)	0
3	Ceremonial Unit	3	(3)	0
0	2008/09 carry forwards		297	297
0	Welfare facilities at stations	0	300	300
0	Decommission Analogue Radio	0	175	175
269	Total	91	681	950
Net movement in General fund			681	

20. ANALYSIS OF NET ASSETS EMPLOYED

2007/08 £000	Analysis of net assets employed	2008/09 £000
(309,500)	General Fund	(310,815)
0	Housing Revenue Account	0
0	Trading Operations	0
<u>(309,500)</u>	Total	<u>(310,815)</u>

21. AUTHORISATION OF THE STATEMENT OF ACCOUNTS

The date on which the Statement of Accounts was authorised by the Treasurer was 18 September 2009. This is the date after which any event is deemed not to have been reflected in the figures therein.

22. PENSION ASSETS AND LIABILITIES

In accordance with the requirements of Financial Reporting Standard No 17 – Retirement Benefits (FRS 17) the Devon & Somerset Fire & Rescue Authority records in its balance sheet its share of assets and liabilities related to pension schemes and matches the net amount with an equivalent pension reserve. The Authority participates in three schemes, two which are Fire Service Pension Schemes for Fire Officers which are unfunded, and the Local Government Pension Scheme which is administered by Devon County Council.

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

There are two Fire pension schemes for fire officers, both of which are unfunded defined benefit final salary schemes, meaning there are no investment assets built up to meet the pension liabilities as they fall due. The schemes are administered by the Fire Authority and known as the fire fund (page 46). The schemes are balanced to zero by the receipt of top up grant received from the CLG. The first scheme is the 1992 Firefighters Pension Scheme (FPS), the second being the 2006 New firefighters pension scheme, which opened in April 2006 at the same time as the 1992 scheme was closed to new members. The Authority has one further pension liability which is in respect of injury awards issued under the Firefighters Compensation Regulations. Previously, these liabilities have been reported within the 1992 Firefighters Pension Scheme figures, but are now called out separately.

There has been a change of accounting policy since last years accounts, which has meant that a prior period restatement has been undertaken. Under the 2008 SORP, the Authority has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit LGPS scheme are now valued at bid price rather than mid market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated. Current and prior year surplus have been unaffected by this change.

Contribution percentages vary depending upon each scheme.

Local Government - Employee contribution is based upon their gross salary, with that percentage varying if their salary changes. The employer's percentage contribution rate is set for three years (2008/09 to 2010/2011) and has been assessed at 18.4%.

1992 Firefighters pension scheme – Employee rate 11%, Employer percentage 21.3%

2006 New Firefighters pension scheme – Employee rate 8.5%, Employer percentage rate 11%.

The cost of retirement benefits are recognised 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.

In addition to the recognised gains and losses included in the Income & Expenditure Account, actuarial gains and losses of £12.3m (£59m 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses.

Notes to the Core Financial Statements

	LG Pension Scheme	LG Pension Scheme	LG Unfunded	LG Unfunded	1992 Firefighters Pension Scheme	1992 Firefighters Pension Scheme	New Firefighters Pension Scheme	New Firefighters Pension Scheme	Firefighters Compensation Regs.	Firefighters Compensation Regs.
	£000 2008/09	£000 2007/08	£000 2008/09	£000 2007/08	£000 2008/09	£000 2007/08	£000 2008/09	£000 2007/08	£000 2008/09	£000 2007/08
Income & Expenditure Account										
Net Cost of Services:										
Current Service Cost	1,020	1,270	0	0	6,250	8,990	850	770	0	0
Past Service Cost	30	370	0	0	210	97	0	60	30	0
Net Operating Expenditure:										
Interest Cost	1,630	940	20	20	23,240	20,280	180	90	1,040	920
Expected return on assets in the scheme	(1,290)	(870)	0	0						
CLG Pension top up grant					(10,295)	(4,755)	1573	1011	0	0
Net Charge to the Income & Expenditure Account	1,390	1,710	20	20	19,405	24,612	2,603	1,931	1,070	920
Statement of Movement in the General Fund Balance:										
Reversal of net charges made for retirement benefits in accordance with FRS17	(1,390)	(1,710)	(20)	(20)	(19,405)	(24,612)	(2,603)	(1,931)	(1,070)	(920)
Actual amount charged against the General Fund Balance for pensions in the year:										
Employers contributions payable to scheme	1,271	1,368	18	18	4,826	5,391	613	352	1,475	1,480
Employers contributions payable to scheme (not in I&E)	98	62	0	0	44	0	0	0	0	0
Retirement benefits payable to pensioners			18	18	12,716	12,324	0	0	1,475	1,480

Notes to the Core Financial Statements

Reconciliation of the present value of the scheme liabilities:	LG Pension Scheme	LG Pension Scheme	LG Unfunded	LG Unfunded	1992 Firefighters Pension Scheme	1992 Firefighters Pension Scheme	New Firefighters Pension Scheme	New Firefighters Pension Scheme	Firefighters Compensation Regs.	Firefighters Compensation Regs.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
1st April	23,330	16,890	302	310	345,820	382,830	1,770	940	15,950	17,850
Current Service Cost	1,020	1,270	0	0	6,250	8,990	850	770	0	0
Interest Cost	1,630	940	20	20	23,240	20,280	180	90	1,040	920
Contributions by scheme participants	500	410	0	0	2,420	2,550	480	280	0	0
Actuarial (gains) and losses	1,620	(660)	20	(10)	(25,943)	(56,230)	(400)	(750)	8,180	(1,780)
Net Benefits paid	(250)	(230)	(18)	(18)	(17,587)	(12,700)	480	380	(1,470)	(1,040)
Past service costs	30	370	0	0	210	100	0	60	30	0
Increase in disposals & acquisitions	0	4,340	0	0	0	0	0	0	0	0
31st March	27,880	23,330	324	302	334,410	345,820	3,360	1,770	23,730	15,950

Notes to the Core Financial Statements

Reconciliation of the fair value of the scheme assets	LG Pension Scheme	
	£000	£000
	2008/09	2007/08
1 April 2009	18,270	11,930
Expected rate of return	1,290	870
Actuarial gains and (losses)	(5,160)	530
Employer contributions	1,370	1,430
Contributions by scheme participants	500	410
Net Benefits paid	(250)	(230)
Increase in disposals & acquisitions	0	3,330
31 March 2009	16,020	18,270

Devon & Somerset Fire & Rescue Authority employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31 March 2009.

The actual return on LGPS assets in the year was a loss of £3.87m (actual gain 2007/08 £1.4m)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £373.7m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £310.8m. 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.

The total contributions expected to be made by the authority in the year to 31 March 2010 is as follows:

Local Government Pension Scheme – £1.096m
 1992 Firefighters pension scheme - £4.937m
 2006 New firefighters pension scheme - £0.093m

Notes to the Core Financial Statements

Scheme History	2007/08	2008/09
	£000	£000
Present value of liabilities:		
LGPS	(23,330)	(27,880)
LGPS - unfunded	(301)	(323)
1992 Firefighters Pension scheme	(345,866)	(334,458)
New Firefighters Pension scheme	(1,770)	(3,360)
Firefighters Compensation Regulations	(15,955)	(23,730)
Fair value of assets in the LGPS	18,270	16,020
Surplus/(deficit) in the scheme:		
LGPS	(5,060)	(11,860)
LGPS - unfunded	(301)	(323)
1992 Firefighters Pension scheme	(345,866)	(334,458)
New Firefighters Pension scheme	(1,770)	(3,360)
Firefighters Compensation Regulations	(15,955)	(23,730)
Total	(368,952)	(373,731)

The above table would normally show a five year history. However Devon & Somerset Fire & Rescue Authority only came into existence on the 1 April 2007.

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

Proportion of total assets held - LGPS	31st March 2009	31st March 2008
	%	%
Equity Investments	52.2	63.9
Property	7.9	8.7
Government Bonds	21.5	15.9
Corporate Bonds	1.2	1.0
Cash/Other	17.2	10.5
Total	100.0	100.0

Notes to the Core Financial Statements

Basis for estimating assets and liabilities	LG Pension Scheme 2008/09	LG Pension Scheme 2007/08	LG Unfunded 2008/09	LG Unfunded 2007/08	1992 Firefighters Pension Scheme 2008/09	1992 Firefighters Pension Scheme 2007/08	New Firefighters Pension Scheme 2008/09	New Firefighters Pension Scheme 2007/08	Firefighters Compensation Regs. 2008/09	Firefighters Compensation Regs. 2007/08
Long-term expected rate of return on assets in the scheme:										
Equity investments	7.6%	7.7%								
Property	6.6%	6.7%								
Government Bonds	4.6%	4.7%								
Corporate Bonds	6.8%	5.3%								
Cash/Other	6.0%	5.6%								
Total	6.9%	7.0%								
Mortality assumptions:										
Longevity at 65 for current pensioners										
Men	23.1	22.1	23.1	22.1	22.0	21.8	22.0	21.8	22.0	21.8
Women	25.0	24.1	25.0	24.1	24.1	24.6	24.1	24.6	24.1	24.6
Longevity at 65 for future pensioners										
Men	25.4	24.0	25.4	24.0	24.3	22.6	24.3	22.6	24.3	22.6
Women	27.3	25.3	27.3	25.3	26.4	25.2	26.4	25.2	26.4	25.2
Rate of inflation	3.6%	3.7%	3.6%	3.7%	3.4%	3.7%	3.4%	3.7%	3.4%	3.7%
Rate of increase in salaries	4.6%	4.7%			4.4%	4.7%	4.4%	4.7%		
Rate of increase in pensions	3.6%	3.7%	3.6%	3.7%	3.4%	3.7%	3.4%	3.7%	3.4%	3.7%
Rate of increase to deferred pensions	3.6%	3.7%			3.4%	3.7%	3.4%	3.7%		
Rate for discounting scheme liabilities	6.5%	6.8%	6.5%	6.8%	6.7%	6.8%	6.7%	6.8%	6.7%	6.8%
Take-up of option to convert annual pension into retirement lump sum	50% of the maximum amount of pre April 2008 service and 75% of the maximum amount of post April 2008 service	50% of the maximum amount of pre April 2008 service			90% of the maximum 25% permitted to be commuted	90% of the maximum 25% permitted to be commuted	90% of the maximum 25% permitted to be commuted	90% of the maximum 25% permitted to be commuted	90% of the maximum 25% permitted to be commuted	90% of the maximum 25% permitted to be commuted

Notes to the Core Financial Statements

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories at 31 March 2009.

History of experience gains and losses	LG Pension Scheme	LG Pension Scheme	LG Unfunded	LG Unfunded	1992 Firefighters Pension Scheme	1992 Firefighters Pension Scheme	New Firefighters Pension Scheme	New Firefighters Pension Scheme	Firefighters Compensation Regs.	Firefighters Compensation Regs.
	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Experience gains and (losses) on assets	530	(5,160)								
Experience gains and (losses) on liabilities	(2,160)	(40)	0	0	(1,080)	19,910	0	170	(120)	(8,830)

23. Reconciliation of cash flow items

2007/08 £000	Note	2008/09 £000	2008/09 £000
Reconciliation of revenue cash flow			
Non-Cash Items			
	Contribution to Reserves and Provisions		
(1,653)		(1,191)	
(156)	Direct Revenue Financing	(350)	
(954)	Provision for repayment of external loans	(1,140)	
(2,763)		(2,681)	
Movement in Other Assets			
2,143	Increase/(Decrease) in debtors	4,389	
(2,275)	(Increase)/Decrease in creditors	(1,427)	
(23)	Increase/(Decrease) in stock	(10)	
(155)			2,952
(168)	Net Interest Payments		(475)
(3,086)	Net cash outflow/(inflow) from revenue activities		(204)
As at 31 March 2008 £000			
As at 31 March 2009 £000			
Movements in cash			
90	A Cash and bank	13	(77)
90		13	(77)
Movements in liquid resources			
5,200	Short Term Investments	3,010	(2,190)
5,200		3,010	(2,190)
Movements in Long Term Borrowing			
(16,223)	B Public Works Loan Board	(19,281)	(3,058)
(16,223)		(19,281)	(3,058)
(10,933)	Total Net Debt	(16,258)	(5,325)
Movements in Other Current Assets/Liabilities			
4,751	C Debtors	9,070	4,319
195	D Stocks and stores	185	(10)
(5,842)	E Creditors	(7,898)	(2,056)
(896)		1,357	2,253

Notes to the Core Financial Statements

As at 31 March 2008 £000		As at 31 March 2009 £000
Reconciliation of net cash flow to movement in net debt		
1,681	Increase/(decrease) in cash in the period – operational activities	(77)
(6,000)	Cash inflow from increase in debt financing	(3,058)
(1,770)	Cash (decrease)/increase in liquid resources	(2,190)
(6,089)	Movement in net debt in the period	(5,325)
(4,844)	Net debt at 1 st April 2008	(10,933)
(10,933)	Net debt at 31st March 2009	(16,258)

A. CASH BALANCE

As at 31 March 2008 £000		As at 31 March 2009 £000
90	Cash and Bank	13
90	Total	13

The bank balance figure as at 31st March 2009 includes a sum of £80,360, relating to cheques that had been drawn by 31st March 2009, but not presented.

B. BORROWING REPAYABLE WITHIN A PERIOD EXCEEDING 12 MONTHS

2007/2008 £000		2008/2009 £000
16,223	Public Works Loan Board	18,332
16,233		18,332
0	Payable in 1 to 2 years	949
0	Payable in 2 to 5 years	2,755
0	Payable in 5 to 10 years	1,070
16,223	Payable in over 10 years	13,558
16,223		18,332

Notes to the Core Financial Statements

The figures included in the above Table relate to the nominal value of fixed rate loans outstanding to the PWLB as at 31st March 2009, 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 March 2009 has been assessed as being £20.502m.

C. DEBTORS

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

An analysis of the amounts due at 31st March is given below: -

As at 31 March 2008		As at 31 March 2009
£000		£000
1,140	Central Government Departments and Local Authorities	7,782
472	Leasing Companies relating to operational leasing	681
3,139	Other Debtors	607
-	Provision for Bad Debts	-
4,751	Total	9,070

D. STOCKS AND STORES

As at 31 March 2008		As at 31 March 2009
£000		£000
65	Uniforms and Protective Clothing	47
79	Vehicle Spares Stocks	84
51	Equipment Stocks	54
195	Total	185

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 March 2009 or where the Authority has received money in advance.

An analysis of the amounts owed at 31 March 2009 is given below:

As at 31 March 2008 £000		As at 31 March 2009 £000
1,726	Central Government Departments	3,072
389	Other Local Authorities	417
3,734	Other Creditors	4,409
5,849	Total	7,898

F. ANALYSIS OF GOVERNMENT GRANTS

As at 31 March 2008 £000		As at 31 March 2009 £000
264	Smoke Alarms	0
274	New Dimensions	29
538	Total	29

Notes to the Core Financial Statements

24. FINANCIAL INSTRUMENTS

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

As at 31 March 2008	As at 31 March 2008	As at 31 March 2008		As at 31 March 2009	As at 31 March 2009	As at 31 March 2009
£000	£000	£000		£000	£000	£000
Long-Term	Current	Total		Long-Term	Current	Total
16,223	5,344	21,567	Financial Liabilities at amortised cost	18,332	*8,342	26,674
16,223	5,344	21,567	Total borrowings	18,332	8,342	26,674
226	9,047	9,273	Loans and receivables	226	**11,097	11,323
226	9,047	9,273	Total investments	226	11,097	11,323
Note *£0.605m of the creditors sum within the balance sheet was income received in advance **£0.996m of the debtors sum within the balance sheet was payments in advance						

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

Total As at 31 March 2008		Financial Liabilities as at 31 March 2009	Financial Assets as at 31 March 2009	Total As at 31 March 2009
£000		£000	£000	£000
		Liabilities measured at amortised cost	Loans & receivables	
(493)	Interest expense	(976)		(976)
(493)	Interest payable and similar charges	(976)		(976)
325	Interest income		500	500
325	Interest and Investment income		500	500
(168)	Net Gain/(loss) for the year	(976)	500	(476)

Notes to the Core Financial Statements

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:

As at 31 March 2008	As at 31 March 2008	FINANCIAL LIABILITIES	As at 31 March 2009	As at 31 March 2009
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
16,314	17,353	Total debt – PWLB	19,381	20,502
5,253	5,253	Trade and other creditors	7,293	7,293
21,567	22,606	Total Financial Liabilities	26,674	27,795

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

As at 31 March 2008	As at 31 March 2008	LOANS AND RECEIVABLES	As at 31 March 2009	As at 31 March 2009
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
5,426	5,426	Total investments	3,236	3,236
90	90	Cash and bank	13	13
3,757	3,757	Trade and other debtors	8,074	8,074
9,273	9,273	Total Loans and receivables	11,323	11,323

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 seek 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 explains the risks to the Authority and sets procedures to be followed in order to keep such risks to a minimum.

Credit Risk

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

The following summarises the Authority’s potential maximum exposure to credit risk, based on experience of default. 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 the two year period 2007/08 to 2008/09.

	Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2009	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with bank & financial institutions	3,249	0	0	0
Central government & other local authorities	7,782	0	0	0
Trade & other debtors	292	0	0	0
	11,323	0	0	0

Notes to the Core Financial Statements

All deposits with the bank and financial institutions are due within a year. The Authority generally allows 28 days for debts to be settled before debt recovery processes are implemented. As at the 31 March 2009, the value of debt which exceeded this period was £114k, broken down as follows:

	£000
Two to three months	72
Over three months	42
Total	114
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 (PWLB). Therefore there is no significant risk that it will be unable to raise finance to meet its liabilities. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Accordingly, in line with its Treasury Management Policy, care is taken as to when loans are taken from PWLB or require repayment.

The maturity analysis of financial liabilities is as follows:-

As at 31 March 2008 £000		As at 31 March 2009 £000
5,344	Less than one year - including trade and other creditors	8,342
0	Between one and two years - PWLB loan repayments	949
1,000	Between two and five years - PWLB loan repayments	3,615
15,223	More than five years - PWLB loan repayments	13,768
21,567		26,674

Market Risk

Interest Rate risk

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

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

Borrowings are not carried on the balance sheet at fair value, so nominal gains and losses on fixed rate borrowings would not impact upon the Income & Expenditure account 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.

Notes to the Core Financial Statements

Price Risk

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

Foreign Exchange risk

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

The Pension Fund

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

In 2006/07 a replacement pension scheme was established (with the 1992 being closed to new members) called the new firefighters pension scheme, which retained personnel could also join. Both schemes are classed as "unfunded" in that they have no investment assets, with retirement benefits now being met in year from a newly created Pension Fund. Out of the fund come pension costs and commutation payments with the "income" coming from employees and employers superannuation contributions and a "top-up" grant from central government (Communities and Local Government), to balance the fund to nil.

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

Firefighters Fund Account		
2007/08		2008/09
£000	Contributions receivable from:	£000
	Fire authority:-	
(5,269)	a) contributions in relation to pensionable pay	(5,274)
(101)	b) early ill health retirements	(210)
(2,828)	c) Firefighters contributions	(2,894)
(8,198)		(8,378)
(382)	Transfers in	(512)
	Benefits payable	
9,305	d) pensions	10,270
2,604	e) commutations and lump sum benefits	7,342
0	f) lump sum death benefits	0
		17,612
	Payments to and on account of leavers	
	g) transfers out	0
	h) refunds of contributions	0
415		0
3,744	Net amount payable for the year	8,722
(3,744)	Top up grant payable by the government	(8,722)
0		0

The Pension Fund

2007/08	Net Assets Statement	2008/09	
£000		£000	Note
	Recoverable overpayments of pensions		
2,204	Top up grant receivable from CLG - debtor	6,064	1
	Current liabilities		
(168)	Unpaid pension benefits	(807)	2
(2,036)	Devon & Somerset Fire & Rescue Authority - creditor	(5,257)	2
<u>0</u>		<u>0</u>	

Note 1 - £2.658m had been received from CLG by 31st March 2008, being 80% of notified top up grant available. £0.665m is due from the original grant of £3.323m. A further £5.399m is required (initially to be found by DSFRS but with matching reimbursement from CLG in July/August 2009) in order to meet total costs incurred.

Note 2 - DSFRS has paid or will pay all pensions and commutation payments and is due reimbursement for costs incurred. The 0.807m of unpaid pension benefits relate to additional commutation lump sums due following a revision of the 1992 FPS commutation pension factors.

Note 3 – It should be noted that the amounts included within the firefighters pension fund are only for the period of 2008/09 and do not take into account liabilities to pay pensions or benefits after that period.

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 & Somerset, Dorset, Gloucestershire, 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 & 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.

2007/08		2008/09
£000		£000
(822)	Balance April 1	(2,784)
1,183	Spend	2,811
	Income	
(190)	From RMB participating Authorities	(171)
(2,789)	DCLoG	(2,373)
(166)	Other income	(114)
(3,145)	Total income	(2,658)
(2,784)	Balance 31 March	(2,631)

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

Cash/bank	£2,831k
Debtors	£501k
Creditors	(£701k)
Total	£2,631k

Statement of Responsibilities for the Statement of Accounts

Responsibilities of the Authority

The Authority is required to:

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

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 2009 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 2009 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 2009, and its Income and Expenditure for the year ended 31 March 2009.

Kevin Woodward
Treasurer to the Authority

Glossary of Terms

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 Expenditure

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

Capital Financing Costs

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

Capital Adjustment Account

This account represents amounts set aside to meet past capital expenditure.

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.

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.

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

Long-term borrowing

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

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to a revenue account each year and set aside for repaying external loans.

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.

Glossary of Terms

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.

SORP Statement of Recommended 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.

1. SCOPE OF RESPONSIBILITY

- 1.1 The Devon & Somerset Fire & 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.
- 1.2 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.
- 1.3 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 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) 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 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 Authority up to the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

3. REVIEW OF EFFECTIVENESS

- 3.1 The Authority has 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 2008/09 the Authority maintained and reviewed its governance framework in a number of ways. In particular:

- a. the Service Management Board 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. The outcome of this work will be shared with the Authority during Summer 2009;
- b. The Authority received and/or adopted:
 - Three year Corporate Plan;
 - Statement of Accounts 2007/08;
 - Annual Governance Report 2007/08
 - External Auditors' Management Letter;
 - Budget Monitoring Reports;
 - Periodic Performance Reports;
 - Medium Term Financial Plan;
 - CPA was refreshed and preparation for CAA (Awareness Raising) commenced;
 - A revised code of Members conduct and introduction of local assessment regime in accordance with legislative requirements, ;
 - Internal Audit Annual report 2007/08.
- 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 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 via Action Plans to deal with the following issues:

- a. The Authority will continue to progress Member engagement and development including a structured approach to induction based on the Regional Model;
- b. The Authority will produce and implement a partnership framework¹. This will also include an ongoing review of partnership value and our contribution;
- c. Corporate Risk Management training will be delivered throughout the organisation in order to embed this within its culture.
- d. Action plans will be monitored and amended as necessary to provide a refined focus on continuous improvement in order to embed this within the Authority's culture and provide service-wide coordination.

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.

Lee Howell
CHIEF FIRE OFFICER

Bernard Hughes OBE
AUTHORITY CHAIRMAN

Date.....

Date.....

¹ The Authority has subsequently approved its Partnership Framework at its meeting held on 27 May 2009, although it is accepted that this was outside the reporting timescale for the current Annual Governance Statement. Work in 2009/10 will concentrate on embedding the Framework.