



DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

Statement
of Accounts
2020 - 2021

Devon and Somerset Fire and Rescue Authority

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Devon & Somerset Fire & Rescue Authority - STATEMENT OF ACCOUNTS 2020/21

NARRATIVE REPORT

Introduction

The purpose of these Accounts is to advise stakeholders of the financial performance of the Authority for the financial year ending 31 March 2021. The Accounts are presented in compliance with International Financial Reporting Standards (IFRS). The Accounts are prepared on the basis of a going concern given that the Authority has sufficient resources to fund its financial obligations and has no concerns of its financial viability over the medium term.

The main purpose of the report is to provide an explanation of the financial position of the authority and assist in the interpretation of the financial statements as well as providing information on the economy, efficiency and effectiveness in its use of resources over the financial year.

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

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

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

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

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

Coronavirus (Covid 19) - Pandemic

The Accounts demonstrate the performance of the Authority as at 31st March 2021, the period covers a full year of restrictions due to the Covid 19 pandemic, which has significantly impacted the way we deliver services. At this stage the pandemic has had a minimal impact on the assets and liabilities of the Authority but has reduced capacity to deliver against agreed strategy and plans.

We have appointed a valuer who is a member of the Royal Institute of Chartered Surveyors (RICS) to value the Property, Plant and Equipment (PPE) who has stated that Land and Buildings are carried at current value. In his report he notes that "the valuation is reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS - Global Standards. Consequently, in respect of this valuations less certainty - and a higher degree of caution - should be attached to the valuation than would normally be the case". The valuer has given regard to the guidance available and concluded "the 'material valuation uncertainty declaration does not mean that the valuation cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential market conditions to move rapidly in response to changes in control or future spread of COVID-19 we highlight the importance of the valuation date".

Impact on Services

The Service deployed its Business Continuity measures as a result of COVID-19 on the 16th of March 2020, following well-rehearsed processes to stand up organisational and operational response to the outbreak and to support Local Resilience Forums. Due to restrictions on travel, office-based staff were asked to work from home and non-essential activity was paused. The Service has seen low levels of absence as a result of COVID-19 and staff absence has not impacted on the ability to maintain core services. Some non-essential activity recommenced in the summer of 2020 and by the 31st March 2021 the Service was operating business as usual (with remote working) alongside its COVID response activity.

Focus was placed on the ability to maintain fire and rescue response activities, which meant that face-to-face prevention and protection activity could not go ahead in the earlier parts of the year. However, as restrictions eased a risk based approach has been taken to delivering these services with control measures in place to protect staff and the public. As part of the South Western Ambulance Service NHS Foundation Trust (SWAST) continued response to COVID-19, a 'combined crewed' fleet of ambulances were deployed in partnership with Cornwall, Devon and Somerset, Dorset and Wiltshire, Avon and Gloucestershire fire and rescue services. These vehicles are crewed by one firefighter and one SWAST emergency care assistant initially. Devon & Somerset are the lead fire and rescue service to allow for clear lines of communications and a consistent approach to this project and are currently providing blue light drivers for five patient support vehicles. This support remained in place throughout 2020-21 and continues into 2021-22

A COVID-19 Integrated Risk Management Plan (IRMP) was introduced in March 2020 which has driven a number of changes or pieces of activity to the work that would usually be undertaken, conducting risk visits and providing safety advice remotely where possible and tailoring activity to the pandemic risk, for example supporting businesses to ensure that they reopened safely and in line with fire regulations. Insight driven communications have targeted members of the public to alert to the dangers around emerging risks and change behaviours.

Recovery from COVID-19

The Service is now in a recovery planning phase and therefore a recovery impact assessment was issued to key functions and stakeholders to identify the impacts, opportunities and risks that this business continuity (BC) event has shown us. As the government continues to evaluate the changing environment and reviews the rules and regulations originally in place, the Service has to respond accordingly to ensure its approach to recovery remains measured, coordinated and safe. This business continuity event has provided the Service with the unique opportunity to review and ensure that all department and strategic plans pull in the same direction moving forward.

Rather than return to 'business as usual', the Service will plan the recovery to ensure it learns from a variety of sources and adapts from the opportunities and lessons learnt. This reflection will feed into strategic objectives to evaluate our learning, particularly focussing on organisational resilience, hybrid working and review of the estate. At time of signing off these financial statements, the recovery and smarter working programme was being progressed and scoped.

Risks and Opportunities of COVID-19

Part of the business continuity process has been to establish a COVID-19 risk register. The risk register is reviewed on a fortnightly basis and captures items which could impact on current or future performance. Mitigating actions are implemented to reduce risk to acceptable levels. The key risks (R) and opportunities (O) identified are:

- ICT infrastructure to support new ways of working (R/O)
- Identifying, reacting and monitoring progress against the volume of change (R)
- Cyber-attack (R)
- Increasing costs (supplies, consumables, vehicles) and reduction of income (council tax, business rates, commercial) impacting on financial outturn for 2020-21 (R)
- Responding to the new ways of working imposed by the government through emergency legislation and interpretation of relevant professional guidance (R/O)
- Availability of staff and social distancing results in reduced levels of service (R)
- Reprioritisation of activities to manage Covid response reduces resources available to deliver and implement change (R/O)
- Innovation and new ways of working and learn from business continuity pandemic arrangements (O)
- Future financial planning may be impacted by another recession in particular the impact on collection funds (R)
- Internal controls impacted by remote working practices (R)
- Staff welfare issues (R) arising from Covid risks and new ways of working (O)
- Health and safety implications of changes to working practices (R)
- Ability to maintain an effective service to agreed response standards (R/O)
- Documenting and managing emerging risks (R/O)
- Effective internal and external communications (R/O)

These risks have either; been included within the corporate risk register, have mitigated in other ways such as ensuring staff welfare is managed and assistance offered where applicable or they have yet to materialise. The Service has been able to provide effective response during the recovery phase of the pandemic.

Governance during COVID-19

Due to lockdown restrictions, the Authority and its committees have not been able to operate as usual. Per amended regulations, the Annual General Meeting of the Authority was deferred to 2021. Until 2 July 2020, the Service was operating under urgency powers, as laid out in standing orders, with decisions being made by the Chief Fire Officer in consultation with the Chair and published on the Authority's website. Since July 2020 video conferencing was introduced to enable properly constituted virtual meetings. Plans are now underway to return to physical meetings now that emergency regulations have expired. Further detail on revised governance arrangements is available in the Annual Statement of Assurance which is published alongside these accounts. As part of our business continuity response, the Service has implemented a new management structure, using gold, silver and bronze (cells) tiers.

Financial Impacts of COVID-19

The key financial risks relating to the COVID-19 pandemic were reported to the Resources Committee on the 2nd of July 2020 (available on the Authority website). The cessation of some activity in particular delays to the capital programme had effect of improving cash flows for the Authority during 2020-21 and delivering savings in other areas, such as travel, resulting in a surplus at year-end. The activity planned under most budget headings will still need to be delivered in future years and therefore the funding will be rolled forward in to reserves. The Authority has a healthy cash position, with sufficient reserves to ensure protection from delayed payments for a prolonged period with the majority of cash reserves being held in short-term investments which are accessible should the need arise. In addition, fire authorities were supported by central government who have paid several grants early to ease any cash flow pressures.

The Authority has benefited from £1.6m of specific COVID grants in 2020-21 and compensation for loss of income from its trading arm. The government has delivered further measures to support local authorities during 2021-22 with pressures arising from loss of income from Council Tax and Business Rates. The Authority, in collaboration with the fire sector, will be seeking to measure and understand the longer-term impact of losses and request government support against any detriment.

Financial Performance for the year

At the budget in 2020 the government announced that "Austerity is over" which was thought to mean a slow down in the rate of cuts to public services. However, the Fire Service is an "unprotected" service which means it can expect further reductions in government funding beyond the current Spending Review period. 2019-20 was the final year of a four-year Local Government Finance Settlement which saw a reduction in central government funding of 25% (£7.3m) over the period. The Government has delayed its Spending Review from 2019, initially due to Brexit and then the pandemic. This has resulted in a rollover of 2019-20 funding in to 2020-21 and 2021-22 with additional support for fire protection activity via section 31 (one-off) grants. Current expectation is for a three year settlement to cover 2022-25, although there is potential for further delay of the spending review due to the Coronavirus pandemic.

The Coronavirus pandemic has increased uncertainty over funding available to all public services, with the likely impact on the long-term economy unknown. It is therefore even more important that scenario planning informs financial plans for the Authority. A sustained economic downturn is likely to exacerbate the risk that households and business will struggle to pay their council tax and business rates bills, restricting the funding available to local services.

Against this backdrop it is imperative for the Authority's Medium Term Financial Plans to be focused on providing forecasts of budget savings required and to inform its strategic planning. So far the Authority has responded well based upon a strategy which has been focused around the three key areas of improving efficiency, reducing costs and increasing income generation. Total recurring budget savings of £20.1m have been delivered since 2010. The Service is in the process of developing the next phase of savings and improvement plans for the period to 2024-25. It is forecast that a minimum of £7.2m of recurring savings need to be identified over that period but that this may increase to £17.3m if funding risks and cost pressures do materialise.

The Service has progressed well with its Safer Together programme, a range of projects to deliver improvements to the Service alongside the required savings alongside significant investment in the On Call service. However some projects will take longer than others to deliver cashable savings and it may be the case that there will be some call on reserve balances during the next four years to assist in setting a balanced budget.

The Authority has established an Earmarked Reserve specifically to provide funding to enable a smoothing of the impact of funding reductions. It is considered that this reserve will also provide required financial contingency against any unforeseen change in circumstances. The Authority has reviewed its published Reserves Strategy in light of the Coronavirus pandemic.

The COVID-19 crisis has seen unprecedented change globally and has the ability to significantly impact on the way we live our lives as well as the global economy. At time of writing and 15 months in to UK restrictions, there is still much speculation over the longer term impact with most considering a prolonged downturn to be likely which will of course impact on the Authority. Due to such uncertainty, the best way to assess future impact is to engage nationally to ensure we have the latest information available to inform planning. Reassuringly, the investment portfolio and asset base of the Authority is not considered to be impaired and therefore no amendments have been made to the balance sheet.

Revenue spending in 2020-21 after transfer to reserves of £10.8m was £77.3m, compared to an agreed budget of £77.3m. Table 1 provides a summary of revenue spending in 2020-21 compared with agreed budget headings.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2020-21

| | Budget | Spending | Variance |
|-------------------------------|---------------|-------------|--------------|
| | £m | £m | £m |
| Employee Costs | 63.8 | 63.5 | (0.3) |
| Premises Related Costs | 4.2 | 4.1 | (0.1) |
| Transport Related Costs | 3.3 | 2.8 | (0.4) |
| Supplies and Services | 7.0 | 6.2 | (0.8) |
| Establishment Expenses | 0.7 | 0.6 | (0.1) |
| Payments to Other Authorities | 0.7 | 0.6 | (0.1) |
| Capital Financing | 5.5 | 5.4 | (0.2) |
| Gross Spending | 85.2 | 83.2 | (2.0) |
| Income | (8.9) | (16.0) | (7.1) |
| Transfer to (from) Reserves | 1.0 | 10.0 | 9.0 |
| Net Spending | 77.3 | 77.3 | 0.0 |
| Funded By: | | | |
| Council Tax Precept | (54.7) | | |
| Business Rates Redistribution | (16.2) | | |
| Central Government Funding | (6.4) | | |
| Total Funding | (77.3) | | |

An underspend of £2.333m, equivalent to 3.02% of the total revenue budget, has been achieved due to income exceeding targets in 2020/21 - this was due to restrictions in place for the whole of the year as a result of the Covid 19 pandemic. There was a requirement to account for loss of income relating to Council Tax and National Non-Domestic Rates in 2020-21. This has been moved into a Earmarked Reserve to assist with funding the Authority in 2021-22 - 2022-23. This accounts for the large amount of income accounted for.

Contributions to Earmarked Reserve

The Fire Authority approved that the net underspend of £1.867m be transferred to fund the future investment in Capital expenditure thus reducing the requirement to borrow external funding in the future. Further detail on all Earmarked Reserve balances is included in Note 20 to the financial statements.

Reductions to Provisions

The reported spending for 2020-21 includes a £157k reversal of a provision set aside to fund future firefighter pension costs, which leaves the provision balance of £0.502m as at 31 March 2021. This balance is considered to be sufficient to fund any costs resulting from case law relating to pensionable allowances and has been based upon information received from the National Employers Council relating to compensatory payments to be made to individual fire-fighters and internal calculations of employer's pension.

Capital Expenditure and Financing 2020/21

The financial statements include capital spending of £4.6m in 2020-21 of which £2.6m has been spent either on the rebuild of fire stations or improvements to them and £2.0m on replacement fleet and equipment, primarily focused on the continued roll-out of new traditional fire appliances to replace older vehicles of the same type.

Aligned to the Authority strategy to avoid any new external borrowing to fund medium term capital spending, no new borrowing was taken out in 2020-21. Of the total spending of £4.6m an amount of £1.5m was funded from existing borrowing.

Authority Borrowing

External borrowing from the Public Works Loan Board (PWLB) as at 31 March 2021 was £24.8m, a reduction of £0.6m from the figure at the beginning of the financial year as a result of principal repayments. All of this debt is at fixed rates which protects costs from adverse changes in interest rates in the future. This level of debt is well within the maximum debt level of £28.7m, set by the Authority at the beginning of the financial year as one of its prudential indicators for capital financing.

Pension Liabilities

As at 31 March 2021 the Authority pension liability has been calculated to be £883.2m (£729.9m in 2019-20). This is based on an actuarial assessment and represents accrued benefits of members of the pension schemes that the Authority participates in; the Fire-fighter Pension Schemes (operational staff) and the Local Government Pension scheme (civilian staff). Further details of the assets and liabilities of each scheme are included in note 30 of these Accounts.

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

In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges and fire fighters' schemes as part of the reforms amounted to unlawful discrimination. The Government sought permission to appeal from the Supreme Court, however this was not granted.

The Government has considered the impact of the Court of Appeal decision including any impact on other public service schemes and launched a consultation to address the discrimination in July 2020. The proposed remedy is to offer pension scheme members the option to return to their previous scheme if this is preferential and will therefore increase costs of the scheme going forward, although this cannot be measured with any certainty at this time. The final remedy was confirmed when HMT published their response to their consultation on 4 February 2021, with no change to that proposed in the consultation. Last year's Statement of Accounts was in line with this remedy therefore no further adjustments are required to the allowance for McCloud.

Assets/Liabilities of the Authority

The balance sheet of the Authority as at 31 March 2021 shows a net liability of £753.1m (£600.3m as at 31 March 2020 RESTATED). This includes the pension liability of £883.2m (£727.7m as at 31 March 2020 RESTATED) required to be included under IAS 19.

Performance and Use of Resources

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

If a fire does start, we want to make sure people have the best chance of escape and that the disruption to business and the community is kept to a minimum. We will work with businesses to influence and regulate the built environment to protect people, property and the natural environment from harm.

In situations when an emergency response is needed, we will make sure that our resources are appropriately located, reflecting our Integrated Risk Management Plan, so that we have the right resources in the right place at the right time.

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

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

Key Performance Indicators

In Table 2 is a summary of performance against corporate Key Performance Indicators (KPIs) in 2020-21 with a comparison against the previous year. Our KPIs are reported to the Fire Authority throughout the year and are used to benchmark against other Service's.

Table 2 - SUMMARY OF KPI's 2020-21

| Measure | 2020-21 | 2019-20 | variance |
|---|---------|---------|----------|
| Non-financial Indicators | | | |
| Number of deaths as a result of fires where people live | 10 | 8 | 25.00% |
| Number of injuries as a result of fire where people live | 69 | 84 | -17.86% |
| Number of fires where people live | 877 | 932 | -5.90% |
| Number of fire related deaths where people work, visit and in vehicles | 2 | 1 | 1 |
| Number of fire related injuries where people work, visit and in vehicles | 15 | 16 | 6.25% |
| Number of fires where people work, visit and in vehicles | 1,100 | 1,315 | -16.35% |
| Emergency Response Standard for attendance at fires where people live (1st appliance to attend within 10 minutes) | 71.3% | 71.2% | +0.1% pt |
| Emergency Response Standard for attendance at road traffic collisions (1st appliance to attend within 15 minutes) | 75.5% | 76.6% | -1.1% pt |
| Sickness - Rate of shifts lost to sickness per full time equivalent (FTE) | 6.27 | 9.07 | -30.87% |

Overview of Service Performance in 2020-21

The COVID-19 pandemic and resultant national lockdowns have had a material impact on some of our non-financial indicators. Working patterns that were historically ingrained have vastly changed during the pandemic. Even with more and more people working at home for longer, the number of fires where people live have reduced. It is a similar story for the number of recorded fires where people work, visit and in vehicles. As a result of numerous lockdowns and people undertaking far fewer journeys during the financial year 2020-21. Whilst looking internally, the level of sickness recorded was significantly lower compared to the previous year, again this reflects the change in working patterns with a switch to almost exclusively working from home. The prevention work undertaken by the service took a drastic hit during the pandemic. In previous years the new Home Safety app had allowed the Service to increase the number of HFSVs being provided to clients. The emergence of the COVID-19 pandemic had resulted in a scaling back of the number of face to face visits in people's homes replaced by providing home safety advice over the phone. Although the number of visits since the start of the 2021 calendar year have gone back to pre-pandemic levels.

Devon & Somerset Fire & Rescue has a statutory obligation to ensure that non-domestic premises and public events are compliant with fire safety regulations. In a similar vein to the prevention work, the COVID-19 pandemic hampered the Service in undertaking on-site visits. In 2020-21 the Service conducted over 400 fire safety checks, over 300 fire safety audits and 6,000 other protection activities to help ensure public safety.

The Business Safety team continue to engage with the call for evidence initiative / Building a Safer Future (Post Grenfell) and have contributed to reviews of:

- Regulatory Reform (Fire Safety) Order 2005
- NFCC Competency framework
- Review of LACORS fire safety guidance
- Building Regulations
- Freedom of Information requests

Developing and maintaining successful partnerships with businesses and partner agencies is essential to support improved understanding of regulatory requirements and ensure that the places that people work and visit are compliant and aware of fire safety. Liaising with hospitals, universities, housing providers, the Care Quality Commission and Environmental Health is a key activity. The Service also works closely with council's Building Control Departments, communicating regularly regarding building developments to ensure compliance with fire safety regulations.

Conclusion on performance for the year

The Authority has been in a good position to use its resources to effectively respond locally to the global coronavirus crisis and continue to meet the needs of the community it serves. The longer-term impact of the pandemic remains to be seen but a continued focus on organisational and financial risk management will enable effective performance going forward. For 2020-21, the Authority has been able to not only deliver the targeted savings required to set a balanced budget, but also to deliver income in excess of target which has been transferred to Earmarked Reserves to fund future change activity.

I would like to take this opportunity to place on record my own thanks to members and officers of the Authority who have played their part in securing the financial health of the Authority during 2020-21.

Shayne Scott
Authority Treasurer

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

Responsibilities of the Authority

The Authority is required to:

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

Responsibilities of the Treasurer

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

In preparing the Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

Treasurer's Certificate

I certify that the Statement of Accounts provide a true and fair view of the financial position of the Authority at the accounting data and its income and expenditure for the year ended 31 March 2021.



Shayne Scott
Treasurer to the Authority
Date: 28-10-2021

STATEMENT OF ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the Service transactions for the 2020-21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which are to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the 2015 Act.

These accounts have been prepared on a going concern basis, it is assumed that the functions of the Authority will continue in operational existence for the foreseeable future.

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

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

Charges to Revenue

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

Basis of Provision for the Redemption of Debt and External interest

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

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

Accruals of Income and Expenditure

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

Revenue is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

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

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

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

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

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

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

The basis on which payables and receivables are included in the Accounts is as follows:

Payables are accrued on expenditure to cover goods and services received but not paid for by 31 March 2021.

Receivables are accrued on income to cover goods and services provided before 31 March 2021 but for which no

We have reviewed the requirements of IFRS 15 - Revenue from Contracts, and consider that this standard does not apply to the Authority

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of the Accounts and that are readily convertible to known amounts of cash with insignificant risk of change in value. Investments exceeding 3 months but less than 12 months are classed as short-term investments.

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

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

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

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

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

There were no changes to accounting policies or prior-period adjustments during 2020-21.

Charges to Revenue for Non-Current Assets

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

depreciation attributable to the assets used by the relevant service

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

amortisation of intangible fixed assets attributable to the service.

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

The treatment of pension costs in these accounts complies with the Code of Practice on Local Authority Accounting for 2020-21, which requires adoption of IAS19 Employee Benefits.

The Authority participates in five different pension schemes to meet the needs of the employees. Each scheme provides members with defined benefits related to pay and service. These schemes are administered by either West Yorkshire Pension Fund for the firefighters pension scheme or Peninsula Pensions for the Local Government Pension Scheme.

(a) Uniformed Staff

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

- 1992 scheme
- 2006 scheme
- 2006 modified scheme
- 2015 scheme

(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 Peninsula Pensions on behalf of Devon County Council. The employer's contribution rate for those employees in the scheme is based on advice from the Fund's Actuary who carries out regular actuarial valuations. The last valuation was undertaken in March 2019.

Pensions Reserve and Impact on Council Tax

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

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

Financial Instruments

Financial Liabilities

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

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

The Authority has not provided or received any soft loans as at 31st March 2021.

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

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

Financial Assets

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

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

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

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

Government Grants and Contributions

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

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

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

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

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

Inventories and Long Term Contracts

Inventories are included in the Consolidated Balance Sheet at cost.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. As at 31 March 2021 the Authority had significant Capital contracts outstanding as detailed in Note 11 to the accounts.

Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

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

Overheads Support Services Costs

In line with the CIPFA Code of Practice, all overheads and support services costs are allocated to the Authority's reportable segment - Fire & Rescue Services.

Property, plant and equipment

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

Recognition

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

Intangible Assets

There are no intangible assets recognised by the Authority.

Tangible Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Expenditure below £20,000 on plant and equipment is treated as de-minimis, it is not capitalised and accordingly is charged to the revenue account in the year it is incurred.

Measurement

Assets are initially measured at cost, comprising: the purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets are then carried in the Balance Sheet using the following measurement bases:

Infrastructure, community assets and assets under construction – depreciated historical cost;

All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Under IFRS 13 Fair Value Measurement, non-cash and non-operational current assets are required to be valued at Market Value. The Authority does not hold any of this type of asset.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end. A full revaluation was undertaken as at the 31 March 2021. A full revaluation will be undertaken every five years as a minimum. The Authority's valuer is NPS South West Ltd which is a subsidiary of NPS Consultants Ltd, a controlled company of Norfolk County Council.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following basis:

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

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

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

Intangible assets are to be amortised over 7 years.

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

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

Componentisation

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

Disposals and Non-current assets held for sale

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

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

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

Heritage Assets

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

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

Private Finance Initiative (PFI) and Similar Contracts

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

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

Provisions

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

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

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

Firefighter Employers pensions liability

The provision for Pension liabilities is £0.502m which reflect legislative changes which may have the impact of increasing employers pension contributions.

Non Domestic Rates Appeals provision

A number of appeals have been made to billing authorities against the rateable value of Non Domestic Properties. The Fire Authority is required to account for its share of the provision for successful appeals, amounting to £0.510m in 2020-21.

Contingent Liabilities

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

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

There are two contingent liabilities for 2020-21 which result from challenges to changes to the firefighters pension schemes of which can be found within Note 31.

Reserves

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

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

Details of all reserve balances at the year-end are included with note 20 to these accounts.

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 March 2021

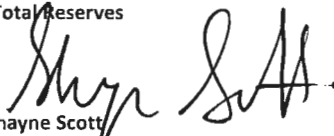
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting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

| | NOTE | Gross Expenditure 2020/21 £000 | Gross Income 2020/21 £000 | Net Expenditure/ (Income) 2020/21 £000 | Gross Expenditure 2019/20 £000 | Gross Income 2019/20 £000 | Net Expenditure/ (Income) 2019/20 £000 |
|--|---------|--------------------------------------|---------------------------------|---|--------------------------------------|---------------------------------|---|
| Fire & Rescue Service | | 87,774 | (16,145) | 71,629 | 92,222 | (8,820) | 83,402 |
| Cost of Services | | 87,774 | (16,145) | 71,629 | 92,222 | (8,820) | 83,402 |
| Financing and Investment Income and Expenditure | 9 | 18,130 | (204) | 17,927 | 19,895 | (398) | 19,497 |
| Other Operating Expenditure / (Income) | 8 | - | (11,269) | (11,269) | - | (10,214) | (10,214) |
| Taxation and Non Specific Grant Income | 10 | - | (74,002) | (74,002) | - | (74,700) | (74,700) |
| (Surplus) or deficit on provision of services | | | | 4,285 | | | 17,986 |
| (Surplus)/Deficit on Revaluation of Non-Current Assets | 11 & 20 | | | (1,984) | | | (6,380) |
| Impairment losses on non-current assets charged to the revaluation reserve | 11 & 20 | | | - | | | - |
| Actuarial (gains) or losses on Pension assets and liabilities | 20 | | | 149,148 | | | (67,492) |
| Other comprehensive income and expenditure | | | | 147,164 | | | (73,872) |
| Total Comprehensive Income and Expenditure | | | | 151,449 | | | (55,887) |

BALANCE SHEET AS AT 31 March 2021

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

| | | 31 March 2021 | 31 March 2020 |
|--|------|------------------|------------------|
| | NOTE | £000 | £000 |
| Non-Current assets | | | |
| Property, plant and equipment | 11 | 112,983 | 114,850 |
| Long-term Investments | 12 | 1,500 | - |
| Trade and other receivables | 15 | 678 | 728 |
| Total Long-Term assets | | 115,161 | 115,578 |
| Current assets | | | |
| Inventories | 14 | 479 | 392 |
| Trade and other receivables | 15 | 15,989 | 9,919 |
| Short-term Investments | 12 | 19,000 | 18,500 |
| Cash and cash equivalents | 16 | 17,581 | 18,568 |
| Assets held for sale | 17 | - | - |
| Total current assets | | 53,049 | 47,378 |
| Total assets | | 168,211 | 162,956 |
| Current liabilities | | | |
| Trade and other payables | 18 | (11,816) | (7,820) |
| Borrowings | 12 | (188) | (188) |
| Provisions | 19 | (440) | (598) |
| Total current liabilities | | (12,445) | (8,606) |
| Net current assets | | 40,605 | 38,772 |
| Total assets less current liabilities | | 155,766 | 154,350 |
| Non-current liabilities | | | |
| Borrowings | 12 | (25,763) | (26,458) |
| Pensions Liability | 30 | (883,190) | (729,884) |
| Provisions | 19 | (738) | (484) |
| Total non current liabilities | | (909,691) | (756,827) |
| Total liabilities | | (922,136) | (765,433) |
| Net assets employed | | (753,925) | (602,477) |
| Unusable Reserves | | | |
| Revaluation reserve | 20 | (37,695) | (38,845) |
| Capital Adjustment Account | 20 | (49,431) | (49,452) |
| Pensions Reserve | 20 | 883,190 | 729,884 |
| Council Tax + Business Rates Adjustment Accounts | 20 | 2,745 | (531) |
| Accumulated Absence Account | 20 | 1,549 | 961 |
| PFI - Equalisation Fund | 20 | (678) | (728) |
| | | 799,680 | 641,289 |
| Usable Reserves | | | |
| General fund balance | 20 | (5,283) | (5,317) |
| Earmarked reserves | 20 | (40,471) | (33,496) |
| Capital Grants Unapplied | | - | - |
| | | (45,754) | (38,812) |
| Total Reserves | | 753,925 | 602,477 |


 Shayne Scott
 Treasurer to the Authority
 Date: 28-10-2021

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2021**

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

| | NOTE | 2020/21 £000 | 2019/20 £000 |
|---|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Net deficit on provision of services | | (4,285) | (17,986) |
| <u>Adjustments to deficit relating to non-cash movements</u> | | | |
| Depreciation and Impairment | 11 | 7,917 | 7,655 |
| Pension Liability | 20 | 4,159 | 11,874 |
| (Increase)/decrease in inventories | 14 | (87) | (76) |
| (Increase)/decrease in debtors | 15 | (6,020) | (1,190) |
| Increase/(decrease) in creditors | 18 | 3,996 | 472 |
| Increase/(decrease) in provisions | 19 | 96 | (116) |
| Other non-cash movement | 13.4 | (615) | (50) |
| Net cash inflow/(outflow) from operating activities | | 5,160 | 583 |
| <u>Adjustments to deficit relating to items that relate to investing and financing activities</u> | | | |
| Transfer from government grant reserve | | - | - |
| Net cash inflow/(outflow) from operating activities | | 5,160 | 583 |
| Net cash inflow/(outflow) from investing activities | 13.2 | (5,451) | 7,931 |
| Cash outflow from financing activities | | (694) | (191) |
| Net increase/(decrease) in cash and cash equivalents | 16 | (986) | 8,323 |
| Cash/cash equivalents (and bank overdrafts) at the beginning of the financial year | 16 | 18,568 | 10,245 |
| Cash/cash equivalents (and bank overdrafts) at the end of the financial year | 16 | 17,581 | 18,568 |

STATEMENT OF MOVEMENT IN RESERVES FOR THE YEAR ENDED 31 March 2021

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

| | Total General fund balance | Capital Receipts Reserve | Capital Grants Unapplied Reserve | Total Usable Reserves | Total Unusable Reserves | Total Reserves |
|--|----------------------------------|--------------------------------|---|--------------------------|----------------------------|------------------|
| Note | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance carried forward as at 31 March 2020 | 38,811 | - | - | 38,811 | (641,288) | (602,477) |
| Movement: in reserves during 2020/21 | | | | | | |
| Cost of Service | CIES (4,285) | - | - | (4,285) | - | (4,285) |
| Other Comprehensive Income and Expenditure | - | - | - | - | (147,164) | (147,164) |
| Total Comprehensive Income and Expenditure | (4,285) | - | - | (4,285) | (147,164) | (151,449) |
| Adjustments between accounting basis and funding basis under regulations | | | | | | |
| <u>PFI Adjustment</u> | 20.2 50 | - | - | 50 | (50) | - |
| <u>Adjustments involving the Capital Adjustment Account</u> | | | | | | |
| <u>Reversal of items in the C.I.E.S.</u> | | | | | | |
| Depreciation, impairment & revaluation losses | 11 7,917 | - | - | 7,917 | (7,917) | - |
| Net gain or loss on sale of non-current assets | 8 138 | 379 | - | 517 | (517) | - |
| <u>Insertion of items not in the C.I.E.S.</u> | | | | | | |
| Minimum Revenue Provision | 20.2 (2,223) | - | - | (2,223) | 2,223 | - |
| Capital expenditure funded direct from revenue | 20.2 (2,675) | - | - | (2,675) | 2,675 | - |
| <u>Adjustments involving the Pensions Reserve</u> | | | | | | |
| Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account | 20.2 17,549 | - | - | 17,549 | (17,549) | - |
| Employers pension contributions and direct payments to pensioners | 20.2 (13,390) | - | - | (13,390) | 13,390 | - |
| <u>Adjustments involving the Collection Fund Adjustment Account</u> | | | | | | |
| Share Amount by which council tax and business rates income credited to the CIES is different from the council tax calculated by statutory regulations | 20.2 3,276 | - | - | 3,276 | (3,276) | - |
| <u>Treasurer to the Authority</u> | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration charged in accordance with statutory requirements | 20.2 588 | - | - | 588 | (588) | - |
| <u>Adjustments to Capital Resources</u> | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | (379) | - | (379) | 379 | - |
| Application of capital grants to finance capital | - | - | - | - | - | - |
| Cumulative Roundings | - | - | - | - | - | - |
| Total Adjustments between accounting basis and funding basis under regulations | 11,228 | - | - | 11,228 | (11,228) | - |
| Increase/Decrease in year | 6,943 | - | - | 6,943 | (158,392) | (151,449) |
| Balance carried forward as at 31 March 2021 | 45,753 | - | - | 45,753 | (799,681) | (753,928) |

STATEMENT OF MOVEMENT IN RESERVES FOR THE YEAR ENDED 31 March 2020

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

| | Note | Total General fund balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied Reserve £000 | Total Usable Reserves £000 | Total Unusable Reserves £000 | Total Reserves £000 |
|--|------|--|--|---|----------------------------------|------------------------------------|------------------------|
| Balance carried forward as at 31 March 2019 | | 38,875 | - | - | 38,875 | (697,237) | (658,363) |
| Movement in reserves during 2019/20 | | | | | | | |
| Cost of Service | CIES | (17,986) | | | (17,986) | | (17,986) |
| Other Comprehensive Income and Expenditure | | - | | | - | 73,872 | 73,872 |
| Total Comprehensive Income and Expenditure | | (17,986) | - | - | (17,986) | 73,872 | 55,887 |
| Adjustments between accounting basis and funding basis under regulations | | | | | | | |
| <u>PFI Adjustment</u> | 20.2 | 42 | | | 42 | (42) | - |
| <u>Adjustments involving the Capital Adjustment Account</u> | | | | | | | |
| <u>Reversal of items in the C.I.E.S.</u> | | | | | | | |
| Depreciation, impairment & revaluation losses | 11 | 7,655 | | | 7,655 | (7,655) | - |
| Reversal of Impairments | 11 | - | | | - | - | - |
| Net gain or loss on sale of non-current assets | 8 | 181 | - | | 181 | (181) | - |
| <u>Insertion of items not in the C.I.E.S.</u> | | | | | | | |
| Minimum Revenue Provision | 20.2 | (2,195) | | | (2,195) | 2,195 | - |
| Capital expenditure funded direct from revenue | 20.2 | (299) | | | (299) | 299 | - |
| <u>Adjustments involving the Pensions Reserve</u> | | | | | | | |
| Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account | 20.2 | 25,421 | | | 25,421 | (25,421) | - |
| Employers pension contributions and direct payments to pensioners | 20.2 | (13,547) | | | (13,547) | 13,547 | - |
| <u>Adjustments involving the Collection Fund Adjustment Account</u> | | | | | | | |
| Amount by which council tax and business rates income credited to the CIES is different from the council tax calculated by statutory regulations | 20.2 | 442 | | | 442 | (442) | - |
| <u>Adjustments involving the Accumulated Absence Account</u> | | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration charged in accordance with | | | | | | | |
| Sha statutory requirements | 20.2 | 222 | | | 222 | (222) | - |
| <u>Treasurer to the Authority</u> | | | | | | | |
| Application of capital grants to finance capital | | | | - | - | - | - |
| Total Adjustments between accounting basis and funding basis under regulations | | 17,922 | - | - | 17,922 | (17,922) | - |
| Increase/Decrease in year | | (64) | - | - | (63) | 55,950 | 55,887 |
| Balance carried forward as at 31 March 2020 | | 38,811 | - | - | 38,811 | (641,288) | (602,477) |

NOTES TO THE CORE FINANCIAL STATEMENTS

1.1 EXPENDITURE AND FUNDING ANALYSIS

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

2020/21

| | Net Expenditure on General Fund reported to Members | Adjustments to arrive at net amount chargeable to General Fund | Net Expenditure Chargeable to the General Fund (Note 1.2) | Adjustments between Funding and Accounting Basis (Note 1.2) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|------------------------------|---|--|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Fire & Rescue Service | 77,277 | (14,273) | 50,474 | 21,155 | 71,629 |
| Net cost of services | 77,277 | (14,273) | 50,474 | 21,155 | 71,629 |
| Other income and expenditure | (77,277) | 19,858 | (57,418) | (9,927) | (67,345) |
| (Surplus) or Deficit | 0 | 5,586 | (6,944) | 11,228 | 4,284 |

| | |
|--|--------|
| Opening General Fund | 38,811 |
| Plus Surplus on General Fund balance in year | 6,943 |
| Closing General Fund balance at 31 March | 45,753 |

2019/20

| | Net Expenditure on General Fund reported to Members | Adjustments to arrive at net amount chargeable to General Fund | Net Expenditure Chargeable to the General Fund (Note 1.2) | Adjustments between Funding and Accounting Basis (Note 1.2) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|------------------------------|---|--|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Fire & Rescue Service | 74,979 | (24,816) | 52,598 | 30,804 | 83,402 |
| Net cost of services | 74,979 | (24,816) | 52,598 | 30,804 | 83,402 |
| Other income and expenditure | (75,142) | 22,608 | (52,534) | (12,882) | (65,416) |
| (Surplus) or Deficit | (163) | (2,208) | 64 | 17,922 | 17,986 |

| | |
|--|--------|
| Opening General Fund | 38,875 |
| Plus Surplus on General Fund balance in year | (64) |
| Closing General Fund balance at 31 March | 38,811 |

1.2 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

| 2020/21 | Depreciation charged to the General Fund £000 | Adjustment for Capital Purposes £000 | Net Change for the Pensions Adjustment £000 | Other Differences £000 | Total Adjustment Between funding and Accounting Basis £000 |
|------------------------------|--|---|--|---------------------------------------|---|
| Fire & Rescue Service | 7,917 | (4,899) | 17,549 | 588 | 21,155 |
| Net Cost of Services | 7,917 | (4,899) | 17,549 | 588 | 21,155 |
| Other income and expenditure | | 138 | (13,390) | 3,326 | (9,927) |
| Total | 7,917 | (4,761) | 4,159 | 3,914 | 11,228 |

| 2019/20 | Depreciation charged to the General Fund £000 | Adjustment for Capital Purposes £000 | Net Change for the Pensions Adjustment £000 | Other Differences £000 | Total Adjustment Between funding and Accounting Basis £000 |
|------------------------------|--|---|--|---------------------------------------|---|
| Fire & Rescue Service | 7,655 | (2,494) | 25,421 | 222 | 30,804 |
| Net Cost of Services | 7,655 | (2,494) | 25,421 | 222 | 30,804 |
| Other income and expenditure | | 181 | (13,547) | 484 | (12,882) |
| Total | 10,806 | (6,936) | 11,874 | (573) | 17,922 |

NOTES TO THE CORE FINANCIAL STATEMENTS

1.3 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

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

| | 2020/21 | | 2019/20 | | |
|--|----------|----------|---------|----------|----------|
| | £000 | £000 | £000 | £000 | £000 |
| <u>Amounts as reported to management</u> | | | | | |
| Employees | 63,481 | | | 62,135 | |
| Premises | 4,072 | | | 3,851 | |
| Transport | 2,843 | | | 3,376 | |
| Supplies & Services | 6,210 | | | 5,872 | |
| Establishment Costs | 623 | | | 640 | |
| External Support Costs | 588 | | | 820 | |
| Capital and Lease Financing Costs | 5,373 | | | 3,701 | |
| <u>Gross Expenditure</u> | | 83,191 | | | 80,394 |
| <u>Gross Income</u> | | (15,954) | | | (8,724) |
| Contributions to or (from) reserves | | 10,041 | | | 3,310 |
| Net Expenditure | | 77,277 | | | 74,979 |
| Government Grant and Council Tax Income (budget for the year) | | (77,277) | | | (75,142) |
| Net surplus - to be transferred to reserves | | (0) | | | (163) |
| Contributions to reserves | | (9,991) | | | (3,473) |
| Transfers between Useable Reserves | | - | | | - |
| Spending from Earmarked Reserves | | 3,047 | | | 3,699 |
| Net movement in Earmarked Reserves | | | (6,944) | | 63 |
| <u>Amounts in the CIES not reported to management</u> | | | | | |
| Depreciation and impairment | 7,916 | | | 7,655 | |
| Net charges made for retirement benefits | 17,548 | | | 25,421 | |
| Surplus of PFI Equalisation Fund | 50 | | | 42 | |
| Employee Absence Accrual | 588 | | | 222 | |
| Deficit/(Surplus) on Council Tax and NNDR Collection Fund | 3,276 | | | 442 | |
| Net (Gain) or Loss on Sale of non-current Assets | 137 | | | 181 | |
| | | 29,514 | | | 33,964 |
| <u>Amounts in management information not included in the Cost of Services in the CIES</u> | | | | | |
| Minimum Revenue Provision | (2,223) | | | (2,195) | |
| Direct Revenue funding to Capital | (2,675) | | | (299) | |
| Employers Contributions to Pensions | (13,390) | | | (13,547) | |
| | | (18,289) | | | (16,041) |
| Total Adjustment Between funding and Accounting Basis (Surplus) or deficit on provision of services | | 11,223 | | | 17,922 |
| | | 4,278 | | | 17,986 |

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified.

The CIPFA Code of Practice requires disclosure of information relating to the impact of accounting standards that have been issued but not yet adopted.

The Authority does not anticipate that the following amendments will have a material impact on the information provided the financial statements however, the impact cannot be quantified at this time:

- Leases, classification of Leases (IFRS 16) - Due to Covid 19, the implementation of this Standard has been delayed for a year until 2022/23

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Whilst there is some uncertainty in the short term regarding levels of government funding for the Fire Sector following a one year settlement at the 2020/21 budget announcement, risks remain regarding the levels of local funding achievable via the Council Tax Precept and Business Rates retention scheme as well as longer term grant funding. However, the Authority has determined that this uncertainty, when combined with COVID-19 risks, are not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Under a joint PFI venture, Gloucestershire County Council, Avon Fire & Rescue Service and Devon & Somerset Fire & Rescue Service receive a significant element of their training from Babcock International Group PLC, a Ltd company contracted to provide the training until 31 March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates under the PFI contract. As such, the Authority is deemed to part control the training services provided under the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the authority's share of the training centre is recognised as Property, Plant and Equipment on the Authority's Balance Sheet.

Red One Ltd has not been consolidated due to materiality as agreed by Audit, Performance and Review Committee in March 2021. Therefore, there are no group

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

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

The items in the Authority's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-------------------------------|---|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in the property valuer's report in relation to the valuation of land and buildings. | If the value of the assets is reduced, revaluations will increase or decrease, resulting in a change to the carrying value of the asset. |
| Property, Plant and Equipment | Assets are revalued on the basis of Depreciated Replacement cost which is dependent on assumptions about the building industry, for which there is a level of uncertainty. | If Direct Replacement Cost differs significantly, revaluations will increase or decrease, resulting in a change to the carrying value of the asset. |
| | | |

NOTES TO THE CORE FINANCIAL STATEMENTS

5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

6 EVENTS AFTER THE BALANCE SHEET DATE

There are none to report.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

8 OTHER OPERATING INCOME AND EXPENDITURE

| | 2020/21 | 2019/20 |
|--|-----------------|-----------------|
| | £000 | £000 |
| (Gains)/losses on the disposal of non-current assets | 138 | 181 |
| Communities for Local Government Firefighters Pension Top-Up Grant | <u>(11,407)</u> | <u>(10,395)</u> |
| | <u>(11,269)</u> | <u>(10,214)</u> |

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| | 2020/21 | 2019/20 |
|---|---------------|---------------|
| | £000 | £000 |
| Interest on Loans | 1,278 | 1,287 |
| Investment income | (204) | (398) |
| Pensions Interest and administration Cost | <u>16,852</u> | <u>18,608</u> |
| | <u>17,927</u> | <u>19,497</u> |

10 TAXATION AND NON SPECIFIC GRANT INCOMES

| | 2020/21 | 2019/20 |
|-----------------------------------|-----------------|-----------------|
| | £000 | £000 |
| Council tax income | (53,980) | (52,977) |
| Non domestic rates | (13,633) | (15,436) |
| Non-ring-fenced government grants | <u>(6,389)</u> | <u>(6,286)</u> |
| | <u>(74,002)</u> | <u>(74,700)</u> |

NOTES TO THE CORE FINANCIAL STATEMENTS

11. PROPERTY PLANT AND EQUIPMENT

| 2020/21 | Land | Buildings excluding dwellings | Surplus Assets | Assets under construction | Plant and machinery | Transport | Total |
|---|---------------|-------------------------------------|-------------------|------------------------------|------------------------|-----------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation at 1 April 2020 | 18,311 | 84,353 | - | 238 | 3,468 | 24,209 | 130,579 |
| Additions - purchased | - | 708 | - | 3,527 | 14 | 333 | 4,582 |
| Additions - exchange | - | - | - | - | - | - | - |
| Additions government granted | - | - | - | - | - | - | - |
| Reclassifications | (85) | (737) | 822 | - | - | - | - |
| Reclassified as held for sale | - | - | (125) | - | - | - | (125) |
| Derecognition - disposals | - | (462) | - | - | (104) | (68) | (634) |
| Derecognition - exchange | - | - | - | - | - | - | - |
| Reversal of impairments | - | - | - | - | - | - | - |
| Impairments | - | - | - | - | - | - | - |
| Revaluation Increase/(decrease): | - | - | - | - | - | - | - |
| - to Revaluation Reserve | - | (3,431) | (417) | - | - | - | (3,848) |
| - to Surplus/Deficit on the provision of services | - | (92) | - | - | - | - | (92) |
| At 31 March 2021 | 18,226 | 80,339 | 280 | 3,765 | 3,378 | 24,474 | 130,462 |
| Depreciation at 1 April 2020 | - | (5) | - | - | (1,810) | (13,913) | (15,728) |
| Reclassifications | - | 28 | (28) | - | - | - | - |
| Reclassified as held for sale | - | - | - | - | - | - | - |
| Derecognition - disposals | - | 74 | - | - | 104 | 64 | 242 |
| Revaluation removals | - | 5,804 | 28 | - | - | - | 5,832 |
| Impairments | - | - | - | - | - | - | - |
| Reversal of Impairments | - | - | - | - | - | - | - |
| Charged during the year | - | (5,906) | - | - | (313) | (1,606) | (7,825) |
| Depreciation at 31 March 2021 | - | (5) | - | - | (2,019) | (15,455) | (17,479) |
| Net book value | | | | | | | |
| As at 31 March 2020 | 18,311 | 84,348 | - | 238 | 1,658 | 10,296 | 114,851 |
| As at 31 March 2021 | 18,226 | 80,334 | 280 | 3,765 | 1,359 | 9,019 | 112,983 |
| Shayne Scott | | | | | | | |
| Asset financing | | | | | | | |
| Owned | 18,226 | 79,367 | 280 | 3,765 | 1,359 | 9,019 | 112,016 |
| Finance Leased | - | - | - | - | - | - | - |
| Private finance initiative | - | - | - | - | - | - | - |
| PFI residual interests | - | 967 | - | - | - | - | 967 |
| Total 31 March 2021 | 18,226 | 80,334 | 280 | 3,765 | 1,359 | 9,019 | 112,983 |

SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2021 the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2021/22 and future years budgeted to cost £8.1m. There were similar commitments at 31 March 2020 of £1.8m. Of these contracts there are two of significant value, being £2m committed to Plymouth station replacement and £5.8m to purchase appliances (MRPs and RIVs).

NOTES TO THE CORE FINANCIAL STATEMENTS

11.1 PROPERTY PLANT AND EQUIPMENT VALUATIONS

| | Land | Buildings excluding dwellings | Surplus Assets | Assets under construction | Plant and machinery | Transport | Total |
|-----------------------------|---------------|-------------------------------------|-------------------|------------------------------|------------------------|---------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 2020/21 | | | | | | | |
| Valued at Historical Cost | - | - | - | 3,765 | 3,378 | 24,473 | 31,616 |
| Valued at Current Value in: | - | - | - | - | - | - | - |
| 2020/21 | 18,226 | 80,340 | 280 | - | - | - | 98,846 |
| 2019/20 | - | - | - | - | - | - | - |
| 2015/16 | - | - | - | - | - | - | - |
| 2014/15 | - | - | - | - | - | - | - |
| 2013/14 | - | - | - | - | - | - | - |
| Total | 18,226 | 80,340 | 280 | 3,765 | 3,378 | 24,473 | 130,462 |

Valuation Information:

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

Valuations of land and buildings are carried out by a qualified surveyor (FRICS) in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies.

The authority is not aware of any material changes in asset values that have not been updated.

11.2 PROPERTY PLANT AND EQUIPMENT PRIOR YEAR

| | Land | Buildings excluding dwellings | Surplus Assets | Assets under construction | Plant and machinery | Transport | Total |
|---|---------------|-------------------------------------|-------------------|------------------------------|------------------------|-----------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 2019/20 | | | | | | | |
| Cost or valuation at 1 April 2019 | 18,378 | 82,843 | - | - | 2,845 | 23,543 | 127,609 |
| Additions - purchased | - | 748 | - | 238 | 623 | 695 | 2,304 |
| Additions - exchange | 120 | 644 | - | - | - | - | 764 |
| Additions government granted | - | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - | - |
| Derecognition - disposals | - | (216) | - | - | - | (29) | (245) |
| Derecognition - exchange | (120) | (644) | - | - | - | - | (764) |
| Reversal of Impairments | - | - | - | - | - | - | - |
| Impairments | - | - | - | - | - | - | - |
| Revaluation increase/(decrease): | - | - | - | - | - | - | - |
| - to Revaluation Reserve | (37) | 978 | - | - | - | - | 941 |
| - to Surplus/Deficit on the provision of services | (30) | - | - | - | - | - | (30) |
| At 31 March 2020 | 18,311 | 84,353 | - | 238 | 3,468 | 24,209 | 130,579 |
| Shayne Scott | | | | | | | |
| Depreciation at 1 April 2019 | ! Authority | (4) | - | - | (1,365) | (12,237) | (13,606) |
| Reclassifications | - | - | - | - | - | - | - |
| Reclassified as held for sale | - | - | - | - | - | - | - |
| Derecognition - disposals | - | 39 | - | - | - | 24 | 63 |
| Revaluation removals | - | 5,440 | - | - | - | - | 5,440 |
| Impairments | - | - | - | - | - | - | - |
| Reversal of Impairments | - | - | - | - | - | - | - |
| Charged during the year | - | (5,480) | - | - | (445) | (1,700) | (7,625) |
| Depreciation at 31 March 2020 | - | (5) | - | - | (1,810) | (13,913) | (15,728) |
| Net book value | | | | | | | |
| As at 31 March 2019 | #VALUE! | 82,839 | - | - | 1,480 | 11,306 | #VALUE! |
| As at 31 March 2020 | 18,311 | 84,348 | - | 238 | 1,658 | 10,296 | 114,851 |
| Asset financing | | | | | | | |
| Owned | 18,311 | 83,236 | - | 238 | 1,658 | 10,296 | 113,739 |
| Finance Leased | - | - | - | - | - | - | - |
| Private finance initiative | - | - | - | - | - | - | - |
| PFI residual interests | - | 1,112 | - | - | - | - | 1,112 |
| Total 31 March 2020 | 18,311 | 84,348 | - | 238 | 1,658 | 10,296 | 114,851 |

NOTES TO THE CORE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS

12.1 CATEGORIES OF FINANCIAL INSTRUMENTS

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

| | Current | | Long Term | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2020/21 £000 | 2019/20 £000 | 2020/21 £000 | 2019/20 £000 |
| Investments | | | | |
| Loans and Receivables | - | - | - | - |
| Amortised Costs | 19,000 | 18,500 | 1,500 | - |
| Fair Value through Profit or Loss | - | - | - | - |
| Total Investments | 19,000 | 18,500 | 1,500 | - |
| Cash and Cash Equivalents | | | | |
| Amortised Costs | 14,065 | 7,841 | - | - |
| Fair Value through Profit or Loss | 3,516 | 10,727 | - | - |
| Total Cash and Cash Equivalents | 17,581 | 18,568 | - | - |
| Debtors (Trade Receivables) | | | | |
| Amortised Costs | 13,894 | 7,598 | 678 | 728 |
| Total Debtors (Trade Receivables) | 13,894 | 7,598 | 678 | 728 |
| Borrowings | | | | |
| Amortised Costs | (188) | (188) | (25,763) | (26,457) |
| Total Borrowings | (188) | (188) | (25,763) | (26,457) |
| Finance Lease | | | | |
| Amortised Costs | (98) | (98) | (912) | (1,013) |
| Total Finance Lease | (98) | (98) | (912) | (1,013) |
| Creditors (Trade Payables) | | | | |
| Amortised Costs | (8,769) | (5,854) | - | - |
| Shayne Scott Treasurer to the Authority | (8,769) | (5,854) | - | - |

12.1.1 BORROWING

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

12.1.2 FINANCIAL ASSETS

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

12.1.3 CASH AND CASH EQUIVALENTS

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

12.2 INCOME, EXPENSES, GAIN AND LOSSES

| | Surplus or Deficit on the Provision of Services Financing and Investment Income and Expenditure | |
|---|--|-------------|
| | 2020/21 | 2019/20 |
| | £000 | £000 |
| Net gains/losses on: | | |
| Financial assets measured at Amortised Cost | (2)* | (2)* |
| Total net gains/losses | (2)* | (2)* |

* The £2k represents an expected credit loss based on historical risk of default tables and as the sum falls below materiality levels it has not been charged to the Comprehensive Income & Expenditure Statement.

| | 2020/21 | 2019/20 |
|---|------------|------------|
| | £000 | £000 |
| Interest Revenue | | |
| Financial assets measured at Amortised Cost | 204 | 398 |
| Total Interest Revenue | 204 | 398 |

| | 2020/21 | 2019/20 |
|--|----------------|----------------|
| | £000 | £000 |
| Interest Expense | | |
| Financial liabilities measured at Amortised Cost | (1,278) | (1,287) |
| Total Interest Expense | (1,278) | (1,287) |

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

| Financial Liabilities | 2020/21 | 2019/20 |
|--|-----------------|-----------------|
| | £000 | £000 |
| PWLB Debt | (35,058) | (33,557) |
| Short Term Borrowing | (90) | (90) |
| Short Term Creditors | (8,769) | (5,854) |
| Short Term PFI & Finance Lease Liability | (98) | (98) |
| Long Term PFI & Finance Lease Liability | (912) | (1,013) |
| Total Liabilities | (44,927) | (40,613) |

| Financial Assets | 2020/21 | 2019/20 |
|-----------------------------|---------------|---------------|
| | £000 | £000 |
| Money Market Loans < 1 Year | 3,516 | 10,727 |
| Short Term Investments | 33,063 | 26,833 |
| Long Term Investments | 1,512 | 0 |
| Short Term Debtors | 13,894 | 7,598 |
| Long Term Debtors | 678 | 728 |
| Total Assets | 52,664 | 45,885 |

All Financial Assets at amortised cost with less than 12 months to maturity at Balance Sheet date are deemed to have the same carrying value and fair value as at 31st March 2021.

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

| Recurring Fair Value Measurements using: | Quoted Prices | | | Total |
|---|--|---|---|-----------------|
| | In active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant observable inputs (Level 3) | |
| Financial Liabilities | | | | |
| Financial Liabilities held at amortised cost: | | | | |
| PWLB Debt | - | (24,941) | - | (24,941) |
| PFI and Finance Lease Liability | - | (98) | - | (98) |
| Total | - | (25,039) | - | (25,039) |
| Financial Assets | | | | |
| Financial Assets held at amortised cost: | | | | |
| Total | - | 38,016 | 0 | 38,016 |

12.4 AMOUNTS ARISING FROM EXPECTED CREDIT LOSSES

Loss Allowance by Asset Class

| | 12 Month Expected Credit Losses £000 | Lifetime Expected Credit Losses - not credit impaired £000 | Lifetime Expected Credit Losses - simplified approach £000 | Total £000 |
|--|---|---|---|---------------|
| Opening Balance as at 1 April 2020 | (2) | - | - | (2) |
| Financial Assets held at amortised cost: | | | | |
| As at 31 March 2021 | (2) | - | - | (2) |

| | Credit Risk Rating | Gross Carrying Amount |
|-------------------------------|--------------------|-----------------------|
| Credit Risk Exposure | £ | |
| 12 Month Expected Credit Loss | AAA | - |
| 12 Month Expected Credit Loss | AAA | - |
| 12 Month Expected Credit Loss | A (incl A+) | 2 |

| | Total £000 |
|---|---------------|
| Interest Rate Risk | |
| Decrease in Fair Value of Fixed Rate Investments | 180 |
| Impact on Other Comprehensive Income and Expenditure | (4,928) |
| Decrease in fair value of Fixed Rate Borrowings Liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income or Expenditure) | (5,107) |

These are notional costs and they would not be incurred if the outstanding loans run to their contractual maturity date. The approximate impact of a 1% Decrease in interest rates would be as above but with the movements being reversed.

13 CASH FLOW STATEMENT NOTES

13.1 OPERATING ACTIVITIES

The cash flows for operating activities include the following items;

| | 2020/21 | 2019/20 |
|-------------------|----------------|--------------|
| | £000 | £000 |
| Interest Received | 204 | 398 |
| Interest Paid | (1,278) | (1,287) |
| Total | (1,075) | (889) |

13.2 INVESTMENT ACTIVITIES

| | 2020/21 | 2019/20 |
|---|----------------|--------------|
| | £000 | £000 |
| Payments for property, plant and equipment | (4,572) | (2,070) |
| Sale of property, plant and equipment | (379) | - |
| Increase in Short-Term Deposits | (500) | 10,001 |
| Capital Grant Received | - | - |
| Net Cash Flows from investing activities | (5,451) | 7,931 |

13.3 FINANCING ACTIVITIES

| | 2020/21 | 2019/20 |
|---|--------------|--------------|
| | £000 | £000 |
| Loans Repaid | (593) | (93) |
| Loan Capital Repayments of PFI and finance leases | (101) | (98) |
| Net Cash Flows from investing activities | (694) | (191) |

13.4 OTHER NON CASH MOVEMENT

| | 2020/21 | 2019/20 |
|--|--------------|-------------|
| | £000 | £000 |
| (Gains)/losses on the disposal of non-current assets | 138 | 181 |
| PWLB Interest due, paid in new year | 90 | 90 |
| Accumulated Absence Account | (588) | (222) |
| Other Adjustments | (255) | (100) |
| Net Other non cash movement | (615) | (50) |

NOTES TO THE CORE FINANCIAL STATEMENTS

14 INVENTORIES

| | 31 March 2021 £000 | 31 March 2020 £000 |
|----------------------------------|-----------------------|-----------------------|
| Uniforms and Protective Clothing | 225 | 194 |
| Vehicle Spares Stocks | 118 | 123 |
| Equipment Stocks | 137 | 75 |
| Total | 479 | 392 |

15 DEBTORS

15.1 Trade and other receivables

| | Current | | Non-current | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 March 2021 £000 | 31 March 2020 £000 | 31 March 2021 £000 | 31 March 2020 £000 |
| Public Sector Bodies | 14,414 | 8,096 | 678 | 728 |
| Other | 2,229 | 2,477 | - | - |
| Provision for the impairment of receivables | (655) | (655) | - | - |
| Total | 15,989 | 9,919 | 678 | 728 |

15.2 Receivables past their due date but not impaired

| | 31 March 2021 £000 | 31 March 2020 £000 |
|-------------------------|-----------------------|-----------------------|
| By up to three months | 288 | 65 |
| By three to six months | 0 | 42 |
| By more than six months | 741 | 764 |
| Total | 1,029 | 871 |

15.3 Provision for impairment of receivables

| | 31 March 2021 £000 | 31 March 2020 £000 |
|---|-----------------------|-----------------------|
| Shayne Scott | (655) | (655) |
| (Increase)/decrease in receivables impaired | 0 | 0 |
| Balance at 31 March | (655) | (655) |

16 CASH AND CASH EQUIVALENTS

| | 31 March 2021 £000 | 31 March 2020 £000 |
|--|-----------------------|-----------------------|
| Balance at 1 April | 18,568 | 10,245 |
| Net change in year | (986) | 8,322 |
| Balance at 31 March | 17,581 | 18,568 |
| Made up of | | |
| Commercial banks and cash in hand | 65 | (353) |
| Current investments (less than 3 Months to maturity) | 17,516 | 18,921 |
| Cash and cash equivalents as in statement of financial position | 17,581 | 18,568 |
| Bank Balance - Commercial banks | - | - |
| Cash and cash equivalents as cash flow statement | 17,581 | 18,568 |

NOTES TO THE CORE FINANCIAL STATEMENTS

17 Assets Held for Sale

The Fire Authority agreed to close Budleigh station at its meeting of 10/1/20. During the financial year the decision was taken to sell the property and actively seek a buyer triggering the requirement of the Code to reclassify it to Assets Held for Sale. The property was sold on the 2/10/21 so the carrying amount has been written out to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

| | Current | | Non-current | |
|--|---------------|---------------|---------------|---------------|
| | 31 March 2021 | 31 March 2020 | 31 March 2021 | 31 March 2020 |
| | £000 | £000 | £000 | £000 |
| Balance outstanding at start of year | - | - | - | - |
| Assets newly classified as held for sale: | | | | |
| Property, plant & equipment | 125,000 | - | - | - |
| Revaluation losses | (8,879) | - | - | - |
| Assets sold | (116,122) | - | - | - |
| Balance outstanding at year-end | - | - | - | - |

18 CREDITORS

| | Current | | Non-current | |
|---------------------------------|-----------------|----------------|------------------|------------------|
| | 31 March 2021 | 31 March 2020 | 31 March 2021 | 31 March 2020 |
| | £000 | £000 | £000 | £000 |
| Current Liabilities | | | | |
| Public Sector Bodies | (6,321) | (3,831) | - | - |
| Other entities and individuals | (3,946) | (3,028) | - | - |
| Accum absence | (1,549) | (961) | - | - |
| Defined Benefit Pension Schemes | - | - | (883,190) | (729,884) |
| Total | (11,816) | (7,820) | (883,190) | (729,884) |

19 PROVISIONS

| | Current | | Non-current | |
|---|--|-------------------------|--------------------|---------------|
| | 31 March 2021 | 31 March 2020 | 31 March 2021 | 31 March 2020 |
| | £000 | £000 | £000 | £000 |
| Firefighter Employer Pension Contribution | (440) | (598) | (61) | (61) |
| NDR Appeals Provision | - | - | (677) | (423) |
| Total | (440) | (598) | (739) | (484) |
| | Firefighter Employer Pension Contribution | PFI Equalisation | NDR Appeals | Total |
| | £000 | £000 | £000 | £000 |
| At 1 April 2019 | 759 | - | 440 | 1,199 |
| Arising during the year (restated) | (73) | - | - | (73) |
| Used during the year | (27) | - | - | (27) |
| Reversed unused | - | - | (16) | (16) |
| Unwinding of discount | - | - | - | - |
| At 31 March 2020 | 659 | - | 423 | 1,082 |
| At 1 April 2020 | 659 | - | 423 | 1,082 |
| Arising during the year | (232) | - | - | (232) |
| Used during the year | 57 | - | - | 57 |
| Reversed unused | 18 | - | 254 | 272 |
| At 31 March 2021 | 502 | - | 677 | 1,179 |
| Expected timing of cash flows: | | | | |
| Between 1 April 2021 & 31 March 2022 | 440 | - | - | 440 |
| Thereafter | 61 | - | 677 | 739 |

NOTES TO THE CORE FINANCIAL STATEMENTS

20 USABLE AND UNUSABLE RESERVES

20.1 USABLE RESERVES

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

Earmarked Reserves

One of the categories of usable reserves is earmarked reserves. Details of the amounts set aside (transfers in) from the General Fund to provide financing for future expenditure is given in the table below.

The table below also shows the amounts posted back (transfers out) from earmarked reserves to meet the specific expenditure which is included within the CIES in 2020-21.

2020/21

| Earmarked reserve | Balance 1 April | Transfers In | Transfers Out | Balance 31 March |
|--|-----------------|--------------|----------------|------------------|
| | £000 | £000 | £000 | £000 |
| Grants unapplied from previous years | 384 | 4,397 | (254) | 4,526 |
| Invest to Improve | 4,504 | 200 | (808) | 3,896 |
| Budget Smoothing Reserve | 1,818 | - | - | 1,818 |
| Direct Funding to Capital | 22,308 | 1,759 | (797) | 23,270 |
| Projects, risks, & budget carry forwards | | | | |
| PFI Equalisation | 150 | - | - | 150 |
| Emergency Services Mobile Communications Programme | 877 | 550 | (80) | 1,347 |
| Mobile Data Terminals | 279 | - | (13) | 266 |
| PPE & Uniform Refresh | 488 | - | (488) | - |
| Pension Liability reserve | 1,423 | - | (192) | 1,231 |
| Budget Carry Forwards | 898 | 2,881 | (321) | 3,458 |
| Environmental Strategy | 308 | - | - | 308 |
| Upgrade Wi-Fi Internet Connection | 50 | - | (50) | - |
| Respiratory Protection Masks - Personal Fit | 1 | 0 | (1) | - |
| VEMA Outriggers | 10 | - | (10) | - |
| MTA Action Plan | - | 200 | - | 200 |
| Total Earmarked Reserves | 33,496 | 9,987 | (3,014) | 40,470 |
| General Fund (non-Earmarked) Balance | 5,316 | - | (33) | 5,282 |
| Total General Fund | 38,812 | 9,987 | (3,047) | 45,752 |

2019/20

| Earmarked reserve | Balance 1 April | Transfers In | Transfers Out | Balance 31 March |
|--|-----------------|--------------|----------------|------------------|
| | £000 | £000 | £000 | £000 |
| Treasurer to the Authority | | | | |
| Grants unapplied from previous years | 1,145 | (631) | (130) | 383 |
| Invest to Improve | 5,937 | 13 | (1,446) | 4,503 |
| Budget Smoothing Reserve | 1,818 | - | - | 1,818 |
| Direct Funding to Capital | 19,960 | 2,348 | - | 22,308 |
| Projects, risks, & budget carry forwards | | | | |
| PFI Equalisation | 295 | - | (145) | 150 |
| Emergency Services Mobile Communications Programme | 932 | - | (56) | 877 |
| Breathing Apparatus Replacement | 1,449 | 18 | (1,466) | - |
| Mobile Data Terminals Replacement | 381 | - | (102) | 279 |
| PPE & Uniform Refresh | 488 | - | - | 488 |
| Pension Liability reserve | 461 | 962 | - | 1,423 |
| National Procurement Project | 90 | - | (90) | - |
| Budget Carry Forwards | 363 | 618 | (83) | 898 |
| Commercial Services | 0 | 308 | - | 308 |
| Upgrade Wi-Fi Internet Connection | 75 | - | (26) | 50 |
| Respiratory Protection Masks - Personal Fit | 70 | - | (69) | 1 |
| VEMA Outriggers | 95 | - | (85) | 10 |
| Total Earmarked Reserves | 33,561 | 3,635 | (3,699) | 33,495 |
| General Fund (non-Earmarked) Balance | 5,316 | - | - | 5,316 |
| Total General Fund | 38,877 | 3,635 | (3,699) | 38,811 |

NOTES TO THE CORE FINANCIAL STATEMENTS

20.2 UNUSABLE RESERVES

| | 31 March 2021 £000 | 31 March 2020 £000 |
|------------------------------------|-----------------------|-----------------------|
| Revaluation Reserve | (37,695) | (38,845) |
| Capital Adjustment Account | (49,431) | (49,452) |
| Pensions Reserve | 883,190 | 729,884 |
| Collection Fund Adjustment Account | 140 | (604) |
| NNDR Adjustment Account | 2,605 | 73 |
| Accumulated Absences Account | 1,549 | 961 |
| PFI Equalisation Fund | (678) | (728) |
| Total | 799,680 | 641,289 |

Capital Adjustment Account

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

| | 2020/21 £000 | 2019/20 £000 |
|--|-----------------|-----------------|
| Balance at 1 April | (49,452) | (52,307) |
| <i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 517 | 181 |
| Amounts of non-current assets written off on exchange as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - | 764 |
| Revaluation losses on property, plant and equipment | 92 | 30 |
| Charges for depreciation and impairment of non-current assets | 7,825 | 7,625 |
| | <u>8,434</u> | <u>8,600</u> |
| Minimum Revenue Provision | (2,223) | (2,195) |
| Capital Expenditure charged against the Revenue Account | (2,675) | (299) |
| Capital Receipts Reserve | (379) | - |
| Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing | - | - |
| Exchange of asset | - | (764) |
| Adjusting amounts written out of the Revaluation Reserve | (3,135) | (2,488) |
| Depreciation written down in-year | - | - |
| Balance at 31 March | (49,431) | (49,452) |

Revaluation Reserve

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

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

| | 2020/21 £000 | 2019/20 £000 |
|---|-----------------|-----------------|
| Balance at 1 April | (38,845) | (34,954) |
| Upward Revaluation of assets | (2,804) | (7,077) |
| Disposal/derecognition | 267 | 100 |
| Downward revaluations | 820 | 697 |
| Difference between fair value depreciation and historical cost depreciation | 2,868 | 2,389 |
| Balance at 31 March | (37,695) | (38,845) |

NOTES TO THE CORE FINANCIAL STATEMENTS

20.2 UNUSABLE RESERVES (Continued)

Pensions Reserve

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

| | 2020/21 £000 | 2019/20 £000 |
|--|-----------------|-----------------|
| Balance at 1 April | 729,884 | 785,502 |
| Remeasurements of the net defined liability/ (asset) | 149,148 | (67,492) |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of services | 17,549 | 25,421 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (13,390) | (13,547) |
| Balance at 31 March | 883,190 | 729,884 |

Collection Fund Adjustment Account

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

| | 2020/21 £000 | 2019/20 £000 |
|--|-----------------|-----------------|
| Balance at 1 April | (604) | (865) |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 744 | 261 |
| Balance at 31 March | 140 | (604) |

National Non Domestic Rates (NNDR) Adjustment Account

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

| | 2020/21 £000 | 2019/20 £000 |
|---|-----------------|-----------------|
| Balance at 1 April | 73 | (108) |
| Amount by which NNDR credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements | 2,532 | 181 |
| Balance at 31 March | 2,605 | 73 |

Accumulated Absences Account

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

| | 2020/21 £000 | 2019/20 £000 |
|---|-----------------|-----------------|
| Balance at 1 April | 961 | 739 |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 588 | 222 |
| Balance at 31 March | 1,549 | 961 |

PFI - Equalisation Fund

An equalisation fund is administered by Gloucestershire County Council on behalf of the project partners. The fund balance attributable to the authority at the end of each financial year is recognized within the balance sheet. As at 31st March 2021 a surplus of £0.678m (£0.728m as at 31 March 2020) was attributable to Devon and Somerset FRA and this has been included as a PFI debtor against Gloucestershire County Council.

| | 2020/21 £000 | 2019/20 £000 |
|----------------------------|-----------------|-----------------|
| Balance at 1 April | (728) | (770) |
| PFI Movement for the year | 50 | 42 |
| Balance at 31 March | (678) | (728) |

NOTES TO THE CORE FINANCIAL STATEMENTS

21 MEMBERS ALLOWANCES

It is a requirement that after the end of the year to which a scheme relates, an Authority shall make arrangements for the publication of the total sum paid by it in the year under the scheme to each recipient in respect of basic allowance and special responsibility allowance. Details of such payments in 2020/21 are shown in the following table which shows all serving members during 2019/20 and 2020/21.

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

| | Basic and Special Responsibility Allowance | Travel and Subsistence | 2020/21 | 2019/20 |
|----------------------------|--|------------------------|----------------|----------------|
| | £ | £ | £ | £ |
| Michael Best | 2,786 | - | 2,786 | 2,733 |
| Frank Biederman | 2,786 | - | 2,786 | 3,120 |
| Ann Bown | 2,786 | 218 | 3,004 | 3,723 |
| Lynda Bowyer | - | - | - | 444 |
| Julian Brazil | 1,925 | - | 1,925 | - |
| Pam Buchan | 2,786 | - | 2,786 | 2,814 |
| Peter Burridge-Clayton | 2,786 | - | 2,786 | 3,196 |
| Simon Coles | 2,786 | - | 2,786 | 4,237 |
| Polly Colthorpe | 2,786 | - | 2,786 | 2,733 |
| Margaret Corvid | 2,213 | - | 2,213 | - |
| Ian Doggett | 1,811 | 65 | 1,876 | 2,544 |
| Jonathan Drean | 6,886 | - | 6,886 | 6,996 |
| Andrew Eastman | 2,786 | - | 2,786 | 3,047 |
| Victor Ellery | - | - | - | 447 |
| Robert Hannaford | 6,886 | - | 6,886 | 6,344 |
| Mark Healey | 6,886 | - | 6,886 | 7,917 |
| Neil Hendy | - | - | - | 503 |
| Gordon Hook | - | - | - | 331 |
| John Mathews | - | - | - | 447 |
| Terry Napper | 2,786 | - | 2,786 | 3,223 |
| Ronald Peart | 2,786 | - | 2,786 | 3,014 |
| Graham Prowse | 2,786 | - | 2,786 | 2,733 |
| Ray Radford | 2,786 | 91 | 2,877 | 2,932 |
| Satnam Rai | 500 | - | 500 | 142 |
| Sara Randall Johnson | 16,716 | - | 16,716 | 16,952 |
| Lelgh Redman | 6,886 | - | 6,886 | 8,278 |
| Andrew Saywell | 9,091 | - | 9,091 | 10,160 |
| Shayne Scott | - | - | - | 983 |
| Treasurer to the Authority | 9,091 | - | 9,091 | 9,580 |
| Jeffrey Trail | 2,786 | - | 2,786 | 3,307 |
| Ian Tuffin | 447 | - | 447 | 1,526 |
| Linda Vijeh | 2,786 | - | 2,786 | 3,122 |
| David Watson | - | - | - | 200 |
| Nick Way | 869 | - | 869 | 2,516 |
| George Wheeler | 9,701 | - | 9,701 | 11,054 |
| Jeremy Yabsley | 2,786 | - | 2,786 | 2,506 |
| Totals | 121,698 | 374 | 122,072 | 133,807 |

22 OFFICERS REMUNERATION

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

The increase in numbers earning £50,000-£54,999 since last year is due to cost of living pay rise at 2% increasing the total earnings of some uniform staff and a regrade of the station manager pay bands. The change is not reflective of an increase in the number of senior staff.

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

| | 2020/21 | 2019/20 |
|---------------------|---------|---------|
| £50,000 - £54,999 | 64 | 58 |
| £55,000 - £59,999 | 31 | 26 |
| £60,000 - £64,999 | 26 | 23 |
| £65,000 - £69,999 | 10 | 7 |
| £70,000 - £74,999 | 1 | - |
| £75,000 - £79,999 | 2 | 4 |
| £80,000 - £84,999 | 3 | 1 |
| £85,000 - £89,999 | - | - |
| £90,000 - £94,999 | 1 | 1 |
| £95,000 - £99,999 | - | 1 |
| £100,000 - £104,999 | 1 | 1 |
| £105,000 - £109,999 | 1 | - |
| £110,000 - £114,999 | 1 | - |
| £115,000 - £119,999 | - | 2 |
| £120,000 - £124,999 | 1 | - |
| £125,000 - £129,999 | - | - |
| £130,000 - £134,999 | 1 | 1 |
| £135,000 - £139,999 | - | 1 |
| £140,000 - £144,999 | 1 | - |

NOTES TO THE CORE FINANCIAL STATEMENTS

22.2 Senior Officers Remuneration 2020-21 over £50k

There were leavers and new starters in senior management which has amended the number of individuals shown on the list below when compared to 2019-20.

| Post Title | Salary (Including Fees and Allowances) £ | Benefits in Kind £ | Compensation for loss of office £ | Total Remuneration excluding pension contrbns £ | Pension Contrbns £ | Total Remuneration including pension contrbns 2020/21 £ |
|---|---|--------------------------------------|--------------------------------------|--|-----------------------|--|
| Chief Fire Officer - Lee Howell | 160,449 | - | - | 160,449 | 46,209 | 206,658 |
| Deputy Chief Fire Officer (a) | 132,409 | - | - | 132,409 | 33,192 | 165,601 |
| Director of Service Delivery | 120,334 | - | - | 120,334 | 37,482 | 157,816 |
| Director of Service Improvement (b) | 111,535 | - | - | 111,535 | 30,632 | 142,167 |
| Area Manager - Service Delivery Resilience (c) | 90,243 | - | - | 90,243 | 23,108 | 113,351 |
| Area Manager - Service Delivery Risk (d) | 68,323 | - | - | 68,323 | 18,110 | 86,433 |
| Area Manager - Service Delivery Response (e) | 80,237 | - | - | 80,237 | 19,456 | 99,693 |
| Area Manager - Service Improvement (f) | 77,927 | - | - | 77,927 | 17,989 | 95,916 |
| Area Manager - Corporate Planning & Strat Analysis (g) | 80,237 | - | - | 80,237 | 26,359 | 106,596 |
| Area Manager - Head of Organisational Development (k) | 20,923 | - | - | 20,923 | 7,385 | 28,308 |
| Director of Governance & Digital Services | 106,514 | - | - | 106,514 | 17,999 | 124,513 |
| Director of Finance and Resourcing | 101,132 | - | - | 101,132 | 17,652 | 118,784 |
| Head of Human Resources (h) | 67,622 | - | 37,030 | 104,652 | 8,636 | 113,288 |
| Head of Finance | 66,914 | - | - | 66,914 | 11,702 | 78,616 |
| Head of Estates | 64,454 | - | - | 64,454 | 11,244 | 75,698 |
| Head of Corporate Communications | 65,395 | - | - | 65,395 | 11,419 | 76,814 |
| Head of Procurement and Fleet | 79,478 | - | - | 79,478 | 13,639 | 93,117 |
| Head of ICT | 68,360 | - | - | 68,360 | 11,971 | 80,331 |
| Programme Manager | 69,058 | - | - | 69,058 | 11,187 | 80,245 |
| Head Of Organisational Assurance (i) | 30,210 | - | - | 30,210 | 5,255 | 35,465 |
| Head of Organisational Development (j) | 59,283 | - | - | 59,283 | 10,371 | 69,654 |
| | 1,721,037 | - | 37,030 | 1,758,067 | 390,997 | 2,149,064 |
| (a) In post from 28/07/2020 | (b) In post from 01/08/2020 | (c) ACFO fm 01/05/2020 to 31/07/2020 | (d) In post from 01/11/2020 | | | |
| (e) In post from 05/09/2020 - on secondment from 01/04/2020 to 04/09/2020 | (f) In post from 21/10/2020 | (g) In post from 21/10/2020 | | | | |
| Andrew Furbear | (i) Started in post 05/10/2020 | (j) Started in post 29/06/2020 | (k) Left post 29/06/2020 | | | |

Senior Officers Remuneration 2019/20 over £50k

| Post Title | Salary (Including Fees and Allowances) £ | Benefits in Kind £ | Compensation for loss of office £ | Total Remuneration excluding pension contrbns £ | Pension Contrbns £ | Total Remuneration including pension contrbns 2019/20 £ |
|--|--|----------------------------------|--------------------------------------|--|-----------------------|--|
| Chief Fire Officer - Lee Howell | 157,302 | - | - | 157,302 | 45,192 | 202,494 |
| Deputy Chief Fire Officer | 130,691 | - | - | 130,691 | 48,587 | 179,278 |
| Assistant Chief Fire Officer - Service Improvement | 117,974 | - | - | 117,974 | 40,141 | 158,115 |
| Assistant Chief Fire Officer - Service Delivery | 117,974 | - | - | 117,974 | 33,893 | 151,867 |
| Assistant Chief Fire Officer - Service Delivery (a) | 93,045 | - | - | 93,045 | 22,617 | 115,662 |
| Area Manager - Service Delivery - Functions | 78,240 | - | - | 78,240 | 22,838 | 101,078 |
| Area Manager - Service Delivery - Delivery (b) | 43,928 | - | - | 43,928 | 12,655 | 56,583 |
| Area Manager - Service Delivery - Capabilities | 78,527 | - | - | 78,527 | 22,655 | 101,182 |
| Area Manager - Head of Transformational Change | 83,303 | - | - | 83,303 | 29,393 | 112,696 |
| Area Manager - Service Improvement | 76,025 | - | - | 76,025 | 18,981 | 95,006 |
| Director of Corporate Services | 97,869 | - | - | 97,869 | 17,957 | 115,826 |
| Director of Finance and Resourcing (c) | 103,673 | - | - | 103,673 | 19,046 | 122,719 |
| HR Manager | 66,879 | - | - | 66,879 | 12,100 | 78,979 |
| Head of Finance | 63,523 | - | - | 63,523 | 11,666 | 75,189 |
| Head of Estates (d) | 59,299 | - | - | 59,299 | 10,884 | 70,183 |
| Head of Corporate Communications | 61,608 | - | - | 61,608 | 11,297 | 72,905 |
| Head of Procurement and Fleet (e) | 69,392 | - | - | 69,392 | 11,861 | 81,253 |
| Head of ICT | 63,639 | - | - | 63,639 | 11,689 | 75,328 |
| | 1,562,891 | - | - | 1,562,891 | 403,452 | 1,966,343 |
| (a) AM Service Delivery for 9 months of the year and then ACFO for 3 months. | (b) Left 6/9/2019 | (c) Seconded to NFCC fm 16/03/20 | | | | |
| (d) In post from 01/05/19 | (e) Director of Resourcing interim from 16/03/20 | | | | | |

22.3 Exit Packages agreed

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

| Exit Package Cost Band (including special payments) | No of Compulsory Redundancies | | No of other departures agreed | | Total No of exit packages by cost band (b + c) | | Total cost of exit packages in each band | |
|---|-------------------------------|---------|-------------------------------|----------|--|----------|--|----------------|
| | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 |
| £0 - £20,000 | - | - | 3 | 3 | 3 | 3 | 14,827 | £22,771 |
| £20,001 - £40,000 | - | - | 1 | 0 | 1 | 0 | 22,839 | £0 |
| £40,001 - £60,000 | - | - | 1 | 1 | 1 | 1 | 54,350 | £40,202 |
| Total | - | - | 5 | 4 | 5 | 4 | 92,015 | £62,972 |

NOTES TO THE CORE FINANCIAL STATEMENTS

23 EXTERNAL AUDITOR FEES

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

| | 2020/21 | 2019/20 |
|---|-----------|-----------|
| | £000 | £000 |
| Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year | 41 | 31 |
| Total | 41 | 31 |

24 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement (CIES) in 2020/21

| | 2020/21 | 2019/20 |
|--|-----------------|----------------|
| | £000 | £000 |
| Grants | | |
| New Dimensions Grant | (945) | (945) |
| Firelink Grant | (970) | - |
| Hinkley Point Grant | (75) | (74) |
| Rural Services Delivery Grant | (424) | (424) |
| Covid 19 Grant | (1,622) | (281) |
| Business Rates Relief | (1,695) | (1,335) |
| Fire Pension Grant | (4,022) | (3,904) |
| Section 31 Grants (Minor) | (17) | (17) |
| Levy Account Surplus | - | (53) |
| Building Protection Grant | (476) | |
| ESMCP Grant | (550) | |
| Business Rates Grant | (2,846) | |
| Council Tax Grant | (1,208) | |
| Shayne Scott | (14,851) | (7,033) |
| Treasurer to the Authority | | - |
| Insurance cost recovery | (13) | (72) |
| Legal fees | (5) | 1 |
| Procurement income from Frameworks | (12) | (30) |
| Rental income | (81) | (61) |
| Secondment income | (343) | (353) |
| Vehicle sales and maintenance | (23) | (42) |
| Other income and donations | (196) | (361) |
| Co-responder Income | (50) | (35) |
| Ambulance Covid Support | (490) | |
| PFI Fair value | (447) | (447) |
| Training Income | (326) | (342) |
| Primary Authority | (24) | (44) |
| Sub Total Other Income | (2,012) | (1,787) |
| Total within cost of services in the CIES | (16,863) | (8,819) |

NOTES TO THE CORE FINANCIAL STATEMENTS

25 RELATED PARTY TRANSACTIONS

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

Central Government Central Government has significant influence over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills). Grants received from government departments are set out in Note 24.

Members Members of the Authority have direct control over the Service's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 21. In relation to members, the Authority's constitution requires members to declare their interests in related parties in a register of interests. In addition, members are asked to declare separately any transactions with the Authority. **In relation to 2020/21 no material transactions were disclosed.**

| | 2020/21 £000 | 2019/20 £000 |
|---|-----------------|-----------------|
| Red One Ltd[^] | | |
| Receipts from Red One Ltd of training income and reimbursements | (236) | (245) |
| FRIC* | | |
| Payments for Insurance | 876 | 832 |

[^]Red One Ltd.

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

As at 31st March 2021 the Authority had a closing balance of £795k in trade receivables due from Red One, made up of £559k from previous financial years and the £236k above from 2020/21

***Risk Protection**

Until 31 October 2015 Insurances for the Authority were arranged as part of a consortium of nine fire and rescue authorities. These fire and rescue authorities, including Devon & Somerset, are now members of the Fire and Rescue Indemnity Company Limited. The company commenced trading in November 2015. The Authority's risk protection arrangements are provided through the pooled funds of the company. The Authority made a contribution of £876k to the company for the year-end 31 October 2020 of which £507k relates to the 2021/22 financial year.

NOTES TO THE CORE FINANCIAL STATEMENTS

26 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

| | 2020/21 £000 | 2019/20 £000 |
|--|-----------------|-----------------|
| Opening Capital Financing Requirement | 26,555 | 26,746 |
| <u>Capital investment</u> | | |
| Operational assets | 4,582 | 2,303 |
| <u>Andrew Furbear</u> | | |
| Government grants and contributions | - | - |
| Capital receipt | (379) | - |
| <u>Sums set aside from revenue</u> | | |
| Minimum Revenue Provision | (2,223) | (2,195) |
| Direct revenue funding | (2,675) | (299) |
| Closing Capital Financing Requirement | <u>25,860</u> | <u>26,555</u> |
| Explanation of movements in year | 2020/21 | 2020/21 |
| | £000 | £000 |
| Increase/(Decrease) in underlying need to borrow | (594) | (93) |
| (Decrease) in PFI/lease liabilities | (101) | (98) |
| Increase/(decrease) in Capital Financing Requirement | <u>(695)</u> | <u>(191)</u> |

27 LEASES

27.1 OPERATING LEASES AS LESSEE

Total rentals paid during the year amounted to £0.712m. It is estimated that the outstanding liability for future years, in relation to existing lease agreements is £0.782m. But under IFRS16 the majority of this future cost will be via financing costs and minimum revenue provision.

| | 2020/21 £000 | 2019/20 £000 |
|--|-------------------|---------------------|
| <u>Payments recognised as an expense in year</u> | 712 | 751 |
| <u>Future Minimum Lease Payments payable:</u> | | |
| Not later than one year | 473 | 580 |
| Between one and five years | 309 | 688 |
| Total | <u>782</u> | <u>1,268</u> |

NOTES TO THE CORE FINANCIAL STATEMENTS

28 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

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

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

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2021 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

| | Payment for Services £000 | Reimbursement of Capital Expenditure £000 | Interest £000 | 2020/21 £000 | 2019/20 £000 |
|---|---------------------------------|---|------------------|-----------------|-----------------|
| Paid in 2020/21 | 576 | 101 | 99 | 775 | 757 |
| Outstanding undischarged contract obligations: | | | | | |
| Payable within one year | 603 | 103 | 90 | 795 | 776 |
| Payable within two to five years | 2,571 | 558 | 254 | 3,383 | 3,301 |
| Payable within six to ten years * | 1,423 | 349 | 47 | 1,820 | 2,697 |
| | <u>4,597</u> | <u>1,010</u> | <u>391</u> | <u>5,998</u> | <u>6,774</u> |

* There are seven years remaining.

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

| | 2020/21 £000 | 2019/20 £000 |
|--|-----------------|-----------------|
| Balance outstanding at 1 April | 1,111 | 1,209 |
| Payments in year | (101) | (98) |
| Capital Expenditure incurred in the year | | |
| Other movements | | |
| Balance outstanding at 31 March | <u>1,010</u> | <u>1,111</u> |

29 IMPAIRMENT LOSSES & REVERSALS

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

| | 2020/21 £000 | 2019/20 £000 |
|---------------------------------------|-----------------|-----------------|
| Impairment of Land | - | - |
| Impairment of Buildings | - | - |
| Net Amount Charged to the CIES | <u>-</u> | <u>-</u> |

NOTES TO THE CORE FINANCIAL STATEMENTS

30. PENSIONS

30.1 Pension Costs

In accordance with the requirements of IAS19 the Devon & Somerset Fire & Rescue Authority records in its balance sheet its share of assets and liabilities related to pension schemes and matches the net amount with an equivalent pension reserve. The Authority participates in three schemes, two of which are Fire Service Pension Schemes for Fire Officers which are unfunded, and the Local Government Pension Scheme which is administered by Devon County Council.

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

There are four Fire pension schemes for fire officers, all of which are unfunded defined benefit final salary schemes, meaning there are no investment assets built up to meet the pension liabilities as they fall due. The schemes are administered by the Fire Authority and known as the fire fund. The schemes are balanced to zero by the receipt of top up grant received from the Home Office. The first scheme is the 1992 Firefighters Pension Scheme (FPS), the second being the 2006 New firefighters pension scheme and the third being the 2006 Modified Pension scheme (reported within the 2006 scheme). From April 2015 the Fire Fighters Pension Scheme 2015 came into being, with previous schemes being closed to new members. The Authority has one further pension liability which is in respect of injury awards issued under the Firefighters Compensation Regulations.

Contribution percentages vary depending upon each scheme.

For all schemes the employee contribution is based upon their gross salary, with that percentage varying if their salary changes.

| Scheme | Employer Percentage Rate 2020/21 | Total Contributions expected to be made by the authority in the year to 31st March 2022 £000 |
|---|-------------------------------------|---|
| Local Government Pension Scheme | 17.0% | 2,066 |
| 1992 Firefighters Pension Scheme | 37.3% | } 4,316 |
| 2006 New firefighters Pension Scheme | 27.4% | |
| 2006 Modified firefighters Pension Scheme | 37.3% | |
| 2015 Firefighters Pension Scheme | 28.8% | |

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 30.2 Pension Schemes

| | LG Pension Scheme 2020/21 £000 | LG Pension Scheme 2019/20 £000 | LG Unfunded 2020/21 £000 | LG Unfunded 2019/20 £000 | Fire schemes 2020/21 £000 | Fire schemes 2019/20 £000 | Total 2020/21 £000 | Total 2019/20 £000 |
|--|-----------------------------------|-----------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|-----------------------|-----------------------|
| Comprehensive Income & Expenditure Statement | | | | | | | | |
| <i>Service Cost Comprising:</i> | | | | | | | | |
| Current Service Cost | 4,019 | 3,966 | - | - | 9,863 | 12,249 | 13,882 | 16,215 |
| Past Service Costs | - | 993 | - | - | (1,778) | - | (1,778) | 993 |
| <i>Financing and Investment Income and Expenditure:</i> | | | | | | | | |
| Net Interest Expense | 806 | 886 | 6 | 7 | 16,000 | 17,675 | 16,812 | 18,568 |
| Administration Expenses | 40 | 40 | - | - | - | - | 40 | 40 |
| Home Office Pension top up grant | | | | | (11,407) | (10,395) | (11,407) | (10,395) |
| Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services | 4,865 | 5,885 | 6 | 7 | 12,678 | 19,529 | 17,549 | 25,421 |
| <i>Remeasurement of the net defined benefit liability comprising:</i> | | | | | | | | |
| Expected return on plan assets (excluding the amount included in net interest expense) | (12,224) | 5,930 | | | | | (12,224) | 5,930 |
| Actuarial gains and losses arising on changes in demographic assumptions | | | | | | | | |
| Actuarial gains and losses arising on changes in financial assumptions | | | | | | | | |
| Other | | | | | | | | |
| Total Post-employment benefits charged to the CIES | (12,224) | 5,930 | - | - | - | - | (12,224) | 5,930 |
| Movement in Reserves Statement | | | | | | | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post - employment benefits in accordance with the code | (4,865) | (5,885) | (6) | (7) | (12,678) | (19,529) | (17,549) | (25,421) |
| <i>Actual amount charged against the General Fund Balance for pensions in the year</i> | | | | | | | | |
| Employers contributions payable to scheme | 2,541 | 2,107 | - | - | 8,481 | 8,753 | 11,022 | 10,860 |
| Employers contributions payable to scheme (seconded not charged to general fund) | 1 | - | - | - | 30 | 63 | 31 | 63 |
| Ill health charges | - | - | - | - | 88 | 474 | 88 | 474 |
| Retirement benefits payable to pensioners - Authority | - | - | 19 | 19 | 2,230 | 2,131 | 2,249 | 2,150 |
| Retirement benefits payable to pensioners - Fund | 1,360 | 1,682 | - | - | 23,887 | 23,579 | 25,247 | 25,261 |
| Total Retirement benefits payable to pensioners | 1,361 | 1,682 | 19 | 19 | 26,117 | 25,710 | 27,496 | 27,411 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| Reconciliation of the present value of the scheme liabilities | LG Pension Scheme 2020/21 £000 | LG Pension Scheme 2019/20 £000 | LG Unfunded 2020/21 £000 | LG Unfunded 2019/20 £000 | Fire schemes 2020/21 £000 | Fire schemes 2019/20 £000 | Total 2020/21 £000 | Total 2019/20 £000 |
|--|-----------------------------------|-----------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|-----------------------|-----------------------|
| 1st April | 87,475 | 93,212 | 324 | 345 | 693,914 | 747,336 | 781,712 | 840,893 |
| Current Service Cost | 4,019 | 3,966 | - | - | 9,863 | 12,249 | 13,882 | 16,215 |
| Interest Cost | 2,051 | 2,229 | 6 | 7 | 16,000 | 17,675 | 18,057 | 19,911 |
| Contributions by scheme participants | 775 | 725 | - | - | 3,880 | 3,893 | 4,655 | 4,618 |
| <i>Remeasurement (gains) and losses:</i> | | | | | | | | |
| Actuarial gains and losses arising on changes in demographic assumptions | (958) | (1,722) | 3 | 2 | (20,887) | 1,116 | (21,842) | (604) |
| Actuarial gains and losses arising on changes in financial assumptions | 31,491 | (11,665) | - | (11) | 152,804 | (62,645) | 184,295 | (74,321) |
| Experience gains and losses | (1,001) | 1,418 | - | - | (80) | - | (1,081) | 1,418 |
| Past service Costs | - | 993 | - | - | (1,778) | - | (1,778) | 993 |
| Benefits Paid | (1,360) | (1,682) | (19) | (19) | (26,117) | (25,710) | (27,496) | (27,411) |
| 31st March | 122,492 | 87,475 | 314 | 324 | 827,599 | 693,914 | 950,405 | 781,712 |

| Pensions Assets and Liabilities Recognised in the Balance Sheet | 2020/21 £000 | 2019/20 £000 |
|---|------------------|------------------|
| Present value of liabilities | | |
| LGPS | (122,492) | (87,475) |
| LGPS- unfunded | (314) | (324) |
| Firefighters Pension schemes | (789,372) | (658,203) |
| Firefighters Compensation Regulations | (38,227) | (35,711) |
| Fair value of assets in the LGPS | 67,215 | 51,829 |
| | (883,190) | (729,884) |
| Surplus/(deficit) in the scheme: | | |
| LGPS | (55,277) | (35,646) |
| LGPS- unfunded | (314) | (324) |
| Firefighters Pension schemes | (789,372) | (658,203) |
| Firefighters Compensation Regulations | (38,227) | (35,711) |
| Net Liability arising from defined benefit obligation | (883,190) | (729,884) |

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. All schemes have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the LGPS Devon Fund being based on the latest full valuation of the scheme undertaken in 2019 and the Devon & Somerset FPS valuation in 2017.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS
Note 30.3 Pension Assets & Basis For Valuation

| Proportion of assets held - LGPS | £000 | 31 March 2021 | £000 | 31 March 2020 |
|--|---------------|---------------|---------------|---------------|
| | | % | | % |
| Gilts | 2,366 | 4% | 2,211 | 4% |
| UK Equities | 7,344 | 11% | 6,897 | 13% |
| Overseas Equities | 34,965 | 52% | 22,289 | 43% |
| Property | 5,497 | 8% | 4,882 | 9% |
| Infrastructure | 2,291 | 3% | 2,233 | 4% |
| Target Return Portfolio | 6,445 | 10% | 6,805 | 13% |
| Cash | 483 | 1% | 604 | 1% |
| Other Bonds | 3,021 | 4% | 2,716 | 5% |
| Alternative Assets | 4,803 | 7% | 3,192 | 6% |
| Total Fair value of LGPS assets | 67,215 | 100% | 51,829 | 100% |

Based on estimated bid values.

| Movement between the opening and closing balances of the fair value of assets: | Year to 31 | |
|--|---------------|---------------|
| | March 2021 | March 2020 |
| | £000 | £000 |
| Opening fair value | 51,829 | 55,391 |
| Interest Income | 1,245 | 1,343 |
| Return on plan assets (excluding the amount included in net interest expense) | 12,224 | (5,930) |
| Other Actuarial Gains/ (Losses) | - | (85) |
| Administration Expenses | (40) | (40) |
| Contributions by employer | 2,561 | 2,126 |
| Contributions by scheme participants | 775 | 725 |
| Estimated benefits paid | (1,379) | (1,701) |
| Fair value of scheme assets at end of period | 67,215 | 51,829 |

| Basis for establishing assets and liabilities | LG Pension Scheme | LG Pension Scheme | LG Unfunded | LG Unfunded | Fire Schemes | Fire Schemes |
|--|----------------------------|-------------------|-------------|-------------|---------------------------|--------------|
| | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 |
| | £000 | £000 | £000 | £0 | £000 | £000 |
| Mortality assumptions | Treasurer to the Authority | | | | | |
| Longevity at 65 for current pensioners | | | | | | |
| Men | 22.60 | 22.90 | 22.60 | 22.90 | 20.50 | 21.00 |
| Women | 23.90 | 24.10 | 23.90 | 24.10 | 22.70 | 23.10 |
| Longevity at 65 for future pensioners | | | | | | |
| Men | 24.00 | 24.30 | 24.00 | 24.30 | 21.70 | 22.70 |
| Women | 25.40 | 25.50 | 25.40 | 25.50 | 24.20 | 24.90 |
| Rate of inflation RPI | 3.20% | 2.65% | 3.20% | 2.65% | 3.20% | 2.70% |
| Rate of inflation CPI | 2.85% | 1.85% | 2.85% | 1.85% | 2.80% | 1.90% |
| Rate of increase in salaries | 3.85% | 2.85% | | | 3.80% | 3.40% |
| Rate of increase in pensions | 2.85% | 1.85% | 2.85% | 1.85% | 2.80% | 1.90% |
| Rate for discounting scheme liabilities | 2.00% | 2.35% | 2.00% | 2.35% | 2.00% | 2.35% |
| Take-up of option to convert annual pension into retirement lump sum | 50% of commutable pension | | | | 50% of commutable pension | |

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

| Sensitivity Analysis 2020/21 | LG Pension Scheme PV* £000 | Fire Schemes PV* £000 |
|--|----------------------------|-----------------------|
| Adjustment to the Discount Rate | | |
| +0.1% | 120,065 | 654,884 |
| 0.0% | 122,806 | 666,633 |
| -0.1% | 125,614 | 678,605 |
| Adjustment to Long Term Salary Increase | | |
| +0.1% | 123,149 | 667,568 |
| 0.0% | 122,806 | 666,633 |
| -0.1% | 122,467 | 665,701 |
| Adjustment to Pension Increases and Deferred Revaluation | | |
| +0.1% | 125,245 | 677,564 |
| 0.0% | 122,806 | 666,633 |
| -0.1% | 120,424 | 655,896 |
| Adjustment to Mortality Age Rating Assumption | | |
| + 1 year | 128,039 | 700,202 |
| None | 122,806 | 666,633 |
| - 1 year | 117,791 | 634,715 |

Within the assets held by the Devon LGPS are a number of properties. Given the unknown impact of Covid 19, it is likely the impact on the world's economy could be felt for many months and possibly years. It seems likely that it will have an effect on the property values held with the LGPS and hence a material valuation uncertainty was disclosed in the Pension Fund's financial statements in relation to the impact on the valuation of investments in land and buildings. A corresponding material uncertainty is disclosed in the Fire Authority's Financial Statements as the Authority's share of property funds is material

* Present Value of Total Obligation

NOTES TO THE CORE FINANCIAL STATEMENTS

31 CONTINGENT LIABILITIES

There are two contingent liabilities for 2020-21 which arise from a pensions tribunal case and a claim for hurt of feelings resulting from the changes to the pension scheme. The O'Brien case found that there has been discrimination against part-time judges in the calculation of pension entitlement. The issue was whether periods of part-time employment prior to the coming into effect of Part Time Workers Directive should be taken into account in calculating the amount of pension to be paid upon retirement - this was found to be discriminatory. A potential remedy will impact upon the Authority due to the high proportion of On Call (Part-time) staff and ex-employees. A reliable estimate cannot be calculated as, at this stage, it is unclear how many of the pension scheme members will chose to buy-back pension rights and for what duration. As there is no remedy in place yet it has not been determined who will fund the Employers contribution on back-dated pension costs, and therefore this is a contingent liability.

The hurt of feeling claim resulted in a number of firefighters who registered an Employment Tribunal claim in 2015 regarding changes to the firefighters pension schemes. A potential remedy will impact on the Authority due to the high number of claimants - 143 in total. It is anticipated these could be settled using the 'Vento' principles. As there is no remedy in place and the amount that could be paid in un-clear it is classed as a contingent liability.

32 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

KEY RISKS

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

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

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

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

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

Credit Risk

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

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

| | Amount as at 31 March 2021 £000 | Historical Experience of Default £000 | Historical Experience adjusted for market conditions as at 31 March 2021 £000 | Estimated maximum exposure to default and uncollectability £000 |
|---|---------------------------------------|--|--|--|
| Deposits with bank & financial institutions | 36,581 | - | - | - |
| Public Sector Bodies | 14,414 | - | - | - |
| Other | 2,229 | - | - | - |
| Total | 53,225 | - | - | - |

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 31st March 2021, the value of debt which exceeded this period was £1,029k, broken down as follows:

| | 2020/21 £000 | 2019/20 £000 |
|---------------------|-----------------|-----------------|
| Two to Three Months | 288 | 65 |
| Over Three Months | 741 | 806 |
| Total | 1,029 | 871 |

An allowance for potential bad debts of £655k has been made at the year-end.

NOTES TO THE CORE FINANCIAL STATEMENTS

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:-

| | 2020/21 £000 | 2019/20 £000 |
|--|-----------------|-----------------|
| Less than one year – including trade and other creditors | 10,451 | 7,042 |
| Between one and two years – PWLB loan repayments | 493 | 93 |
| Between two and five years – PWLB loan repayments | 1,045 | 1,445 |
| More than five years – PWLB loan repayments | 23,219 | 23,313 |
| Total | 35,208 | 31,893 |

Market Risk

Interest Rate risk

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

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

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

Price Risk

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

Foreign Exchange risk

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

THE PENSION FUND

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

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

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

| Firefighter Pensions Fund | 2020/21 | 2019/20 |
|---|-----------------|-----------------|
| | £000 | £000 |
| Contributions receivable from: | | |
| Fire authority:- | | |
| a) contributions in relation to pensionable pay | (8,513) | (8,683) |
| b) early ill health retirements & other income | (88) | (474) |
| c) Firefighters contributions | (3,880) | (3,919) |
| | <u>(12,481)</u> | <u>(13,076)</u> |
| Transfers In | (296) | (289) |
| Benefits payable | | |
| d) pensions | 19,171 | 18,540 |
| e) commutations and lump sum benefits | 4,462 | 5,220 |
| f) lump sum death benefits | 116 | 1 |
| g) transfers out | 435 | - |
| h) refunds of contributions | - | - |
| Net amount payable for the year | <u>11,407</u> | <u>10,395</u> |
| Top up grant payable by the government Treasurer to the Authority | <u>(11,407)</u> | <u>(10,395)</u> |
| | <u>-</u> | <u>-</u> |
| Net Assets Statement | 2020/21 | 2019/20 |
| | £000 | £000 |
| Current assets | | |
| Devon & Somerset Fire Authority - debtor | 4,635 | (3,953) |
| Current liabilities | | |
| Top up grant payable from HomeOffice - creditor | (4,635) | 3,953 |
| Total | <u>-</u> | <u>-</u> |

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

Note 2 - It should be noted that the amounts included within the firefighters pension fund are only for the period of 2020/21 and do not take into account liabilities to pay pensions or benefits after that period.

Note 3 - £6.772m had been received from Home Office by 31st March 2021, being 70% of notified top up grant available. As there was a funding shortfall £4.635m is due from the Home Office in order to balance the total costs to total income within the fund.

GLOSSARY OF TERMS

Accounting Policies

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

Accruals

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

Actuary

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

Actuarial Valuation

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

Assets

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

Balance Sheet

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

Capital Expenditure

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

Capital Financing Costs

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

Capital Receipts

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

Cash equivalents

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

Cash Flow Statement

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in the public sector

Collection Fund Adjustment Account

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

Comprehensive Income and Expenditure Statement

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

The "Code"

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. This prescribes the form and content of the Statement of Accounts, and is published by a joint committee of CIPFA and LASAAC. It is based on approved accounting standards and reflects specific statutory accounting requirements. Compliance with the Code is necessary in order that the Authority's Accounts give a "true and fair" view of its financial position and performance.

Contingent Liability

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

Creditors

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

Current Assets

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

Debtors

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

Defined Benefit Scheme

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

Depreciation

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

Earmarked Reserves

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

GLOSSARY OF TERMS

Financial Instruments

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

Heritage asset

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

International Financial Reporting Standards (IFRS)

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

Inventories

The new name for stocks.

Leasing

There are two main types of leasing arrangements:

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

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

Liabilities

Amounts owed by the Authority to lenders or suppliers.

Long-term borrowing

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

Minimum Revenue Provision

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

Movement In Reserves Statement

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

National Non-Domestic Rates (NNDR)

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

Property, Plant and Equipment

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

Private Finance Initiative (PFI)

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

Provisions

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

Projected Unit Method

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

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

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

PWLB

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

Reserves

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

Revaluation

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

Revaluation Reserve

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

Scheme Liabilities

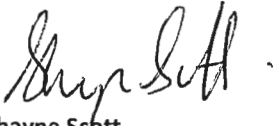
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Treasury Management

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

CERTIFICATION OF ISSUE

The unaudited accounts were presented and approved by the Devon & Somerset Fire & Rescue Authority on 29th September 2021. The final audited accounts were approved by the Audit & Governance Committee on 28th October 2021



Shayne Scott
Treasurer to the Authority



Mark Healey MBE
Chair of Audit & Governance Committee

28th October 2021