

Dorset  
Fire  
Authority

Statement  
of Accounts  
2015-16

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## **Independent auditor's report to the members of Dorset and Wiltshire Fire and Rescue Authority**

We have audited the financial statements of Dorset Fire Authority for the year ended 31 March 2016 on pages 12 to 19, 29 to 53 and 55. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Dorset and Wiltshire Fire and Rescue Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work over the financial statements of Dorset Fire Authority has been undertaken so that we might state to the members of Dorset and Wiltshire Fire and Rescue Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of Dorset and Wiltshire Fire and Rescue Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Dorset Fire Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the Narrative Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

**Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Dorset Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

**Certificate**

We certify that we have completed the audit of the financial statements of Dorset Fire Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

**Darren Gilbert****For and on behalf of KPMG LLP, Statutory Auditor***Chartered Accountants*

3 Assembly Square,

Britannia Quay

Cardiff,

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21 September 2016

# NARRATIVE STATEMENT

## INTRODUCTION

The purpose of this publication is to provide the Statutory Financial Statements for Dorset Fire Authority for the period from 1 April 2015 to 31 March 2016. These are the last Statutory Financial Statements to be produced by the Authority. On 1 April 2016 Dorset Fire Authority combined with the Wiltshire and Swindon Fire Authority to form the new Dorset & Wiltshire Fire and Rescue Authority.

This narrative statement provides a commentary on the performance of the Authority for the financial year and its financial position as at 31 March 2016.

The Dorset Fire Authority became responsible for Dorset Fire & Rescue Service on 1 April 1997. The area covered by the Authority is identical to that managed by Dorset County Council, Bournemouth Borough Council and the Borough of Poole, covering an area of over 270,000 hectares and a population in excess of 740,000 people. The Authority is a combined fire authority (as it covers more than one local authority area) and it is made up of 15 elected members nominated from those three councils. The Fire Authority aims to ensure that the services provided by Dorset Fire & Rescue Service meet the needs of local communities and are delivered effectively, economically and efficiently.

Dorset Fire and Rescue Service employs over 700 people and has a clear track record of efficiency and value for money. We have a total of 26 fire stations, three of which are crewed solely by wholetime firefighters, three are staffed by wholetime and retained duty firefighters and one is staffed by wholetime firefighters during the day and retained duty firefighters at night. The remaining 19 are staffed solely by retained duty system fire fighters. Our fire stations are situated throughout the county and for administrative purposes we divide the management of our stations into two areas – Bournemouth/Poole and Dorset, which are broadly based around the unitary local authorities.

The authority's vision has been "Working in partnership to make Dorset safer". To help achieve this vision the work of the Service has been focused on five strategic aims:

**Prevention** - Reducing risk by educating our communities to prevent fires and other incidents occurring

**Protection** - Ensuring buildings are well regulated and can offer a safe means of escape in the case of fire

**Response** - Ensuring our response delivers a swift and professional service in an emergency

**People** - Ensuring a safe and competent workforce who are well managed and effective

**Resources** - Maximising the value we get from the resources we use and reducing the impact on the environment

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These aims have been delivered through three key organisational strategies; Community Safety, People and Resources which show how the Service intends to prevent incidents from happening, protect buildings from the risk of fire and where necessary respond effectively to emergency calls. It also shows how the Service invests in its people and manages its resources. Protecting the environment has been at the heart of everything we do.

## THE FINANCIAL STATEMENTS

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2015, the CIPFA Code of Practice on Local Authority Accounting 2015/16 and the CIPFA Service Reporting Code of Practice (SERCOP) for the Comprehensive Income and Expenditure Statement. They comprise the following primary financial statements:

**Comprehensive Income and Expenditure Statement** – this discloses the total accounting cost of providing services in the year, based on generally accepted accounting practices, rather than the amount funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

**Balance Sheet** – this shows the financial position of the Authority as at 31 March 2016.

**Cash Flow Statement** – this summarises the inflows and outflows of cash arising from transactions with other parties for revenue and capital purposes.

**Movement in Reserves Statement** - This statement shows the movement in the year on the different reserves held by the Authority, analysed between usable and unusable reserves. Usable reserves can be used to fund expenditure or set against the need to raise the Council Tax. Further details about all reserves, and restrictions on their use, are given in notes.

**Notes to the Core Financial Statements** – these provide further information on significant items that support the primary financial statement.

**Pension Fund Account** – this sets out the financial position of Fire Pension Fund.

## REVIEW OF THE FINANCIAL YEAR

In February 2015 the Fire Authority set the revenue budget for 2015/16 at £29.3 million. This was a reduction of £556k on the budget for 2014/15. The Band D council tax increased from £66.60 to £67.86. Despite the increase in our level of council tax, it remained below average nationally, with the average level of council tax for combined fire authorities for 2015/16 being £71.52.

The budget included a £480k contribution from earmarked reserves. These were primarily to fund prevention activity and other specific projects, such as the Networked Fire Control Service Partnership, which are being funded by external grants.

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This was the last budget and council tax set by the Dorset Fire Authority. On 1 April 2016 Dorset Fire Authority combined with Wiltshire and Swindon Fire Authority to form the new Dorset and Wiltshire Fire and Rescue Authority. This followed an extensive programme of work over the previous two years which culminated in the development of a Final Business Case for combination which was approved by both fire authorities late in 2014. The Secretary of State for Communities and Local Government formally approved the merger in March 2015.

Since 1 April 2015, the new combined Fire Authority has been meeting in Shadow form, overseeing the preparations for the new Service and setting out a clear direction of travel for teams and departments.

The Government wanted FRSs to be innovative in finding ways of managing the challenges of austerity, and a multi-million pound Transformation Fund was made available to encourage this. Dorset and Wiltshire made a successful bid to this fund and received a grant of £5.54million, to enable the following:

- The development of a new Safety Centre in Wiltshire/Swindon, to complement the award-winning education facilities that already exist in Weymouth and Bournemouth under the auspices of the SafeWise charity;
- The development of a new centrally-located headquarters, which has now been established within the Five Rivers Health and Wellbeing Centre in Salisbury. This has been achieved in partnership with Wiltshire Council;
- The harmonisation of our ICT infrastructure to address the challenges of being a larger and predominantly rural Fire and Rescue Service;
- A programme of specialist support to ensure a well-managed transition from two Services into one.

The combination is set to achieve final savings of just under £6m in total each year by 2019/20.

Further details about the combination and the plans of the new Service can be found on the website of the new Fire and Rescue Service at [www.dwfire.org.uk](http://www.dwfire.org.uk).

Dorset and Wiltshire have been sharing a new Service Control Centre from August 2015. This new centre is one of three in the Networked Fire Control Services Partnership (NFCSP). The partnership has provided a new single command and control system for the Fire and Rescue Services (FRSs) in Devon & Somerset, Dorset & Wiltshire and Hampshire.

Whilst the combination has been the main focus for the Service during 2015/16 we have also continued providing an excellent service to the communities for Bournemouth, Dorset and Poole. During the year:

- We have delivered 12,027 home safety checks in the community;
- The number of fires in the County reduced by 5%;
- We had 79 volunteers working for us;

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- We were asked to respond to 878 medical emergencies through our co-responder partnership with the South West Ambulances Services NHS Trust;
- Our fire protection teams undertook 853 fire safety audits, working in partnership with local businesses;
- Our on-call fire appliances were available for 85% of the time.

### Explanation of major variances

Table 1 below shows how actual overall spending for the year compared with the original budget. Variances occurred in a number of budget areas and details are included below:

<b>Table 1 – Comparison of outturn with budget</b>	<b>2015/16 Original Budget £'000</b>	<b>2015/16 Revised Budget £'000</b>	<b>2015/16 Actual Outturn £'000</b>	<b>2015/16 Variance £'000s</b>
Employees	22,067	22,487	21,250	1,237
Pensions	936	992	992	0
Premises	1,501	1,604	1,552	52
Transport	860	802	668	134
Supplies, Services and Other Costs	4,471	5,408	5,270	138
Capital financing, leasing and repayment of debt	2,042	2,064	1,962	102
<b>Total expenditure</b>	<b>31,877</b>	<b>33,357</b>	<b>31,694</b>	<b>1,663</b>
Income	2,101	2,793	2,901	108
Transfer to / (from) specific reserves	(480)	(732)	(488)	(244)
<b>Net expenditure</b>	<b>29,296</b>	<b>29,832</b>	<b>28,305</b>	<b>1,527</b>
<i>Financed by:</i>				
Revenue Support Grant	5,349	5,349	5,349	0
Non Domestic Rates	5,120	4,848	5,031	183
Collection Fund	118	161	161	0
Council Tax Freeze Grant	0	0	0	0
Council Tax	18,702	18,702	18,702	0
<b>Total funding</b>	<b>29,289</b>	<b>29,060</b>	<b>29,243</b>	<b>183</b>
<b>Overall (over) / underspend</b>	<b>(7)</b>	<b>(772)</b>	<b>938</b>	<b>1,710</b>

- Employee expenditure (pay, training and other employment costs) totalled £21.250m against a revised estimate of £22.487m, saving £1.2m. Savings on pay costs for operational staff (wholetime and retained duty system staff) make up £1.1m of this saving and reflect the effects of vacancy management and reductions in operational calls. We have been actively managing wholetime staffing numbers in the run up to the Combination with Wiltshire, fully aware that we need to achieve a reduction in overall staffing numbers in the next few years.

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- Overall, net pension costs totalled £992k, in line with our final estimate. Costs were higher than originally expected as a result of additional ill-health retirements during the year.
- We spent £1.5m on our buildings during the year (e.g. repairs and maintenance, cleaning, utility charges, business rates), slightly less than expected in the revised estimate. The budget was increased by £84k during the year which reflects the costs of building a new subterranean training facility located at Weymouth Community Safety Centre. This project was funded from money held in reserves.
- Overall vehicle and equipment running and maintenance costs were £134k less than budgeted. This was mainly due to lower fuel costs and a reduction in travel payments to staff.
- Spending on supplies, services and other costs shows a significant increase compared to the original budget. The additional spending during the year includes:
  - £120k spent on the NFCSP project, funded from the NFCSP reserve;
  - £262k spent on preparing for the Combination, funded from our transformation reserve;
  - a £224k contribution to the Safewise charity to help build a road safety education facility; funded by contributions from Dorset Police and Dorset Fire;
  - additional spending of £57k for the new Service Control Centre. This reflects the new facility commencing operations in August 2015 and was funded from pay budget savings;
  - £150k spent on extending the life of Dorset's Cycle performance management system, so that it can be used in the new Service.
- During the year, specific grants totalling £2.142m were received from DCLG. This included £1.627m in PFI grant funding, £220k for Firelink, £247k of New Burdens funding to support business rates reliefs and £48k to support New Dimension activity.
- We spent less money on treasury management (funding capital financing and investing cash balances). The budget included a net amount of £1.216m, but actual net costs only totalled £1.108m. £93k was saved against the cost of long term borrowing and investment income was £15k more than budgeted. No new long-term borrowing was undertaken during the year.
- During the year Members approved the transfer of £500k from reserves to support the development of a new safety education centre in Wiltshire. This is Dorset's share of matched funding for the project, with Wiltshire Fire and Rescue making a similar contribution. Full details of specific reserves are shown in Note 24 to the accounts.

### Revenue Reserves

The Authority maintains a general reserve to ensure that sufficient funds are available in the event of there being a requirement to provide significant additional in-year financial support. A risk assessment is undertaken each year to review the level of reserve. The reserve is currently set at £1.5m.

A further £1.8m has been added from accumulated savings made against our revenue budget. We plan to use this funding to support the new Fire Authority's medium term financial position.

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### CAPITAL EXPENDITURE

In 2015/16 the Authority spent £0.624m on capital projects (£1.175m in 2014/15). During the year the Authority purchased five ex-lease fire appliances and a number of other smaller vehicles at a total cost of £206k. Four new fire appliances have been ordered and will be delivered in summer 2016. A number of other vehicle purchases were postponed due to the combination with Wiltshire Fire and Rescue Service. The Authority has invested £136k on the essential maintenance and improvement of its building stock and spent £282k on essential ICT and operational equipment.

<b>Table 2 - Capital Expenditure</b>	<b>2015/16 £'000</b>
Property Works	136
Vehicles	206
Equipment	282
<b>Total</b>	<b>624</b>

The Authority finances the capital programme by external borrowing, the use of capital receipts generated from the sale of surplus assets, the use of specific grants provided by the government and some direct revenue financing. The 2015/16 capital expenditure total was funded by £619k of fire capital grant and £5k of revenue funding. At 31 March 2016 the Authority had external debt of £8.823m (£8.995m at 31 March 2015).

In addition, the Authority's operational vehicles acquired prior to 2005/06 were financed through operating lease arrangements, and therefore are not the property of the Authority. The amount charged to the 2015/16 revenue budget under these arrangements totalled £172k (2014/15 £291k).

### DORSET EMERGENCY SERVICES PARTNERSHIP INITIATIVE (DESPI)

DESPI is a joint PFI funded project between Dorset Fire Authority and Dorset Police Authority. The project has provided new facilities in the Poole and Dorchester areas. The new Poole Fire Station and new Service Headquarters and Dorchester Fire Station, sited at Poundbury in Dorchester, opened in 2008. The final facility, and area command, opened in December 2009, on the site of the former Poole Fire Station. This is a shared facility with Dorset Police. The PFI contract will finish in December 2034, 25 years after this final site was opened.

During 2015/16 the authority received £1.627m (£1.627m 2014/15) of financial support from the Department for Communities and Local Government in the form of a PFI grant. Our share of unitary charge payments, made to the PFI contractor totalled £2.357m (£2.369m 2014/15).

### PENSIONS

The Authority accounts for pensions in accordance with International Accounting Standard (IAS) 19. One key element of IAS 19 is that the Authority must account for the cost of pension liabilities as they are being earned, even though they may not become due and payable for many years. Each year an actuarial assessment is carried out to determine the annual movement in pensions liability

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and the total liability at the year end. This assessment is carried out for both the Firefighters' Pension Scheme and Local Government Pension Scheme.

The overall effect of IAS 19 therefore shows a total net pensions deficit of £282m as at 31 March 2016, compared with £287m as at 31 March 2015. The Firefighters' Pension Scheme accounts for £269m of this total (£273m in 2014/15).

The balance sheet is still significantly impacted by the liability and shows a negative overall balance of £261m (£270m in 2014/15), although this is offset by the reserves and balances held. Such a position is a common feature for Fire Authorities and also Police Authorities, whose pension arrangements are similar to those of the Fire and Rescue Service. Further details on pensions are included in Note 27 to the accounts.

## FUTURE PLANS

The new combined Dorset & Wiltshire Fire and Rescue Service came into being on 1 April 2016, and is one of the largest fire and rescue services in England. It will look after the safety of over 1.45 million people living in the areas of Bournemouth, Dorset, Poole, Swindon and Wiltshire. The new Service has 50 fire stations, over 1,000 firefighters and 73 fire engines. It is supported by a dedicated team of non-station based uniformed staff and corporate staff, and over 100 enthusiastic volunteers.

As two small Fire and Rescue Services, we were vulnerable to outside pressures, and it was extremely difficult to make savings without impacting on frontline delivery. As one larger organisation, we have a stronger voice at a political level, and we will be an even more effective partner for our local authorities and other emergency services.

We still face a number of challenges – the Government has made it clear that further funding cuts will be required across the public sector so we, and our partners, will need to continue finding new ways of delivering services in an effective and efficient way.

At its budget setting meeting on 12 February 2016, the Shadow Authority approved a total net budget requirement of £54.8m to run Dorset & Wiltshire Fire and Rescue Service for the year 2016/17. The Band D council tax requirement is £69.21. The Shadow Authority also approved a new medium term finance plan up to and including the 2019/20 financial year. This plan includes forecast savings from the combination of just under £6m in total each year by 2019/20. Further savings will be required in the future to ensure a balanced budget.

I certify that these Financial Statements give a true and fair view of the financial position of Dorset Fire Authority and of its financial performance for the year ended 31 March 2016.

Phil Chow, Treasurer to the Fire Authority

Darran Gunter, Chief Fire Officer

# STATEMENT OF ACCOUNTING POLICIES

## **1. Introduction**

These accounts have been prepared in accordance with the principles recommended in the Code of Practice on Local Authority Accounting (The Code) and the Service Accounting Code of Practice (SERCOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In complying with The Code, these Financial Statements also comply with International Financial Reporting Standards (IFRS) as they apply to Local Authorities in England.

## **2. Accounting Conventions**

The Financial Statements of the Authority are prepared on the basis of historic cost except where disclosed otherwise in Accounting Policies or notes, where required by IFRS. Areas where there is divergence from the historic cost convention typically include the revaluation of property, plant and equipment; inventories and certain financial assets and liabilities.

The financial statements have been prepared with due regard to the pervasive accounting concepts of accruals and going concern.

## **3. Change of Accounting Policies**

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements. An entity is permitted to change an accounting policy only if the change is required by a standard or interpretation; or results in the Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

If a change in accounting policy is required by a change in reporting standards, the change is accounted for as required by that new pronouncement. If the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component for the earliest prior period presented, along with other comparative amounts disclosed for each prior period presented, and restating them as if the new accounting policy had always been applied.

Additionally, any accounting changes required by any new standards that have been issued but not adopted by 1 January prior to the Balance Sheet date must be covered by a disclosure note, setting out the impact of the change.

## **4. Prior Period Adjustments**

Prior period adjustments are material adjustments applicable to prior periods arising from either changes in accounting policies, or the correction of material errors.

Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the primary statements and notes and adjusting the opening balances for the current period for the cumulative effect.

## **5. Events after the Balance Sheet Date**

These are defined as events, which could be favourable or unfavourable, that occur between the end of the reporting period and the date that the Financial Statements are authorised for issue.

An adjusting event is an event that provides evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. An adjusting event is one where the Financial Statements are adjusted to reflect the event. A non-adjusting event is an event that is indicative of a condition that arose after the end of the reporting period. Non-adjusting events are disclosed in the Financial Statements if it is considered that non-disclosure would affect the ability of users to

## STATEMENT OF ACCOUNTING POLICIES

make proper evaluations and decisions, but the Financial Statements themselves are not adjusted to include the financial impact of it.

### **6. 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.

No provision is made in the accounts for contingent liabilities. Details of any other liabilities are disclosed in the notes to the Financial Statements.

### **7. Agency Accounting**

Council Tax revenue is reported in the Comprehensive Income and Expenditure Statement on a full accruals basis. The Authority's Balance Sheet also includes a proportionate share of the Billing Authorities debtors and creditors for Council Tax, proportionate to the relative demand on the Collection Fund.

### **8. Revenue Expenditure funded from Capital Under Statute**

Where capital expenditure does not result in the acquisition of a fixed asset, or is incurred on an asset not belonging to the Authority, the expenditure is charged to the income and expenditure account and written out in the year of account.

### **9. Foreign Currency Translation**

Income or expenditure arising from a transaction in a foreign currency is translated into £sterling at the exchange rate in operation on the date on which the transaction occurred.

### **10. Grants and Third Party Contributions**

All grants and contributions are realised in the Comprehensive Income and Expenditure Statement once there is reasonable assurance that any conditions applying to the income will be fulfilled. Where the associated expenditure has been incurred, the grant is reversed out of the Comprehensive Income & Expenditure Statement and taken to the Capital Adjustment Account. Where the expenditure has not been incurred, the reversal is taken to the Capital Grants Unapplied Account.

### **11. Interest**

Interest receivable on temporary investments is reported in the Comprehensive Income and Expenditure Statement in the period to which it relates. Interest payable on external borrowing is fully accrued in order that the period bears the full cost of interest related to its actual borrowing.

### **12. Financial Instruments**

In accordance with IFRS 7 and IFRS 9, financial assets and financial liabilities are recognised in the Authority's Balance Sheet when the Council becomes a party to the contractual provisions of the instrument.

#### ***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at each Balance Sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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### ***Cash and cash equivalents***

Cash is defined as cash in hand and deposits with any financial institution repayable without penalty or notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### ***Financial liabilities***

The Authority's financial liabilities are classified within the other creditor or liability headings as appropriate and disclosed within the notes to the Financial Statements.

### ***Short term financial liabilities***

Short term liabilities including short term borrowing and trade payables are carried at fair value.

### ***Long term financial liabilities***

Borrowings are initially measured at fair value, net of transaction costs. PFI liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

## **13. Leases**

The CIPFA Code gives guidance on whether leases should be treated as finance leases or operating leases.

For operating leases where the Authority is the lessee, lease payments are recognised as an expense in the Comprehensive Income and Expenditure Statement over the life of the lease on an accruals basis.

For finance leases where the Authority is the lessee, at the start of the lease term, the Authority records an asset and a corresponding liability at the lower of the fair value of the asset and the present value of the minimum lease payments.

Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Depreciation on finance leases is consistent with that for other property, plant and equipment.

For operating leases, where the Authority is the lessor, lease receipts are recognised as income in the Comprehensive Income & Expenditure Statement over the life of the lease on an accruals basis.

Where the Authority is the lessor of a finance lease, at the commencement of the lease term, the Authority records a finance lease in the balance sheet as a receivable, at an amount equal to the net investment in the lease.

The Authority recognises finance income based on a pattern reflecting a constant periodic return on its net investment outstanding in respect of the finance lease.

Land and buildings elements of a lease of land and buildings are classified and accounted for separately. Leased land is always treated as an operating lease; buildings are assessed separately to determine whether they are finance or operating leases.

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### **14. Lease Type Arrangements**

IFRIC4 sets out the principle that in recent years, arrangements have developed that do not take the legal form of a lease, but which convey rights to use assets in return for a payment, or series of payments. Such arrangements are deemed to be leases where:

- fulfilment of the arrangement depends on a specific asset
- the arrangement conveys a right to control the use of the asset.

In such cases, the transaction is deemed to be a lease and is assessed as to whether it is an operating or finance lease and accounted for accordingly.

### **15. Long Term Contracts**

The Authority is a party in a long term contract known as DESPI (Dorset Emergency Services Private finance Initiative) with Dorset Police under the Private Finance Initiative (PFI). The Authority accounts for this scheme in accordance with IFRIC 12 (Service Concessions). The PFI scheme is recorded as an asset in the Council's Balance Sheet with corresponding liabilities which are discharged over the period of the contract.

### **16. Overheads**

Support Services are corporate activities of a professional, technical and administrative nature that are carried out in support of the direct service provision of the Authority. The Service Reporting Code of Practice requires Authorities to adopt consistent policies when allocating the costs of these services to users. These activities are fully allocated over all services on the basis of use.

Some overheads are not apportioned, recognising the Authority's status as a multi-functional democratic organisation. These costs are shown as part of the Net Cost of Services under the Corporate and Democratic Core heading in the Comprehensive Income & Expenditure Statement, along with certain other non-distributed costs relating to pension benefits.

### **17. Pensions**

Firefighter pensions are funded by flat rate employee and employer contributions, and a DCLG top-up grant. Any deficit or surplus is adjusted by claiming additional grant from, or refunding excess to, the DCLG.

Liabilities in relation to retirement benefits were recognised only when employer's contributions became payable to the pension fund. IAS19 better reflects our commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The overall amount to be met from Government grants and local taxpayers remains unchanged, but the costs reported for individual services are adjusted by the difference between the employer's contributions and the current service costs defined under IAS19. This adjustment is reversed in the Movement in Reserves Statement.

The attributable liabilities of both pension schemes are measured on an actuarial basis using the projected unit method.

The current service costs are included within the 'Net Cost of Services' and the net total of interest cost and expected return on assets is included in 'Net Operating Expenditure' in the Comprehensive Income & Expenditure Statement, in respect of the LGPS scheme and the Firefighters schemes. Actuarial gains and losses arising from new valuations or revaluations are also recognised in the Comprehensive Income & Expenditure Statement. The independent actuary has determined these amounts in accordance with the FRS and government regulations.

The costs of 'added years' awarded to ex-staff are charged centrally as non-distributed costs.

## STATEMENT OF ACCOUNTING POLICIES

### 18. Provisions

The Authority maintains provisions to meet liabilities arising from past events, that will result in a future obligation, but the timing and precise amount are uncertain.

The Authority maintains external insurance only for major risks and self-funding the remaining significant elements of risk. A provision has been established to meet insurance liabilities not covered externally.

The adequacy of the Authority's provisions is reviewed annually.

### 19. Reserves

A number of earmarked reserves have been established to meet future expenditure. Reserves have also been established with the transition to IFRS, due to the change in accounting policy for grants and other contributions.

### 20. Tangible Fixed Assets

**a) Recognition** - The Code of Practice on Local Authority Accounting requires Local Authorities to maintain asset registers to record information on their capital assets. These assets are valued and revalued periodically by professional valuers, for inclusion in the Balance Sheet in accordance with IFRS. A de-minimis level of £25,000 has been applied to Land and Buildings. There is no de-minimis for other asset classes.

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes; and
- it is probable that future economic benefits will flow to, or service potential will be supplied to the Authority; and
- it has a useful economic life of more than one year; and
- the cost of the item can be measured reliably.

**b) Measurement** - Values are updated based on the results of annual revaluations of a representative sample of 20% of properties. The value of assets for the purposes of the capital accounting requirements does not purport to be the market value of assets owned by the Authority.

**c) Impairment** - Assets are reviewed annually for evidence of impairment. Impairment is the reduction in the recoverable amount of a fixed asset below the amount at which it is being carried in the balance sheet. It can be the result of physical damage, use, obsolescence or the passing of time.

If any indication of impairment exists, the recoverable amount is estimated.

Upward revaluation of an asset is matched by an increase to the Revaluation Reserve to reflect an unrealised gain. Where an asset is impaired (downward revaluation), the value of the asset is written down to the recoverable amount as soon as the impairment is recognised.

Impairment losses on revalued assets are recognised in the Revaluation Reserve, up to the amount in the Reserve for each respective asset and thereafter charged to Surplus or Deficit on the Provision of Services.

**d) Reversal of Impairment** - Assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

## STATEMENT OF ACCOUNTING POLICIES

If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years is treated as a revaluation gain and charged to the Revaluation Reserve.

**e) Disposals** - Capital receipts from the disposal of property and other assets owned by the Authority, less the cost of the sale, are credited to the usable capital receipts reserve and used to finance new capital expenditure.

**f) Gains and losses on disposal of assets** - A gain or loss arises when the proceeds of the sale of an asset differs from the net book value of that asset in the Balance Sheet. The gain or loss is charged to the Net Operating Expenditure section of the Income & Expenditure Account, and reversed out in the Movement on Reserves Statement in relation to the General Fund Balance.

**g) Depreciation** - Tangible fixed asset depreciation is charged to the Income & Expenditure Account where the assets have a finite useful life. This includes buildings in accordance with the requirements of IFRS. As part of the annual valuation of assets, the Valuation and Estates Manager determines the estimated useful life of the properties. The depreciation charge is based on equal annual instalments over the expected life of the asset with no allowance for residual value. For guideline purposes, vehicles and equipment are depreciated over periods of 2 to 10 years, infrastructure assets over 20 years and buildings over periods of 20 to 60 years. No depreciation charge is made for land or community assets.

### **h) Subsequent Expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Subsequent expenditure which does not add to the future economic benefits or service potential of the asset is charged as operating expenditure.

### **i) Componentisation**

Component accounting applies prospectively from 1 April 2010. Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (ie as if each component was a separate asset in its own right) where the useful life is substantially different.

Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Significant is when the component is 25% of the total asset with a minimum total asset value of £250k. Assets are reviewed for componentisation whenever they are acquired, revalued, or enhanced.

## **21. VAT**

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

## STATEMENT OF ACCOUNTING POLICIES

### **22. Investment Property**

Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recorded in the Balance Sheet at fair value.

Changes to fair value of Investment Property are taken to Surplus or Deficit on the Provision of Services and then reversed out to the Capital Adjustment Account.

Dorset Fire Authority has no Investment Property at the Balance Sheet date.

### **23. Surplus Assets**

Non-current assets which are surplus to service needs, but which do not meet the criteria required to be classified as Investment Property, or Assets Held For Sale are classified as Surplus Assets within Property, Plant and Equipment.

Surplus assets can be categorised as either fixed assets or current assets, depending on their nature; so a separate classification of current, surplus assets is available.

### **24. Assets Held for Sale**

The following conditions must be met for an asset (or disposal group) to be classified as held for sale:

- management is committed to a plan to sell
- the asset is available for immediate sale
- an active programme to locate a buyer has been initiated
- the sale is highly probable within 12 months
- the asset is being actively marketed with a sales price which is reasonable to its fair value
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

Assets held for sale are valued at the lower of their carrying value and fair value less costs to sell.

### **25. Redemption of debt**

The Fire Authority finances a proportion of its capital spending by borrowing, and is required to make prudent provision for the repayment of debt, known as the Minimum Revenue Provision (MRP) under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. From 1st April 2008 for all unsupported borrowing the MRP policy will be based on the Asset Life Method - MRP will be based on the estimated life of the assets.

### **26. Heritage Assets**

FRS 30 defines a heritage asset as one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Code offers further interpretation of this definition: "heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of heritage."

## STATEMENT OF ACCOUNTING POLICIES

Dorset Fire Authority does not have any assets identified that meet the definition for heritage assets.

### **27. Employee Benefits**

Salaries, wages and employment-related payments and any termination benefits are recognised in the period in which the service is received from employees. Annual leave not taken at the end of the financial year is accrued for in the Surplus or Deficit on the Provision of Services, in accordance with IAS 19.

## STATEMENT OF RESPONSIBILITIES

### **The Fire Authority is responsible for: -**

- ◆ securing appropriate arrangements for the proper administration of its financial affairs and ensuring that the nominated officer, namely the Treasurer, has the responsibility for them;
- ◆ managing its affairs so as to ensure the economic, effective, and efficient use of resources and the safeguarding of assets; and
- ◆ approving the statement of accounts

### **The Treasurer is responsible for: -**

- ◆ the preparation of the Authority's Financial Statements so as to give a true and fair view of the financial position of Dorset Fire Authority and of its financial performance for the year ended 31 March;
- ◆ selecting suitable accounting policies and applying them consistently;
- ◆ making reasonable and prudent judgments and estimates;
- ◆ complying in all material aspects with the Code of Practice on Local Authority Accounting in Great Britain;
- ◆ ensuring that proper, up to date, accounting records are kept; and
- ◆ taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## FURTHER INFORMATION

This report concentrates on the financial aspect of the Authority. Details of organisational and operational matters are contained in the Annual Report which can be obtained from the Chief Fire Officer, Dorset & Wiltshire Fire and Rescue Service, Five Rivers Health & Wellbeing Centre, Hulse Road, Salisbury, SP1 3NR, or viewed in most public libraries in Dorset.

The Annual Report and Accounts of the Dorset County Pension Fund, which non-uniformed and mobilising centre staff are eligible to join, can be obtained from the Chief Financial Officer, County Hall, Dorchester, Dorset, DT1 1XJ.

### **Access to Information Act 1985**

The public and press are able to attend all meetings of the Dorset Fire Authority and most of its committees, and to have access to reports and background papers, subject to the exemptions and confidentiality provisions of the Local Government Act 1972.

### **Questions and Comments**

Any questions or comments about the Dorset Fire Authority, or requests for further information, should be directed either to, J E Mair Clerk to the Fire Authority, County Hall, Dorchester, Dorset, DT1 1XJ, or to the Chief Fire Officer (address above).

### **Complaints**

Persons who consider they have a justified complaint against the conduct of Officers of the Dorset Fire and Rescue Service should submit their complaint to the Chief Fire Officer, Dorset & Wiltshire Fire and Rescue Service, Five Rivers Health & Wellbeing Centre, Hulse Road, Salisbury, SP1 3NR.

**Dorset Fire Authority**  
**Annual Governance Statement**  
**2015/16**

## **1. Scope and Responsibilities**

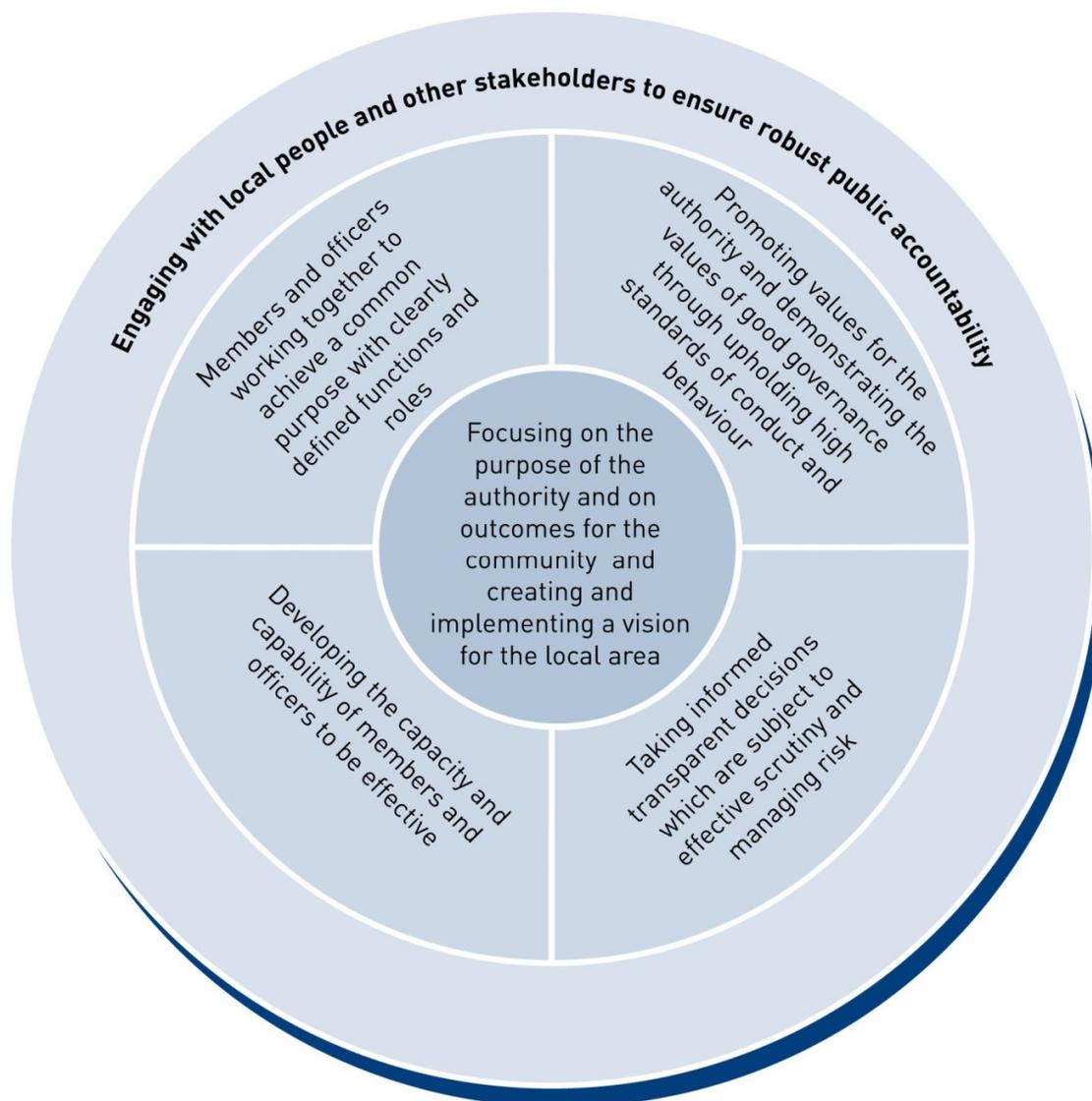
Dorset Fire Authority ('the Authority') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at [www.dwfire.org.uk](http://www.dwfire.org.uk) or can be obtained from the Head of Information & Communications, at Five Rivers Health & Wellbeing Centre, Hulse Road, Salisbury, SP1 3NR or telephoning (01722) 691082. This statement explains how the Authority has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

## **2. The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. An outline of the key principles is set out in the following model:



The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The key elements of the Authority's governance arrangements are described below.

### **Key elements**

#### *Developing, communicating and reviewing the Authority's vision and purpose*

The Authority's Community Safety Plan is a five-year strategic document setting clear corporate aims, targets and objectives. The corporate plan is informed by community

strategies for Dorset, Poole and Bournemouth, and other requirements such as the National Framework. A range of consultation exercises, including a significant partnership-led strategic analysis exploring issues facing Dorset in 2020 also underpins it. The Plan is monitored by the Authority on a quarterly basis and is reviewed annually. An Annual Report or information on performance is normally published. In view of the combination with Wiltshire, it was decided that no new Community Safety Plan or Annual report would be published by Dorset Fire Authority. The new Dorset & Wiltshire Fire and Rescue Authority has published its own Community Safety Plan 2016 – 2020 and this is available at [www.dwfire.org.uk](http://www.dwfire.org.uk).

### *Monitoring the quality of service and ensuring value for money*

The Authority has sound financial and performance management arrangements in place. We have a long and proud history of being an ambitious and well run Authority. Our Service has been judged as:

- Performing Strongly under the Operational Peer Assessment 2011. The Service was found to be... 'a confident, well led organisation with high ambition, good performance and held in high regard by partners.'
- A second Operational Peer Assessment in 2012 (the first in the UK to do so) concluded that 'It is clear that Dorset Fire & Rescue Service is a high performing Service that is in a good place to continue its improvement journey.'
- We have maintained the Investors In People award for many years and in 2012 we became one of only a few fire and rescue services to have secured the much coveted Excellent rating in the Fire and Rescue Service equality framework.
- We are one of only a few fire and rescue services to achieve the BSI 18001 Health and Safety standard

The Authority has always had a good track record of identifying efficiency savings and achieving value for money. Most recently our Resourcing and Reform Programme led to plans being put in place by the Authority that were on track to achieve annual savings of over £4m per year by 2016. Although this level of savings is significant against a budget of less than £30m, continuing cuts to Central Government funding still meant that the Authority was facing severe financial pressures. Following the production of an extensive business case and public consultation exercise the Authority agreed to a merger with Wiltshire and Swindon Fire Authority. The Secretary of State approved a combination order in 2015 and the new combined fire and rescue authority and service began operations on 1 April 2016.

### *Defining roles and responsibilities and delegation arrangements*

The Authority has set these out through the Composition, Duties and Powers of the Committees of the Dorset Fire Authority Financial and Administrative Regulations and Contract Procedure Rules. Each report, which recommends decision-making by

Members of the Authority, receives legal and financial consideration, along with a risk assessment before it is finalised. The Treasurer and the Monitoring Officer further advise the Authority on budgetary and decision-making practices to ensure sound and lawful practices. All Members have a handbook with these included.

#### *Codes of conduct and standards of behaviour*

Previously our Standards Committee played an important part in the good governance of the Authority, promoting high standards of member behaviour. In the spirit of partnership and efficiency, Members now rely on the arrangements in place within their own constituent authorities.

#### *Role of Audit and Scrutiny Committee*

The Audit and Scrutiny Committee undertakes its core functions in accordance with CIPFA's Audit Committees - Practical guidance for Local Authorities. Its terms of reference have recently been amended and approved by the Fire Authority. The auditors and peer assessors have acknowledged the work of the Committee as a driver of performance improvement.

#### *Planning, performance and risk management arrangements*

Over recent years, we have significantly invested in our planning, performance and risk management arrangements. We now have some of the strongest arrangements of any fire and rescue services of our size. The planning, performance, project and risk management system is embedded to further strengthen our overall approach to management information systems. Our arrangements are detailed in our performance and risk management policy and a number of associated procedures.

#### *Financial arrangements*

The Authority's financial arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2016) and are set out in its Financial and Administrative Regulations and financial framework. The Authority has well-developed short and medium term budget planning and monitoring arrangements involving Members and officers. The budget is reported through the Strategic Management Team on a quarterly basis, with a quarterly report to the Authority. No significant or material issues have been raised by any external auditors for a considerable number of years.

#### *Ensuring compliance with established policies, procedures, laws and regulations*

The Authority's Audit and Scrutiny Committee monitors the effectiveness of the internal control system, including the adequacy of financial policies and practices to ensure compliance with relevant statutes, guidance, policies, standards and the code of corporate governance. The Chief Fire Officer, Treasurer and Monitoring Officer have specified roles within the Authority's arrangements to ensure reports prepared for

Member decisions comply with the budget and policy framework. Each agenda for a business meeting contains an item requiring Members to declare interests at the outset of the meeting. The Dorset County Council's Legal and Democratic Services provide advice on the law, regulations and internal procedures through a service level agreement with the Authority. There are a range of assurance processes in place that are reported to the Authority and now form part of the Assurance Statement as required by the Fire and Rescue National Framework.

#### *Whistle-blowing and complaints*

The Authority has a number of processes to help raise issues of concern, including a whistle blowing policy that was first adopted in spring 2004. This procedure was reviewed and updated in 2012 and is integral to induction, probation and the staff code of conduct that forms part of employment contracting arrangements. Staff are aware of the procedure, with reporting arrangements now including an option to raise concerns directly with our internal auditors. The complaints process has been reviewed. Complaints are monitored and reported regularly to senior management and the Authority.

#### *Developing senior officers and Members*

All senior officers have an annual personal development and performance review which identifies development needs against their job descriptions or role maps. Members have developed and are using an appraisal process that has been elaborated with the help of IDeA to support their growing role as set out in their job descriptions. Key issues are reported to the full Authority.

#### *Communicating and consulting the community*

The Authority has an external engagement strategy and consults widely through the development of its Community Safety Plan, including the 2020 initiative, and has specific consultation exercises associated with more localised issues. It also has led or been active in a number of partnership consultation exercises or one-off events to reduce consultation fatigue or engage hard to reach groups. In addition, a number of routine customer care surveys are conducted. The extensive consultation exercise carried out to support the business case for combination was judged best practice by the Consultation Institute.

#### *Partnerships*

The Authority has a sound track record of partnership working, including being acknowledged in national best practice case studies. We have strengthened our governance of partnership arrangements over recent years with the establishment of the community engagement team.

### **3. Review of Effectiveness**

Dorset Fire Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Head of Internal Audit's annual opinion noted the significant work undertaken to prepare for the Combination, and the uncertainty and risk inherent in such a programme of work. In their conclusion they were "able to offer reasonable assurance in respect of the areas reviewed during the year". No significant corporate risks were identified by Internal Audit.

In addition to the annual review, all ongoing activities, including activities to strengthen governance, are integrated into the planning, performance and risk management arrangements. The delivery of these activities is reviewed monthly by managers and reviewed quarterly by Directors, Forums and the Strategic Management Team. A quarterly report highlighting progress, key issues and risks is considered by the Authority and reviewed by the Audit and Scrutiny Committee as necessary. Activities to address weaknesses and ensure continuous improvement of the system are in place.

### **4. Significant Governance Issues and Risks**

Much of the work of the last 12 to 24 months has been focused on the combination with Wiltshire, which has been managed within a separate Combination Programme and reported to Members through those channels. The programme of work included the development of a strategic risk register for the new Authority, taking account of the existing Authority's strategic risks along with on-going combination risks and new emerging risks resulting from intelligence from key stakeholders. Both Local Resilience Forums for Dorset and Wiltshire were involved at an early stage, and support was provided by DCLG. Contact was also made with both the Scottish Fire Service and Devon & Somerset Fire and Rescue Service, with a view to understanding their 'day one' risks, current strategic risks and to review any lessons learnt from their merger processes.

The draft strategic risk register developed from this process was reviewed and validated by the Joint Leadership Team and presented to Members at the Shadow Policy and Resources Committee in January 2016. In addition, the full programme of work to develop the strategic risk register, including a new risk matrix, was reviewed and endorsed by the Southwest Audit Partnership (SWAP).

The risks within the strategic risk register, along with any new emerging strategic risks will be reviewed on a monthly basis and managed by the Strategic Leadership Team.

The strategic risk register will be reported to the Finance and Audit Committee, who will monitor and make recommendations to the Fire Authority when necessary.

On an annual basis, the strategic risks will be reported to the Fire Authority as part of the Annual Governance Statement for the new Authority.

The strategic risk register for the new Authority is available on the new Service website at [www.dwfire.org.uk](http://www.dwfire.org.uk).

Signed

Cllr Mrs Knox, Chairman of the Dorset Fire Authority

Signed

Darran Gunter, Chief Fire Officer

**Dorset Fire Authority**  
**Comprehensive Income and Expenditure Statement**  
**For the year ended**  
**31 March 2016**

	2014-15			2015-16			
	Net Spending £000s	Adjustment £000s	Adjusted Net Spending £000s	Gross Spending £000s	Income £000s	Specific Grants £000s	Net Spending £000s
<b>Community Safety</b>							
Statutory Inspection, Certification & Enforcement	1,638	0	1,638	1,851	(14)	(204)	<b>1,633</b>
Prevention & Education	2,463	0	2,463	2,875	(88)	(187)	<b>2,600</b>
<b>Fire Fighting and Rescue Operations</b>							
Operational Responses	21,122	(228)	20,894	22,514	(539)	(1,236)	<b>20,739</b>
Communications & Mobilising	2,112	0	2,112	1,976	(33)	(220)	<b>1,723</b>
Securing Water Supplies	119	0	119	130	0	0	<b>130</b>
<b>Corporate and Democratic Core</b>							
Democratic Representation and Management	252	0	252	321	0	0	<b>321</b>
Corporate Management	786	(151)	635	1,063	(10)	(295)	<b>758</b>
<b>Non-distributed Costs</b>	(21)	0	(21)	1,945	0	0	<b>1,945</b>
<b>Cost Of Services</b>	<b>28,471</b>	<b>(379)</b>	<b>28,092</b>	<b>32,675</b>	<b>(684)</b>	<b>(2,142)</b>	<b>29,849</b>
<b>Other operating expenditure</b>							
Net (gain) / loss on disposal of non-current assets	(27)	0	(27)	0	(9)	0	(9)
Expenditure and Income related to the Combination with Wiltshire and Swindon Fire Authority	0	379	379	524	0	0	524
Financing and Investment Income and Expenditure	313	0	313	371	(75)	0	296
Pensions Interest Cost & Expected Return on Assets	10,371	0	10,371	9,122	0	0	9,122
<b>Net Operating Expenditure</b>	<b>39,128</b>	<b>0</b>	<b>39,128</b>				<b>39,782</b>
<b>Taxation and Non-Specific Grant Income</b>							
Collection Fund Surplus	(627)	0	(627)				(247)
Revenue Support Grant	(6,486)	0	(6,486)				(5,349)
Non Domestic Rates	(2,261)	0	(2,261)				(2,315)
Business Rates top-up receipts from Central Government (from 13/14)	(2,665)	0	(2,665)				(2,716)
Council Tax Precept	(18,082)	0	(18,082)				(18,702)
Council Tax Freeze Grant	0	0	-				0
Capital Grants	(902)	0	(902)				0
	<b>(31,023)</b>	<b>0</b>	<b>(31,023)</b>				<b>(29,329)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>8,105</b>	<b>0</b>	<b>8,105</b>				<b>10,453</b>
(Surplus) or deficit on revaluation of fixed assets	(2,311)	0	(2,311)				(4,834)
Actuarial (gains) / losses on pensions assets / liabilities	37,600	0	37,600				(14,904)
<b>Other Comprehensive Income and Expenditure</b>	<b>35,289</b>	<b>0</b>	<b>35,289</b>				<b>(19,738)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>43,394</b>	<b>0</b>	<b>43,394</b>				<b>(9,285)</b>

## BALANCE SHEET

<b>Balance Sheet</b>		<b>for the year ending 31 March 2016</b>	
31 March 2015		Note	31 March 2016
£'000			£'000
9	Intangible Assets	12	4
27,815	Property - Land & Buildings	12	31,894
5,398	Vehicles, Plant & Equipment	12	4,587
<u>33,222</u>	<b>Long Term Assets</b>		<u>36,485</u>
149	Inventories	18	109
4,262	Short Term Debtors	19	4,300
6,000	Short Term Investments	20	0
836	Cash and Cash Equivalents	22	7,846
<u>11,247</u>	<b>Current Assets</b>		<u>12,255</u>
(3,037)	Short Term Creditors	21	(3,770)
(172)	Short Term Borrowing	17	(90)
<u>(3,209)</u>	<b>Current Liabilities</b>		<u>(3,860)</u>
8,038	<b>Net Current Assets</b>		8,395
41,260	<b>Total Assets less Current Liabilities</b>		44,880
(15,294)	Long Term Creditors	32	(14,592)
(8,823)	Long Term Borrowing	17	(8,733)
(181)	Provisions	23	(165)
(286,813)	Pensions Liability	27	(281,956)
<u>(311,111)</u>	<b>Long-Term liabilities</b>		<u>(305,446)</u>
<u>(269,851)</u>	<b>Net Liabilities</b>		<u>(260,566)</u>
	<i>Unusable Reserves:-</i>		
(6,750)	Capital Adjustment Account	24 (i)	(6,897)
9,816	Revaluation Reserve	24 (ii)	14,578
590	Collection Fund Adjustment Accounts	24 (v)	676
(124)	Accumulated Absences Account	24 (vi)	(228)
(286,813)	Pensions Reserve	24 (iv)	(281,956)
	<i>Usable Reserves:-</i>		
1,839	Usable Capital Receipts Reserve	24 (iii)	1,839
799	Capital Grants Unapplied		180
8,430	Specific Reserves	24 (vii)	7,942
2,362	Revenue Balances	26	3,300
<u>(269,851)</u>	<b>Total Reserves</b>		<u>(260,566)</u>

# CASH FLOW STATEMENT

2014-15			2015-16	
£'000	£'000		£'000	£'000
		<b>Operating Activities</b>		
		Expenditure		
28,642		Cash paid to or on behalf of employees	30,833	
8,419		Other operating costs	8,550	
	37,061			39,383
		Income		
(18,082)		Precept - Council Tax income	(18,702)	
(627)		Surplus / (Deficit) on Collection Funds	(247)	
(2,261)		Non-Domestic Rate income	(2,315)	
(2,665)		Business Rates top-up from Govt	(2,716)	
(6,486)		Revenue Support Grant	(5,349)	
(3,138)		Government Grants and receipts	(2,233)	
(6,838)		Cash received for goods and services	(10,251)	
	(40,097)			(41,813)
	(3,036)	Operating Activities Net Cash Flow		(2,430)
		<b>Servicing of Finance</b>		
		Expenditure		
380		Interest paid	371	
		Income		
(67)		Interest received	(75)	
	313			296
		<b>Investing Activities</b>		
		Expenditure		
1,409		Purchase of fixed assets	858	
		Income		
(28)		Cash used from sale of fixed assets	(9)	
(657)		Capital Grants received	(624)	
	724			225
		<b>Management of liquid resources</b>		
(10,745)		Short Term Lending	(16,500)	
12,000		Short Term Loans Repaid	10,500	
		<b>Financing Activities</b>		
(54)		Borrowing	90	
172		Borrowing Repaid	90	
	1,373			(5,820)
	(626)	<b>Net cash (inflow) / outflow</b>		(7,729)
	(1,060)	<b>Other Movements</b>		655
	727	Transfers		64
	(959)	<b>Net (increase) / decrease in cash</b>		(7,010)

**Dorset Fire Authority**  
**Movement in Reserves Statement**  
**For the years ended 31st March 2015 and 2016**

	General Fund Balance	Capital Grants Unapplied	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Collection Fund Adjustment Accounts	Accumulated Absences Reserve	Pensions Reserve	Total Unusable Reserves	Total Authority Reserves £000
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Balance at 31 March 2014</b>	<b>2,182</b>	<b>312</b>	<b>8,478</b>	<b>1,839</b>	<b>12,811</b>	<b>(7,101)</b>	<b>7,557</b>	<b>150</b>	<b>(84)</b>	<b>(239,788)</b>	<b>(239,266)</b>	<b>(226,455)</b>
Surplus / (Deficit) on Provision of Services	(8,105)				(8,105)						0	(8,105)
Depreciation & Impairment of Fixed Assets	2,685				2,685	(2,634)	(52)				(2,686)	(1)
Net charges for pensions in accordance with IAS19	17,651				17,651				(17,651)		(17,651)	0
Collection Fund Adjustment Accounts	(440)				(440)			440			440	0
Statutory provision for repayment of debt	(1,412)				(1,412)	1,412					1,412	0
Capital Expenditure charged to the General Fund Balance	(518)				(518)	518					518	0
Employer's contributions payable to the Dorset County Pension Fund and amounts payable direct to pensioners.	(8,226)				(8,226)					8,226	8,226	0
Transfer to Capital Grants Unapplied Reserves	(902)	902			0						0	0
Voluntary provision for repayment of debt	(398)				(398)	398					398	0
Net transfer to / (from) Earmarked Reserves	48		(48)		0						0	0
Capital Grant applied	0	(415)			(415)	415					415	0
Other Capital Contributions	(242)				(242)	242					242	0
Transfers to/from Accumulated Absences Account	40				40				(40)		(40)	0
Revaluation losses (gains)					0		2,311				2,311	2,311
Actuarial loss/(gain) on Pension Fund assets and liabilities					0					(37,600)	(37,600)	(37,600)
Rounding	(1)				(1)						0	(1)
<b>Balance at 31 March 2015</b>	<b>2,362</b>	<b>799</b>	<b>8,430</b>	<b>1,839</b>	<b>13,430</b>	<b>(6,750)</b>	<b>9,816</b>	<b>590</b>	<b>(124)</b>	<b>(286,813)</b>	<b>(283,281)</b>	<b>(269,851)</b>

**Dorset Fire Authority**  
**Movement in Reserves Statement**  
**For the years ended 31st March 2015 and 2016**

	General Fund Balance	Capital Grants Unapplied	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Collection Fund Adjustment Accounts	Accumulated Absences Reserve	Pensions Reserve	Total Unusable Reserves	Total Authority Reserves £000
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Balance at 31 March 2015</b>	<b>2,362</b>	<b>799</b>	<b>8,430</b>	<b>1,839</b>	<b>13,430</b>	<b>(6,750)</b>	<b>9,816</b>	<b>590</b>	<b>(124)</b>	<b>(286,813)</b>	<b>(283,281)</b>	<b>(269,851)</b>
Surplus / (Deficit) on Provision of Services	(10,453)				(10,453)						0	(10,453)
Depreciation & Impairment of Fixed Assets	2,266				2,266	(2,194)	(72)				(2,266)	0
Net charges for pensions in accordance with IAS19	19,543				19,543					(19,543)	(19,543)	0
Collection Fund Adjustment Accounts	(86)				(86)			86			86	0
Statutory provision for repayment of debt	(1,424)				(1,424)	1,424					1,424	0
Employer's contributions payable to the Dorset County Pension Fund and amounts payable direct to pensioners.	(9,496)				(9,496)					9,496	9,496	0
Net transfer to / (from) Earmarked Reserves	488		(488)		0						0	0
Capital Grant applied	0	(619)			(619)	619					619	0
Other Capital Contributions	(5)				(5)	5					5	0
Transfers to/from Accumulated Absences Account	105				105				(105)		(105)	0
Revaluation losses (gains)					0		4,834				4,834	4,834
Actuarial loss/(gain) on Pension Fund assets and liabilities					0					14,904	14,904	14,904
Rounding					0	(1)			1		0	0
<b>Balance at 31 March 2016</b>	<b>3,300</b>	<b>180</b>	<b>7,942</b>	<b>1,839</b>	<b>13,261</b>	<b>(6,897)</b>	<b>14,578</b>	<b>676</b>	<b>(228)</b>	<b>(281,956)</b>	<b>(273,827)</b>	<b>(260,566)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **1. ACCOUNTING POLICIES THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED**

Paragraph 3.3.2.13 of the CIPFA Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. In addition, paragraph 3.3.4.3 requires authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The relevant accounting standards that have been issued but not adopted in the CIPFA code for 2015-16 are as follows:

- \*Amendment to IAS 19 - Employee Benefits
- \*Annual improvements to IFRSs (2010 - 2012 Cycle)
- \*Amendment to IFRS 11 - Joint Arrangements
- \*Amendment to IAS 16 - Property, Plant and Equipment
- \*Amendment to IAS 38 - Intangible Assets
- \*Annual Improvements to IFRSs (2012 - 2014 Cycle)
- \*Amendment to IAS 1 - Presentation of Financial Statements

These new standards do not have a material impact for the Authority, and do not require any further disclosure in this set of financial statements.

### **2. EVENTS AFTER THE BALANCE SHEET DATE**

On 1 April 2016 Dorset Fire Authority combined with the Wiltshire and Swindon Fire Authority to form the new Dorset & Wiltshire Fire and Rescue Authority. The Combination followed an extensive programme of work over a two year period which culminated in the development of a Final Business Case for Combination. This was approved by both fire authorities late in 2014, and the Secretary of State for Communities and Local Government formally approved the merger in March 2015.

Statutory Instrument 2015 No. 435 The Dorset and Wiltshire Fire and Rescue Authority (Combination Scheme) Order 2015 was laid before Parliament on 4 March 2015. The Statutory Instrument provides for all property, rights and liabilities held by the two former authorities to be transferred to the new authority on 1 April 2016. These financial statements have been prepared on a going concern basis.

On 23 June 2016, a national Referendum resulted in a vote for the United Kingdom to leave the European Union. This may affect the level of resources available to the Authority in the future, but the effect is both uncertain and unquantifiable.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 3. COMPARISON OF OUTTURN WITH BUDGET

The revenue account is shown here in subjective format, with a comparison between actual spending for the year and budgets agreed by the Authority.

2014-15	<u>2015-16</u>			
Actual £'000	Original Estimate £'000	Final Estimate £'000	Actual £'000	Difference ( ) = over £'000
<u>Fire Authority</u>				
189	187	187	180	7
<u>Dorset Fire And Rescue Service</u>				
20,453	21,566	23,516	22,280	1,236
925	936	992	992	0
1,541	1,501	1,604	1,552	52
734	860	802	668	134
2,588	2,071	2,444	2,358	86
1,935	2,214	2,777	2,731	46
291	172	172	172	0
2,685	2,300	2,267	2,266	1
31,341	31,807	34,761	33,199	1,562
<u>Income</u>				
(2,145)	(1,908)	(2,130)	(2,142)	12
(574)	0	(428)	(450)	22
(151)	(133)	(175)	(234)	59
28,471	29,766	32,028	30,373	1,655
<b>Net Cost of Service</b>				
(27)	0	0	(9)	9
380	464	464	371	93
(67)	(60)	(60)	(75)	15
10,371	10,500	9,122	9,122	0
39,128	40,670	41,554	39,782	1,772
<b>Net Operating Expenditure</b>				
<b>Principal Sources of Finance</b>				
6,486	5,349	5,349	5,349	0
2,261	2,404	2,132	2,315	183
2,665	2,716	2,716	2,716	0
18,082	18,702	18,702	18,702	0
627	118	247	247	0
902	0	0	0	0
31,023	29,289	29,146	29,329	183
<b>Total Funding</b>				
8,105	11,381	12,408	10,453	1,955
<b>Deficit / (Surplus) for the year</b>				
(2,685)	(2,300)	(2,267)	(2,266)	(1)
440	0	86	86	0
902	0	0	0	0
(40)	0	(104)	(104)	0
761	0	4	4	0
1,810	1,406	1,424	1,424	0
(9,425)	(10,000)	(10,047)	(10,047)	0
(48)	(480)	(732)	(488)	(244)
(180)	7	772	(938)	1,710
<b>Reduction / (Increase) in General Balances</b>				

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 3.1. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Strategic Management Team and the Fire Authority on the basis of budget reports analysed across key strategies and programme areas. 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 pension contributions) rather than current service cost of benefits accrued in the year; and
- expenditure on some support services is budgeted for centrally and not charged to key strategy areas.

The income and expenditure of the Authority's principal key strategies recorded in the budget reports for the year is as follows:

<b>Service Income and Expenditure 2015-16</b>	<b>Asset Strategy</b>	<b>Community Safety Strategy</b>	<b>Governance Strategy</b>	<b>People Strategy</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Government Grants	(1,847)	(48)	(247)	0	(2,142)
Reimbursements and Contributions	0	(436)	(4)	(10)	(450)
Customer & Client Receipts	(87)	(88)	(57)	(2)	(234)
<b>Total Income</b>	<b>(1,934)</b>	<b>(572)</b>	<b>(308)</b>	<b>(12)</b>	<b>(2,826)</b>
Employees	6	318	534	20,497	21,355
Pensions	0	0	0	992	992
Premises	1,521	6	34	(9)	1,552
Transport	449	64	79	76	668
Supplies and Services	1,472	480	298	108	2,358
Support Services	1,611	679	441	0	2,731
Leasing Charges	0	0	172	0	172
<b>Total Expenditure</b>	<b>5,059</b>	<b>1,547</b>	<b>1,558</b>	<b>21,664</b>	<b>29,828</b>
<b>Net Expenditure</b>	<b>3,125</b>	<b>975</b>	<b>1,250</b>	<b>21,652</b>	<b>27,002</b>

<b>Service Income and Expenditure 2014-15</b>	<b>Asset Strategy</b>	<b>Community Safety Strategy</b>	<b>Governance Strategy</b>	<b>People Strategy</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Government Grants	(1,860)	(48)	(237)	0	(2,145)
Reimbursements and Contributions	(39)	(239)	(296)	0	(574)
Customer & Client Receipts	(103)	(35)	(7)	(6)	(151)
<b>Total Income</b>	<b>(2,002)</b>	<b>(322)</b>	<b>(540)</b>	<b>(6)</b>	<b>(2,870)</b>
Employees	15	124	103	21,157	21,399
Pensions	0	0	0	925	925
Premises	1,416	99	24	2	1,541
Transport	507	70	81	76	734
Supplies and Services	1,349	757	360	122	2,588
Support Services	1,621	43	271	0	1,935
Leasing Charges	0	0	291	0	291
<b>Total Expenditure</b>	<b>4,908</b>	<b>1,093</b>	<b>1,130</b>	<b>22,282</b>	<b>29,413</b>
<b>Net Expenditure</b>	<b>2,906</b>	<b>771</b>	<b>590</b>	<b>22,276</b>	<b>26,543</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Reconciliation of Department Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of key strategy income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2014-15 £'000		2015-16 £'000
26,543	Cost of Services in Service Analysis	27,002
189	Services not in Analysis	180
1,739	Amounts not reported to management	3,191
28,471	<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>30,373</b>

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of key strategy income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015-16	Service analysis	Services not in analysis	Amounts not reported to management	Net Cost of Services	Corporate amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Government Grants & Contributions	(2,142)	0	0	(2,142)	(5,349)	(7,491)
Other Grants, Reimbursements & Contributions	(450)	0	0	(450)	(5,031)	(5,481)
Income from Council Tax	0	0	0	0	(18,949)	(18,949)
Interest & Investment Income	0	0	0	0	(75)	(75)
Fees, Charges and Other	(234)	0	0	(234)	0	(234)
<b>Total Income</b>	<b>(2,826)</b>	<b>0</b>	<b>0</b>	<b>(2,826)</b>	<b>(29,404)</b>	<b>(32,230)</b>
Employee expenses	21,355	72	925	22,352	0	22,352
Pensions	992	0	0	992	0	992
Premises	1,552	0	0	1,552	0	1,552
Transport	668	4	0	672	0	672
Supplies and Services	2,358	8	0	2,366	0	2,366
Support Services	2,731	96	0	2,827	0	2,827
Capital Financing Costs	172	0	0	172	0	172
Depreciation, Amortisation & Impairment	0	0	2,266	2,266	0	2,266
Interest Payable	0	0	0	0	371	371
Pension Interest Cost	0	0	0	0	9,122	9,122
Gain/Loss on Disposal of Non-current Assets	0	0	0	0	(9)	(9)
<b>Total Expenditure</b>	<b>29,828</b>	<b>180</b>	<b>3,191</b>	<b>33,199</b>	<b>9,484</b>	<b>42,683</b>
<b>Deficit on provision of services</b>	<b>27,002</b>	<b>180</b>	<b>3,191</b>	<b>30,373</b>	<b>(19,920)</b>	<b>10,453</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15	Service analysis	Services not in analysis	Amounts not reported to management	Net Cost of Services	Corporate amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Government Grants & Contributions	(2,145)	0	0	(2,145)	(7,388)	(9,533)
Other Grants, Reimbursements & Contributions	(574)	0	0	(574)	(5,101)	(5,675)
Income from Council Tax	0	0	0	0	(18,534)	(18,534)
Interest & Investment Income	0	0	0	0	(67)	(67)
Fees, Charges and Other Income	(151)	0	0	(151)	0	(151)
<b>Total Income</b>	<b>(2,870)</b>	<b>0</b>	<b>0</b>	<b>(2,870)</b>	<b>(31,090)</b>	<b>(33,960)</b>
Employee expenses	21,399	74	(946)	20,527	0	20,527
Pensions	925	0	0	925	0	925
Premises	1,541	0	0	1,541	0	1,541
Transport	734	5	0	739	0	739
Supplies and Services	2,588	7	0	2,595	0	2,595
Support Services	1,935	103	0	2,038	0	2,038
Capital Financing Costs	291	0	0	291	0	291
Depreciation, Amortisation & Impairment	0	0	2,685	2,685	0	2,685
Interest Payable	0	0	0	0	380	380
Pension Interest Cost	0	0	0	0	10,371	10,371
Gain/Loss on Disposal of Non-current Assets	0	0	0	0	(27)	(27)
<b>Total Expenditure</b>	<b>29,413</b>	<b>189</b>	<b>1,739</b>	<b>31,341</b>	<b>10,724</b>	<b>42,065</b>
<b>Deficit on provision of services</b>	<b>26,543</b>	<b>189</b>	<b>1,739</b>	<b>28,471</b>	<b>(20,366)</b>	<b>8,105</b>

#### 4. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in the year.

#### 5. LONG TERM CONTRACTS - PFI (Private Finance Initiative)

The Authority signed a contract for a new Service Headquarters and Fire Station in Dorchester and a new Fire Station and Area Headquarters in Poole on 10 July 2007, using the Government's Private Finance Initiative (PFI). DESPI is a joint PFI funded project between Dorset Fire Authority and Dorset Police & Crime Commissioner. The project is providing new facilities in the Poole and Dorchester areas. The new Poole Fire Station opened in August 2008 and the new Service Headquarters and Dorchester Fire Station, sited at Poundbury in Dorchester, opened in October 2008. Further facilities, located on the site of the former Poole Fire Station opened in December 2009. The PFI contract will finish in December 2034, 25 years after the opening of the final site.

During 2015-16 the authority received £1.627M (2014-15 £1.627M) of financial support from the Department for Communities and Local Government in the form of a PFI grant. The Fire Authority share of the unitary charge payments made to the PFI contractor totalled £2.357M (2014-15 £2.369M).

#### 6. DISCRETIONARY EXPENDITURE

The main type of expenditure under this heading is grants to voluntary bodies. During 2015/16 the Authority contributed £224k towards the costs of developing of a road safety education facility at Weymouth Community Fire Station. The facility is run and managed by the Safewise Charity.

2014-15 £'000	21	Expenditure	<b>2015-16 £'000</b>	<b>247</b>
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## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7. MEMBERS' ALLOWANCES AND REMUNERATION OF SENIOR STAFF

Spend on members allowances for the Authority is as follows:

2014-15 £'000		2015-16 £'000
73	Member's allowances	72
5	Member's expenses	4
78		76

The accounts and audit regulations cover the requirement to disclose remuneration of senior employees. The requirement includes the duty to disclose details of the numbers of staff with remuneration and benefits, including redundancy, in excess of £50,000 per annum to be reported. Missing bands have no staff in them for either year (eg £150,000 to £155,000).

2014-15		2015-16
Numbers	Salary Band	Numbers
11	£50,000 - £54,999	18
3	£55,000 - £59,999	7
6	£60,000 - £64,999	5
3	£65,000 - £69,999	2
1	£70,000 - £74,999	1
1	£75,000 - £79,999	2
0	£80,000 - £84,999	0
0	£85,000 - £89,999	0
1	£90,000 - £94,999	0
0	£95,000 - £99,999	1
1	£100,000 - £104,999	1
1	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
1	£135,000 - £139,999	0
0	£140,000 - £144,999	1

Fire salary scales and conditions of service are negotiated and agreed at a national level.

#### SENIOR OFFICERS EMOLUMENTS WHERE SALARY IS BETWEEN £50,000 AND £150,000 PER YEAR (ENGLAND) 2015-16

Post title	Salary	Taxable expenses	Benefits In Kind	Total	Pensions Contribution	Total	Note
Chief Fire Officer	£142,293	£0	£0	£142,293	£30,878	£173,171	1
Assistant Chief Fire Officer 1 (Service Support)	£76,804	£52	£150	£77,006	£16,666	£93,672	2
Assistant Chief Fire Officer 2 (Service Delivery)	£103,722	£395	£0	£104,117	£14,832	£118,949	3
Assistant Chief Fire Officer 3 (Service Support)	£39,583	£0	£0	£39,583	£8,590	£48,173	4
Assistant Chief Officer	£91,892	£0	£4,055	£95,947	£15,805	£111,752	5
Director of People Services	£66,837	£0	£4,097	£70,934	£11,582	£82,516	6

## NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1: The Chief Fire Officer became Chief Fire Officer (Designate) for the new Dorset and Wiltshire Fire and Rescue Service from 27 February 2015. The annual salary for the post is £141,400.

Note 2: The postholder retired from the Service on 2 January 2016. The annual salary for the post was £101,360.

Note 3: The postholder became Assistant Chief Fire Officer (Designate) for the new Dorset and Wiltshire Fire and Rescue Service from 1 September 2015. The annual salary for this post is £105,000.

Note 4: The postholder became Assistant Chief Fire Officer (Designate) for the new Dorset and Wiltshire Fire and Rescue Service on 1 November 2015. The annual salary for the post is £95,000.

Note 5: The postholder became Assistant Chief Officer (Designate) for the new Dorset and Wiltshire Fire and Rescue Service from 1 September 2015. The annual salary for the post is £91,000.

Note 6: The postholder became Director of People Services (Designate) for the new Dorset and Wiltshire Fire and Rescue Service from 1 September 2015. The annual salary for the post is £70,000.

### SENIOR OFFICERS EMOLUMENTS WHERE SALARY IS BETWEEN £50,000 AND £150,000 PER YEAR (ENGLAND) 2014-15

Post title	Salary	Taxable expenses	Benefits In Kind	Total	Pensions Contribution	Total	Note
Chief Fire Officer	£135,056	£0	£0	£135,056	£28,767	£163,823	1
Assistant Chief Fire Officer 1 (Service Support)	£102,026	£128	£1,158	£103,312	£21,588	£124,900	
Assistant Chief Fire Officer 2 (Service Delivery)	£104,638	£701	£1,007	£106,346	£21,588	£127,934	
Assistant Chief Officer	£87,839	£0	£3,615	£91,454	£15,108	£106,562	
Director of People Services	£63,195	£0	£2,142	£65,337	£10,946	£76,283	

Note 1: The Chief Fire Officer became Chief Fire Officer (Designate) for the new Dorset and Wiltshire Fire and Rescue Service from 27 February 2015. The annual salary for this post is £141,400.

### EXIT PACKAGES AND TERMINATION BENEFITS

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures		Total number	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
£0 - £20,000	0	0	0	4	0	4
£20,001 - £40,000	0	0	1	5	1	5
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	1	0	1
£80,001 - £100,000	0	0	0	1	0	1

Exit Package Cost Band	Total Cost £'000	
	2014-15	2015-16
£0 - £20,000	0	44
£20,001 - £40,000	26	142
£40,001 - £60,000	0	0
£60,001 - £80,000	0	67
£80,001 - £100,000	0	80

Dorset's Fire Control Centre was closed on 26 August 2015. Our fire control services are now handled through the new Service Control Centre, a joint control centre with Wiltshire Fire and Rescue Service. 7 members of staff left the Service as a result of the transfer, 14 members of staff transferred to the new control centre.

During 2015/16 the Authority also invited staff to volunteer for redundancy, as part of the restructuring consequent upon the decision to combine with Wiltshire and Swindon Fire Authority.

The costs shown include payments to redundant employees, pension strain costs payable to the Pension Fund, and Employers' National Insurance contributions where applicable.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 8. STAFFING STATEMENT

The staff numbers for Wholetime, Retained, Fire Control and Support Staff are expressed as whole time equivalents.

2014-15			2015-16	
In post			In post	
251		<b>Uniformed Staff</b>	246	
301		Wholetime	303	
26		Retained	1	
<u>578</u>		Fire Control	<u>550</u>	
		<b>Non-Uniformed Staff</b>		
146		Support Staff	136	
<u>724</u>			<u>686</u>	

Dorset's Fire Control Centre closed on 26 August 2015. Our fire control services are now handled through the new Service Control Centre, a joint control centre with Wiltshire Fire and Rescue Service.

## 9. SPONSORSHIP

There was no direct sponsorship in 2015-16 or 2014-15.

## 10. RELATED PARTIES

Local Authorities are required to disclose details of material transactions with related parties, including Central Government, other Local Authorities, and Members and Senior Officers and their close families. The Fire Authority is a scheduled body in the Dorset County Pension Scheme administered by Dorset County Council.

Grants from the Department for Communities and Local Government included in the Income and Expenditure Account are shown in note 31.

### Other Local Authorities

The Head of Legal and Democratic Services and Chief Financial Officer at Dorset County Council were also the Clerk and Treasurer respectively of Dorset Fire Authority. Dorset County Council provides a number of support services for Dorset Fire Authority.

### Elected Members, Senior Officers and their close families

The Chief Fire Officer (Mr Darran Gunter) is a member of the Board of Trustees of SafeWise, a charity which receives grant from Dorset Fire Authority. Mr Ian Cotter, Head of Financial Services, is the Honorary Treasurer for the Board of Trustees of SafeWise.

No other instances of transactions involving these related parties have been declared.

At the end of the financial year, amounts owed to and owed from related parties were as follows: -

2014-15			2015-16	
£'000			£'000	
Owed To	Owed From		Owed To	Owed From
122	28	Dorset County Council	203	29
48	284	Dorset Police Authority	77	40
86	0	Dorset County Pension Fund	0	0
181	11	Wiltshire Fire and Rescue	120	583
241	235	Other Local Authorities	15	64
<u>678</u>	<u>558</u>		<u>415</u>	<u>716</u>

## 11. AUDIT FEES

Fees payable to the Authority's external auditors, KPMG, for 2015-16 relating to the year of account are as follows. In 2014-15 the external audit work fee was also paid to KPMG.

2014-15			2015-16	
£'000			£'000	
38		External Audit Services	24	
4		Other work	3	
<u>42</u>			<u>27</u>	

For 2015-16 the Authority did not receive any fee credits direct from the Audit Commission (2014-15 £3,341).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12. PROPERTY, PLANT & EQUIPMENT

	<u>Intangible</u>	<u>Operational Assets</u>		<u>Non-operational Assets</u>		<b>Total Assets</b>	<b>PFI Assets Included in Property, Plant &amp; Equipment</b>
	<u>Assets</u>	Land and Buildings	Vehicles, Plant & Equipment	Under construct-ion	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2015-16</b>							
Gross Book Value 1 April	216	42,759	16,719	-	-	59,694	7,515
Accumulated Depreciation	(207)	(14,944)	(11,321)	-	-	(26,472)	(2,215)
Net Book Value 1 April	9	27,815	5,398	-	-	33,222	5,300
Transfer between categories	-	-	-	-	-	-	-
Donated assets	-	-	-	-	-	-	-
Additions	-	217	478	-	-	695	80
Disposals	-	-	(71)	-	-	(71)	-
Revaluations	-	4,834	-	-	-	4,834	3,520
Depreciation and Impairment	(5)	(972)	(1,289)	-	-	(2,266)	(121)
Depreciation on assets sold	-	-	71	-	-	71	-
Impairment	-	-	-	-	-	-	-
Net Book Value 31 March	<b>4</b>	<b>31,894</b>	<b>4,587</b>	<b>0</b>	<b>0</b>	<b>36,485</b>	<b>8,779</b>
<b>Asset Financing</b>							
Owned	4	23,115	4,587	0	0	27,706	
Leased	0	0	0	0	0	0	
PFI	0	8,779	0	0	0	8,779	
	<b>4</b>	<b>31,894</b>	<b>4,587</b>	<b>0</b>	<b>0</b>	<b>36,485</b>	

Comparative movements for the prior year are as follows:

	<u>Intangible</u>	<u>Operational Assets</u>		<u>Non-operational Assets</u>		<b>Total Assets</b>	<b>PFI Assets Included in Property, Plant &amp; Equipment</b>
	<u>Assets</u>	Land and Buildings	Vehicles, Plant & Equipment	Under construct-ion	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2014-15</b>							
Gross Book Value 1 April	212	39,844	16,275	-	-	56,331	7,169
Accumulated Depreciation	(203)	(13,765)	(10,007)	-	-	(23,975)	(2,129)
Net Book Value 1 April	9	26,079	6,268	-	-	32,356	5,040
Transfer between categories	-	-	-	-	-	-	-
Additions	4	604	632	-	-	1,240	66
Disposals	-	-	(188)	-	-	(188)	-
Revaluations	-	2,311	-	-	-	2,311	280
Depreciation and Impairment	(4)	(1,179)	(1,502)	-	-	(2,685)	(86)
Depreciation on assets sold	-	-	188	-	-	188	-
Net Book Value 31 March	<b>9</b>	<b>27,815</b>	<b>5,398</b>	<b>0</b>	<b>0</b>	<b>33,222</b>	<b>5,300</b>
<b>Asset Financing</b>							
Owned	9	22,515	5,398	0	0	27,922	
Leased	0	0	0	0	0	0	
PFI	0	5,300	0	0	0	5,300	
	<b>9</b>	<b>27,815</b>	<b>5,398</b>	<b>0</b>	<b>0</b>	<b>33,222</b>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Fixed Asset Valuation

The freehold and leasehold assets in the Authority's Asset Register were valued by the Dorset County Council Property Management Division as at 1 April 2015. The Authority has adopted a five year rolling programme for asset valuations and eleven properties were identified to be valued. The results of these valuations are applied to the remainder of the holding. It is ordinarily intended that in each of the succeeding four years a further tranche of properties will be identified for detailed valuation and the results applied across the other properties. However, a valuation has been undertaken of properties in both Tranche 4 and Tranche 5 for the final year of Dorset Fire, so that all properties would have been valued recently before combination with Wiltshire Fire & Rescue Service. In accordance with CIPFA's Statement of Recommended Practice and FRS 15 depreciation has been provided for on all material fixed assets. The Valuer has determined certified asset lives for all material fixed assets, and these have been depreciated on a 'straight line' basis. The Valuer has also carried out a review of the properties and confirms that none are affected by impairment as at the valuation date.

Type of Property	Basis of Valuation	Valuation Method
Non-operational	Fair Value	Comparative
Operational, non-specialised	Current Value (Existing Use Value) - CVEUV	Comparative
Operational, specialised	Current Value (Depreciated Replacement Cost) - CVDRC	Cost of replacement adjusted for age and obsolescence
Vehicles, Plant and Equipment	Depreciated historic cost (as a proxy for current value)	Estimated life

### Asset Register

2014-15 No.		<u>2015-16</u> No.
26	Operational Fire Stations	26
2	Other Properties including HQ	3
7	Mobile Phone Aerials	8
<u>167</u>	Vehicles	<u>174</u>
<u>202</u>		<u>211</u>

The type of property shown in the table above treats Poundbury headquarters separately from the Poundbury fire station, as well as separating mobile phone aerials from other properties. Wimborne Road Offices, part of the DESPI PFI scheme, are now held separately in the asset register.

The increase in vehicles is the net effect of vehicle increases funded by the capital programme (as discussed in the foreword) and vehicle sales in the year. Five of the vehicles acquired during the year were previously in use by the service through operating lease arrangements.

### 13. SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

This table shows capital spending, the sources of funding used to finance it and, for 2015-16, a comparison with the estimated spending and funding.

2014-15		<u>2015-16</u>	
Actual £'000		Final Estimate £'000	Actual £'000
539	Land & Buildings	218	136
481	Vehicles	2,741	206
155	Equipment	671	282
<u>1,175</u>	Total Capital Payments	<u>3,630</u>	<u>624</u>
0	Use of Capital Receipts	1,500	0
415	Government Grants	1,313	619
242	Other Capital Contributions	0	5
0	External Borrowing	317	0
518	Revenue Financing	500	0
<u>1,175</u>		<u>3,630</u>	<u>624</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. CAPITAL FINANCING REQUIREMENT

This shows the underlying need to borrow to finance the capital programme.

2014-15 £'000		<u>2015-16</u> £'000
15,925	Balance brought forward	14,886
1,175	Capital Investment	624
0	Use of Capital Receipts	0
(657)	Government Grants & Other Contributions	(624)
(518)	Revenue Financing	0
(1,039)	Minimum Revenue Provision	(641)
<u>14,886</u>		<u>14,245</u>

Analysis of movement in the Capital Financing Requirement during the year

2014-15 £'000		<u>2015-16</u> £'000
(1,039)	Increase or (Reduction) in underlying need to borrow (not supported by Government financial assistance)	(641)
<u>(1,039)</u>		<u>(641)</u>

### 15. OPERATING LEASE RENTALS

Some of the Authority's operational vehicles are financed under the terms of operating leases, as shown in the table below. A breakdown of future commitments including details of premises leases is also shown in accordance with the latest Code of Practice.

2014-15			<u>2015-16</u>	
Premises £'000	Vehicles £'000		Premises £'000	Vehicles £'000
0	291	Expenditure	0	172
0	172	Commitment - 1 year	0	23
0	40	Commitment - 2 to 5 years	0	17
0	0	Commitment - over 5 years	0	0

The Authority continues to lease its Training Centre facility from the Ministry of Defence subject to a peppercorn rental.

The Authority has 5 vehicles that were funded through operating leases as at 31 March 2016 (14 as at 31 March 2015) and no vehicles funded through contract hire arrangements as at 31 March 2016 (none as at 31 March 2015).

### 16. MINIMUM REVENUE PROVISION

This is a memorandum account, operated in accordance with the Local Government Act 2003, which requires the prudent provision of an annual Minimum Revenue Provision for debt. The combined Dorset & Wiltshire Fire and Rescue Authority agreed their policy in respect of MRP in the Treasury Management Strategy Statement and Prudential Indicators for 2016-17 on 10 February 2016. This summary of transactions within the Capital Adjustment Account is shown for information.

2014-15 £'000		<u>2015-16</u> £'000
5,485	Balance brought forward	7,132
876	Minimum Revenue Provision charged in year - non PFI	469
771	Minimum Revenue Provision charged in year - PFI	783
<u>7,132</u>	Balance carried forward	<u>8,384</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. BORROWING

Long term borrowing is always undertaken from the Public Works Loan Board.

The long term borrowing is analysed below into period bands of maturity. The average rate of interest payable on the outstanding loans is 4.19%.

2014-15 £'000	<b>Analysis of Loans by maturity</b>	<u>2015-16</u> £'000
172	<b>Short Term Borrowing</b> (less than 1 year)	<u>90</u>
90	Between 1 and 2 years	95
275	Between 2 and 5 years	2,211
2,171	Between 5 and 10 years	179
6,287	More than 10 years	6,248
<u>8,823</u>	<b>Long Term Borrowing</b>	<u>8,733</u>
8,995	<b>Total borrowing</b>	<u>8,823</u>
4.25%	Average rate of interest	4.19%
12,442	<b>Fair Value of Market Loans</b>	<u>12,365</u>

Actual borrowing shown here is less than the Capital Financing Requirement shown in Note 14 because of the unfinanced capital expenditure carried forward. The decision when to take out borrowing to finance the capital programme is taken in consultation with advisors, taking into account interest rate movements and other factors.

### 18. INVENTORIES

The Authority holds a number of inventories. These are assets, in the form of materials or supplies, that are to be consumed as a normal part of providing the service. Stocks are regularly reviewed to ensure that only necessary items are held.

2014-15 £'000		<u>2015-16</u> £'000
50	Uniform Stocks	21
30	Personal Protection Equipment Stocks	35
66	Equipment Stocks	51
3	Other Stocks	2
<u>149</u>		<u>109</u>

£29,994 of uniform stock was written off as obsolete at year end. This was stock which can no longer be used in the new combined Fire and Rescue Service from April 2016, but will be donated to an overseas country for positive use.

### 19. DEBTORS

An analysis of the amounts due to the Authority at 31 March 2016 is shown below. The accounts include a provision for potential bad debts, and debtors for related parties (see note 10).

2014-15 £'000		<u>2015-16</u> £'000
1,610	Central Government Departments	757
1,640	Other Fire and Local Authorities	1,974
1,012	Others	1,569
<u>4,262</u>		<u>4,300</u>

### 20. TEMPORARY INVESTMENTS

The Authority has a contract with Dorset County Council Financial Services for the provision of this facility. The CIPFA Code of Practice for Treasury Management in Local Authorities, which governs the way in which surplus cash is invested, has been adopted. The Authority's surplus cash is invested with other local authorities, approved commercial banks and building societies.

All temporary investments were returned to the Authority by 31 March 2016 to enable cash and bank balances to be transferred to the new Dorset & Wiltshire Fire and Rescue Authority.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21. CREDITORS

An analysis of the amounts owed by the Authority at 31 March 2016 is shown below.

2014-15 £'000		<u>2015-16</u> £'000
594	Central Government Departments	559
1,065	Other Fire and Local Authorities	983
1,378	Others	2,228
<u>3,037</u>		<u>3,770</u>

### 22. CASH AND BANK BALANCES

Cash in hand includes imprest accounts held by accounting officers. The bank overdrawn figure would include the value of outstanding cheques drawn shortly before the end of the financial year and those which were unrepresented as at 31 March 2016.

### 23. PROVISIONS AND CONTINGENT LIABILITIES

The Authority has made provisions in respect of the following expected situations, which are summarised in the table shown below.

#### Insurance

The Authority operates an internal insurance fund, with external policies covering larger and catastrophic losses. Provision has been made for claims notified but not settled relating to 2015/16 and earlier financial years.

#### Retained Duty System Compensation

This provision has been set up to meet the costs of compensation payments to retained duty system personnel following an Employment Tribunal case under the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000. Compensation payments totalling £3k have been made during 2015/16 (£1k during 2014/15) but relate to personnel in Service between 1 July 2000 and 30 June 2010. Further payments are expected in 2016/17.

	Balance 2014-15 £'000	Transfers out £'000	Transfers in £'000	<u>Balance</u> <u>2015-16</u> £'000
Insurance	101	(115)	102	88
Retained Duty System Compensation	80	(3)	0	77
	<u>181</u>	<u>(118)</u>	<u>102</u>	<u>165</u>

#### Contingent Liabilities

There are no contingent liabilities to disclose for the 2015/16 financial statements.

### 24. MOVEMENT ON RESERVES

#### (i). Capital Adjustment Account

The fundamental principle of capital accounting is that accounting for fixed assets is separated from accounting for their financing. The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

2014-15 £'000		<u>2015-16</u> £'000
(7,101)	Balance as at 1 April	(6,750)
0	Capital Receipts Applied	0
(2,634)	Depreciation and Impairment	(2,195)
1,810	Minimum Revenue Provision	1,424
518	Revenue Contributions	0
415	Transfer of Capital Grants Applied	619
242	Other Capital Contributions	5
<u>(6,750)</u>		<u>(6,897)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### (ii). Revaluation Reserve

The Revaluation Reserve records unrealised revaluation gains / losses arising since 1 April 2007 from holding fixed assets.

2014-15 £'000		<u>2015-16</u> £'000
7,557	Balance as at 1 April	9,816
2,311	Gains / (Losses) - Fixed Asset Revaluation	4,834
(52)	Depreciation and Impairment	(72)
<u>9,816</u>	Balance at 31 March	<u>14,578</u>

### (iii). Movements in Useable Capital Receipts Reserve

Capital receipts from the sale of capital assets can be used to finance new capital expenditure.

2014-15 £'000		<u>2015-16</u> £'000
1,839	Balance as at 1 April	1,839
0	Receipts in the year	0
<u>1,839</u>	Balance at 31 March	<u>1,839</u>

### (iv) Movements in pensions reserve (See also Note 27)

Analysis of the attributable movements in the surplus / (deficit) in the schemes during the year: -

2014-15			<u>2015-16</u>	
Fire £'000	LGPS £'000		Fire £'000	LGPS £'000
(230,130)	(9,658)	Surplus / (Deficit) as at 1 April	(272,976)	(13,837)
(6,609)	(1,101)	Service Cost	(9,813)	(1,245)
7,460	766	Employer Contributions	8,790	706
	(12)	Administration expenses		(12)
441	0	Injury benefits paid	648	0
0	1	Unfunded pension payments	0	1
(9,954)		Other Finance Income	(8,662)	
	(417)	Net interest on the defined liability (asset)		(460)
(34,184)	(3,416)	Actuarial gain / (loss)	12,942	1,962
<u>(272,976)</u>	<u>(13,837)</u>	Surplus / (Deficit) as at 31 March	<u>(269,071)</u>	<u>(12,885)</u>

### (v) Collection Fund Adjustment Account

The Collection Fund Adjustment Accounts hold the movement between the council tax income and business rates income that is included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund. This is an unusable reserve for the Authority.

### (vi) Accumulated Absences Account

The IFRS-based Code requires Local Authorities to account for benefits payable during employment in accordance with IAS 19 (Employee Benefits). One aspect of this is that accruals must be made at 31 March for any "accumulating, compensated absences", or untaken leave, time-off-in-lieu etc. The balance on this account at the end of the year is mirrored by a creditor in the balance sheet. As with other changes in provisions, the change in the balance between the start and the end of the year is charged in the Comprehensive Income and Expenditure Statement within individual costs of service.

### (vii) Other Earmarked Reserves

The following reserves have been set up to fund future spending. Opening balances, transfers during the year, and closing balances are summarised in the table at the end of this note.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **Pensions**

This reserve has been set up to smooth the costs of ill health and injury awards that remain the responsibility of individual fire authorities following changes to the financing arrangements for the Firefighters' Pension Scheme. The reserve is for uniformed operational officers only, since non-uniformed and control centre staff are eligible for membership of the Dorset County Pension Fund.

### **Insurance**

Provision has been made for all known or possible claims (see Note 23 above). This reserve is to cater for claims not covered by the provision.

### **Princes Trust Volunteers**

Dorset Fire and Rescue Service holds the Dorset franchise for the Prince's Trust Volunteer Scheme. The franchise is self-funded and this reserve has been set up to allow unspent funding to be carried forward for use in future years.

### **Leadership Development Reserve**

This reserve is used to support areas for development not covered within the annual training plan and to meet the costs of further education and training, where it leads to a recognised qualification and is relevant to an individual's post. It will also be used to support additional identified training costs that we expect to incur over the next few years due to a significant turnover in operational managers.

### **Business Transformation Reserve**

This Reserve provides funding to meet any one-off costs associated with transforming the Service to meet future funding settlements and service requirements. The Service is combining with Wiltshire Fire and Rescue Service on 1 April 2016 and the funds in this reserve are being used to support the transition to the new Service. For 2015/16 these costs totalled £351k (2014/15 – Nil).

### **Safety Centre**

This reserve has been set up to hold the Service's matched funding contribution towards the development of a new safety centre in Wiltshire. Wiltshire Fire and Rescue Service has also contributed £500k to the project and the joint funding will be used by the new Dorset & Wiltshire Fire and Rescue Service, along with Fire Transformation Grant funding, to build the new safety centre.

### **PFI Reserve**

This reserve has been set up to smooth the impact on the revenue account of DESPI scheme receipts and payments.

### **Capital Funding Reserve**

The Authority has established a capital reserve to contribute towards the costs of funding future capital programmes. This funding will reduce the Authority's need to undertake external borrowing in future years and thereby reduce capital financing costs.

### **Secure Information Interchange Project**

This relates to regional grant funding received from South West Councils, with Dorset Fire Authority acting as host authority. The funding is being used to put in place a secure information interchange solution between all six fire and rescue services in the South West of England. For 2015/16 these costs totalled £2k (2014/15 - £88k). Note 33 provides further details.

### **Network Fire Control Services Partnership**

The Authority has established a partnership with the neighbouring fire authorities of Devon and Somerset, Hampshire and Wiltshire to work together on a common system for Fire Control. In March 2012 the Authority received a grant of £1.8m from the Department for Communities and Local Government. The grant is being used to fund Dorset's share of the project costs. For 2015/16 these costs totalled £303k (2014/15 - £580k).

### **Retained Duty System Reserve**

This Reserve has been set up to help smooth the cost of essential operational training retained staff.

### **Joint Command and Control Reserve**

Dorset Fire and Rescue Service and Wiltshire Fire and Rescue Service have agreed to operate a Joint Command and Control Centre from 2015. This Reserve has been set up to fund Dorset's share of any one off transition costs associated with this project. For 2015/16 these costs totalled £238k (2014/15 – Nil).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Other Grant Income

This reserve holds unspent grant income, where the grants are primarily project related, and the funding is used to match expenditure as and when it is incurred.

	Balance 2014-15	Transfers out	Transfers in	<b>Balance 2015-16</b>
	£'000	£'000	£'000	£'000
<b>Reserves</b>				
Pensions	334	(38)	0	<b>296</b>
Insurance	917	(2)	58	<b>973</b>
Princes Trust Volunteers	4	0	9	<b>13</b>
Leadership Development	245	(2)	28	<b>271</b>
Business Transformation	1,356	(351)	0	<b>1,005</b>
Safety Centre	0	0	500	<b>500</b>
PFI Reserve	39	0	0	<b>39</b>
Capital Funding Reserve	3,500	0	0	<b>3,500</b>
Secure Information Interchange Project	63	(2)	0	<b>61</b>
Network Fire Control Services Partnership	763	(265)	0	<b>498</b>
Retained Duty System	92	0	38	<b>130</b>
Joint Command and Control	416	(238)	0	<b>178</b>
Civil Contingencies Unit	0	0	36	<b>36</b>
Other Grant Income	701	(331)	72	<b>442</b>
	<u>8,430</u>	<u>(1,229)</u>	<u>741</u>	<b><u>7,942</u></b>

### 25. AUTHORISATION

This Statement of Accounts was authorised for issue by Richard Bates, Treasurer to the Fire Authority, on 30th June 2016.

### 26. MOVEMENT IN BALANCES

The level of general balances has increased as below:

2014-15 Total Balances £'000		<b>2015-16 Total Balances £'000</b>
2,182	Balances as at 1 April	<b>2,362</b>
<u>180</u>	Surplus / (Deficit) in year	<b>938</b>
<u><u>2,362</u></u>	Balances as at 31 March	<b><u><u>3,300</u></u></b>

### 27. RETIREMENT BENEFITS (See also Note 24 (iv))

The Authority participates in two different pension schemes that meet the needs of employees in particular services. Both are defined benefit schemes providing members with benefits related to pay and length of service. The schemes are as follows: -

a) The Local Government Pension Scheme (LGPS) for non-uniform and Fire Control employees, is administered by Dorset County Council. This is a funded scheme, meaning that the Authority and the employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

b) The Firefighters' Pension Scheme for uniformed employees. This is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet the actual pension payments as they eventually fall due.

A reconciliation of opening and closing balances of the present value of the defined benefit obligation, and a reconciliation between the opening and closing balances of the fair value of the scheme assets is now included at the end of this note.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when they are eventually paid as pensions. However, the charge against council tax has to be based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure. The following transactions have been made in the Income and Expenditure Account: -

2014-15			2015-16	
Fire £'000	LGPS £'000		Fire £'000	LGPS £'000
<b>Net Cost of Services</b>				
6,609	1,101	Service Cost	9,813	1,245
9,954	417	Net interest on the defined liability (asset)	8,662	460
0	12	Administration Expenses	0	12
<u>(8,662)</u>	<u>(763)</u>	Movement on Pensions Reserve	<u>(9,037)</u>	<u>(1,010)</u>
<b>Actual amount charged against council tax for pensions in the year</b>				
(441)	0	Injury benefits paid	(648)	0
0	(1)	Unfunded pension payments	0	(1)
<u>(7,460)</u>	<u>(766)</u>	Employer's contributions payable	<u>(8,790)</u>	<u>(706)</u>

The underlying assets and liabilities for retirement benefits attributable to the Authority as at 31 March each year are shown in the following table, which also shows the distribution of its share of Local Government Pension Scheme (LGPS) assets by proportion of the total and the expected long-term return. The Fire Pension Scheme has no assets to cover its liabilities. The LGPS assets are valued at fair value, principally market value for investments, and consist of the following categories: -

2014-15			2015-16	
£'000	% of Assets		£'000	% of Assets
9,914	57%	Equities	9,868	56%
2,044	12%	Gilts	1,706	10%
2,147	12%	Other Bonds	2,202	13%
843	5%	Diversified Growth Fund	835	5%
n/a	n/a	Absolute Return Portfolio	n/a	n/a
1,648	10%	Property	1,932	11%
189	1%	Infrastructure	230	1%
67	0%	Hedge Fund	15	0%
444	3%	Cash	727	4%
<u>17,296</u>		Estimated Assets in the LGPS	<u>17,515</u>	
31,114		Present value of liabilities in the LGPS	30,382	
19		Present value of unfunded liabilities in the LGPS	18	
<u>31,133</u>		Total value of LGPS liabilities	<u>30,400</u>	
<u>(13,837)</u>		Net Staff Pensions Surplus / (Deficit)	<u>(12,885)</u>	
<u>(272,976)</u>		Estimated Liabilities in Fire Pension Scheme	<u>(269,071)</u>	
<u>(286,813)</u>		Net Pensions Surplus / (Deficit)	<u>(281,956)</u>	

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £282m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £261m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Note that, for accounting years beginning on or after 1 January 2013, the expected return rates have been replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate. For the year to 31 March 2016, the expected return rate was -1% per annum, which has been used to determine the profit and loss charge for the year.

Liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, using a valuation dated 31 March 2013 and estimated whole fund income and expenditure to 31st March 2016.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The main assumptions used in their calculations are: -

2014-15		Local Government Pension Scheme	2015-16	
% p.a.	Real		% p.a.	Real
3.3%	0.0%	RPI Increases	3.4%	0.0%
2.5%	-0.8%	CPI Increases	2.5%	-0.9%
4.0%	0.7%	Rate of increase in salaries	4.0%	0.6%
2.5%	-0.8%	Rate of increase in pensions	2.5%	-0.9%
3.4%	0.1%	Rate for discounting scheme liabilities	3.8%	0.4%

The assumed life expectations from age 65 are as follows: -

2014-15		Local Government Pension Scheme	2015-16	
Male	Female	Years	Male	Female
22.80	25.20	Retiring today	22.90	25.30
25.10	27.60	Retiring in 20 years	25.20	27.70

The main financial assumptions used in their calculations for IAS19 are: -

2014-15		Firefighters Pension Scheme	2015-16	
% p.a.	Real		% p.a.	Real
3.1%	0.0%	RPI Increases	3.2%	0.0%
2.3%	-0.8%	CPI Increases	2.3%	-0.9%
4.1%	1.0%	Rate of increase in salaries	4.1%	0.9%
2.3%	-0.8%	Rate of increase in pensions	2.3%	-0.9%
3.2%	0.1%	Rate for discounting scheme liabilities	3.5%	0.3%

The assumed life expectations from age 65 are as follows: -

2014-15		Firefighters Pension Scheme	2015-16	
Male	Female	Years	Male	Female
22.6	24.9	Retiring today	22.7	25.0
24.8	27.2	Retiring in 20 years	25.0	27.4

The Authority is required to provide the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

2014-15			2015-16	
Fire £'000	LGPS £'000		Fire £'000	LGPS £'000
230,130	24,812	<b>Opening Defined Benefit Obligation</b>	272,976	31,133
6,609	1,101	Current Service cost	5,904	1,186
9,954	1,112	Interest cost	8,662	1,055
34,184	4,305	Change in financial assumptions	(13,847)	(2,725)
0	0	Change in demographic assumptions	0	0
0	0	Experience loss/(gain) on defined benefit obligation	905	0
0	0	Liabilities assumed / (extinguished) on settlements	0	0
(9,001)	(486)	Estimated benefits paid net of transfers in	(10,636)	(576)
0	0	Past service costs, including curtailments	3,909	59
1,541	290	Contributions by Scheme participants	1,846	269
(441)	0	Injury benefits paid	(648)	0
0	(1)	Unfunded pension payments	0	(1)
272,976	31,133	<b>Closing Defined Benefit Obligation</b>	269,071	30,400

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority is also required to provide a reconciliation between the opening and closing balances of the fair value of the scheme assets:

2014-15			2015-16	
LGPS	£'000		LGPS	£'000
15,154		<b>Opening fair value of Scheme assets</b>	<b>17,296</b>	
695		Interest on assets	595	
889		Return on assets less interest	(763)	
0		Other actuarial gains/(losses)	0	
(12)		Administration expenses	(12)	
767		Contributions by employer including unfunded	707	
290		Contributions by Scheme participants	269	
(487)		Estimated benefits paid plus unfunded net of transfers in	(577)	
0		Settlement prices received / (paid)	0	
<u>17,296</u>		<b>Closing fair value of Scheme assets</b>	<b>17,515</b>	

### 28. MOVEMENT IN CASH

This table reconciles the net revenue account surplus or deficit to the net increase or decrease in cash.

2014-15			2015-16	
£'000	£'000		£'000	£'000
	(180)	Net (surplus) / deficit on Revenue Account		(938)
	(1,039)	Net (surplus) / deficit on Capital Account		(641)
		Movement in accruals items:-		
16		Stocks	(40)	
578		Debtors	38	
(46)		Creditors	(733)	
(9)		Principal Repaid	82	
(20)		Provisions	16	
	519			(637)
		Movement in non-cash items:-		
48		Specific Reserves	488	
(440)		Collection Fund Adjustment Accounts	(86)	
0		Capital Receipts Reserve	0	
	(392)			402
		Movement in financing items:-		
172		Long Term Borrowing	90	
407		Short Term Lending	(6,000)	
	579			(5,910)
	(446)	Other items:		714
	<u>(959)</u>	(Increase) / Decrease in Cash		<u>(7,010)</u>

### 29. MOVEMENT IN NET FUNDS

Net funds are cash and other liquid resources (e.g. temporary investments), less borrowings.

	Balance 1 April 2015	Movement in year	Balance 31 March 2016
	£'000	£'000	£'000
Cash in hand and at bank	836	7,010	7,846
Temporary investments and borrowing	5,828	(5,918)	(90)
	<u>6,664</u>	<u>1,092</u>	<u>7,756</u>

### 30. MOVEMENT IN LIQUID RESOURCES

Liquid resources are current assets that are readily convertible into known amounts of cash.

2014-15		2015-16
£'000		£'000
5,593	Temporary Investments as at 1 April	6,000
407	Increase / Decrease in Loans in the Period	(6,000)
<u>6,000</u>	Temporary Investments as at 31 March	<u>0</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 31. ANALYSIS OF GOVERNMENT GRANTS

This table gives details of the specific grants received from central government departments.

2014-15 £'000		2015-16 £'000
(1,627)	DCLG PFI grant	(1,627)
(902)	DCLG Capital Grant	0
(237)	DCLG New Burdens grant	(247)
(233)	DCLG Firelink grant	(220)
(48)	DCLG New Dimensions grant	(48)
<u>(3,047)</u>		<u>(2,142)</u>

### 32. LONG TERM CREDITORS

The balance of £14.6M is the value of liabilities due to the PFI providers over the life of the DESPI PFI Schemes (prior year figure £15.3M).

### 33. SOUTH WEST SECURE INFORMATION INTERCHANGE PROJECT

During 2011-12, grant funding was received from the South West Council for this Regional Project, with the Dorset Fire Authority acting as host authority.

The following amounts of income and expenditure are included within the 2015-16 accounts in relation to the Project.

2014-15 £'000		2015-16 £'000
1	Training - Other External Providers	0
16	Software maintenance	0
60	Networks	2
(88)	Transfer To/(From) Specific Reserves	(2)
11	Professional/Consultancy Fees	0
<u>0</u>		<u>0</u>

### 34. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the policies set out in the Statement of Accounting Policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

There is a continuing high degree of uncertainty about future government support for local government generally and fire services in particular. During 2014-15, the Authority consulted widely and decided to seek a combination with Wiltshire Fire and Rescue Service in order to continue to fulfil service obligations in both counties. This combination was approved by the Secretary of State for Communities and Local Government on 2 March 2015. The Authority maintains a risk assessed level of general balances, and has set up a Business Transformation Reserve which has been used to support the combination with Wiltshire Fire and Rescue Service, to form the new Dorset & Wiltshire Fire and Rescue Authority from 1 April 2016.

### 35. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Financial Statements contain some estimated figures that are based on assumptions made by the Authority about the future 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 made.

There is one item in the Balance Sheet as at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year, being the pension liability. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

The age and remaining lives of buildings and their elements have been advised by the Authority's Valuer and assessed as at the valuation date. Asset lives have been provided based on the assumption that building elements will continue to be maintained normally over the period from the date of inspection to the valuation date and that there will be no untoward changes.

The earmarked reserves listed in note 24(vii) include the Business Transformation Reserve which we have been using to support the combination with Wiltshire Fire and Rescue Service, to form the new Dorset & Wiltshire Fire and Rescue Authority from 1 April 2016.

## HOLDING ACCOUNT AND NOTES

### 36. PRINCE'S TRUST VOLUNTEERS ACCOUNT

This holding account includes the direct income and expenditure arising from the running of the Dorset franchise.

<b>PRINCE'S TRUST VOLUNTEERS ACCOUNT</b>		
2014-15		<u>2015-16</u>
£'000		£'000
107	Employees	<b>65</b>
1	Premises Related Expenses	-
12	Transport Related Expenses	<b>4</b>
17	Supplies and Services	<b>13</b>
<u>137</u>	<i>Expenditure total</i>	<u><b>82</b></u>
(92)	Further Education funding	<b>(91)</b>
(45)	Recharges to revenue account	<b>9</b>
-	Net gain / (loss ) on disposal of fixed assets	-
<u>(137)</u>	<i>Recharge and Income total</i>	<u><b>(82)</b></u>
<u>-</u>	<b>NET EXPENDITURE</b>	<u><b>-</b></u>

## PENSION FUND ACCOUNT

### 37. PENSION FUND ACCOUNT

This holding account collects all the costs relating to former uniformed operational staff pensioners, the income from the current contributors and transfer values, the government top-up grant and employers flat rate contribution introduced from 1 April 2006. Previously the balance was recharged to the income and expenditure account.

<b>PENSION FUND ACCOUNT</b>		
2014-15		2015-16
£'000		£'000
(2,045)	Employer Flat Rate Contribution	(1,936)
(86)	Employer Ill Health Lump Sum Contribution	(130)
(1,541)	Employee Contributions	(2,347)
(9)	Transfer Values Receivable	(110)
-	Recharges To Revenue Account	-
<u>(3,681)</u>	<b>Contributions Receivable</b>	<b>(4,523)</b>
6,478	Pensions	7,007
1,886	Lump Sum Benefits	2,620
148	Transfer Values Payable	-
<u>8,512</u>	<b>Benefits Payable</b>	<b>9,627</b>
4,831	<b>Net amount payable before top-up grant</b>	<b>5,104</b>
(4,831)	Government top-up grant receivable	(5,104)
<u>-</u>	Net Recharge To Revenue Account	-
	<b>NET ASSETS STATEMENT</b>	
	<b>Current Assets and Liabilities</b>	
1,268	Debtors and Payments in Advance	240
-	Creditors and Receipts in Advance	-
<u>1,268</u>	<b>Net Assets as at 31 March</b>	<b>240</b>

#### Notes to the Pension Fund Account

(i) The Firefighters' Pension Scheme is unfunded, which means that there are no investment assets to provide for future pensions.

(ii) From 2006-07, the cost of these pensions is met each year by a combination of contributions from current employees, the new employer's flat rate contribution and Department for Communities and Local Government (CLG) top-up grant. The account is balanced to zero each year by claiming additional CLG top-up grant or repaying any surplus, as appropriate.

(iii) These financial statements do not take account of liabilities to pay pensions and other benefits after the end of the 2015-16 financial year.

## GLOSSARY OF FINANCIAL TERMS

The following definitions of technical terms used in these accounts may be of assistance.

<b>ACCOUNTING PERIOD</b>	The period of time covered by the accounts, which for this Authority means a period of twelve months commencing on 1 April through to the following 31 March.
<b>ACCOUNTING POLICIES</b>	The principles, conventions, rules and practices that specify how the effects of transactions and other events are recognised, measured and presented in the financial statements.
<b>ACCRUAL</b>	Sums included in the final accounts to cover income and expenditure attributable to the accounting period but for which payment has not been made or received by 31 March.
<b>ACTUARIAL GAINS AND LOSSES</b>	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses where events have not coincided with actuarial assumptions or actuarial assumptions have changed.
<b>ACTUARIAL VALUATION</b>	An independent report on the financial status of the Pension Fund, which determines its ability to meet future payments.
<b>AGENCY SERVICES</b>	The provision of services by one body (the agent) on behalf of and generally with reimbursement from the responsible body.
<b>ASSET</b>	Something of worth that is measured in monetary terms. Assets can be tangible (e.g. land and buildings) or intangible (e.g. computer software). See also fixed assets below.
<b>BALANCES</b>	The accumulated surplus of income over expenditure.
<b>BUDGET</b>	A statement of the Council's plans expressed in financial terms.
<b>CAPITAL CHARGE</b>	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
<b>CAPITAL EXPENDITURE</b>	Expenditure on the acquisition, construction or enhancement of significant assets (e.g. land and buildings, vehicles and equipment) which have a long term value to the Authority (also referred to as capital spending or capital payments).
<b>CAPITAL RECEIPTS</b>	Income from the sale of capital assets (land, buildings, etc.).
<b>COLLECTION FUND</b>	A fund maintained by district, unitary and borough councils for the collection and distribution of council tax receipts. County, district, unitary and parish council precepts are met from these funds. Surpluses or deficits are carried forward and included in the following year's council tax calculation.
<b>COMMUNITY ASSETS</b>	Assets that an Authority holds, that have no determinable useful life and may have restrictions on their disposal. Examples are country parks and historic buildings.
<b>CONTINGENT LIABILITY</b>	A possible obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
<b>CORPORATE &amp; DEMOCRATIC CORE</b>	Those activities which local authorities engage in specifically because they are elected, multi-purpose authorities. There is no basis for apportioning these costs to services.
<b>COUNCIL TAX</b>	A property based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
<b>CREDITORS</b>	Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the accounting period.

## GLOSSARY OF FINANCIAL TERMS

<b>CURRENT SERVICE COST</b>	The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
<b>CURTAILMENT</b>	For a defined benefit pension scheme, an event that reduces expected future years' service or accrual of benefits. Examples include redundancies from discontinuing an activity or amendment of scheme terms.
<b>DEBTORS</b>	Amounts due to the Authority but unpaid by the end of the accounting period.
<b>DEPRECIATION</b>	The measure of the use or consumption of a fixed asset during the accounting period.
<b>EMOLUMENTS</b>	All sums paid to an employee, including any allowances chargeable to UK income tax, but excluding pension contributions payable by either employer or employee.
<b>ESTIMATION TECHNIQUES</b>	The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. These implement the measurement aspects of the accounting policies, and include selecting methods of depreciation and making provision for bad debts.
<b>FINANCIAL INSTRUMENT</b>	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities.
<b>FIXED ASSETS</b>	Assets that provide benefits to the Authority and the services it provides, for a period of more than one year.
<b>IMPAIRMENT</b>	A reduction in the value of a fixed asset or financial instrument, arising from physical damage such as a major fire or a significant reduction in market value, or a situation where capital spending on an asset has no effect on the value of the asset.
<b>NATIONAL NON-DOMESTIC RATES (NNDR)</b>	District councils collect this tax locally and pay it to the Government. It is then re-distributed to county, unitary, borough and district councils, and police and fire authorities on the basis of the resident population.
<b>NON DISTRIBUTED COSTS (NDC)</b>	Overheads for which no user now benefits, and therefore not apportioned over services.
<b>NON-OPERATIONAL ASSETS</b>	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
<b>PAST SERVICE COST</b>	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
<b>PRECEPT</b>	A levy requiring the district and borough councils to collect income from council taxpayers on behalf of the Authority. Sums collected are held in the Collection Fund (see above) and paid to the preceptor in ten instalments.
<b>PROVISIONS</b>	Amounts set aside to meet liabilities or losses which arise in the accounting period and which are likely to be incurred, but where the actual sum and timing are uncertain.
<b>RESERVES</b>	Sums set aside and earmarked to meet the cost of specific future expenditure.
<b>REVENUE EXPENDITURE</b>	The day to day costs (pay, premises, transport, supplies and services, etc.) incurred by the Authority in providing services.

## GLOSSARY OF FINANCIAL TERMS

<b>REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE</b>	Expenditure of a capital nature, which does not result in the acquisition of a fixed asset. Such expenditure is written out of the accounts in the year it is incurred.
<b>REVENUE SUPPORT GRANT (RSG)</b>	A general central government grant paid to the Authority in support of its day to day expenditure and distributed on a formula basis.
<b>RUNNING COSTS</b>	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
<b>SPECIFIC GRANTS</b>	Grants paid by government, government agencies and similar bodies, to local authorities in support of particular services. These are often in return for past or future compliance with certain conditions relating to the activities of the Authority.
<b>STOCKS</b>	The amount of unused or unconsumed stocks held in expectation of future use. Examples include consumable stores and services in intermediate stages of completion.
<b>THIRD PARTY PAYMENTS</b>	The cost of specialist or support services purchased by the Authority from outside contractors or other bodies.
<b>TOTAL COST</b>	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.