

Dorset  
Fire  
Authority

Statement  
of Accounts  
2014-15

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

We have audited the financial statements of Dorset Fire Authority for the year ended 31 March 2015 on pages 11 to 18, 35 to 62 and 64. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the 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 the 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 is responsible for the preparation of the Statement of Accounts, 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 they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

The Code of Audit Practice 2010 for Local Government Bodies 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 explanatory foreword 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 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

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 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Dorset Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

### **Certificate**

We certify that we have completed the audit of the financial statements of Dorset Fire Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.



**Darren Gilbert**  
for and on behalf of KPMG LLP, Appointed Auditor  
*Chartered Accountants*  
3 Assembly Square,  
Britannia Quay,  
Cardiff,  
CF10 4AX.  
Date: 29 September 2015

## FOREWORD TO THE ACCOUNTS

### INTRODUCTION

The Authority's Accounts for the year ended 31 March 2015 are set out in the following pages and a glossary of the terms used is provided at the end of the document.

The Accounts comprise the following information and financial statements:

**Auditor's Report to the Authority** – the Report of the External Auditor on the Fire Authority's Statement of Accounts for the year ended 31 March 2015.

**Annual Governance Statement** – this sets out the organisation's approach to the implementation of principles of corporate governance and the operation of effective internal control arrangements within the organisation.

**Statement of Responsibilities for the Statement of Accounts** – this sets out the responsibilities of the Authority and the Treasurer in preparing, publishing and approving the Statement of Accounts, and the Chairman's certificate.

**Statement of Accounting Policies** – this shows the policies adopted in compiling the Statement of Accounts.

**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.

**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 2015.

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

**Notes to the Core Financial Statements** – this provides further information on significant items.

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

### EXPLANATION OF CHANGES TO ACCOUNTS

There are no changes to the format of the accounts for 2014/15. The accounts have been produced in line with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code").

## FOREWORD TO THE ACCOUNTS

### REVIEW OF THE FINANCIAL YEAR

In February 2014 the Fire Authority set the revenue budget for 2014/15 at £29.847 million. This was a reduction of £342k on the budget for 2013/14. The Band D council tax increased from £65.34 to £66.60. 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 2014/15 being £70.48.

The budget included £0.5m to part fund the 2014/15 capital programme and avoid additional borrowing costs and £0.4m was added as a contribution to our Business Transformation Reserve to help support the work we are undertaking with Wiltshire and Swindon Fire Authority. A provisional sum of £0.6m was included towards two regional projects; the Networked Fire Control Service Partnership and the South West Secure Information Services Project, with both projects being funded by external grants.

#### Explanation of major variances

Table 1 below shows how actual overall spending 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>2014/15 Original Budget £'000</b>	<b>2014/15 Revised Budget £'000</b>	<b>2014/15 Actual Outturn £'000</b>	<b>2014/15 Variance £'000s</b>
Employees	22,197	21,646	21,359	287
Pensions	918	875	925	(50)
Premises	1,495	1,606	1,541	65
Transport	849	820	734	86
Supplies, Services and Other Costs	4,419	4,865	4,713	152
Capital financing, leasing and repayment of debt	2,703	2,825	3,214	(389)
<b>Total expenditure</b>	<b>32,581</b>	<b>32,637</b>	<b>32,486</b>	<b>151</b>
Income	(2,170)	(2,803)	(2,937)	134
Transfer to / (from) specific reserves	(564)	(63)	(48)	(15)
<b>Net expenditure</b>	<b>29,847</b>	<b>29,771</b>	<b>29,501</b>	<b>270</b>
<i>Financed by:</i>				
Revenue Support Grant	6,486	6,486	6,486	0
Non Domestic Rates	5,096	4,926	4,926	0
Collection Fund	183	184	187	3
Council Tax Freeze Grant	0	0	0	0
Council Tax	18,082	18,082	18,082	0
<b>Total funding</b>	<b>29,847</b>	<b>29,678</b>	<b>29,681</b>	<b>3</b>
<b>Overall (over) / underspend</b>	<b>0</b>	<b>(93)</b>	<b>180</b>	<b>273</b>

## FOREWORD TO THE ACCOUNTS

- Employee expenditure (pay, training and other employment costs) totalled £21.359m against a revised estimate of £21.646m, saving £287k. Savings on pay costs for operational staff (wholetime and retained duty system staff) make up £268k of this saving and reflect the effects of vacancy management and reductions in operational calls.
- Overall, net pension costs totalled £925k against a final estimate of £875k. Costs were higher than expected as a result of an additional ill-health retirement just prior to year end. The costs of injury allowance payments were in line with those expected.
- Spending on our buildings (e.g. repairs and maintenance, cleaning, utility charges, business rates) was slightly less than expected. The budget was increased by £56k at the start of the year to reflect funding required to complete projects that commenced in 2013/14. £100k of funding was provided from earmarked reserves to build a new resilience training facility at Bridport Fire Station. Subsequently the budget was reduced as a result of business rates refunds and rental income related to Weymouth Community Safety Centre. The overall cost of utilities and cleaning was £40k less than expected. Last year these costs were £49k higher than expected. The final outturn shows expenditure £65k less than budget.
- Overall vehicle and equipment running and maintenance costs were £86k less than budgeted. This was mainly due to lower fuel and motor insurance costs.
- Net spending on prevention activity was lower than expected. This was because additional grant funding was received from various sources funding prevention activity such as Fire Cadets, SPARC and Job Centre Plus. We spent £66k less than expected on resources to support home fire safety checks, such as the purchase of smoke alarms. £17k of funding will be carried forward to 2015/16 to support a project looking at retro fit sprinkler systems.
- Grant funding of £2.19m was brought forward from 2013/14. This included £1.34m for the Networked Fire Control Services Partnership (NFCSP), £151k for the regional Secure Information Interchange project, £265k for prevention activity including Fire Cadets and SPARC and £200k for RoadWise. The funding for NFCSP and Secure Information is required to fund costs being incurred in 2014/15 and future years. For the NFCSP, £580k has been spent in 2014/15. £88k has been spent on the Secure Information project. This project is now closed and the remaining funding will be used over the next few years to cover already committed costs in each of the four participating Services.
- During the year, specific grants totalling £2.145m were received from DCLG. This included £1.627m to support the DESPI scheme, £233k for Firelink, £237k of New Burdens funding to support localised council tax support schemes and business rates reliefs and £48k to support New Dimension activity. £902k of Fire Capital Grant was also received.
- We spent £1.419m during the year on financing of the Authority's long-term debt, including an additional sum of £398k to reduce our unfinanced capital expenditure. This compares to an original budget estimate of £1.152m. The Authority has delayed borrowing whilst our cashflow remains healthy and there is a significant disparity between the cost of borrowing and interest rates on investments. £518k of revenue funding has been used during the year to directly fund capital expenditure and leasing costs totalled £291k.



## FOREWORD TO THE ACCOUNTS

- During the year Members approved the transfer of £500k from reserves to support the Joint Command and Control Centre Project and £100k for additional support for RoadWise. 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 £0.862m has been added from revenue underspends. £180k of this revenue underspend will be used in 2015/16 to fund a number of spending commitments made in 2014/15 but where the actual expenditure has been delayed. It will also fund a number of other new commitments that have been identified since the budget for 2015/16 was set. The remaining balances will be used to support the Authority's medium term financial position.

### CAPITAL EXPENDITURE

In 2014/15 the Authority spent £1.175m on capital projects (£1.466m in 2013/14). During the year the Authority purchased one MAN fire appliance, four ex-lease fire appliances and a number of other smaller vehicles at a total cost of £481k. The Authority has been able to invest £297k on the essential maintenance and improvement of its building stock. £242k has been spent at Portland Fire Station, funded by Dorset Police, to provide a new joint emergency facility for the community of Portland. Spending on essential ICT and operational equipment totalled £155k.

<b>Table 2 - Capital Expenditure</b>	<b>2014/15</b>
	<b>£'000</b>
Property Works	539
Vehicles	481
Equipment	155
<b>Total</b>	<b>1,175</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. In addition to the £242k of funding provided by Dorset Police, fire capital grant funding of £415k and direct revenue financing of £518km were used to fund the total capital spending amount of £1.175m in 2014/15. In addition £398k of revenue funding has been set aside to reduce our amount of unfinanced capital expenditure. At 31 March 2015 the Authority had external debt of £8.995m (£9.158m at 31 March 2014).

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 2014/15 revenue budget under these arrangements totalled £291k (2013/14 £375k).

## FOREWORD TO THE ACCOUNTS

### **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 2014/15 the authority received £1.627m (£1.627m 2013/14) 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 £2.369m (£2.354m 2013/14).

### **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 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 £287m as at 31 March 2015, compared with £240m as at 31 March 2014. The Firefighters' Pension Scheme accounts for £273m of this total (£230m in 2013/14).

The balance sheet is still significantly impacted by the liability and shows a negative overall balance of £270m (£226m in 2013/14), 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**

For 2015/16 the Fire Authority has set a net revenue budget requirement of £29.3m. This required a small increase in the local fire share of council tax, just under 2.5 pence per week, taking the average Band D Council tax to £67.86. This is still well below the £71.52 average for combined fire authorities.

This will be the last budget and council tax set by the Dorset Fire Authority. On 1 April 2016 Dorset will be combining with Wiltshire and Swindon Fire Authority to form the new Dorset and Wiltshire Fire and Rescue Authority. This follows an extensive programme of work over the last 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.

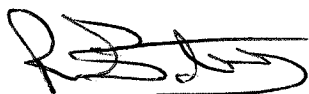
## FOREWORD TO THE ACCOUNTS

The two authorities were successful in bidding for funding from the Fire Transformation Fund to support the combination process. As lead authority for the bid, Wiltshire will receive £5.54m during 2015/16 to support the wider combination programme. There are three key parts to the bid:

- Extending the Streetwise safety centre concept into Wiltshire and Swindon (to educate an additional 15 – 20,000 young people). This site will also include a small multi-agency strategic hub.
- Harmonising and integrating our ICT infrastructures.
- Supporting the wider aspects of combining our two Fire Authorities by providing funding for specific transitional roles

Further details on the combination can be found on our website at [www.dorsetfire.gov.uk](http://www.dorsetfire.gov.uk).

I certify that these Financial Statements give a true and fair view of the financial position of the Authority and of its financial performance for the year ended 31 March 2015.



Richard Bates, Treasurer to the Fire Authority

Date 23/09/2015



Darran Gunter, Chief Fire Officer

Date 23/9/15

# 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.

## STATEMENT OF ACCOUNTING POLICIES

### ***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.

## STATEMENT OF ACCOUNTING POLICIES

### **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 Best Value Accounting 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



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been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

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.

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### **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. Where the carrying amount is lower, this will lead to a different valuation when compared to the valuation under the SORP which required the asset to be measured at market value less expected selling costs.

### **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

## STATEMENT OF ACCOUNTING POLICIES

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.”

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 statement of accounts so as to present fairly the financial position at the accounting date, and its income and expenditure for the year;
- ◆ 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, Service Headquarters, Peverell Avenue West, Poundbury, Dorchester, Dorset, DT1 3SU, 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**

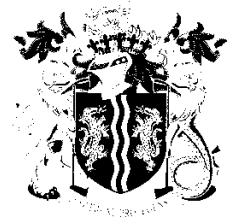
The public and press are able to attend all meetings of the Dorset Fire Authority and most of its committees, and to have access to reports and background papers, subject to the exemptions and confidentiality provisions of the Local Government Act 1972.

### **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, Service Headquarters, Peverell Avenue West, Poundbury, Dorchester, Dorset, DT1 3SU.



**Dorset Fire Authority  
Annual Governance Statement  
2014/15**

## **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.dorsetfire.gov.uk](http://www.dorsetfire.gov.uk) or can be obtained from the Head of Information Management, at Service Headquarters, Peverell Avenue West, Poundbury, Dorchester, DT1 3SU or telephoning (01305) 252641. This statement explains how the Authority has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 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*

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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 pending combination with Wiltshire, it has been decided that no new Community Safety Plan or Annual report will be published by Dorset Fire Authority.

### *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

- Good in the Comprehensive Performance Assessment process in 2005
- Performing well, scoring 3 in every category under the Comprehensive Area Assessment in 2009
- 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 have recently secured BSI 18001 Health and Safety one of only a few fire and rescue service to have achieved this

The Authority has always had a good track record of identifying efficiency savings and achieving value for money.

In 2009 the Audit Commission concluded that Dorset Fire and Rescue Service:

"... costs less to run than other fire authorities and performs better. A great deal is being done to make the most of its limited money, time and staff."

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“The Authority has done well to make savings. But it will be difficult to make more savings in such a small Authority with such low costs.”

The budget for Dorset Fire Authority is approximately £30m with 39% coming from government the rest through a fire precept that is collected with council tax. Due to cuts within Central Government funding, the Authority is facing severe financial pressures. A public consultation was held in the summer of 2014 to ask for opinions of a possible merger with Wiltshire and Swindon Fire Authority. Both Authorities decided to ask the Secretary of State to approve a combination order and this was approved on 1 April 2015. This has led to the creation of a combined fire and rescue authority and service 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*

The Standards Committee has 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 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, although much of this work is not focused on the

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combination with Wiltshire. 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 (2010) 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 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 decision 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

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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. An extensive consultation to support plans to deal with our financial situation during the summer of 2014 was undertaken which 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 strengthening 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.

In addition to this 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**

Clearly much of the work last year was focused on the combination with Wiltshire and is being managed within the Combination Programme and

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reported to Members through those channels. A 'shadow' strategic risk register will be created for the new Authority to run from 1 April 2016. It was extremely important however, that a clear focus was maintained on governance within the Dorset Fire Authority and the Fire Authority has continued to monitor key corporate risks. Following the review of Governance, Dorset Fire Authority has identified a small number of key priorities until 1 April 2016 to ensure that governance arrangements are maintained up until it is disbanded. In no particular order they are:

### **1.Failure to effectively have all relevant risk information available to crews on the incident ground and failure to comply with data protection rules**

#### *Risk Description:*

Operational risk information is used to protect firefighter safety when attending incidents but also provides the benefits of pre-planning which is likely to lead to more effective resolution of incidents as well as presenting an opportunity to work with the site occupier, where DFRS can influence the on-site response. An internal Audit in July 2014 identified a significant corporate risk to firefighter safety and operational effectiveness when responding to emergencies and compliance with data protection rules.

#### *Existing Controls:*

- 1.Operational risk information procedure
- 2.National guidance issued by DCLG
- 3.Level 1 and Level 3 operational risk process maps
- 4.Creation of a specific Working Group

#### *Current Position:*

A working group called the Operational Risk Working Group, with a dedicated lead officer is now in place. Six recommendations were made to the Community Safety Forum in November 2014 and good progress is being made and the effectiveness of controls has been elevated to Very Good as a result.

### **2.Failure to effectively sustain leadership and management skills and competences.**

#### *Risk Description:*

There is a risk that we fail to manage effective succession planning and the

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development of staff. Workforce planning currently indicates that we have a high proportion of supervisory, middle and strategic managers that could leave the service within the next 5 years. This gives rise to significant succession planning issues including the need for financial investments. This is exasperated by uncertainty associated with future pension changes

### *Existing Risk Controls:*

1. Workforce Planning will take place on a monthly basis.
2. Regular reports to People Forum and SMT
3. Annual report is provided to DFA
4. Funding (£250,000) has been made available to implement our leadership strategy
5. Leadership Framework (concept design) has been completed and been developed
6. Reinvigorated Workforce Planning meetings

### *Current Position:*

DFRS is now employing apprentices to further strengthen its workforce planning arrangements and has carried out external recruitment on 1 year fixed term contracts for Station Manager appointments

### **3. Insufficient financial settlement.**

#### *Risk Description:*

Despite delivering substantial savings and efficiencies in recent years, over £4m per year by 2015/16, saving a total of over £29m up to and including 2016/17, cuts in central government funding and successive council tax freezes leave the Dorset Fire Authority facing a substantial budget deficit in future years. This will mean that some difficult choices will have to be made around the future of service delivery.

#### *Existing Controls:*

1. Development of an approach comprising 5 elements
  - Maximising the efficiency and resilience of our support arrangements, reviewing options for change as and when opportunities arise, and continuing to pursue opportunities for collaborative working or sharing services with other fire

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and rescue authorities.

- Exploring the potential for trading opportunities to increase income to offset any detrimental changes.
- Conduct a strategic review of investments contained within the capital programme to reduce long-term debt and improve organisational effectiveness and firefighter safety.
- Implement the Networked Fire Control Services Partnership and maximise financial savings and organisational effectiveness stemming from the project.
- Maintain and develop business cases and delivery plans associated with prioritised service delivery options.

### 2. Combination Programme

#### *Current Position:*

The Authority's financial position continues to be significantly adversely impacted by reductions in government funding. Our level of grant funding is reducing from £12.5m in 2013/14 to £10.6m for 2015/16, and we are planning for further cuts in the years after that as the Government continues its austerity programme. The further cuts are assumed to be 5.5% each year from 2016/17 to 2019/20 and under our "Best Case" scenario, with continuing 2% council tax increases each year, this leaves us with an expected funding gap of £2.3m by 2017, but this could rise to more than £3m with further council tax freezes. Over the past 12 months the senior managers from both Services have been working on the development of this business case. Following a period of extensive consultation between July and October 2014 both Fire Authorities formally approved the Final Business Case for Combination at meetings in November 2014. An application was made to the Secretary of State for a Combination Order, which following positive support from Wiltshire Council has now been signed.

#### **4. Failure to Strengthen RDS Establishment, Recruitment and Retention.**

##### *Risk Description:*

Historically, the number of leavers has outstripped the Service's ability to recruit new staff. The recruitment process is lengthy and this acts as a barrier to effective workforce planning. It also demotivates those going through. It is becoming apparent that staff are becoming less interested in promotion due to the impact of meeting additional RDS manager responsibilities.

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### *Existing Risk Controls:*

1. A new inter department RDS work force planning group that meets quarterly.
2. A centralised recruitment process, linked to transferability standards.
3. Recruitment courses at WMTC are available, but limited due to scheduling requirements.
4. Contractual obligations contained within 176 availability agreements of existing staff.
5. RDS support officers are used to cover key station shortfalls, against the priorities of a degradation plan.
6. Grey book and FBU position re maximum hours of availability, which seems to be gathering momentum for an optimum of 120 hours.
7. Revised establishment levels, which have been calculated against a maximum of 120 hours of availability.
8. Developing increasing support for managers through the RDS change programme.
9. Additional recruitment capacity in Dorset Area has been established to strengthen recruitment and business partnering
10. Establish an RDS recruitment group which meets bi-monthly to review where we are
11. More recruitment resources purchased and given more responsibility back to RDS Station Commanders
12. Dedicated budgets have been established for recruitment activity on stations
13. Incentives for employers that release staff to the RDS have been explored
14. A clear approach to local RDS response standards with tailored response zones to meet recruitment profiles and risk has been established

### *Current Position:*

Significant improvements with the recruitment approach made in 2013 were realised in 2014. The indications are that significant increases in numbers are being achieved, but we must be careful to ensure that these efforts are maintained, fully evaluated and delivered with continuous improvement. The numbers of new firefighters has increased with potential of a further significant

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increase. This is the first year that the number of new staff is greater than those leaving. This indicates that the review and changes in made in the recruitment approaches is working. Reports were taken to Audit and Scrutiny Committee and the position is regularly discussed at the People Forum. The improved position has allowed a reduction in the Impact rating to Serious

### **5.Failure to Sustain RDS Command Competence and Operational Licences.**

#### *Risk Description:*

Currently, on-call firefighters crew 33 out of 40 front-line fire engines in Dorset. Whilst the firefighters respond to their local station, it is often the case that, due to demand and the strategic disposition of fire cover, they will be responding to incidents and/or on standby in station areas other than their own. Hence it would be difficult, if not impossible, to limit RDS appliances in Dorset to only deal with risks in their station area. In addition to the above, many of the specialist functions such as New Dimension vehicles, and wading teams, are undertaken by RDS crews. The conundrum is therefore ensuring that there is sufficient time to allow for training and competence of all required competences. To respond to this issue and other key issues we are actively pursuing number of actions within the RDS improvement plan.

#### *Existing Controls:*

- 1.Operational competence procedures
- 2.Competency based management systems (Redkite)
- 3.Operational licence and recording in Redkite and Dorset Area
- 4.Investment in WMTC Command and Control capacity and assessments
- 5.Investment in new technology and Operational Assets
- 6.Piloting of station based trainers
- 7.Close monitoring of ops licence at People Forum and SMT
- 8.Costed delivery plan at WMTC
- 9.Ongoing gap analysis between resources and performance to strengthen the current position
- 10.Health and Safety Assurance Framework

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11. Training and development programme

12. Workforce Development Framework DR05, and the suite of procedures for Operational Licence DR27, Command Competence DR17, Reassessment DR29, Maintenance of Competence DR12, and OCARs all reviewed and on SIS

13. The inclusion of individual operational licence performance in a savings based bonus scheme for the RDS has been considered

### *Current Position:*

The position is improving; however current temporary structures and temporary promotions have required a larger number of CAL assessments with related pre training and failures. This coupled with temporary command training structure issues has created capacity issues, but these are being managed Any issues are being raised at Workforce planning meetings and this is under review by People Forum as required

## **6. Lack of clarity nationally over vision for fire and rescue services in England.**

### *Risk Description:*

There are a number of strategic debates and reviews that are affecting the fire and rescue service in England. Among these are:

(1) Sir Ken Knight review on Facing the future. This was a fundamental review of the fire and rescue services in England and Wales. The review has prompted a wide range of issues and discussions around the sector.

(2) The exploration of the potential collaboration of bluelight services.

(3) Police and crime commissioners. There have been a number of statements made by the local Police and crime commissioner around further collaboration within Dorset of Fire and Police services.

The Government has made a response to these debates but there is still considerable uncertainty around the future strategic context of fire and rescue services. This may cause political and managerial uncertainty until a clear picture arises over the form and function of future governance arrangements.

### *Existing Controls:*

The CFO has been active in contributing to the national and local debates. It

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has been agreed that at a local level that Dorset FRS, Police and Ambulance will look to collaborate on fleet maintenance, shared estate usage, logistics and civil contingency planning. The CFO is actively looking to become engaged in the development of the CFOA future vision. Work on a combination programme with Wiltshire continue to be the principal driver

### *Current Position:*

Both Authorities have agreed to the Combination and this has now been signed by the Secretary of State. The change programme structure has been agreed and workstreams 1 and 2 will focus on corporate governance and organisational development respectively. Work has commenced on the development of a new Vision which seeks to position the new Service within the emerging community health and well-being agenda

### **7.Loss of West Moors Training Centre.**

#### *Risk Description:*

Our current Training Centre is secured through an agreement with MOD. The legal basis of this agreement is weak due to a lack of longer term commitment from the MOD and ever present threat of a strategic defence review. The absence of a site in Dorset where carbonaceous burns are permitted is limited

#### *Existing Controls:*

- 1.Regular liaison with MOD
- 2.Receiving support on our position from DCC estates & DFRS property (Sue Harries) from where we are receiving legal advice regards our legal tenancy position.
- 3.On-going negotiations over tenancy agreement
- 4.On-going training provision with MOD
- 5.Regular reviews at People Forum and SMT
- 6.Plan B paper taken to Audit and Scrutiny Committee in November 2013
- 7.Meetings with DIO, DCC Legal rep, DFRS Property and Head of Employee Development have progressed to develop a revised terms and conditions proposal from DIO. However, despite several requests for a stakeholder meeting, this has been refused by DIO. The latest proposal from DIO is a 10 year lease, which must be renewed every 3 years and has a 6 month notice to

**NOT PROTECTIVELY MARKED**



**Dorset Fire Authority**  
**Comprehensive Income and Expenditure Statement**  
**For the year ended**  
**31 March 2015**

	2013-14 Net Spending £000s	2014-15			Net Spending £000s
		Gross Spending £000s	Income £000s	Specific Grants £000s	
<b>Community Safety</b>					
Statutory Inspection, Certification & Enforcement	1,586	1,860	(18)	(204)	<b>1,638</b>
Prevention & Education	2,455	2,765	(115)	(187)	<b>2,463</b>
<b>Fire Fighting and Rescue Operations</b>					
Operational Responses	21,010	22,831	(474)	(1,235)	<b>21,122</b>
Communications & Mobilising	1,888	2,427	(82)	(233)	<b>2,112</b>
Securing Water Supplies	117	119	0	0	<b>119</b>
<b>Corporate and Democratic Core</b>					
Democratic Representation and Management	245	252	0	0	<b>252</b>
Corporate Management	832	1,108	(36)	(286)	<b>786</b>
<b>Non-distributed Costs</b>	<b>530</b>	<b>(21)</b>	<b>0</b>	<b>0</b>	<b>(21)</b>
<b>Cost Of Services</b>	<b>28,663</b>	<b>31,341</b>	<b>(725)</b>	<b>(2,145)</b>	<b>28,471</b>
<b>Other operating expenditure</b>					
Net (gain) / loss on disposal of non-current assets	(313)	0	(27)		(27)
Financing and Investment Income and Expenditure	340	380	(67)		313
Impairment regarding Icelandic Bank	(19)	0	0		0
Pensions Interest Cost & Expected Return on Assets	10,303	10,371	0		10,371
<b>Net Operating Expenditure</b>	<b>38,974</b>				<b>39,128</b>
<b>Taxation and Non-Specific Grant Income</b>					
Collection Fund Surplus	(126)				(627)
Revenue Support Grant	(7,553)				(6,486)
Non Domestic Rates	(2,115)				(2,261)
Business Rates top-up receipts from Central Government (from 13/14)	(2,614)				(2,665)
Council Tax Precept	(17,630)				(18,082)
Council Tax Freeze Grant	0				0
Capital Grants	(902)				(902)
	<b>(30,940)</b>				<b>(31,023)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>8,034</b>				<b>8,105</b>
(Surplus) or deficit on revaluation of fixed assets	(2,484)				(2,311)
Actuarial (gains) / losses on pensions assets / liabilities	(2,333)				37,600
<b>Other Comprehensive Income and Expenditure</b>	<b>(4,817)</b>				<b>35,289</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>3,217</b>				<b>43,394</b>

# BALANCE SHEET

<b>Balance Sheet</b>		<b>for the year ending 31 March 2015</b>	
31 March 2014		Note	31 March 2015
£'000			£'000
9	Intangible Assets	12	9
26,079	Property - Land & Buildings	12	27,815
6,268	Vehicles, Plant & Equipment	12	5,398
<u>32,356</u>	<b>Long Term Assets</b>		<u>33,222</u>
133	Inventories	18	149
0	Assets held for sale	12	0
3,684	Short Term Debtors	19	4,262
5,593	Short Term Investments	20	6,000
4	Cash and Cash Equivalents	22	836
<u>9,414</u>	<b>Current Assets</b>		<u>11,247</u>
(2,991)	Short Term Creditors	21	(3,037)
(163)	Short Term Borrowing	17	(172)
(127)	Bank Overdrawn	22	0
<u>(3,281)</u>	<b>Current Liabilities</b>		<u>(3,209)</u>
6,133	<b>Net Current Assets</b>		8,038
38,489	<b>Total Assets less Current Liabilities</b>		41,260
(16,000)	Long Term Creditors	32	(15,294)
(8,995)	Long Term Borrowing	17	(8,823)
0	Other Long Term Liabilities		0
(161)	Provisions	23	(181)
(239,788)	Pensions Liability	27	(286,813)
<u>(264,944)</u>	<b>Long-Term liabilities</b>		<u>(311,111)</u>
<u><b>(226,455)</b></u>	<b>Net Liabilities</b>		<u><b>(269,851)</b></u>
	<i>Unusable Reserves:-</i>		
(7,101)	Capital Adjustment Account	24 (i)	(6,750)
7,557	Revaluation Reserve	24 (ii)	9,816
150	Collection Fund Adjustment Accounts	24 (v)	590
(84)	Accumulated Absences Account	24 (vi)	(124)
(239,788)	Pensions Reserve	24 (iv)	(286,813)
	<i>Usable Reserves:-</i>		
1,839	Usable Capital Receipts Reserve	24 (iii)	1,839
312	Capital Grants Unapplied		799
8,478	Specific Reserves	24 (vii)	8,430
2,182	Revenue Balances	26	2,362
<u><b>(226,455)</b></u>	<b>Total Reserves</b>		<u><b>(269,851)</b></u>

# CASH FLOW STATEMENT

2013-14			2014-15	
£'000	£'000		£'000	£'000
		<b>Operating Activities</b>		
		Expenditure		
27,538		Cash paid to or on behalf of employees	28,642	
9,898		Other operating costs	8,419	
	37,436			37,061
		Income		
(17,630)		Precept - Council Tax income	(18,082)	
(126)		Surplus / (Deficit) on Collection Funds	(627)	
(2,115)		Non-Domestic Rate income	(2,261)	
(2,614)		Business Rates top-up from Govt	(2,665)	
(7,553)		Revenue Support Grant	(6,486)	
(3,116)		Government Grants and receipts	(3,138)	
(6,526)		Cash received for goods and services	(6,838)	
	(39,680)			(40,097)
	(2,244)	Operating Activities Net Cash Flow		(3,036)
		<b>Servicing of Finance</b>		
		Expenditure		
408		Interest paid	380	
		Income		
(67)		Interest received	(67)	
	341			313
		<b>Investing Activities</b>		
		Expenditure		
1,700		Purchase of fixed assets	1,409	
		Income		
889		Cash used from sale of fixed assets	(28)	
(1,121)		Capital Grants received	(657)	
	1,468			724
		<b>Management of liquid resources</b>		
(12,536)		Short Term Lending	(10,745)	
11,890		Short Term Loans Repaid	12,000	
		<b>Financing Activities</b>		
(1,990)		Borrowing	(54)	
4,155		Borrowing Repaid	172	
	1,519			1,373
	1,084	<b>Net cash (inflow) / outflow</b>		(626)
	600	<b>Other Movements</b>		(1,060)
	(1,782)	Transfers		727
	(98)	<b>Net (increase) / decrease in cash</b>		(959)

**Dorset Fire Authority**  
**Movement in Reserves Statement**  
**For the years ended 31st March 2014 and 2015**

	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 2013</b>	<b>2,182</b>	<b>531</b>	<b>6,966</b>	<b>337</b>	<b>10,016</b>	<b>(5,109)</b>	<b>3,865</b>	<b>287</b>	<b>(138)</b>	<b>(232,154)</b>	<b>(233,249)</b>	<b>(223,233)</b>
Surplus / (Deficit) on Provision of Services	(8,034)				(8,034)						0	(8,034)
Depreciation & Impairment of Fixed Assets	2,495				2,495	(2,462)	(32)				(2,494)	1
Net gain/(loss) on disposal of fixed assets	(302)			1,502	1,200	(2,447)	1,240				(1,207)	(7)
Net charges for pensions in accordance with IAS19	16,789				16,789					(16,789)	(16,789)	0
Collection Fund Adjustment Accounts	138				138			(138)			(138)	0
Statutory provision for repayment of debt	(1,451)				(1,451)	1,451					1,451	0
Capital Expenditure charged to the General Fund Balance	(345)				(345)	345					345	0
Employer's contributions payable to the Dorset County Pension Fund and amounts payable direct to pensioners.	(6,822)				(6,822)					6,822	6,822	0
Transfer to Capital Grants Unapplied Reserves	(902)	902			0						0	0
Net transfer to / (from) Earmarked Reserves	(1,512)		1,512		0						0	0
Capital Grant applied	0	(1,121)			(1,121)	1,121					1,121	0
Transfers to/from Accumulated Absences Account	(54)				(54)				54		54	0
Revaluation losses (gains)					0		2,484				2,484	2,484
Actuarial loss/(gain) on Pension Fund assets and liabilities					0					2,333	2,333	2,333
Rounding					0			1			1	1
<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>

	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)				<b>(8,105)</b>						<b>0</b>	<b>(8,105)</b>
Depreciation & Impairment of Fixed Assets	2,685				<b>2,685</b>	(2,634)	(52)				<b>(2,686)</b>	<b>(1)</b>
Net charges for pensions in accordance with IAS19	17,651				<b>17,651</b>					(17,651)	<b>(17,651)</b>	<b>0</b>
Collection Fund Adjustment Accounts	(440)				<b>(440)</b>			440			<b>440</b>	<b>0</b>
Statutory provision for repayment of debt	(1,412)				<b>(1,412)</b>	1,412					<b>1,412</b>	<b>0</b>
Capital Expenditure charged to the General Fund Balance	(518)				<b>(518)</b>	518					<b>518</b>	<b>0</b>
Employer's contributions payable to the Dorset County Pension Fund and amounts payable direct to pensioners.	(8,226)				<b>(8,226)</b>					8,226	<b>8,226</b>	<b>0</b>
Transfer to Capital Grants Unapplied Reserves	(902)	902			<b>0</b>						<b>0</b>	<b>0</b>
Voluntary provision for repayment of debt	(398)				<b>(398)</b>	398					<b>398</b>	<b>0</b>
Net transfer to / (from) Earmarked Reserves	48		(48)		<b>0</b>						<b>0</b>	<b>0</b>
Capital Grant applied	0	(415)			<b>(415)</b>	415					<b>415</b>	<b>0</b>
Other Capital Contributions	(242)				<b>(242)</b>	242					<b>242</b>	<b>0</b>
Transfers to/from Accumulated Absences Account	40				<b>40</b>				(40)		<b>(40)</b>	<b>0</b>
Revaluation losses (gains)					<b>0</b>		2,311				<b>2,311</b>	<b>2,311</b>
Actuarial loss/(gain) on Pension Fund assets and liabilities					<b>0</b>					(37,600)	<b>(37,600)</b>	<b>(37,600)</b>
Rounding	(1)				<b>(1)</b>						<b>0</b>	<b>(1)</b>
<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>



# 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 2014-15 are as follows:

- \*IFRS 13 Fair Value Measurement (May 2011)
- \*IFRS 1 Meaning of effective IFRSs (2011 - 2013 Cycle)
- \*IFRS 3 Scope exceptions for joint ventures (2011 - 2013 Cycle)
- \*IFRS 13 Scope of paragraph 52 (portfolio exception) (2011 - 2013 Cycle)
- \*IAS 40 Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property (2011 - 2013 Cycle)
- \*IFRIC 21 Levies

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**

### Pension Commutation Factors

The Pensions Ombudsman recently published his determination in relation to a firefighter who retired in 2005. The determination concerns historic commutation factors in the fire scheme and the responsibilities for maintaining and updating them. The firefighter claimed that the Government Actuary's Department (GAD) had a statutory duty to review the tables of commutation factors and that such a review would have led to him receiving a larger retirement lump sum. The Final Determination finds GAD guilty of maladministration and finds that an opportunity to review the commutation factors was lost in 2001/2 and then again between 2002 and 2004.

The Ombudsman has directed GAD to assess what the factor would have been in 2005 if reviews had taken place. A payment was ordered to be made to the individual to reflect the recalculated commutation lump sum including interest on the back-dated payment.

The Ombudsman expects Government to make arrangements for payments to be made to others affected by this judgement. GAD published its final guidance for pension's administrators to calculate additional lump sum or pensions payments on 28 August 2015. This is an adjusting post balance sheet event, and adjustments will be made to recognise the payments as a past service cost in the accounts for 2015-16. No adjustments have been posted in the accounts for 2014-15, on the basis that any impact on the accounts is not likely to be material, given the expectation that these payments will be fully funded from the Department for Communities and Local Government (CLG) top-up grant.

## 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.

2013-14	<u>2014-15</u>			
Actual £'000	Original Estimate £'000	Final Estimate £'000	Actual £'000	Difference ( ) = over £'000
	<u>Fire Authority</u>			
175	194	190	189	1
	<u>Dorset Fire And Rescue Service</u>			
20,806	20,126	20,740	20,453	287
865	918	875	925	(50)
1,469	1,495	1,606	1,541	65
755	849	820	734	86
2,072	2,357	2,758	2,588	170
2,120	1,869	1,917	1,935	(18)
375	291	291	291	0
2,495	1,700	2,688	2,685	3
31,132	29,799	31,885	31,341	544
	<u>Income</u>			
(1,988)	(1,932)	(2,113)	(2,145)	32
(284)	(75)	(510)	(574)	64
(197)	(103)	(129)	(151)	22
28,663	27,689	29,133	28,471	662
	<b>Net Cost of Service</b>			
(313)	0	(11)	(27)	16
407	510	380	380	0
(67)	(60)	(51)	(67)	16
10,303	9,815	10,371	10,371	0
(19)	0	0	0	0
38,974	37,954	39,822	39,128	694
	<b>Net Operating Expenditure</b>			
	<b>Principal Sources of Finance</b>			
7,553	6,486	6,486	6,486	0
2,115	5,096	2,261	2,261	0
2,614	0	2,665	2,665	0
17,630	18,082	18,082	18,082	0
126	183	624	627	3
902	0	902	902	0
30,940	29,847	31,020	31,023	3
	<b>Total Funding</b>			
8,034	8,107	8,802	8,105	697
(2,495)	(1,700)	(2,688)	(2,685)	(3)
302	0	0	0	0
(138)	0	440	440	0
902	0	902	902	0
54	0	(40)	(40)	(0)
345	511	753	761	(8)
1,451	1,391	1,412	1,810	(398)
(9,967)	(7,745)	(9,425)	(9,425)	0
1,512	(564)	(63)	(48)	(15)
0	0	93	(180)	273
	<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 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>

<b>Service Income and Expenditure 2013-14</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	(1,820)	(48)	(120)	0	(1,988)
Reimbursements and Contributions	0	(192)	(64)	(28)	(284)
Customer & Client Receipts	(72)	(109)	(3)	(13)	(197)
<b>Total Income</b>	<b>(1,892)</b>	<b>(349)</b>	<b>(187)</b>	<b>(41)</b>	<b>(2,469)</b>
Employees	22	36	24	21,060	21,142
Pensions	0	0	0	865	865
Premises	1,434	5	27	3	1,469
Transport	515	73	93	74	755
Supplies and Services	1,379	441	154	98	2,072
Support Services	1,617	106	380	17	2,120
Leasing Charges	0	0	375	0	375
<b>Total Expenditure</b>	<b>4,967</b>	<b>661</b>	<b>1,053</b>	<b>22,117</b>	<b>28,798</b>
<b>Net Expenditure</b>	<b>3,075</b>	<b>312</b>	<b>866</b>	<b>22,076</b>	<b>26,329</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.

2013-14 £'000		<u>2014-15</u> £'000
26,329	Cost of Services in Service Analysis	<b>26,543</b>
175	Services not in Analysis	<b>189</b>
<u>2,159</u>	Amounts not reported to management	<b>1,739</b>
	<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>28,471</b>
<u><u>28,663</u></u>		

### 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.

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	(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
Impairment of Icelandic	0	0	0	0	0	0
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>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2013-14	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	(1,988)	0	0	(1,988)	(8,455)	(10,443)
Other Grants, Reimbursements & Contributions	(284)	0	0	(284)	(4,729)	(5,013)
Income from Council Tax	0	0	0	0	(17,756)	(17,756)
Interest & Investment Income	0	0	0	0	(67)	(67)
Fees, Charges and Other	(197)	0	0	(197)	0	(197)
<b>Total Income</b>	<b>(2,469)</b>	<b>0</b>	<b>0</b>	<b>(2,469)</b>	<b>(31,007)</b>	<b>(33,476)</b>
Employee expenses	21,142	67	(336)	20,873	0	20,873
Pensions	865	0	0	865	0	865
Premises	1,469	0	0	1,469	0	1,469
Transport	755	4	0	759	0	759
Supplies and Services	2,072	7	0	2,079	0	2,079
Support Services	2,120	97	0	2,217	0	2,217
Capital Financing Costs	375	0	0	375	0	375
Depreciation, Amortisation & Impairment	0	0	2,495	2,495	0	2,495
Interest Payable	0	0	0	0	407	407
Pension Interest Cost	0	0	0	0	10,303	10,303
Impairment of Icelandic	0	0	0	0	(19)	(19)
Gain/Loss on Disposal of Non-current Assets	0	0	0	0	(313)	(313)
<b>Total Expenditure</b>	<b>28,798</b>	<b>175</b>	<b>2,159</b>	<b>31,132</b>	<b>10,378</b>	<b>41,510</b>
<b>Deficit on provision of services</b>	<b>26,329</b>	<b>175</b>	<b>2,159</b>	<b>28,663</b>	<b>(20,629)</b>	<b>8,034</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## **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 2014-15 the authority received £1.627M (2013-14 £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 £2.369M (2013-14 £2.354M).

## **6. DISCRETIONARY EXPENDITURE**

The main type of expenditure under this heading is grants to voluntary bodies.

2013-14		<b>2014-15</b>
£'000		<b>£'000</b>
20	Expenditure	<b>21</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

Spend on members allowances for the Authority is as follows:

2013-14 £'000		2014-15 £'000
65	Member's allowances	73
4	Member's expenses	5
69		78

The Authority is also required, under Part 3 of the Accounts & Audit (England) Regulations 2011 [SI 2011 No 817], to report the numbers of staff with salary payments and allowances in excess of £50,000 per annum, in multiples of £5,000. The figures below represent the amounts paid in each year taking account of starting and leaving dates where retiring staff have been replaced during the year, and include officers seconded.

2013-14		2014-15
Numbers	Salary Band	Numbers
12	£50,000 - £54,999	11
2	£55,000 - £59,999	3
3	£60,000 - £64,999	6
3	£65,000 - £69,999	3
1	£70,000 - £74,999	1
0	£75,000 - £79,999	1
0	£80,000 - £84,999	0
1	£85,000 - £89,999	0
0	£90,000 - £94,999	1
0	£95,000 - £99,999	0
2	£100,000 - £104,999	1
0	£105,000 - £109,999	1
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
1	£130,000 - £134,999	0
0	£135,000 - £139,999	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) 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 £140,000.*

## NOTES TO THE CORE FINANCIAL STATEMENTS

### SENIOR OFFICERS EMOLUMENTS WHERE SALARY IS BETWEEN £50,000 AND £150,000 PER YEAR (ENGLAND) 2013-14

Post title	Salary	Taxable expenses	Benefits In Kind	Total	Pensions Contribution	Total	Note
Chief Fire Officer	£131,854	£0	£0	£131,854	£27,967	£159,821	
Assistant Chief Fire Officer 1 (Service Support)	£99,668	£197	£1,363	£101,228	£20,975	£122,203	
Assistant Chief Fire Officer 2 (Service Delivery)	£100,232	£933	£0	£101,165	£20,975	£122,140	
Assistant Chief Officer	£85,344	£0	£3,259	£88,603	£14,679	£103,282	
Director of People Services	£63,292	£0	£2,919	£66,211	£10,886	£77,097	

### EXIT PACKAGES AND TERMINATION BENEFITS

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures		Total number	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
£0 - £20,000	0	0	1	0	1	0
£20,001 - £40,000	0	0	0	1	0	1

Exit Package Cost Band	Total Cost £'000	
	2013-14	2014-15
£0 - £20,000	12	0
£20,001 - £40,000	0	26



# 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.

2013-14		<u>2014-15</u>
In post	<b>Uniformed Staff</b>	In post
264	Wholetime	251
303	Retained	301
25	Fire Control	26
<u>592</u>		<u>578</u>
	<b>Non-Uniformed Staff</b>	
145	Support Staff	146
<u>737</u>		<u>724</u>

## 9. SPONSORSHIP

There was no direct sponsorship in 2014-15 or 2013-14.

## 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 Head of Financial Services 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: -

2013-14			<u>2014-15</u>	
£'000			£'000	
Owed To	Owed From		Owed To	Owed From
355	17	Dorset County Council	122	28
83	13	Dorset Police Authority	48	284
80	0	Dorset County Pension Fund	86	0
23	69	Other Local Authorities	241	235
<u>541</u>	<u>99</u>		<u>497</u>	<u>547</u>

## 11. AUDIT FEES

Fees payable to the Authority's external auditors, KPMG, for 2014-15 relating to the year of account are as follows. In 2013-14 the external audit work fee was also paid to KPMG.

2013-14		<u>2014-15</u>
£'000		£'000
33	External Audit Services	33
<u>33</u>		<u>33</u>

For 2014-15 the Authority received fee credits totalling £3,341 (2013-14 £4,448) direct from the Audit Commission.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12. PROPERTY, PLANT & EQUIPMENT

	Intangible Assets	Operational Assets		Non-operational Assets		Total Assets
		Land and Buildings	Vehicles, Plant & Equipment	Under construct -ion	Surplus Assets	
<b>2014-15</b>	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value 1 April	212	39,844	16,275	-	-	56,331
Accumulated Depreciation	(203)	(13,765)	(10,007)	-	-	(23,975)
Net Book Value 1 April	9	26,079	6,268	-	-	32,356
Additions	4	604	632	-	-	1,240
Disposals	-	-	(188)	-	-	(188)
Revaluations	-	2,311	-	-	-	2,311
Depreciation and Impairment	(4)	(1,179)	(1,502)	-	-	(2,685)
Depreciation on assets sold	-	-	188	-	-	188
Impairment	-	-	-	-	-	-
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>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>

Comparative movements for the prior year are as follows:

	Intangible Assets	Operational Assets		Non-operational Assets		Total Assets
		Land and Buildings	Vehicles, Plant & Equipment	Under construct -ion	Surplus Assets	
<b>2013-14</b>						
Gross Book Value 1 April	201	37,063	15,171	-	1,200	53,635
Accumulated Depreciation	(201)	(12,822)	(8,555)	-	-	(21,578)
Net Book Value 1 April	-	24,241	6,616	-	1,200	32,057
Transfer between categories	-	-	-	-	-	-
Additions	11	297	1,208	-	-	1,516
Disposals	-	-	(103)	-	(1,200)	(1,303)
Revaluations	-	2,484	-	-	-	2,484
Depreciation and Impairment	(2)	(943)	(1,550)	-	-	(2,495)
Depreciation on assets sold	-	-	97	-	-	97
Net Book Value 31 March	<b>9</b>	<b>26,079</b>	<b>6,268</b>	<b>0</b>	<b>0</b>	<b>32,356</b>
<b>Asset Financing</b>						
Owned	9	21,039	6,268	0	0	27,316
Leased	0	0	0	0	0	0
PFI	0	5,040	0	0	0	5,040
	<b>9</b>	<b>26,079</b>	<b>6,268</b>	<b>0</b>	<b>0</b>	<b>32,356</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 2014. The Authority has adopted a five year rolling programme for asset valuations and five properties were identified to be valued. The results of these valuations are applied to the remainder of the holding. It is 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. 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	Open market value	Comparative
Operational, non-specialised	Open market value for existing use	Comparative
Operational, specialised	Depreciated replacement cost	Cost of replacement
Vehicles, Plant and Equipment	Depreciated historic cost (as a proxy for current value)	Estimated life

### Asset Register

2013-14 No.		<u>2014-15</u> No.
26	Operational Fire Stations	26
2	Other Properties including HQ	2
7	Mobile Phone Aerials	7
166	Vehicles	167
<u>201</u>		<u>202</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.

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. Four 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 2014-15, a comparison with the estimated spending and funding.

2013-14		<u>2014-15</u>	
Actual £'000		Final Estimate £'000	Actual £'000
247	Land & Buildings	291	539
1,014	Vehicles	803	481
205	Equipment	618	155
<u>1,466</u>	Total Capital Payments	<u>1,712</u>	<u>1,175</u>
0	Use of Capital Receipts	0	0
1,121	Government Grants	1,202	415
0	Other Capital Contributions	0	242
0	External Borrowing	0	0
345	Revenue Financing	510	518
<u>1,466</u>		<u>1,712</u>	<u>1,175</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. CAPITAL FINANCING REQUIREMENT

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

2013-14 £'000		2014-15 £'000
16,616	Balance brought forward	15,925
1,466	Capital Investment	1,175
0	Use of Capital Receipts	0
(1,121)	Government Grants & Other Contributions	(657)
(345)	Revenue Financing	(518)
(691)	Minimum Revenue Provision	(1,039)
15,925		14,886

Analysis of movement in the Capital Financing Requirement during the year

2013-14 £'000		2014-15 £'000
(691)	Increase or (Reduction) in underlying need to borrow (not supported by Government financial assistance)	(1,039)
(691)		(1,039)

### 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.

2013-14			2014-15	
Premises £'000	Vehicles £'000		Premises £'000	Vehicles £'000
0	375	Expenditure	0	291
0	276	Commitment - 1 year	0	172
0	212	Commitment - 2 to 5 years	0	40
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 14 vehicles that were funded through operating leases as at 31 March 2015 (18 as at 31 March 2014) and no vehicles funded through contract hire arrangements as at 31 March 2015 (1 as at 31 March 2014).

### 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 Dorset Fire Authority agreed their policy in respect of MRP in the Treasury Management Strategy Statement and Prudential Indicators for 2014-15 on 12 February 2014. This summary of transactions within the Capital Adjustment Account is shown for information.

2013-14 £'000		2014-15 £'000
4,189	Balance brought forward	5,485
536	Minimum Revenue Provision charged in year - non PFI	876
760	Minimum Revenue Provision charged in year - PFI	771
5,485	Balance carried forward	7,132

## 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 4.25%.

2013-14 £'000	<b>Analysis of Loans by maturity</b>	<u>2014-15</u> £'000
163	<b>Short Term Borrowing</b> (less than 1 year)	<u>172</u>
172	Between 1 and 2 years	<b>90</b>
284	Between 2 and 5 years	<b>275</b>
2,214	Between 5 and 10 years	<b>2,171</b>
6,325	More than 10 years	<b>6,287</b>
<u>8,995</u>	<b>Long Term Borrowing</b>	<u>8,823</u>
<u>9,158</u>	<b>Total borrowing</b>	<u>8,995</u>
4.17%	Average rate of interest	4.25%
10,622	<b>Fair Value of Market Loans</b>	<b>12,442</b>

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.

2013-14 £'000		<u>2014-15</u> £'000
56	Uniform Stocks	<b>50</b>
34	Personal Protection Equipment Stocks	<b>30</b>
40	Equipment Stocks	<b>66</b>
3	Other Stocks	<b>3</b>
<u>133</u>		<u>149</u>

### 19. DEBTORS

An analysis of the amounts due to the Authority at 31 March 2015 is shown below. The accounts include a provision for potential bad debts, and debtors for related parties (see note 10).

2013-14 £'000		<u>2014-15</u> £'000
1,618	Central Government Departments	<b>1,610</b>
826	Other Fire and Local Authorities	<b>1,640</b>
1,240	Others	<b>1,012</b>
<u>3,684</u>		<u>4,262</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **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.

### **21. CREDITORS**

An analysis of the amounts owed by the Authority at 31 March 2015 is shown below.

2013-14 £'000		<u>2014-15</u> £'000
610	Central Government Departments	<b>594</b>
1,109	Other Fire and Local Authorities	<b>1,065</b>
1,272	Others	<b>1,378</b>
<u>2,991</u>		<u><b>3,037</b></u>

### **22. CASH AND BANK BALANCES**

Cash in hand includes imprest accounts held by accounting officers. The bank overdrawn figure includes the value of outstanding cheques drawn shortly before the end of the financial year and those which were unrepresented as at 31 March 2015.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **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 2014/15 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 £1k have been made during 2014/15 (£9k during 2013/14) but relate to personnel in Service between 1 July 2000 and 30 June 2010. Further payments are expected in 2015/16.

	Balance 2013-14 £'000	Transfers out £'000	Transfers in £'000	Balance <u>2014-15</u> £'000
Insurance	80	(89)	110	<b>101</b>
Retained Duty System Compensation	81	(1)	0	<b>80</b>
	<u>161</u>	<u>(90)</u>	<u>110</u>	<u><b>181</b></u>

#### **Contingent Liabilities**

##### Retained Firefighters' Pension Case

The employment tribunal case in relation to the Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000 and retained duty system personnel, is reaching a conclusion. The Tribunal decided that the exclusion of retained firefighters from the Firefighters Pension Scheme and their sick pay arrangements were unlawful.

Terms for backdated access to a modified section of the New Firefighters Pension Scheme (NFPS) 2006 have been agreed. As a result, The Firefighters' Pension Scheme (England) (Amendment) Order 2014 was laid before Parliament on 6 March 2014, with an effective date of 1 April 2014, giving retained firefighters employed between 1 July 2000 and 6 April 2006 the option to apply for backdated membership of a Modified New Firefighters Pension Scheme. Eligible retained firefighters have until 30 September 2015 to decide whether they wish to access the Modified Scheme. Any amounts due by the Authority will be reflected in employer contributions rates to be determined by future actuarial valuations of the Firefighters Pension Scheme.

## NOTES TO THE CORE 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.

2013-14 £'000		2014-15 £'000
(5,109)	Balance as at 1 April	(7,101)
0	Capital Receipts Applied	0
(2,462)	Depreciation and Impairment	(2,634)
1,451	Minimum Revenue Provision	1,810
(1,207)	Book Value of Disposals & Transfers	0
(1,240)	Transfer of gains from disposal of assets from Revaluation Reserve	0
345	Revenue Contributions	518
1,121	Transfer of Capital Grants Applied	415
0	Other Capital Contributions	242
(7,101)		(6,750)

#### (ii). Revaluation Reserve

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

2013-14 £'000		2014-15 £'000
3,865	Balance as at 1 April	7,557
2,484	Gains / (Losses) - Fixed Asset Revaluation	2,311
(32)	Depreciation and Impairment	(52)
1,240	Transfer of gains from disposal of assets to Capital Adjustment Account	0
7,557	Balance at 31 March	9,816

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

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

2013-14 £'000		2014-15 £'000
337	Balance as at 1 April	1,839
1,502	Receipts in the year	0
1,839	Balance at 31 March	1,839

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

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

2013-14			2014-15	
Fire £'000	LGPS £'000		Fire £'000	LGPS £'000
(223,648)	(8,506)	Surplus / (Deficit) as at 1 April	(230,130)	(9,658)
(5,857)	(1,061)	Service Cost	(6,609)	(1,101)
6,107	715	Employer Contributions	7,460	766
	(10)	Administration expenses		(12)
441	0	Injury benefits paid	441	0
0	1	Unfunded pension payments	0	1
(9,918)		Other Finance Income	(9,954)	
	(385)	Net interest on the defined liability (asset)		(417)
2,745	(412)	Actuarial gain / (loss)	(34,184)	(3,416)
(230,130)	(9,658)	Surplus / (Deficit) as at 31 March	(272,976)	(13,837)



## NOTES TO THE CORE FINANCIAL STATEMENTS

### **(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.

### **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. Additional funds have been added in 2014/15 to help meet these costs.

### **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 2014/15 these costs totalled £88k (2013/14 - £174k). 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 2014/15 these costs totalled £580k (2013/14 - £287k).

### **Retained Duty System Reserve**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **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.

### **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 2013-14	Transfers out	Transfers in	<b>Balance 2014-15</b>
	£'000	£'000	£'000	£'000
<b>Reserves</b>				
Pensions	322	(38)	50	<b>334</b>
Insurance	936	(60)	41	<b>917</b>
Princes Trust Volunteers	4	0	0	<b>4</b>
Leadership Development	265	(20)	0	<b>245</b>
Business Transformation	1,148	(192)	400	<b>1,356</b>
PFI Reserve	39	0	0	<b>39</b>
Capital Funding Reserve	3,500	0	0	<b>3,500</b>
Secure Information Interchange Project	151	(88)	0	<b>63</b>
Network Fire Control Services Partnership	1,343	(580)	0	<b>763</b>
Retained Duty System	75	0	17	<b>92</b>
Joint Command and Control	0	(84)	500	<b>416</b>
Other Grant Income	695	(157)	163	<b>701</b>
	<u>8,478</u>	<u>(1,219)</u>	<u>1,171</u>	<u><b>8,430</b></u>

### **25. AUTHORISATION**

This Statement of Accounts was authorised for issue by Richard Bates, Treasurer to the Fire Authority, on 29th June 2015.

### **26. MOVEMENT IN BALANCES**

The level of general balances has increased as below:

2013-14		<b>2014-15</b>
Total Balances £'000		Total Balances £'000
2,182	Balances as at 1 April	<b>2,182</b>
0	Budgeted movement in balances	<b>0</b>
0	Surplus / (Deficit) in year	<b>180</b>
<u>2,182</u>	Balances as at 31 March	<u><b>2,362</b></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

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: -

2013-14			2014-15	
Fire £'000	LGPS £'000		Fire £'000	LGPS £'000
<b>Net Cost of Services</b>				
5,857	1,061	Service Cost	6,609	1,101
9,918	385	Net interest on the defined liability (asset)	9,954	417
0	10	Administration Expenses	0	12
<u>(9,227)</u>	<u>(740)</u>	Movement on Pensions Reserve	<u>(8,662)</u>	<u>(763)</u>
<b>Actual amount charged against council tax for pensions in the year</b>				
(441)	0	Injury benefits paid	(441)	0
0	(1)	Unfunded pension payments	0	(1)
<u>(6,107)</u>	<u>(715)</u>	Employer's contributions payable	<u>(7,460)</u>	<u>(766)</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: -

2013-14			2014-15	
£'000	% of Assets		% of Assets	£'000
8,638	57%	Equities	57%	9,914
1,364	9%	Gilts	12%	2,044
1,515	10%	Other Bonds	12%	2,147
606	4%	Diversified Growth Fund	5%	843
606	4%	Absolute Return Portfolio	n/a	n/a
1,364	9%	Property	10%	1,648
n/a	n/a	Infrastructure	1%	189
n/a	n/a	Hedge Fund	0%	67
1,061	7%	Cash	3%	444
<u>15,154</u>		Estimated Assets in the LGPS		<u>17,296</u>
<u>24,794</u>		Present value of liabilities in the LGPS		<u>31,114</u>
18		Present value of unfunded liabilities in the LGPS		19
<u>24,812</u>		Total value of LGPS liabilities		<u>31,133</u>
<u>(9,658)</u>		Net Staff Pensions Surplus / (Deficit)		<u>(13,837)</u>
<u>(230,130)</u>		Estimated Liabilities in Fire Pension Scheme		<u>(272,976)</u>
<u>(239,788)</u>		Net Pensions Surplus / (Deficit)		<u>(286,813)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £287m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £270m. 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 2015, the expected return rate was 10% 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 2015.

The main assumptions used in their calculations are: -

2013-14		Local Government Pension Scheme	2014-15	
% p.a.	Real		% p.a.	Real
3.7%	-	RPI Increases	3.3%	-
2.9%	-0.8%	CPI Increases	2.5%	-0.8%
4.4%	0.7%	Rate of increase in salaries	4.0%	0.7%
2.9%	-0.8%	Rate of increase in pensions	2.5%	-0.8%
4.5%	0.8%	Rate for discounting scheme liabilities	3.4%	0.1%

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

2013-14		Local Government Pension Scheme	2014-15	
Male	Female		Male	Female
22.70	25.10	Years Retiring today	22.80	25.20
24.90	27.40	Retiring in 20 years	25.10	27.60

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

2013-14		Firefighters Pension Scheme	2014-15	
% p.a.	Real		% p.a.	Real
3.5%	-	RPI Increases	3.1%	-
2.7%	-0.8%	CPI Increases	2.3%	-0.8%
4.5%	1.0%	Rate of increase in salaries	4.1%	1.0%
2.7%	-0.8%	Rate of increase in pensions	2.3%	-0.8%
4.4%	0.9%	Rate for discounting scheme liabilities	3.2%	0.1%

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

2013-14		Firefighters Pension Scheme	2014-15	
Male	Female		Male	Female
22.5	24.8	Years Retiring today	22.6	24.9
24.7	27.1	Retiring in 20 years	24.8	27.2

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2013-14			2014-15	
Fire £'000	LGPS £'000		Fire £'000	LGPS £'000
223,648	22,366	<b>Opening Defined Benefit Obligation</b>	<b>230,130</b>	<b>24,812</b>
5,857	991	Current Service cost	6,609	1,101
9,918	1,050	Interest cost	9,954	1,112
3,809	1,802	Change in financial assumptions	34,184	4,305
9,362	(167)	Change in demographic assumptions	0	0
(15,916)	(1,174)	Experience loss/(gain) on defined benefit obligation	0	0
0	0	Liabilities assumed / (extinguished) on settlements	0	0
(7,475)	(398)	Estimated benefits paid net of transfers in	(9,001)	(486)
0	70	Past service costs, including curtailments	0	0
1,368	273	Contributions by Scheme participants	1,541	290
(441)	0	Injury benefits paid	(441)	0
0	(1)	Unfunded pension payments	0	(1)
<u>230,130</u>	<u>24,812</u>	<b>Closing Defined Benefit Obligation</b>	<u>272,976</u>	<u>31,133</u>

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

2013-14			2014-15	
Fire £'000	LGPS £'000		Fire £'000	LGPS £'000
	13,860	<b>Opening fair value of Scheme assets</b>		<b>15,154</b>
	663	Interest on assets		695
	75	Return on assets less interest		889
	(25)	Other actuarial gains/(losses)		0
	(10)	Administration expenses		(12)
	716	Contributions by employer including unfunded		767
	273	Contributions by Scheme participants		290
	(398)	Estimated benefits paid plus unfunded net of transfers in		(487)
	0	Settlement prices received / (paid)		0
	<u>15,154</u>	<b>Closing fair value of Scheme assets</b>		<u>17,296</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. MOVEMENT IN CASH

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

2013-14			2014-15	
£'000	£'000		£'000	£'000
	0	Net (surplus) / deficit on Revenue Account		(180)
	4,933	Net (surplus) / deficit on Capital Account		(1,039)
		Movement in accruals items:-		
(3)		Stocks	16	
285		Debtors	578	
(558)		Creditors	(46)	
1,992		Principal Repaid	(9)	
52		Provisions	(20)	
	1,768			519
		Movement in non-cash items:-		
(1,512)		Specific Reserves	48	
137		Collection Fund Adjustment Accounts	(440)	
(1,502)		Capital Receipts Reserve	0	
	(2,877)			(392)
		Movement in financing items:-		
(3,461)		Long Term Borrowing	172	
(626)		Short Term Lending	407	
	(4,087)			579
	165	Other items:		(446)
	(98)	(Increase) / Decrease in Cash		(959)

### 29. MOVEMENT IN NET FUNDS

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

	Balance 1 April 2014	Movement in year	Balance 31 March 2015
	£'000	£'000	£'000
Cash in hand and at bank	(123)	959	836
Temporary investments and borrowing	5,430	398	5,828
	<u>5,307</u>	<u>1,357</u>	<u>6,664</u>

### 30. MOVEMENT IN LIQUID RESOURCES

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

2013-14		2014-15
£'000		£'000
6,219	Temporary Investments as at 1 April	5,593
(626)	Increase / Decrease in Loans in the Period	407
<u>5,593</u>	Temporary Investments as at 31 March	<u>6,000</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.

2013-14 £'000		<u>2014-15</u> £'000
(1,627)	DCLG PFI grant	(1,627)
(902)	DCLG Capital Grant	(902)
(120)	DCLG New Burdens grant	(237)
(193)	DCLG Firelink grant	(233)
(48)	DCLG New Dimensions grant	(48)
<u>(2,890)</u>		<u>(3,047)</u>

### 32. LONG TERM CREDITORS

The balance of £15.3M is the value of liabilities due to the PFI providers over the life of the DESPI PFI Schemes (prior year figure £16M).

### 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 2014-15 accounts in relation to the Project.

2013-14 £'000		<u>2014-15</u> £'000
4	Training - Other External Providers	1
7	Software maintenance	16
53	Networks	60
(174)	Transfer To/(From) Specific Reserves	(88)
0	Software Development/Installation	0
110	Professional/Consultancy Fees	11
<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. The Authority maintains a risk assessed level of general balances, and has set up a Business Transformation Reserve which will be used to support the combination with Wiltshire Fire and Rescue Service, to form the new Dorset and 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 2015 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 will be used to support the combination with Wiltshire Fire and Rescue Service, to form the new Dorset and 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>		
2013-14		<u>2014-15</u>
£'000		£'000
175	Employees	<b>107</b>
1	Premises Related Expenses	<b>1</b>
9	Transport Related Expenses	<b>12</b>
33	Supplies and Services	<b>17</b>
<u>218</u>	<i>Expenditure total</i>	<u><b>137</b></u>
(226)	Further Education funding	<b>(92)</b>
9	Recharges to revenue account	<b>(45)</b>
(1)	Net gain / (loss ) on disposal of fixed assets	<b>-</b>
<u>(218)</u>	<i>Recharge and Income total</i>	<u><b>(137)</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.

2013-14 £'000	<b>PENSION FUND ACCOUNT</b>	2014-15 £'000
(2,078)	Employer Flat Rate Contribution	(2,045)
(38)	Employer Ill Health Lump Sum Contribution	(86)
(1,367)	Employee Contributions	(1,541)
(67)	Transfer Values Receivable	(9)
-	Recharges To Revenue Account	-
(3,550)	<b>Contributions Receivable</b>	<b>(3,681)</b>
6,140	Pensions	6,478
1,400	Lump Sum Benefits	1,886
-	Transfer Values Payable	148
7,540	<b>Benefits Payable</b>	<b>8,512</b>
3,990	<b>Net amount payable before top-up grant</b>	<b>4,831</b>
(3,990)	Government top-up grant receivable	(4,831)
-	Net Recharge To Revenue Account	-
-	<b>NET ASSETS STATEMENT</b>	
	<b>Current Assets and Liabilities</b>	
1,194	Debtors and Payments in Advance	1,268
-	Creditors and Receipts in Advance	-
1,194	<b>Net Assets as at 31 March</b>	<b>1,268</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 2014-15 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.