

Dorset  
Fire  
Authority

Statement  
of Accounts  
2013-14

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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 2014 on pages 12 to 18, 35 to 59 and 61. 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 2013/14.

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 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 2014 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 2013/14.

### **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 set out on pages 20 to 34 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**

### **The Authority's responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the 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 the 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 the 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 the 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 October 2013, 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 the use of resources for the year ended 31 March 2014

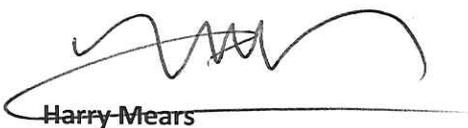
We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in the 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 2013, we are satisfied that, in all significant respects, Dorset Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2014.

**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.



**Harry Mears**

**for and on behalf of KPMG LLP, Appointed Auditor**

*Chartered Accountants*

Dukes Keep,

Marsh Lane,

Southampton,

SO14 3EX.



## FOREWORD TO THE ACCOUNTS

### INTRODUCTION

The Authority's Accounts for the year ended 31 March 2014 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 2014.

**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 2014.

**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 2013/14. The accounts have been produced in line with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 ("the Code").

## FOREWORD TO THE ACCOUNTS

### REVIEW OF THE FINANCIAL YEAR

In February 2013 the Fire Authority set the revenue budget for 2013/14 at £30.188 million. This showed an increase of 0.13% on the budget for 2012/13. The Band D council tax increased to £65.34, having been frozen at £60.39 since 2010/11. The Government allowed a small number of fire and rescue authorities, those whose Band D council tax for 2012/13 was in the lowest 25%, to increase their share of council tax by up to £5 per year. Dorset's council tax was the 5th lowest out of 24 combined fire authorities. Whilst the Authority recognised the need to keep household bills as low as possible it decided that without the additional precept funding, 9.5p per week, per household, that the fire and rescue service in Dorset would find it difficult to maintain the essential services it provides. 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 2013/14 being £69.56.

The budget for 2013/14 included over £1m in cumulative savings flowing from the introduction of Service changes through the Resourcing and Reform Programme, a comprehensive review of the Service designed to help to address the significant financial challenge ahead and the cuts in public funding being delivered by the Comprehensive Spending Review 2010. Together with previous savings this means that the Service is on track to exceed over £4m savings per year by 2015/16 (representing an ongoing annual saving of 14% in the budget) and cumulative savings of more than £29m by 2016/17. Senior management posts have been reduced and many support functions have been downsized or outsourced leaving little room for further savings.

The budget included £1.5m of additional funding to help fund future changes to the Service and reduce long term debt. A provisional sum of £1m 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>2013/14 Original Budget £'000</b>	<b>2013/14 Revised Budget £'000</b>	<b>2013/14 Actual Outturn £'000</b>	<b>2013/14 Variance £'000s</b>
Employees	21,786	21,421	21,196	225
Pensions	909	866	865	1
Premises	1,529	1,485	1,469	16
Transport	829	836	755	81
Supplies, Services and Other Costs	4,051	4,470	4,367	103
Capital financing, leasing and repayment of debt	3,043	2,549	2,548	1
<b>Total expenditure</b>	<b>32,147</b>	<b>31,627</b>	<b>31,200</b>	<b>427</b>
Income	2,112	2,511	2,536	25
Transfer to / (from) specific reserves	(1,392)	1,405	1,512	(107)

## FOREWORD TO THE ACCOUNTS

<b>Net expenditure</b>	<b>28,643</b>	<b>30,521</b>	<b>30,176</b>	<b>345</b>
<i>Financed by:</i>				
Revenue Support Grant	7,513	7,513	7,553	40
Non Domestic Rates	4,999	4,781	4,729	(52)
Council Tax Freeze Grant	0	0	0	0
Council Tax	17,676	17,894	17,894	0
<b>Total funding</b>	<b>30,188</b>	<b>30,188</b>	<b>30,176</b>	<b>(12)</b>
<b>Overall (over) / underspend</b>	<b>1,545</b>	<b>(333)</b>	<b>0</b>	<b>333</b>

- Employee expenditure (pay and training costs) totalled £21.196m against a revised estimate of £21.421m, saving £225k. Savings on pay costs for operational staff (wholetime and retained duty system staff) make up £199k of this saving and reflect the effects of vacancy management and reductions in operational calls.
- During 2013/14 one member of operational staff retired due to ill-health at a cost of £38k. This led to a saving of £62k on the budget for ill health and injury pensions and this amount has been added to the Pensions Reserve to help fund future costs. 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 £49k during the year including an additional £20k allocated for urgent reactive maintenance works and £10k for additional business rates costs. The final outturn shows expenditure £16k less than budget.
- Overall vehicle and equipment running and maintenance costs were £68k less than budgeted. This was mainly due to reduced costs of maintaining our vehicle fleet and operational equipment, together with the lower fuel costs. Staff travel costs were also £19k less than budgeted.
- Net spending on prevention activity was lower than expected. This was because additional grant funding was received including £50k from the Police and Crime Commissioner for Dorset towards the costs of building a road safety awareness facility at Weymouth Community Safety Centre and £59k from various sources funding prevention activity such as Fire Cadets, SPARC and Job Centre Plus. We spent £58k less than expected on resources to support home fire safety checks, such as the purchase of smoke alarms.
- Grant funding of £2.37m was brought forward from 2012/13. This included £1.63m for the Networking Fire Control Services Partnership (NFCSP) and £324k for the regional Secure Information Interchange project. The funding for NFCSP and Secure Information is meeting costs being incurred in 2013/14 and future years. In 2013/14 we spent £287k on the NFCSP and £174k on the Secure Information project.
- During the year, specific grants totalling £2.89m were received from the Department for Communities and Local Government. This included £1.627m of ongoing support for the DESPI PFI scheme, £0.9m of fire capital grant, £193k for Firelink, £120k of New Burdens

## FOREWORD TO THE ACCOUNTS

funding to support the new business rates retention scheme and £48k to support New Dimensions activity.

- We have received a greater level of repayment of funds for the Authority's investment in Heritable Bank. As a result the impairment charge in the accounts has been reduced by a further £19k. See Note 20 for further details.
- We spent £1.099m during the year on financing of the Authority's long-term debt. This compares to a revised budget estimate of £1.233m. 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. £345k of revenue funding has been used during the year to directly fund capital expenditure and leasing costs totalled £375k.

### 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 £0.682m has been added from revenue underspends. £151k of this revenue underspend will be used in 2014/15 to fund a number of spending commitments made in 2013/14 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 2014/15 was set. The remaining balances will be used to support the Authority's medium term financial position.

### Heritable Bank

In 2008/09 the Authority had to make an impairment charge of £314k as a result of the collapse of Icelandic banks in October 2008. £1m had been deposited with Heritable Bank, a UK subsidiary of an Icelandic bank, in June 2008. The investment carried an interest rate of 5.88% and was due to be repaid to the Authority in January 2009. The total of repayments to date is just over £940k or 94% of the original investment. The value of the impairment has been reduced in previous years to £195k, in accordance with CIPFA guidance. The final impairment is now assessed as £176k and therefore a further £19k has been added back to the account this year. Further details can be found in Note 20 to the accounts.

### CAPITAL EXPENDITURE

In 2013/14 the Authority spent £1.466m on capital projects (£1.082m in 2012/13). During the year the Authority purchased 2 MAN fire appliances and 6 off road light vehicles at a total cost of £796k. We spent £106k on the purchase 5 fire appliances that we previously leased, but where the leases were ending. This is part of our strategy to extend vehicle lives and reduce future capital costs. We also completed the purchase of a number of small vehicles at a total cost of £112k. The Authority has been able to invest £247k on the essential maintenance and improvement of its building stock. Spending on essential ICT and operational equipment totalled £205k.

## FOREWORD TO THE ACCOUNTS

<b>Table 2 - Capital Expenditure</b>	<b>2013/14</b>
	<b>£'000</b>
Property Works	247
Vehicles	1,014
Equipment	205
<b>Total</b>	<b>1,466</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. Fire capital grant funding of £1.121m and direct revenue financing of £0.345m were used to fund the total capital spending amount of £1.466m in 2013/14. We currently have unfinanced capital expenditure totalling £4.933m. At 31 March 2014 the Authority had external debt of £9.158m (£13.314m at 31 March 2013).

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 2013/14 revenue budget under these arrangements totalled £375k (2012/13 £651k).

### **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 2013/14 the authority received £1.627m (£1.627m 2012/13) 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 £2.354m (£2.317m 2012/13).

### **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 £240m as at 31 March 2014, compared with £232m as at 31 March 2013. The Firefighters' Pension Scheme accounts for £230m of this total (£224m in 2012/13).

## FOREWORD TO THE ACCOUNTS

The balance sheet is still significantly impacted by the liability and shows a negative overall balance of £226m (£223m in 2012/13), 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 2014/15 the Fire Authority has set a net revenue budget requirement of £29.8m. 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 £66.60. Despite this increase Dorset's level of council tax is still well below the £70.48 average for combined fire authorities.

Our Medium Term Finance Plan projects a budget deficit of almost £2.3m by 2017/18 based on our expectation of further cuts in government funding and continuing pressure to minimise council tax increases. Table 3 shows this. If council tax were to be frozen again in future years then our predicted funding gap in 2017/18 could rise to more than £3m.

<b>Table 3 - Medium Term Finance Plan</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Government support	£11.6m	£10.6m	£10.1m	£9.5m
Local Funding	£18.2m	£18.5m	£18.9m	£19.3m
<b>Total funding</b>	<b>£29.8m</b>	<b>£29.1m</b>	<b>£29.0m</b>	<b>£28.8m</b>
<b>Budget requirement</b>	<b>£29.8m</b>	<b>£29.5m</b>	<b>£30.4m</b>	<b>£31.1m</b>
Funding gap	£0.0m	£0.4m	£1.4m	£2.3m

The Authority is managing this future funding gap through a Change Programme overseen by elected members. In recent months much of this work has focused on collaborative working with Wiltshire and Swindon Fire Authority. The priority for both authorities is to protect the services that are provided to the public, but as individual, relatively small fire and rescue services, this is becoming more and more difficult to sustain, with continued reductions in Government funding. Outline proposals have shown that annual savings of at least £2m should be achievable across the two Authorities.

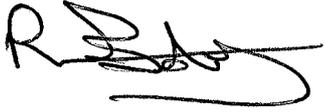
Both Authorities have agreed to develop a business case that will identify savings and resilience improvements from a combination of the two authorities and their respective fire and rescue services. We will be consulting on these proposals in Summer 2014 and the final business case document will be considered at Fire Authority meetings in November 2014.

Members of the two authorities have also approved the establishment of a Joint Command and Control Centre, to be located at Wiltshire's headquarters. This is a new purpose built facility, and will provide fire control and mobilising services to both Services, through the sub-regional Networked Fire Control Services Partnership with our neighbours in Devon and Somerset and Hampshire.

Further details of our future plans can be found in our Community Safety Plan and Medium Term Finance Plan, both of which are available on our website [www.dorsetfire.gov.uk](http://www.dorsetfire.gov.uk).

## FOREWORD TO THE ACCOUNTS

I confirm that the Statement of Accounts presents fairly the position of the Authority as at 31 March 2014 and its income and expenditure for that year.



Richard Bates, Treasurer to the Fire Authority

Date 30/06/2014



Darran Gunter, Chief Fire Officer

Date 19/9/2014

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

## **6. Contingent Liabilities**

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

## STATEMENT OF ACCOUNTING POLICIES

### **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.

#### ***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.

## STATEMENT OF ACCOUNTING POLICIES

### **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.

### **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

## STATEMENT OF ACCOUNTING POLICIES

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.

### **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. New reserves have also been established with the transition to IFRS, due to the change in accounting policy for grants and other contributions. See Note 24 (vii) for details.

### **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.

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

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

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

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

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.

## STATEMENT OF ACCOUNTING POLICIES

### **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 £1m. 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.

### **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. 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

## STATEMENT OF ACCOUNTING POLICIES

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.

### **26. Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

In the application of the Authority's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **27. Critical Judgements in Applying Accounting Policies**

The critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the entity's accounting policies are disclosed in the individual notes to the accounts, where appropriate.

### **28. Key Sources of Estimation Uncertainty**

The main assumption concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Asset Lives:** 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.

### **29. 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.

### **30. Heritage Assets**

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

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

### **31. 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 Director for Corporate Resources, 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 & Rescue  
Service**

# **Annual Governance Statement 2013/14**

## 1. Scope of responsibility

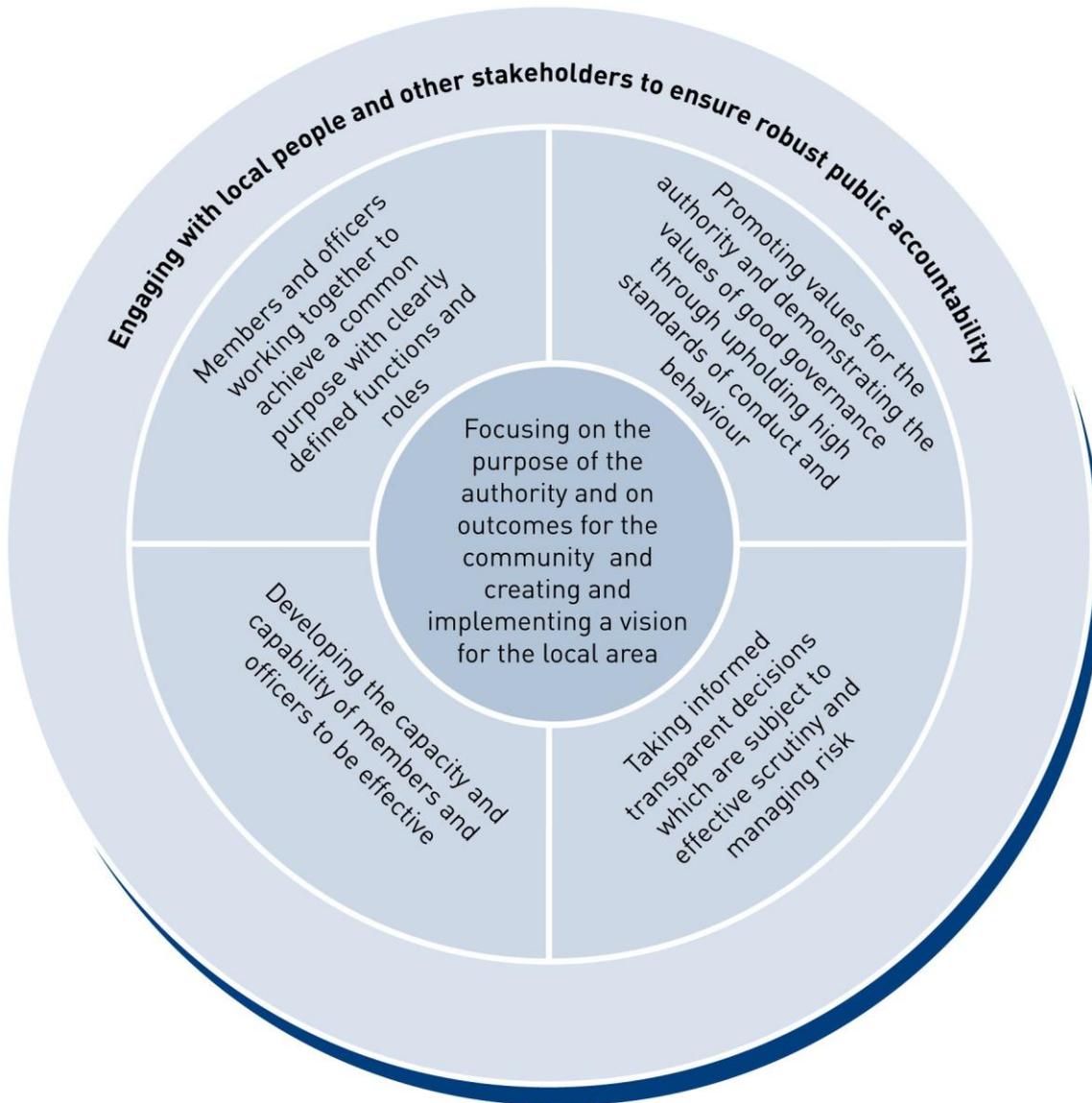
Dorset Fire Authority ('the Authority') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. It also has a duty under the Local Government 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***

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 is published each year.

### ***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 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."*

*"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 41% coming from government the rest through a fire precept that is collected with council tax. The forecasted financial deficit in 2018 is in the range of £2.3 m-£3.2m. For 2014/15 the Fire Authority has set a net revenue budget requirement of £29.8m. 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 £66.60. Despite this increase Dorset's level of council tax is still well below the £70.48 average for combined fire

authorities. Our Medium Term Finance Plan projects a budget deficit of almost £2.3m by 2017/18 based on our expectation of further cuts in government funding and continuing pressure to minimise council tax increases. If council tax were to be frozen again in future years then our predicted funding gap in 2017/18 could rise to more than £3m.

The Authority is managing this future funding gap through a Change Programme overseen by elected members. In recent months much of this work has focused on collaborative working with Wiltshire and Swindon Fire Authority. The priority for both authorities is to protect the services that are provided to the public, but as individual, relatively small fire and rescue services, this is becoming more and more difficult to sustain, with continued reductions in Government funding. Outline proposals have shown that annual savings of at least £2m should be achievable across the two Authorities. Both Authorities have agreed to develop a business case that will identify savings and resilience improvements from a combination of the two authorities and their respective fire and rescue services. We will be consulting on these proposals in Summer 2014 and the final business case document will be considered at Fire Authority meetings in November 2014.

Members of the two authorities have also approved the establishment of a Joint Command and Control Centre, to be located at Wiltshire's headquarters. This is a new purpose built facility, and will provide fire control and mobilising services to both Services, through the sub-regional Networked Fire Control Services Partnership with our neighbours in Devon and Somerset and Hampshire. The Authority is facing severe financial pressures and is in discussions with Wiltshire Fire Authority to see if there is a joint way forward. Options will be put to a public consultation with a final decision by the Fire Authority on the way forward to be taken in November 2014. A full range of documents to support this decision are available from our website.

### ***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. These have been recently updated and are to be considered by the Authority at its September meeting. 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***

High standards of member behaviour have been demonstrated over a long period. In the spirit of partnership and efficiency, Members now rely on the arrangements in place within constituent authorities to deal with any issues surrounding the conduct of Members.

### ***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. A new planning, performance and risk management system is currently being introduced to further strengthen our overall approach to management information systems. Our arrangements are detailed in our performance and risk management policy and a number of associated procedures.

### ***Financial arrangements***

The Authority's financial arrangements 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 highly aware of the procedure, with reporting arrangements now including an option to raise concerns directly with our internal auditors. The

complaints process has been reviewed. Complaints are monitored and reported regularly to senior management and the Authority.

#### *Developing senior officers and Members*

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

#### *Communicating and consulting the community*

The Authority has an external engagement strategy and consults widely through the development of its Community Safety Plan, including the 2020 initiative, and has specific consultation exercises associated with more localised issues. It also has led or been active in a number of partnership consultation exercises that are either ongoing 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. We are undertaking a formal consultation to support plans to deal with our financial situation.

#### *Partnerships*

The Authority has a sound track record of partnership working, including being acknowledged in national best practice case studies. We have strengthened our governance of partnership arrangements 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 Heads of Service, 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

Following the review of Governance, Dorset Fire Authority has identified a number of key priorities for the next three years to further strengthen its governance arrangements. In no particular order they are:

### **Failure to manage the impact of an 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. 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 expect further cuts in the years after that as the Government continues its austerity programme.

Despite council tax increases for 2013/14 and 2014/15 our medium term financial plan still projects significant funding gaps in future years. Under our "Best Case" scenario, with continuing 2% council tax increases each year, we expect the funding gap to reach £2.3m by the end of March 2018, and this could rise to more than £3.2 m with further council tax freezes. This will mean that some difficult choices will have to be made around the future of service delivery.

#### *Existing Control Measures:*

1. Internal cost control processes including re-basing budgets
2. Political engagement strategy
3. Business case development for possible re-engineering of service delivery
4. Public consultation to determine appetite for council tax increases
5. Seeking sponsorship and opportunities for income generation
6. Regular reviews by SMT

#### *Current Position:*

In December 2013, the Fire Authority agreed an approach with Wiltshire Fire & Rescue Service to develop a draft business case to support a possible combination of the two authorities. This is the subject of a public consultation during the summer of 2014, with a decision on the financial future being made in November 2014.

### **Failure to effectively manage the impact of industrial action by representative bodies.**

#### *Risk Description:*

The Fire Brigade Union are currently in dispute with Government over the public sector pensions reforms and a number of strikes have taken place. The Service has a range of contingency plans to help mitigate the loss of firefighters and has triggered Operation Sigma to manage the impacts of the dispute and maintain adequate fire and rescue capability. This risk and associated control measures are being reviewed on a weekly basis.

#### *Existing Control Measures:*

1. Operation Sigma
2. Operation of Response Resilience Group
3. Formation of Crisis Management Team in accordance with the Business Continuity procedure

4. Cooperation between FRSs where available
5. Reporting and assurance to DFA, the Wider Community and Central Government

*Current Position:*

The arrangements in place through Operation Sigma are effectively managing industrial action up to and including 24 hours. This risk will need to be re-assessed if an action longer than this is called by representative bodies.

### **Failure to financially resource the impact of the Part Time workers settlement in relation to RDS to 1992 Firefighters Pension Scheme.**

*Risk Description:*

The proposal is that all firefighters with retained service between 1 July 2000 and 5 April 2006 inclusive will be eligible for special membership of the New Firefighters Pension Scheme 2006. The New Firefighters' Pension Scheme 2006 will be amended to give effect to the agreement when reached. Fire Authorities may be charged with the cost. A balance of scheme liability (cost to the scheme minus the employees' contribution) will emerge as retained firefighters take up the option to buy back service. The actual scale of the scheme liability will not be known until we know how many retained firefighters take up the option. The Government Actuary Service (GAD) has estimated that the total number of eligible retained staff is 21,200. GAD estimates that the balance of scheme liability will be about £5 million for every 1 per cent of eligible retained firefighters who take up the option. The costs imply an employer contribution rate of around 37 per cent if the costs were spread over 10 years. This is substantially higher than the current employer rate of 21.3 per cent. Liability for the costs of the scheme have been disputed as government will pass these costs onto individual FRSs.

*Existing Risk Controls:*

1. Estimation of the costs involved
2. Representations to Central Government on impact of their transferring costs to FRSs
3. Support for position of LGA Fire Commission
4. Regular reviews by SMT

*Current Position:*

In May 2014, the Government announced that they are going to implement the pension requirements. In September 2014, eligible firefighters will start to indicate if they wish to buy back pensions. The impact of this is being reviewed.

### **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 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 five 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 six weekly basis.
2. Regular reports to People Forum and SMT.
3. Annual Report is provided to DFA and regular reports are made to Audit and Scrutiny Committee.

4. Funding has been made available to implement our leadership strategy.
5. Leadership Framework (concept design) has been completed and being developed through the employment of a Learning and development specialist.
6. Reinvigorated Workforce Planning meetings.

*Current Position:*

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

**Failure to Sustain RDS Command Competence and Operational Licence.***Risk Description:*

Currently, on-call firefighters crew 33 out of 40 front-line fire engines in Dorset. It is important that firefighters maintain their command competence and operational licence on all aspects of their role, even if certain types of operational risk do not usually occur on their particular station ground. While 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. It would be difficult, if not impossible, to limit RDS appliances in Dorset to only deal with risks in their station area. In addition, 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 for all the required competences.

*Risk Controls:*

1. Flow chart for Command Competence
2. The level of scrutiny, monitoring and management at District and Area Level
3. Close monitoring of operational licence at People Forum and SMT

*Current Position:*

There are now robust measures in place to manage operational licence. There is very good attendance at CAL Assessments with an improving pass rate. DFRS has reviewed possible sanctions and the amended procedure is now in place.

**Failure to sustain fire fighter competence for wholetime firefighters.***Risk Description:*

The role and expectation of firefighters needs to be supported by adequate training and supervision to ensure safe systems of work. Failure to provide this will significantly reduce the scope of safe interventions which may increase public risk and loss of private and commercial property. We have a large number of control measures in place, however, given the nature of the work of firefighters this risk is ever present.

*Existing Risk Controls:*

1. Investment in competency based management systems (Redkite)
2. Operational licences
3. Workplace assessment
4. Health and Safety Assurance Framework
5. Training and development programme

6. Investments in Command and Control assessments
7. Investments in new technology and Operational Assets
8. Piloting of Station based trainers
9. Re-design of role of fire control
- 10 Safer Firefighter Work Programme
11. Operational Risk Information
12. Dynamic review and discussion at AMT and People Forum
13. Additional resources have been placed at West Moors to carry out a higher number of IC assessments. Training staff have also developed and delivered pre-course briefing sessions. This is beginning to have a positive impact on success rates

*Current Position:*

The enhanced command structure is showing a great improvement of successful candidates. A more holistic review of Operational Competence is considering alternative opportunities to support command competence. These include a rewrite of the OCAR process. The new assessor network will have a focus on evidence gathering and recording, evidence development and maintenance of skills. Additional resources have been placed at West Moors to carry out a higher number of IC assessments. Training staff have also developed and delivered pre-course briefing sessions. This is beginning to have a positive impact on success rates.

**Failing to Secure an Effective, Cost Neutral MoU for Co-Responding.**

*Risk Description*

There is a new regional Memorandum of Understanding (MoU) that sets new operating and financial management principles, driven by South West Ambulance Service NHS Foundation Trust SWASFT. Other FRS have signed up to it with little or no challenge and are now paying the consequences with incurred costs and penalties. DFRS cannot meet the demands of the new MoU without incurring costs for a 'cost neutral' programme, and so challenges have been laid down against the penalties and principles for charging.

*Existing Risk Controls*

1. The proposed MoU has been reviewed and challenged.
2. The existing MoU stands until an agreement has been reached.
3. A pilot period is being delivered to establish the impact of proposed working practices and penalty clauses.

*Current Position:*

Discussions are ongoing with SWASFT and SMT considered the outcomes at their meeting on 28 August 2014. More work is being done to create a more detailed assessment of the financial risk, which will lead to paper to the Fire Authority.

**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. In July 2013, significant changes to all areas of recruitment, including governance, funding approaches for stations, testing standards, advertising methods, staff resourcing and contracts were introduced. We continue to review all aspects of RDS recruitment in order to deliver best practice and ensure our stations are fully resourced. We have started to see the real benefits of this work and have

seen significant improvement in the number of joiners compared to the number of leavers. The prospects for 2014 are looking positive with a reversal in the trend of leavers being greater than joiners. In the first six months of 2014, we had had 15 leavers and 27 joiners. With the rise in the number of applicants and the number of joiners, we estimate and are hopeful that the number of joiners for 2014 will be in excess of 40 new RDS firefighters. Whilst recruitment is looking positive, this is a long-term drive and the need for continued focus remains. We must also continue to focus our efforts on recruitment and retention issues at all stations, particularly at stations that continue to struggle, such as Wareham, where cover for the second appliance has recently had to be temporarily suspended.

*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 West Moors Training Centre are available, but limited due to scheduling requirements.
4. Contractual obligations contained within 176 availability agreements of existing staff.
5. Retained Duty System (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. An RDS recruitment group has been established which meets bi-monthly to review where we are.
11. More recruitment resources have been purchased and more responsibility has been given back to RDS Station Commanders.
12. Dedicated budgets for recruitment activity on stations have been established.
13. Incentives for employers that release staff to the RDS have been explored via the DFA.
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 have started to be 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 increase to 27 for the first six months of this year, with potential of a further significant increase as the recruitment process continues over the summer months. 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. A report was taken to Audit and Scrutiny Committee on 8 July 2014 and a further six-month update is scheduled.

**Lack of (a) clarity nationally over vision for fire and rescue services in England and (b) lack of clarity over vision and strategic direction of Dorset Fire & Rescue Service.**

*Risk Description:*

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

(1) Sir Ken Knight review on Facing the Future. This is 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. Government has responded to the review, but little clarity or direction was given.

(2) Brandon Lewis MP et al has also undertaken a review exploring 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.

(4) The Home Secretary has made a speech calling for closer integration of Bluelight services. The Government's response to these debates has left 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.

(b) The lack of national clarity and reductions in central government funding is having an impact in maintaining and strengthening a clear vision and direction for DFRS. Until the fire authority are able to reach a conclusion on the way forward following the end of the consultation period, DFRS is having to both manage the safety of its communities and resource an extensive combination programme. Uncertainty on the future direction and the resource requirements in funding the combination programme is requiring difficult financial judgements to be made, which has resulted in a large number of temporary appointments. This uncertainty will bring an added risk to governance and performance if it is prolonged

*Existing Risk Controls:*

1. The CFO has been active in contributing to the national and local debates.
2. It 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.
3. The CFO is actively looking to become engaged in the development of the CFOA future vision.
4. Effective delivery of the combination programme
5. Workforce planning

*Current Position:*

Work on a combination programme with Wiltshire continues to be the principal driver. Any implications on the future will be subject to separate papers to Members as required

**Loss of West Moors Training Centre.**

*Risk description:*

We would need to find an alternative location where carbonaceous burns are permitted and would need to find an alternative site with sufficient fire ground and classroom facilities. Currently the site at West Moors is financially attractive as our ground rent is low due to a reciprocal training arrangement with MOD. Future alternative sites would have significant financial increase in costs. This issue is being considered by the Audit and Scrutiny Committee.

*Existing Risk Controls:*

1. Regular liaison meetings with MOD
2. Support on our position from DCC estates & DFRS property section 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 quit. This is not suitable for DFRS requirements, and due to the review of MoD at Petroleum school, we are not sure of what, if any income revenue is available, and therefore will wait for the outcome of the MoD review.

*Current Position:*

Plan B options were presented at DFA Audit and Scrutiny and it was agreed that the preferred option was to reinforce our plans to remain at West Moors. However, a strategic decision has been made that no decision will be agreed with DIO until the Army Petroleum School have agreed their training requirements. The Service has advised the DIO that, until there is clarity regarding the outcome of the planned tender exercise regarding delivery of MoD courses (which include those currently provided by DFRS) we are not in a position to progress lease arrangements.

**Failure to effectively have all known 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. Information is not up to date, accurate or readily available to emergency responders leading to a less effective response and increased risk to firefighters

*Existing Risk Controls:*

1. Operational risk information procedure
2. National guidance issued by DCLG
3. Level 1 and Level 3 operational risk process maps
4. Working Group approved by SMT in July 2014

*Current Position:*

A working group called the Operational Risk Working Group, with a dedicated lead officer is now in place. The outcomes from this group will be considered by SMT

All of the priorities and risks have identified actions that are delivered through the Service's planning, performance and risk management arrangements. We are satisfied that these steps will

Annual Governance Statement

address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our quarterly reporting processes and the next annual review.

Signed ..... *Ruth Knox 19/5/14*  
Cllr Mrs Knox, Chairman of the Dorset Fire Authority

Signed ..... *[Signature] 19/9/14*  
Darran Gunter, Chief Fire Officer

**Dorset Fire Authority**  
**Comprehensive Income and Expenditure Statement**  
**For the year ended**  
**31 March 2014**

	2012-13 Net Spending £000s	2013-14			Net Spending £000s
		Gross Spending £000s	Income £000s	Specific Grants £000s	
<b>Community Safety</b>					
Statutory Inspection, Certification & Enforcement	1,585	1,795	(5)	(204)	<b>1,586</b>
Prevention & Education	2,643	2,885	(243)	(187)	<b>2,455</b>
<b>Fire Fighting and Rescue Operations</b>					
Operational Responses	21,305	22,428	(182)	(1,236)	<b>21,010</b>
Communications & Mobilising	1,683	2,122	(41)	(193)	<b>1,888</b>
Securing Water Supplies	98	117	-	-	<b>117</b>
<b>Corporate and Democratic Core</b>					
Democratic Representation and Management	273	245	-	-	<b>245</b>
Corporate Management	956	1,010	(10)	(168)	<b>832</b>
<b>Non-distributed Costs</b>	<b>497</b>	<b>530</b>	<b>-</b>	<b>-</b>	<b>530</b>
<b>Cost Of Services</b>	<b>29,040</b>	<b>31,132</b>	<b>(481)</b>	<b>(1,988)</b>	<b>28,663</b>
<b>Other operating expenditure</b>					
Net (gain) / loss on disposal of non-current assets	(1)	-	(313)		(313)
Financing and Investment Income and Expenditure	392	407	(67)		340
Impairment regarding Icelandic Bank	(59)	-	(19)		(19)
Pensions Interest Cost & Expected Return on Assets	9,636	10,303	-		10,303
<b>Net Operating Expenditure</b>	<b>39,009</b>				<b>38,974</b>
<b>Taxation and Non-Specific Grant Income</b>					
Collection Fund Surplus	(126)				(126)
Revenue Support Grant	(219)				(7,553)
Non Domestic Rates	(11,319)				(2,115)
Business Rates top-up receipts from Central Government (from 13/14)	-				(2,614)
Council Tax Precept	(17,998)				(17,630)
Council Tax Freeze Grant	(538)				0
Capital Grants	(1,149)				(902)
	<b>(31,349)</b>				<b>(30,940)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>7,660</b>				<b>8,034</b>
(Surplus) or deficit on revaluation of fixed assets	(279)				(2,484)
Actuarial (gains) / losses on pensions assets / liabilities	8,646				(2,333)
<b>Other Comprehensive Income and Expenditure</b>	<b>8,367</b>				<b>(4,817)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>16,027</b>				<b>3,217</b>

## BALANCE SHEET

<b>Balance Sheet</b>		<b>for the year ending 31 March 2014</b>	
31 March 2013		Note	31 March 2014
£'000			£'000
0	Intangible Assets	12	9
24,241	Property - Land & Buildings	12	26,079
6,616	Vehicles, Plant & Equipment	12	6,268
<u>30,857</u>	<b>Long Term Assets</b>		<u>32,356</u>
136	Inventories	18	133
1,200	Assets held for sale	12	0
3,399	Short Term Debtors	19	3,684
6,219	Short Term Investments	20	5,593
5	Cash and Cash Equivalents		4
<u>10,959</u>	<b>Current Assets</b>		<u>9,414</u>
(2,433)	Short Term Creditors	21	(2,991)
(2,000)	Short Term Borrowing	17	(163)
(226)	Bank Overdrawn	22	(127)
<u>(4,659)</u>	<b>Current Liabilities</b>		<u>(3,281)</u>
6,300	<b>Net Current Assets</b>		6,133
37,157	<b>Total Assets less Current Liabilities</b>		38,489
(16,709)	Long Term Creditors	32	(16,000)
(11,314)	Long Term Borrowing	17	(8,995)
0	Other Long Term Liabilities		0
(213)	Provisions	23	(161)
(232,154)	Pensions Liability	27	(239,788)
<u>(260,390)</u>	<b>Long-Term liabilities</b>		<u>(264,944)</u>
<u><b>(223,233)</b></u>	<b>Net Liabilities</b>		<u><b>(226,455)</b></u>
	<i>Unusable Reserves:-</i>		
(5,109)	Capital Adjustment Account	24 (i)	(7,101)
3,865	Revaluation Reserve	24 (ii)	7,557
287	Collection Fund Adjustment Accounts	24 (v)	150
(138)	Accumulated Absences Account	24 (vi)	(84)
<u>(232,154)</u>	Pensions Reserve	24 (iv)	<u>(239,788)</u>
	<i>Usable Reserves:-</i>		
337	Usable Capital Receipts Reserve	24 (iii)	1,839
531	Capital Grants Unapplied		312
6,966	Specific Reserves	24 (vii)	8,478
2,182	Revenue Balances	26	2,182
<u><b>(223,233)</b></u>	<b>Total Reserves</b>		<u><b>(226,455)</b></u>

# CASH FLOW STATEMENT

2012-13			2013-14	
£'000	£'000		£'000	£'000
		<b>Revenue Activities</b>		
		Expenditure		
26,889		Cash paid to or on behalf of employees	27,538	
8,975		Other operating costs	9,898	
	35,864			37,436
		Income		
(17,948)		Precept - Council Tax income	(17,630)	
(174)		Surplus / (Deficit) on Collection Funds	(126)	
(11,319)		Non-Domestic Rate income	(2,115)	
0		Business Rates top-up from Govt	(2,614)	
(758)		Revenue Support Grant	(7,553)	
(3,898)		Government Grants and receipts	(3,116)	
(4,766)		Cash received for goods and services	(6,526)	
	(38,863)			(39,680)
	(2,999)	Revenue Activities Net Cash Flow		(2,244)
		<b>Servicing of Finance</b>		
		Expenditure		
476		Interest paid	408	
		Income		
(84)		Interest received	(67)	
	392			341
		<b>Capital Activities</b>		
		Expenditure		
1,315		Purchase of fixed assets	1,700	
		Income		
1,156		Cash used from sale of fixed assets	889	
(618)		Capital Grants received	(1,121)	
	1,853			1,468
		<b>Management of liquid resources</b>		
(28,187)		Short Term Lending	(12,536)	
29,411		Short Term Loans Repaid	11,890	
		<b>Financing</b>		
(16)		Borrowing	(1,990)	
148		Borrowing Repaid	4,155	
	1,356			1,519
	602	<b>Net cash (inflow) / outflow</b>		1,084
	75	<b>Other Movements</b>		600
	(593)	Transfers		(1,782)
	84	<b>Net (increase) / decrease in cash</b>		(98)

**Dorset Fire Authority**  
**Movement in Reserves Statement**  
**For the years ended 31st March 2013 and 2014**

	General Fund Balance	Capital Grants Unapplied	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Collection Fund Adjustment Account	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 2012</b>	<b>1,953</b>	<b>0</b>	<b>6,327</b>	<b>251</b>	<b>8,532</b>	<b>(4,855)</b>	<b>3,244</b>	<b>238</b>	<b>(182)</b>	<b>(214,179)</b>	<b>(215,734)</b>	<b>(207,201)</b>
Surplus / (Deficit) on Provision of Services	(7,660)				(7,660)						0	(7,660)
Depreciation & Impairment of Fixed Assets	2,352				2,352	(2,716)	364				(2,352)	0
Net gain/(loss) on disposal of fixed assets	(8)			86	78	(61)	(22)				(78)	0
Net charges for pensions in accordance with IAS19	15,512				15,512					(15,512)	(15,512)	0
Collection Fund Adjustment Account	(49)				(49)			49			49	0
Statutory provision for repayment of debt	(1,441)				(1,441)	1,441					1,441	0
Capital Expenditure charged to the General Fund Balance	(463)				(463)	463					463	0
Employer's contributions payable to the Dorset County Pension Fund and amounts payable direct to pensioners.	(6,183)				(6,183)					6,183	6,183	0
Transfer to Capital Grants Unapplied Reserves	(531)	531			0						0	0
Net transfer to / (from) Earmarked Reserves	(639)		639		0						0	0
Capital Grant applied	(618)				(618)	618					618	0
Transfers to/from Accumulated Absences Account	(44)				(44)				44		44	0
Revaluation losses (gains)	0				0		279				279	279
Actuarial loss/(gain) on Pension Fund assets and liabilities	0				0					(8,646)	(8,646)	(8,646)
<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>(5,110)</b>	<b>3,865</b>	<b>287</b>	<b>(138)</b>	<b>(232,154)</b>	<b>(233,249)</b>	<b>(223,233)</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 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)				<b>(8,034)</b>						<b>0</b>	<b>(8,034)</b>
Depreciation & Impairment of Fixed Assets	2,495				<b>2,495</b>	(2,462)	(32)				<b>(2,494)</b>	<b>1</b>
Net gain/(loss) on disposal of fixed assets	(302)			1,502	<b>1,200</b>	(2,447)	1,240				<b>(1,207)</b>	<b>(7)</b>
Net charges for pensions in accordance with IAS19	16,789				<b>16,789</b>					(16,789)	<b>(16,789)</b>	<b>0</b>
Collection Fund Adjustment Accounts	138				<b>138</b>			(138)			<b>(138)</b>	<b>0</b>
Statutory provision for repayment of debt	(1,451)				<b>(1,451)</b>	1,451					<b>1,451</b>	<b>0</b>
Capital Expenditure charged to the General Fund Balance	(345)				<b>(345)</b>	345					<b>345</b>	<b>0</b>
Employer's contributions payable to the Dorset County Pension Fund and amounts payable direct to pensioners.	(6,822)				<b>(6,822)</b>					6,822	<b>6,822</b>	<b>0</b>
Transfer to Capital Grants Unapplied Reserves	(902)	902			<b>0</b>						<b>0</b>	<b>0</b>
Net transfer to / (from) Earmarked Reserves	(1,512)		1,512		<b>0</b>						<b>0</b>	<b>0</b>
Capital Grant applied	0	(1,121)			<b>(1,121)</b>	1,121					<b>1,121</b>	<b>0</b>
Transfers to/from Accumulated Absences Account	(54)				<b>(54)</b>				54		<b>54</b>	<b>0</b>
Revaluation losses (gains)					<b>0</b>		2,484				<b>2,484</b>	<b>2,484</b>
Actuarial loss/(gain) on Pension Fund assets and liabilities					<b>0</b>					2,333	<b>2,333</b>	<b>2,333</b>
Rounding					<b>0</b>			1			<b>1</b>	<b>1</b>
<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>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **1. ACCOUNTING POLICIES**

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 2013-14 are as follows:

\*IFRS 10 Consolidated Financial Statements (May 2011)

\*IFRS 11 Joint Arrangements (May 2011)

\*IFRS 12 Disclosures of Interests in Other Entities (May 2011)

\*IAS 27 Separate Financial Statements (as amended in May 2011)

\*IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)

\*IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011)

\*IAS 1 Presentation of Financial Statements— (as amended in May 2011)

These changes do not require any further disclosure in this set of financial statements.

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

2.1 There are no events after the balance sheet date to note for the 2013-14 financial year.

## 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.

2012-13	<u>2013-14</u>			
Actual £'000	Original Estimate £'000	Final Estimate £'000	Actual £'000	Difference ( ) = over £'000
	<u>Fire Authority</u>			
188	192	187	175	12
	<u>Dorset Fire And Rescue Service</u>			
20,708	19,717	21,084	20,806	278
804	909	866	865	1
1,671	1,529	1,487	1,469	18
1,102	829	836	755	81
2,261	1,991	2,162	2,072	90
2,124	1,868	2,121	2,120	1
651	414	375	375	0
2,352	1,700	2,495	2,495	0
31,861	29,149	31,613	31,132	481
	<u>Income</u>			
(2,589)	(1,873)	(1,988)	(1,988)	0
(107)	(78)	(261)	(284)	23
(124)	(102)	(195)	(197)	2
29,041	27,096	29,169	28,663	506
	<b>Net Cost of Service</b>			
(1)	0	(314)	(313)	(1)
476	586	408	407	1
(84)	(60)	(67)	(67)	0
9,636	9,815	10,303	10,303	0
(59)	0	(19)	(19)	0
39,009	37,437	39,480	38,974	506
	<b>Net Operating Expenditure</b>			
	<b>Principal Sources of Finance</b>			
219	7,514	7,514	7,553	39
11,319	4,998	2,167	2,115	(52)
0	0	2,614	2,614	0
17,998	17,550	17,630	17,630	0
538	0	0	0	0
126	126	126	126	0
1,149	0	902	902	0
31,349	30,188	30,953	30,940	(13)
7,660	7,249	8,527	8,034	493
(2,352)	(1,700)	(2,495)	(2,495)	0
8	0	302	302	0
49	0	(138)	(138)	0
1,149	0	902	902	0
44	0	0	54	(54)
463	646	345	345	0
1,441	1,397	1,452	1,451	1
(9,329)	(7,745)	(9,967)	(9,967)	0
640	(1,392)	1,405	1,512	(107)
(229)	(1,545)	333	0	333
	<b>Reduction / (Increase) in General Balances</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 2013-14 the authority received £1.627M (2012-13 £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 £2.354M (2012-13 £2.317M).

### 6. DISCRETIONARY EXPENDITURE

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

2012-13		<b>2013-14</b>
£'000		<b>£'000</b>
20	Expenditure	<b>20</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:

2012-13 £'000		<u>2013-14</u> £'000
69	Member's allowances	65
9	Member's expenses	4
78		69

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.

2012-13	Salary Band	2013-14
Numbers		Numbers
4	£50,000 - £54,999	12
5	£55,000 - £59,999	2
2	£60,000 - £64,999	3
2	£65,000 - £69,999	3
0	£70,000 - £74,999	1
1	£75,000 - £79,999	0
0	£80,000 - £84,999	0
1	£85,000 - £89,999	1
0	£90,000 - £94,999	0
1	£95,000 - £99,999	0
0	£100,000 - £104,999	2
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
1	£130,000 - £134,999	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) 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	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### SENIOR OFFICERS EMOLUMENTS WHERE SALARY IS BETWEEN £50,000 AND £150,000 PER YEAR (ENGLAND) 2012-13 - RESTATED

Post title	Salary	Taxable expenses	Benefits In Kind	Total	Pensions Contribution	Total	Note
Chief Fire Officer	£131,301	£0	£0	£131,301	£27,967	£159,268	
Assistant Chief Fire Officer 1 (Service Support)	£98,473	£89	£667	£99,229	£20,975	£120,204	
Assistant Chief Fire Officer 2 (Service Delivery)	£57,912	£362	£259	£58,533	£12,258	£70,791	a
Assistant Chief Fire Officer 3 (Service Delivery)	£74,191	£336	£974	£75,501	£0	£75,501	b
Assistant Chief Officer	£85,344	£0	£3,026	£88,370	£14,679	£103,049	
Director of People Services	£67,564	£0	£2,708	£70,272	£11,621	£81,893	c
Strategic Projects Officer	£11,004	£0	£0	£11,004	£0	£11,004	d

The table relating to 2012-13 has been restated for the 2013-14 published accounts in order to provide additional information, and to be consistent between the two financial years.

Note a: Assistant Chief Fire Officer 2 started in post on 1 September 2012. The annualised salary for this post is £98,473.

Note b: Assistant Chief Fire Officer 3 retired from the Service on 31 December 2012. The annualised salary for this post was £98,473.

Note c: The Principal Officer structure was reviewed in 2010 and a number of posts were removed, saving over £200,000 each year. This post now has more responsibilities and reports directly to the Chief Fire Officer. Following a job evaluation exercise the annualised salary for this post in 2012/13 was £61,370. The amount shown for 2012/13 includes back pay of £6,194.

Note d: The Strategic Projects Officer post was established on 10 January 2011. The post holder was undertaking temporary, part-time, project work for the Service. The annualised salary for this post was £85,344. The temporary post ended on 30 June 2012.

## 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.

2012-13		<u>2013-14</u>
In post	<b>Uniformed Staff</b>	<b>In post</b>
271	Wholetime	<b>264</b>
302	Retained	<b>303</b>
27	Fire Control	<b>25</b>
<u>600</u>		<u>592</u>
	<b>Non-Uniformed Staff</b>	
141	Support Staff	<b>145</b>
<u>741</u>		<u>737</u>

### 9. SPONSORSHIP

There was no direct sponsorship in 2013-14 or 2012-13.

### 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 LV = Streetwise, 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 LV = Streetwise.

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: -

2012-13			<u>2013-14</u>	
£'000			£'000	
Owed To	Owed From		Owed To	Owed From
<b>300</b>	<b>11</b>	Dorset County Council	<b>355</b>	<b>17</b>
<b>138</b>	<b>29</b>	Dorset Police Authority	<b>83</b>	<b>13</b>
<b>77</b>	<b>0</b>	Dorset County Pension Fund	<b>80</b>	<b>0</b>
<b>10</b>	<b>52</b>	Other Local Authorities	<b>23</b>	<b>69</b>
<u>525</u>	<u>92</u>		<u>541</u>	<u>99</u>

### 11. AUDIT FEES

Fees payable to the Authority's external auditors, KPMG, for 2013-14 relating to the year of account are as follows. In 2012-13 the external audit work fee was also paid to KPMG.

2012-13		<u>2013-14</u>
£'000		£'000
31	External Audit Services	<b>33</b>
<u>31</u>		<u>33</u>

For 2013-14 the Authority received fee credits totalling £4,448 (2012-13 £2,900) 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>2013-14</b>	£'000	£'000	£'000	£'000	£'000	£'000
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	-	-	-	-	-	-
Donated assets	-	-	-	-	-	-
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
Impairment	-	-	-	-	-	-
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>

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>2012-13</b>						
Gross Book Value 1 April	201	36,312	14,434	-	1,200	52,147
Accumulated Depreciation	(201)	(11,674)	(7,150)	-	-	(19,025)
Net Book Value 1 April	-	24,639	7,285	-	1,200	33,124
Transfer between categories	-	-	-	-	-	-
Additions	-	199	912	-	-	1,111
Disposals	-	(100)	(176)	-	-	(276)
Revaluations	-	279	-	-	-	279
Depreciation and Impairment	-	(776)	(1,575)	-	-	(2,351)
Depreciation on assets sold	-	-	171	-	-	171
Net Book Value 31 March	<b>0</b>	<b>24,241</b>	<b>6,616</b>	<b>0</b>	<b>1,200</b>	<b>32,057</b>
<b>Asset Financing</b>						
Owned	0	19,323	6,616	0	1,200	27,139
Leased	0	0	0	0	0	0
PFI	0	4,918	0	0	0	4,918
	<b>0</b>	<b>24,241</b>	<b>6,616</b>	<b>0</b>	<b>1,200</b>	<b>32,057</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 2013. The Authority has adopted a five year rolling programme for asset valuations and four 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

2012-13 No.		<u>2013-14</u> No.
25	Operational Fire Stations	26
2	Other Properties including HQ	2
7	Mobile Phone Aerials	7
157	Vehicles	166
<u>191</u>		<u>201</u>

The type of property shown in the table above now 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. 5 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 2013-14, a comparison with the estimated spending and funding.

2012-13		<u>2013-14</u>	
Actual £'000		Final Estimate £'000	Actual £'000
170	Land & Buildings	349	247
692	Vehicles	1,012	1,014
219	Equipment	416	205
<u>1,082</u>	Total Capital Payments	<u>1,777</u>	<u>1,466</u>
0	Use of Capital Receipts	0	0
618	Government Grants	1,432	1,121
0	External Borrowing	0	0
463	Revenue Financing	345	345
(4,933)	Unfinanced Capital Payments b/f	0	(4,933)
4,933	Unfinanced Capital Payments c/f	0	4,933
<u>1,082</u>		<u>1,777</u>	<u>1,466</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. CAPITAL FINANCING REQUIREMENT

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

2012-13 £'000		<u>2013-14</u> £'000
17,306	Balance brought forward	16,616
1,082	Capital Investment	1,466
0	Use of Capital Receipts	0
(618)	Government Grants & Other Contributions	(1,121)
(463)	Revenue Financing	(345)
(691)	Minimum Revenue Provision	(691)
<u>16,616</u>		<u>15,925</u>

Analysis of movement in the Capital Financing Requirement during the year

2012-13 £'000		<u>2013-14</u> £'000
(691)	Increase or (Reduction) in underlying need to borrow (not supported by Government financial assistance)	(691)
<u>(691)</u>		<u>(691)</u>

### 15. OPERATING LEASE RENTALS

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

2012-13			<u>2013-14</u>	
Premises £'000	Vehicles £'000		Premises £'000	Vehicles £'000
5	651	Expenditure	0	375
0	371	Commitment - 1 year	0	276
0	494	Commitment - 2 to 5 years	0	212
0	9	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.

Area office space is rented by the Authority from Dorset Police in the Joint Emergency Services Building.

The Authority has 18 vehicles that were funded through operating leases as at 31 March 2014 (24 as at 31 March 2013) and 1 vehicle that was funded through contract hire arrangements as at 31 March 2014 (1 as at 31 March 2013).

### 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 2013-14 on 21 February 2013. This summary of transactions within the Capital Adjustment Account is shown for information.

2012-13 £'000		<u>2013-14</u> £'000
2,896	Balance brought forward	4,189
544	Minimum Revenue Provision charged in year - non PFI	536
749	Minimum Revenue Provision charged in year - PFI	760
<u>4,189</u>	Balance carried forward	<u>5,485</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. BORROWING

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

The long term borrowing is analysed below into period bands of maturity. The average rate of interest payable on the outstanding loans is 4.17%.

2012-13 £'000	<b>Analysis of Loans by maturity</b>	<b>2013-14</b> £'000
2,000	<b>Short Term Borrowing</b> (less than 1 year)	<b>163</b>
163	Between 1 and 2 years	172
357	Between 2 and 5 years	284
4,278	Between 5 and 10 years	2,214
6,516	More than 10 years	6,325
11,314	<b>Long Term Borrowing</b>	<b>8,995</b>
13,314	<b>Total borrowing</b>	<b>9,158</b>
3.43%	Average rate of interest	4.17%
15,575	<b>Fair Value of Market Loans</b>	<b>10,622</b>

Actual borrowing shown here is less than the Capital Financing Requirement shown in Note 14 because of the unfinanced capital expenditure carried forward, shown in Note 13. 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.

2012-13 £'000		<b>2013-14</b> £'000
67	Uniform Stocks	56
28	Personal Protection Equipment Stocks	34
38	Equipment Stocks	40
2	Other Stocks	3
136		133

### 19. DEBTORS

An analysis of the amounts due to the Authority at 31 March 2014 is shown below. The accounts include a provision for potential bad debts, and debtors for related parties (see note 10).

2012-13 £'000		<b>2013-14</b> £'000
1,617	Central Government Departments	1,618
512	Other Fire and Local Authorities	826
1,270	Others	1,240
3,399		3,684

## 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.

#### Impairment of Deposits with Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £1m deposited in one of these institutions, with maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate
£'000				
Heritable	10/09/08	30/01/09	1,000	5.88%
			1,000	

#### Heritable Bank

Heritable bank is a UK registered bank under Scottish Law. The company was placed in administration on 7 October 2008. At the time LAAP Bulletin 82 Update 6 was issued, the total amount to be received was estimated to be between 86% and 90% of the claim. Since then, Heritable's Administrators have paid a dividend of 16.73% (in August 2013) bringing the total repayment to 94%. The latest update (number 8) to LAAP 82 indicates that there is no evidence to suggest that there will be any further dividends in amounts that might be considered material. For 2013-14 accounts, the carry forward value of the impairment has been reduced to nil, with any remaining balance that has not already been charged to the I&E account in previous years (as per the CIPFA guidance) being written out to the I&E account in 2013-14. The effect on the I&E account is a £19k credit (which can be seen on the face on the Comprehensive Income & Expenditure Statement).

### 21. CREDITORS

An analysis of the amounts owed by the Authority at 31 March 2014 is shown below.

2012-13 £'000		<u>2013-14</u> £'000
580	Central Government Departments	610
740	Other Fire and Local Authorities	1,109
1,113	Others	1,272
2,433		2,991

### 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 2014.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. PROVISIONS

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 2013-14 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 £9k have been made during 2013-14 (£312k during 2012-13) but relate to personnel in Service between 1 July 2000 and 30 June 2010. Further payments are expected in 2014-15.

	Balance 2012-13 £'000	Transfers out £'000	Transfers in £'000	<b>Balance 2013-14 £'000</b>
Insurance	123	(169)	126	<b>80</b>
Retained Duty System Compensation	90	(9)	0	<b>81</b>
	<b>213</b>	<b>(178)</b>	<b>126</b>	<b>161</b>

#### Contingent Liabilities

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. This issue has been subject to legal consideration for a number of years and the Employment Tribunal reported its decision in March 2008. The Tribunal decided that the exclusion of retained firefighters from the Firemen's Pension Scheme and their sick pay arrangements were unlawful. There are two significant financial implications arising from the case, one covering compensation for discrimination, and the other covering access to a pension. The Tribunal indicated that both parties should endeavour to reach a negotiated settlement. An agreed settlement for the discrimination element of the claim was reached some time ago. We calculated a maximum liability of £403k and a provision for this amount has been charged to the accounts in previous years. Payments against this liability have totalled £322k to date.

Terms for backdated access to a modified section of the New Firefighters Pension Scheme (NFPS) 2006 have now 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 the scheme. It is not known how many will chose to take up the option or the extent to which future employer contributions will have an impact on the Authority's financial position.

## 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.

2012-13 £'000		2013-14 £'000
(4,854)	Balance as at 1 April	(5,109)
0	Capital Receipts Applied	0
(2,716)	Depreciation and Impairment	(2,462)
0	Impairment - Price Decreases / Fall in Market Value	0
1,441	Minimum Revenue Provision	1,451
(104)	Book Value of Disposals & Transfers	(1,207)
43	Transfer of gains from disposal of assets from Revaluation Reserve	(1,240)
463	Revenue Contributions	345
0	Transfer of Donated Assets	0
618	Transfer of Capital Grants Applied	1,121
<u>(5,109)</u>		<u>(7,101)</u>

#### (ii). Revaluation Reserve

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

2012-13 £'000		2013-14 £'000
3,244	Balance as at 1 April	3,865
279	Gains / (Losses) - Fixed Asset Revaluation	2,484
364	Depreciation and Impairment	(32)
(22)	Transfer of gains from disposal of assets to Capital Adjustment Account	1,240
<u>3,865</u>	Balance at 31 March	<u>7,557</u>

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

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

2012-13 £'000		2013-14 £'000
251	Balance as at 1 April	337
86	Receipts in the year	1,502
0	Less Applied during the year	0
<u>337</u>	Balance at 31 March	<u>1,839</u>

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

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

2012-13			2013-14	
Fire £'000	LGPS £'000		Fire £'000	LGPS £'000
(205,153)	(9,026)	Surplus / (Deficit) as at 1 April	(223,648)	(8,506)
(5,299)	(922)	Service Cost	(5,857)	(1,061)
5,512	671	Employer Contributions	6,107	715
	(12)	Administration expenses		(10)
344	0	Injury benefits paid	441	0
0	1	Unfunded pension payments	0	1
(9,303)	(321)	Other Finance Income	(9,918)	-
	-	Net interest on the defined liability (asset)		(385)
(9,749)	1,103	Actuarial gain / (loss)	2,745	(412)
<u>(223,648)</u>	<u>(8,506)</u>	Surplus / (Deficit) as at 31 March	<u>(230,130)</u>	<u>(9,658)</u>

## 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 paragraph.

#### **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. Additional funds have been added in 2013-14 to help meet the costs of our transformation programme.

#### **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 2013-14 these costs totalled £174k (2012-13 - £481k). 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 2013/14 these costs totalled £287k (2012/13 - £170k).

#### **Retained Duty System Reserve**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Other Grant Income

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

	Balance 2012-13	Transfers out	Transfers in	<b>Balance 2013-14</b>
	£'000	£'000	£'000	£'000
<b>Reserves</b>				
Pensions	260	(38)	100	<b>322</b>
Insurance	985	(74)	25	<b>936</b>
Princes Trust Volunteers	3	(8)	9	<b>4</b>
Leadership Development	250	(7)	22	<b>265</b>
Business Transformation	508	(12)	652	<b>1,148</b>
PFI Reserve	39	0	0	<b>39</b>
Capital reserve	2,500	0	1,000	<b>3,500</b>
Secure Information Interchange Project	325	(174)	0	<b>151</b>
Network Fire Control Services Partnership	1,630	(287)	0	<b>1,343</b>
Retained Duty System	50	0	25	<b>75</b>
Other Grant Income	416	(92)	371	<b>695</b>
	<u>6,966</u>	<u>(692)</u>	<u>2,204</u>	<u><b>8,478</b></u>

The Retained Duty System reserve has been separated out from the Other Grant Income reserve for the 2013-14 published accounts in order to show it as a separate specific reserve.

### 25. AUTHORISATION

This Statement of Accounts was authorised for issue by Richard Bates, Treasurer to the Fire Authority, on 30th June 2014.

### 26. MOVEMENT IN BALANCES

The level of general balances has increased as below:

2012-13 Total Balances £'000		<b>2013-14 Total Balances £'000</b>
1,953	Balances as at 1 April	<b>2,182</b>
0	Budgeted movement in balances	<b>0</b>
229	Surplus / (Deficit) in year	<b>(0)</b>
<u>2,182</u>	Balances as at 31 March	<u><b>2,182</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.

The 2013/14 CIPFA Code of Practice follows amendments to IAS19, and requires more detailed disclosures as included below in this note. 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 changes to IAS19 represent a change in accounting policy. Dorset Fire Authority have restated the prior year comparatives, although these changes are not material.

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: -

2012-13			2013-14	
Fire £'000	LGPS £'000		Fire £'000	LGPS £'000
		<b>Net Cost of Services</b>		
5,299	922	Service Cost	5,857	1,061
9,303	321	Net interest on the defined liability (asset)	9,918	385
0	12	Administration Expenses	0	10
<b>(8,746)</b>	<b>(583)</b>	Movement on Pensions Reserve	<b>(9,227)</b>	<b>(740)</b>
		<b>Actual amount charged against council tax for pensions in the year</b>		
(344)	0	Injury benefits paid	(441)	0
0	(1)	Unfunded pension payments	0	(1)
<b>(5,512)</b>	<b>(671)</b>	Employer's contributions payable	<b>(6,107)</b>	<b>(715)</b>

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: -

2012-13			2013-14	
£'000	% of Assets		£'000	% of Assets
8,316	60%	Equities	8,638	57%
2,911	21%	Gilts	1,364	9%
0	0%	Other Bonds	1,515	10%
0	0%	Alternative Assets	606	4%
0	0%	Absolute Return Portfolio	606	4%
693	5%	Target Return Portfolio	-	0%
1,247	9%	Property	1,364	9%
693	5%	Cash	1,061	7%
0	0%	Other	0	0%
<b>13,860</b>		Estimated Assets in the LGPS	<b>15,154</b>	
<b>22,349</b>		Present value of liabilities in the LGPS	<b>24,794</b>	
<b>17</b>		Present value of unfunded liabilities in the LGPS	<b>18</b>	
<b>22,366</b>		Total value of LGPS liabilities	<b>24,812</b>	
<b>(8,506)</b>		Net Staff Pensions Surplus / (Deficit)	<b>(9,658)</b>	
<b>(223,648)</b>		Estimated Liabilities in Fire Pension Scheme	<b>(230,130)</b>	
<b>(232,154)</b>		Net Pensions Surplus / (Deficit)	<b>(239,788)</b>	

## 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 £240m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £226m. 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 2014, the expected return rate was 5.2% 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 2014 and estimated whole fund income and expenditure to 31st March 2014.

The main assumptions used in their calculations are: -

2012-13		Local Government Pension Scheme	2013-14	
% p.a.	Real		% p.a.	Real
3.4%	-	RPI Increases	3.7%	-
2.6%	-0.8%	CPI Increases	2.9%	-0.8%
4.6%	1.2%	Rate of increase in salaries	4.4%	0.7%
2.6%	-0.8%	Rate of increase in pensions	2.9%	-0.8%
4.7%	1.3%	Rate for discounting scheme liabilities	4.5%	0.8%

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

2012-13		Local Government Pension Scheme	2013-14	
Male	Female		Male	Female
20.10	24.10	Retiring today	22.70	25.10
22.10	26.00	Retiring in 20 years	24.90	27.40

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

2012-13		Firefighters Pension Scheme	2013-14	
% p.a.	Real		% p.a.	Real
3.4%	-	RPI Increases	3.5%	-
2.6%	-0.8%	CPI Increases	2.7%	-0.8%
4.9%	1.5%	Rate of increase in salaries	4.5%	1.0%
2.6%	-0.8%	Rate of increase in pensions	2.7%	-0.8%
4.5%	1.1%	Rate for discounting scheme liabilities	4.4%	0.9%

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

2012-13		Firefighters Pension Scheme	2013-14	
Male	Female		Male	Female
21.6	24.2	Retiring today	22.5	24.8
23.5	25.9	Retiring in 20 years	24.7	27.1

## 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:

2012-13			2013-14	
Fire £'000	LGPS £'000		Fire £'000	LGPS £'000
205,153	20,591	<b>Opening Defined Benefit Obligation</b>	<b>223,648</b>	<b>22,366</b>
5,299	922	Current Service cost	5,857	991
9,303	945	Interest cost	9,918	1,050
9,749	4	Change in financial assumptions	3,809	1,802
0	0	Change in demographic assumptions	9,362	(167)
0	1	Experience loss/(gain) on defined benefit obligation	(15,916)	(1,174)
0	0	Liabilities assumed / (extinguished) on settlements	0	0
(6,739)	(351)	Estimated benefits paid net of transfers in	(7,475)	(398)
0	0	Past service costs, including curtailments	0	70
1,227	255	Contributions by Scheme participants	1,368	273
(344)	0	Injury benefits paid	(441)	0
0	(1)	Unfunded pension payments	0	(1)
<u>223,648</u>	<u>22,366</u>	<b>Closing Defined Benefit Obligation</b>	<u>230,130</u>	<u>24,812</u>

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

2012-13			2013-14	
Fire £'000	LGPS £'000		Fire £'000	LGPS £'000
	11,565	<b>Opening fair value of Scheme assets</b>		<b>13,860</b>
	545	Interest on assets		663
	1,187	Return on assets less interest		75
	0	Other actuarial gains/(losses)		(25)
	(12)	Administration expenses		(10)
	672	Contributions by employer including unfunded		716
	255	Contributions by Scheme participants		273
	(352)	Estimated benefits paid plus unfunded net of transfers in		(398)
	0	Settlement prices received / (paid)		0
	<u>13,860</u>	<b>Closing fair value of Scheme assets</b>		<u>15,154</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.

2012-13			2013-14	
£'000	£'000		£'000	£'000
	(229)	Net (surplus) / deficit on Revenue Account		0
	4,933	Net (surplus) / deficit on Capital Account		4,933
		Movement in accruals items:-		
61		Stocks	(3)	
393		Debtors	285	
188		Creditors	(558)	
(1,852)		Principal Repaid	1,992	
0		Provisions	52	
	(1,210)			1,768
		Movement in non-cash items:-		
(639)		Specific Reserves	(1,512)	
(48)		Collection Fund Adjustment Accounts	137	
(86)		Capital Receipts Reserve	(1,502)	
	(773)			(2,877)
		Movement in financing items:-		
(3,646)		Long Term Loans	(3,461)	
1,282		Short Term Loans	(626)	
	(2,364)			(4,087)
	(273)	Other items:		165
	84	(Increase) / Decrease in Cash		(98)

### 29. MOVEMENT IN NET FUNDS

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

	Balance 1 April 2013	Movement in year	Balance 31 March 2014
	£'000	£'000	£'000
Cash in hand and at bank	(221)	98	(123)
Temporary investments and borrowing	4,219	1,211	5,430
	<b>3,998</b>	<b>1,309</b>	<b>5,307</b>

### 30. MOVEMENT IN LIQUID RESOURCES

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

2012-13		2013-14
£'000		£'000
4,937	Temporary Investments as at 1 April	6,219
1,282	Increase / Decrease in Loans in the Period	(626)
<b>6,219</b>	Temporary Investments as at 31 March	<b>5,593</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 31. ANALYSIS OF GOVERNMENT GRANTS

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

2012-13 £'000		<u>2013-14</u> £'000
(1,627)	DCLG PFI grant	(1,627)
(1,149)	DCLG Capital Grant	(902)
(27)	DCLG New Burdens grant	(120)
(181)	DCLG Firelink grant	(193)
(691)	DCLG 2012 Olympics grant	0
(176)	Other govt grants	0
(47)	DCLG New Dimensions grant	(48)
<u>(3,898)</u>		<u>(2,890)</u>

Grants for New Burdens and Firelink have been shown separately in the 2013-14 published accounts in order to provide greater transparency.

### 32. LONG TERM CREDITORS

The balance of £16M is the value of liabilities due to the PFI providers over the life of the DESPI PFI Schemes (prior year figure £16.7M).

### 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 2013-14 accounts in relation to the Project.

2012-13 £'000		<u>2013-14</u> £'000
183	Computer Equipment Purchase	0
1	Training - Other External Providers	4
74	Software maintenance	7
48	Networks	53
(481)	Transfer To/(From) Specific Reserves	(174)
18	Software Development/Installation	0
157	Professional/Consultancy Fees	110
<u>0</u>		<u>0</u>

## HOLDING ACCOUNTS AND NOTES

### 34. FLEET MAINTENANCE ACCOUNT

Costs in relation to maintenance of the vehicle fleet are coded directly to the revenue account as from 2013-14, and are no longer processed through a Fleet Maintenance Account.

<b>FLEET MAINTENANCE ACCOUNT</b>		
2012-13		<u>2013-14</u>
£'000		£'000
253	Employees	-
16	Premises Related Expenses	-
210	Transport Related Expenses	-
9	Supplies and Services	-
<u>488</u>	<i>Expenditure total</i>	<u>-</u>
(488)	Recharges to revenue account	-
<u>(488)</u>	<i>Recharge total</i>	<u>-</u>
<u>-</u>	<b>NET EXPENDITURE</b>	<u>-</u>

### 35. 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>		
2012-13		<u>2013-14</u>
£'000		£'000
123	Employees	175
3	Premises Related Expenses	1
20	Transport Related Expenses	9
30	Supplies and Services	33
<u>175</u>	<i>Expenditure total</i>	<u>218</u>
(160)	Further Education funding	(226)
(15)	Recharges to revenue account	9
-	Net gain / (loss ) on disposal of fixed assets	(1)
<u>(175)</u>	<i>Recharge and Income total</i>	<u>(218)</u>
<u>-</u>	<b>NET EXPENDITURE</b>	<u>-</u>

## PENSION FUND ACCOUNT

### 36. 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.

2012-13 £'000	<b>PENSION FUND ACCOUNT</b>	2013-14 £'000
(2,099)	Employer Flat Rate Contribution	(2,078)
-	Employer Ill Health Lump Sum Contribution	(38)
(1,225)	Employee Contributions	(1,367)
-	Transfer Values Receivable	(67)
-	Recharges To Revenue Account	-
(3,324)	<b>Contributions Receivable</b>	<b>(3,550)</b>
5,845	Pensions	6,140
1,118	Lump Sum Benefits	1,400
7	Transfer Values Payable	-
6,970	<b>Benefits Payable</b>	<b>7,540</b>
3,646	<b>Net amount payable before top-up grant</b>	<b>3,990</b>
(3,646)	Government top-up grant receivable	(3,990)
-	Net Recharge To Revenue Account	-
-	<b>NET ASSETS STATEMENT</b>	
	<b>Current Assets and Liabilities</b>	
816	Debtors and Payments in Advance	1,194
-	Creditors and Receipts in Advance	-
816	<b>Net Assets as at 31 March</b>	<b>1,194</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 2013-14 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 Council 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.