



**DORSET & WILTSHIRE  
FIRE AND RESCUE  
AUTHORITY**

# **Statement of Accounts**

## 2016/17

*PASSIONATE ABOUT*

**CHANGING & SAVING LIVES**

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## Certificate for the Approval of the Statement of Accounts

I confirm that these accounts were approved by the Finance, Governance and Audit Committee held on 29 September 2017.

**Ben Ansell**  
Chief Fire Officer  
29 September 2017

## Narrative Report

### 1 Introduction

This Narrative Report provides a guide to the Statements that follow, describing changes in accounting policies and presentation, explaining material items within the Accounts, comparing revenue spending with the budget that was approved for the year, outlining the resources available for capital expenditure and other financial commitments and setting the accounts into the context of ongoing plans for service delivery.

On 1 April 2016, our newly formed Dorset & Wiltshire Fire and Rescue Authority (DWFRA) was created following the cessation of the former Dorset Fire Authority (DFA) and Wiltshire & Swindon Fire Authority (W&SFA). This was the first major merger of two combined fire and rescue authorities into one in the UK. The Dorset & Wiltshire Fire and Rescue Service (DWFRS) also became one of the largest fire and rescue services in England.

It is the responsibility of the Authority to help improve the safety, health and welfare of over 1.45 million people living in the areas of Bournemouth, Dorset, Poole, Swindon and Wiltshire, an area covering some 2,500 square miles. We have:

- ◆ 50 fire stations
- ◆ 1,079 firefighters
- ◆ 73 fire engines
- ◆ support from non-station-based uniformed staff and corporate staff including a large number of enthusiastic volunteers.

The Service is accountable to the public via the newly created Dorset & Wiltshire Fire and Rescue Authority, made up of 30 elected members from the five constituent authorities of Bournemouth, Poole, Dorset, Wiltshire and Swindon. Headed by the Chair of the Fire Authority, they set the direction for the Service in the best interests of the communities they serve. The Service is managed by the Strategic Leadership Team consisting of the Chief Fire Officer, three Assistant Chief Fire Officers and three non-uniformed Assistant Chief Officers.

The Dorset & Wiltshire Fire and Rescue Authority is looking to improve on what we do and how we do it. This helps us contribute towards making our local communities healthier and safer places to live and visit. We continue to save lives through our response to fires and other emergencies.

We know that many people who are vulnerable to the risk of having a fire in the home are also the same people that partner organisations such as the NHS, local authorities and the police are trying to help. However, we do much more than putting out fires and helping people involved in road traffic collisions and there is no doubt that we save many more lives through our prevention and education work.

## Narrative Report

As a result, we now undertake 'Safe and Well' checks that not only provide education and equipment to reduce the risk of a fire starting, but also look at how we can help to reduce other hazards such as potential slips, trips and falls in the homes of older and more vulnerable people. By working together with other agencies in a more joined up way, we can help people to lead safer, healthier and more independent lives. By doing this we can also reduce the demand for these services. This saves us all money and makes the best use of our valuable public sector resources.

The Service is working towards making life safer for people in Bournemouth, Poole, Dorset, Wiltshire and Swindon and helping to strengthen and secure the changing communities we live in, by working together with others to deliver local solutions for local priorities. To do this the Service had four key priority areas:-

- ◆ Help you to make safer and healthier choices
- ◆ Protect you and the environment from harm
- ◆ Be there when you need us
- ◆ Making every penny count

We have passionate leaders across the Service who are responsible for directing and delivering our plans for the future. They work hard with teams and individuals in the Service and with partners to make sure we do the right things at the right time to make our communities safer and healthier.

We have a number of key targets to achieve over the next four years to help us to measure the progress we make against our priorities. These are contained in our detailed Community Safety Plan. This is available on our website ([dwfire.org.uk](http://dwfire.org.uk)) if you would like to know more.

Overseeing this plan are our elected Members from the five council areas that make up the Fire and Rescue Service area. They are selected to sit on the Fire Authority and are responsible for setting the budget and making sure that the Service meets its statutory responsibilities and delivers the outcomes associated with this Community Safety Plan.

There are 50 fire stations covering the area, serving our local communities, with crews available to respond to emergency calls 24 hours a day. This operational response is supported by staff based at a number of other sites, including Five Rivers Headquarters in Salisbury, support offices in Poundbury and Potterne, our Control room in Potterne (where 999 calls are answered), our Training & Development Centres in West Moors and Devizes, Fleet Services (vehicle workshops in Melksham and Charminster) and our Occupational Health suites based in Bromham and Hamworthy.

The activities of the Service are governed by the Home Office and legislative responsibilities are set out in the Fire and Rescue Services Act 2004 and the Fire and Rescue National Framework for England.

## **Narrative Report**

Following our combination on 1 April 2016, the new Authority has followed the combination accounting requirements in section 2.5 of the CIPFA Code of Practice on Local Authority Accounting in its first year. The closing balance sheets of the two former authorities have been added together and amended to form the opening balance sheet following the alignment of the accounting policies. Where balances are shown as at 1 April 2016, these are the values in this opening balance sheet.

As this is the first year of the new Authority, comparative figures for the previous year are not shown in the Statement. This is as set out in the Code for transfers by absorption which occur at the start of the financial year.

This publication, produced by the Treasurer, contains the Statement of Accounts for the Fire Authority for the year ended 31 March 2017. Publication of these accounts is required under the current Accounts and Audit Regulations, and their form is prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), published by CIPFA/LASAAC. The information contained in the Statement is of a highly technical nature, and readers may find it useful to refer to the glossary at the end of this document.

The Code specifies the principles and practices of accounting required to give a true and fair view of the financial position and transactions of the Fire Authority. It sets out the proper accounting practices required by Section 21(2) of the Local Government Act 2003.

## **2 Changes required in the format of the Statement of Accounts**

The 2016/17 Code requires the inclusion of a new Expenditure and Funding Analysis (EFA), which shows how the funding available to the Authority has been used in providing services in comparison with the accounting basis shown in the main financial statements. Additionally, the analysis of the Cost of Services in the Comprehensive Income and Expenditure Statement (CIES) is no longer to be presented according to a set format but in the manner in which financial information is presented to the Authority during the year. In this Authority, the management accounts are shown for the Service as a whole, analysed subjectively (employee costs, running expenses, income, etc) rather than by any departmental breakdown, so this subjective analysis is used in both the CIES and the EFA.

## Narrative Report

### 3 Explanation of the Statements

The Statement of Accounts comprises the following elements -

#### ◆ Narrative Report

This provides a guide to the most significant matters reported in the Statement of Accounts. It explains the purpose of the various statements and notes and the relationships between them. It also sets out information about the Authority's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year, as required by the Accounts and Audit Regulations 2015, together with a number of non-financial performance indicators.

#### ◆ Statement of Accounting Policies

Accounting policies are included for all items that have a significant effect on the amounts included in the financial statements. Examples of such items include the measurement bases used, accruals, financial instruments, leases, overheads, provisions and reserves. The policies of the two former Fire Authorities have been reviewed and a single set of policies for the new Authority has been drawn up. Note 2 to the Financial Statements sets out the critical judgements that have been made in applying accounting policies.

#### ◆ Statement of Responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Fire Authority and the Treasurer in preparing, publishing and approving the Statement of Accounts. The Treasurer signs this statement, stating that it gives a true and fair view of the financial position of the Authority at 31 March 2017 and of its income and expenditure for the year.

#### ◆ Independent Auditor's Report

The Statement of Accounts is audited by KPMG LLP, whose opinion and certificate is included in this section following the conclusion of the audit.

#### ◆ The Financial Statements

There are five principal financial statements which, taken together, show the results of the stewardship and accountability of elected Members and management for the resources entrusted to them. These results are contained in the information about the Authority's financial position, performance and cash flows. Full information is presented relating to the year of account, 2016/17. Comparative information for the previous year is not shown as this is the first year of the new Authority.

## Narrative Report

### ◆ Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis is a new statement introduced for 2016/17. Its purpose is to show how expenditure is used and funded from resources (Government grants, Council Tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes by the Authority. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

Expenditure and Funding Analysis	2016/17		
	Net Expenditure General Fund £	Adjustments £	Net Expenditure in the CIES £
<b>Net Cost of Services</b>	51,364,008	4,790,133	56,154,141
Other Income and Expenditure	-54,815,700	8,998,670	-45,817,030
<b>Surplus or Deficit</b>	-3,451,692	13,788,803	10,337,111
<b>Opening General Fund Balance at 1 April</b>	-23,829,037		
Less (+) or plus (-) Surplus or Deficit on the General Fund in the year	-3,451,692		
Less (+) or plus (-) Transfers to Reserves made in the year	-320,960		
<b>Closing General Fund Balance at 31 March</b>	-27,601,689		

### ◆ Movement in Reserves Statement (MIRS)

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 15 and 16.

The statement adjusts the deficit on the provision of services calculated on an accounting basis to show the entries required under regulations to get back to the actual deficit for the year and the movement on each reserve. The balances on the principal reserves are shown in the table below. The balance on the General Fund has increased as the Authority spent less on running the Fire and Rescue Service in the year than was raised in resources. The significance of the balance on the Pensions Reserve is explained in paragraph 8 below.



## Narrative Report

Movement in Reserves Statement		1 April 2016	31 March 2017
	See Note	£	£
<u>Usable reserves</u>			
General Fund	15	-23,829,037	-27,601,689
Capital Receipts	15	-1,838,759	0
Capital Grants Unapplied	15	-179,496	0
Total usable reserves		-25,847,292	-27,601,689
<u>Unusable reserves</u>			
Pensions Reserve	27 & 16c	481,194,000	563,457,000
Reserves for accounting purposes	16	-1,598,156	-3,251,687
Total unusable reserves		479,595,844	560,205,313

### ◆ Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost of providing services in the year in accordance with generally accepted accounting practices. The gross expenditure and income on the revenue account is supplemented by amounts in respect of financing and investment activities, gains and losses on the sale or revaluation of assets, pension adjustments, taxation and general grant income. The resulting deficit on the provision of services is taken to the Movement in Reserves Statement to be adjusted back to the actual deficit for the year under statute.

Comprehensive Income & Expenditure Statement		2016/17
		£
Cost of Services		56,154,141
Other Operating Expenditure		-8,722,273
Financing & Investment Income & Expenditure		17,820,338
Taxation & Non-specific Grant Income		-54,915,094
(Surplus)/Deficit on Provision of Services (in CIES)		10,337,111
Other Comprehensive Income & Expenditure		68,517,960
Total Comprehensive Income & Expenditure		78,855,071

## Narrative Report

### ◆ Balance Sheet

The Balance Sheet shows the value at the balance sheet date of the assets, liabilities and reserves of the Authority, with long term and current assets and liabilities shown separately. For this purpose, 'current' generally means within 12 months of the reporting date.

The most significant item in the Balance Sheet is the Pensions Liability, matched by the Pensions Reserve. These amounts are explained in Note 27 and later in this Narrative Report. The true net worth of the Authority is shown in this table by deducting the Pensions Reserve from the total Reserves. This adjusted figure matches the net assets less the Pensions Liability.

The balance sheet shown as at 1 April 2016 is the opening balance sheet of the Authority. It is the sum of the closing balance sheets of the two former authorities, amended to bring the accounts to a common accounting basis.

Balance Sheet	1 April 2016 £	31 March 2017 £
Long term assets	43,180,422	41,864,068
Current assets less current liabilities	11,110,155	13,848,431
Pensions Liability	-481,194,000	-563,457,000
Other long term liabilities	-26,845,129	-24,859,123
Net (liability)/assets	-453,748,552	-532,603,624
Net worth (Total Reserves)	453,748,552	532,603,624
Net worth excluding Pensions Reserve	-27,445,448	-30,853,376

### ◆ Cash Flow Statement

This statement shows the movements in cash and cash equivalents during the year. Cash equivalents are short term liquid investments that are readily convertible to cash. The statement classifies cash flows arising from operating, investing and financing activities. The statement is constructed indirectly by removing from the other statements all accruals and other accounting adjustments, leaving the transactions which involve cash or cash equivalents. The net movement in cash and cash equivalents in the year is reconciled to the movement shown in that item on the Balance Sheet.

## Narrative Report

Cash Flow Statement		2016/17 £
Net cash flows arising from -		
Operating activities (transactions on Revenue Account, Grants and Council Tax)		-4,880,220
Investing activities (purchase and sale of fixed assets and investments)		10,323,437
Financing activities (repayment of long-term borrowing)		1,312,746
Net (increase)/decrease in cash and cash equivalents		6,755,963

### ◆ Notes to the Financial Statements

The five financial statements are followed by comprehensive notes, whose purposes are to give more details about items shown on the face of the financial statements, to present information required under regulations or by the Code which is not presented elsewhere and to provide further information relevant to an understanding of the accounts. The notes are cross-referenced to the financial statements, the accounting policies and to each other as appropriate. Comparative figures for 2015/16 are not shown as this is the first Statement of Accounts for the new Dorset & Wiltshire Fire and Rescue Authority.

### ◆ The Firefighters' Pension Fund Account and Net Assets Statement

It is unusual for an unfunded pension scheme such as the Firefighters' Scheme to have a fund, as it holds no assets that need to be ring-fenced. Instead the purpose of the Firefighters' Pension Fund is to provide a basis for identifying the balance of cash-based transactions taking place over the year and the arrangements needed to close that balance. The primary objective is to allow the separation of the cost of providing pensions from the cost of running a fire and rescue service. For this reason, the pension fund accounts are shown after the other financial statements. The net cost of the pensions in the year is met by a grant from the Government.

Firefighters' Pensions Fund Account		2016/17 £
Income - Contributions from firefighters and the Fire Authority		-5,700,908
Expenditure - Pensions, commutations and transfers paid to other schemes		15,202,476
Net cost of pensions met by Government Grant		9,501,568

## Narrative Report

### ◆ Glossary of Terms

The glossary is provided to aid the reader to an understanding of complex terms which have been used throughout the Statement of Accounts. However, its inclusion is not a requirement of the Code and it is not covered by the statutory requirements for an audit opinion or certification by the Treasurer.

### 4 Signing and rounding conventions

Throughout the Statement, payments, expenditure and assets are shown as positive figures (debits) and receipts, income, reserves and liabilities as negative figures (credits). All amounts recorded in the accounts are rounded to the nearest whole pound.

### 5 Comparison of revenue outturn to budgets

Each year, a revenue budget is approved which matches in total the sums which will be raised by Council Tax, Government grants, and planned transfers to or from reserves. During the year of account, virements and budget adjustments are approved within this sum with any change in total budget being matched by a change in transfers to or from reserves. The actual spending on service running costs, interest payable and other operating costs, net of income from charges and contributions, is known as the outturn. The outturn is contained within the Comprehensive Income and Expenditure Statement, but does not match the format of that Statement as required by the Code. A reconciliation is shown in the Expenditure and Funding Analysis. The difference between the outturn and the budget is transferred to or from the General Reserve.

In order to demonstrate the Authority's stewardship of public funds, a comparison of the outturn to the budget is shown in the next table, followed by reasons for the most significant variations in 2016/17.

## Narrative Report

2016/17	Original Budget £	Approved Budget £	Outturn £	Variation £
Employees	42,384,700	42,642,100	39,845,605	-2,796,495
Premises	2,985,700	2,985,600	2,915,415	-70,185
Transport	1,695,400	1,626,000	1,382,630	-243,370
Supplies and Services	4,974,900	4,637,500	4,578,402	-59,098
Agency and Contracted Out Services	2,210,200	2,415,200	2,493,311	78,111
Democratic Representation	141,400	141,400	131,267	-10,133
Capital Financing and Leasing	3,120,400	4,038,400	3,979,167	-59,233
Income	-2,435,600	-3,638,500	-4,282,749	-644,249
Transfers to (+) or from (-) Reserves	-261,400	-32,000	320,960	352,960
Net expenditure	54,815,700	54,815,700	51,364,008	-3,451,692

## Narrative Report

Main reasons for variations in 2016/17	Variation from Budget	
	£	£
<u>Employees</u>		
Net savings on pay costs for Wholetime and Control employees through active management of vacancies, secondments and the annual pay award being less than expected	-389,000	
Underspending on on-call (retained) firefighters' pay and allowances	-892,000	
Savings on corporate staff costs due to vacancies, staff turnover and recruitment difficulties	-644,000	
Saving on anticipated employment termination costs	-695,000	
Net under-spending on other employee costs	-177,000	
		-2,797,000
<u>Running expenses</u>		
Savings on premises running costs	-70,000	
Reduced cost for fuel, staff travel and vehicle repair and maintenance	-244,000	
Savings on equipment purchase, repair and maintenance	-59,000	
Additional costs for consultancy and agency work	78,000	
Saving on Fire Authority running costs	-10,000	
Reduced costs for leasing payments and financing borrowing	-59,000	
		-364,000
<u>Income and transfers to or from reserves</u>		
Additional grants and contributions not included in budget, plus sales of vehicles	-659,000	
Reduction in investment income	15,000	
Budgetted transfer to General Reserve not needed in year	254,400	
Variations in transfers to and from earmarked reserves	98,600	
		-291,000
		-3,452,000

## Narrative Report

### 6 Material assets acquired or liabilities incurred

Notes 6 and 7 show movements on property, plant and equipment and intangible assets by way of capital expenditure, depreciation, amortisation, revaluations and disposals. Additions to these assets are also set out in Note 23, which shows how the additions were financed in the year. The table below shows the amounts added to asset values through capital expenditure.

Capital expenditure in the year	See Note	2016/17 £
Enhancements to existing buildings		947,518
Safety Centre and Strategic Hub		85,988
National Fire Control Services Partnership ICT systems		126,278
Other ICT systems and communications equipment		363,512
Firefighters helmets, PPE & other equipment		170,936
Vehicles		1,214,128
Property, plant and equipment	6	2,908,360
Software licences (intangible assets)	7	10,068
<b>Total capital expenditure</b>	<b>23</b>	<b>2,918,428</b>

### 7 Material or unusual charges or credits

The Cost of Services includes a total of £3,269,369 for depreciation and amortisation charges. There were also unrealised gains of £1,472,591 which were credited to the Revaluation Reserve and revaluation losses of £1,134,645 charged to the Cost of Services. The amounts charged to the Cost of Services are not costs to the General Fund, so they are transferred to Capital Reserves in the Movement in Reserves Statement.

The values of the land and buildings of the Authority are assessed by independent valuers for inclusion in the balance sheet. The valuers engaged by the two former authorities used different valuation methods, which were both acceptable under the Code, but which produced generally higher values for properties in Dorset. The adoption of a single valuation policy by the new Authority resulted in a reduction in the value of properties at 1 April 2016 totalling £14,354,198, of which £9,837,607 was charged against the Revaluation Reserve and the balance to the Capital Adjustment Account. This adjustment is shown in Note 1 and further explained in Note 6.

## Narrative Report

The other material items included in the Comprehensive Income and Expenditure Statement are those concerned with the notional entries that are required for pensions. These are set out and explained in Note 27. All the pensions entries that contribute to the Surplus or Deficit on the Provision of Services are reversed in the Movement in Reserves Statement. The cost in the year of employers' contributions to the various pension schemes and payments to pensioners not covered by the Government Grant is then added back (£6,046,983).

Material items of expenditure shown in the Movement in Reserves Statement are charges to the General Fund for Revenue Provisions for the repayment of debt and capital expenditure financed from revenue. The statutory Minimum Revenue Provision (MRP) was £1,423,374 and the Authority also set aside £900,980 for repayments of liabilities related to a finance lease and the Private Finance Initiative. £884,273 of capital expenditure was financed from the revenue account.

### 8 The Pensions Liability

Reference has already been made to the Pensions Liability and Reserve, which have a significant impact on the Balance Sheet of the Authority. The balance was £563,457,000 at 31 March 2017, an increase of £82,263,000 since the start of the year. All the figures for pensions, except the actual contributions made by employees and the Authority, are calculated or estimated by the Actuary, who interprets the requirements of IAS 19 and other relevant accounting provisions.

Details of the transactions for pensions are set out and explained in Note 27, which also describes the nature and benefits of the schemes to which the Authority contributes - the Firefighters' Pension Scheme, which includes the 1992, 2006, 2015 and Modified schemes, and the Local Government Pension Scheme (LGPS). The transactions for the various firefighters' schemes are aggregated in the Accounts.

The sum shown as the Pensions Liability represents the underlying commitment that the Authority has in the long run to pay post employment (retirement) benefits. As such, it appears in the Balance Sheet as a long term creditor. Each year, the amount of future benefits earned by current members of the schemes (the "current service cost") is charged to the Cost of Services in the Comprehensive Income and Expenditure Statement and credited to the Pensions Liability. A "past service cost" may arise if the value of future benefits earned in previous years increases due to changes in pensions policy.

The Comprehensive Income and Expenditure Statement is also charged, in the section for "Financing income and expenditure", with net interest on the defined benefit liability. The cost in 2016/17 was £16,626,000. This charge is taken out of the General Fund in the Movement in Reserves Statement.

The Comprehensive Income and Expenditure Statement shows, after the surplus or deficit on the provision of services, the "actuarial gains and losses" on pensions assets and liabilities. These are the changes to be made to the value of the liability as a result of the judgements and calculations made by the actuary.



## Narrative Report

The Authority has appointed Barnett Waddingham, a firm of independent actuaries, to estimate the value of the liability in relation to the Firefighters' Schemes each year based on membership data, demographic and statistical assumptions and the Code, which uses International Accounting Standard (IAS) 19 "Employee Benefits". Dorset County Council and Wiltshire Council, as the administering authorities, also appoint actuaries to value the Dorset County Pension Fund and the Wiltshire Council Pension Fund. They have appointed Barnett Waddingham and Hymans Robertson LLP respectively for this purpose.

### 9 Borrowing and other sources of funds

The Balance Sheet as at 31 March 2017 shows that outstanding debt stands at £11,949,364, of which £1,191,657 is repayable within a year. £522,193 was repaid in 2016/17. Additionally, a finance lease has £215,893 to be repaid over the next two years, with £106,049 payable in 2017/18. £102,253 was repaid in 2016/17.

Note 23 to the Financial Statements shows that capital spending in 2016/17 was financed by revenue contributions, capital grants and capital receipts. A favourable cash flow during the year, together with the receipt of grants and the underspending on the revenue account, has meant that it proved unnecessary to borrow long terms funds during 2016/17.

The Authority annually approves a Treasury Management Policy, which includes arrangements for borrowing. The current policy is to borrow from the Public Works Loan Board, the temporary money market, bank overdraft and internal balances. Access to leasing markets is also available if market conditions indicate that leasing is worthwhile. There is ready access to the Public Works Loan Board, which is part of HM Treasury, for long term loans, but account is taken of the risks of treasury management, daily cash flows, trends in interest rates, national market conditions and forthcoming maturities, when deciding whether and when to borrow, and for how long. Note 29 shows the incidence of future loan maturities.

### 10 Provisions, contingencies and write-offs

When it is known that payments will have to be made, but the date of payment is not certain, the Authority is able to charge the amount to the Comprehensive Income and Expenditure Statement in the year and credit a provision in the Balance Sheet. When the payment is made, it is set against the provision, and the revenue account is only charged if the provision proves insufficient. If no reliable estimate of the payment can be made, then there is a contingent liability. The revenue account then has to be charged in the year of payment, even if the liability related to an event in a past year. Contingent assets and liabilities are not shown in the Balance Sheet, as no amount can be calculated, but they are described in Note 28. No contingent assets or liabilities were recognised at 31 March 2017.

## Narrative Report

The Balance Sheet at 31 March 2017 contains four provisions totalling £1,056,401. These are set out in Note 14.

The Provision for Part Time Workers (Compensation Payments) was originally set up in 2009/10 after legal cases established that part time firefighters should not be treated less favourably than their whole time colleagues. £80,984 remains in this provision at 31 March 2017. This is estimated to be sufficient to meet any remaining claims for compensation.

In 2013/14, it became necessary to make a provision for £459,373 in respect of ill health pensions wrongly claimed from the Government. It is expected that this sum will be reclaimed during 2017.

As part of the revised arrangements for non-domestic rates starting on 1 April 2013, the Fire Authority shows in the Balance Sheet an allocated 1% share of the provisions made by the billing authorities for appeals against rating valuations. These are as notified by the billing authorities and amounted to £411,627 at 31 March 2017.

The Authority also makes provision for insurance claims that have been notified, but not settled, during the current or earlier financial years. The value of these claims was estimated at £104,417 at 31 March 2017.

There were no material write-offs of debts during the year. The Authority includes within debtors on the Balance Sheet its share of Council Tax and Non-Domestic Rates arrears, net of a provision for bad debts, as notified by the billing authorities. Those authorities do not provide information about sums written off against these provisions.

Bad Debt Provisions	1 April 2016 £	31 March 2017 £
Council Tax	-1,036,059	-1,019,218
Non-Domestic Rates	-81,404	-73,388
<b>Total</b>	<b>-1,117,463</b>	<b>-1,092,606</b>

### 11 Material events after the reporting date

Post balance sheet events occur between the balance sheet date (31 March) and the date on which the accounts are authorised for issue. These may be adjusting events - i.e. the figures recorded in the accounts must be changed, or non-adjusting events, for which there must be a note to the financial statements, but no actual change to the figures. Under the Code, adjusting events do not require a note, but material events would generally have to be explained. The existence of post balance sheet events is reviewed each time the Statement is published, both before and after audit.

## Narrative Report

### 12 Future developments and the impact of the current financial restraints on the Authority

The Service has developed an efficiency plan covering the period up to 2019/20. This has enabled us to receive some certainty over future levels of funding through the Government's four year financial settlement guarantee. However, the funding settlement for this Authority still included funding cuts of 12.3% in 2017/18, 5.8% in 2018/19 and 2.3% in 2019/20. Overall our Settlement Funding Assessment will have reduced from £19.436m in 2015/16 (the combined sum for the two former authorities) to £14.230m in 2019/20. This represents a cash reduction of £5.206m or 27% over the period 2015/16 to 2019/20.

The Authority has established a balanced budget for 2017/18 totalling £53.735m. Our Medium Term Finance Plan shows funding gaps of £0.513m for 2018/19 and £0.991m for 2019/20. In the short term we will be able to use reserves and balances to mitigate these funding gaps, but they signal a need for further savings and efficiencies to be made to deliver a sustainable base budget moving forwards.

Our future plans are set out in our Community Safety Plan 2017-2021.

### 13 Performance 2016/17

Performance arrangements for the new Service for 2016/17 are centred on the delivery of the strategic priorities defined within the Community Safety Plan 2016/17. Under these arrangements our Local Performance and Scrutiny Committees, made up elected members, consider and scrutinise performance against our first three priorities:

- 1 Help you to make safer and healthier choices
- 2 Protect you and the environment from harm
- 3 Be there when you need us

Local Performance and Scrutiny Committees are an innovative and effective way of monitoring performance across a large fire and rescue service area whilst maintaining a local focus. They help foster local accountability and allow for service delivery to be tailored to local needs and expectations.

Performance against priority 4: Making every penny count, is reviewed by the Finance, Governance and Audit Committee. The work of the Finance, Governance and Audit Committee allows the Authority to fulfil its wider corporate role in terms of audit, governance and financial management.

Our priorities are supported by Key Lines of Enquiry (KLOEs), which pose specific questions against which our performance is appraised using performance indicators and commentary provided by officers throughout the year. A full review of service performance can be found on our website ([dwfire.org.uk](http://dwfire.org.uk)).

## Narrative Report

During 2016/17 the Service has:

- ◆ delivered safety education talks to over 22,000 children and young people.
- ◆ delivered 26 Youth Intervention Programme courses (Salamander, SPARC and SPARC plus) which help to deliver positive outcomes for the young people and adults who attend them.
- ◆ undertaken 12,459 Safe and Well Checks supporting vulnerable people to improve their overall health and wellbeing.
- ◆ delivered road safety education to over 16,900 people from across Dorset and Wiltshire.
- ◆ our fire safety team undertook 706 fire safety audits, served 13 enforcement notices and 14 prohibition notices.
- ◆ contributed to 1,482 Buildings Regulations consultations with local authority partners.

A summary of key performance indicators is shown in the following tables:

Key performance indicators	2016/17 No.
Total number of fires	3,250
Number of fires in domestic properties	364
Number of accidental dwelling fires	771
Number of deliberate fires (primary and secondary)	922
Number of fire related deaths in accidental dwelling fires	4
Number of fire related injuries	54
Number of fire related injuries in accidental dwelling fires	41
Attended false alarms from automatic detection equipment - non-domestic properties	2,058
Number of people seriously injured or killed in road traffic collisions (April to January only)	533
Number of Safe and Well visits	12,459

Appliances meeting the response standard	Quarter 1 %	Quarter 2 %	Quarter 3 %	Quarter 4 %
Sleeping risk properties - first appliance	67.80	75.36	71.37	71.89
Sleeping risk properties - second appliance	61.87	71.53	63.29	66.67
Incidents to other properties - first appliance	54.05	60.00	55.68	55.26
Incidents to other properties - second appliance	60.38	70.21	61.67	73.58
Road traffic collisions - first appliance	79.63	80.15	77.25	76.06

## Narrative Report

### 14 Further information

Publications which cover the Authority's budgeting, performance and operational activity are available on the website of the Dorset & Wiltshire Fire and Rescue Authority ([www.dwfire.org.uk](http://www.dwfire.org.uk)).

**Phil Chow**  
Treasurer

## Statement of Significant Accounting Policies

### 1 General principles

The general principles adopted in compiling the accounts of the Fire Authority are in accordance with the recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA). They are contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), which is based on International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). This Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.

The accounting policies specified in this Statement are the principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting the financial statements. When accounting policies are changed, they are applied retrospectively, unless the Code requires transitional arrangements to be followed. Where retrospective adjustments are made, the comparative figures shown are restated as if the new policy had always been applied, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change. Additionally, the impact of any accounting changes required by Accounting Standards issued but not adopted by 1 January 2017 must be disclosed.

### 2 Measurement bases

Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognised and carried in the Balance Sheet and Comprehensive Income and Expenditure Statement. Accounts are maintained on an historic cost basis, but elements are included in the statements at fair value, which is defined in the Code as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For land and buildings, whether purchased outright or financed by leasing, fair value is the amount that would be paid for the asset in its existing use. For intangible assets, assets held for sale and financial instruments, the fair value is defined more specifically as detailed in the relevant accounting policies.

### 3 Accruals

The accounts of the Fire Authority are maintained on an income and expenditure basis, such that amounts relating to the year of account, but due to be paid or received after the end of the year, are included as creditors or debtors, known collectively as accruals. Where actual amounts are not known, estimated amounts are included. If it is necessary to make significant judgements in estimating accruals, these are recorded in Note 2 to the Financial Statements.

## Statement of Significant Accounting Policies

### 4 Cash and cash equivalents

Cash comprises notes and coins, and bank accounts that are payable on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of changes in value. Although the Code does not define short term, an investment with a maturity of more than three months would fall outside this definition. Where bank accounts are overdrawn, these are included on the basis that they are an integral part of the Authority's cash management. Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes.

The Authority invests its working cash balances in banks and building societies in the short term money market in accordance with its Treasury Management Policy and Annual Investment Strategy. All investments made have a maturity date less than 365 days and either fall within the definition of cash equivalents or are counted as short term investments.

### 5 Contingent assets and liabilities

Contingent assets are possible assets that may arise from past events whose existence will be confirmed by the occurrence of events not wholly within the Authority's control. These are not recognised in the accounts because prudence cautions that the potential gains may not come to fruition.

Contingent liabilities are obligations arising from past events that may require future payment or transfer of economic benefit. These are not shown in the accounts as no reliable estimate can be made of their effect, but reserves may be earmarked to contribute to possible costs. Once liabilities can be measured accurately, provisions may be established in the accounts in order to charge expenditure to revenue in the appropriate year.

Both contingent assets and liabilities are detailed as memorandum items in the Notes to the Financial Statements.

### 6 Employee benefits

Short term employee benefits such as salaries, National Insurance contributions and benefits in kind are recognised as an expense in the year of account. The cost of annual leave earned before the end of the year but not used is accrued. However, this accrual is not a valid expense for Council Tax, so it is reversed out in the Movement in Reserves Statement and charged to the 'Short term accumulating compensated absences account', which is included in the unusable reserves in the Balance Sheet.

Long-term benefits such as the injury pensions payable to firefighters are included in the pensions amounts calculated by the Authority's actuaries.

## Statement of Significant Accounting Policies

### 7 Events after the Balance Sheet date

Events after the reporting period are those events, whether favourable or otherwise, that occur between the balance sheet date and the date on which the financial statements are authorised for issue. Those events that provide evidence of conditions that existed at the balance sheet date are adjusting events, and the Statement will be adjusted to account for material amounts that result from those events. Events which only give an indication of conditions that arose after the reporting period are non-adjusting events, and the Statement will not be adjusted for these, although they will be described in Note 5 if non-disclosure would adversely affect the true and fair view of the Authority's financial position.

Events after the reporting period are reconsidered at each date that the Statement is authorised for issue - i.e before and after audit, and at the time that the Treasurer re-certifies that the accounts give a true and fair view of the Authority's financial position and performance. The relevant dates will be disclosed in Note 5.

### 8 Exceptional items and prior period adjustments

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement, or in Notes. Prior period adjustments result from of a change in accounting policy or correction of a material error. Changes in accounting estimates are accounted for in the current year and do not give rise to a prior period adjustment.

Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the Financial Statements and Notes and adjusting the opening balances for the current period. For 2016/17, there is no prior period as this is the first year of the Authority, which came into being on 1 April 2016. The balance sheet as at that date is the opening balance sheet, not one brought forward from previous years, and there are no comparative figures for previous years that could be adjusted.

### 9 Financial instruments

Financial assets and liabilities are recognised in the Balance Sheet at the date that the Authority becomes a party to the contractual provisions of the financial instrument. Interest costs and receipts are reported in the Comprehensive Income and Expenditure Statement in the period to which they relate.

The Authority invests its surplus cash balances in the short term money market, which may fall within the definition of 'cash equivalents' as described above. The Code defines a financial asset as current when the Authority expects to realise it within 12 months after the reporting period, or the asset is cash or a cash equivalent. Current financial assets also include trade receivables (debtors). All financial assets are initially measured at fair value and carried at amortised cost, but in the case of financial assets held by the Authority, amortised



## Statement of Significant Accounting Policies

cost means the outstanding principal, plus interest accrued at the balance sheet date.

Financial liabilities (long term loans) are initially measured at fair value and carried at their amortised cost. Annual charges to revenue for interest payable are based on the carrying amount multiplied by the effective rate of interest. The Authority has borrowed solely from the Public Works Loan Board (PWLB). As they do not have significant transaction costs or complicated interest structures, all PWLB loans are recognised in the Balance Sheet at the principal amount when the loan is taken out. Amortised cost is the outstanding principal, whether the repayment is by maturity, annuity or equal instalments of principal. Loans repayable within a year are shown under current liabilities.

Financial liabilities also include trade payables (creditors), finance leases and liabilities under the Private Finance Initiative.

The fair value of financial instruments is disclosed in Note 8. When measuring the fair value of financial instruments, the Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient detail is available, maximising the use of observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of financial instruments are categorised within the fair value hierarchy as follows:

- ◆ Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date.
- ◆ Level 2 - inputs other than quoted prices included within Level 1 that are observable for the liability, either directly or indirectly.
- ◆ Level 3 - unobservable inputs for the liability.

### 10 Foreign currency

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transaction by applying the relevant exchange rate at the time.

## Statement of Significant Accounting Policies

### 11 Government grants and contributions

Government grants and third party contributions are recognised in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition which has not yet been satisfied. They are accounted for on an accruals basis once there is reasonable assurance that any conditions will be complied with and that the sums will be received.

Capital and Revenue Grants with outstanding unfulfilled conditions are held in the Balance Sheet as receipts in advance. For capital grants, once conditions are met, these grants are transferred to the Comprehensive Income and Expenditure Statement. If related expenditure has not been incurred by the end of the year, the grants are taken forward in the Unused Grants Account as usable reserves (Note15). Once related capital expenditure has been incurred the sums are finally transferred to the Capital Adjustment Account to reflect the application of capital resources to finance capital expenditure. Unapplied grants for revenue purposes are transferred back to the Comprehensive Income and Expenditure Statement as relevant expenditure is incurred in later years.

### 12 Intangible assets

Assets that do not have physical substance, but which are identifiable and controlled by the Authority, such as software licences, are recognised as intangible assets at their historic cost, which may include expenditure required to bring the asset into use. They are amortised to revenue on a straight line basis over their expected useful lives, as advised by ICT staff or other relevant officers. Software that forms an integral part of a computer system which is purchased at the same time is not counted as a separate asset, but included as an equipment asset in property, plant and equipment and depreciated appropriately.

### 13 Inventories

Inventories are measured at the lower of cost and net realisable value. An average or standard cost is applied to calculate the value.

### 14 Operating leases

The Authority has used operating leases as an alternative to borrowing to obtain the use of some vehicles and equipment. Agreements to rent some premises over a period of time are also classified as operating leases. Annual leasing costs are charged directly to the Comprehensive Income and Expenditure Statement, and there is no value for these assets in the Balance Sheet.

## Statement of Significant Accounting Policies

### 15 Finance leases

Vehicles held under finance leases are included as property, plant and equipment in the Balance Sheet and depreciated in the same manner as other assets, except that the lease term is used when this is shorter than the expected life of the vehicle as advised by the Fleet Manager. The assets are matched by a long term liability to pay future rentals. The annual rental is divided into a reduction of that liability in the Balance Sheet and a financing charge, which is included in the Comprehensive Income and Expenditure Statement.

As the expenditure on the assets increases the Capital Financing Requirement, this is written down each year by a sum equal to the reduction in the liability. This is recorded in the Movement in Reserves Statement as a transfer between the General Fund and unusable reserves. As a result of this transaction, the cost to the General Fund in the year is the same for a finance lease as it would be for an operating lease.

### 16 Lease type arrangements

Some arrangements do not take the legal form of a lease, but may be deemed to be leases where fulfilment of the arrangement depends on a specific asset and the arrangement conveys the right to control the use of the asset. In such cases, the criteria set out in the Code determine whether the transaction is to be treated as a finance lease or an operating lease, and the relevant accounting treatment applies.

### 17 Private Finance Initiative (PFI)

The Authority accounts for the PFI scheme in accordance with IFRIC 12 - Service Concessions. The scheme is recorded as an asset in the Balance Sheet with corresponding financial liabilities which are discharged over the life of the contract, using the effective interest method. This method calculates the amortised cost of the liability and allocates interest expense over the life of the asset.

### 18 Non-current assets held for sale

Where property, plant and equipment and intangible assets are surplus to requirements and expected to be sold within a year, they are shown as assets held for sale in current assets. Their fair value is interpreted as the amount that would be paid for the asset in its highest or best use, i.e. market value, and these assets are valued at the lower of the carrying amount and fair value less costs to sell. They are not depreciated or amortised. Assets which are not expected to be sold, but will be scrapped or abandoned, continue to be counted as property, plant and equipment until they are scrapped or abandoned.

If assets held for sale subsequently fail to meet the criteria set out in the Code, they are transferred back to property, plant and equipment, where they may be classified as 'surplus assets' and valued at fair value as defined in IFRS 13, not at existing use value.

## Statement of Significant Accounting Policies

Any revenue charges resulting from revaluations on reclassification to or from assets held for sale are not proper charges to the General Fund and are therefore matched by a transfer to the Capital Adjustment Account, recorded in the Movement in Reserves Statement.

### 19 Overheads

The Cost of Services in the Comprehensive Income and Expenditure Statement includes the net total cost of all services. Net total cost includes all expenditure and income directly attributable to the service, including depreciation charges, revaluation costs, support services and overheads.

### 20 Property, plant and equipment

#### a Recognition

The Code requires the Authority to maintain an Asset Register to record information about its capital assets. Property, plant and equipment is capitalised if the criteria are all met -

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

Once an asset has been recognised in the Balance Sheet, expenditure which enhances or replaces part of it is also recognised as adding value to it. Any replaced part is derecognised to avoid double-counting. Material component parts of an asset may be separately identified and valued, subject to a minimum cost of £10,000. Expenditure on repairs and maintenance, which may prolong the life of an asset by maintaining it in good condition, is charged to the Comprehensive Income and Expenditure Statement and not added to the value of the asset.

If different parts of an asset have significantly different estimated lives, the separate components will be treated as if they were individual assets.

#### b Valuation

Property, plant and equipment are shown in the Balance Sheet at fair value - the amount that would be paid for the asset in existing use. Where there is no market-based evidence of fair value because of the specialised nature of the asset and it is rarely sold, such as drill towers, the fair value is estimated using a depreciated replacement cost approach. Non-property assets, such as vehicles and equipment, are valued on a depreciated historical cost basis, as a proxy for fair value.

## Statement of Significant Accounting Policies

Property values are updated based on the results of annual revaluations of a representative sample of properties by type. Valuations are undertaken by a professional valuer who is independent of the Authority.

Increases in value are matched by credits in the Revaluation Reserve to recognise unrealised gains. Gains on individual assets are credited to the Comprehensive Income and Expenditure Statement when they reverse impairment or revaluation losses previously charged there.

### c Impairment and other reductions in value

Reductions in value specific to individual assets and resulting from a known, identifiable cause, are classed as impairments. Those resulting from conditions not specific to one asset, such as a general and significant decline in the property market, or which cannot be ascribed to a particular cause, are recognised as revaluation losses. In each case, losses are charged to the Revaluation Reserve up to the value held there for individual assets and thereafter to the Comprehensive Income and Expenditure Statement, where they are matched by a transfer to the Capital Adjustment Account.

### d Derecognition

When an asset is derecognised for any reason, a gain or loss is calculated and charged to the Comprehensive Income and Expenditure Statement, where it is matched by a transfer to the Capital Adjustment Account.

Sales proceeds are credited to the Capital Receipts Reserve if they exceed £10,000 per asset. Receipts may be used to finance new capital expenditure.

### e Depreciation

All assets except land are depreciated over their expected useful lives. Land is excluded because it is deemed to have an unlimited useful life. Depreciation ceases if an asset is reclassified as held for sale or otherwise derecognised. Accumulated depreciation is written out on revaluation of an asset. The sum to be depreciated is the fair value less the residual value. Residual values are based on prices current at the balance sheet date. Residual values, estimated lives and depreciation methods are reviewed annually, and any changes are a change in accounting estimates, not policies. If material, the monetary effect of these changes is recorded in Notes 6 and 7.

The estimated useful lives vary in length, with buildings generally being depreciated over 60 years and vehicles over 5 to 15 years. Where experience has shown that assets may last for a longer or shorter period, other estimated lives may be used, following advice from the valuers or officers in the ICT and other departments. Components of an asset may be depreciated over different estimated useful lives.

## Statement of Significant Accounting Policies

### 21 Provisions

A provision relates to a liability, or loss, that is likely to be incurred but where there is uncertainty as to the size and timing of the liability. Its purpose must be specific and it is charged to the Comprehensive Income and Expenditure Statement, where the expenditure would have been incurred. If it becomes clear that a provision, or part of it, is no longer required, then the excess amount is credited back to the Comprehensive Income and Expenditure Statement. If no reliable estimate can be made, then no provision is recognised and the liability is shown as a contingent liability.

The Authority maintains external insurance only for major risks, self-funding remaining risks. A provision has been established to meet insurance liabilities not covered externally.

The adequacy of all provisions at the balance sheet date is reviewed each year.

### 22 Reserves

The Authority holds reserves to guard against unforeseen and unbudgeted expenditure. These usable reserves include the General Fund, unused grants and a number of reserves which have been earmarked for specific purposes. Details of individual earmarked reserves are shown in Note 15 to the Financial Statements. When expenditure is incurred which is to be financed from a reserve it is charged to the Comprehensive Income and Expenditure Statement and matched by a transfer shown in the Movement in Reserves Statement. This ensures that there is no net charge to Council Tax for that expenditure in the year.

Some reserves are kept to manage accounting processes, mainly for property, plant and equipment, and for retirement benefits. These do not represent usable resources for the Authority. They are shown as Unusable Reserves in the Balance Sheet and the Movement in Reserves Statement. Transactions in the year and further explanations are set out in Note 16 to the Financial Statements.

### 23 Value Added Tax (VAT)

The Authority is able to reclaim input VAT on nearly all of its purchases and must pay over output VAT to Her Majesty's Revenue and Customs (HMRC) monthly. The balance owing to or from HMRC is included in creditors or debtors at the year end as appropriate. VAT is not included on any transactions in the financial statements, except to the extent that it is not reclaimable.

## Statement of Significant Accounting Policies

### 24 Pensions

The Firefighters' Pension Schemes are defined benefit, unfunded schemes. Accounting arrangements are in accordance with IAS 19 "Employee Benefits". The accounts of the Pension Fund are shown at the end of the Statement of Accounts, as they are separate from the Authority's main financial statements. The Pension Fund makes payments to pensioners and receives contributions from current employees and the Authority as employer. Any annual deficit or surplus on the Fund is due from or paid to the Government.

The Authority also maintains an earmarked reserve to meet the costs of ill-health retirements and injury compensation payments which are unpredictable and not included in the reimbursement from the Government.

Corporate staff, fire control staff and some uniformed officers are eligible for membership of the Wiltshire Pension Fund administered by Wiltshire Council, or the Dorset Pension Fund administered by Dorset County Council. These Funds are Local Government Pension Schemes and their accounts are published by the administering authorities. The pension costs that are charged to the Authority are the employers' contributions paid to the funded pension scheme for employees who are members of the scheme, costs arising in respect of certain pensions paid to retired employees on an unfunded basis and some past service costs. Contributions to the fund are determined on the basis of rates set to meet the liabilities of the Pension Fund, in accordance with relevant Government Regulations. The amounts shown in the Authority's accounts for this scheme are those required by IAS 19.

The Authority pays a firm of independent actuaries to value the pension liabilities in the Firefighters' schemes and to provide all relevant pension disclosures included in the Statement of Accounts. The administering authorities engage actuaries to provide disclosures relevant to the Authority's participation in the Local Government Pension Scheme.

### 23 Council Tax and Non-Domestic Rates

Under statute, the Authority issues precepts to billing authorities (unitary councils, Boroughs and District Councils), which collect Council Tax on the Authority's behalf and pay it into a Collection Fund. The precept is received in instalments during the year, adjusted for a share of the Collection Fund surplus or deficit, which demonstrates the billing authorities' effectiveness in collecting the Council Tax.

The amount shown for Council Tax income in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between this sum and the adjusted precept is taken to the Collection Fund Adjustment Account which is part of the unusable reserves in the Balance Sheet. A reconciling item is included in the Movement in Reserves Statement.

## Statement of Significant Accounting Policies

The Fire Authority receives 1% of the Non-Domestic Rates collected by the billing authorities and a Top-Up Grant from the Government to bring that income up to a Baseline Funding Level allocated to the Fire Authority by the Government. The amount of Non-Domestic Rating Income shown in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between this sum and the amount required by Regulations to be credited to the General Fund is reversed out using the Movement in Reserves Statement and carried forward in the Collection Fund Adjustment Account.

As the collection of Council Tax and Non-Domestic Rates is seen as an agency arrangement, shares of the cash collected belong to the billing authorities, the Fire Authority and other preceptors. A debtor or creditor is therefore recognised between the billing authorities and the Fire Authority. The figures included in the Statement for Council Tax and Non-Domestic Rates debtors, creditors and adjustments are provided by the billing authorities.



## Statement of Responsibilities for the Statement of Accounts

### The Authority's responsibilities

The Authority is required to :

- ◆ make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer.
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the Statement of Accounts.

### The Treasurer's responsibilities

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

In preparing this Statement of Accounts, the Treasurer has:

- ◆ selected suitable accounting policies and then applied them consistently
- ◆ made judgements and estimates that were reasonable and prudent
- ◆ complied with the local authority Code.

The Treasurer has also:

- ◆ kept proper accounting records which were up to date
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Treasurer is required to sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the Authority at the accounting date and of its income and expenditure for the year ended 31 March 2017.



**Phil Chow**

Treasurer 29 September 2017

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

We have audited the financial statements of Dorset & Wiltshire Fire and Rescue Authority for the year ended 31 March 2017 on pages 21 to 32 and 37 to 99. 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 2016/17.

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

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

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

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

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

In addition, we read all the financial and non-financial information in the Narrative Statement 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 2017 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 2016/17.

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

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

- ◆ the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or
- ◆ the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- ◆ any matters have been reported in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- ◆ any recommendations have been made under section 24 of the Local Audit and Accountability Act 2014; or
- ◆ any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

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

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

### **Auditor's responsibilities**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether Dorset & Wiltshire Fire and Rescue Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Dorset & Wiltshire Fire and Rescue Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, Dorset & Wiltshire Fire and Rescue Authority had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Dorset & Wiltshire Fire and Rescue Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

## Certificate

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

**Darren Gilbert**

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

*Chartered Accountants*  
3 Assembly Square,  
Britannia Quay,  
Cardiff,  
CF10 4AX.

29 September 2017

## Expenditure and Funding Analysis 2016/17

The Expenditure and Funding Analysis shows how expenditure is used and funded from resources (Government grants, Council Tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes by the Authority. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

		Net Expenditure General Fund*	2016/17 Adjustments (see below)	Net Expenditure in the CIES
* General Fund includes Earmarked Reserves		£	£	£
	Employees	39,845,605	4,949,660	44,795,265
	Premises	2,915,415	317	2,915,732
	Transport	1,382,630	33,830	1,416,460
	Supplies and Services	4,578,402	-359,653	4,218,749
	Agency and Contracted Out Services	2,493,311	-880,054	1,613,257
	Democratic Representation	131,267	0	131,267
	Capital Financing and Leasing	3,979,167	666,056	4,645,223
	Income	-4,282,749	700,937	-3,581,812
	Transfers to (+) or from (-) Reserves	320,960	-320,960	0
	<b>Net Cost of Services</b>	51,364,008	4,790,133	56,154,141
	Other Income and Expenditure	-54,815,700	8,998,670	-45,817,030
	<b>Surplus or Deficit</b>	-3,451,692	13,788,803	10,337,111
	<b>Opening General Fund* Balance at 1 April</b>	-23,829,037		
	Less (+) or plus (-) Surplus or Deficit on the General Fund in the year	-3,451,692		
	Less (+) or plus (-) Transfers to Reserves made in the year	-320,960		
	<b>Closing General Fund* Balance at 31 March</b>	-27,601,689		

## Expenditure and Funding Analysis 2016/17

### Adjustments between the funding and accounting basis

2016/17				
	Capital Adjustments £	Pensions Adjustments £	Other Adjustments £	Total Adjustments £
Employees	0	5,148,017	-198,357	4,949,660
Premises	0	0	317	317
Transport	0	0	33,830	33,830
Supplies and Services	0	0	-359,653	-359,653
Agency and Contracted Out Services	0	0	-880,054	-880,054
Democratic Representation	0	0	0	0
Capital Financing and Leasing	666,056	0	0	666,056
Income	13,880	0	687,057	700,937
Transfers to (+) or from (-) Reserves	0	0	-320,960	-320,960
<b>Net Cost of Services</b>	679,936	5,148,017	-1,037,820	4,790,133
Other Income and Expenditure from the Funding Analysis	938,511	7,124,432	935,727	8,998,670
<b>Difference between the surplus or deficit on the General Fund and the surplus or deficit on the CIES</b>	1,618,447	12,272,449	-102,093	13,788,803

## Expenditure and Funding Analysis 2016/17

Capital adjustments relate to items charged to the General Fund for decision making purposes, but excluded from the cost of services in the Comprehensive Income & Expenditure Statement. These items include the minimum revenue provision, the revenue provision for finance leases and PFI, capital expenditure charged to revenue and interest payments. The interest element of these is included in other income and expenditure, whilst the remaining items are contained in the Movement in Reserves Statement. Other items which are included in the cost of services, but not allocated to the General Fund include gains and losses on the disposal of assets and depreciation, which are reversed out in the Movement in Reserves Statement.

Adjustments related to pensions are more fully explained in Note 27b. The only pension related costs attributable to the General Fund are the actual employer's contributions. All other pensions costs, provided by the actuary under IAS19 requirements are excluded from the General Fund when considering the surplus or deficit in the year.

Other adjustments include:

- ◆ The reversal of income and expenditure relating to the Networked Fire Services Partnership project, which does not form part of the Authority's General Fund (see Notes 2 and 22).
- ◆ Expenditure and income related to the combination, which is excluded from the cost of services, but included in other operating expenditure.
- ◆ Collection Fund adjustments (Note 16d).
- ◆ Adjustments relating to short term accumulating absences (Note 16e).



## Comprehensive Income and Expenditure Statement 2016/17

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

		Gross Expenditure £	2016/17 Gross Income £	Net Expenditure £
	Employees	44,795,265		44,795,265
	Premises	2,915,732		2,915,732
	Transport	1,416,460		1,416,460
	Supplies and Services	4,218,749		4,218,749
	Agency and Contracted Out Services	1,613,257		1,613,257
	Democratic Representation	131,267		131,267
	Capital Financing and Leasing	4,645,223		4,645,223
	Income		-3,581,812	-3,581,812
	<b>Cost of Services</b>	59,735,953	-3,581,812	56,154,141
	<b>Other Operating Expenditure</b>			
	(Gains)/Losses on Disposal of Non-Current Assets	409,180		409,180
	Pensions Top-up Grant		-9,501,568	-9,501,568
	Expenditure & Income related to the Combination	370,114		370,114
	<b>Total</b>	779,294	-9,501,568	-8,722,273

## Comprehensive Income and Expenditure Statement 2016/17

		Gross Expenditure £	2016/17 Gross Income £	Net Expenditure £
	<b>Financing &amp; Investment Income &amp; Expenditure</b>			
	Interest payable & similar charges			1,259,418
	Net interest on the Defined Benefit Liability			16,626,000
	Interest Income			-65,080
	<b>Total</b>			<b>17,820,338</b>
	<b>Taxation &amp; Non-specific Grant Income</b>			
	Council Tax Income			-36,882,997
	Non-Domestic Rates Income			-4,870,889
	Non-Domestic Rates Top Up Grant			-4,557,838
	Revenue Support Grant			-8,068,915
	Other non-ringfenced Government Grants			-534,455
	<b>Total</b>			<b>-54,915,094</b>
	<b>(Surplus)/Deficit on Provision of Services</b>			<b>10,337,111</b>
	<b>Other Comprehensive Income &amp; Expenditure</b>			
	Actuarial (Gains)/Losses on Pensions Assets & Liabilities			69,990,551
	(Surplus)/Deficit on Revaluation of Non-Current Assets			-1,472,591
	<b>Total</b>			<b>68,517,960</b>
	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>78,855,071</b>

## Movement in Reserves Statement 2016/17

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The statement shows how movements in the year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to Council Tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund*	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	See Notes
	£	£	£	£	£	£	
<b>Balance at 1 April 2016</b>	-23,829,037	-1,838,759	-179,496	-25,847,292	479,595,844	453,748,552	
<b>Movement in reserves during 2016/17</b>							
Deficit on provision of services	10,337,111			10,337,111		10,337,111	
<u>Other Comprehensive Income and Expenditure</u>							
Movement in Pensions Reserve					69,990,551	69,990,551	27
					-1,472,591	-1,472,591	16a
Total Comprehensive Income and Expenditure	10,337,111	0	0	10,337,111	68,517,960	78,855,071	
<b>Adjustments between accounting basis and funding basis under regulations</b>							
<u>Reversal of items in the CIES</u>							
Depreciation and amortisation	-3,269,369			-3,269,369	3,269,369	0	6/7
Revaluation losses and reversal of previous losses	-1,134,645			-1,134,645	1,134,645	0	6/7
Net gain or loss on sale of non-current assets	-438,960			-438,960	438,960	0	
Retirement benefits under IAS19	-27,821,000			-27,821,000	27,821,000	0	27
Pensions Top-up Grant	9,501,568			9,501,568	-9,501,568	0	27
Council Tax & NNDR income adjustment	-301,653			-301,653	301,653	0	16d
Employee benefits accrual adjustment	82,786			82,786	-82,786	0	16e

## Movement in Reserves Statement 2016/17

	General Fund*	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	See Notes
	£	£	£	£	£	£	
<b>Insertion of items not in the CIES</b>							
Minimum Revenue Provision	1,423,374			1,423,374	-1,423,374	0	23
Revenue Provision for finance leases	102,252			102,252	-102,252	0	23
Revenue Provision for Private Finance Initiative	798,728			798,728	-798,728	0	23
Employers' contributions to pension schemes and payments to pensioners	6,046,983			6,046,983	-6,046,983	0	27
Capital expenditure charged to revenue	884,273			884,273	-884,273	0	23
<b>Transfers</b>							
Transfers to/from Capital Receipts Reserve	15,900	1,838,759		1,854,659	-1,854,659	0	15
Transfers to/from Capital Grants Unapplied			179,496	179,496	-179,496	0	15
<b>Other adjustments</b>							
Rounding					1	1	
<b>Increase or Decrease in the year</b>	-3,772,652	1,838,759	179,496	-1,754,397	80,609,469	78,855,072	
<b>Balance at 31 March 2017</b>	-27,601,689	0	0	-27,601,689	560,205,313	532,603,624	

## Movement in Reserves Statement 2016/17

Summary of Movements	General Fund*	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£	£	£	£	£	£
<b>Balance at 1 April 2016</b>	-23,829,037	-1,838,759	-179,496	-25,847,292	479,595,844	453,748,552
<b>Movement in reserves during 2016/17</b>						
Total Comprehensive Income and Expenditure	10,337,111	0	0	10,337,111	68,517,960	78,855,071
Adjustments between accounting basis and funding basis under regulations (see above)	-14,109,763	1,838,759	179,496	-12,091,508	12,091,509	1
<b>Increase or Decrease in 2016/17</b>	-3,772,652	1,838,759	179,496	-1,754,397	80,609,469	78,855,072
<b>Balance at 31 March 2017 carried forward</b>	-27,601,689	0	0	-27,601,689	560,205,313	532,603,624

\* General Fund includes Earmarked Reserves

## Balance Sheet

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

The balance sheet shown as at 1 April 2016 is the opening balance sheet of the Authority, as set out in Note 1. It is the sum of the balance sheets of the two former authorities, amended to bring the accounts to a common accounting basis.

**Phil Chow**  
Treasurer



1 April 2016			31 March 2017		See Notes
£	£		£	£	
	29,224,681	Property, Plant & Equipment		28,973,737	6
	12,698,754	Land & Buildings		11,804,346	
	0	Vehicles, Plant & Equipment Assets Under Construction		85,987	
	41,923,435			40,864,070	7
	506,154	Intangible Assets		303,740	
	750,833	Long Term Debtors		696,258	10
	43,180,422	<b>Long Term Assets</b>		41,864,068	
323,292		Inventories	258,004		9
5,898,123		Short Term Debtors	8,175,384		10
0		Short Term Investments	7,000,000		8
12,312,653		Cash & Cash Equivalents	5,556,690		11
3,775		Assets Held for Sale	924,024		12
	18,537,843	<b>Current Assets</b>		21,914,102	

## Balance Sheet

1 April 2016			31 March 2017		See Notes
£	£		£	£	
-522,193		Short Term Borrowing	-1,191,657		8
-5,778,798		Short Term Creditors	-5,711,564		13
-1,024,444		Provisions	-1,056,401		14
-102,253		Finance Lease Liabilities	-106,049		25
	-7,427,688	<b>Current Liabilities</b>		-8,065,671	
-14,807,471		Long Term Creditors	-14,013,121		13
-11,949,363		Long Term Borrowing	-10,757,707		8
-88,295		Revenue Grants Received in Advance	-88,295		
-481,194,000		Net Pensions Liability	-563,457,000		27
	-508,039,129	<b>Long Term Liabilities</b>		-588,316,123	
	-453,748,552	<b>Net Assets</b>		-532,603,624	
-6,700,744		General Fund	-10,124,437		15
-17,128,293		Earmarked General Fund Reserves	-17,477,252		15
-1,838,759		Capital Receipts Reserve	0		15
-179,496		Capital Grants Unapplied	0		15
	-25,847,292	<b>Usable Reserves</b>		-27,601,689	
0		Revaluation Reserve	-1,472,591		16a
-911,350		Capital Adjustment Account	-1,311,157		16b
481,194,000		Pensions Reserve	563,457,000		16c
-944,512		Collection Fund Adjustment Account	-642,859		16d
257,706		Short Term Accumulating Compensated Absences Account	174,920		16e
	479,595,844	<b>Unusable Reserves</b>		560,205,313	
	453,748,552	<b>Total Reserves</b>		532,603,624	

## Cash Flow Statement

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

		2016/17		See Notes
		£	£	
		<b>Net (surplus)/deficit on the provision of services</b>		10,337,111
		Adjust net (surplus)/deficit on the provision of services for non-cash movements		
		Depreciation and amortisation	-3,269,369	
		Change in valuations of fixed assets	-1,134,645	
		(Increase)/decrease in creditors	-210,204	
		Increase/(decrease) in debtors	2,267,415	
		Increase/(decrease) in inventories	-65,288	
		(Increase)/decrease in provisions	-15,171	
		(Increase)/decrease in pension liability	-12,272,449	
		Other non-cash items charged to the net surplus or deficit on the provision of services	-547,400	
				-15,247,111
		Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities		
		Proceeds from the sale of property, plant and equipment		29,780
		<b>Net cash flows from operating activities</b>		-4,880,220



## Cash Flow Statement

		2016/17		See Notes
		£	£	
		<b>Investing activities</b>		
		Purchase of property, plant, equipment and intangibles	3,353,217	
		Purchase of short term investments	17,500,000	
		Proceeds from sale of property, plant and equipment	-29,780	
		Proceeds from short term investments	-10,500,000	
		<b>Net cash flows from investing activities</b>		10,323,437
		<b>Financing activities</b>		
		Cash payments for the reduction of outstanding liabilities		
		- Finance lease	102,252	
		- Private Finance Initiative	688,302	
		Repayments of long term borrowing	522,192	
		<b>Net cash flows from financing activities</b>		1,312,746
	0	<b>Net (increase)/decrease in cash and cash equivalents</b>		6,755,963
		<b>Cash and cash equivalents at the beginning of the year</b>		12,312,653
		<b>Cash and cash equivalents at the end of the year</b>		5,556,690
				11

## Notes to the Financial Statements

### 1 Opening Balance Sheet

The Combination Order which established the Authority on 1 April 2016 stated that all the assets and liabilities of the two former Authorities transferred to the new Authority on that date. The balance sheets of the two former Authorities have been added together, but cannot form the opening balance sheet without amendment. Firstly, debtors and creditors between the two Authorities have to be eliminated. Secondly, adjustments are needed to align the accounting treatment of the Council Tax and Non-Domestic Rates. Thirdly, further changes are needed to bring the balance sheet to a common basis, primarily where different valuation methods had been used for property assets. The adjustments have been made following standard accounting practices.

The opening balance sheet of the new Authority has been used in the preparation of the Cash Flow Statement and in all other Accounts and Notes where relevant.

	Wiltshire & Swindon £	Dorset £	Total £	Eliminations & Adjustments £	Common Basis £	Opening Balance Sheet £
Property, Plant & Equipment						
Land & Buildings	11,684,681	31,894,198	43,578,879		-14,354,198	29,224,681
Vehicles, Plant & Equipment	8,111,984	4,586,770	12,698,754			12,698,754
Intangible Assets	502,514	3,640	506,154			506,154
Long Term Debtors	750,833	0	750,833			750,833
<b>Long Term Assets</b>	<b>21,050,012</b>	<b>36,484,608</b>	<b>57,534,620</b>	<b>0</b>	<b>-14,354,198</b>	<b>43,180,422</b>
Inventories	213,889	109,403	323,292			323,292
Short Term Debtors	2,297,877	4,308,732	6,606,609	-1,015,848	307,362	5,898,123
Cash & Cash Equivalents	4,467,120	7,845,533	12,312,653			12,312,653
Assets Held for Sale	3,775	0	3,775			3,775
<b>Current Assets</b>	<b>6,982,661</b>	<b>12,263,668</b>	<b>19,246,329</b>	<b>-1,015,848</b>	<b>307,362</b>	<b>18,537,843</b>

	Wiltshire & Swindon £	Dorset £	Total £	Eliminations & Adjustments £	Common Basis £	Opening Balance Sheet £
Short Term Borrowing	-431,833	-90,360	-522,193			-522,193
Short Term Creditors	-2,925,493	-3,778,508	-6,704,001	974,861	-49,658	-5,778,798
Provisions	-601,699	-165,041	-766,740		-257,704	-1,024,444
Finance Lease Liabilities	-102,253	0	-102,253			-102,253
<b>Current Liabilities</b>	-4,061,278	-4,033,909	-8,095,187	974,861	-307,362	-7,427,688
Long Term Creditors	-215,894	-14,591,577	-14,807,471			-14,807,471
Long Term Borrowing	-3,216,167	-8,733,196	-11,949,363			-11,949,363
Revenue Grants Received in Advance	-88,295	0	-88,295			-88,295
Net Pensions Liability	-199,238,000	-281,956,000	-481,194,000			-481,194,000
<b>Long Term Liabilities</b>	-202,758,356	-305,280,773	-508,039,129	0	0	-508,039,129
<b>Net Assets</b>	-178,786,961	-260,566,406	-439,353,367	-40,987	-14,354,198	-453,748,552
General Fund	-3,400,690	-3,300,054	-6,700,744			-6,700,744
Earmarked General Fund Reserves	-9,186,644	-7,941,649	-17,128,293			-17,128,293
Capital Receipts Reserve	0	-1,838,759	-1,838,759			-1,838,759
Capital Grants Unapplied	0	-179,496	-179,496			-179,496
<b>Usable Reserves</b>	-12,587,334	-13,259,958	-25,847,292	0	0	-25,847,292
Revaluation Reserve	-3,084	-14,578,199	-14,581,283	4,743,676	9,837,607	0
Capital Adjustment Account	-7,580,857	6,896,592	-684,265	-4,743,676	4,516,591	-911,350
Pensions Reserve	199,238,000	281,956,000	481,194,000			481,194,000
Collection Fund Adjustment Account	-309,458	-676,041	-985,499	40,987		-944,512
Short Term Accumulating Compensated Absences Account	29,694	228,012	257,706			257,706
<b>Unusable Reserves</b>	191,374,295	273,826,364	465,200,659	40,987	14,354,198	479,595,844
<b>Total Reserves</b>	178,786,961	260,566,406	439,353,367	40,987	14,354,198	453,748,552

## Notes to the Financial Statements

### 2 Critical judgements in applying accounting policies

In applying the policies set out in the Statement of Accounting Policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in 2016/17 were -

- ◆ The Authority came into existence on 1 April 2016. The Combination Order stated that all property, rights and liabilities of the two former authorities transferred to the current Authority on that date. The Accounting Policies adopted by the former authorities were reviewed. The Authority's policies have been set out in the Statement of Significant Accounting Policies. Entries have been made to bring the opening balance sheet to a common basis using those accounting policies. In accordance with the Code, the Authority has determined that the combination of the two authorities should be accounted for by absorption and comparative financial performance for 2015/16 is not shown.
- ◆ There remains a high degree of uncertainty about future levels of Government funding for fire and rescue services. The combination of the former Dorset and Wiltshire and Swindon Fire Authorities is in response to this, and the desire to protect existing levels of service provision as much as possible. At this point in time the Authority does not believe that this uncertainty is sufficient to provide an indication that the assets of the Authority might be significantly impaired as a result of a need to close premises and/or reduce levels of service provision.
- ◆ The Authority is working with two other Fire Authorities in a Networked Fire Services Partnership (NFSP) project, which provides a collaborative approach to the provision of fire control services. Each service has retained its own control room but significant benefits are expected to be gained from working together. The judgement has been made that this is a joint operation in that each partner authority uses its own assets and other resources rather than establishing a separate entity with its own financial structure. The effect of this judgement is that there has been no requirement to initiate a regime involving Group Accounts. The full financial effects of the NFSP are included within the accounts of each partner authority, with any revenue or expenses incurred in common being shared among them under an agreed process. Further details are shown in Note 22.

## Notes to the Financial Statements

### 3 Assumptions made about the future and other sources of estimation uncertainty

The Statement of Accounts contain estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made based on past experience, current trends and other relevant factors. As some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are set out below. The list does not include items which are carried at fair value based on recently observed market prices, such as land and buildings, for which the Authority relies on independent advice from professional valuers.

- ◆ The actuary has provided an assessment of the effect of changes in the assumptions used in estimating the pensions assets and liabilities included in the Accounts according to the requirements of IAS 19. This is reported in Note 27f.
- ◆ The age and remaining lives of buildings and their elements have been advised by the Authority's Valuer and assessed as at the valuation date. Asset lives have been provided based on the assumption that building elements will continue to be maintained normally over the period from the date of inspection to the valuation date and that there will be no untoward changes.
- ◆ The PFI arrangement has an implied finance lease within the agreement. The Authority estimates the implied interest rate within the contract to calculate the interest and principal payments. In addition, the future RPI increase within the contract has been estimated as remaining constant throughout the period of the contract.

### 4 Material items of income and expense

The Comprehensive Income and Expenditure Statement shows items according to type in the format used for reporting during the year. Some material items are not explicitly shown here, but they are explained elsewhere in the Statement. For example, income from grants is in Note 21, entries relating to pensions are explained in Note 27 and the financing of capital expenditure is set out in Note 23.

The Cost of Services includes a total of £3,269,369 for depreciation and amortisation charges. There were also unrealised gains of £1,472,591 (credited to the Revaluation Reserve) and revaluation losses of £1,134,645. The amounts charged to the Cost of Services are not costs to the General Fund, so they are transferred to Capital Reserves in the Movement in Reserves Statement.

## Notes to the Financial Statements

The land and buildings of the Authority were revalued to a common basis as at 1 April 2016. This resulted in a reduction in value totalling £14,354,198, of which £9,837,607 was charged against the Revaluation Reserve and the balance to the Capital Adjustment Account. This adjustment is shown in Note 1.

During 2016/17 the Authority received £1,626,975 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 £2,418,421. This grant and charge are reflected in the Cost of Services.

### 5 Events after the Balance Sheet date

Post balance sheet events occur between the balance sheet date (31 March 2017) and the date on which the accounts are authorised for issue. Events which have a material effect on the accounts must be disclosed in a note. No such events were identified before the audited accounts were authorised for issue by the Treasurer on 29 September 2017.

## Notes to the Financial Statements

### 6 Property, plant and equipment

#### A Effect of Combination

The two former Authorities employed different independent valuers to value their property assets. Each valuer took a different approach to the valuation, with properties in Wiltshire mainly subject to an Existing Use Value (EUV) and those in Dorset Depreciated Replacement Cost (DRC). Although each method was considered acceptable in terms of the Code, the valuations of the Dorset properties were generally higher than those estimated for the Wiltshire properties.

As shown in Note 1, the two balance sheets of the former Authorities were added together and adjusted to bring both valuations to a common basis. The Authority adopted the EUV valuation for properties in its opening balance sheet, except where the specialised nature of assets means that there is no recognised market. Valuation policy is set out in the Statement of Significant Accounting Policies.

The Valuer has provided valuations for all the properties in Dorset and Wiltshire as at 31 March 2016, and this forms the basis for the opening balance sheet. The asset values were amended according to the Code, with losses charged to the Revaluation Reserve or to the Capital Adjustment Account. In addition, the accumulated depreciation on all assets was written out on Combination at 1 April 2016, such that assets shown in this Note and Note 7 (Intangible Assets) are recorded initially at their net book value (NBV).

#### B Movements on balances

2016/17	Land & Buildings £	Vehicles £	Plant & Equipment £	Assets under Constuction £	Total £
<u>Cost or valuation</u>					
At 1 April 2016 (NBV)	29,224,681	9,268,741	3,430,013	0	41,923,435
Additions in year	1,057,944	1,214,128	660,725	85,987	3,018,784
Revaluations	-106,078	0	0	0	-106,078
Derecognition due to disposals	0	-53,201	-341,104	0	-394,305
Reclassifications to Assets Held for Sale	-480,000	0	0	0	-480,000
Reclassifications from Intangible Assets	0	0	1,886	0	1,886
Write out depreciation on revaluation	-722,810	0	0	0	-722,810
Cost or valuation at 31 March 2017	28,973,737	10,429,668	3,751,520	85,987	43,240,912

## Notes to the Financial Statements

2016/17	Land & Buildings £	Vehicles £	Plant & Equipment £	Assets under Constuction £	Total £
<u>Depreciation</u>					
At 1 April 2016	0	0	0	0	0
Additions in year	-722,810	-1,343,855	-1,032,987	0	-3,099,652
Write out depreciation on revaluation	722,810	0	0	0	722,810
Depreciation at 31 March 2017	0	-1,343,855	-1,032,987	0	-2,376,842
Net Book Value at 31 March 2017	28,973,737	9,085,813	2,718,533	85,987	40,864,070
<u>Nature of asset holding at 31 March 2017</u>					
Owned	22,753,311	8,856,595	2,718,533	85,987	34,414,426
Private Finance Initiative	6,220,426	0	0	0	6,220,426
Finance Lease	0	229,218	0	0	229,218
Net Book Value at 31 March 2017	28,973,737	9,085,813	2,718,533	85,987	40,864,070

### C Revaluations

Property, plant and equipment are included in the Balance Sheet in accordance with the valuation policies set out in the Statement of Accounting Policies, with the addition of capital expenditure on purchases and improvements during the year.

A valuation of a representative sample of land and buildings covering about a fifth of the property assets was carried out as at 31 March 2017 by BNP Paribas, who are RICS qualified and independent of the Authority. The results of this valuation were applied to all properties, resulting in unrealised gains of £697,591 and revaluation losses of £803,669. In accordance with the Code, unrealised gains were posted to the Revaluation Reserve and losses to the Cost of Services in the Comprehensive Income and Expenditure Statement.



## Notes to the Financial Statements

### D Impairments

Under the Code, impairment refers to a loss in the value of an asset for reasons specific to that asset, rather than general falls in prices or weakening of conditions in the property market as a whole. Impairments are charged against the Comprehensive Income and Expenditure Statement unless there is a specific balance in the Revaluation Reserve for the impaired asset.

With regard to its property assets, the Authority carries out repairs, planned and reactive maintenance each year, while also including funds in its capital programme for minor improvements which help to maintain the capital value as assessed periodically by the independent Valuers.

In 2016/17, there were no specific events which caused the Authority to impair its assets.

### 7 Intangible assets

The Authority accounts for its software as intangible assets, to the extent that it is not an integral part of an IT system which is accounted for as part of Property, Plant and Equipment. The value of software may include the costs of bringing into use. All software is given a finite life by ICT staff, based on an assessment of the period that the software is expected to be of use to the Authority. The standard life of software is 3 years, but assets may be amortised over other periods if licences have finite lives or greater accuracy is achievable.

Intangible assets were recorded in the opening balance sheet at their net book value. During 2016/17, a review was carried out of all intangible assets brought forward from the former authorities. This has resulted in five assets with a total net book value at 1 April 2016 of £40,879 being written out.

	2016/17		
	Gross Value £	Amortisation £	Net Value £
Net Book Value at 1 April 2016			506,154
Additions in year	10,068		10,068
Amortisation in year		-169,717	-169,717
Derecognition on disposal or replacement			-40,879
Reclassification to Plant and Equipment			-1,886
Carrying Amount at 31 March 2017	10,068	-169,717	303,740

## Notes to the Financial Statements

### 8 Financial instruments

Financial Assets in the Balance Sheet		31 March 2017	
		Long term £	Current £
	<u>Financial Assets</u>		
	Short Term Investments	0	7,000,000
	Investments (Cash equivalents)	0	5,388,331
	Trade debtors	0	732,547
		0	13,120,878
	<u>Financial Liabilities</u>		
	Borrowings at amortised cost (PWLB loans)	-10,757,707	-1,191,657
	PFI and Finance lease liabilities	-14,013,121	-106,049
	Trade creditors	0	-3,492,603
		-24,770,828	-4,790,309

Trade debtors and creditors exclude items such as Government grant debtors and Council Tax arrears and prepayments. They are included within the debtors and creditors which are analysed in Notes 10 and 13. PWLB loans were borrowed from the Public Works Loan Board. Interest on investments is included in the Comprehensive Income and Expenditure Statement. Where investments are held on call, accrued interest is added to the principal shown in the balance sheet. Otherwise it is shown within trade debtors.

#### Fair value

Financial instruments are carried in the Balance Sheet at their amortised cost. Their fair values are calculated as follows:

		31 March 2017	
		PWLB loans £	Finance lease £
	Fair value	14,575,196	223,700
	Carrying amount	11,949,364	215,895
	Difference	2,625,832	7,805

## Notes to the Financial Statements

The fair value of PWLB loans is higher than the carrying amount because all outstanding loans were taken out at fixed rates higher than those available at the current time. The finance lease was taken out in 2009/10 and valued for inclusion in the Balance Sheet at its discounted present value based on the rate in the lease.

The fair value hierarchy used in calculating the fair value of financial instruments is as follows:

				31 March 2017			
				Level 1*	Level 2*	Level 3*	Total
				£	£	£	£
			PWLB Loans	14,575,196	0	0	14,575,196
			Finance Lease	0	223,700	0	223,700
				14,575,196	223,700	0	14,798,896

\* As referred to in section 9 of the Accounting Policies, the levels in the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical assets.

Level 2 - Other significant observable inputs.

Level 3 - Significant unobservable inputs.

Financial instruments are carried in the Balance Sheet at their amortised cost. Their fair values have been assessed by calculating the present values of the cash flows that will take place over the remaining terms of the instruments, using the following assumptions:

- ◆ PWLB loans are discounted at the equivalent rate applicable at 31 March on new loans taken out for the period remaining on each loan;
- ◆ no early repayment or impairment is recognised;
- ◆ where maturity is within 12 months, the carrying amount is assumed to approximate to the fair value;
- ◆ finance leases are discounted at the PWLB rate as for loans;
- ◆ the fair value of debtors and creditors is the invoiced amount;
- ◆ where investments are counted as cash equivalents, their fair value is the same as the carrying amount; and
- ◆ other investments taken out close to the year end and maturing within 12 months have a fair value that is the same as the carrying amount.

## Notes to the Financial Statements

### 9 Inventories

	2016/17 Written off £	31 March 2017 Balance £
Vehicle Fuel	0	24,094
Clothing and Personal Protective Equipment	36,630	147,929
Equipment	2,683	76,893
Other	0	9,088
<b>Total Inventories</b>	<b>39,313</b>	<b>258,004</b>

### 10 Debtors

	31 March 2017 £
Central government bodies	3,997,313
Other local authorities	1,940,186
NHS bodies	60,154
Public corporations and trading funds	21,895
Other entities and individuals	2,852,094
<b>Total debtors</b>	<b>8,871,642</b>
Comprising -	
Long term debtors	696,258
Short term debtors	8,175,384
	<b>8,871,642</b>

## Notes to the Financial Statements

### 11 Cash and cash equivalents

		31 March 2017 £
	Cash held by the Authority	7,640
	Call and deposit accounts with banks	5,549,050
	<b>Total cash and cash equivalents</b>	<b>5,556,690</b>

### 12 Non-current assets held for sale

Items of property, plant and equipment that are surplus to requirements and satisfy the following criteria are classified as held for sale. They are shown as current assets because they are expected to be sold within a year from the balance sheet date.

- Criteria -
- ◆ Assets must be available for sale in their present condition
  - ◆ The sale must be highly probable and planned
  - ◆ Assets must be actively marketed at a reasonable price
  - ◆ The sale is expected to be completed within twelve months.

		2016/17 £
	Balance at 1 April	3,775
	Assets newly classified as held for sale	924,024
	Assets sold	-3,775
	<b>Balance at 31 March</b>	<b>924,024</b>

Assets which are surplus but cannot be shown to satisfy the criteria, or which are in use at the start of the year and then sold during the year, remain in property, plant and equipment and are recorded in Note 6.

The assets held at the start of 2016/17 were vehicles awaiting disposal. The asset held at the end of the year is the former headquarters of the Wiltshire and Swindon Fire Authority, where the sale had been agreed but not completed at 31 March 2017.

## Notes to the Financial Statements

### 13 Creditors

		31 March 2017
		£
	Central government bodies	-1,949,953
	Other local authorities	-783,185
	NHS bodies	-6,819
	Public corporations and trading funds	-15,091
	Other entities and individuals	-17,075,686
	<b>Total creditors</b>	<b>-19,830,734</b>
	Comprising -	
	Long term creditors - Private Finance Initiative (see Note 26)	-13,903,275
	Long term creditors - Finance lease liabilities (see Note 25)	-109,846
	Short term creditors	-5,711,564
	Finance lease liabilities (see Note 25)	-106,049
		<b>-19,830,734</b>

### 14 Provisions

<b>Provision for Part-time Workers (Compensation)</b>		£
Balance at 1 April 2016		-82,040
Amounts used in 2016/17		1,056
Balance at 31 March 2017		-80,984

A provision was established in 2009/10 for the initial compensation costs resulting from the Employment Tribunal's consideration of the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000 in relation to firefighters working the Retained Duty System. The first compensation payments were made in 2012/13. The remaining provision is considered adequate for outstanding obligations.

## Notes to the Financial Statements

<b>Provision for Non-Domestic Rates Appeals</b>		<b>£</b>
Balance at 1 April 2016		-394,841
Share of Provisions made in 2016/17		-16,786
Balance at 31 March 2017		-411,627

As part of the revised arrangements for non-domestic rates starting on 1 April 2013, the Fire Authority shows in the Balance Sheet an allocated 1% share of the provisions made by the billing authorities for appeals against rating valuations.

<b>Provision for Ill Health Pensions Paid 2006-2013</b>		<b>£</b>
Balance at 1 April 2016		-459,373
Balance at 31 March 2017		-459,373

After the end of 2013/14, it was discovered that the Wiltshire and Swindon Fire Authority had wrongly claimed the cost of some ill-health pension payments from the Firefighters' Pension Fund. The amount which related to years before 2013/14 was £459,373. This amount was set aside as a Provision and we expect the Government will recover the cost in 2017.

<b>Provision for Insurance Claims</b>		<b>£</b>
Balance at 1 April 2016		-88,190
Additional provision made in 2016/17		-16,227
Balance at 31 March 2017		-104,417

The Authority operates an internal insurance fund, with external policies covering larger and more catastrophic losses. Provision has been made for claims notified but not settled relating to 2016/17 and earlier financial years.

The total provisions (£1,056,401) are shown in the Balance Sheet as short term liabilities.

## Notes to the Financial Statements

### 15 Usable reserves

This note sets out the Authority's Usable Reserves, including amounts set aside from the General Fund and Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred to or from Earmarked Reserves in 2016/17. The Authority also has a Capital Receipts reserve and Unapplied Capital Grants, both of which can only be used to fund capital expenditure.

	Balance 31 Mar 16 £	Transfers out £	Transfers in £	Balance 31 Mar 17 £	See note below
<b>General Fund</b>	-6,700,744	1,395,800	-4,819,493	-10,124,437	
<b>Earmarked Reserves</b>					
Ill Health Retirement	-745,021	40,000	0	-705,021	A
Insurance	-1,023,825	51,213	-126,818	-1,099,430	B
Unused grants	-4,989,377	583,311	-536,028	-4,942,094	C
RDS - Impact of PTW Regulations	-1,000,000	1,000,000	0	0	D
Transformational Improvement	-1,793,288	0	-520,000	-2,313,288	E
Leadership and Training	-539,511	130,006	0	-409,505	F
Capital Replacement	-4,274,600	383,833	-281,471	-4,172,238	G
Service Control	-557,746	0	0	-557,746	H
Safety Centre Matched Funding	-1,000,000	0	0	-1,000,000	I
Leasing Rental	-835,833	85,000	0	-750,833	J
Youth Intervention	0	0	-100,000	-100,000	K
Apprenticeships	0	0	-95,800	-95,800	L
Emergency Medical Response	0	0	-200,000	-200,000	M
ESMCP	0	0	-1,000,000	-1,000,000	N



## Notes to the Financial Statements

	Balance 31 Mar 16 £	Transfers out £	Transfers in £	Balance 31 Mar 17 £	See note below
Other Reserves	-369,092	237,795	0	-131,297	O
<b>Total Earmarked Reserves</b>	<b>-17,128,293</b>	<b>2,511,158</b>	<b>-2,860,117</b>	<b>-17,477,252</b>	
<b>Total General and Earmarked Reserves</b>	<b>-23,829,037</b>	<b>3,906,958</b>	<b>-7,679,610</b>	<b>-27,601,689</b>	
<b>Capital Receipts Reserve</b>	-1,838,759	1,854,659	-15,900	0	
<b>Capital Grants Unapplied</b>	-179,496	179,496	0	0	
<b>Total Useable Reserves</b>	<b>-25,847,292</b>	<b>5,941,113</b>	<b>-7,695,510</b>	<b>-27,601,689</b>	

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit that the Authority is required to recover) at the end of the financial year.

### Earmarked Reserves

The narrative that follows sets out the purpose of each reserve.

#### A III Health Retirement

Since 1 April, 2006, the Authority pays a set employers' contribution on behalf of firefighters in the Pension Scheme. All normal retirement costs are in effect paid by central government, but the cost of ill-health retirements and injury compensation granted is paid locally. In some circumstances, contributions have to be made to the Pension Scheme in three annual instalments. This reserve recognises these specific liabilities, and guards against the unpredictable timing and cost of events of this nature.

## Notes to the Financial Statements

### **B Insurance**

Provision has been made for all known or possible insurance claims (see Note 14 above). This reserve is to cater for claims not covered by the provision.

### **C Unused Grants**

Under the Code, revenue grants and contributions are recognised in the Comprehensive Income and Expenditure Statement, provided there are no unfulfilled conditions attached to them. Transfers in to this Reserve represent income received in the year but not yet used to cover expenditure. Transfers out represent income received in previous years and used to cover net expenditure in the current year. An analysis of income received by way of grants, contributions and donations in the year is shown in Note 21.

### **D Retained Duty System - Impact of Part-Time Workers Regulations Reserve**

This reserve was set up to mitigate the effect of the Employment Tribunal's decisions relating to the pensions access rights of retained firefighters. The Authority has assessed that this reserve is no longer required and the funds have been released back to General Reserves.

### **E Transformational Improvement**

This reserve provides funding to meet one off costs associated with transforming the new Service to meet future funding settlements and other Service requirements. This is in addition to the Transformation Grant funding referred to above.

### **F Leadership and Training**

This reserve provides support for learning and training costs not covered within the annual training plan.

### **G Capital Replacement**

This reserve has been established to provide contributions towards the costs of funding future capital programmes. This will help to reduce the need to undertake external borrowing in future years and thereby reduce capital financing costs.

### **H Service Control**

This reserve was set up to cover the transition costs associated with the establishment of the Service's new Service Control centre, based at Potterne. The centre commenced operations in August 2015.

### **I Safety Centre Matched Funding**

This reserve provides £1m of matched funding as the Service's contribution towards the costs of developing a new Safety Centre.

### **J Leasing Rental**

This reserve is being used to fund the costs of an operating lease for the Service's headquarters at the Five Rivers Health and Wellbeing Centre in Salisbury. The lease commenced in February 2016 and lasts for ten years, with an annual rental cost of £85,000. Each year's rent is matched by a transfer from the reserve.

## Notes to the Financial Statements

### **K Youth Intervention**

This reserve has been set up to support the costs of running youth intervention and education programmes.

### **L Apprenticeships**

This reserve has been set up to support the continuation of a firefighter apprenticeship scheme in the Service.

### **M Emergency Medical Response**

This reserve has been set up to support the costs of trialling new approaches to emergency medical response.

### **N ESMCP**

This reserve has been set up to support one off costs associated with the Emergency Services Mobile Communications project. This is a nationally led project that will see the replacement of the mobile communications system currently used in the emergency services.

### **O Other**

This covers a number of smaller reserves held. The Authority has assessed that some elements included in this reserve are no longer required and £237,795 has been released back to General Balances in 2016/17.

### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. Where there is a balance on the reserve it shows the resources that have yet to be applied for these purposes at year end.

### **Capital Grants Unapplied**

Capital Grants Unapplied represents grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. Any balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

## Notes to the Financial Statements

### 16 Unusable reserves

Balances on the Authority's unusable reserves are shown in the last part of the Balance Sheet, with transactions summarised in the Movement in Reserves Statement. Full details of those transactions are given here, with further explanation as appropriate.

#### a Revaluation Reserve

This Reserve contains the unrealised gains arising from increases in the value of individual items of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

The balance brought forward from the two previous authorities was written out to the Capital Adjustment Account at 1 April to reflect the transfer of assets and liabilities to the Authority at their written down values in accordance with the Code, as shown in Note 1.

Revaluation Reserve		2016/17 £
	Balance at 1 April	0
	Unrealised gains on revaluation of property assets	-1,472,591
	Balance at 31 March	-1,472,591

## Notes to the Financial Statements

### b Capital Adjustment Account

This Reserve absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account matches the depreciation and other charges made to the Comprehensive Income and Expenditure Statement (CIES). It is credited with resources set aside to finance capital expenditure from capital grants and the revenue account, including revenue provisions for debt repayment.

<b>Capital Adjustment Account</b>		<b>2016/17</b>	
		£	£
	Balance at 1 April		-911,350
	Reversal of items relating to capital expenditure charged or credited to CIES		
	Depreciation of non-current assets	3,099,653	
	Revaluation losses on Property, Plant and Equipment	1,134,645	
	Amortisation of intangible assets	169,717	
	Amounts of non-current assets written out on sale or disposal	438,960	
	Net written out as the cost of non-current assets consumed in the year		4,842,975
	Capital financing applied in the year		
	Capital Grants and Receipts applied to capital financing	-2,034,155	
	Capital expenditure charged against the General Fund	-884,273	
	Statutory provision for debt repayment	-1,423,374	
	Revenue provision in respect of Private Finance Initiative	-798,728	
	Revenue provision in respect of finance leases	-102,252	
			-5,242,782
	Balance at 31 March		-1,311,157

## Notes to the Financial Statements

### c Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement (CIES) as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation and changing assumptions and charging net interest on the defined benefit liability. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or pays any pensions or other benefits for which it is directly responsible.

The debit balance on the Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding has been set aside by the time that the benefits come to be paid. Further information about pensions liabilities is given in Note 27.

Pensions Reserve		2016/17 £
	Balance at 1 April	481,194,000
	Actuarial gains or losses on pensions assets and liabilities	69,990,551
	Reversal of items relating to retirement benefits charged or (credited) to the CIES Deficit on the Provision of Services	18,319,432
	Employer's pension contributions and direct payments to pensioners payable in the year	-6,046,983
	Balance at 31 March	563,457,000

## Notes to the Financial Statements

### d Collection Fund Adjustment Account

The Collection Fund Adjustment Account records the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement (CIES) as it falls due from the Council Taxpayers compared with the statutory arrangements for precepts on the billing authorities' Collection Funds. This reflects the notion that the billing authorities act as agents for the Fire Authority in collecting the Council Tax.

With effect from 1 April 2013, the Account also records the adjustments required to reflect the agency arrangements for the collection of Non-Domestic Rates, as applied to the income shown in the CIES.

<b>Collection Fund Adjustment Account</b>		<b>2016/17</b>
		<b>£</b>
	Balance at 1 April	-944,512
	Amount by which the income credited to the CIES differs from that calculated for the year in accordance with statutory requirements	
	Council Tax	331,061
	Non-Domestic Rates	-29,408
	Balance at 31 March	-642,859

## Notes to the Financial Statements

### e Short Term Accumulating Compensated Absences Account

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

<b>Short Term Accumulating Absences Account</b>		<b>2016/17</b>	
		£	£
	Balance at 1 April		257,706
	Settlement or cancellation of accrual made at the end of the preceding year	-257,706	
	Amounts accrued at the end of the current year	174,920	
	Amount by which officer remuneration charged to the CIES on an accruals basis is different from that chargeable in the year in accordance with statutory requirements		-82,786
	Balance at 31 March		174,920

### 17 Cash Flow Statement - Operating activities

The net cash flows from operating activities include the following items:

		<b>2016/17</b>
		£
	Interest received	-45,660
	Interest paid	531,234
	Interest paid on finance leases	11,388



## Notes to the Financial Statements

### 18 Members' Allowances

The following payments were made to Members in accordance with the Authority's approved scheme of Members' Allowances made under the Local Authorities (Members' Allowances) (England) Regulations 2003. Travelling and subsistence allowances are the reimbursement of expenditure personally and necessarily incurred by Members in the performance of their official duties. Payments made directly to third parties for fares and accommodation in respect of conferences attended are not included in this table.

	Basic £	Special responsibility £	Travel and subsistence £	Total £
Amin, A	3,200	0	252	3,452
Anderson, M E J	3,200	933	56	4,189
Burden, L F G	3,200	0	273	3,473
Butler, S	2,916	0	0	2,916
Byatt, M	2,829	0	497	3,326
Clark, E F	3,200	0	244	3,444
Coatsworth, R	3,200	0	243	3,443
Davies, M	3,200	0	0	3,200
Devine, C	3,200	933	1,352	5,485
Dunlop, B A	3,200	0	0	3,200
Eades, P M	1,867	0	0	1,867
Edge, P	3,200	0	121	3,321
Flower, S G	3,200	0	649	3,849
Groom, M	3,200	0	639	3,839
Haines, J C	2,615	0	0	2,615
Jamieson, C	3,200	0	0	3,200
Jeffries, S	3,200	0	0	3,200
Jones, D T	3,200	933	522	4,655
Jones, R	3,200	3,200	1,519	7,919
Kimber, P R	381	0	0	381
Knight, J R	3,200	0	293	3,493
Knox, R	3,200	9,600	1,577	14,377
Lovell, C	1,024	0	0	1,024

## Notes to the Financial Statements

		Basic £	Special responsibility £	Travel and subsistence £	Total £
Martin, N D		2,770	0	240	3,010
Newbury, C N		3,200	0	343	3,543
Payne, G D		3,200	0	209	3,409
Perkins, G		3,200	4,800	1,137	9,137
Rochester, C P J		3,200	0	913	4,113
Rogers, R T		3,200	0	32	3,232
Slade, V		1,200	0	0	1,200
Stribley, A M		3,200	0	0	3,200
Tray, J		3,200	933	443	4,576
Wayman, B		3,200	0	473	3,673
Wilson, J		187	0	0	187
<b>Total for 2016/17</b>	<b>0</b>	<b>95,789</b>	<b>21,332</b>	<b>12,027</b>	<b>129,148</b>

## Notes to the Financial Statements

### 19 Officers' remuneration

#### A Remuneration bands

The Accounts and Audit Regulations require the disclosure of the numbers of officers whose remuneration exceeded £50,000 in the year, analysed in bands of £5,000. Where appropriate, this table includes those officers listed in Note 19B and the effect of exit packages shown in Note 19C.

	2016/17
Remuneration band	No.
£50,000 - £54,999	42
£55,000 - £59,999	7
£60,000 - £64,999	10
£65,000 - £69,999	0
£70,000 - £74,999	1
£75,000 - £79,999	3
£80,000 - £84,999	1
£85,000 - £89,999	1
£90,000 - £94,999	0
£95,000 - £99,999	2
£100,000 - £104,999	1
£105,000 - £109,999	1
£110,000 - £114,999	0
£115,000 - £119,999	1

## Notes to the Financial Statements

### B Senior officers' remuneration

The Accounts and Audit Regulations require the disclosure of the remuneration of senior officers whose annual salary is over £50,000 and who have responsibility for management to the extent that they can direct or control the major activities of the Authority, either solely or collectively. These officers are the Brigade Managers who collectively form the Strategic Leadership Team (SLT). Expenses are taxable payments, not reimbursements made for (e.g.) subsistence. Benefits in kind comprise the taxable cash equivalent value of cars provided by the Authority.

2016/17	Salary, fees and allowances	Expenses & Benefits in kind	Total excluding pension	Employers' pension contributions	Total	See note
Role	£	£	£	£	£	
Chief Fire Officer (to November 2016)	95,576	95	95,671	20,737	116,408	1
Chief Fire Officer (from December 2016)	44,688	54	44,742	6,390	51,132	2
Assistant Chief Officer, Operations (to November 2016)	70,976	95	71,071	10,148	81,219	2
Assistant Chief Officer, Operations (from January 2017)	22,690	35	22,725	4,841	27,566	3
Assistant Chief Officer, Prevention, Protection	103,751	149	103,900	22,511	126,411	
Assistant Chief Officer, Service Support	106,312	138	106,450	18,605	125,055	
Director of Corporate Services	92,138	4,532	96,670	15,848	112,518	
Director of Finance	81,709	5,081	86,790	14,175	100,965	
Director of People Services	28,258	4,351	32,609	9,954	42,563	4
<b>Total</b>	<b>646,098</b>	<b>14,530</b>	<b>660,628</b>	<b>123,209</b>	<b>783,837</b>	

- Notes: 1 The Chief Fire Officer retired on 30 November 2016.  
 2 The Assistant Chief Officer, Director of Operations became Chief Fire Officer on 1 December 2016.  
 3 The officer who became Director of Operations on 1 January was promoted from another role within the Authority. The table shows remuneration only from the date of appointment to the Senior Leadership Team.  
 4 The Director of People Services was on Maternity Leave during the year.

## Notes to the Financial Statements

### C Exit Packages

The Code requires disclosure of the numbers and total cost of exit packages agreed in the year, in specified bands as shown in the table below. There were no compulsory redundancies in 2016/17. The former authorities invited staff to volunteer for redundancy during 2015/16, as part of the restructuring consequent upon the decision to combine. Where agreements were not made by 31 March 2016, the transactions have been made in 2016/17.

The costs include payments to redundant employees, pension strain costs payable to the Pension Fund, and Employers' National Insurance contributions where applicable. Normal retirements are excluded, as the cost of these falls on the relevant pension fund, rather than on the Authority. All costs were accrued as at the date on which the agreements could no longer be changed or withdrawn.

Exit package cost band	2016/17	
	No.	£
£0 - £20,000	7	75,010

### 20 External audit costs

The Authority's external auditors charged £45,000 for work undertaken in 2016/17.

## Notes to the Financial Statements

### 21 Grant income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement during the year.

		2016/17	
		£	£
	<u>Credited to the Cost of Services</u>		
	National Resilience Grant (New Dimension)	-49,881	
	New Burdens Grants	-127,679	
	Private Finance Initiative (PFI) Grant	-1,626,975	
	Emergency Services Mobile Communications Programme Grant	-362,870	
	Grants and contributions towards fire prevention activities	-158,657	
	Firelink Revenue Grant	-502,890	
	Other grants and contributions	-331,042	
			-3,159,994
	<u>Credited to Taxation and Non-specific Grant Income</u>		
	Revenue Support Grant	-8,068,915	
	Non-Domestic Rates Top Up Grant	-4,557,838	
	Other non-ringfenced Government Grants	-534,455	
			-13,161,208
	<b>Total credited to the Comprehensive Income and Expenditure Statement</b>		<b>-16,321,202</b>

Grants and contributions which have not been used to match expenditure in the year are transferred to earmarked reserves, while those brought forward from previous years may be transferred to the revenue account to cover expenditure in the current year. These transfers are shown in Note 15 and in the Movement in Reserves Statement. They are excluded from this table.

### 22 Related party transactions

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

## Notes to the Financial Statements

Central Government has effective control over the general operations of the Authority, in that it is responsible for the statutory framework in which the Authority operates and provides much of its funding in grants. It also sets the terms of some of the transactions which the Authority has with other parties, such as Council Taxpayers. Grants received from central government are set out in Note 21.

Members of the Fire Authority have ultimate control over the Authority's governance and financial policies. The allowances paid to Members in the year are shown in Note 18. Where Members have declared personal interests in accordance with statutory requirements, the details of these have been recorded and are open to public inspection.

Key management personnel having the authority and responsibility for planning, directing and controlling the activities of the Fire and Rescue Service, and members of their families and households, have been asked to declare external interests which might affect the independence of the Authority. All those required to complete returns have replied with no material interests to declare. The payments made to Brigade Managers are detailed in Note 19.

The Chief Fire Officer, Mr Ben Ansell, is a member of the Board of Trustees of SafeWise, a charity which receives a grant from Dorset & Wiltshire Fire and Rescue Authority. Mr Ian Cotter, Head of Financial Services, is the Honorary Treasurer for the Board of Trustees of SafeWise.

As referred to in Note 2, the Authority is working with two other Fire Authorities (Devon & Somerset and Hampshire) in a Networked Fire Services Partnership (NFSP) project, to provide a collaborative approach to the provision of fire control services. The Authority is responsible for paying all partnership related expenditure and for recovering each partner's share of these costs. During 2016/17 the partnership incurred total expenditure of £509,995 which was shared amongst the partners as detailed in the table below.

NFSP Partnership Costs Recovered		2016/17
		£
Devon & Somerset		129,886
Hampshire		129,886
Dorset & Wiltshire		250,223
Total		509,995

## Notes to the Financial Statements

The Authority also incurred another £73,768 on the project in the year. This expenditure was solely attributable to Dorset & Wiltshire Fire and Rescue Authority, rather than to the partnership. Of the total £323,991 expenditure incurred by the Authority on NFSP in the year, £126,278 related to capital. This capital expenditure was financed by a Government Grant provided for this purpose in 2011/12 and carried forward in an earmarked reserve.

Other public bodies may be considered to be related parties in that they are subject to common control by central government. The principal transactions are shown elsewhere in the Statement.

### 23 Capital expenditure, financing and commitments

The Capital Financing Requirement (CFR) is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. It is increased annually by capital expenditure and the capitalisation of assets under the Private Finance Initiative, and reduced by the application of resources to finance that expenditure and the revenue provisions charged to the General Fund for the redemption of debt.

		2016/17	
		£	£
	Opening CFR		41,567,690
	<u>Capital expenditure</u>		
	Land and buildings	947,518	
	Vehicles	1,214,128	
	Plant and equipment	660,726	
	Assets Under Construction	85,988	
	Intangible assets	10,068	
			2,918,428
	Capitalisation of Private Finance Initiative Assets		110,426
	<u>Sources of finance</u>		
	Direct revenue financing	-884,273	
	Capital grants and receipts	-2,034,155	
	Revenue provision for Private Finance Initiative	-798,728	
	Revenue provision for finance leases	-102,252	
	Minimum Revenue Provision	-1,423,374	
			-5,242,782
	Closing CFR		39,353,762



## Notes to the Financial Statements

		2016/17	
		£	£
	<u>Explanation of movement in CFR</u>		
	Increase/decrease(-) in underlying need to borrow		-1,423,374
	Reduction in Private Finance Initiative liabilities		-688,302
	Reduction in finance lease liabilities		-102,252
	Increase/decrease(-) in CFR		-2,213,928

At 31 March 2017, the Authority was committed to capital expenditure on five fire appliances and two aerial ladder platforms at a total planned cost of £2,712,000.

### 24 Operating leases

The Authority has the use of certain assets under the terms of operating leases. The annual rentals on these leases are charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. The vehicles, equipment and property which are classified as operating leases are not included in the Balance Sheet.

Vehicles and equipment		2016/17
		£
	Charged to the Cost of Services in the year	241,209
	Future minimum lease payments	
	Not later than one year	211,131
	Later than one year and not later than five years	8,545
	Total of future minimum lease payments	219,676

## Notes to the Financial Statements

<b>Property</b>		<b>2016/17</b>
		<b>£</b>
	Charged to the Cost of Services in the year	160,924
	Future minimum lease payments	
	Not later than one year	166,000
	Later than one year and not later than five years	648,076
	Later than five years	1,138,734
	Total of future minimum lease payments	1,952,810

### 25 Finance leases

The Authority acquired four fire appliances in 2009/10 under a finance lease for a ten year term. The annual payment is £113,640, which is split between financing costs charged to the Comprehensive Income and Expenditure Statement as interest payable (£11,388 in 2016/17) and the reduction in the liability to pay the lessor. This liability is shown in the Balance Sheet as a long term creditor, for which a fair value is shown in Note 8.

Assets held under finance leases are included in the Balance Sheet at the net present value of the payments to the lessor, and are subject to annual depreciation. They are included in the analysis of property, plant and equipment in Note 6.

<b>Balance Sheet - carrying amount</b>		<b>31 March 2017</b>
		<b>£</b>
	Net book value at start of year	316,521
	Depreciation	-87,303
	Net book value at end of year	229,218

## Notes to the Financial Statements

<b>Outstanding minimum lease payments</b>		<b>31 March 2017</b>
		<b>£</b>
	Net present value of minimum lease payments	
	Current	106,049
	Non-current	109,844
		215,893
	Finance costs payable in future years	11,387
	Minimum lease payments	227,280

<b>Analysis of payments</b>			<b>31 March 2017</b>	
			<b>Minimum</b>	<b>Finance lease</b>
			<b>lease payments</b>	<b>liability</b>
			<b>£</b>	<b>£</b>
		Not later than one year	113,640	106,049
		Later than one year and not later than five years	113,640	109,844
		Total	227,280	215,893

### 26 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). This is part of a joint PFI funded project between the former 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 2016/17 the authority received £1,626,975 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 £2,418,421.

## Notes to the Financial Statements

The value of liabilities due to the PFI providers over the life of the DESPI PFI Schemes is:

	2016/17 £
Balance at 1 April 2016	-14,591,577
Capitalisation of Private Finance Initiative Assets in year	-110,426
Principal repayment in 2016/17	798,728
Balance at 31 March 2017	-13,903,275

## Notes to the Financial Statements

### 27 Defined Benefit Pension Schemes

#### a Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make these payments which needs to be disclosed at the time that employees earn their future entitlements.

The Authority participates in two pension schemes:-

- ◆ the Local Government Pension Scheme (LGPS) for corporate employees and for uniformed personnel who are not eligible to join the Firefighters' Scheme. This is a funded defined benefit scheme administered by Wiltshire Council (for all ex-Wiltshire employees) and Dorset County Council (for all ex-Dorset employees and new employees). The Authority and employees pay contributions that are calculated at a level intended to balance the pension liabilities with investment assets. The fund is invested in equities, bonds, property and other investments. Actuarial valuations of the Wiltshire Pension Fund are carried out by Hymans Robertson, whilst valuations for the Dorset Pension Fund are performed by Barnett Waddingham.
- ◆ the Firefighters' Pension Scheme for uniformed personnel - this includes the 1992, 2006, 2015 and Modified schemes. Membership of each scheme is dependent on the personal circumstances of each member, such as whether they are a Wholetime or Retained firefighter and their date of joining. Although the terms and conditions of each scheme vary, all are unfunded schemes, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they fall due. The actuary for the Firefighters' Pension Scheme is Barnett Waddingham.

In addition, the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

Governance of the LGPS scheme is the responsibility of the Pension Fund Committees in both Dorset and Wiltshire, which include Elected Members, employer organisations and representatives and employees. The Committees exercise the functions of an administering authority under the LGPS Regulations and make strategic decisions about the Fund and have responsibility for running the Fund in an efficient and effective manner for the benefit of members and employers. Investments are made according to a Statement of Investment Principles. The Wiltshire and Dorset Local Pension Boards, which include employer and member representatives also provide an oversight role to ensure compliance with the scheme regulations.

The principal risks to the Authority of the LGPS are the assumptions made by the Actuary, statutory and structural changes to the scheme and the yields and performance of the investments. These are mitigated by the charges required to be made in the General Fund.

## Notes to the Financial Statements

The last formal valuation of the LGPS pension funds for both Dorset and Wiltshire was as at 31 March 2016.

The Firefighters' Pension Scheme is administered by Wiltshire Council and Dorset County Council on behalf of the Authority. A Pension Board, comprising Fire Authority Members, pensioner representatives and employer representatives is responsible for monitoring the performance of the pensions administrators and assisting the Fire Authority in its role as the Scheme Manager of the Firefighters' Pension Scheme, so as to comply with the Regulations, any other legislation relating to the governance and administration of the scheme, and any requirements of the Pensions Regulator, as well as ensuring the effective and efficient governance and administration of the Scheme.

The risks of the Firefighters' Pension Scheme are reduced by the top up grant, which is paid by Government to cover the net deficit on the schemes. The main residual risk concerns some injury liabilities for which the Authority is responsible. The last formal valuation of the Firefighters' schemes was as at 31 March 2016. From 1 April 2015 a new benefit structure came into effect for the Firefighters' Pension Scheme, meaning that all current active members will move into the new (2015) scheme from that date unless they qualify for protections that allow them to remain in their current scheme.

### **b Transactions relating to retirement benefits**

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Statement (CIES) when they are earned by employees rather than when the benefits are actually paid as pensions. However, the charge that is required to be made against Council Tax is based on the amount payable in the year, so the real cost of retirement benefits is reversed out of the General Fund by way of the Movement in Reserves Statement (MIRS). The transactions on all the Firefighters' Pension Schemes are aggregated in the Accounts. The transactions made in the CIES and MIRS during the year are shown in this table.

## Notes to the Financial Statements

Transactions in CIES and MIRS		2016/17	
		Firefighters' Scheme £	LGPS £
		<b>Comprehensive Income and Expenditure Statement</b>	
	Current service cost	9,045,000	1,995,000
	Past service costs	3,000	152,000
	Net interest expense	15,879,000	747,000
	Pensions Top-up Grant	-9,501,568	0
	Total charged or credited to the deficit on the provision of services	15,425,432	2,894,000
	<u>Other Comprehensive Income and Expenditure</u>		
	Remeasurement of the net defined benefit liability comprising:		
	Return on plan assets (excluding that in the net interest expense)	0	-5,591,000
	Actuarial gains/losses from changes in financial assumptions	94,446,517	11,980,034
	Actuarial gains/losses from changes in demographic assumptions	-5,415,000	196,000
	Other experience	-23,436,000	-2,190,000
	Total charged to other comprehensive income and expenditure	65,595,517	4,395,034
	Total charged to CIES	81,020,949	7,289,034
		<b>Movement in Reserves Statement</b>	
	Reversal of net charges made to the deficit on the provision of services in accordance with the Code	-15,425,432	-2,894,000
	Actual amount charged against the General Fund balance for pensions - Employers' contributions payable to the schemes	4,527,949	1,519,034

## Notes to the Financial Statements

### c Assets and liabilities in relation to retirement benefits

		Pensions assets and liabilities recognised in the Balance Sheet	31 March 2017	
			Firefighters' Scheme £	LGPS £
		Present value of unfunded liabilities	-509,373,000	-60,000
		Present value of funded liabilities	0	-69,426,000
		Present value of injury liabilities	-27,691,000	0
		Fair value of employer assets	0	43,093,000
		Net liability arising from defined benefit obligation	-537,064,000	-26,393,000

		Reconciliation of present value of scheme liabilities	2016/17	
			Firefighters' Scheme £	LGPS £
		Opening balance at 1 April	-460,571,000	-55,368,000
		Current service cost	-9,045,000	-1,995,000
		Past service cost	-3,000	-152,000
		Interest cost on defined benefit obligation	-15,879,000	-2,030,000
		Contributions by scheme participants	-2,648,000	-508,000
		Transfers in from other authorities	0	0
		Transfers out to other authorities	0	0
		Benefits paid	16,505,000	1,499,000
		Remeasurement gains and losses:		
		Changes in financial assumptions	-94,274,000	-12,336,000
		Changes in demographic assumptions	5,415,000	-196,000
		Other experience	23,436,000	1,600,000
		Closing balance at 31 March	-537,064,000	-69,486,000



## Notes to the Financial Statements

Reconciliation of the fair value of scheme assets			2016/17	
			Firefighters' Scheme £	LGPS £
	Opening balance at 1 April	0	34,745,000	
	Interest income on plan assets	0	1,283,000	
	Contributions by scheme participants	2,648,000	508,000	
	Employer contributions	13,857,000	1,875,000	
	Benefits paid	-16,505,000	-1,499,000	
	Transfers to/from other authorities	0	0	
	Return on assets excluding that included in net interest	0	5,591,000	
	Other actuarial gains/(losses)	0	590,000	
	Closing balance at 31 March	0	43,093,000	

The employer's contributions made as per the table in Note 27 (b) above differ from the actuaries' estimate of employer's contributions in this table as used to calculate the net pension liability. The actuaries' employer's contributions are calculated as the difference between benefits paid and contributions by scheme participants. The difference is recognised in the Comprehensive Income and Expenditure Statement by including an adjustment for the difference and inclusion of the Pensions Top-up Grant for the Firefighters' Scheme.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £563.5m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £533m.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- ◆ the deficit on the local government scheme will be made good by increased contributions over the remaining life of employees (i.e. before payment falls due), as assessed by the scheme actuary, and
- ◆ finance is only required to be raised to cover firefighter pensions when the pensions are actually paid.

## Notes to the Financial Statements

### d Fair Value of Employer Assets

Analysis of fair value of scheme assets Wiltshire Council Fund			31 March 2017		
			Quoted prices in active markets £	Prices not quoted in active markets £	Total £
		Equity securities			
		Consumer	450,800	0	450,800
		Manufacturing	335,700	0	335,700
		Financial institutions	61,400	0	61,400
		Health and care	97,100	0	97,100
		Information Technology	2,229,900	0	2,229,900
		Other	181,500	0	181,500
		Total equity securities	3,356,400	0	3,356,400
		Property			
		United Kingdom	0	2,277,600	2,277,600
		Overseas	0	496,200	496,200
		Total property	0	2,773,800	2,773,800

Notes to the Financial Statements

Analysis of fair value of scheme assets Wiltshire Council Fund			31 March 2017		
			Quoted prices in active markets £	Prices not quoted in active markets £	Total £
		Investment Funds and Unit Trusts			
		Equities	0	11,425,500	11,425,500
		Bonds	0	3,555,000	3,555,000
		Infrastructure	0	383,500	383,500
		Other	0	60,500	60,500
		Total Investment Funds and Unit Trusts	0	15,424,500	15,424,500
		Cash and other			
		Cash and cash equivalents	161,300	0	161,300
		Other	0	0	0
		Total cash and other	161,300	0	161,300
		Total scheme assets	3,517,700	18,198,300	21,716,000

Notes to the Financial Statements

Analysis of fair value of scheme assets Dorset County Council Fund				31 March 2017		
				Quoted prices in active markets £	Prices not quoted in active markets £	Total £
			Equities	11,993,000	0	11,993,000
			Gilts	0	3,173,000	3,173,000
			Cash	0	237,000	237,000
			Other Bonds	2,450,000	0	2,450,000
			Diversified Growth Fund	0	927,000	927,000
			Property	0	1,880,000	1,880,000
			Infrastructure	0	714,000	714,000
			Hedge Fund	0	3,000	3,000
			<b>Total scheme assets</b>	<b>14,443,000</b>	<b>6,934,000</b>	<b>21,377,000</b>

## Notes to the Financial Statements

### e Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method of valuation, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Firefighters' Schemes and the Dorset County Council Fund liabilities have been assessed by Barnett Waddingham, and the Wiltshire Council Fund by Hymans Robertson, who are both independent actuaries.

			Principal assumptions used by the actuary	31 March 2017		
				Firefighters' Scheme	Wiltshire LGPS	Dorset LGPS
			<u>Mortality assumptions</u>			
			Longevity for current pensioners (in years)*			
			Men	22.2	22.5	23.9
			Women	24.7	24.9	26.0
			Longevity for future pensioners (in years) *			
			Men	24.4	24.1	26.1
			Women	27.1	26.7	28.3
			Rate of inflation (Market derived RPI)	3.5%	3.4%	3.6%
			Rate of increase in salaries	4.1%	2.7%	4.2%
			Rate of increase in pensions	2.6%	2.4%	2.7%
			Rate for discounting scheme liabilities	2.7%	2.6%	2.8%

\* Longevity assumptions are based on retirement at 65. Future pensioners are assumed to be age 45 as at March 31 2017.

## Notes to the Financial Statements

### f Sensitivity analysis and risks and uncertainties relating to assumptions

There is a range of actuarial assumptions which is acceptable under IAS 19, particularly in respect of expected salary increases and demographic factors. The assumptions used are the responsibility of the Authority, after taking the advice of the actuaries. There are risks and uncertainties associated with whatever assumptions are adopted, as the assumptions are effectively projections of future investment returns and demographic experience many years into the future. Inevitably this involves a great deal of uncertainty about what constitutes a "best estimate" under IAS 19. The actuaries interpret this as meaning that the proposed assumptions are neutral, i.e. there is an equal chance of actual experience being better or worse than the assumptions used.

The assumptions used are largely prescribed and reflect market conditions at 31 March 2017. Changes in market conditions can have a significant effect on the value of liabilities reported. For example, a reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. The effect of changes in financial assumptions is shown in the table.

Approximate increases - Firefighters' Schemes	Change	Employer Liability £
<u>Change in financial assumptions 2016/17</u>		
Decrease in real discount rate	0.1%	10,016,000
Increase in member life expectancy	1	10,584,000
Increase in rate of increase in salaries	0.1%	10,283,000
Increase in rate of increase in pensions (CPI)	0.1%	10,478,000

Approximate increases - Wiltshire LGPS	Change	Employer Liability £
<u>Change in financial assumptions 2016/17</u>		
Decrease in real discount rate	0.5%	3,481,000
Increase in member life expectancy	1	904,000
Increase in rate of increase in salaries	0.5%	772,000
Increase in rate of increase in pensions	0.5%	2,644,000

## Notes to the Financial Statements

Approximate increases - Dorset LGPS	Change	Employer Liability £
<u>Change in financial assumptions 2016/17</u>		
Decrease in real discount rate	0.1%	1,600,000
Increase in member life expectancy	1	1,691,000
Increase in rate of increase in salaries	0.1%	1,639,000
Increase in rate of increase in pensions	0.1%	1,679,000

## Notes to the Financial Statements

### 28 Contingent assets and liabilities

The Code defines a contingent asset as a possible asset that arises from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control. Contingent assets are not recognised in the Comprehensive Income and Expenditure Statement or in the Balance Sheet because prudence cautions that the gains may never be recognised.

No contingent assets have been recognised at the Balance Sheet date.

The Authority is also required to disclose if there are possible obligations which may require payment or a transfer of economic benefit. At the time of the closure of accounts, no such contingent liabilities had been identified.

### 29 Disclosure of the nature and extent of risks arising from financial instruments

The Fire Authority's activities expose it to a variety of financial risks, including -

- ◆ credit risk - the possibility that other parties might fail to pay amounts due to the authority
- ◆ liquidity risk - the possibility that the authority might not have funds available to meet its commitments
- ◆ market risk - the possibility that financial loss might arise as a result of changes in interest rates, prices and other market conditions.

In managing these risks, the Authority has formally adopted a Treasury Management Policy Statement which complies with CIPFA's "Treasury Management in the Public Services: Code of Practice". It has also set treasury management indicators to monitor key financial instruments risks in accordance with CIPFA's Prudential Code.

The Authority's Treasury Management Policy states that the successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of treasury management will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

Responsibility for the implementation and monitoring of treasury management policies and practices is delegated to the Finance, Governance and Audit Committee and for their execution and administration to the Treasurer, who acts in accordance with CIPFA's "Standard of Practice on Treasury Management". Daily administration is carried out by staff in the Finance Department, following the policies set out in the Authority's Policy Statement and Annual Investment Strategy.



## Notes to the Financial Statements

### Credit risk

The Authority invests temporarily surplus cash in short-term deposits with banks and other financial institutions in accordance with its Annual Investment Strategy, which gives priority to security and liquidity rather than yield.

The 2016/17 Treasury Management Policy Statement and Practices (incorporating the Annual Investment Strategy) allowed internal staff to invest surplus cash in a limited range of specified deposits, either fixed term or on call, but where the maturity was for no longer than one year. The credit criteria shown in the table were set in the Treasury Management Policy.

Credit criteria	Minimum rating	Maximum investment
Highest quality UK and overseas financial institutions	F1/A	£5m
Other local authorities	-	£3m
100% owned subsidiaries of clearing banks	-	£3m
Other F1A/ rated banks and building societies	F1/A	£1.5m

The maximum investment refers to sums invested with any one institution at any one time. The ratings are determined by Fitch and published on their website. The criteria are used to derive lists of institutions which may be used, and authority is delegated to the Treasurer to vary the lists and limits as circumstances dictate. The ratings are reviewed at least quarterly. During 2016/17, investment activities continued to be constrained by changes to ratings and by the unwillingness of some institutions to accept short term deposits.

At 31 March 2017, £7,000,000 was invested with five financial institutions for terms with more than 3 months left to run. The remaining investments (£5,549,050 invested with four financial institutions) fell into the definition of cash equivalents - short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Authority does not generally allow credit to its debtors, and at 31 March 2017, there were no material debts more than three months past their due date.

### Liquidity risk

The Authority manages its cash flow to ensure that cash is available when needed. If unexpected movements happen, there is ready access to funds through the money markets. There was no need to borrow in this way in 2016/17.

To finance that part of its capital programme not covered by grants or other resources, the Authority has borrowed exclusively from the Public Works Loan Board. Access to funds from this source is such that there is no significant risk that the Authority will be unable to finance its commitments. Liquidity risk lies rather in the maturity profile of existing debt, which could result in a significant proportion of total debt requiring replacement at a time of adverse market conditions. This risk is taken into account when deciding on terms for new borrowing.

## Notes to the Financial Statements

Maturity profile of borrowings		31 March 2017 £
	Less than one year (in Current Liabilities in Balance Sheet)	1,191,657
	One to two years	782,344
	Two to five years	2,506,785
	Five to ten years	761,578
	Over ten years (last date October 2027)	6,707,000
	<b>Total loans outstanding</b>	<b>11,949,364</b>

The maximum maturing in any one year is £2,153,300 in 2021/22.

Creditors and other payables are all due within one year.

### Market risk

The Authority is exposed to risk in terms of interest rate movements. A fall in rates increases the fair value of fixed rate borrowings, but this does not impact upon the Comprehensive Income and Expenditure Statement. As all borrowings are at fixed rates, this gives certainty of cash flow. However, a fall in rates does have an impact on revenue income in the form of investment interest. A judgement of prospective changes in rates is made when the annual budget is set, and performance is monitored through the year by regular reporting.

During 2016/17 interest rates on the money market remained at a very low level. The Bank of England base rate reduced from 0.5% to 0.25% on 4 August 2016. Income from investment interest was £65,080 in 2016/17. This represented an average rate of 0.46% on sums invested. If rates were to increase by 0.1%, income would increase by £14,170, other factors being constant.

The Authority is not exposed to significant risks in relation to price inflation or exchange rates in relation to its treasury management activities.

### 30 Impact of future accounting standards

The Code requires disclosure of information relating to the impact of an accounting change that will be required by standards that have been issued or amended but not yet adopted. The following new or amended standards have been adopted by the 2017/18 Code and may require a change in accounting policy with effect from 1 April 2017.

- ◆ Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)

It is anticipated that these amendments will not have a material impact on the information provided in the financial statements.

## The Firefighters' Pension Fund Account

Pension Fund Account 2016/17		2016/17	
		£	£
	Contributions receivable		
	From the Fire Authority		
	Contributions in relation to pensionable pay	-3,198,827	
	Other receipts	-165,437	
	Firefighters' contributions	-2,336,644	
	Total income		-5,700,908
	Benefits payable		
	Pensions	11,017,173	
	Commutation of pensions and lump sum retirement benefits	4,185,303	
	Transfers to other schemes		15,202,476 0
	Total expenditure		15,202,476
	Net amount payable for the year		9,501,568
	Less Top-up Grant received on account for the year		-6,074,170
	Balance of Top-up Grant receivable		3,427,398

Pension Fund Net Assets Statement at 31 March 2017		31 March 2017	
		£	£
	Current Assets (Debtors)		
	Pension Top-up Grant receivable from the Government		3,427,398
	Net current assets and liabilities *		3,427,398

\* The net debtor at 31 March 2017 is included in the balance sheet figure for Short Term Debtors.

## Notes to the Pension Fund Accounts

### 1 Operation and Administration of the Firefighters' Pension Fund

The Firefighters' Pension Scheme (Amendment) (England) Regulations 2015 established the current arrangements for the operation of the Scheme. The Scheme is unfunded, meaning that there are no investment assets built up to meet future liabilities. Employees and the Fire Authority, as employer, both pay contributions into the Fund, based on percentages of pay which are set nationally and are subject to regular revaluation by the Government Actuary's Department.

The Firefighters' Pension Scheme includes the 1992, 2006, 2015 and Modified schemes. It pays pensions and defined benefits to former wholetime and retained employees. Membership of each scheme is dependent on the personal circumstances of each member. Sums paid into the Fund as contributions or transfers from other schemes, and sums paid out as benefits or transfers, are specified by the Regulations. Any difference between sums receivable and payable is met by a top-up grant from, or payment to, the Home Office.

The Schemes and the Funds are administered on behalf of the Fire Authority by Wiltshire Council and Dorset County Council.

### 2 Accounting Policies

As the Pension Fund has no investment assets and does not account for benefits payable in the future, there are no accounting policies which diverge from those described in the main Statement of Significant Accounting Policies.

### 3 Future Liabilities

The Pension Fund Account takes account only of transactions for the year of account. The Net Assets Statement shows assets and liabilities as at 31 March 2017. They do not take account of liabilities to pay pensions and other benefits after this period. Details of the Authority's future liabilities are set out in Note 27 to the Financial Statements.

## **Glossary of Terms**

### **Accounting Policies**

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

### **Accounting Standards**

Statements of accepted accounting practice, applicable across the public and private sectors. They form a hierarchy such that where a higher level standard does not cover particular circumstances, then reference is made to standards on a lower level. The levels are -

- 1 International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS), and interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), as adopted by the European Union.
- 2 International Public Sector Accounting Standards (IPSAS).
- 3 UK Generally Accepted Accounting Practice (GAAP) Financial Reporting Standards (FRS), Statements of Standard Accounting Practice (SSAP) and Urgent Issues Task Force (UITF) Abstracts.

### **Accruals**

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

### **Actuary & Actuarial Valuation**

An independent professional who advises on the position of the pension fund, providing a valuation of its assets and liabilities at intervals.

### **Amortisation**

The writing down of an asset over a period of time in order to charge the revenue account for that asset's usage.

### **Amortised cost**

The basis of recording financial liabilities, derived by discounting cash flows over the term. For loans at fixed interest rates, or variable rates linked to base rate, without significant transaction costs, the amortised cost should equate to the principal of the loan. This is the case for all loans borrowed from the Public Works Loan Board.

### **Assets**

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

### **Balance Sheet**

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

### **Baseline Funding Level**

That part of the income of the Authority which finances revenue expenditure and comprises the share of business rates and a Top-Up Grant from the Government.

## Glossary of Terms

### Budget

An estimate of the revenue spending for the year, made for the purposes of setting the Council Tax and subsequently controlling costs during the year. If net expenditure is less than the budget, this is known as underspending. As resources have been raised to match the expected spending, the surplus arising from the underspending is added to the General Reserve. Conversely, a deficit arising from overspending the budget will reduce the General Reserve.

**Business Rates** - See National Non-Domestic Rates (NNDR).

### Capital Adjustment Account

This account is credited with all sources of finance for capital expenditure, other than loans. One of these sources is a provision from revenue, equivalent to the minimum revenue provision. It is charged with the historical cost of acquiring, creating or enhancing property plant and equipment, over the life of those assets, through depreciation and impairment losses. The account thus recognises the timing difference arising from the different rates at which assets are accounted for as being consumed and at which resources are set aside to finance their acquisition or enhancement.

### Capital Expenditure

Expenditure on the purchase of new property, plant, vehicles and major items of equipment or on the improvement of existing assets.

### Capital Financing Requirement (CFR)

This comprises the value of past and current capital expenditure, less sources of financing other than borrowing.

### Capital Programme

The budget for capital expenditure on property, plant, vehicles and major items of equipment, including computer systems and software.

### Capital Receipts

Income received from the disposal of land, buildings and other capital assets, where the sale proceeds exceed a statutory minimum, currently £10,000 per asset. Income from sales which realise less than this minimum is credited to the Comprehensive Income and Expenditure Statement.

### Cash equivalents

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

### Cash Flow Statement

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

### CIPFA

The Chartered Institute of Public Finance and Accountancy.

## Glossary of Terms

### The "Code"

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. This prescribes the form and content of the Statement of Accounts, and is published by a joint committee of CIPFA and LASAAC (The Local Authority (Scotland) Accounts Advisory Committee). It is based on approved accounting standards and reflects specific statutory accounting requirements. Compliance with the Code is necessary in order that the Authority's Accounts give a "true and fair" view of its financial position and performance. The Statement also has to comply with any "Code Update" which may be issued after the main Code, while Note 30 refers to the requirements of future Codes.

**Collection Fund** - See Council Tax and National Non-Domestic Rates.

### Comprehensive Income and Expenditure Statement

A statement showing the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded by grants, Business Rates and the Council Tax.

### Contingent assets and liabilities

Possible assets and liabilities that arise from past events but whose existence will only be confirmed by future events not wholly within the Authority's control. These are not recognised in the Accounts as prudence cautions that future gains may never be realised and losses may not occur. However, reserves may be earmarked to protect current and future resources against possible losses.

### Council Tax

A local tax on domestic properties introduced in 1993 to replace the Community Charge (Poll Tax). Income from Council Tax finances that part of the Authority's net spending which is not met by Government Grants or Non-Domestic Rates. The tax is collected by the Unitary Authorities in Wiltshire, Swindon, Bournemouth and Poole and the District Councils in Dorset. These are known as the **billing authorities**. The billing authorities pay the tax into a **Collection Fund**, which records a surplus or deficit according to how much of the tax due is actually collected. The Fire Authority issues a **precept** to each billing authority for its share of the tax and the surplus or deficit on the Collection Fund.

### Creditors

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

### Current Assets

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

### Debtors

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

## Glossary of Terms

**De minimis** - see Materiality.

### Depreciation

The loss in value of an asset due to age, wear and tear, deterioration and obsolescence. An annual charge is made to the revenue account to reflect this, but an adjustment ensures that there is no effect on the Council Tax. The depreciable amount is the cost or value of an asset less its residual value. Depreciation may be regarded as the allocation of the depreciable amount over the useful life of the asset.

### Earmarked Reserves

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

### Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value may apply to physical assets, such as property, or transactions without physical existence, such as financial instruments. For land and buildings, this is the amount that would be paid for the asset in its current use.

**Finance Lease** - See Lease.

### Financial Instruments

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

### General Fund (General Reserve)

The account that summarises the revenue costs of providing services that are met by the Authority's demand for Council Tax, Government Grants and other income. In the Statement, this account is included in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement. The balance is carried forward as part of the Usable Reserves in the Balance Sheet. Though disclosed separately, the Earmarked Reserves are earmarked parts of the General Reserve.

### Gross Expenditure

Total expenditure before deducting income.

### Gross Book Value

The value of an asset before deducting depreciation and impairment losses.



## Glossary of Terms

### Heritage Assets

Property, plant and equipment, and intangible assets, which are held primarily for their contribution to knowledge or culture, rather than for operational use. The Authority keeps its asset holdings under review, but has concluded that there are no Heritage Assets within the Balance Sheet.

### Historical Cost

Since the Authority came into being on 1 April 2016, the historical cost of property, plant and equipment is the carrying amount in the balance sheet at that date or at the date of acquisition, if later, adjusted for subsequent depreciation and impairment.

### Impairment

The permanent diminution in the fair value of an individual item of property, plant or equipment, caused by a consumption of economic benefits, such as irreparable damage.

### Intangible Assets

An identifiable non-monetary asset without physical substance, controlled by the Authority, producing future economic or service benefits. The most common class of intangible assets is computer software, but where this forms an inseparable part of a computer system, the system as a whole will be identified as a tangible asset in property, plant and equipment.

**International Financial Reporting Standards (IFRS)** - See Accounting Standards

### Inventories

Stocks of consumable items such as fuel, uniforms or equipment, which may be purchased in one year and used in another, with the value of the unused items being carried forward in the Balance Sheet as current assets.

### Lease

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for a specified period of time. A **Finance Lease** transfers substantially all of the risks and rewards incidental to ownership to the lessee, whether or not title is transferred at the end of the lease. Any lease not meeting the definition of a Finance Lease is an **Operating Lease**. Each type of lease is accounted for differently.

### Liabilities

Amounts owed by the Authority to lenders or suppliers.

## Glossary of Terms

### Materiality and de minimis

The threshold or cut-off point whereby an item is separately identified in the Statement. An absolute figure cannot normally be stated, as materiality varies according to the class or nature of items being considered. Application of the principle is a matter of judgement. For example, omissions or misstatements are material if they could, individually or collectively, influence the decisions or assessments of those reading the Statement. A discretionary "de minimis" limit of £10,000 has been set for items of equipment - i.e. such items become assets if they cost over £10,000 and will last more than a year, even if they have been purchased initially out of the revenue account. This matches the statutory de minimis limit for capital receipts.

### Minimum Revenue Provision

The minimum amount the Authority must charge to its revenue account to provide for the repayment of debt. Further provisions may be set aside on a voluntary basis, for example to satisfy the accounting requirements of finance leases.

### Minor Capital Works

Works carried out to improve the Authority's land and buildings.

### Movement in Reserves Statement

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

### Net Book Value (Carrying Amount)

The remaining value of an asset after deducting depreciation and impairment losses. The net book value may be nil if an asset has no residual value and has been retained in use after the end of its anticipated life, over which it has been fully depreciated.

### National Non-Domestic Rates (NNDR)

A flat rate in the pound set by Government, often known as 'Business Rates', levied on businesses and paid into a National Pool. The Councils which collect the business rates have been allowed to keep a proportion of the sums collected, and must pay to the Fire Authority 1% of the total collected, allowing for a share of the surplus or deficit on that part of the Collection Fund which relates to business rates.

### Net Expenditure

Gross expenditure less income.

**Operating Lease** - See Lease.

### Outturn

Actual income and expenditure for the financial year.

**Overspending** - See Budget.

## Glossary of Terms

### Precept

The charge made by one Authority to another to finance its net expenditure. See Council Tax above.

### Private Finance Initiative

A Government-led scheme whereby a private contractor provides facilities for a public body in return for an annual payment over a long term. The body receives assistance from the Government in the form of an annual grant. In most schemes, the assets transfer to the public body at the end of the contract.

### Property, Plant and Equipment

Tangible fixed assets - i.e. assets with physical substance that are held for use in the production or supply of goods and services or for administrative purposes, and are expected to be used during more than one accounting period. Accounting for these assets is based on their current value and is separated from the statutory arrangements for financing their acquisition and improvement. For accounting purposes, the definition includes vehicles.

### Provisions

Amounts set aside for any liability or loss that is likely to be incurred in a future year, but where the exact amount and date is uncertain. A provision can be set up only if a reliable estimate can be made of the amount of the obligation to pay. If there is no estimate that is reasonably reliable, there is a contingent liability and a reserve may be earmarked to cover future costs.

### Prudential Code & Prudential Indicators

The Prudential Code for Capital Finance in Local Authorities, published by CIPFA. Fire authorities are required to comply with its provisions when setting their capital programmes and treasury management policies. The Prudential Code sets out measures which demonstrate that the authority is complying with the Code in terms of affordability, prudence, sustainability and practicality in its capital activities and treasury management.

### PWLB

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

### Reserves

The amount held in balances and funds that are free from specific liabilities or commitments. Reserves may be usable or unusable.

**Usable reserves** may be used to finance future spending from the revenue account, including contributions from revenue to finance capital expenditure. **Unusable reserves** are for accounting purposes only and do not represent available resources.

## **Glossary of Terms**

### **Residual Value**

The estimated amount that the Authority would receive from the sale of an asset if the asset were already of the age and in the condition expected at the end of its useful life.

### **Revaluation**

Formal review by a professional valuer of the fair value of assets recorded in the Balance Sheet at current value. The Code requires a revaluation at intervals of no more than five years. The revised value is included in the Balance Sheet.

### **Revaluation Reserve**

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

### **Revenue Account**

The account which records all the revenue expenditure and income of the Authority. The difference between the net expenditure on this account and the budget for the year is charged or credited to the General Reserve. For the purposes of the Statement of Accounts, the transactions on the revenue account are recorded in the Expenditure and Funding Analysis, the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement according to the stipulations of the Code.

### **Revenue Expenditure**

The regular day to day costs of running the organisation.

### **Revenue Support Grant (RSG)**

A grant paid by Central Government to a local authority towards the cost of its services.

### **RICS**

The Royal Institution of Chartered Surveyors.

### **Treasury Deposits**

Cash surpluses invested on the London money market in order to receive income from interest.

### **Treasury Management**

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

## **Glossary of Terms**

### **True and fair view**

The standard against which the accuracy and compliance of the Statement is measured.

**Underspending** - See Budget.

### **Useful Life**

The period for which an asset is expected to be available for use by the Authority.

Note - This Glossary is supplementary to the Statement of Accounts and is not subject to Audit



**DORSET & WILTSHIRE**  
**FIRE AND RESCUE**  
**AUTHORITY**



Dorset & Wiltshire Fire and Rescue Service  
Five Rivers Health & Wellbeing Centre  
Hulse Road  
Salisbury  
Wiltshire  
SP1 3NR



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