

















Statement of Accounts 2015/2016

PROVIDING AVON FIRE & RESCUE SERVICE

Avon Fire Authority

Statement of Accounts 2015/16

Contents

Narrative Report by the Treasurer

Introduction

Avon Fire Authority provides a Fire and Rescue Service for the Unitary Authority areas of Bath and North East Somerset, Bristol, North Somerset and South Gloucestershire. This document contains the Statement of Accounts for the Fire Authority for the year ended 31 March 2016. The preparation of the Statutory Statement of Accounts is undertaken in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.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.

This purpose of the narrative report is to explain, in an easily understandable way, the financial facts in relation to the Fire Authority. To do this it provides a guide to the statements that follow, explains material items within the Accounts, compares revenue spending against approved budgets, outlines the resources available for capital expenditure and other financial commitments and set's the accounts into the context of ongoing plans.

Overview of the Financial Year 2015/16

The key financial issues arising from the Statement of Accounts are:

- For 2015/16 the Authority originally set a budget of £43.7m, £43.3m after allowing for a £0.4m transfer from reserves. During the year further transfers from earmarked reserves of £1.3m were approved giving a revised budget of £45.0m.

- The actual net expenditure was £44.3m, £0.7m lower than the revised budget. Savings were achieved on most of the main areas of the budget. The underspend for the year has been transferred to the following earmarked reserves:

    i. Austerity Reserve - £397k
    ii. Pension Reserve - £120k
    iii. Training Reserve - £70k
    iv. Community Fire Safety Reserve - £64k

- The Comprehensive Income and Expenditure Account shows a deficit on Provision of Services of £21.7m. This figure includes items which are required to be charged to the Comprehensive Income and Expenditure account in accordance with proper accounting practices but do not fall to be charged to the council tax payer. The deficit is primarily in relation to the adjustments required for pension charges.

- During the year, the Authority transferred £1.7m from Usable reserves and £0.7m was transferred to Usable Reserves, resulting in a net decrease in Total Usable Reserves of £1.0m for the year. Total Usable Reserves of £6.5m, excluding the working balance of £1.5m were available as at 31st March 2016.

- The general fund balance (working balance) remains at £1.5m, which is within the parameters agreed by the Fire Authority. This sum is intended to meet unforeseen expenditure and, if called upon would then need to be replaced.

- The Fire Authority's medium term financial plan identifies certain budget pressures and significant reductions in future Government grant funding. In response the Fire Authority has implemented a range of cost saving measures which have contributed significantly to the financial savings achieved in the year. The Authority is also continuing to make good progress on its "Investing for the future programme" which is planned to deliver further efficiencies.

- During the year £9.5m was spent on the Fire Authority's approved revised capital programme of £12.9m. Of this spend, £2.8m was funded from revenue contributions and capital receipts, £1.4m was funded from Capital Grants and the balance of £5.3m was funded by borrowing. £3.4m of the capital programme slipped forward into 2016/17, this slippage related in the main to the Fire Authority's "Investing in the Future" programme.

- Due to the continuing low short-term interest rates and the increased risks associated with lending due to the current financial climate, the borrowing to finance capital expenditure has been deferred. As at 31 March 2016 there was £7.4m of capital expenditure being funded from internal resources and the position will continue to be monitored closely during 2016/17.

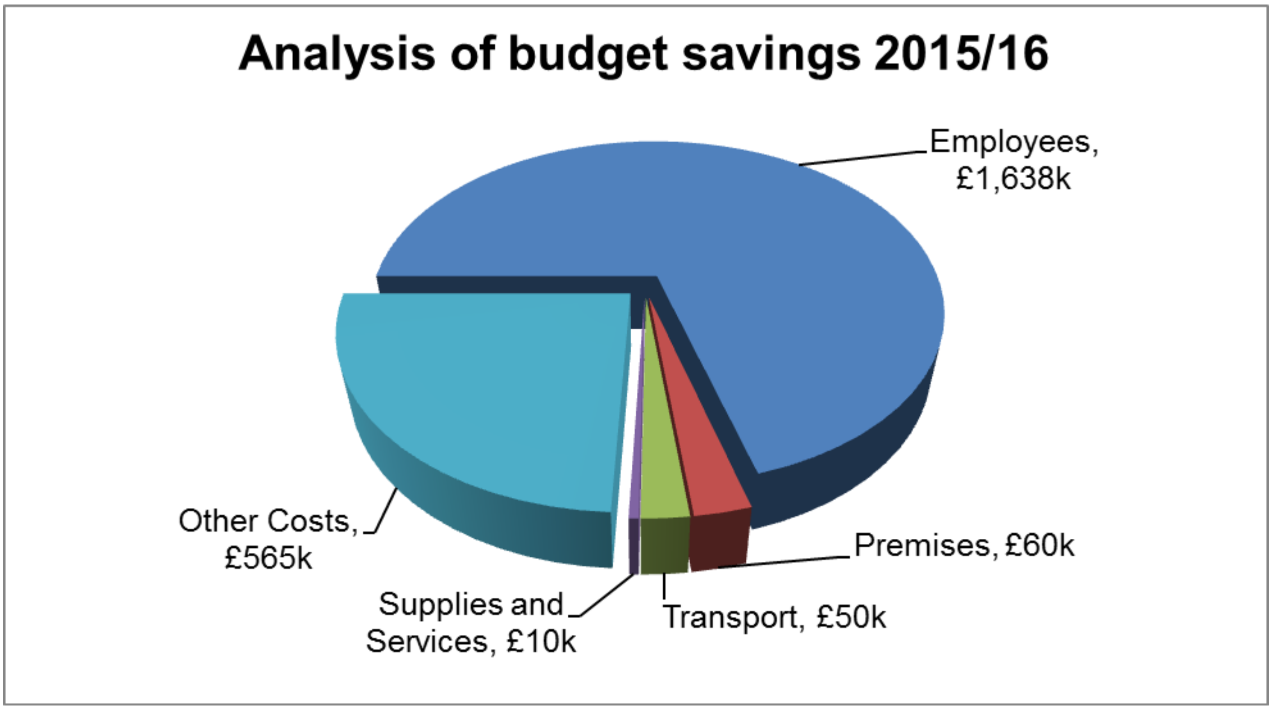
- The Authority sets a range of Prudential borrowing indicators for the financial year to ensure borrowing levels are within agreed limits. Due to slippage in the capital programme and additional repayment in debt, the total financing requirement was £4.0m below the initial estimate, which had a corresponding effect on the operational and authorised limits for external debt.

Approved Financial Plan 2015/16

The Fire Authority had to consider a number of major financial considerations in determining the budget for 2015/16 including:

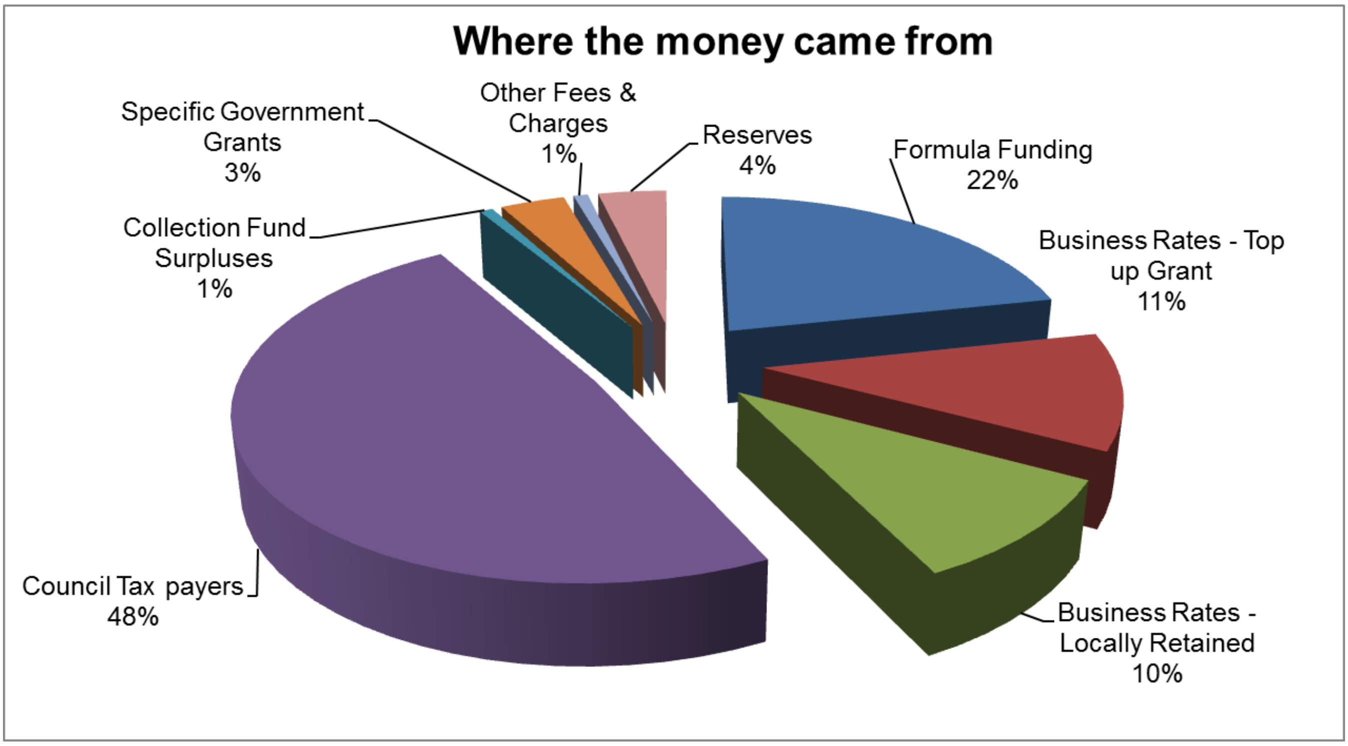
- An overall reduction in Central Government funding of 9.04%.
- A limit on the increase in council tax of 2% before a referendum was required
- A capital grant allocation of £1.0m

In total an initial revenue budget, before the use of reserves, of £43.7m was approved by the Fire Authority for 2015/16. This included savings of £2.3m, the details of which are shown below. In addition a capital programme of £10.4m was also approved. The approved budget after the use of reserves was £43.3m (£45.3m in 2014/15) resulting in a Council Tax of £66.60 (£65.30 in 2014/15) per Band D property.

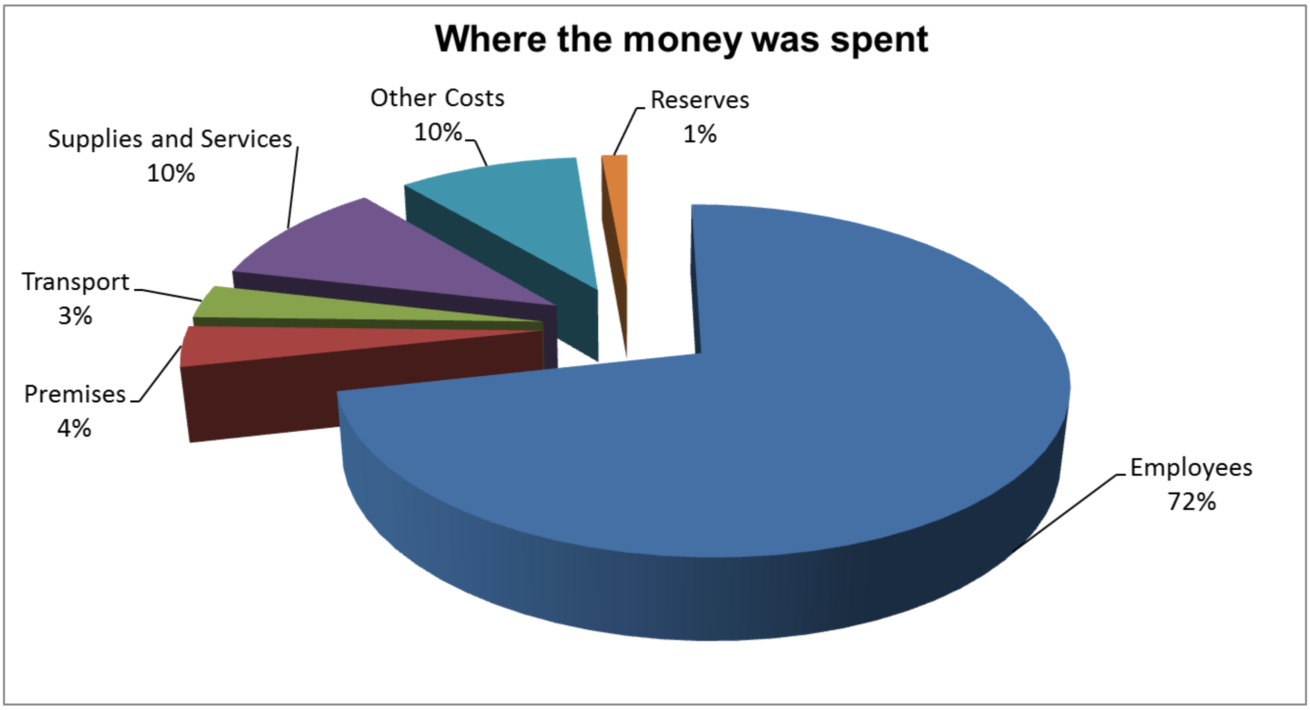


Revised Revenue Budget and Spending in 2015/2016

A number of changes to the budget were reported during the year resulting in a revised budget of £45.0m before use of reserves and £43.3m after the use of reserves. In broad terms 48% of the Fire Authority's funding came from the local council tax payer, with a further 10% from locally retained business rates. The majority of the remainder of the funding comes from Central Government.



Expenditure for the year was incurred in the following main areas:-



The 2015/16 revenue budget was under spent by £0.7m a variance of 1.5% when compared to the revised budget. During the year £1.7m was transferred from reserves, of which £1.0m used to fund the Investing for the Future Program, and £0.7m was added to Total Usable

Reserves at the year end. This reflects the efforts made by all managers and staff to contain expenditure and introduce efficiencies in light of future grant reductions facing the Authority following the latest Comprehensive Spending Review.

Set out below is a comparison between actual expenditure and revised budget for the year Details supporting the major variations highlighted in the statement are as follows:

	Revised Budget 2015/16 £'000	Actual Expenditure 2015/16 £'000	Difference £'000
Expenditure on Services			
Employees (net)	33,866	33,639	-227
Premises	2,013	1,817	-196
Transport	1,657	1,510	-147
Supplies and Services	4,852	4,824	-28
Other Costs	4,546	4,562	16
Income	-1,941	-2,010	-69
Net Expenditure	44,993	44,342	-651
Transfers to \ from revenue reserves			
Transfers from Reserves	-1,741	-1,741	0
Transfers to Specific Reserves	0	254	254
Balance transferred to Austerity Reserve	0	397	397
Net Expenditure after transfer to \ from reserves	43,252	43,252	0
Local tax payers			
Council Tax	-22,829	-22,829	0
Locally retained Business rates	-4,660	-4,660	0
Collection fund surpluses	-343	-343	0
Central Government			
Formula Funding	-10,162	-10,162	0
Non-domestic rates redistribution	-5,258	-5,258	0
Working Balance	0	0	0

In line with the Authority's approach to risk management key budgets were closely monitored throughout the year, the overall position at the end of the year compared to the revised budget can be summarised as follows:

- **Employee's** – A total underspend of £227k was achieved, comprising of £774k for whole-time firefighters and £88k for training. This was partly offset by financial pressures on retained firefighters £96k and support staff of £100k. A provision of £330k was setup to fund future cost associated with the headquarters relocation project.

- **Ill health retirements** –3 Ill health retirements were accounted for in the year totaling £200k. This was partly funded from the use of a pension provision of £81k.

- **Premises Costs** – an overall saving of £196k was achieved against budget primarily due to a reduction in utility costs of £85k and Business Rate reductions £41k associated with the investing for the future programme. Further underspends in respect of property maintenance of £81k were achieved.

- **Transport** – Transport costs were £146k lower than budget. This relates to savings in the fuel budget of £33k and travel allowances of £90k.

- **Supplies and Services** – Overall there was an under spend of £28k. The primary variances were an overspend of £74k on uniform and personal protective equipment and a reduction in expenditure of £67k in relation to community fire safety initiatives.

- **Capital Financing –** Overall expenditure was in line with budget, a £135k interest saving was utilised to increased debt repayment and increase the revenue contribution to capital.

- **Retention Budget** – The balance on the retention budget of £14k was not utilised.

- **Income.** –There was an overall increase in income against budget of £70k due to the receipt of additional government grant.

Reconciliation of budgeted expenditure to deficit on Comprehensive Income and Expenditure Account

The following table sets out the reconciliation between the surplus for the year for budgeting purposes and the surplus on the Comprehensive Income and Expenditure Account for the year. The difference between the two figures represents items which are not charged to the council tax payer, but need to be included to conform with accounting requirements. These items are reversed out in the Movement in Reserves Statement.

	2015/16	
	£'000	£'000
Surplus for year		-1,090
Budgeted transfer from reserves		0
		-1,090
PFI Equalisation fund movement		- 36
Net increase in useable reserves		-1,126
Adjustments for items which do not fall to be charged to the council tax payer but which are required to be charged to the Income and Expenditure Account in accordance with proper accounting practices.		
Items to be charged to the Income and Expenditure Account		
IAS 19- Retirement Benefits	-29,157	
Firefighter Pension Top up Grant	8,356	
Depreciation, Impairment, Amortisation and other charges for assets	-11,021	
Capital Grants Applied	1,361	
Transfer to / from Collection Fund Adjustment Account	117	
Transfer to / from Accumulated Absences Account	- 271	
Items required by statute to be charged to council tax payers		
Minimum Revenue Provision (MRP) including voluntary contributions for the repayment of debt and deferred liabilities	1,807	
Revenue contributions to capital expenditure	2,377	
Employer's contributions payable to the Pensions Account and retirement benefits	5,906	
		-20,525
Surplus on the Comprehensive Income and Expenditure		**-21,651**

Reserves

The following reserves were set up at the end of the financial year to meet future financial commitments:

Reserve	Justification	£'000
Training	To fund anticipated training demands.	70
Fire-fighter Pensions	To provide for future ill health retirements	120
Community Safety	To support community safety camapigns and initiatives	64
Austerity	To fund future initiatives and programmes	397
Total		651

Capital Budget and Spending 2015/16

The Fire Authority determines its capital investment plans and consequent level of borrowing in accordance with guidelines laid out in the Prudential Code issued by CIPFA. The Prudential Code requires the Fire Authority to ensure that its capital investment plans are affordable, prudent and sustainable.

For 2015/16 The fire Authority set a revised capital programme of £12.9m. This primarily reflects the Authority's investment in to a premises rationalisation and improvement programme titled "Investing for the Future". Capital expenditure for the year is shown in the table below:-

Area	Revised Budget 2015/16 £'000	Outturn including slippage £'000	Projected Variation £'000	Slippage £'000
Fleet	1,689	1,685	-4	60
Premises	10,336	10,238	-98	2,826
Operational Equipment	112	116	4	0
IT	543	458	-85	135
Funds not allocated	237	420	183	420
Total Programme	12,917	12,917	0	3,441

The net underspend for the year on programmed areas was £183k and this has been utilised to increase the balance of funds not allocated and slipped into future years.

Funding for the programme was met by the following sources:

Funding Source	2015/16 Funding £'000	Total Programme Funding £'000
Capital Grant	1,361	1,361
Revenue Contributions / Capital receipts	2,842	3,292
Prudential Borrowing	5,273	8,264
Total Funding	9,476	12,917

The Fire Authority invested in the following assets during the year:-

- Works associated with the "Investing for the Future" project involving building a new fire station at Hicksgate and a new fire station on an existing site in central Bristol.
- A range of environmental initiatives.
- Control infrastructure investment to improve resilience.
- The purchase of three new Fire Appliances and development of a mobile hose laying and salvage unit.

A number of capital items rolled into 2016/17. These items mainly comprise of funding for the investing in the future project and improvement to our control facilities.

An analysis of the prudential indicators demonstrates that borrowing was maintained with the approved prudential limits.

Prudential Indicators	Estimated £'000	Actual £'000	Variance £'000
Capital Financing Requirement	26,646	22,649	-3,997
Financing costs as a % of revenue	5.83%	5.70%	-0.13%
Impact on Council Tax	£4.27	£4.55	£0.28
Operational Boundary for external debt	26,646	22,649	-3,997
Authorised Limit for external debt	27,646	23,649	-3,997

The Authority undertakes long term borrowing for periods in excess of one year in order to finance its capital spending. During the year the Authority repaid loan amounts of £1.6m. Total loans outstanding at year end stood at £12.3m. This includes £0.7m of short term loans due for repayment in 2016/17. In addition the Authority has deferred borrowing of £7.4m outstanding as at 31 March 2016. The impact on Council Tax of prudential borrowing is slightly higher than originally estimated primarily as a result of interest rate savings from deferred borrowing having been used to reduce the prudential debt outstanding during the year.

Joint Training Centre (JTC) – Private Finance Initiative (PFI) scheme

The Authority, in partnership with Gloucestershire County Council and Devon and Somerset Fire and Rescue Authority, has invested in a twenty-five year PFI contract to provide a joint fire and rescue service training centre at Avonmouth. Under this scheme the Authority will receive a significant element of its fire training from Babcock PLC who operate the training centre.

The Government provides some revenue support to the project in the form of grants (PFI credits) and the three authorities finance the balance by making contributions from their own resources. An analysis of the Authority's future commitments to the net annual contract payments (50%), due under the PFI joint venture, along with further analysis of the asset value held on the balance sheet are detailed in note 1 to the Core Financial Statements. Using existing indices and interest rates a revised surplus has been predicted at the end of the contract period of around £0.1m. A provision of £0.6m was set up in 2012/13 reflecting the Fire Authority's share of the estimated deficit at that point and has been maintained at that level in 2015/16 to reflect the uncertainty around interest rates and other possible fluctuations.

Provisions, Contingencies and write-offs

A number of other provisions have been set up primarily to meet the costs of the headquarters relocation, a backlog of hydrant maintenance work and to allow for the possibility of business rate appeals.

THE STATEMENT OF ACCOUNTS

The Statement of Accounts explains the Fire Authority's finances during the financial year 2015/16 and its financial position at the end of the year. It follows approved accounting standards and is necessarily technical in parts. The Authority's Statement of Accounts for the year 2015/16 comprises of:-

- **The Statement of Accounting Policies** – this explains the basis on which the figures in the accounts are calculated.

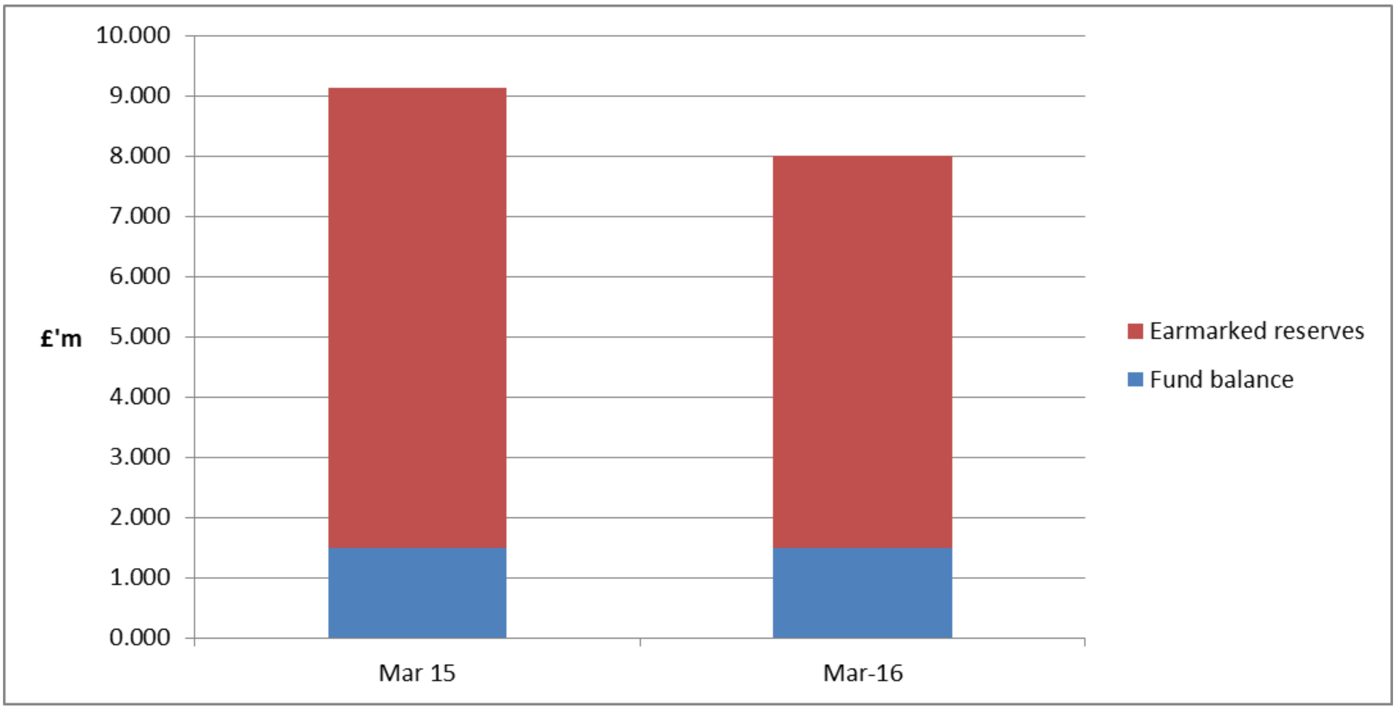
- **The Statement of Responsibilities –** this sets out the respective responsibilities of the Fire Authority and the Treasurer for the accounts.

- **The Independent Auditors Report** – this contains the external auditors audit opinion and audit certificate.

- **The Financial Statements –** this consists of the core financial statements grouped together along with detailed disclosure notes. The core financial statements include:-

The Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to earmarked reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.

One of the most important issues for readers of the Financial Statements will be whether the Fire Authority has a surplus or deficit compared to its budget (and Council Tax) for the year. Because the financial statements follow accounting standards rather than local government legislation, this isn’t easy to identify. The movement in reserves statement reconcile the two different approaches.



As identified earlier in this foreword the Authority managed an under spend of £0.7m against its revised budget of £45.0m. The total transfer from reserves of £1.7m, after adjusting for the movement in PFI reserve, can be correlated with the figures contained within the Movement in Reserves Statement on page 18 of the Statement of Accounts. The decrease in Total Usable Reserves contained with the statement is a matching £1.0m. This reflects the movement to reserves at the end of the year less the reserves utilised during the year.

The statement also identifies that the Authority has a general fund balance of £1.5m and earmarked reserves of £6.5m equating to total usable reserves of £8.0m.

The Comprehensive Income and Expenditure Account

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

Comprehensive income and Expenditure	2014/15 £'000	2015/16 £'000	Change £'000
Cost of providing services	50,134	55,141	5,007
Financing and investment income and expenditue (net)	23,394	19,724	-3,670
Taxation and Grant Income	-53,857	-53,214	643
Total deficit on the provision of services	19,671	21,651	1,980
(Surplus) or Deficit on revaluation of assets	-1,173	-1,224	-51
Actuarial (gains) losses on pension assets	30,477	-86,438	-116,915
Total other income and expenditure	29,304	-87,662	-116,966
Total comprehensive income and expenditure	48,975	-66,011	-114,986

The statement for 2015/16 for the Authority shows that a deficit of £21.7m was made on the provision of the Authority's services, a £2.0m increase on the previous year .The cost of providing the Authority's Services for the year was £55.1m which was offset by grants and taxation receipts of £53.2m. Additional costs of £19.7m were incurred in respect of the increase in pension liabilities associated with the actuary's valuation of the Authority's relevant pension schemes increase.

The 2015/16 accounts show a surplus of £87.7m on other comprehensive income and expenditure which primarily reflects a surplus on the actuarial gain on pension funds offset by a deficit on the revaluation on some of the Authority's properties.

In total the Comprehensive Income and Expenditure Statement shows a £66.0m surplus for the period and this figure is contained within the Movement in Reserves Statement. This shows a significant increase compared to 2014/15 where a deficit of £49.0m was made. This is primarily due to the change of position from a £30.5m actuarial loss on pensions assets in 14/15 compared to a gain of £86.4m in 2015/16.

The Balance Sheet

This statement 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 are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is 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'.

Balance Sheet	2014/15 £'000	2015/16 £'000	Change £'000
Long term assets	60,617	59,676	-941
Current assets	14,480	7,213	-7,267
Current liabilities	-6,912	-6,406	506
Long term liabilities	-576,964	-503,251	73,713
Net Assets	-508,779	-442,768	66,011
Usable reserves	9,121	7,996	-1,125
Unusable reserves	-517,900	-450,764	67,136
Total reserves	-508,779	-442,768	66,011

The Authority has long term assets worth £59.7m primarily comprising of land and buildings, and vehicles.

Current assets at 31st March 2016 were £7.2m represented by cash at bank of £1.6m, short term debtors of £5.0m and a property held for sale of £0.6m. This is a decrease of £7.3m over the year and is primarily due to the decrease in cash at bank of £5.9m and a reduction of short term debtors of £1.5m. Current liabilities at the 31st March 2016 were £6.4m comprising of short term borrowing of £0.7m, provisions of £0.9m and creditors of £4.8m.

The Balance Sheet identifies other long term liabilities of £503.3m. This primarily reflects future pension cash flows as calculated under accounting standard IAS 19. It should be noted that these have decreased by £71.5m from 2014/15. The average duration of the scheme's liabilities is approximately 20 years and the discount rate has increased by approximately 0.3% (3.3% to 3.6%) since the start of the year. The expected rate of future inflation has fallen by 0.2% (2.2% to 2.0%) whilst the rate of increase for both salaries and pensions has remained the same. The net effect has been a substantial decrease in liabilities. Long term borrowing has decreased by £1.5m to £11.6m.

The bottom half of the Balance Sheet (reserves) is reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is 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 usable reserves are an indication of the resources available to the Authority to deliver services in the future. Key issues are how the balances have changed over the year, whether the balances are adequate, and what the balances mean in terms of future budgets and services. The PFI equalisation is classified as a usable reserve.

As at the 31st March 2016 the Fire Authority had £8.0m of usable reserves a reduction of £1.1m over the previous year primarily as a result of the use of reserves to fund the Authority's Investing in the Future Programme. The deficit on unusable reserves decreased by £67.1m primarily as a result of changes in economic assumptions when calculating the liabilities of the firefighter pension schemes.

The Cash Flow Statement

This 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 Flow Statement	2014/15 £'000	2015/16 £'000	Change £'000
Net cash flows from operating activities	-5,903	-3,971	1,932
Investing activities	4,709	8,036	3,327
Financing activities	-4,997	1,806	6,803
Change in cash / cash equivalents	-6,191	5,871	12,062
Cash / cash equivalents beginning of the year	-1,293	-7,484	-6,191
Cash / cash equivalents end of the year	-7,484	-1,613	5,871

In summary the Authority received surplus cash flows from operating activities of £4.0m, a decrease of £1.9m on the previous year. Investing cash flows were £8.0m primarily representing investment in capital assets net of capital grants. Financing activities were £1.8m representing repayment of PFI contract obligation and long term debts. The change from the previous year reflects that no borrowing took place in 2015/16 compared to £7.0m in 2014/15.

The overall decrease in cash and cash equivalents was £5.9m for the year.

The Firefighter's Pension Fund Account and Net Assets Statement

It is unusual for an unfunded pension scheme such as the Firefighters' Scheme to have a fund account, 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 transactions taking place over the year and the arrangements needed to close the balance for that year. 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 Department for Communities and Local Government \ Home Office.

	Forecast £'000	Outturn £'000	Variance £'000
Pensions Outgoings			
Pension payments	12,228	12,162	-66
Commutations	2,530	2,500	-30
Transfers to other schemes	0	215	215
Other	0	230	230
Total Expenditure	**14,758**	**15,107**	**349**
Pension Income			
Employee Contributions	-2,219	-2,841	-622
Employer Contributions	-3,446	-3,380	66
In year ill health income	-228	-297	-69
Transfer in from other schemes	0	0	0
Government Grant	-8,865	-8,589	276
Total Income	**-14,758**	**-15,107**	**-349**
Net Fund Expenditure	0	0	0

Total pension expenditure for the year was £15.1m, £0.3m more than the anticipated budget. The overspend is primarily in respect of the agreement by Government to a pension contribution holiday for those firefighters in the 1992 scheme who achieve the maximum 30 years service before they reached the minimum retirement age of 50. The agreement is to be applied retrospectively to 1 December 2006 and the reimbursements due are estimated to be £220k. Additionally £215k has been transferred out to other pension fund schemes in respect of leavers.

£2.8m of employee contributions were made into the pension account which was £0.6m more than budget primarily reflecting backdated employee contributions into the modified pension scheme. Employer contributions totalled £3.4m for the year. In total Government top up grant of £8.6m is receivable to fund the gap between expenditure and income.

Financial Climate and Medium Term Financial Planning

The Fire Authority has to develop and produce a Medium Term Financial Plan (MTFP) to ensure that it has adequate resources to deliver its services into the future. Key elements of the plan are based on funding issues arising from the 2016/17 Local Government Finance Settlement, which were as follows:

- Increases in the basic amount of Council Tax above 2% would require a referendum to be held.
- There was a reduction in the 2016-17 settlement funding assessment of 7%.
- The Government have offered a 4 year settlement to those Authorities that agree to submit efficiency plans. Under the 4 year settlement the funding assessment reductions will be as follows: 2017/18 – 9%, 2018/19 – 4% and 2019/20 – 2%.
- The medium term financial plan has been prepared on the basis that no capital grant will be paid in 2016/17 or 2017/18.

The Fire Authority’s approved 4 year medium term financial plan is summarised below:

Detail Analysis	16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000
Employees	33,227	32,523	32,577	32,829
Premises	1,945	1,885	1,929	1,975
Transport	1,567	1,645	1,678	1,711
Supplies and Services	4,666	4,799	4,896	4,995
Other Costs	4,749	2,461	2,292	2,343
Unidentified savings	0	0	0	0
Total Expenditure	46,154	43,313	43,372	43,853
Income	(1,861)	(1,904)	(1,951)	-1,985
Budget before use of reserves	44,293	41,409	41,421	41,868
Reserves	(1,499)	0	0	0
Net Budget	42,794	41,409	41,421	41,868

The MTFP outlined above is based on a number of assumptions on key financial matters such as inflation, pay awards and government funding. In order to ensure the budget is in line with funding the following efficiencies have been identified:-

Analysis of Savings 2016/17 - 2019/20 Area	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Employees	(1,455)	(1,039)	(278)	(80)	(2,852)
Premises	(148)	(105)	0	0	(253)
Transport	(47)	0	0	0	(47)
Supplies and Services	(111)	0	0	0	(111)
Other Costs	(497)	(917)	(293)	(65)	(1,772)
Unidentified savings	0	0	0	0	0
Total Savings	(2,258)	(2,061)	(571)	(145)	(5,035)
Income	0	0	0	0	0
Net SavingsExpenditure	(2,258)	(2,061)	(571)	(145)	(5,035)
Use of Reserves	(1,499)	0	0	0	(1,499)
Total reductions	(3,757)	(2,061)	(571)	(145)	(6,534)

The objectives of the MTFP are:-

- To ensure the Authority's aims and objectives can be delivered
- To ensure commitments do not exceed forecast resources over the four year period
- To look for more efficient ways of delivering services
- To manage the resources available effectively and to ensure the budget is aligned with corporate objectives
- To ensure that Council Tax increases are not excessive
- To ensure the Authority maintains a realistic level of general reserves to meet unforeseen events

Organisational Performance

AF&RS continues to make good progress in reducing risk in our community by reducing the number and impact of incidents attended. We have had success this year in reducing the number of accidental dwelling fires we attended by 3% or 15 incidents. The estimated cost of each fire incident is £8,500, so this reduction represents a saving of over £127,500 to our community. Furthermore, 39.9% of Accidental Dwelling Fires that we attended in 2015/16 required no firefighting action on our attendance, a good measure of our success in prevention. Any fatality in a fire is a tragic loss, and AF&RS continues to work towards zero fire deaths. In 2015/16 we recorded three fire fatalities, the second lowest number on record.

AF&RS continues to provide an excellent response service to our community. We are pleased to report that all of our response standards have been met, ensuring that the vital first lifesaving response is in attendance within the time that we have said we will achieve. As part of our customer satisfaction surveys we ask people who have had a fire whether our response time was in line with their expectations. For 92% of incidents we are responding quicker than or in line with expectations. We also answered over 98% of 999 calls we received within our target time of seven seconds.

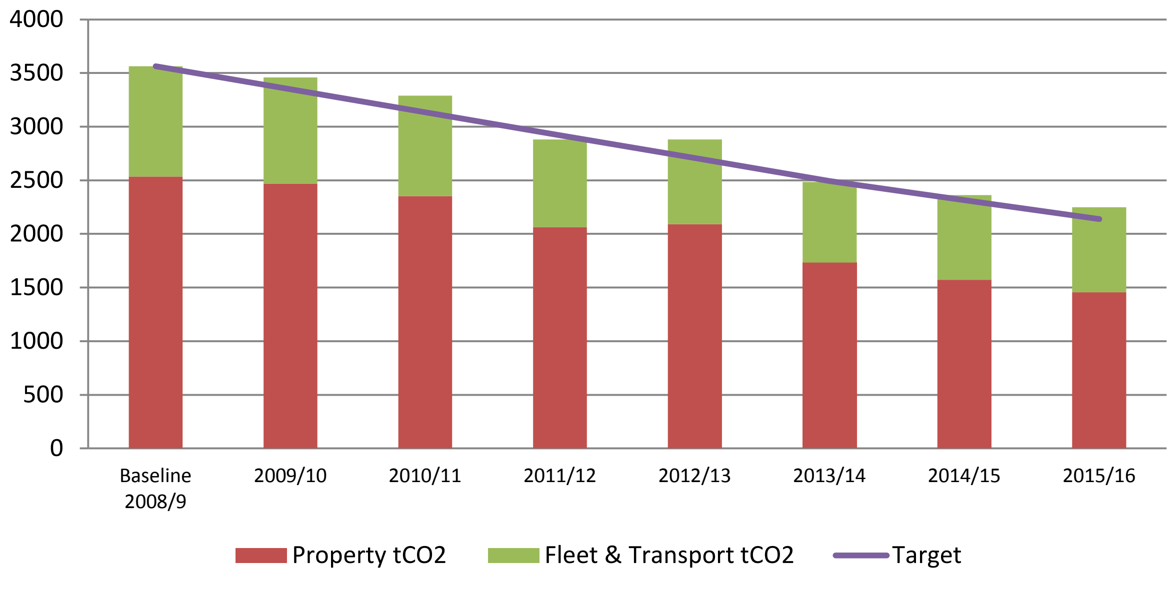
AF&RS is pleased that it gets very few complaints about the service we provide and that our customer satisfaction surveys continue to show a very high level of satisfaction with the service. For performance at incidents 99% of people who responded said they were very or fairly satisfied with our service.

CO_2 Emissions Report and Environmental Update

CO_2 Emissions

AF&RS reported carbon emissions are made up of Building Energy Consumption (Gas, Electricity and Heating Oil), Fleet Vehicle Fuel and Private and Lease vehicle mileage claims. This was the scope of emissions originally agreed with the Carbon Trust as part of the development of our Carbon Management Plan in 2010.

The graph below shows our performance over the last seven years compared to our baseline (2008/9), and a linear projection of our carbon reduction target. In March 2014 we met our Carbon Management Plan target of 30% reduction in emissions from our 2008/9 baseline.



Total Carbon Emissions have continued to fall year on year and we can now report a reduction of 37% on our 2008/9 baseline.

Property Emissions
Further rationalisation of our estate which this year has included the closure of Brislington and Keynsham Fire Stations has contributed to the ongoing reduction in energy consumption associated with our buildings.

Kingswood Fire Station which was refurbished to a significantly improved energy standard, and the completion of a new Fire Station at Hicks Gate which is designed to achieve the highest energy performance rating has also made a significant difference this year. Both stations are performing very well and are by far the lowest energy consumption sites (kWh per m^2) within our estate.

The specification of Mechanical and Electrical installations developed for our new and refurbished Fire Stations is being used as a basis to standardise and raise energy performance across the remainder of our estate. This includes more efficient lighting and heating systems, heat recovery, renewable energy, and building management systems to zone, control and shut down when not in use.

Improvements to building fabric (including insulation, windows and doors) are also a primary consideration in the refurbishment of our property.

Transport Emissions
Overall transport emissions have fallen by more than 20% compared to our 2008/9 baseline, however, Operational Fleet and Business Travel emissions have increased slightly over the last two years.

Environmental Policy and Performance Measures

A new Environmental Policy has been developed which incorporates the following Carbon and Energy Performance Measures which will now be reported:

- To reduce CO_2 equivalent emissions from AF&RS sites and operations by 50% by 2020 and 65% by 2030 from a 2008/9 baseline

- To generate 20% of AF&RS' total energy demand from renewable energy (on- and off-site) by 2020

The design for the new Temple and Hicks Gate Fire Stations incorporate significant low carbon and energy features, including Renewable Energy, District Heating compatibility and improved building management control. Once these new buildings are complete we predict a further improvements.

Transport Emissions
Overall transport emissions have fallen by more than 20% compared to our 2008/9 baseline, however, Operational Fleet emissions have increased slightly over the last 12 months.

A significant reduction in business travel has been sustained; emissions have fallen by over 50% since 2008/9 equating to over 100 tonnes CO_2 / Yr.

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;

to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;

to 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.

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 code of practice.

The Treasurer has also:

kept proper accounting records which were up to date;

taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the statement of accounts on pages 18-93 provide a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2016.

Signed

James Dack

James Dack
Treasurer of the Avon Fire Authority
30 September 2016

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase / (decrease) before transfers to earmarked reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	Fund Balance £'000	Earmarked Fund Reserves £'000	**Total Usable reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 31 March 2014 - Restated	**1,500**	**8,763**	**10,263**	**(470,067)**	**(459,804)**
Movement in reserves during 2014/15					
Surplus or (deficit) on the provision of services	(19,671)	-	(19,671)	-	(19,671)
Other Comprehensive Income and Expenditure	-	-	-	(29,304)	(29,304)
Total Comprehensive Income and Expenditure	**(19,671)**	**-**	**(19,671)**	**(29,304)**	**(48,975)**
Adjustments between accounting basis & funding basis under regulations (note 9)	18,529	-	18,529	(18,529)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(1,142)**	**-**	**(1,142)**	**(47,833)**	**(48,975)**
Transfers to/from earmarked Reserves (note 23)	1,142	(1,142)	-	-	-
Increase / (Decrease) in 2014/15	**-**	**(1,142)**	**(1,142)**	**(47,833)**	**(48,975)**
Balance at 31 March 2015 carried forward	**1,500**	**7,621**	**9,121**	**(517,900)**	**(508,779)**
Movement in reserves during 2015/16					
Surplus or (deficit) on the provision of services	(21,651)	-	(21,651)	-	(21,651)
Other Comprehensive Income and Expenditure	-	-	-	87,662	87,662
Total Comprehensive Income and Expenditure	**(21,651)**	**-**	**(21,651)**	**87,662**	**66,011**
Adjustments between accounting basis & funding basis under regulations (note 9)	20,525		20,525	(20,525)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(1,126)**	**-**	**(1,126)**	**67,137**	**66,011**
Transfers to/from earmarked Reserves (note 23)	1,126	(1,126)	-	-	-
Increase / (Decrease) in 2015/16	**-**	**(1,126)**	**(1,126)**	**67,137**	**66,011**
Balance at 31 March 2016 carried forward	**1,500**	**6,495**	**7,995**	**(450,763)**	**(442,768)**

Comprehensive Income and Expenditure Statement for the Year Ending 31 March 2016

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

Restated 2014/2015				2015/2016		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
7,073	(285)	6,788	Community safety	5,705	(197)	5,508
44,978	(2,529)	42,449	Fire fighting and rescue operations	50,701	(2,518)	48,183
100	(3)	97	Fire service emergency planning and civil defence	119	(3)	116
815	(15)	800	Corporate and democratic core	970	(14)	956
2,106	(2,106)	-	Non distributed costs	378	-	378
55,072	**(4,938)**	**50,134**	**Cost of Services**	**57,873**	**(2,732)**	**55,141**
		171	Other operating expenditure			334
		(8,042)	Firefighter Pension Top up Grant			(8,356)
		23,223	Financing and investment income and expenditure (note 28)			19,390
		(45,815)	Taxation and non-specific grant income (note 27)			(44,858)
		19,671	**(Surplus) or Deficit on Provision of Services**			**21,651**
		(1,173)	(Surplus) or Deficit on revaluation of non-current assets			(1,224)
		30,477	Remeasurements of the net defined benefit liability			(86,438)
		29,304	**Other Comprehensive Income and Expenditure**			**(87,662)**
		48,975	**Total Comprehensive Income and Expenditure**			**(66,011)**

Balance Sheet as at 31 March 2016

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 are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is 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’.

Balance Sheet as at 31 March 2016

Restated 31-Mar-15 £'000		Notes	31-Mar-16 £'000
60,345	Property, Plant & Equipment	10	59,473
272	Intangible assets	10	203
60,617	**Long Term Assets**		**59,676**
455	Assets Held for Sale	10	610
6,541	Short Term Debtors	16	4,990
7,484	Cash and Cash Equivalents	17	1,613
14,480	**Current Assets**		**7,213**
(721)	Short Term Borrowing	19	(725)
(2,685)	Short-Term Provisions	21	(890)
(3,506)	Short Term Creditors	18	(4,791)
(6,912)	**Current Liabilities**		**(6,406)**
(13,115)	Long term borrowing	19	(11,550)
	Other Long Term Liabilities		
(559,902)	Net Pensions Liability	26	(488,359)
(590)	Long-term Provisions	22	(590)
(388)	Capital Grants Receipts in Advance		
(2,969)	Deferred Liability	4,14	(2,752)
(576,964)	**Long Term Liabilities**		**(503,251)**
(508,779)	**Net Assets**		**(442,768)**
9,121	Usable Reserves	23	7,996
(517,900)	Unusable Reserves	24	(450,764)
(508,779)	**Total Reserves**		**(442,768)**

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These financial statements are updated for re-signing and replace the unaudited financial statements approved at the meeting of the Special Purposes Committee on 30th June 2016.

Signed

Peter Abraham

James Dack

Peter Abraham
Chairman of the Avon Fire Authority
30 September 2016

James Dack
Treasurer of the Avon Fire Authority
30 September 2016

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.

Restated 2014/2015 £'000		2015/2016 £'000
19,671	Net (surplus) or deficit on the provision of services (note 30)	21,651
(27,136)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(27,458)
1,562	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,836
(5,903)	Net cash flows from Operating Activities (note 31)	(3,971)
4,709	Investing Activities (note 32)	8,036
(4,997)	Financing Activities (note 33)	1,806
(6,191)	Net increase or decrease in cash and cash equivalents	5,871
(1,293)	Cash and cash equivalents at the beginning of the reporting period	(7,484)
(7,484)	**Cash and cash equivalents at the end of the reporting period (note 17)**	**(1,613)**

1. Statement of Accounting Policies

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations and be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice (SERCOP) 2015/16 supported by International Financial Reporting Standards (IFRS).

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

ii Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii Cash and Cash Equivalents and Bank Overdrafts

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

When the gross deficit of cash overdrawn on bank accounts has no offsetting arrangements the balance sheet shows the balance as Bank Overdrafts.

iv Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

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

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

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

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

The following Prior Period Adjustments effected the 2014/15 Statement of accounts.

Fighfighters pension top up grant of £8,042k has been reclassified from "Re-measurements of net defined benefit liability" in Other Comprehensive Income and Expenditure to a separate line in Surplus / Deficit on Provision of Service.

"Other Comprehensive Income and Expenditure" of £29,304k has been taken directly to unusable reserves in the MIRS rather than being reversed through note 9 – "Adjustments between Accounting Basis & Funding Basis under regulations".

vi Charges to Revenue for Non-Current Assets

Services and support services are charged with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible fixed assets attributable to the service.

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

vii Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits, whether they are a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement.

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

Post-Employment Benefits

Employees of the Authority are divided between the 1992, 2006 and 2015 Fire Fighters Pension Schemes for its uniformed Firefighters and the Local Government Scheme for support staff and abated Firefighters:

- The Firefighters Pension Schemes are administered by the Bath & North East Somerset Council in accordance with Department for Communities and Local Government (DCLG) regulations.
- The Local Government Pensions Scheme (called the Avon Pension Fund) is administered by Bath & North East Somerset Council.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority.

The Firefighters Pension Schemes

These are unfunded schemes. For such schemes, as there are no investment assets, IAS 19 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the Comprehensive Income and Expenditure account.

The Local Government Pension Scheme

The Avon Pension Fund is accounted for as a defined benefits scheme:

- The liabilities of the Avon Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using an appropriate discount rate based on the return for high quality corporate bonds.
- The assets of Avon Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - Quoted securities – current bid price
    - Un-quoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value.

- The movement on the net pensions liability is analysed into the following constituents:
    - Service cost comprising:
        - Current Service cost - the increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period.
        - Past service cost – (where applicable) the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the Authority in the number of employees covered by a plan).
        - Any gain or loss on settlement – (where applicable) arising when an authority enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan.
    - Net Interest on the defined benefit liability/(asset) – the change during the present in the net defined benefit liability/(asset) that arises from the passage of time.
    - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Remeasurements of the net defined benefit liability (asset) comprising:
        - Actuarial gains and losses – changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and b) the effects or changes in actuarial assumptions.
        - the Return on plan assets – excluding amounts included in net interest on the net defined benefit liability/(asset).
    - Contributions by scheme participants – the increase in scheme liabilities and assets due to payments made into the scheme by employees (where increased contribution increases pensions due to the employee in the future).
    - Contributions by the Employer – the increase in scheme assets due to payments made into the scheme by the employer.
    - Benefits paid – payments to discharge liabilities directly to pensioners.

In relation to retirement benefits, statutory provisions require the Authority's Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Long Term Disability Benefit

In accordance with IPSAS 25 and the code, the Authority has rebutted the presumption to account for long-term disability benefit in the same way as other long-term benefits under IAS 19. The Authority considers that these could be both significant and volatile given the nature of the service provision and therefore accounts for them, under IAS 19, as defined post-employment benefits.

viii Events After the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix Financial Instruments and Fair value measurement

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
    - Receivables are measured at fair value and carried at their amortised cost
    - There are no material loans which require separate classification and accounting treatment
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.
    - There are no available for sale assets which require separate classification and accounting treatment

Fair value measurement

The authority measures some of its financial instruments at fair value at each reporting date. Fair value is 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority’s financial statements 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 asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability. Financial instruments as set out in note 20 are classified at the following levels in the hierarchy:

- Level 1 - Short term Creditors, Debtors, Cash & Cash Equivalents and Leases deferred liability.
- Level 2 – Borrowings including both PWLB & Local Authority loans and PFI deferred Liability.

x Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

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

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

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

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

xi Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the Authority's Fund Balance. The gains and losses are therefore reversed out of the Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for sale proceeds) the Capital Receipts Reserve.

xii Heritage Assets

Under FRS30 – Heritage Assets should be declared on the balance sheet of the Authority. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment.

The Authority has a number of items that would be deemed as Heritage Assets but are de-minimus under the Authority's Property, Plant and Equipment Policy and are therefore not declared.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets e.g. where an item has suffered physical deterioration or breakage or where doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment.

The Authority may occasionally dispose of heritage assets. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory requirements relating to capital expenditure and receipts.

xiii Inventories

The Authority does not maintain separate stock accounts and treats all stock purchases as revenue expenditure incurred during the year. This is justified due to the policy of maintaining stock levels at a minimum and the high stock turnover.

xiv Leases

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

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

<u>The Authority as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

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

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

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

xv Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xvi. Property, Plant and Equipment

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

<u>Recognition</u>

Assets costing individually or collectively less than £5,000 are classed as de-minimus and are not capitalised. The expenditure is charged direct to the appropriate service line.

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

<u>Measurement</u>

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- operational land and properties and other operational assets – lower of net current replacement costs or net realisable value.
- vehicles, plant and equipment – depreciated replacement cost.
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end and as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets)

For all assets with a finite life, depreciation is calculated on a straight-line basis over the assessed useful life of the asset.

Depreciation is not charged in the year of acquisition.

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals

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

Amounts received for a disposal in excess of £5,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

xvii Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

Under the Joint Training PFI Scheme the Authority is deemed to control, along with the other partners, the services that are provided under the PFI scheme, and neither the Authority, other partners, nor the Service Provider, retains any residual interest in the property at the end of the 25 year service period. For these reasons the Authority carries it's share of the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operator each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – recognised as non-current assets on the balance sheet.

The Government provides some revenue support to the project in the form of grants (PFI credits) and the three authorities fund the balance by making contributions from within their own resources.

The grant from the Government, together with the contributions from the partners is paid into an equalisation fund, which is administered by Gloucestershire County Council on behalf of the partners. Surpluses on the equalisation fund are invested in order to ensure that adequate funding throughout the life of the contract is available. The fund is reviewed, and if necessary, contributions amended every three to five years with the intention that the balance of the fund at the end of the contract will be nil.

xviii Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

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

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xix Reserves

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

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

xx VAT

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

xxi Council Tax and Non-Domestic rates

Council tax and Non-Domestic rate income included within the Comprehensive Income and Expenditure statement includes our share of the surplus or deficit from other Local Authorities collection funds.

2.

a. Critical Judgements in Applying Accounting Policies

In applying the policies set out in the Statement of Accounting Policies, the Authority has to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts was:

- The Department for Communities and Local Government (DCLG) have agreed to settle a case brought by the Fire Brigades Union (FBU) to provide a contributions holiday to those regular firefighters who were members of the 1992 Firefighters' Pension Scheme, who joined the service before the age of 20, and who have served for over 30 years before reaching the minimum retirement age of 50.

  The decision has been applied retrospectively to 1st December 2006. There has been no further information provided by Government on how authorities should proceed with these cases.

  The Pension Administrators have identified that there are 159 leavers and 8 current employees that are affected. It has been estimated that £220k will be payable by the Authority and that Government will reimburse Fire Authorities for these additional costs in line with the previous pension ombudsman case regarding commutation factors. The cost and income have been included in the Fire Fighters Pension Fund Account with the relevant creditor and debtor included in the Authority's balance sheet.

- There is a high degree of uncertainty about future Government support for local government generally and fire services in particular. The Authority has developed an 'Investing for the Future' programme in order to prepare and plan for any requirement to scale back service provision. The accounts have therefore been prepared on a Going Concern basis.

- No Residual Value of Assets - The Authority assumes that the residual value of all property plant and equipment will be nil when they are de-commissioned, as the assets are held to provide a service rather than for resale at the end of their useful life. The Authority has determined that the amounts received when assets are decommissioned are negligible and depend on the market demand for the assets at time of disposal.

- Property valued at Depreciated Replacement Cost – The Authority has measured its fire stations as depreciated replacement cost as there is no market based evidence of fair value because of the specialist nature of the assets.

b. Assumptions made about the future and other sources of estimation uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2016 for which there is a risk of adjustment in the forthcoming financial year are as follows:

- The actuary has provided an assessment of the effect of changes in the assumptions used in estimating pension assets and liabilities included in the accounts according to the requirements of IAS 19, as reported in note 26.

- Estimation of the net liability to pay pensions depends on a number of complex estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. Please refer to the Sensitivity analyses provided in Note 26.

- The Actuary has estimated a liability for the retained firefighters using the average of the data available for these employees. As responses from the Retained Firefighters' Pensions Settlement are still being collated the Actuary has assumed a 27% take-up. The liability that has been calculated is therefore based on incomplete data, and the liability may therefore change once more information is known.

- The cost of support services and service management has been fully charged to service expenditure headings. In line with CIPFA guidance, the cost of corporate management and democratic representation and management is not charged to service expenditure headings. Corporate management relates to those activities and costs incurred in the general running of the Authority. It includes a proportion of the costs of the senior officer management team and such items as the costs of external audit and treasury management. Democratic representation and management includes all Members' allowances and costs, officer time in support of Members and certain subscriptions to local authority associations. Where support services are recharged, a number of methods are used depending on the nature of the costs to be allocated. These include; staff time spent; number of employees; usage and areas of property occupied.

- Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred. These rates are based on professional guidance and are used to calculate the appropriate depreciation charge for each asset. Property assets are subject to individual 5 year reviews which could result in changes to their remaining assets lives and corresponding changes to depreciation charges and net book values. The current economic climate may affect spending on repairs and maintenance, which may change the useful economic lives assigned to assets. It is estimated that if the remaining economic useful lives of the Authority's assets were reduced by one year the annual depreciation charge would increase by £684k

c. Accounting Standards issued but not yet adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2015/16 (the Code) requires the Authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that came into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2015 for 2015/16).

For this disclosure the standards introduced by the 2015/16 Code only include a number of minor amendments to International Financial Reporting Standards

If these had been adopted for the financial year 2015/16 there would be no material impact on the financial statements.

3. **External Audit Fees**

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

2014/2015 £'000		2015/2016 £'000
33	Fees payable with regard to external audit services carried out by the appointed auditor *2014/15 Audit Fee is £42k but includes £9k non-recuring prior year rebates	31

4. **Un-discharged obligations – Private Finance Initiative (PFI) scheme (Joint Training Centre)**

As set out in the Accounting policies, under a joint PFI venture, the Authority now receive a significant element of their fire training from Babcock Fire Training (Avonmouth) Limited, a company contracted to provide the training until 31st March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates (DBFO) under the PFI contract.

The Authority's share (50%) of the annual net contract payments paid during the year together with the estimated amounts payable over the remaining 13 years of the joint venture are as follows:

2014/2015 £'000		Service Charge £'000	Interest £'000	Repayment of Liability £'000	Total 2015/2016 £'000
1,219	Total contract payments	824	404	132	1,360
-	Outstanding undischarged contract obligations:-				-
1,360	Within 1 year	845	404	139	1,388
5,802	Between 2 and 5 years	3,592	1,631	728	5,951
8,078	Between 6 and 10	5,014	1,959	1,322	8,295
5,346	Between 11 and 12	2,184	710	699	3,593

As detailed in the Note 1 (Statement of Accounting Policies) and more specifically in Note 4 the Authority has entered into a Joint Training PFI scheme. As part of this scheme the equalisation fund, administered by Gloucestershire County Council, is invested to ensure that adequate funding is available throughout the life of the contract. The fund is reviewed and if necessary contributions from the three partners amended every three to five years with the intention that the balance on the fund at the end of the contract will be nil. Although the deficit calculated at 31 March 2016 has reduced slightly from that calculated at 31 March 2015, until such time as a renegotiation of the Training Centre contributions by the three partners is agreed, the Authority considers it prudent to keep the provision at existing levels. The provision will then be utilised to off-set any increased contributions once they are agreed.
Summary totals for the Asset held under the PFI and accounted for as part of Non-Current Assets – namely the building, including lifecycle replacement costs and the effect of revaluation are as follows:

	Property Plant & Equipment £'000
Gross Asset Value at 31 March 2015	4,446
Accumulated Depreciation and Impairment	(2,236)
Net Book Value of Asset at 31 March 2015	2,210
<u>Movement in 2015/16</u>	
Lifecycle Replacement Costs	10
Revaluation	-
Depreciation	(170)
Net Book Value of Asset at 31 March 2016	2,050

Summary totals for the corresponding liability are as follows:

The above listed commitments are affected by past inflation – previous price rises will be built into future payments – and also by future inflation – which gives rise to uncertainty about future payments.

	Property Plant & Equipment £'000
Finance Lease Liability outstanding at 31 March 2015	3,019
Finance Lease Liability repaid in 2015/16	(132)
Finance Lease Liability outstanding at 31 March 2016	2,887

5. Members' Allowances

In accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended) the totals sums paid by Avon Fire Authority to members/co-optees under the Avon Fire Authority Members Allowances Scheme for 2015/16 are set out on the following page. The summary of allowances, which have been paid under this scheme are as follows:

2014/2015 £'000		2015/2016 £'000
49	Allowances	48
49	**Total**	**48**

A copy of the Members' Allowances Scheme and of the record of payments made under the scheme are available for inspection at Service Headquarters, Temple Back, Bristol BS1 6EU between 8.30am and 4.30pm Monday to Friday (excluding public holidays).

A detailed list of individual payments can be seen below:

2014/2015 £	Recipient	Basic Allowance £	Special Responsibility Allowance £	Travel & Subsistence Expenses £	2015/2016 £
3,438	Councillor P Abraham	1,737	7,552	165	9,454
430	Councillor L Alexander				-
1,453	Councillor S Ball	160			160
	Councillor A Barber	1,223			1,223
1,508	Councillor C Barrett	1,453		34	1,487
1,453	Councillor N Barrett	1,453			1,453
	Councillor C Bolton	1,223			1,223
	Councillor T Butters	1,223		15	1,238
1,453	Councillor S Cook	148			148
1,453	Councillor K Cranney	1,453			1,453
1,453	Councillor C Davies	1,453			1,453
	Councillor D Davies	1,223		69	1,292
1,453	Councillor A Davis	1,453			1,453
3,489	Councillor M Drew	1,453	1,985		3,438
1,453	Councillor R Garner	1,453		34	1,487
1,453	Councillor H Gregor	160			160
1,453	Councillor A Hale	1,453			1,453
1,453	Councillor N Hartley	160			160
1,453	Councillor C Jackson	1,453	1,670		3,123
1,023	Councillor T Kent	160			160
430	Councillor T Leaman				-
1,453	Councillor J Lovell	1,453			1,453
430	Councillor C Martin				-
1,453	Councillor R Payne	160			160
1,453	Councillor W Payne	1,453			1,453
1,453	Councillor M Pepperall	160			160
430	Councillor D Pickup				-
	Councillor C Phipps	1,223		40	1,263
	Councillor S Pomfret	1,223			1,223
1,453	Councillor D Poole	160			160
	Councillor I Scott	1,223			1,223
	Councillor M Shelford	1,223		48	1,271
1,023	Councillor C Smith	160			160
	Councillor J Smith	1,223			1,223
1,453	Councillor R Stone	230			230
10,054	Councillor T Walker	182	948		1,130
1,023	Councillor C Windows	1,453		72	1,525
	Councillor M Williams	1,223			1,223
	Councillor N Wilton	1,223			1,223
1,019	Councillor M Wollacott	160			160
243	Mr C Williams	122			122
	Mr B Shearn	240			240
49,240	**Total**	**34,988**	**12,155**	**477**	**47,620**

6. **Employees Remuneration**

The Authority is required, by the Accounts and Audit Regulations 2015 to disclose the number of employees whose remuneration, excluding employer pension contributions, was £50,000 or more in bands of £5,000 (previous regulations required bands of £10,000) and this information is set out in the following table – staff included in the senior officer remuneration table (note 7) are not included in this table:

2014/2015 No. of Employees	Remuneration Band	2015/2016 No. of Employees
9	£50,000 - £54,999	14
11	£55,000 - £59,999	12
4	£60,000 - £64,999	4
3	£65,000 - £69,999	3
1	£70,000 - £74,999	1
-	£75,000 - £79,999	-
1	£80,000 - £84,999	-

The number of exit packages, with total cost per band, are set out in the table below.

2014/2015			2015/2016			
No. of departures agreed	Total cost of exit packages in each band £,000	Exit Package Cost Band (including special payments)	No. of Compulsory Redundancies	No. of other departures agreed	Total no. of exit packages by cost band	Total cost of exit packages in each band £,000
3	39	£0 - £20,000	-	3	3	17
		£20,001 - £30,000	-	1	1	30
3	39	Total	-	4	4	47

7. **Senior Officer Remuneration**

Under amended regulations, the Authority is required to disclose individual remuneration details for senior employees. Senior employees are defined as those employees who have a role in the overall management of the organisation. For the Authority, it is deemed that this applies to the Service Management Board (SMB) and the other statutory officer – the Monitoring Officer.

Details of their remuneration, amounts paid to them in the year, are shown in the following table:

Post Holder		Salary Incl. Fees & Allowances £	Benefits in Kind £	Pension Contributions £	Note	Total Remuneration Including Pension Contributions £
Chief Fire Officer & Chief Executive - K Pearson	2015/16	144,157	4,969	18,256		167,382
	2014/15	131,499	271	15,488		147,258
Deputy Chief Fire Officer - Director of Service Delivery - J Day	2015/16	86,572	-	-	(1)	86,572
	2014/15	149,618	3,096	16,892	(2)	169,606
Deputy Chief Officer / Deputy Chief Executive - L Houghton	2015/16	64,909	4,780	7,368	(3)	77,057
	2014/15	-	-	-		-
Assistant Chief Fire Officer - Director of Risk Reduction and Operational Training from 01/12/14	2015/16	107,754	963	18,688		127,405
	2014/15	32,825	1,139	6,992		40,956
Assistant Chief Fire Officer – Director of Operational Response from 01/12/14	2015/16	107,142	3,830	23,383		134,355
	2014/15	32,825	4,211	6,992		44,028
Assistant Chief Fire Officer - Director of Risk Reduction - Left 26/09/14	2015/16	-	-	-		-
	2014/15	26,229	-	5,561		31,790
Director of Finance, assurance and Asset Management and Treasurer	2015/16	93,432	7,562	11,866		112,860
	2014/15	83,747	6,115	9,882		99,744
Director of Corporate Services	2015/16	51,946		5,861	(4	57,807
	2014/15	83,747	4,120	9,882		97,749
Monitoring Officer	2015/16	72,056		5,218	(5	77,274
	2014/15	36,421	-	4,298		40,719
Temporary Assistant Chief Officers in 2014/15					(6)	
Area Manager - Operational Response	2014/15	41,366	-	8,811	(7)	50,177
Area Manager - People Development	2014/15	41,230	-	8,782	(8)	50,012
Area Manager - Fire Safety	2014/15	49,029	-	10,443	(9)	59,472
Total 2015/16		727,968	22,104	90,640		840,712
Total 2014/15		708,536	18,952	104,023		831,511

(1) J Day left 30/09/15.

(2) Break in service from 06/09/14 - 13/10/14

(3) L Houghton started 01/10/15

(4) Post vacant from 01/10/15 to 31/03/16

(5) Post filled from 01/04/15 - 30/09/15 by an officer and includes a £30k exit pakage. Replacement officer in post from 04/01/16 - 31/03/16

(6) The temporary promotion costs do not include the Officers' Benefits in Kind

(7) Temporary promotion 30/06/2014 - 30/11/14

(8) Temporary promotion 01/04/14 - 29/06/14 and 29/09/14 - 01/12/14

(9) Temporary promotion 01/04/14 - 28/09/14

8. **Related Party Transactions**

The Code of Practice requires disclosure of 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. For 2015/2016 the appropriate items are as follows:

- Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates; provides the majority of its funding in the form of grants (Revenue Support Grant and other specific grants) and redistributed non-domestic rates – (£17,957k).

- Members of the Authority have direct control over the Authority's financial and operating policies. They have been asked to provide information regarding Related Party transactions and from the information received it is believed that there have been no significant transactions during the year.

- Officers of the Authority have been asked to provide information regarding Related Party transactions and from the information received it is believed that there have been no significant transactions during the year.

- Other local authorities:

  - Bristol City Council as a billing Authority responsible for collecting council tax on behalf of the Fire Authority for its area (£10,176k). Is a provider of financial services to the Fire Authority – amount including the cost of servicing existing debt £2,075k. Bristol City Council also provides a long term loan with a current balance of £5,275k.

  - Bath & North East Somerset Council as a billing Authority responsible for collecting council tax on behalf of the Fire Authority for its area - (£4,866k) and as the Authority responsible for administering the Avon Pension Fund, with contributions paid over in respect of Fire Authority employees and payments in respect of the Firefighters pension scheme £19,854k.

  - North Somerset Council (£5,541k) and South Gloucestershire Council (£7,377k) as billing authorities responsible for collecting council tax on behalf of the Fire Authority for their areas.

- Other public bodies:

  - HM Revenue & Customs as a significant element of the Fire Authority's expenditure relates to payments for PAYE, National Insurance and VAT £3,572k.

  - Public Works Loan Board provides a long term loan and the cost of servicing this debt is £221k.

9. **Adjustments between Accounting Basis & Funding Basis under regulations**

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

Restated 2014/15 Fund balance £'000	Restated 2014/15 Movement in Unusable Reserves £'000		2015/16 Fund balance £'000	2015/16 Movement in Unusable Reserves £'000
		Adjustments primarily involving the Capital Adjustment Account		
		Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
6,493	(6,493)	Charges for depreciation, impairment & revaluation of non-current assets	10,617	(10,617)
(1,513)	1,513	Capital Grants and contributions applied	(1,361)	1,361
77	(77)	Amortisation of intangible assets	69	(69)
-	-	Write Back of Finance Lease Liability re Purchased Assets	-	-
171	(171)	Profit/Loss on sale of non-current assets	334	(334)
	-	**Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement**		
(3,393)	3,393	Capital expenditure charged against Fund balance	(2,377)	2,377
(763)	763	Statutory Provision for the Repayment of Debt - MRP	(721)	721
(16)	16	Statutory Repayment of Debt - Finance Lease	(11)	11
(45)	45	Statutory Repayment of Debt - PFI	(132)	132
(1,179)	1,179	Voluntary Provision above MRP	(943)	943
		Adjustments primarily involving the Pensions Reserve		
24,519	(24,519)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 26)	20,802	(20,802)
(5,863)	5,863	Employers pensions contributions and direct payments	(5,906)	5,906
		Adjustments primarily involving the Collection Fund Adjustment Account		
124	(124)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(117)	117
		Adjustments primarily involving the Accumulated Absences Account		
(83)	83	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	271	(271)
18,529	**(18,529)**	**Total Adjustments**	**20,525**	**(20,525)**

10. Summary of Capital Expenditure and Non-Current Asset Disposals

Property, Plant and Equipment

Movements in Property, Plant & Equipment assets during the year are as follows:

2015/2016	Land & Buildings £'000	Assets under Construction £'000	PFI £'000	Vehicles & Equipment £'000	**Total £'000**
Cost or Valuation					
1 April 2015	75,819		4,446	34,798	**115,063**
2014/15 Adjustment				107	**107**
Additions	4,956	2,464	10	2,049	**9,479**
Disposals	(36)			(2,418)	**(2,454)**
Transfer to Assets Held for Sale	(610)				**(610)**
Revaluation increases / (decreases) to Revaluation Reserve	(34,834)			(255)	**(35,089)**
Revaluation increases / (decreases) to (Surplus) / deficit on the provision of Services	(5,621)			(51)	**(5,672)**
31 March 2016	**39,674**	**2,464**	**4,456**	**34,230**	**80,824**
Depreciation and impairments					
1 April 2015	(34,116)		(2,236)	(18,366)	**(54,718)**
Charge for year	(3,205)		(170)	(2,383)	**(5,758)**
Disposals	4			2,103	**2,107**
Transfer to Assets Held for Sale					**-**
Revaluations	37,197			(179)	**37,018**
31 March 2016	**(120)**	**-**	**(2,406)**	**(18,825)**	**(21,351)**
Net book value of assets at 31 March 2015	**41,703**	**-**	**2,210**	**16,432**	**60,345**
Net book value of assets at 31 March 2016	**39,554**	**2,464**	**2,050**	**15,405**	**59,473**

2014/2015	Land & Buildings £'000	Assets under Construction £'000	PFI £'000	Vehicles & Equipment £'000	**Total £'000**
Cost or Valuation					
1 April 2014	75,917		5,107	35,398	**116,422**
Additions	3,771		86	1,976	**5,833**
Disposals	(21)			(4,108)	**(4,129)**
Transfer to Assets Held for Sale	(3,294)				**(3,294)**
Revaluation increases / (decreases) to Revaluation Reserve	957		(486)	123	**594**
Revaluation increases / (decreases) to (Surplus) / deficit on the provision of Services	(1,511)		(261)	1,409	**(363)**
31 March 2015	**75,819**	**-**	**4,446**	**34,798**	**115,063**
Depreciation and impairments					
1 April 2014	(35,098)		(2,074)	(18,742)	**(55,914)**
Charge for year	(2,302)		(162)	(2,401)	**(4,865)**
Disposals	11			3,898	**3,909**
Transfer to Assets Held for Sale	2,834				**2,834**
Revaluations	439		-	(1,121)	**(682)**
31 March 2015	**(34,116)**	**-**	**(2,236)**	**(18,366)**	**(54,718)**
Net book value of assets at 31 March	**40,819**	**-**	**3,033**	**16,656**	**60,508**
Net book value of assets at 31 March	**41,703**	**-**	**2,210**	**16,432**	**60,345**

Intangible Non-Current Assets

Movements in intangible non-current assets during the year are as follows:

2014/2015 £'000	Intangible Assets (Purchased software licences)	2015/2016 £'000
	Original Cost	
1,093	1 April 2015 (2014)	1,095
2	Additions	-
	Disposals	(223)
1,095	31 March 2016 (2015)	**872**
	Amortisation and impairments	
(746)	1 April 2015 (2014)	**(823)**
(77)	Charge for year	(69)
	Disposals	223
(823)	31 March 2016 (2015)	**(669)**
347	**Net book value of assets at 31 March 2015 (2014)**	**272**
272	**Net book value of assets at 31 March 2016 (2015)**	**203**

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of (£69k) charged to revenue in 2015/16 was attributed to Community Fire Safety (£7k), Fire Fighting and Rescue Operations (£61k) and Corporate Democratic Core (£1k).

Assets Held for Sale

2014/2015 £'000	Assets Held for Sale	2015/2016 £'000
-	**Balance at start of year**	455
	Additions in year	4
455	Assets newly classified as held for sale:	610
455		**1,069**
-	Assets sold	(459)
455	**Balance at end of year**	**610**

11. **Capital Expenditure and Sources of Finance**

Capital expenditure and sources of finance were as follows:

2014/2015 £'000		2015/2016 £'000
3,857	Land and buildings	7,435
1,322	Vehicles	1,625
95	Ops equipment	116
559	IT Hardware	307
2	Software	-
5,835		**9,483**
1,513	Grant	1,361
49	Capital Receipts	472
3,393	Revenue Contributions	2,377
880	Prudential Borrowing	5,273
5,835		**9,483**

The Fire Authority determines its level of borrowing in accordance with the Prudential Code issued by CIPFA (subject to longstop controls). The Prudential Code requires the Fire Authority to ensure that its capital investment plans are affordable, prudent and sustainable.

One of the prudential indicators, which relates to affordability, is the capital financing requirement, this indicates the underlying need to borrow for capital purposes.

The table below shows how capital expenditure during the year has been financed (including the value of assets acquired under finance leases and the PFI contract), the sources of that finance and how this relates to the movement in the capital financing requirement during the year. The underlying need to borrow for capital purposes has also been analysed between borrowing supported by Government financial assistance and that which is not supported. The borrowing which is not supported, relates to borrowing which the Authority has determined as prudent under the new prudential system.

2014/2015 £'000		2015/2016 £'000
20,305	Opening Capital Financing Requirement	19,182
	Capital Investment	
5,833	Property Plant and Equipment	9,483
2	Intangible assets	-
	Sources of finance	
(49)	Capital Receipts	(472)
(1,513)	Government grants and other contributions	(1,361)
(5,396)	Revenue Provision	(4,183)
19,182	Closing Capital Financing Requirement	**22,649**
	Explanation of movements in year	
(335)	Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(320)
(788)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	3,787
(1,123)	Increase/(decrease) in Capital Financing Requirement	**3,467**

12. Capital Financing - Minimum Revenue Provision

The Authority is required by regulations, issued under the provisions of the Prudential Code, to make “prudent provision” for the redemption of debt. Whilst the term “prudent provision” is not defined in the regulations separate guidance has been issued on the interpretation of this term and the Authority has a legal obligation to comply with this.

For debt incurred prior to the 1 April 2008 the Authority has opted to continue to use the “Regulatory Method” to calculate its Minimum Revenue Provision (MRP) as permitted under the guidance. Therefore, the amount required to be set aside is 4% of the Authority’s Capital Financing Requirement.

For any borrowing made under the provisions of the Prudential Code, after the 1 April 2008 the Authority is required to repay this debt over the life of the assets that it is being utilised to fund. The balance of outstanding Prudential borrowing taken after 1 April 2008 will be deducted from the Authority’s Capital Financing Requirement to allow the Minimum Revenue Provision of 4% to be calculated. The repayment of prudential borrowing based on the life of the assets will then be added to this figure to arrive at the total MRP amount required to be set aside for the repayment of debt each year.

The calculation of the Authority’s Capital Finance Requirement and its MRP is as follows:

2014/2015 £’000		2015/2016 £’000
	Opening Capital Financing Requirement as at 1 April:	
60,855	Fixed Assets	61,073
(10,899)	Revaluation Reserve	(11,294)
(29,651)	Capital Adjustment Account	(30,597)
20,305	Capital Financing Requirement	**19,182**
(165)	Adjustment Factor A	(165)
20,140	Adjusted Capital Financing Requirement	**19,017**
1,940	MRP	1,738
63	Finance Leases - Voluntary MRP Contributions	69

13. Information on Assets held

An analysis of the principal Property, Plant & Equipment assets owned by the Authority (including those acquired under finance lease and PFI) is as follow:

Number as at 31/03/2015		Number as at 31/03/2016
	Land and buildings	
1	Joint Training Centre (Part owned - PFI)	1
23	Fire Stations etc	23
1	Land re new Fire Station currently under construction	0
1	Service HQ	1
1	Command and Control Centre	1
1	Emergency Control	1
1	Technical Centre	1
0	Hot Fire Training Centre	0
1	USAR Centre	1
1	Fire House	0
	Vehicles and Equipment	
82	Operational Vehicles	81
71	Ancillary Vehicles	83
25	Trailers etc	26

14. Assets held under finance leases

The Authority has acquired vehicles for operational purposes under finance leases. The rentals payable under these arrangements are identified below together with an analysis of the amounts which have been charged to the Comprehensive Income and Expenditure Statement during the year.

2014/2015 Vehicles & Equipment £'000		2015/2016 Vehicles & Equipment £'000
120	Total rentals paid	85
	Analysis of charges in the Financial Statements	
11	Finance Charge - (Comprehensive Income and Expenditure Statement)	6
109	MRP (including voluntary contributions) - (Movement in Reserves Statement)	79

As set out in the accounting policies, where the Authority enters into finance leases, it makes voluntary MRP contributions over and above the minimum 4% required in order to equate the contributions to MRP with the profile of payments made to discharge the liability over the term of the lease.

Details of the assets held under finance leases and accounted for as part of Property, Plant and Equipment, are as follows:

	Vehicles & Equipment £'000
Certified valuation at 31 March 2015	1,600
Accumulated depreciation and impairment	(1,214)
Net book value of assets at 31 March 2015	**386**
Movement in 2015/16	
Additions	-
Disposals	(31)
Revaluations	7
Depreciation	(137)
Impairments	
Net book value of assets at 31 March 2016	**225**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

2014/2015 £'000		2015/2016 £'000
	Finance Lease Liabilities	
114	Current	79
82	Non-Current	3
196		82
9	Finance Costs Payable in Future Years	3
205	Minimum Lease Payments	85

The minimum lease payments will be payable over the following periods:

	Minimum Lease		Finance Lease	
	31-Mar-16 £,000	31-Mar-15 £,000	31-Mar-16 £,000	31-Mar-15 £,000
Not Later than one year	82	120	79	114
Later than one year and not later than five years	3	85	3	82
	85	205	82	196

15. Non-Current Asset Valuation

The code requires assets carried at fair value to have a valuation at least every five years as a minimum, but these should be re-valued more regularly if a five yearly valuation would be insufficient to reflect material changes in value. Where there has been no material change the Authority has chosen to carry out the valuation of its properties on a five year rolling basis. All the Authority's assets were re-valued as follows:

- Land and Buildings were re-valued by external valuers, Cushman & Wakefield, as at 31 March 2016
- Vehicles and material transport related items of equipment were re-valued by the Authority's internal Fleet Engineer, Paul Beard, as at 31 December 2015

Where appropriate the Authority's properties have been valued on the basis of open market value for existing use. However, the nature of the Authority's portfolio in terms of design, configuration and location, e.g. fire stations, has meant that the depreciated replacement cost approach has been considered more appropriate for the majority of its premises.

The finite useful life of the Authority's assets on which depreciation has been provided are estimated as follows:

Assets	Years
Buildings	10-60
Fire Appliances	8-17
Other Vehicles	6-10
Trailers etc	5-12
Communication equipment	12
Computer equipment	5
Other equipment	3-15

Intangible Assets are amortised on a straight-line basis over 5 years.

16. Debtors

An analysis of debtors, amounts due in less than 1 year, is shown in the table below:

31/03/2015 £'000		31/03/2016 £'000
1,151	Central Government Bodies	1,460
1	NHS	-
2,305	Other local authorities	2,360
3,084	Other entities and individuals	1,170
6,541		4,990

17. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements. The Authority does not hold any short-term deposits:

31/03/2015 £'000		31/03/2016 £'000
2	Cash held by the Authority - Imprests	2
7,482	Bank Current Accounts	1,611
7,484		1,613

18. **Creditors**

An analysis of creditors, amounts due in less than 1 year, is shown in the table below:

31/03/2015 £'000		31/03/2016 £'000
(1,039)	Central Government Bodies	(1,002)
(159)	Other local authorities	(408)
(2,308)	Other entities and individuals	(3,381)
(3,506)		(4,791)

19. **Analysis of Borrowing**

The loans outstanding consist of a loan through Bristol City Council and one through The Public Works Loan Board. Loans repayable during 2016/2017 are shown as short term borrowing in the Balance Sheet. The maturity of long-term loans is as follows:

31/03/2015 £'000		31/03/2016 £'000
677	Between 1 and 2 years	697
1,872	Between 2 and 5 years	1,926
2,519	Between 5 and 10 years	1,927
8,047	Over 10 years	7,000
13,115	Total long term borrowing at 31 March 2016 (2015)	11,550

As at 31 March 2016 (2015) the Authority had deferred borrowing of £7,405k (£2,131k).

20. **Financial Instruments**

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000
Financial Liabilities at amortised cost	(16,084)	(14,302)	(2,778)	(3,716)
Total borrowings	**(16,084)**	**(14,302)**	**(2,778)**	**(3,716)**
Loans and receivables	-	-	10,616	5,286
Total debtors	**-**	**-**	**10,616**	**5,286**

Reconciliation note

The SORP requires a reconciliation to be made between the Balance Sheet and the Financial Instruments note where figures differ. The amounts listed in the table below have been excluded because they are not considered Financial Instruments.

	Current	
	31 March 2015 £'000	31 March 2016 £'000
Financial Liabilities at amortised cost per Note 20	**(2,778)**	**(3,716)**
Statutory debt in relation to HMRC	(548)	(525)
Receipts in advance	-	-
Short term liabilities in relation to leases inc PFI	(246)	(217)
Receipts in advance and overpayments in relation to Council Tax .	(645)	(755)
Short term Borrowing	721	725
Fire Fighter pension scheme - Ill health	-	(303)
Short Term Creditors	**(3,496)**	**(4,791)**

Financial Instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2015/2016	Financial Liabilities measured at amortised costs £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expense			
- Loan & Leases	556	-	556
- PFI	421	-	421
Interest payable and similar charges	**977**	**-**	**977**
Interest income	-	(54)	(54)
Interest and Investment Income	**-**	**(54)**	**(54)**
Net Gain / (loss) for the year	**977**	**(54)**	**923**

Fair Values

Financial Liabilities and Financial Assets represented by loans and receivables are carried on the balance sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans, the new maturity rates from the Public Works Loan Board (PWLB) as available at 31 March have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities

	31 March 2015		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount **£'000**	Fair Value **£'000**
Loan Debt				
Local Authority	(6,804)	(10,286)	(5,275)	(6,848)
Public Works Loan Board	(7,000)	(8,320)	(7,000)	(7,274)
Other Loans	(32)	(32)	-	-
Deferred Liability - Finance Lease	(82)	(82)	(3)	(3)
Deferred Liability - PFI	(2,887)	(2,887)	(2,749)	(2,749)
Total debt	**(16,805)**	**(21,607)**	**(15,027)**	**(16,874)**
Trade and other creditors	(2,057)	(2,057)	(2,991)	(2,991)
Total Financial Liabilities	**(18,862)**	**(23,664)**	**(18,018)**	**(19,865)**

The fair value is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Reconciliation note

The Code of Practice requires a reconciliation to be made between the Balance Sheet and the Financial Instruments note where figures differ. The amounts listed in the table below have been excluded because they are not considered Financial Instruments.

	Current 31 March 2015 £'000	31 March 2016 £'000
Carrying amount total debt per Note 20	**(13,836)**	**(12,275)**
Short Term Borrowing	(721)	(725)
Long Term Borrowing	(13,115)	(11,550)
Total Borrowing	**(13,836)**	**(12,275)**

	Current 31 March 2015 £'000	31 March 2016 £'000
Trade and other Creditors per Note 20	**(2,057)**	**(2,991)**
Statutory debt in relation to HMRC	(548)	(525)
Receipts in advance	-	-
Short term liabilities in relation to leases inc PFI	(246)	(217)
Receipts in advance and overpayments in relation to Council Tax.	(645)	(755)
Fire Fighter pension scheme - Ill health	-	(303)
Short Term Creditors	**(3,496)**	**(4,791)**

Loans and receivables

	31 March 2015		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Investments				
Bank and cash	7,485	7,485	1,613	1,613
Total debt	**7,485**	**7,485**	**1,613**	**1,613**
Trade and other debtors	5,237	5,237	3,672	3,672
Total Loans and Receivables	**12,722**	**12,722**	**5,285**	**5,285**

Reconciliation note

The Code of Practice requires a reconciliation to be made between the Balance Sheet and the Financial Instruments note where figures differ. The amounts listed in the table below have been excluded because they are not considered Financial Instruments.

	Current	
	31 March 2015 £'000	31 March 2016 £'000
Trade and other Debtors per Note 20	**5,237**	**3,672**
Payments in advance	144	47
Short Term Debtors in Council Tax	1,438	1,582
Provision for bad debt	(737)	(746)
Short Term Debtors in VAT	-	435
Short Term Debtors	**6,082**	**4,990**

Nature and Extent of Risk Arising from Financial Instruments and How the Authority Manages those Risks

Key Risks

The Authority's activities expose it to a variety of financial risks, the key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk - the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Authority's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year;

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Authority's annual budget and council tax setting. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by Bristol City Council under the terms of a Financial Services contract. The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

The Authority's treasury portfolio is not of a significant size to provide significant treasury risk.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Authority's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2016 £'000	Historical experience of default	Adjustments for market conditions at 31 March 2016	Estimated maximum exposure to default £'000
Other counterparties - Local Authorities	1,460	0.0%	0.0%	-
Other counterparties - NHS	-	0.0%	0.0%	-
Other counterparties - Central Government	2,360	0.0%	0.0%	-
Trade and other debtors	334	2.5%	42.4%	142
	4,154			**142**

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for its trade debtors. An analysis of debtors at the year-end has been carried out and a bad debt provision of £142k has been created to cover the risk of default.

Liquidity risk

The Authority's Treasury Management function is managed by Bristol City Council under a Financial Services contract. Bristol City Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. There is therefore no significant risk that the Authority will be unable to raise finance to meet its commitments under financial instruments.

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures, undertaken on its behalf by Bristol City Council, required by the Code of Practice.

Refinancing and Maturity Risk

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and Bristol City Council manage the operational risks within the approved parameters.

The maturity analysis of financial liabilities is as follows:

2015/2016	£'000
Less than one year	(3,716)
Between 1 and 2 years	(696)
Between 2 and 5 years	(1,926)
More than 5 years	(8,927)
	(15,265)

The maturity analysis of financial assets is as follows:

2015/2016	£'000
Less than one year	5,286

Market risk

Interest rate risk

Interest on the Authority's existing borrowing is based upon long term fixed interest rate maturity loans and therefore there is minor exposure to interest rate movements. However, as previously indicated the Authority has deferred borrowing of £7,405k which is being funded by utilising balances to offset borrowing in the short term in accordance with the Authority's approved Treasury Management Strategy.

A differential increase in interest rates between long term and short term rates would lead to an interest rate exposure for the Authority. This risk can be mitigated against increased counter party risks associated with lending surplus balances as part of the treasury management function. The effect of a 1% change (rise or fall) in rates on Interest rate risk relating to deferred borrowing of £7,405k would be £74k.

The Authority's medium term financial plan has made provision for some borrowing in 2016/2017. Overall long term borrowing rates have remained at historic low levels throughout the year and the situation is being closely monitored.

Effects of a 1% rise in rates:

The effect of a 1% Interest rate rise on Bank Interest receivable:

2015/2016	£'000
Increase in interest receivable on variable rate investments	64
Impact on Surplus or Deficit on the Provision of Services	**64**

The effect of a 1% rise in the Discount rate used to calculate the Fair Value of the loans:

2015/2016	£'000
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(2,010)

Effects of a 1% fall in rates:

As interest rates are so low due to the current financial climate a 1% fall in rates is not possible as the average rate for 2015/16 was only 0.36%. The maximum impact could only be the interest received in the year of £54k.

2015/2016	£'000
Increase in interest receivable on variable rate investments	(54)
Impact on Surplus or Deficit on the Provision of Services	**(54)**

Effect of a 1% fall in the Discount rate used to calculate the Fair Value of the loans:

2015/2016	£'000
Increase in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	2,469

These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

Price risk - The Authority does not generally invest in instruments with this type of risk.

Foreign exchange risk - The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

21. **Short Term Provisions**

	Balance at 1 April 2014 £'000	Additional Provisions Made in 2014/15 £'000	Amounts Utilised in 2014/15 £'000	Balance at 31 March 2015 £'000	Additional Provisions Made in 2015/16 £'000	Amounts Utilised in 2015/16 £'000	Balance at 31 March 2016 £'000
Fire Hydrants	65	-	-	65	-	-	65
Finance systems	38	-	-	38	-	-	38
Lease Buy-out	98	-	(98)	-	-		-
Ill Health Retirement	81	-	-	81	-	(81)	0
HQ Reallocation Expenses	0	-	-	-	330	-	330
NDR Appeals	282	114	-	396	61	-	457
Pension commutation	-	2,106	-	2,106	-	(2,106)	-
	564	2,220	(98)	2,686	391	(2,187)	890

Details of the Authority's Short Term Provisions are as follows:

- Fire Hydrants
  This provision has been created due to a backlog of maintenance work.

- Finance Systems
  This provision is being retained due to outstanding development of the Finance system.

- Ill Health retirement
  This provision was utilised during the year.

- HQ Reallocation Expenses
  The Fire Authority has agreed, subject to contract, to accept an offer from Avon and Somerset Police for its support staff to share the Police headquarters site at Portishead. The support staff currently located at the headquarters site at Temple Back will be relocated to Portishead in 2016-17 and a provision has been created to cover the expected additional travel costs that will be incurred by support staff as a result of this move in accordance with the Fire Authority's approved relocation policy.

- NDR Appeals
  This provision has been created to allow for the cost of possible NDR Appeals

- Pension Commutations Payments
  This provision has been fully utilised in 2015/16 for the payment of additional pension commutations to whole-time firefighters who retired between 1st December 2001 and 21st August 2006.

22. **Long Term Provisions**

	Balance at 1 April 2014	Additional Provisions Made in 2014/15	Amounts Utilised in 2014/15	Balance at 31 March 2015	Additional Provisions Made in 2015/16	Amounts Utilised in 2015/16	Balance at 31 March 2016
	£’000	£’000	£’000	£’000	£’000	£’000	£’000
PFI	590	-	-	590		-	590
	590	-	-	590	-	-	590

<u>Private Finance Initiative</u>

As detailed in the Note 1 (Statement of Accounting Policies) and more specifically in Note 4 the Authority has entered into a Joint Training PFI scheme. As part of this scheme the equalisation fund, administered by Gloucestershire County Concil, is invested to ensure that adequate funding is available throughout the life of the contract. The fund is reviewed and if necessary contributions from the three partners amended every three to five years with the intention that the balance on the fund at the end of the contract will be nil. Although the deficit calculated at 31 March 2016 has reduced slightly from that calculated at 31 March 2015, until such time as a renegotiation of the Training Centre contributions by the three partners is agreed, the Authority considers it prudent to keep the provision at existing levels. The provision will then be utilised to off-set any increased contributions once they are agreed.

23. Useable Reserves

	Balance at 1 April 2014 £'000	Transfers in 2014/15 £'000	Transfers out 2014/15 £'000	Balance at 31 March 2015 £'000	Transfers in 2015/16 £'000	Transfers out 2015/16 £'000	Balance at 31 March 2016 £'000
Fund Balance	1,500	-	-	1,500	-	-	1,500
	1,500	**-**	**-**	**1,500**	**-**	**-**	**1,500**
Austerity Reserve	5,251		(3,467)	1,784	397	(400)	1,781
	5,251	**-**	**(3,467)**	**1,784**	**397**	**(400)**	**1,781**
Pension & Budget Pressures Reserves Incl.							
PPE / ICP Replacement Reserve	125	-	-	125	-	-	125
Control Resilience Reserve	400	-	-	400	-	-	400
Premises H&S Reserve Critical Works	100	-	-	100	-	-	100
Pension Reserve	500	100	(400)	200	120		320
Legal Fees Reserve	100	-	-	100	-	-	100
Community Safety Reserve	203	100	(203)	100	64	(100)	64
Marketing Reserve	28	-	-	28	-	-	28
Auxiliary Reserve	125	-	-	125	-	-	125
Breathing Apparatus Reserve	50	-	-	50	-	-	50
Training Reserve	-	100	-	100	70	(100)	70
Investing for the Future	-	1,700	-	1,700		(1,065)	635
ICT Development	-	76	-	76		(76)	-
Capital Financing	-	872	-	872		-	872
	1,631	**2,948**	**(603)**	**3,976**	**254**	**(1,341)**	**2,889**
Hydrants	100	-	-	100	-	-	100
Medical Intervention	40	-	-	40	-	-	40
PFI Equalisation Fund	1,741		(20)	1,721	-	(35)	1,686
Total Usable Reserves	**10,263**	**2,948**	**(4,090)**	**9,121**	**651**	**(1,776)**	**7,996**

Details of the Authority's approved reserves and an explanation of any movement during the year are as follows:

a. <u>Austerity Reserve</u>

This reserve has been created to fund future initiatives and programmes to assist the Authority in achieving its medium term financial targets. There was a net decrease in the reserve of £3k during the year and it is anticipated that this reserve will be utilised over the next 4-5 years.

b. <u>PPE /ICP Replacement Reserve</u>

This reserve will be utilised to meet fluctuations in personal protective equipment costs associated with the introduction of the Integrated Clothing project and the one-off cost associated with the planned change in station wear.

c. Control Resilience Reserve

Following the cancellation of the Regional Control Centre project by Central Government, increased costs were identified in maintaining and developing the existing control infrastructure in order to maintain resilience. The resilience programme of works is expected to be finalised in early 2016/17 with the role out the emergency services mobile communications programme (ESMCP) expected to be finalised within the next 3 years. This reserve will be utilised over this period to support completion of these programmes.

d. Premises / H & S Reserve Critical Works

This reserve has been created to finance any urgent works identified by the Authority as a priority in relation to Health &Safety. It is anticipated that this reserve will be utilised over the next 4 years.

e. Pension Reserve

This reserve has been created to assist in the financing of ill-health pension retirements where costs of two or four times the retirees salary are paid to the Department for Communities and Local Government. £120k was transferred in to this reserve during the year and it is anticipated that the balance will be utilised over the next 4 years.

f. Legal Fees Reserve

This reserve has been set up to fund costs associated with legal claims, primarily property and employee costs. This reserve will be utilised over the next 4 years.

g. Community Safety Reserve

This balance of £100k on this reserve at the start of the financial year was utilised to fund community safety activity including safety campaigns, commissioning services from the voluntary sector and the fitting of smoke alarms as planned. An amount of £64k was set-up during the year to fund further commitments to commissioning services from the voluntary sector and safety campaigns.

h. Marketing Reserve

This reserve will be utilised to support community safety advertising campaigns and initiatives.

i. Auxiliary Reserve

This reserve will be utilised over the next 4 years to provide training and equipment for auxiliary members of staff.

j. Breathing Apparatus Reserve

A reserve to fund a new breathing apparatus total care package was created in 2011/12. Part of this reserve has been utilised and it is anticipated that the balance will be utilised in the next 1 - 2 years in line with the breathing apparatus replacement programme.

k. Training Reserve

This balance of £100k on this reserve at the start of the financial year was utilised during the year to fund training. An amount of £70k was set-up during the year to fund further commitments to training. It is anticipated that this reserve will be utilised during the next 1 - 2 years.

l. Investing for the Future

Funding to assist the Authority to achieve its medium term financial targets including the Investing for the Future programme. £1,065k was utilised during the year leaving a balance of £635k. It is planned that this reserve will be utilised during 2016/17 as part of the funding for the Investing for the Future programme.

m. ICT Development

This reserve was utilised during 2015/16.

n. Capital Financing

This reserve was created as a result of the high level of uncertainty around the availability of Capital Grant from Central Government in future years. Central Government have subsequently confirmed that no capital grant funding will be made available for 2016/17 and so this reserve is to be utilised during the next financial year to provide funding for the Authority's capital programme including its' appliance replacement programme.

o. Hydrants

This reserve has been set up to fund the costs of repair works resulting from an increasing number of inspections. It is anticipated that this will be utilised over the next 2 years.

p. Medical Intervention

This reserve has been created to fund medical intervention and prevention initiatives and will be utilised over the next 4 years.

q. Equalisation Fund

Grant from the Government for the PFI project, along with contributions from partners is paid into an Equalisation Fund. This fund is administered by Gloucestershire County Council, on behalf of the partners.

24. Unusable Reserves

Restated Balance at 31 March 2015 £'000		Balance at 31 March 2016 £'000
11,294	**Revaluation Reserve**	11,571
30,596	**Capital Adjustment Account**	26,066
(559,902)	**Pensions Reserve**	(488,359)
253	**Collection Fund Adjustment**	370
(141)	**Accumulated Absences Account**	(412)
(517,900)	**Total Unusable Reserves**	**(450,764)**

Revaluation Reserve

2014/2015 £'000		2015/2016 £'000
10,899	**Balance at 1 April 2015 (2014)**	**11,294**
1,173	Adjustment to revaluation of assets	1,100
12,072	**Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**12,394**
(778)	Difference between fair value depreciation and historic cost depreciation	(823)
11,294	**Balance at 31 March 2016 (2015)**	**11,571**

The revaluation reserve records the accumulated gains on the non-current assets held by the Authority arising from increases in value, as a result of inflation or other factors, to the extent that these gains have not been consumed by subsequent downward movements in value.

Where assets have been re-valued the excess current value depreciation over the historic depreciation is charged to this reserve. On disposal, the revaluation reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the reserve therefore represents the amount by which the value of non-current assets carried in the balance sheet is greater because they are carried at re-valued amounts rather than depreciated historic cost.

Whilst these gains arising from revaluations increases the net worth of the Authority they would only represent an increase in spending power if the relevant assets were sold and capital receipts generated.

Capital Adjustment Account

2014/2015 £'000		2015/2016 £'000
29,651	**Balance at 1 April 2015 (2014)**	**30,596**
	Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(5,320)	Depreciation and impairment of non-current assets	(11,932)
(1,173)	Revaluation losses/gains on Plant, Property & Equipment	1,313
(77)	Amortisation of intangible assets	(69)
-	Write back of Lease re Assets Purchased	-
(220)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(684)
22,861		**19,224**
778	Adjusting amounts written out of the Revaluation Reserve	823
23,639	Net written out amount of the cost of non-current assets consumed in the year	**20,047**
	Capital Financing applied in the year	
1,561	Capital Grants credited to the Comprehensive Income and Expenditure Statement	1,836
440	Minimum revenue provision for capital financing	712
1,563	Voluntary revenue provision for capital financing	1,094
3,393	Capital expenditure charged in-year to the fund balance	2,377
30,596	**Balance at 31 March 2016 (2015)**	**26,066**

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

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Pensions Reserve Summary – See Note 26 for further information

2014/2015 Restated £'000		2015/2016 £'000
(510,769)	**Balance at 1 April 2015 (2014)**	**(559,902)**
(24,938)	Remeasurements of pensions assets and liabilities	86,438
(30,058)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(20,801)
5,863	Employer's pensions contributions and direct payments to pensioners payable in the year	5,906
(559,902)	**Balance at 31 March 2016 (2015)**	**(488,359)**

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

This reserve relates to the two pension schemes, Fire Fighters and Local Authority and additional information is shown in note 26.

Collection Fund Adjustment Account

2014/2015 £'000		2015/2016 £'000
377	**Balance at 1 April 2015 (2014)**	**253**
(10)	Bath and North East Somerset	(12)
(9)	Bristol City Council	(9)
1	North Somerset	137
(106)	South Gloucestershire	1
253	**Balance at 31 March 2016 (2015)**	**370**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers and business rate payers, compared with the statutory arrangements for paying across amounts to the Fire Authority from the billing authorities. The annual movement attributable to each of the four billing authorities is shown in the table above.

Accumulated Absences Account

2014/2015 £'000		2015/2016 £'000
(225)	**Balance at 1 April 2015 (2014)**	**(141)**
225	Settlement or cancellation of accrual made at the end of the preceding year	141
(141)	Amount accrued at the end of the current year	412
84	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	553
(141)	**Balance at 31 March 2016 (2015)**	**412**

25. Authorisation of Accounts for issue

The date that the financial statements were authorised for issue by the Treasurer of the Fire Authority was 30th September 2016. Events that occur after this date have not been recognised in the Statement of Accounts.

26. **Retirement Benefits**

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 the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two pension schemes:

- Local Government Pension Scheme

  All staff, other than uniformed Firefighters, are eligible to join the Local Government Pension Scheme (LGPS). The scheme is administered by Bath & North East Somerset Council and is called the Avon Pension Fund. The Fund provides members with benefits related to length of service and final salary. It is a 'defined benefit' scheme. The Fund's Actuary carries out a valuation of the Fund every three years in accordance with government regulations. If the valuation indicates that there are insufficient assets to meet future liabilities, employer contribution rates are increased to make up the shortfall. The latest valuation was undertaken at 31 March 2013 and assessed the overall funding level at 78%.

- Firefighters scheme

  Regular Firefighters employed before 6 April 2006 were eligible to join the Firefighters Pension Scheme but this scheme closed to new entrants from April 2006. The Employer contribution rate for this scheme was 21.7%. Employee contributions vary according to salary, as shown in the table under Note 2 to the Firefighters Pension Fund Account on page 91.

  A New Firefighters Pension Scheme was introduced for regular and retained Firefighters employed since 6 April 2006, which has different contribution rates payable into the scheme and benefits available to scheme members. The employer contribution rate for this scheme was 11.9%. Employee contributions vary according to salary, as shown in the table under Note 2 to the Firefighters Pension Fund Account on page 91.

  The arrangements for financing Firefighters pensions which came into effect in April 2006 required the Authority to set up a new ring fenced 'Pensions Account' from which pension payments, retirement lump sums and transfers out have been made. The Pensions account is funded by employee and employer contributions, the reimbursement by the employer of charges for ill-health early retirements and transfers in to the scheme with any deficit / surplus at the year-end being met by / paid to central government. The employer contribution rate is determined by central government.

  With effect from 1 April 2015 a new firefighters pension scheme, "The 2015 Firefighters Pension Scheme", has been introduced which replaces both the 1992 and 2006 schemes. All firefighters in the 1992 or 2006 schemes transferred to the new scheme on 1 April 2015 unless they were eligible for taper protection. Eligibility for taper protection is dependent on the age of the individual firefighter as at 1 April 2012 and depending on circumstances can extend to 31 March 2022.

As part of the Retained Firefighters' Pension Settlement the Government has introduced the terms under which individuals that were employed as Retained Firefighters between 1 July 2000 and 5 April 2006 are entitled to purchase pension rights. The pension benefits are incorporated within the Firefighters' Pension Scheme 2006 and it does not constitute a scheme on its own but rather a new modified section of the 2006 Scheme with different benefits. The modified scheme will be subject to the reforms that apply to the 1992 and 2006 schemes.

Transactions Relating to Retirement Benefits

The costs of retirement benefits are recognised in the Surplus or Deficit on Provision of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge required to be met from council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The transactions shown in the table on the next page have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Firefighters Scheme	
	2014/15	2015/16	2014/15 Restated	2015/16
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Costs of Services:				
Current Service Cost	823	1,103	9,280	9,563
Firefighters Pension Top up Grant			(8,042)	(8,356)
Financing and Investment Income and Expenditure:				
Net Interest expense	388	421	22,070	18,070
Total Post-employment Benefits charged to the Surplus or Deficit on Provision of Services	1,211	1,524	23,308	19,277
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure:				
Remeasurement of the net defined benefit liability comprising:				
Return on Plan Assets (excluding the amount included in the Net Interest expense)	(2,131)	1,173	(11,430)	(28,644)
Actuarial gains and losses arising on changes in demographic assumptions	-	-	(47,270)	(7,370)
Actuarial gains and losses arising on changes in financial assumptions	5,758	(2,337)	85,550	(49,260)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	4,838	360	50,158	(65,997)
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the code	(1,211)	(1,524)	(23,308)	(19,277)
Actual amount charged against the Fund Balance for pensions in the year:				
Employers contributions payable to the scheme	787	880	3,826	3,676
Retirement Benefits payable to pensioners			1,250	1,350

The cumulative amount of re-measurements recognised in the Comprehensive Income and Expenditure Statement to 31 March 2016 is (£112,155k)

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded liabilities Local Government		Unfunded liabilities Firefighters Scheme	
	2014/2015	2015/2016	2014/2015 Restated	2015/2016
	£'000	£'000	£'000	£'000
Liabilities at beginning of year	(31,871)	(39,073)	(502,127)	(547,209)
Current Service Cost	(823)	(1,103)	(9,280)	(9,563)
Interest Cost	(1,416)	(1,278)	(22,070)	(18,070)
Contributions by scheme participants	(288)	(295)	(2,550)	(2,558)
Remeasurements (gains) and losses:				
Actuarial (gains) / losses from changes in demographic assumptions	-		-	
Actuarial (gains) / losses from changes in financial assumptions	(5,758)	2,337	(38,280)	56,630
Actuarial (gains) / losses from experience	-		11,430	28,360
Benefits Paid	1,083	971	15,668	16,224
Liabilities at end of year	(39,073)	(38,441)	(547,209)	(476,186)

Reconciliation of fair value of the scheme assets:

	Funded Assets Local Government		Unfunded Assets Firefighters Scheme	
	2014/2015	2015/2016	2014/2015 Restated	2015/2016
	£'000	£'000	£'000	£'000
Assets at beginning of year	23,229	26,380	-	-
Interest Income	1,045	874	-	-
Return on Plan Assets, excluding the amount included in the net interest expense	2,131	(1,173)	8,042	8,356
Administration expenses	(17)	(17)	-	-
Employer contributions	787	880	5,076	5,026
Contributions by scheme participants	288	295	2,552	2,842
Benefits paid	(1,083)	(971)	(15,668)	(16,009)
Refund of Contributions			(2)	(215)
Assets at end of year	26,380	26,268	-	-

The expected return on LGPS scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was (£299k) (2014/15: £3,176k).

Scheme History

	2011/12 £'000s	2012/13 Restated £'000s	2013/14 £'000s	2014/15 Restated £'000s	2015/16 £'000s
Present value of liabilities					
Local Government Scheme	(27,870)	(32,268)	(31,871)	(39,073)	(38,441)
Firefighters Scheme	(439,395)	(510,501)	(502,127)	(547,209)	(476,186)
	(467,265)	(542,769)	(533,998)	(586,282)	(514,627)
Fair value of assets in the Local Government Scheme	19,523	21,613	23,229	26,380	26,268
Surplus/(deficit) in the					
Local Government Scheme	(8,347)	(10,655)	(8,642)	(12,693)	(12,173)
Firefighters Scheme	(439,395)	(510,501)	(502,127)	(547,209)	(476,186)
Total	(447,742)	(521,156)	(510,769)	(559,902)	(488,359)

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £488m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £488m.

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 working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

- The deficit on the Firefighters scheme will be made good by annual contributions by central government to the ring fenced "Pensions Account" together with revised future employer contributions as determined by central government.

- The total contribution expected to be made by the Authority in the year to 31 March 2017 for the Local Government Pension Scheme is £946k.

- The total contribution expected to be made by the Authority in the year to 31 March 2017 for the Firefighters pension scheme is £3,130k (1992 scheme: £1,299k; 2006 scheme: £138k; 2015 scheme: £1,693k).

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Scheme liabilities have been assessed by Mercer Limited the independent actuary to the Avon Pension Fund, which manages the Local Government Scheme on behalf of the Authority. The Firefighters scheme liabilities have been assessed by the Government Actuary's Department (GAD). The estimates for the Local Government scheme are based on the latest full valuation as at 31 March 2013 updated for the following years.

The main assumptions used by the actuary have been:

	Local Government 2014/2015	Local Government 2015/2016	Fire Fighters Scheme 2014/2015	Fire Fighters Scheme 2015/2016
Mortality assumptions:				
Longevity at 65 for current				
Men	23.4	23.5	22.5	22.3
Women	25.9	26.0	22.5	22.3
Longevity at 65 for future				
Men	25.8	25.9	24.8	24.6
Women	28.8	28.9	24.8	24.6
Rate of inflation CPI	2.0%	2.0%	2.2%	2.0%
Rate of increase in salaries	3.5%	3.5%	4.2%	4.2%
Rate of increase in pensions	2.0%	2.0%	2.2%	2.2%
Rate of discounting scheme	3.3%	3.6%	3.3%	3.6%

The actuary has not carried out any specific investigations in relation to whether the average age of the membership has increased, but does not believe that there have been substantial changes since the 2013 valuation. For any employers who are not admitting new entrants to the Fund, the average age can be expected to increase gradually over time.

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

Local Government Scheme		31 March 2015	31 March 2016
		%	%
Equities	UK quoted	15.9	16.4
	UK Futures	0.0	0.0
	Global quoted	12.4	8.0
	North America - quoted	0.0	0.0
	North America - non-quoted	9.2	9.3
	Japan	2.9	2.9
	Europe ex UK	6.3	6.5
	Pacific Rim ex Japan	2.5	2.1
	Emerging markets	9.6	8.6
Bonds	UK Government fixed	3.4	1.8
	UK Government gilt futures	7.6	6.2
	UK Government indexed	3.0	3.1
	Overseas Government fixed	0.0	0.0
	Sterling Corporate Bonds	8.8	9.3
Property	UK property Funds	4.6	5.2
	Overseas Property Funds	3.8	4.1
Alternatives	Hedge funds	4.4	5.3
	Diversified Growth Funds	3.3	9.9
Cash	Cash accounts	0.0	1.3
	Net current assets	2.3	0.0
		100	100

History of Experience Gains and Losses

The experience adjustments arising on scheme assets and liabilities expressed as a percentage of the asset or liability at the year-end are as follows:

Local Government	2011/12 %	2012/13 Restated %	2013/14 %	2014/15 %	2015/16 %
Experience gains and (losses) on assets	(3.7)%	7.6%	6.4%	12.0%	(1.1)%
Experience gains and (losses) on liabilities	0.0%	0.0%	3.0%	0.0%	0.0%

Firefighters Scheme	2011/12 %	2012/13 Restated %	2013/14 %	2014/15 %	2015/16 %
Experience gains and (losses) on liabilities	1.0%	3.7%	2.6%	2.1%	5.9%

Sensitivity Analysis Firefighters Scheme

The Code of Practice requires disclosure of information that describes how its defined benefit plans may affect the amount, timing and uncertainty of the Authority's future cash flows. Sensitivity analyses have been provided by the actuaries for the pension schemes as follows:

Sensitivity Analysis Firefighters Pension Scheme 1992 Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	-1/2% a year	10.1%	44.2
Rate of increase in salaries	+1/2 % a year	0.7%	3.1
Rate of increase in pensions / deferred revaluation	+1/2 % a year	8.3%	36.1
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.4%	10.6

The weighted average duration of the defined benefit obligation is around 20 years.

Note: Employer Contributions of £2,144,568 were received during 2015/16.

Note: Current Service Cost (inclusive of member contributions) for 2016/17 is 61.1% of Pensionable Pay.

Sensitivity Analysis Firefighters 2006 scheme Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	-1/2% a year	17.6%	2.3
Rate of increase in salaries	+1/2 % a year	5.5%	0.7
Rate of increase in pensions/ deferred revaluation	+1/2 % a year	9.4%	1.2
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.0%	0.3

The weighted average duration of the defined benefit obligation is around 34 years.

Note: Employer Contributions of £239,500 were received during 2015/16.

Note: Current Service Cost (inclusive of member contributions) for 2016/17 is 37.7% of Pensionable Pay.

Sensitivity Analysis Firefighters 2015 scheme Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	-1/2% a year	18.7%	0.7
Rate of increase in salaries	+1/2 % a year	8.0%	0.3
Rate of increase in pensions/ deferred revaluation	+1/2 % a year	9.8%	0.4
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		1.9%	0.1

The weighted average duration of the defined benefit obligation is around 35 years.

Note: Employer Contributions of £1,291,765 were received during 2015/16.

Note: Current Service Cost (inclusive of member contributions) for 2016/17 is 41.5% of Pensionable Pay.

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO. Doubling the changes in the assumptions will produce approximately double the change in the DBO. The sensitivities show the change in assumptions in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.

Sensitivity Analysis Local Government Pension Scheme

The Code of Practice requires disclosure of information that describes how its defined benefit plans may affect the amount, timing and uncertainty of the Authority's future cash flows. Sensitivity analyses have been provided by the actuaries for the pension schemes as follows:

Sensitivity Analysis Local Government Pension scheme					
		Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
Disclosure item		+0.1% pa discount rate	+0.1% pa inflation	+0.1% pa pay growth	1 year increase in life expectancy
	£'000s	£'000s	£'000s	£'000s	£'000s
Liabilities	38,441	37,692	39,205	38,664	39,165
Assets	(26,268)	(26,268)	(26,268)	(26,268)	(26,268)
Deficit/ (Surplus)	12,173	11,424	12,937	12,396	12,897
Projected Service Cost for next year	992	962	1,023	992	1,014
Projected Net Interest Cost for next year	421	405	449	430	448

27. Analysis of Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/2015 £'000		2015/2016 £'000
	Credited to Taxation and Non Specific Grant	
1,513	General Capital Grant	1,361
1,513	Total Capital Grant	1,361
22,395	Precepts	23,279
17,502	General Government Grants	15,420
4,405	Non-domestic Rates Distribution	4,798
45,815	**Total**	**44,858**
	Credited to Services	
1,001	New Dimension / USAR	904
392	Fire Link	369
895	PFI grant	895
2,650	Other income	565
4,938	**Total**	**2,733**

None of the grants received by the Authority in 2014/15 or 2015/16 have conditions attached to them and therefore they are recognised as income in their year of receipt.

28. Financing and Investment Income and Expenditure

The Authority incurred and received the following interest and investment to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/2015 £'000		2015/2016 £'000
	Interest Payable and Similar Charges	
428	Loans & Leases	556
394	PFI	421
822		977
22,441	Net Interest on the net defined benefit liability	18,474
(32)	Interest Receivable and Similar Income	(54)
(8)	Other Investment Income	(7)
23,223	Total	**19,390**

29. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by function on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, budget reports to the board are analysed across CIPFA detail analysis. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular;

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

The income and expenditure for the Authority recorded in the budget reports for the year is as follows:

2014/15 £'000	Income and Expenditure	2015/16 £'000
(349)	Fees, charges & other service income	(368)
(1,676)	Government Grants	(1,643)
(2,025)	**Total Income**	**(2,011)**
33,859	Employee expenses	33,640
2,002	Premises	1,817
1,660	Transport	1,510
4,333	Supplies & Services	4,824
5,658	Other Service expenses	4,562
47,512	**Total Expenditure**	**46,353**
45,487	**Net Expenditure**	**44,342**

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

This reconciliation shows how the figures in the analysis of Income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure:

	2014/15 **£'000**	2015/16 **£'000**
Net expenditure in the analysis	45,487	44,342
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	10,338	15,167
Amounts included in the analysis not included in the Cost of Services	(5,751)	(4,564)
Cost of Services in Note 30	**50,074**	**54,945**
Amounts included as Cost of Service in the Analysis but not included in the Cost of Services on the Comprehensive Income and Expenditure Statement	60	196
Cost of Services in Comprehensive Income and Expenditure Statement	**50,134**	**55,141**

30. **Reconciliation to Subjective Analysis**

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

2015/16	Analysis £,000	Amounts not reported to mgt for decision making £,000	Amounts not included in Cost of Services £,000	Cost of Services £,000	Corporate Amounts £,000	Total £,000
Fees, charges & other service income	(195)			(195)	-	**(195)**
Interest and Investment	(44)		44	-	(61)	**(61)**
Income from Council Tax	-			-	(23,279)	**(23,279)**
Income from locally retained business rates	(129)			(129)	(4,670)	**(4,799)**
Government Grants and Contributions	(1,643)	(894)		(2,537)	(25,137)	**(27,674)**
Total Income	**(2,011)**	**(894)**	**44**	**(2,861)**	**(53,147)**	**(56,008)**
Employee expenses	33,640	4,981	-	38,621	-	**38,621**
Premises	1,817	-	-	1,817	-	**1,817**
Transport	1,510	-	-	1,510	-	**1,510**
Supplies & services	4,824	394	(35)	5,183	-	**5,183**
Other/ capital costs	4,562	-	(4,573)	(11)	977	**966**
Depreciation, amortisation and impairment	-	10,687	-	10,687	-	**10,687**
Pensions - Change in indices	-	-	-	-	18,541	**18,541**
(Gain) or Loss on Disposal of Fixed Assets	-	-	-	-	334	**334**
Total Expenditure	**46,353**	**16,062**	**(4,608)**	**57,807**	**19,852**	**77,659**
(Surplus) or deficit on the provision of services	**44,342**	**15,168**	**(4,564)**	**54,946**	**(33,295)**	**21,651**

Restated 2014/15	Analysis £,000	Amounts not reported to mgt for decision making £,000	Amounts not included in Cost of Services £,000	Cost of Services £,000	Corporate Amounts £,000	Total £,000
Fees, charges & other service income	(263)	-	-	(263)	-	**(263)**
Interest and Investment	(27)	-	27	-	(40)	**(40)**
Income from Council Tax	-	-	-	-	(22,395)	**(22,395)**
Income from locally retained business rates	(59)	-	-	(59)	(4,345)	**(4,404)**
Government Grants and Contributions	(1,676)	(3,000)	-	(4,676)	(27,057)	**(31,733)**
Total Income	**(2,025)**	**(3,000)**	**27**	**(4,998)**	**(53,837)**	**(58,835)**
Employee expenses	33,859	6,279	-	40,138	-	**40,138**
Premises	2,002	-	-	2,002	-	**2,002**
Transport	1,660	-	-	1,660	-	**1,660**
Supplies & services	4,333	489	(35)	4,787	-	**4,787**
Other/ capital costs	5,658	-	(5,743)	(85)	822	**737**
Depreciation, amortisation and impairment	-	6,570	-	6,570	-	**6,570**
Pensions - Change in indices	-	-	-	-	22,441	**22,441**
(Gain) or Loss on Disposal of Fixed Assets	-	-	-	-	171	**171**
Total Expenditure	**47,512**	**13,338**	**(5,778)**	**55,072**	**23,434**	**78,506**
(Surplus) or deficit on the provision of services	**45,487**	**10,338**	**(5,751)**	**50,074**	**(30,403)**	**19,671**

31. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

Restated 2014/2015 £'000		2015/2016 £'000
(4,869)	Depreciation	(7,073)
(1,623)	Impairment	(3,545)
(77)	Amortisation	(69)
(402)	(Increase) / decrease in Creditors	(1,313)
(1,274)	Increase / (decrease) in Debtors	(1,551)
(18,656)	Movements in Pension Liability	(14,895)
(15)	Contributions to/(from) Provisions	1,794
(220)	Carrying amount of non-current assets held for sale, sold or derecognised	(807)
(27,136)		(27,459)
1,513	Capital grants	1,361
49	Proceeds from Sale of non-current assets	475
1,562		1,836

Cash Flow Statement – Operating Activities (Interest)

2014/2015 £'000		2015/2016 £'000
(27)	Interest received	(44)
699	Interest paid	824

32. Cash Flow Statement – Investing Activities

2014/2015 £'000		2015/2016 £'000
5,835	Purchase of property, plant and equipment	9,483
(49)	Proceeds from Sale of non-current assets	(475)
(1,077)	Capital Grants	(972)
4,709	Net cash flows from investing activities	8,036

33. **Cash Flow Statement – Financing Activities**

2014/2015 £'000		2015/2016 £'000
(7,000)	Cash Receipts for long-term borrowing	-
1,849	Repayments of long-term borrowing	1,561
109	Cash payments for the reduction of a finance lease liability	114
45	Cash payments for the reduction of a PFI liability	131
(4,997)	Net cash flows from investing activities	1,806

34. **Contingent Liabilities**

There are no contingent liabilities in 2015/16.

35. **Events After the Balance Sheet Date**

There are no known events after the balance sheet date at the date of publication.

Firefighters Pension Fund Account

Under the new arrangements for financing Firefighters pensions which came into effect from April 2006 the Authority was required to set up a new ring fenced 'Pensions Account'.

Details of the transactions on this account during the year are as follows:

2014/2015 £'000		2015/2016 £'000	£'000
	Contributions receivable:		
	Fire Authority		
(3,634)	- contributions in relation to pensionable pay	(3,381)	
(297)	- early retirements	(294)	
(2,600)	Firefighters contributions	(2,842)	
(6,531)	**Total**		**(6,517)**
-	**Transfers in from other authorities**	-	**-**
	Benefits payable:		
11,629	Pensions	12,161	
2,781	Commutations and lump sum retirement benefits	2,500	
2,269	Other	230	
16,679			**14,891**
	Payments to and on account of leavers:		
-	Transfers out to other authorities		215
10,148	**Net amount payable for the year**		**8,589**
(10,148)	Top-up grant payable by the Government		(8,589)
-			**-**

Net assets statement

The assets and liabilities of the pensions account as at 31 March 2015 are as follows:

31/03/2015 £'000		31/03/2016 £'000
	Current assets	
2,798	Top-up grant receivable from the Government	1,024
2,798		**1,024**
	Current liabilities	
(599)	Cash and Bank	(630)
(2,199)	Creditor	(394)
(2,798)		**(1,024)**
-	**Net assets**	**-**

Notes to the Firefighters Pension Fund Account

1. Operation of the Fund

The Fire Fighters Pension Fund Account was established under the Firefighters Pension Scheme (Amendment) (England) Order 2006 and the Fire Authority is responsible for its administration.

The Scheme is available to all Firefighters whether whole-time or part-time and whether regular, retained or volunteer, who satisfy one of the eligibility conditions set out in Part 2 of the Order.

The Firefighters Pension scheme is an unfunded scheme and there are no investment assets. Benefits payable are funded by employer and employee contributions with the difference being met by top-up grant receivable from or payable to Central Government. The fund is balanced to nil each year by the inclusion of a Central Government debtor or creditor in respect of the amount of top-up grant due to or payable from Central Government for the year.

2. Contributions

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Department for Communities and Local Government and are subject to triennial revaluation by the Government Actuary's Department.

With effect from 1 April 2012 Employee contributions to the Firefighters pension schemes are paid in relation to salary ranges as shown in the table below:

2015/ 2016									
Salary range from	£0	£15,001	£21,001	£30,001	£40,001	£50,001	£60,001	£100,001	£120,001
Salary range up to	£15,000	£21,000	£30,000	£40,000	£50,000	£60,000	£100,000	£120,000	-
Firefighters pension scheme:									
1992 Scheme									
Employer	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%
Employee	11.0%	12.2%	14.2%	14.7%	15.2%	15.5%	16.0%	16.5%	17.0%
Total	32.7%	33.9%	35.9%	36.4%	36.9%	37.2%	37.7%	38.2%	38.7%
2006 Scheme									
Employer	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%
Employee	8.5%	9.4%	10.4%	10.9%	11.2%	11.3%	11.7%	12.1%	12.5%
Total	20.4%	21.3%	22.3%	22.8%	23.1%	23.2%	23.6%	24.0%	24.4%
Retained Firefighters Modified Scheme									
Employer	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%
Employee	11.0%	12.2%	14.2%	14.7%	15.2%	15.5%	16.0%	16.5%	17.0%
Total	32.7%	33.9%	35.9%	36.4%	36.9%	37.2%	37.7%	38.2%	38.7%
2015 Scheme									
Employer	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%
Employee	10.0%	10.0%	10.0%	12.2%	12.2%	13.5%	13.5%	13.5%	14.5%
Total	24.3%	24.3%	24.3%	26.5%	26.5%	27.8%	27.8%	27.8%	28.8%

2014/ 2015									
Salary range from	£0	£15,001	£21,001	£30,001	£40,001	£50,001	£60,001	£100,001	£120,001
Salary range up to	£15,000	£21,000	£30,000	£40,000	£50,000	£60,000	£100,000	£120,000	-
Firefighters pension scheme:									
1992 Scheme									
Employer	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%
Employee	11.0%	12.2%	14.2%	14.7%	15.2%	15.5%	16.0%	16.5%	17.0%
Total	32.3%	33.5%	35.5%	36.0%	36.5%	36.8%	37.3%	37.8%	38.3%
2006 Scheme									
Employer	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Employee	8.5%	9.4%	10.4%	10.9%	11.2%	11.3%	11.7%	12.1%	12.5%
Total	19.5%	20.4%	21.4%	21.9%	22.2%	22.3%	22.7%	23.1%	23.5%

In addition the Employer is required to reimburse charges for any ill-health early retirements.

3. Benefits payable from the fund

Pension benefits are payable from the fund in accordance with the relevant statutory provisions and include ordinary and ill health awards.

4. Accounting Policies

As an unfunded scheme there are no investment assets and the Net Assets Statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. In all other respects the accounting policies followed are the same as set out in the Statement of Accounting Policies on pages 23–34. Details of the pension liability of the Firefighters scheme, calculated in accordance with IAS 19, and included in the Core Financial Statements are set out in note 26 to the Core Financial Statements.

5. Pension contribution holiday

The Department for Communities and Local Government (DCLG) have agreed to settle a case brought by the Fire Brigades Union (FBU) to provide a contributions holiday to those regular firefighters who were members of the 1992 Firefighters' Pension Scheme, who joined the service before the age of 20, and who have served for over 30 years before reaching the minimum retirement age of 50.

The decision has been applied retrospectively to 1st December 2006. There has been no further information provided by Government on how authorities should proceed with these cases.

The Pension Administrators have identified that there are 159 leavers and 8 current employees that are affected. It has been estimated that £220k will be payable by the Authority and that Government will reimburse Fire Authorities for these additional costs in line with the previous pension ombudsman case regarding commutation factors. The cost and income have been included in the Fire Fighters Pension Fund Account with the relevant creditor and debtor included in the Authority's balance sheet.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF AVON FIRE AUTHORITY

We have audited the financial statements of Avon Fire Authority (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 5. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members 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 Authority and the Authority's members 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance 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:

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

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made 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 the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Peter Barber

Peter Barber
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

30 September 2016

GLOSSARY OF TERMS

ACCOUNTING PERIOD - This is the length of time covered by the accounts. This is normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS - The accruals basis of accounting ensures that income and expenditure is reflected in the financial statements in the accounting period that they were earned or incurred, not as any cash is received or paid.

ACTUARY - One who makes calculations for pensions and insurance purposes.

ACTUARIAL GAINS AND LOSSES - For a defined benefit pensions scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation; or
- The actuarial assumptions have changed

ASSET - An asset is something that the Authority owns that has a monetary value. Assets are either current or long term.

- A current asset is one that will be used by the end of the next financial year (e.g. stock, debtors)
- A long term (fixed) asset provides the Authority with benefits for a period of more than one year (e.g. property, plant and equipment).

BALANCE SHEET - The Balance Sheet is a financial statement summarising the overall financial position of the Authority at the end of the financial year.

BUDGET - A budget is a statement that sets out the Authority's service delivery plans and capital expenditure in monetary terms.

CAPITAL ADJUSTMENT ACCOUNT - This is the money set aside in the Authority's accounts for capital spending and to repay loans.

CAPITAL CHARGES - This is a charge made to the Authority's service revenue accounts to reflect the cost of utilising fixed assets in the provision of services.

CAPITAL EXPENDITURE - Expenditure on the acquisition of a fixed asset that will be used to provide services beyond the current accounting period.

CAPITAL FINANCING - This describes the various sources of money used to pay for capital expenditure. Capital expenditure can be funded from external sources, such as borrowing, capital grants and by contributions from the internal sources, such as capital receipts and reserves.

CAPITAL RECEIPT - A capital receipt is the income that results from the sale of land, buildings and other capital assets. A specified portion of this may be used to fund new capital expenditure. The balance must be set-aside and may only be used for paying off debt, not for funding new revenue services.

CASH AND CASH EQUIVALENTS - Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

CONTINGENT LIABILITIES - A possible liability relating to future expenditure at the Balance Sheet date, depending on the outcome of future uncertain events.

CREDITORS - Amounts owed by the Authority to others for goods and services that have been supplied but not yet paid for by the end of financial year.

CURRENT ASSETS - Items that can be readily converted into cash.

CURRENT LIABILITIES - Items that are due to be paid immediately or in the short term.

DEBTOR - Amounts owed to the Authority for goods and services, where the income has not been received at the end of the financial year.

DEPRECIATION - This is a charge made to the revenue account each year, which reflects the loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

EVENTS AFTER THE BALANCE SHEET DATE (POST BALANCE SHEET EVENTS) - Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

FINANCE LEASE - A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee (the Authority) from the lessor.

FIXED ASSETS - These are assets that yield benefits to the Authority and the services it provides for a period of more than one year.

GENERAL FUND - The account that summarises the cost of providing Authority services (excluding the Housing Revenue Account).

GOVERNMENT GRANTS - Grants made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some of these grants have restrictions on how they may be used whilst others are general purpose.

IMPAIRMENT - The reduction in value of an asset in the Balance Sheet owing to a change in the market value. This can be as a result of market fluctuations, physical damage or obsolescence.

INCOME & EXPENDITURE ACCOUNT - This is the Authority's main revenue account. It summarises the income received from Council Tax and business rates, grants and fees and charges along with the associated expenditure on services provided.

INTANGIBLE ASSETS - These are fixed assets on the Balance Sheet such as software licences that don't have physical form but still have value.

LEASING - Method of financing the acquisition of capital assets, usually in the form of operating or financing leases.

LIABILITIES - Amounts the Authority either owes or anticipates owing to others, whether they are due for immediate payment or not.

MINIMUM REVENUE PROVISION (MRP) - The minimum amount that the Authority must charge to revenue account to provide for the repayment of debt.

NATIONAL NON-DOMESTIC RATE (NNDR) - A flat rate in the pound set by Government and levied on businesses in the City. The money is collected by the Council then pooled and redistributed by the Government to local authorities based on the resident population.

OPERATING LEASE - This is a lease where the effective ownership of the asset remains with the lessor.

OPERATIONAL ASSETS - These are fixed assets owned by the Authority and used in the direct delivery of services.

PRIOR YEAR ADJUSTMENT - A material adjustment applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

PROVISIONS - Amounts set aside to meet liabilities or losses which are likely or certain to be incurred but where the amount due or the timing of the payment remains uncertain.

PUBLIC WORKS LOAN BOARD (PWLB) **-** A Government body that lends money to local authorities for periods in excess of one year, often at preferential interest rates.

RELATED PARTIES - Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party
- the parties are subject to common control from the same source
- one party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing its own interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests. Examples of related parties include central government, other local authorities and other bodies precepting or levying demands on the Council Tax, its members and its chief officers.

RESERVES - An amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. A distinction is drawn between reserves and provisions (see above), which are set up to meet known liabilities.

REVENUE EXPENDITURE - Spending on day to day items including salaries and wages and other running costs associated with the provision of services.

REVENUE SUPPORT GRANT (RSG) - The main grant paid to a local authority by Central Government to help fund the cost of its services.

WORK IN PROGRESS - The value of work(s) that have been completed or are partially complete at the end of the accounting period that should be included in the financial statements.