AVON FIRE & RESCUE

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Avon Fire Authority

Statement of Accounts 2009/10

PREVENTING PROTECTING RESPONDING

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Contents

Introduction

The downturn in the global financial markets continued during 2009/10, although, there were some signs of recovery during the latter part of the year. Government financial support and intervention continued in the banking sector to maintain financial fluidity within the economy. Short term interest rates remained at an unprecedented low whilst the perceived potential risks to investments as a result of the banking crisis have remained high.

The Revenue budget for 2009/10 was set at £46.125m an increase of 2.7% over the previous financial year. Strong financial controls and continued prudent financial management throughout the year resulted in an underspend of £85k (0.18%) compared to the revised approved budget and allowed £389k to be made available to add to reserves to support future spending pressures in 2010/11.

Total capital expenditure during the year was £2.511m with a further £1.471m slipping into 2010/11.

A further £733k of efficiency savings were achieved during the year resulting in cumulative savings of £1.77m over two years compared with the Governments target savings of £1.512m over the three year period 2008/09 to 2010/11.

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

- The Income and Expenditure Account shows a deficit of £10.55 m. This figure includes items which are required to be charged to the Income and Expenditure Account in accordance with proper accounting practices but do not fall to be charged to the council tax payer. The net expenditure for the year, after adjusting for these items was £85k lower than budgeted. Full details of these adjustments are shown on page 5.

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

- The Authority’s medium term plan identifies certain budget pressures. The Authority has created a Pension and Budget Pressures reserve which now amounts to £2,430k to help meet these future budget pressures and uncertainties as well as the Authority’s floor position for Revenue Support Grant (RSG) purposes.

- The Integrated Risk Management Plan (IRMP) sets out the Authority’s assessment of local risk to life and, in line with this analysis , sets out how it is going to deploy its resources to tackle these risks and improve the safety of all sections of society. The plan is continually developed and an additional sum of £450k has been set aside to meet the one-off costs of introducing new IRMP initiatives. A balance of £680k remains at the year end.

- £70k of the previously created Urban Search and Rescue (USAR) reserve was utilised during the year to fund works associated with the new USAR facility at Nailsea. A balance of £8k remains at the year end.

- During the year £35k of the Nova Way – Technical Services reserve was utilised to off-set the revenue costs associated with the workshop relocation.

- During the year £2,511k was spent on the Authority’s approved capital programme. £1,531k of this expenditure is to be funded by borrowing but because of current short-term interest rates and the increased risks associated with lending, as a result of the current financial climate, actual borrowing has been delayed. This expenditure is therefore being funded from internal resources and the position will continue to be monitored closely during 2010/11.

Explanatory Foreword by the Treasurer

Introduction

These accounts present the Fire Authority's financial performance and position for the year ended 31 March 2010.

The Accounts comprise:

The Statement of Responsibilities for the Statement of Accounts – this statement sets out the respective responsibilities of the authority and the treasurer for the accounts.

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

Core Financial Statements

The Income and Expenditure Account - this summarises the resources generated and consumed by the authority in the year.

The Statement of Total Movement on the Fund Balance - A reconciliation showing how the balance of resources generated/consumed in the year links with statutory requirements for raising council tax.

The Statement of Total Recognised Gains and Losses – A demonstration of how the movement in net worth in the Balance Sheet is identified to the I&E Account surplus/deficit and to unrealised gains and losses.

The Balance Sheet - this shows the assets and liabilities of the Authority at 31 March 2010.

The Cashflow Statement - this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

The Core Financial Statements are supported by notes which provide additional information. The statement of accounts meets the requirements of the Code of Practice on Local Authority Accounting (Revised 2009) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Governance Strategy

The former Statement of Internal Control has now been subsumed within the new Governance Strategy which is attached as an appendix.

Review of Internal Audit

Under the Accounts and Audit regulations 2009-10, the Authority is required to review the system of internal audit once a year. In the absence of a Statement on Internal Control, it is now referred to in this foreword. This is considered particularly relevant given their input into controls which are reflected in the production of these accounts.

Internal audit have continued to meet with the Audit Commission and with officers of the Authority and these have been found to be productive. Internal Audit have also responded well to the changing nature of government and Audit Commission requirements and, with their well programmed risk management approach, continue to provide better assurance in key areas.

Internal Audit is provided as part of the financial services contract with Bristol City Council and officers believe that this is working well. This is particularly relevant, given the fact that a number of systems are provided by Bristol City Council and, therefore, less audit work is necessary than would ordinarily be the case. The current contract ends at March 2011 and consideration is being given on how best to take this forward.

Overview of the Accounts

<u>Statement of Responsibilities for the Statement of Accounts</u>

This statement sets out the respective responsibilities of the authority and the Chief Financial Officer for the accounts.

<u>The Income & Expenditure Account</u>

This Account shows the resources that have been generated and consumed in providing services and managing the Authority during the year.

The Net Cost of Services in the Income and Revenue Account is analysed over a number of cost centres as identified in the best value accounting code of practice. The aim of this analysis is to provide financial information on a consistent basis to enable comparisons to be made between different fire authorities regardless of how they are organised.

<u>The Statement of Movement on the Fund Balance</u>

This statement reconciles the position on the Income and Expenditure Account and the Fund Balance.

<u>The Statement of Total Recognised Gains and Losses</u>

All the gains and losses of the Authority for the year are brought together in this statement and it shows the aggregate increase in the net worth as displayed in the Balance Sheet

<u>The Balance Sheet</u>

Detailed notes in relation to the balance sheet are contained within the accounts. There are no major points which require separate comment.

<u>Cash Flow Statement</u>

This reflects the cost of transactions undertaken during the year on a purely cash basis.

<u>Other</u>

Details of the reserves and provisions are included in the notes to the balance sheet.

<u>Fire Fighters Pension Fund Account</u>

The fire fighters pension scheme is administered by the authority and a separate pension fund account is maintained and this account identifies the transactions that have occurred during the year in respect of this scheme.

Budget and Spending in 2009/2010

The Avon Fire Authority set a net revenue budget for 2009/10 of £46.125m (£44.912m in 2008/09), after allowing for the contribution to reserves, which resulted in a Council Tax of £58.63 (£56.01 in 2008/09) per Band D property.

In broad terms, where the Authority's funding came from and what it was spent on during 2009/2010 can be analysed as follows:

Source of funds	%	Application of funds	%
General Government Grants	9.67%	Employees (net)	79.08%
Contribution from non-domestic rate	41.90%	Premises	4.26%
Council Tax payers	44.53%	Transport	3.37%
Other Income	3.45%	Supplies and Services	9.94%
Net transfer from earmarked reserves	0.45%	Other Costs	3.35%

Set out below is a comparison between actual expenditure and revised budget for the year.

	Budget 2009/2010 £'000s	Actual Expenditure 2009/10 £'000s	Difference £'000s
Expenditure on Services			
Employees (net)	37,901	37,956	55
Premises	2,071	2,047	(24)
Transport	1,673	1,616	(57)
Supplies & Services	4,944	4,770	(174)
Other Costs	1,616	1,610	(6)
Income	(1,779)	(1,658)	121
Net Expenditure	46,426	46,341	(85)
Transfers to \ from revenue reserves			
Pensions & Budget Pressures reserve	(196)	(196)	0
Other reserves	(105)	(105)	0
Balance transferred to Pensions & Budget Pressures reserve		85	85
Net Expenditure after transfer to \ from reserves	46,125	46,125	0
Revenue Support Grant	(4,642)	(4,642)	0
Non-domestic rates redistribution	(20,113)	(20,113)	0
Precepts	(21,370)	(21,370)	0
Working Balance	0	0	0

Details of the major variations highlighted in the statement are as follows:

- **Employee costs** – as a result of the outcome of two test cases under the Part-time Workers (Prevention of Less Favourable Treatment) Regulations a provision of £100k has been set aside for the potential costs associated with any outstanding retained pay comparability claims.

- **Premises costs –** Increased spending constraint and controls around repair and maintenance and a slight reduction in cleaning cost resulted in the overall underspend on premises expenditure.

- **Transport costs –** The underspend was primarily due to reduced vehicle maintenance and fuel costs.

- **Supplies and Services –** An underspend of £41k on PPE equipment resulting from an extension to the existing contract pending the change to the new ICP contract, a reduction in fees of £41k, reduced expenditure on furniture and fittings £37k and the reduction in the cost of operating leases following negotiation of a number of extensions into secondary periods.

- **Income –** The overspend relates partly to funding for the Initial Staffing Pool which was discontinued during the year and the delay in specific matched funded expenditure requiring the grant received to be treated as a receipt in advance.

Reconciliation of budgeted expenditure to deficit on Income and Expenditure Account

	2009/2010	
	£'000	£'000
Surplus for year		**85**
Net transfer from reserves		(240)
Total net transfer from reserves		(155)
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 in accordance with proper accounting practices but required by Statute not to be charged to council tax payers		
FRS 17 - Retirement Benefits	(25,447)	
Depreciation, Impairment, Amortisation and other charges for assets	(3,315)	
Transfer to / from Collection Fund Adjustment Account	(54)	
Amortisation of Government Grants deferred	315	
Gain in Relation to Gov Grant payable to the Pension Fund on the authority's behalf	5,528	
Items required by statute to be charged to council tax payers but not required in accordance with proper accounting practices to be charged to the Income and Expenditure Account		
Minimum Revenue Provision (MRP) including voluntary contributions for the repayment of debt and deferred liabilities	859	
Revenue contributions to capital expenditure	191	
Employer's contributions payable to the Pensions Account and retirement benefits	11,529	
		(10,394)
Deficit on the Income and Expenditure Account for the year		**(10,549)**

Capital

The Fire Authority determines its capital investment plans and consequent 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.

For 2009/10 actual capital expenditure was £2,511k (including capital creditors). Further details relating to capital expenditure can be found in the notes to the core financial statements.

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 VT Fire Training (Avonmouth) ltd., who designed, built, financed and now operates (DFBO) 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.

The Statement of Recommended Practice (SORP) 2009 requires that PFI projects are recognised on the balance sheet. The Authority's 50% stake in the JTC has therefore been included as a tangible asset on the balance sheet in 2009/10 and the 2008/09 figures have been restated accordingly.

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.

Other Issues

<u>Pensions</u>

The implementation of Financial Reporting Standard No. 17 (FRS17) – Retirement Benefits from 2003/04 continues to have a material impact on the Authority's financial statements with the recognition of the estimated value of the net assets/liabilities of defined benefit pension schemes together with a pension reserve being included in the Authority's balance sheet.

Additionally, the Income and Expenditure Account shows the cost of providing retirement benefits to employees in the accounting periods in which the benefits are earned and not the cash payments to schemes or individuals. In accordance with regulations, adjustments made as a result of this accounting standard have no effect on the amount charged to the council taxpayer.

The net pensions liability in the balance sheet at 31 March 2010 amounts to £421.0m compared with a liability of £280.6m at 31 March 2009. Of the liability at 31 March 2010, £412.7m relates to the Uniformed Firefighters scheme, which is an unfunded scheme, and £8.3m relates to the Local Government Scheme. More details can be found in note 24 to the core financial statements on page 50.

With regards to the uniformed fire fighters pensions scheme significant changes were introduced to the financial arrangements with effect from April 2006. Each Fire and Rescue Authority was required to set up a new ring fenced 'Pensions Account' from which pension payments, retirement lump sums and transfers out are to be made. The Pensions account is funded by employee and employer contributions (21.3%), the reimbursement by the employer of charges for ill-health early retirements and transfers in to the scheme. Any deficit / surplus on the account at the year end, is met by / paid to central government. Details relating to the new pensions account are set out on pages 60 and 61.

In relation to the Local Government scheme, pension payments will be paid out over a period of many years in which time it is expected that fund assets will continue to generate returns to meet them. Also, fund assets are subject to large fluctuations in value depending on the state of the stock market.

The position shown in the 2009/10 accounts reflects the triennial valuation of the pension fund at March 2007. Based on this valuation the actuary recommended annual contribution rates of 15.4% with effect from 1 April 2008.

Changes

- **Collection Fund**. The 2009 Code of Practice on Local Authority Accounting, a Statement of Recommended Practice (the SORP) introduced changes in the accounting methodology for the amounts received from Council Tax Payers. The Authorities share of the debtors and creditors relating to Council Tax from all four billing authorities is now shown as part of the Authority’s balance sheet and the difference between the income accrued and the income distributed by regulation is posted to the Income and Expenditure Account and adjusted through the Statement of Movement of the Fund Balance. The 2008/09 Financial Statements have been restated to reflect this change

- **PFI**. As detailed earlier in this report, the SORP also requires that PFI projects are brought onto the balance sheet where certain conditions are met. The Joint Training Centre meets these conditions and as such have been incorporated into the Authority’s balance sheet and the 2008/09 Financial Statements has also been restated to reflect this change in policy.

- **International Financial Reporting Standards (IFRS).** These standards are to be implemented for the authority for the 2010/11 accounts. The first milestone in the move towards these standards is the production of a transitional balance sheet as at 31 March 2009 (this will form the starting point for the recast of the 2009/10 financial statements in order to provide the comparator figures for the first full year’s accounts). Work on this is ongoing and it is planned to complete the transitional balance sheet and the restated 2009/10 accounts later this year and to have these signed off by the external auditor by the end of the calendar year.

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/LASACC Code of practice on Local Authority Accounting in the United Kingdom. The statement of accounts provides 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 2010.

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.

Signed

James Dack

……………………………….
James Dack
Treasurer

Statement of Accounting Policies

1. **General**

The Accounts and Audit Regulations 2003 require the Fire Authority to prepare and publish a statement of accounts. The accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting 2009 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), applicable Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS's).

2. **Accounting concepts**

The Statement of Accounts provides information about the Authority's financial performance and position for the year ended 31 March 2010.Except where specified in the Code of Practice, or in specific legislative requirements, it is the authority's responsibility to select and regularly review its accounting policies, as appropriate.

These accounts are prepared in accordance with a number of fundamental accounting principles, ie

- Relevance
- Reliability
- Comparability
- Understandability
- Materiality

Additionally three further concepts play a pervasive role in the selection and application of accounting policies, estimation techniques and the exercise of professional judgement and hence the financial statements. These are:

Accruals

The financial statements are prepared on an accruals basis, ie transactions are reflected in the accounts of the period in which they take place, as opposed to the period in which payments are made or received. This does not apply to the Cash Flow statement.

Going concern

The accounts are prepared on the assumption that the Authority will continue its operations for the foreseeable future.

Primacy of legislative requirements

The Authority derives its powers from statute and its financial and accounting framework is closely controlled by primary and secondary legislation. Where legislative requirements and accounting principles conflict, legislative requirements take precedence.

3. **Accounting convention**

The historical cost convention has been adopted in these financial statements, modified by the revaluation of certain categories of assets, eg land, buildings, vehicles and plant.

4. **Accruals of Income and Expenditure**

- Fees, charges and rents due from customers are accounted for as income at the date that the authority provides the relevant goods or services.

- Employee costs are accounted for in the period within which the employees worked. Accrual is made for remuneration earned but unpaid at the year end, where material.

- Supplies and services are accounted for in the period during which they were consumed or received. Accrual is made for all material sums unpaid at the year end for goods and services received or works complete.

- Interest payable on borrowings and receivable on investments is accounted for in the period to which it relates on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- The SORP 2009 requires a change in the accounting for Collection Fund Surpluses by billing and precepting authorities. The Authority will now accrue for income due to them from the billing authorities rather than accounting for the amount paid over by regulation in the year.

- The authority will now account for the corresponding amount of debtors and creditors relating to their portion of the billing authorities Collection Fund balance sheet.

5. **Estimation techniques**

Estimation techniques are the methods adopted to assess the value of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their precise value. Unless specified in the Code of Practice or in legislative requirements, the method of estimation will generally be the one that most closely reflects the economic reality of the transaction. The application of techniques will vary according to the item concerned, for example in particular in relation to capital accounting and pensions (see separate sections).

6. **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

  i) Receivables are measured at fair value and carried at their amortised cost.

  ii) There are no material loans which required 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

  i) There are no available-for-sale assets which require separate classification and accounting treatment.

7. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the Authority's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. For 2009/10 there were none. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the Fund Balance, is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the Fund Balance.

8. Government Grants

Whatever their basis or payment, revenue grants are matched with the expenditure to which they relate. Grants made to finance the general activities of the authority or to compensate for a loss of income are credited to the revenue account in the period that they are payable.

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is held in the government grants-deferred account and credited to the relevant service revenue account to off-set the depreciation charge made for the related asset in line with the depreciation policy applied to them.

Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

9. Intangible Assets

Intangible assets arise from expenditure on assets that do not have physical substance but when access to the future economic benefits that it represents are identifiable and controlled by the Authority (eg software licences).

Expenditure from 1 April 2006 on such items has been capitalised and included in the balance sheet at cost. These items are being amortised on a systematic basis over their estimated economic lives. Prior to this date expenditure on such items was charged to service revenue accounts in the year in which they were purchased.

10. **Leases**

- **Finance leases**

  Leases are accounted for as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Authority. Rental payments under such arrangements are apportioned between:

  - a charge for the acquisition of the interest in the asset which is recognised as a tangible fixed asset and a corresponding liability in the balance sheet at the commencement of the lease and

  - a finance charge which is allocated and charged to Net Operating Expenditure over the term of the lease.

  Additional voluntary MRP contributions over and above the minimum 4% are made to equate the contribution to MRP with the profile of payments made to discharge the liability over the term of the lease.

  Fixed assets recognised under finance leases are accounted for using the same accounting policies applicable to the Authority's other tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

  Any hire purchase contracts that have similar characteristics to a finance lease and are of a financing nature would also be accounted for as a finance lease and appropriate notes disclosed.

- **Operating leases**

  Rentals payable, net of benefits received or receivable (e.g. cash incentives for a lessee to sign a lease), under operating leases are charged to revenue on a straight line basis over the term of the lease, even if the payments are not made on such a basis, unless another systematic and rational basis is more appropriate. Any hire purchase contracts that have similar characteristics to an operating lease would also be accounted for as an operating lease and appropriate notes disclosed. Details of rentals paid during the year under operating leases together with outstanding undischarged leasing obligations are shown in note 13 to the core financial statements.

11. **Overheads and Support Services**

The costs of overheads and support services are charged or apportioned to the service heads, as defined in the CIPFA Best Value Accounting Code of Practice 2008, that benefit. The exception is the costs of the corporate and democratic core and of non-distributed costs, which are required by the code to be shown separately in the Income and Expenditure Account and these comprise of:

- Corporate and Democratic Core – costs relating to the Authority as a democratic organisation.

- Non-Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

The support service costs charged or apportioned to service heads comprise legal, personnel, financial, property-related services, IT, equalities and administrative buildings.

There are a variety of methods used for the apportionment of support service costs which include allocated charges, apportioned charges based on service users full time equivalent staff or total budget and by reference to floor areas used. The bases of apportionment used are applied consistently to all service heads to which apportionments are made.

12. **Pension Costs**

a) Charges made in the financial statements

The amount charged to the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses for employees' pensions is in accordance with FRS 17 Retirement Benefits, subject to the interpretations set out in the SORP.

b) Pensions Reserve

The amount chargeable to the Fund for providing pensions for employees is the amount payable for the year in accordance with the statutory requirements governing the particular pension schemes or funds in which the authority participates. Where this amount does not match the amount charged to the Income and Expenditure Account for the year the difference is taken to the Pensions Reserve. Where the pension costs charged to the Income and Expenditure Account are:

- larger than the amount payable for the year in accordance with the scheme requirements the Statement of Movement on the Fund Balance is credited and the Pensions Reserve debited

- smaller than the amount payable for the year in accordance with the scheme requirements the Statement of Movement on the Fund Balance is debited and the Pensions Reserve credited.

c) Classification of schemes

The Authority participates in two different pension schemes which meet the needs of different groups of employees. The first of these two schemes is for uniformed firefighters, a national unfunded scheme, whilst the second is for APT&C and manual employees who are eligible to join the Local Government Pension Scheme which is a funded scheme. Both of these schemes are classified as defined benefit schemes and these accounting policies apply in respect of pensions costs arising from them together with unfunded discretionary benefits which are paid for by the authority.

d) Defined benefit schemes

i) Local Government Pension Scheme

The actuary to the pension fund provides the information necessary to complete the Authority's accounts, on the following basis:

Attributable scheme assets are measured at their fair value at the balance sheet date, on the following basis:

- quoted securities – current bid price

- unquoted securities – an estimate of fair value

- property – market value or other basis determined in accordance with the RICS *Appraisal and Valuation Manual and practice* statements

- insurance policies matching the amount and timing of benefits payable under the scheme – amount of the related obligations

- other insurance policies – a method giving the best approximation of fair value given the circumstances of the scheme

Scheme assets include current assets as well as investments. Any liabilities such as accrued expenses should be deducted. The attributable scheme liabilities are measured using the projected unit method. The scheme liabilities comprise:

- any benefits promised under the formal terms of the scheme, and

- any constructive obligations for further benefits where a public statement or past practice by the employer has created a valid expectation in the employees that such benefits will be granted.

The surplus/deficit in a scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities.

Any unpaid contributions to the scheme should be presented in the balance sheet as a creditor due within one year.

The change in the defined benefit asset or liability (other than that arising from contributions to the scheme) is analysed into the following components:

- Periodic costs:

  a) current service cost

  b) interest cost

  c) expected return on assets, and

  d) actuarial gains and losses, and

- Non-periodic costs:

  a) past service costs, and

  b) gains and losses on settlements and curtailments.

The current service cost is included within net cost of services. The net of the interest cost and the expected return on assets is included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Total Gains and Losses for the period.

Past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service costs are recognised immediately.

ii) Fire Fighters Scheme

The actuary to the Fire Fighters pension fund has provided the information necessary to complete the Authority's accounts, on the following basis:

The attributable scheme liabilities are measured using the projected unit method. The scheme liabilities comprise:

- any benefits promised under the formal terms of the scheme, and
- any constructive obligations for further benefits where a public statement or past practice by the employer has created a valid expectation in the employees that such benefits will be granted.

Any unpaid contributions to the scheme should be presented in the balance sheet as a creditor due within one year.

The change in the defined benefit liability (other than that arising from contributions to the scheme) is analysed into the following components:

- Periodic costs:
  - a) current service cost
  - b) interest cost, and
  - c) actuarial gains and losses, and
- Non-periodic costs:
  - a) past service costs, and
  - b) gains and losses on settlements and curtailments.

The current service cost is included within net cost of services and the interest cost is included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Total Gains and Losses for the period.

Past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service costs are recognised immediately.

13. Private Finance Initiative (PFI) scheme

Under the Joint Training PFI scheme (details of which can be found in the explanatory forward) 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 partners is paid into an equalisation fund, which is administered by Gloucestershire County Council on behalf of all the authorities. 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 on the fund at the end of the contract will be nil.

SORP 2009 has early adopted IFRIC 12 service concession arrangements. Qualifying assets are brought on balance sheet by the Purchaser, along with a corresponding finance lease liability that reduces over the life of the asset. The Authorities (the purchaser) are deemed to control the services that are provided under this PFI scheme, and neither the Authorities, 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 their proportion of the fixed asset, used under the contract, on the balance sheet.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the authority.

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

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – recognised as fixed assets on the Balance Sheet

14. Provisions

Provisions are made for any liabilities of uncertain timing or obligations which may accrue on the basis of potential liabilities and in particular when:

a) the Authority has a present obligation (legal or constructive) as a result of a past event

b) it is probable that a transfer of economic benefits will be required to settle the obligation, and

c) a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate revenue account; when payments for expenditure are incurred to which the provision relates they are charged direct to the provision. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

15. Provisions for bad and doubtful debts

The amount of debtors included in the balance sheet is adjusted for doubtful debts, which are provided for, and known uncollectable debts are written off.

16. Reserves

- Revenue Reserves

  The authority sets aside specific amounts as revenue reserves for policy purposes or to cover contingencies. The reserves are created by appropriating amounts in the Statement of Movement on the Fund Balance and they represent a charge against council tax in the year that they are created.

  When expenditure to be financed from a reserve is then incurred, it is charged to the appropriate service revenue account in that year. The reserve is then appropriated back in the Statement of Movement on the Fund Balance so that there is no net charge against council tax for the expenditure in that year.

  Details relating to each of the principal reserves are provided in the notes to the core financial statements.

- Other Reserves

  Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the authority – these reserves are explained in the relevant section of these policies. The Capital Receipts Reserve is a reserve established for specific statutory purposes.

17. Stocks

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.

18. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

- **Recognition**

  All expenditure on the acquisition, creation or enhancement of fixed assets, subject to the de minimis threshold detailed below, is capitalised on an accruals basis in the accounts. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and is classified as a tangible fixed asset, provided that it yields benefits to the authority and the services it provides are for a period of more than one year.

  De minimis

  The authority has adopted a £5,000 capitalisation threshold for individual assets, although assets of lesser value may be capitalised if they form part of a group, with a group value in excess of £5,000, as defined below. The £5,000 figure includes VAT where this is not recoverable.

Grouped assets – these are defined as a collection of assets which individually may be valued at less than £5,000 but which together form a single collective asset because the items fulfil all the following criteria:

- the items are functionally interdependent;
- the items are acquired at about the same date and are planned for disposal at about the same date;
- the items are acquired at about the same date and are planned for disposal at about the same date;
- the items are under single managerial control; and,
- each individual asset thus grouped has a value of over £250.

It is not possible to set guidance to cover every circumstance in which assets might be considered as comprising a group: this is a matter for local judgement. For example, it is reasonable to treat a network of personal computers (PC) as forming one collective asset on their initial acquisition, notwithstanding the fact that each PC might itself have a cost below £5,000. Equally, a single PC acquired at a later date and then added to the network would not be capitalised (as it does not meet the second criteria above). Transactions falling between these two clear-cut cases (e.g. involving the enhancement of PCs or the addition of a further group of machines) must be treated on their merits.

- **Measurement**

A fixed asset is initially measured at its cost. Costs, but only those costs that are directly attributable to bringing the asset into working condition for its intended use are included in its measurement.

Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation, where known.

Operational land and properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties, net realisable value will normally be market value. In the case of assets under construction net current replacement cost will normally be historical cost and such assets are held at historical cost until they are brought into commission.

Vehicles, plant and equipment are valued on the basis of depreciated replacement cost.

When an asset is included in the balance sheet at current value, it is revalued at intervals of not more than five years and the revised amount is included in the balance sheet. Freehold properties are revalued on a five yearly basis and adjusted to reflect market and construction price changes in the interim period between valuations, whilst other operational assets are revalued on an annual basis.

The valuation of the authority's freehold properties, which comprise the authority's property portfolio, is carried out by external valuers, DTZ. The valuation was undertaken on the basis recommended by CIPFA and in accordance with the statements of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS). The following valuation bases are used to determine net current replacement cost for revalued properties other than investment properties that are not impaired:

- non-specialised operational properties for which there is no general market are valued on the basis of existing use value (EUV).

- where market evidence of EUV is not available specialised operational properties are valued on the basis of depreciated replacement cost.

- investment properties and properties surplus to requirements are valued on the basis of market value (MV).

Increases in the valuation of assets are taken to the revaluation reserve except to the extent they reverse impairment losses (after adjusting for depreciation) on the same asset that had previously been charged to the Income and Expenditure Account. The reversal of such revaluation losses are credited to the Income and Expenditure Account.

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.

Where there is a decrease in the valuation of assets because of any impairment loss then the accounting treatment is set out below.

Where an asset is acquired under a finance lease, at the inception of the lease the amount recorded as both an asset and a liability would be the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease.

- **Impairment**

A review of all categories of fixed assets is made at the end of each financial year for evidence of reductions in value. Where impairment is identified as a result of this review it is accounted for as follows:

- Where the impairment is attributable to the clear consumption of economic benefits, the loss is charged to the relevant service revenue account.

- Otherwise the impairment is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

- **Disposals**

Disposals of all material assets are at current market value at the date of disposal.

The net value of an asset at the time of disposal or decommissioning is written-off to the Income and Expenditure account with the disposal proceeds being credited to the Income & Expenditure account to arrive at the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The following appropriations are made in the Statement of Movement on the Fund Balance:

- An appropriation from the Statement of Movement on the Fund Balance to the Capital Receipt Reserve in respect of capital receipts received during the year. In accordance with statutory/proper practices these amounts remain in the Capital Receipt Reserve until such time as they are allocated to finance other capital expenditure.

- An appropriation to the Statement of Movement on the Fund Balance from the Capital Adjustment Account in respect of the net carrying amount of the assets disposed of or decommissioned.

Where a fixed asset is disposed of for other than a cash consideration, or payment is deferred, an equivalent asset is recognised and included in the balance sheet at its fair value.

- **Depreciation**

Depreciation is provided for on all fixed assets with a finite useful life and is calculated on a straight-line basis according to their assessed useful lives.

Depreciation is not provided for on freehold land or non-operational investment properties.

Service revenue accounts are charged with depreciation with a corresponding credit made in the Statement of Movement in the Fund Balance.

Where gains from revaluation have arisen these are also depreciated. An amount equal to the difference between the depreciation charge based on the current value of the asset and the depreciation charge based on the historic cost of the asset is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

- **Charges to the Income and Expenditure Account**

Service revenue accounts, as defined in CIPFA's *Best Value Accounting Code of Practice* are charged with depreciation and where required, any related impairment loss (due to clear consumption of economic benefits), for all fixed assets used in the provision of the service. A charge for other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off is also made.

Depreciation for the use of fixed assets and any relevant impairment losses included in the Income and Expenditure Account are credited to the Statement of Movement in the Fund Balance and therefore have a neutral impact on the amounts required to be raised from the council taxpayer.

The Authority is required by statute to set aside an amount each year which it considers to be prudent as a minimum revenue provision (MRP) for the redemption of debt. The amount calculated for the MRP is debited to the Statement of Movement in the Fund balance as it is an amount required to be raised from the council taxpayer.

The difference between the credit for depreciation and any relevant impairment losses and the debit for the MRP made to the Statement of Movement in the Fund balance is accounted for by an adjustment being made to the Capital Adjustment Account.

External interest is payable on borrowing from Bristol City Council and is charged to Operating Expenditure in the Income and Expenditure Account.

Income and Expenditure Account for the Year Ending 31 March 2010

This account summarises the resources that have been generated and consumed in providing services and managing the authority during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2008/2009 Restated Net Expenditure £'000		2009/2010 Gross Expenditure £'000	2009/2010 Income £'000	2009/2010 Net Expenditure £'000
13,087	Community fire safety	7,508	(338)	7,170
49,520	Fire fighting and rescue operations	35,440	(2,570)	32,870
311	Fire service emergency planning and civil defence	260	(7)	253
883	Corporate and democratic core	869	(10)	859
0	Non Distributed Cost	180	-	180
63,801	**Net Cost of Services**	**44,257**	**(2,925)**	**41,332**
1,071	Interest payable and similar charges			1,025
(379)	Interest and investment income			(41)
20,255	Pension interest cost and Expected return on pension assets			19,832
(5,606)	Gain in relation to government grant payable to the Pension Fund on the authority's behalf			(5,528)
79,142	**Net operating expenditure**			**56,620**
(20,269)	Precepts			(21,317)
(3,010)	General Government Grants			(4,642)
(21,622)	Non-domestic rates redistribution			(20,112)
34,241	**Deficit for the Year**			**10,549**

Signed

Terry Walker
……………………………
Terry Walker
Chair of the Avon Fire Authority

James Dack
……………………………
James Dack
Treasurer of the Avon Fire Authority

Statement of Movement on the Fund Balance

The Income and Expenditure Account shows the authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The Fund Balance compares the authority's spending against the council tax that it accrued for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Fund Balance.

2008/2009 Restated £'000		2009/2010 £'000	Notes
34,241	Deficit for the year on the Income and Expenditure Account	10,549	
(34,241)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(10,549)	7
0	**Increase in Fund Balance for Year**	0	
(1,500)	Fund Balance brought forward	(1,500)	
(1,500)	**Fund Balance carried forward**	(1,500)	

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the authority for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Restated 2008/2009 £'000		2009/2010 £'000
34,241	Deficit on the Income and Expenditure Account for the year	10,549
(1,147)	(Surplus) / Deficit arising on revaluation of fixed assets	(908)
(65,564)	Actuarial (gains) and losses on pension fund assets and liabilities	131,953
571	Other (gains) and losses	-
(31,899)	**Total recognised (gains) and losses for the year**	141,594
	The cumulative effect of the Prior Period Adjustment on the opening balance of reserves	1,594

Balance Sheet as at 31 March 2010

Restated 31/03/2009 £'000		31/03/2010 £'000	£'000	Notes
	Fixed assets			
479	Intangible assets		795	8
	Operational assets			
44,787	- Land and Buildings	44,381		
8,932	- Vehicles, Plant and Equipment	9,125		
53,719	Total Operational Assets		53,506	8-12
-	Non-Operational Assets		-	
54,198	**Total fixed assets**		54,301	
	Current assets			
5,662	Debtors	4,558		15
1,010	Cash and bank	166		16
6,672			4,724	
60,870	**Total assets**		59,025	
	Current liabilities			
(707)	Borrowing repayable within 12 months	(753)		
(4,244)	Creditors	(3,958)		17
(4,951)			(4,711)	
55,919	**Total assets less current liabilities**		54,314	
	Long-term liabilities			
(12,408)	Long term borrowing	(11,655)		18
(800)	Government grants - deferred	(1,273)		
(3,938)	Deferred Liabilities	(3,768)		
(19)	Creditors - Amounts due over 1 year	-		19
(280,638)	Pensions Liability	(420,981)		24
(77)	Provisions	(192)		21
(297,880)			(437,869)	
(241,961)	**Total assets less liabilities**		(383,555)	
	Financed by:			
1,733	Revaluation Reserve		2,307	22
30,207	Capital Adjustment Account		28,590	22
127	Collection Fund Adjustment Account		73	22
(280,638)	Pensions Reserve		(420,981)	24
5,110	Earmarked reserves		4,956	22
1,500	Fund balance		1,500	
(241,961)	**Total net worth**		(383,555)	

Signed

Terry Walker ……………………………

Terry Walker
Chair of the Avon Fire Authority

James Dack ……………………………

James Dack
Treasurer of the Avon Fire Authority

Cash Flow Statement

2008/2009 £'000		2009/2010 £'000	2009/2010 £'000	Notes
(114)	**Revenue Activities Net Cash (Inflow) /Outflow**		(2,067)	25 a)
	Returns on Investments and Servicing of Finance			
	Cash outflows			
473	Interest paid	674		
25	Interest element of finance lease rental payments	23		
	Cash inflows			
(333)	Interest and Investment income received	(36)		
165			661	
	Capital Activities			
	Cash outflows			
6,056	Purchase of Fixed Assets	2,396		
	Cash inflows			
-	Sales of Fixed Assets	-		
(50)	Capital grants received	(788)		
6,006			1,608	
6,057	**Net Cash (Inflow) / Outflow Before Financing**		202	
	Financing			
	Cash outflows			
431	Repayments of amounts borrowed	580		
60	Capital element of finance lease rental payments	62		
	Cash inflows			
(4,945)	New loans raised	-		
(4,454)			642	
1,603	**Net decrease in cash**		844	25 b)

1. **Undischarged 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 VT Fire Training (Avonmouth) Ltd., 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 18 years of the joint venture are as follows:

2008/2009 £'000		Service Charge	Interest	Repayment of Liability	Total 2009/2010 £'000
1,146	Total contract payments made	712	376	90	1,178
	Outstanding undischarged contract obligations:-				
1,117	Within 1 year	729	381	106	1,216
4,903	Between 2 and 5 years	3,102	1,500	304	4,906
6,863	Between 6 and 10 years	4,330	2,033	795	7,158
7,881	Between 11 and 15	4,893	1,980	1,205	8,078
7,058	Over 16 years	3,236	1,092	1,018	5,346

The SORP 2009 includes changes to the accounting treatment of PFI. This requires that the proportion of the asset attributable to the Authority should be brought onto the balance sheet along with its associated liabilities.

An Equalisation Fund, relating to the project, is administered by Gloucestershire County Council on behalf of the partners. The fund balance, attributable to the Authority, at the end of each financial year is recognised within the balance sheet. At 31st March 2010 a surplus of £1.75 million (£1.69 million at 31.3.09) was attributable to Avon and this has been shown as a reserve within the balance sheet with a corresponding debtor against Gloucestershire County Council.

Bringing the asset on to the balance sheet does not affect the level of Council Tax.

Details of the asset held under the Private Finance Initiative and accounted for as part of Tangible Fixed Assets is as follows:

	Land & Buildings £'000
Certified valuation at 31 March 2009	4,320
Accumulated depreciation and impairment	(1,029)
Net book value of asset at 31 March 2009	3,291
Movement in 2009/10	
Additions	-
Disposals	-
Revaluations	667
Depreciation	(208)
Impairments	-
Net book value of asset at 31 March 2010	3,750
Finance Lease Liability Repaid in 09/10	90
Finance Lease Liability o/s at 31 March 2009	3,519
Finance Lease Liability o/s at 31 March 2010	3,429

2. 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/cooptees under the Avon Fire Authority Members Allowances Scheme 2009 in the period 1 April 2009 to 31 March 2010 are set out below. The summary of allowances, which have been paid under this scheme are as follows:

2008/2009 £'000		2009/2010 £'000
44	Allowances	50
1	Travel and subsistence expenses	1
45	**Total**	**51**

A detailed list of individual payments can be seen on the next page:

2008/2009 £	Recipient	Basic Allowance	Special Responsibility Allowance	Travelling & Subsistence Allowance	Cooptees Allowance	2009/2010 £
3,417	Councillor P Abraham	1,435	1,401	746	-	3,582
1,740	Councillor C Barrett	1,435	-	95	-	1,530
1,401	Councillor N Barrett	1,435	-	-	-	1,435
-	Councillor S Brown	961	-	-	-	961
1,401	Councillor M Cole	1,435	-	-	-	1,435
1,183	Councillor S Comer	1,435	-	-	-	1,435
3,157	Councillor S Cook	1,435	1,756	-	-	3,191
1,401	Councillor K Cranney	1,435	-	-	-	1,435
1,114	Councillor S Crew	1,435	-	-	-	1,435
3,157	Councillor G Curran	1,435	1,756	-	-	3,191
1,401	Councillor K Dando	1,435	-	-	-	1,435
1,401	Councillor M Drew	1,435	-	-	-	1,435
1,401	Councillor H Gregor	1,435	-	51	-	1,486
-	Councillor B Hugill	961	-	-	-	961
1,401	Councillor T Kent	1,435	-	-	-	1,435
-	Councillor M Kerry	961	-	-	-	961
1,401	Councillor D Kitson	1,435	-	-	-	1,435
1,497	Councillor S McGall	1,435	-	64	-	1,499
1,401	Councillor A Murphy	1,435	-		-	1,435
-	Councillor A Patel	1,207	-	23	-	1,230
226	Councillor I Porter	1,207	-	-	-	1,207
1,433	Councillor H Roberts	1,435	-	-	-	1,435
5,077	Councillor T Walker	1,435	8,494	-	-	9,929
1,248	Councillor R Willis	1,435	-	127	-	1,562
1,401	Councillor G Wood	1,435	-		-	1,435
1,401	Councillor R Stone	474	-		-	474
1,761	Councillor T Marter	239	-	100	-	339
1,401	Councillor J Lovell	474	-	-	-	474
1,401	Councillor S Edwards	239	-	-	-	239
720	Councillor R Griffey	474	-	-	-	474
300	Councillor J Deasy	-	-	-	-	-
218	Councillor B Price	-	-	-	-	-
226	Councillor J Price	-	-	-	-	-
225	Councillor R Walker	-	-	-	-	-
230	Mr C Williams	-	-	-	240	240
230	Mr J Fisk	-	-	-	120	120
-	Ms P Roberts	-	-	-	120	120
45,372	**Total**	**35,897**	**13,407**	**1,206**	**480**	**50,990**

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).

3. Audit Commission Fees

Under the code of practice the Authority is required to disclose the fees payable to the Audit Commission for external audit services and inspection carried out in accordance with relevant legislative requirements. The amount for audit fees included in the accounts is £80k (£67k in 2008/09) details of which are as follows:

2008/2009 £'000		2009/2010 £'000
63	Fees payable with regard to external audit services carried out by the appointed auditor	77
4	Fees payable in respect of other services provided by the appointed auditor	3

4. Employees Remuneration

The Authority is required, by the Accounts and Audit Regulations 2003 (as amended 2009) 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 5) are not included in this table:

2008/2009 No. of Employees	Remuneration Band	2009/2010 No. of Employees
12	£50,000 - £54,999	18
9	£55,000 - £59,999	5
2	£60,000 - £64,999	5
4	£65,000 - £69,999	2
-	£70,000 - £74,999	1

5. 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 are shown in the following table.

2008/2009 £	Post Holder	Salary Incl. Fees & Allowances £	Expense Allowances (Note 3) £	Benefits in Kind £	Pension Contributions £	Total Remuneration Including Pension Contributions 2009/2010 £
201,894	Chief Executive - K Pearson	166,121	1,927	-	15,320	183,368
171,168	Deputy Chief Fire Officer	141,064	2,531	-	30,047	173,642
87,751	Assistant Chief Fire Officer - Risk Reduction - From Sep 08	124,515	830	24,537	26,512	176,394
150,607	Assistant Chief Fire Officer - Operations Response - Left Feb 10	111,042	1,546	400	23,652	136,640
-	Assistant Chief Fire Officer - Operations Response - From Feb 10	19,639	114	718	4,183	24,654
90,445	Director of Finance and Asset Management and Treasurer - note1	82,150	618	4,479	12,651	99,898
43,304	Treasurer - Left July 09	12,604	-	-	1,941	14,545
88,393	Director of HR & People Development	82,150	203	2,585	12,651	97,589
90,836	Director of Service Improvement	82,150	669	3,579	12,651	99,049
54,585	Monitoring Officer - note 2	63,101	327	112	9,718	73,258
978,983	Total	884,536	8,765	36,410	149,326	1,079,037

1.Director of Finance and Asset Management took on Treasurer role from July 2009
2. Monitoring Officers hours increased from 20 to 27 per week from March 2009
3. Expenses are related to reimbursement of incurred expenditure eg, mileage

6. Related Party Transactions

The Code of practice requires disclosure of material transactions with 'related parties'. For 2009/2010 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 – (£25,713k)

- 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 - (£7,806k) and as a provider of financial services to the Fire Authority – amount including the cost of servicing existing debt (£1,521k).

    - Bath & North East Somerset as a billing authority responsible for collecting council tax on behalf of the Fire Authority for its area - (£3,792k) 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 fire fighters pension scheme – (£13,061k)

    - North Somerset (£4,505k) and South Gloucestershire (£5,267) 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 - (£7,201k).

7. Reconciling items in the Statement of Movement on the Fund Balance

2008/2009 £'000		2009/2010 £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Fund Balance for the year	
(29)	Amortisation of intangible fixed assets	(130)
(23,492)	Depreciation and impairment of fixed assets	(3,184)
11	Government Grants Defered amortisation	315
(79)	Net loss on disposal of fixed assets	(1)
(12)	Transfer to or from Collection Fund Adj Account	(54)
(28,761)	Net charges made for retirement benefits in accordance with FRS17	(25,447)
5,606	Gain in relation to government grant payable to the Pension Fund on the authority's behalf	5,528
(46,756)	**Total**	**(22,973)**
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the Fund Balance for the year	
690	Minimum revenue provision for capital financing	823
642	Capital expenditure charged in-year to the Fund Balance	191
11,462	Employer's contributions payable to the Pensions Account and retirement benefits	11,529
12,794		**12,543**
	Transfers to or from the Fund Balance that are required to be taken into account when determing the Movement on the Fund Balance for the year	
31	Voluntary revenue provision for capital financing	36
(310)	Net transfer to or from earmarked reserves	(155)
(279)		**(119)**
(34,241)	**Net additional amount required to be credited to the Fund balance for the year**	**(10,549)**

8. Summary of Capital Expenditure and Fixed Asset Disposals

Tangible Fixed Assets

Movements in tangible fixed assets during the year are as follows:

Operational Assets	Land & Buildings £'000	2009/2010 Vehicles & Equipment £'000	**Total £'000**
Cost or Valuation			
1 April 2009	47,253	11,758	**59,011**
Additions	832	1,232	**2,064**
Disposals	-	(89)	**(89)**
Revaluations	231	8,162	**8,393**
31 March 2010	**48,316**	**21,063**	**69,379**
Depreciation and impairments			
1 April 2009	(2,452)	(2,827)	**(5,279)**
Charge for year	(1,897)	(1,115)	**(3,012)**
Disposals	-	88	**88**
Revaluations	414	(8,084)	**(7,670)**
31 March 2010	**(3,935)**	**(11,938)**	**(15,873)**
Net book value of assets at 31 March 2010	**44,381**	**9,125**	**53,506**
Net book value of assets at 31 March 2009	**44,801**	**8,931**	**53,732**

Intangible Fixed Assets

Movements in intangible fixed assets during the year are as follows:

Intangible Assets	2009/2010 Purchased software licences £'000
Original Cost	
1 April 2009	522
Additions	446
Disposals	0
Revaluations	0
31 March 2010	**968**
Amortisation and impairments	
1 April 2009	**(43)**
Charge for year	(130)
Disposals	0
Revaluations	0
31 March 2010	**(173)**
Net book value of assets at 31 March 2010	**795**
Net book value of assets at 31 March 2009	**479**

9. **Capital expenditure and sources of finance**

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, 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.

These figures have been updated to include the PFI asset.

2008/2009 £'000		2009/2010 £'000
18,992	Opening Capital Financing Requirement	21,458
	Capital Investment	
5,138	Operational Assets	2,511
	Sources of finance	
(687)	Capital Receipts	-
(621)	Government grants and other contributions	(789)
(1,364)	Revenue Provision	(1,049)
21,458	Closing Capital Financing Requirement	22,131
	Explanation of movements in year	
680	Increase in underlying need to borrow (supported by Government financial assistance)	803
1,786	Increase in underlying need to borrow (unsupported by Government financial assistance)	(130)
2,466	Increase/ (decrease) in Capital Financing Requirement	673

10. 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 authorities Capital Finance Requirement and its MRP is as follows:

2008/2009 £’000		2009/2010 £’000
	Capital Financing Requirement as at 1 April:	
71,503	Fixed assets	54,198
(946)	Revaluation Reserve	(1,733)
(51,375)	Capital Adjustment Account	(30,207)
(190)	Government Grants deferred	(800)
18,992	Capital Financing Requirement	**21,458**
(165)	Adjustment Factor A	(165)
18,827	Adjusted Capital Financing Requirement	**21,293**
690	MRP	823
-	Additional amount in respect of SCA repayment	-
31	Finance Leases -Voluntary MRP Contributions	36

11. Information on Assets held

An analysis of the principal tangible assets owned by the Authority (including those acquired under finance leases) is as follows:

Number as at 31/03/2009		Number as at 31/03/2010
	Land and buildings	
1	Joint Training Centre (Part owned - PFI)	1
23	Fire Stations etc	23
1	Brigade HQ	1
1	Command and Control Centre	1
1	Emergency Control	1
1	Technical Centre	1
1	Hot Fire Training Centre	1
1	USAR Centre	1
1	Fire House	1
	Vehicles and Equipment	
64	Operational Vehicles	58
83	Ancillary Vehicles	83
24	Compressors	24
19	Trailers etc	31

12. 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 Income and Expenditure account and Statement of Movement in the Fund balance during the year.

2008/2009 Vehicles & Equipment £'000		2009/2010 Vehicles & Equipment £'000
85	Total rentals paid	85
	Analysis of charges in the Financial Statements	
25	Finance Charge - (Income and Expenditure Account)	23
60	MRP (including voluntary contributions) - (Statement of Movement in the Fund Balance)	62

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 Tangible Fixed Assets are as follows:

	Vehicles & Equipment £'000
Certified valuation at 31 March 2009	924
Accumulated depreciation and impairment	(159)
Net book value of assets at 31 March 2009	**765**
Movement in 2009/10	
Additions	-
Disposals	-
Revaluations	196
Depreciation	(281)
Impairments	-
Net book value of assets at 31 March 2010	**680**

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2010 are as follows:

2008/2009 £'000		2009/2010 £'000
	Outstanding undischarged leasing obligations:-	
62	Within 1 year	65
65	Between 1 and 2 years	67
67	Between 2 and 3 years	70
378	Over 3 years	308
572	Total Liabilities at 31 March 2010 (2009)	510

13. Operating Lease Rentals

The amounts paid in respect of operating leases in 2008/09 and 2009/10 and the amounts outstanding in respect of future years, are as follows:

2008/2009 £'000		2009/2010 £'000
441	Total rentals paid	419
	Outstanding undischarged leasing obligations:-	
364	Within 1 year	357
280	Between 1 and 2 years	349
344	Between 2 and 3 years	240
174	Over 3 years	94

14. Fixed Asset Valuation

A full valuation of the freehold properties, which comprise the Authority's property portfolio, was carried out by external valuers, DTZ, in March 2010. The valuations were carried out in accordance with the Practice Statements and Guidance Notes of the Appraisal and Valuation Manual prepared by the Royal Institution of Chartered Surveyors.

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, eg. fire stations, has meant that the depreciated replacement cost approach has been considered more appropriate for the majority of its premises.

Vehicles, plant and equipment have been valued on the basis of depreciated replacement cost.

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

	Years
Buildings	10-25
Fire Appliances	8-17
Other Vehicles	6-10
Compressors	6
Trailers etc	5-12
Communication equipment	12
Computer equipment	5
Other equipment	3-15

Intangible Assets are amortised over 5 years.

15. **Debtors**

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

2008/2009 £'000		2009/2010 £'000
4,821	Government departments	3,439
74	Other local authorities	102
767	Sundry debtors	1,017
5,662		4,558

16. **Cash and Bank**

The amount for Cash and bank is further analysed between cash held at the bank and that held in imprest accounts in the following table:

2008/2009 £'000		2009/2010 £'000
996	Cash at bank	156
14	Imprests	10
1,010		166

17. **Creditors**

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

2008/2009 £'000		2009/2010 £'000
(37)	Government departments	(14)
(2,182)	Other local authorities	(2,317)
(2,025)	Sundry creditors	(1,627)
(4,244)		(3,958)

18. **Analysis of Borrowing**

The loans outstanding have been raised through Bristol City Council. Loans repayable during 2010/2011 are shown as short term borrowing in the Balance Sheet. The maturity of long term loans is as follows:

2008/2009 £'000		2009/2010 £'000
679	Between 1 and 2 years	713
1,878	Between 2 and 5 years	1,973
2,661	Between 5 and 10 years	2,796
7,190	Over 10 years	6,173
12,408	Total long term borrowing at 31 March 2010 (2009)	11,655

19. **Creditors – Amounts due over 1 year**

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

2008/2009 £'000		2009/2010 £'000
(19)	Government departments	-
-	Other local authorities	-
-	Sundry creditors	-
(19)		0

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 2009 £'000	31 March 2010 £'000	31 March 2009 **£'000**	31 March 2010 £'000
Financial Liabilities at amortised cost	(12,427)	(11,665)	(4,314)	(4,530)
Total borrowings	**(12,427)**	**(11,665)**	**(4,314)**	**(4,530)**
Loans and receivables	0	0	4,368	5,126
Total investments	**0**	**0**	**4,368**	**5,126**

Financial Instruments Gains/Losses

The Gains and losses recognised in the Income and Expenditure Account and Statement of Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities Liabilities measured at amortised costs £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expense	(650)		(650)
Interest payable and similar charges	**(650)**	**0**	**(650)**
Interest income		29	29
Interest and Investment Income	**0**	**29**	**29**
Net Gain / (loss) for the year	**(650)**	**29**	**(621)**

Fair Values

Financial Liabilities and Financial Assets represented by loans and receivables are carried on the balance sheet at amortised costs. 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 from local authorities, premature repayments rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures:
- 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 2009 Carrying Amount £'000	31 March 2009 Fair Value £'000	31 March 2010 Carrying Amount **£'000**	31 March 2010 Fair Value £'000
Loan Debt				
Local Authority	(13,115)	(14,996)	(12,408)	(13,091)
Total debt	**(13,115)**	**(14,996)**	**(12,408)**	**(13,091)**
Trade and other creditors	(3,625)	(3,625)	(3,787)	(3,787)
Total Financial Liabilities	**(16,740)**	**(18,621)**	**(16,195)**	**(16,878)**

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.

Loans and receivables

	31 March 2009 Carrying Amount £'000	31 March 2009 Fair Value £'000	31 March 2010 Carrying Amount **£'000**	31 March 2010 Fair Value £'000
Loans and Investments				
Bank and cash	1,010	1,010	166	166
Total debt	**1,010**	**1,010**	**166**	**166**
Trade and other debtors	3,358	3,358	4,960	4,960
Total Loans and Receivables	**4,368**	**4,368**	**5,126**	**5,126**

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 2010 £'000	Historical experience of default %	Adjustments for market conditions at 31 March 2010 %	Estimated maximum exposure to default £'000
Other counterparties - Local Authorities	2,024	0.000%	0.000%	0
Other counterparties - Central Government	1,683	0.000%	0.000%	0
Council Tax Payers	976	0.000%	41.100%	401
Trade and other debtors	443	0.000%	0.450%	2
	5,126			**403**

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 £2k has been created to cover the risk of default.

An allowance for doubtful debts is created by each billing authority against their council tax outstanding debts. The total proportion for the Fire Authority from all four authorities is £401k.

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:

	£'000
Less than one year	(4,530)
Between 1 and 2 years	(713)
Between 2 and 7 years	(3,160)
Between 7 and 15 years	(3,754)
More than 15 years	(4,038)
	(16,195)

The maturity analysis of financial assets is as follows:

	£'000
Less than one year	5,126

Market risk

Interest rate risk – In normal circumstances the Authority would have minor exposure to interest rate movements. However, in the current financial climate the massive drop in rates could not have been foreseen. The Authority has made efforts to mitigate this by utilising balances to offset borrowing in the short term.

Additionally, within its medium term financial plan, some provision has been made for this eventuality in the current year.

Overall long term borrowing rates have also fallen which is expected to have favourable longer term effects.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the Fund Balance, subject to influences from Government grants.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy, compiled in conjunction with Bristol City Council, draws together the Authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. Bristol City Council, on behalf of the Authority, monitors the market and forecast interest rates within the year to adjust exposures appropriately.

If all interest rates had been 1% higher with all other variables held constant the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	70
Impact on Income and Expenditure Account	**70**
Increase in Government grant receivable for financing costs	0
Decrease in fair value of fixed rate investment assets	0
Impact on STRGL	**0**
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	(1,087)

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 2009/10 was only 0.41%. The maximum impact could only be the interest received in the year of £29k. The approximate impact of a 1% fall in interest rates on the fixed rate borrowing liabilities would be:

	£'000
Increase in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	2,860

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. Provisions

	01 April 2009 £'000	Receipts in year £'000	Payments in year £'000	31 March 2010 £'000
Fire Hydrants	77	92	77	92
Retained Firefighters Comparability Provision	0	100	0	100
	77	192	77	192

a. Fire Hydrants

An agreement was reached during the year in respect of a large majority of the outstanding maintenance commitments for fire hydrants. All hydrants are regularly inspected and it is anticipated that the provision will be utilised in 2010/11

b. Retained Firefighters Comparability Provision

A provision of £100k has been included to reflect the estimated cost associated with the outstanding retained pay comparability claim under the part-time workers regulations. Claims in this respect are expected to be settled during 2010/11.

22. Reserves

Revaluation Reserve

2008/2009 £'000		2009/2010 £'000
946	**Balance at 1 April 2009 (2008)**	**1,733**
1,315	Net gains on revaluation of fixed assets	901
(361)	Consumption of previous gains following downward revaluation	-
(167)	Excess of current value depreciation over historic cost depreciation	(327)
-	Gains on asset disposals	
1,733	**Balance at 31 March 2010 (2009)**	**2,307**

The revaluation reserve records the accumulated gains on the fixed 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 revalued the excess current value depreciation charge over the historic depreciation charge 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 current value of fixed assets carried in the balance sheet is greater because they are carried at revalued 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

2008/09 £'000		2009/2010 £'000
51,378	**Balance at 1 April 2009 (2008)**	**30,207**
(23,133)	Depreciation and impairment of fixed assets	(2,851)
(29)	Amortisation of intangible assets	(130)
11	Government grants deferred amortisation	315
690	Minimum revenue provision for capital financing	823
650	Capital expenditure charged in-year to the fund balance	191
31	Voluntary revenue provision for capital financing	36
687	Capital Receipts applied	-
(78)	Loss on disposal of assets	(1)
30,207	**Balance at 31 March 2010 (2009)**	**28,590**

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and the amounts which are required by statute to be set aside from revenue for the repayment of loans and the amount of capital expenditure financed from revenue and usable receipts. The account, however, is not reduced when debt is actually repaid.

Collection Fund Adjustment Account

2008/09 £'000		2009/2010 £'000
139	**Balance at 1 April 2009 (2008)**	**127**
21	Bath and North East Somerset	(14)
(106)	Bristol City Council	(88)
55	North Somerset	24
18	South Gloucestershire	24
127	**Balance at 31 March 2010 (2009)**	**73**

The Collection Fund Adjustment account provides a balancing mechanism for the differences between the income included in the income and expenditure account and the amount required by regulation to be credited to revenue. The annual movement attributable to each of the four billing authorities is shown in the table above.

Capital Receipts Reserve

2008/2009 £'000		2009/2010 £'000
687	**Balance at 1 April 2009 (2008)**	**-**
-	Amounts receivable	-
(687)	Amounts applied to finance new capital investment	-
0	**Balance at 31 March 2010 (2009)**	**0**

Proceeds from the disposal of fixed assets are credited to the capital receipts reserve and remain in this reserve until utilised to finance new capital expenditure.

Other Earmarked Reserves

	1 April 2009 £'000	Receipts in year £'000	Payments in year £'000	31 March 2010 £'000
Pensions and Budget Pressures Reserve	2,991	389	950	2,430
Lansdown development works	37	0	0	37
IRMP	230	450	0	680
Nova Way - Technical Services	80	0	35	45
Urban Search and Rescue (USAR)	78	0	70	8
PFI Equalisation Fund	1,694	62	0	1,756
	5,110	901	1,055	4,956

a. Pensions and Budget Pressures Reserve

The Fire Authority's medium term financial plan has identified a number of budget pressures, including those in relation to potential liabilities arising under the new fire fighters pension scheme, which are likely to arise in future years and this reserve has been set up to help alleviate some of these pressures.

b. Lansdown development works

The balance of the reserve brought forward was utilised during the year for development works with the additional income generated from the rental of training facilities at Lansdown during the year being again set aside for further required development works. This is likely to be utilised during the next two financial years.

c. IRMP

The Integrated Risk Management Plan (IRMP) sets out how the Authority intends to continue to improve by taking innovative and partnership based approach to community risk management and emergency response. Significant challenges lie ahead and the Authority recognizes the importance of maintaining a balance of resources to match the delivery of its IRMP. This reserve forms part of those balanced resources and it is anticipated that it will be utilized over the next 2-3 years.

d. Nova Way – Technical Services

A reserve has been created to cover the impending relocation costs of HQ staff to the new Nova Way premises and this will be utilised for that purpose. The majority of this reserve is expected to be used in 2010/11

e. Urban Search and Rescue

A reserve has been set aside to develop the urban search and rescue facility. The balance will be utilised during 2010/11.

f. PFI Equalisation Fund

The Authority's share of the balance on the PFI Equalisation Fund, this will diminish to zero by the end of the PFI period .

23. Authorisation of Accounts for issue

The date that the financial statements are authorised for issue is 24 September 2010. This is the date that the financial statements are required to be approved by the Special Purposes Committee and signed by the Chair and Treasurer of the Fire Authority. Events that occur after this date will not be recognised in the Statement of Accounts.

24. 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 and 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 2007 and assessed the overall funding level at 83%. Based upon this valuation the actuary recommended a contribution rate of 15.4% with effect from 1 April 2008.

- Fire fighters 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 contribution rates for this scheme were employer 21.3% and employee 11.0%.

  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 contribution rates for this scheme were employer 11.0% and employee 8.5%.

The arrangements for financing fire fighters 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

Transactions Relating to Retirement Benefits

The costs of retirement benefits are recognised in the Net Cost 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 Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	Local Government Pension Scheme		Fire Fighters Scheme	
	2008/09	2009/10	2008/09	2009/10
	£'000s	£'000s	£'000s	£'000s
Income and Expenditure Account				
Net Costs of Services:				
Current Service Costs	696	445	7,810	4,990
Past service Costs	-	-	-	180
Net Operating Expenditure:				
Interest Costs	1,227	1,229	19,941	19,330
Expected Return on Assets in the Scheme	(913)	(727)	-	-
Net Charge to the Income and Expenditure Account	1,010	947	27,751	24,500
Statement of Movement in the Fund Balance				
Reversal of net charges made for retirement benefits in accordance with FRS17	(1,010)	(947)	(27,751)	(24,500)
Actual amount charged against the Fund Balance for pensions in the year:				
Employers contributions payable to the scheme	800	719	10,662	10,810

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and (losses) of £131,953k ((£65,564k) 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and (losses) recognised in the Statement of Total Recognised Gains and Losses is (£176,779k).

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded liabilities Local Government Scheme		Unfunded liabilities Fire Fighters Scheme	
	2008/2009	2009/2010	2008/2009	2009/2010
	£'000	£'000		£'000
Liabilities at beginning of year	(19,943)	(17,237)	(328,335)	(275,081)
Current Service Cost	(696)	(445)	(7,810)	(4,990)
Interest Cost	(1,227)	(1,229)	(19,941)	(19,330)
Pension Transfers In				(210)
Contributions by scheme participants	(287)	(300)	(2,242)	(2,220)
Actuarial gains and (losses)	4,262	(5,910)	70,343	(123,880)
Benefits Paid	654	589	12,904	13,240
Past service costs	-	-	-	(180)
Liabilities at end of year	(17,237)	(24,532)	(275,081)	(412,651)

Reconciliation of fair value of the scheme assets:

	Local Government Scheme	
	2008/2009	2009/2010
	£'000	£'000
Assets at beginning of year	13,755	11,680
Expected rate of return	913	727
Actuarial gains and losses	(3,421)	3,365
Employer contributions	800	719
Contributions by scheme participants	287	300
Benefits paid	(654)	(589)
Assets at end of year	11,680	16,202

The expected return on 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 £4,092k (2008/09: £(2,508)k)).

Scheme History

	2005/06* £'000s	2006/07 As restated £'000s	2007/08 As restated £'000s	2008/09 £'000s	2009/10 £'000s
Present value of liabilities					
Local Government Scheme	(17,034)	(17,461)	(19,943)	(17,237)	(24,532)
Fire Fighters Scheme	(274,639)	(274,233)	(328,335)	(275,081)	(412,651)
Fair value of assets in the Local Government Scheme	12,145	13,303	13,755	11,680	16,202
Surplus/(deficit) in the scheme:					
Local Government Scheme	(4,889)	(4,158)	(6,188)	(5,557)	(8,330)
Fire Fighters Scheme	(274,639)	(274,233)	(328,335)	(275,081)	(412,651)
Total	(279,528)	(278,391)	(334,523)	(280,638)	(420,981)

* The authority has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £421m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £385.9 m.

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, as assessed by the scheme actuary
- the deficit on the fire fighters 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 contributions expected to be made by the Authority in the year to 31 March 2011 are as follows:

- Local Government Pension Scheme - £718k.
- Fire fighters Scheme - £10,810 (inclusive of £5,211k top up grant receivable from central government).

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 William M. Mercer the independent actuary to the Avon Pension Fund, which manages the Local Government Scheme on behalf of the Authority. The Firefighter 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 2007 updated for the following years.

The main assumptions used by the actuary have been:

	Local Government Scheme		Fire Fighters Scheme		
	2008/2009	2009/2010	2008/2009		2009/2010
Long-term expected rate of return on assets in the scheme:					
Equity investments	7.5%	7.5%	-		-
Government Bonds	4.0%	4.5%	-		-
Other Bonds	6.0%	5.2%	-		-
Property	N/A	6.5%	-		-
Cash / Liquidity	0.5%	0.5%	-		-
Other	7.5%	7.5%	-		-
Mortality assumptions:					
Longevity at 65 for current					
Men	21.2	21.2	-		23.3
Women	24.0	24.1	-		25.0
Longevity at 65 for future					
Men	22.2	22.2	-		26.2
Women	25.0	25.0	-		28.0
Longevity at 60 for current					
Men	-	-	25.9		-
Women	-	-	28.8		-
Longevity at 60 for future					
Men	-	-	27.0		-
Women	-	-	29.8		-
Rate of inflation	3.3%	3.3%	3.3%		3.9%
Rate of increase in salaries	4.55%	4.55%	4.3%	*	5.4%
Rate of increase in pensions	3.3%	3.3%	3.3%		3.9%
Rate of discounting scheme liabilities	7.1%	5.6%	7.1%		5.8%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	-		-
* plus a salary scale to allow for promotional effects					

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 2007 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 Fire fighters 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 2009	31 March 2010
	%	%
Equity Investments	60.7%	65.0%
Government Bonds	13.9%	10.3%
Other Bonds	8.6%	9.6%
Property	-	3.3%
Cash/Liquidity	6.9%	2.7%
Other assets	9.9%	9.1%
	100.0%	100.0%

History of experience gains and loses

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 Scheme	2005/06	2006/07 As restated	2007/08 As restated	2008/09	2009/10
	%	%	%	%	%
Experience gains and (losses) on assets	13.9%	(0.3)%	(3.6)%	(29.3)%	(20.8)%
Experience gains and (losses) on liabilities	(1.7)%	0.0%	(1.4)%	(1.3)%	0.0%

Fire Fighters Scheme	2005/06	2006/07 As restated	2007/08 As restated	2008/09	2009/10
	%	%	%	%	%
Experience gains and (losses) on liabilities	0.0%	0.0%	(5.6)%	0.0%	0.5%

25. Notes relating to the Cashflow Statement

a) Reconciliation of net deficit on the Income and Expenditure Account to the revenue activities net cash flow in the Statement

2008/2009 Restated £'000		2009/2010 £'000
34,241	Deficit (Surplus) on revenue account for the year	10,549
	Non-cash transactions	
201	(Increase) \ decrease in provisions	(115)
(29)	Amortisation of intangible fixed assets	(130)
(23,492)	Depreciation and impairment	(3,184)
11	Government Grants deferred amortisation	315
(79)	Net gain \ (loss) on disposal of fixed assets	(1)
(11,693)	FRS 17 - Retirement benefits adjustments	(8,390)
(12)	Movement in Collection Fund Adjustment Account	(54)
721	Minimum and voluntary revenue provision	859
	Items on an accruals basis	
(3,817)	Increase \ (decrease) in debtors	(664)
464	(Increase) \ decrease in creditors	(62)
	Items shown under another classification in cashflow	
(919)	Increase (decrease) in capital creditors	114
4,945	Increase in Capital Financing debtor	-
325	Interest received	28
8	Investment Income	7
(431)	Capital – Principal	(580)
(473)	Capital – Interest	(674)
(60)	Finance Lease - Capital element	(62)
(25)	Finance Lease - Interest element	(23)
0	Net cash movement in other balances	0
(114)	Net Cash from Revenue Activities	(2,067)

b) Reconciliation of Movement in Cash

	Balance 1/4/2009 £' 000	Balance 31/3/2010 £' 000	Movement in the year £' 000
Cash at bank	996	156	(840)
Cash held in imprest accounts	14	10	(4)
	1,010	166	(844)

c) An analysis of government grants received is shown in the table below:

2008/2009 £'000		2009/2010 £'000
934	New Dimension \ USAR	958
1	New Burdens - Fire Control Project	-
-	General Capital Grant	735
-	Equality & Diversity Recruitment	34
-	Community Fire Safety Grant	19
935	Total	1,746

d) Reconciliation of items in Financing Section of Cash Flow Statement to Balance Sheet

		£'000	£'000
Reconciliation of Repayment of Amounts Borrowed			
Loan Repayment Outstanding at 31 March 2009		(580)	
Cash Paid in 2009/10		580	
			0
Loan Repayment Outstanding at 31 March 2010			(707)
			(707)
Loans Outstanding at 31 March 2009	Short term	(707)	
	Long term	(12,408)	
			(13,115)
Loans Outstanding at 31 March 2010	Short term	(753)	
Community Fire Safety Grant	Long term	(11,655)	(12,408)
Movement			707
Reconciliation of Capital Element of Finance Lease Repayments			
Finance Lease Liability at 31 March 2009	Short term	(62)	
	Long term	(510)	(572)
Finance Lease Liability at 31 March 2009	Short term	(65)	
	Long term	(445)	(510)
Movement in Finance Lease			62

26. Prior Period Adjustments

As a result of Prior period adjustments reported in the explanatory forward the following adjustments were made to the 2008/09 comparators to the accounts. The effect of these changes on the current years accounts are also given.

Statement Affected	Description	2008/09 PPA £'000	2009/10 PPA Effect £'000
I & E	Fire Fighting and Rescue Operations	(279)	(257)
	Interest Payable and Similar Charges	371	375
	Surplus/ Interest On Equalisation Fund	(127)	(61)
	Gain in Relation to Gov Grant payable to the Pension Fund on the authority's behalf	(5,606)	(5,528)
	Precepts	12	54
		(5,629)	(5,417)
SMGFB	Depreciation and Impairment of Fixed Assets	(173)	(208)
	Transfer to and from Coll Fund Adj Account	(12)	(54)
	Transfer to/from Reserves	127	61
	Gain in Relation to Gov Grant payable to the Pension Fund on the authority's behalf	5,606	5,528
	MRP for Capital Financing	81	90
		5,629	5,417
Balance Sheet	Fixed Asset - Land & Buildings	3,291	3,750
	Debtors	2,306	2,426
	Creditors	(575)	(703)
	Deferred Liabilities	(3,428)	(3,323)
	Revaluation Reserve		(624)
	Earmarked Reserves	(1,694)	(1,756)
	Capital Adjustment Account	227	303
	Collection Fund Adjustment Account	(127)	(73)
		0	0

27. Post Balance Sheet Events

In his budget statement on 22 June, the Chancellor announced that the government would start to increase public pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been practice in the past. As a result, future pension increases under both the Local Government Scheme and the Fire Fighters Scheme are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17/IAS19 benefit obligations by £42,860k (£1,595k - estimate 6.5% for Local Government Scheme and £41,265k – estimate 10% for Fire Fighters Scheme).

Fire Fighters Pension Fund Account

Under the new arrangements for financing fire fighters 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:

2008/2009 £’000		2009/2010 £’000	2009/2010 £’000
	Contributions receivable:		
	Fire Authority		
(4,296)	- contributions in relation to pensionable pay	(4,150)	
(114)	- early retirements	(37)	
(2,243)	Firefighters contributions	(2,214)	
(6,653)	**Total**		**(6,401)**
(81)	**Transfers in from other authorities**		**(211)**
	Benefits payable:		
8,009	Pensions	8,640	
4,331	Commutations and lump sum retirement benefits	3,182	
-	Other	88	
12,340			**11,910**
	Payments to and on account of leavers:		
0	Transfers out to other authorities		**230**
5,606	**Net amount payable for the year**		**5,528**
(5,606)	Top-up grant payable by the Government		(5,528)
0			**0**

Net assets statement

The assets and liabilities of the pensions account as at 31 March 2010 are as follows:

31/03/2009 £’000		31/03/2010 £’000
	Current assets	
2,558	Top-up grant receivable from the Government	1,216
2,558		**1,216**
	Current liabilities	
(2,138)	Cash and Bank	(1,216)
(420)	Creditors	0
(2,558)		**(1,216)**
0	**Net assets**	**0**

Notes to the Fire Fighters 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 of Communities and Local Government and are subject to triennial revaluation by the Government Actuary's Department.

The contribution rates set were:

2008/2009		2009/2010
	Fire fighters pension scheme:	
	1992 Scheme	
21.3%	Employer	21.3%
11.0%	Employee	11.0%
32.3%	**Total**	32.3%
	2006 Scheme	
11.0%	Employer	11.0%
8.5%	Employee	8.5%
19.5%	**Total**	19.5%

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 9–20. Details of the pension liability of the firefighters scheme, calculated in accordance with FRS 17, and included in the Core Financial Statements are set out in note 24 to the Core Financial Statements.

Independent auditor's report to Members of Avon Fire Authority

Opinion on the accounting statements

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of Avon Fire Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and firefighters' pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Avon Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the accounting statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its firefighters' pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the firefighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the firefighters' pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the firefighters' pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the firefighters' pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the firefighters' pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the firefighters' pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the firefighters' pension fund accounting statements and related notes.

Opinion

In my opinion:

- The accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The firefighters' pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the firefighters' pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire and rescue authorities published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Avon Fire Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Peter Barber

Peter Barber
Engagement Lead
Audit Commission
5th Floor, Block 3
Shire Hall
Westgate Street
Gloucester
GL1 2TG

28 September 2010

Avon Fire Authority
Annual Governance Statement 2010/11

1. Scope of Responsibility

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

1.2 In discharging these overall responsibilities, Avon Fire Authority is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

1.3 The Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government.* A copy of the Code is on our website at www.avonfire.gov.uk or can be obtained from the Service Improvement Directorate, Improvement Co-ordination Unit. This statement explains how Avon Fire Authority delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006, which require the Authority to publish a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement.

2. The Authority's Governance Framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled, and its activities through which it accounts to, engages with and influences the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives. These are outlined in the Authority's Corporate Plan 2008-11 and the Fire and Rescue Service National Framework Document 2008-11 which is the national strategy for Fire and Rescue Services. This will alleviate the likelihood of those risks being realised and the impact should they be realised; and will enable the Authority to manage them efficiently, effectively, economically and ethically.

2.3 The following paragraphs summarise Avon Fire Authority's Governance Framework which has been in place for the year ended 31st March 2010 and up to the date of approval of this Statement and the Statement of Accounts. The framework is described to reflect the arrangements in place to meet the six core principles of effective governance.

3. Determining the Authority's purpose, its vision for the local area and intended outcomes for the Community.

3.1 The Authority aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community. The Authority has communicated its vision within its Corporate Plan, which includes its Integrated Risk Management Plan and performance indicators. Delivery of the Authority's vision is the responsibility of the Authority's Service Management Board comprising Chief Fire Officer/Chief Executive, Deputy Chief Fire Officer/Executive Director, Directors of Service Improvement, Human Resources and People Development, Finance and Asset Management, Operational Response and Risk Reduction. The Authority is developing a partnership approach in all aspects of its service.

Core Principle One:
'Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area'.

The Combined Fire Authority (CFA) and the Service Management Board (SMB) will:

- Exercise strategic leadership by developing, and clearly communicating the Authority's purpose and vision and its intended outcome for citizens and service users.
- Ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning.
- Ensure that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

Core Principle Two:
'Members and officers working together to achieve a common purpose with clearly defined functions and roles'.

The CFA and the SMB will:

- Ensure effective leadership throughout the Authority and be clear about the roles and responsibilities of the scrutiny systems.
- Ensure that a constructive working relationship exists between Authority Members and officers and that the responsibilities of Authority Members and officers are carried out to a high standard.
- Ensure relationships between the Authority and the public are clear so that each knows what to expect of the other.

Core Principle Three:
'Promoting values for the Authority and demonstrating good governance through upholding high standards of conduct and behaviour'.

The CFA and the SMB will:

- Ensure Authority Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.
- Ensure that organisational values of *Trust, Respect, Integrity, Can-do, Openness and Learning* are put into practice and are effective.
- Ensure the Fire Service national values (Innovation, People, Diversity and Service) are continually promoted and demonstrated, ensuring high standards of conduct and behaviour are embedded throughout the organisation.

Core Principle Four:
'Taking informed and transparent decisions which are subject to effective scrutiny and managing risk'.

The CFA and the SMB will:

- Be rigorous and transparent about how decisions are taken; listening to and acting on the outcome of constructive scrutiny.
- Have good quality information, advice and support to ensure that services are delivered effectively and are what the community wants or needs.
- Ensure that an effective risk management system is in place.
- Use their legal powers to the full benefit of the citizens and communities in their area.

Core Principle Five:
'Developing the capacity and capability of Members and officers to be effective'.

The CFA and the SMB will:

- Make sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.
- Develop the capability of people with governance responsibilities and evaluate their performance as individuals and as a group.
- Encourage new talent for membership of the Authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

Core Principle Six:
'Engaging with local people and other stakeholders to ensure robust public accountability'.

The CFA and the SMB will:

- Exercise leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.

- Take an active and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery whether directly by the Authority, in partnership or by commissioning.

- Make best use of human resources by taking an active and planned approach to meet responsibility to staff.

4. Review of Effectiveness

4.1 Avon Fire Authority annually reviews the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by:

- the Service Management Board;
- the work of the internal auditors;
- comments made by the external auditors and other inspection agencies.

4.2 The Service Management Board within the Authority have responsibility for the development and maintenance of the governance environment. Both 'in year' and 'year end' review processes have taken place. 'In year' review mechanisms include:

- **The Service Management Board** is responsible for considering overall operational, financial and performance management within Avon Fire and Rescue Service. It is also responsible for making key decisions to minimise and manage risk; initiating corrective action through the application of new and existing internal control processes.

- **The Performance Management and Risk Forum** involves Elected Members and focuses on risk critical areas for the organisation. This ensures Members are given the opportunity to challenge in areas such as Integrated Risk Management Planning, Performance Management, Equality and Diversity, Health and Safety. This Forum is responsible for maintaining an overview of the Service's performance, economy, efficiency and effectiveness in these key strategic areas.

- **The Standards Committee** meets regularly throughout the year to consider and review issues relating to the conduct of Members, including referrals from the Standards Board. Their work includes reviewing the Code of Conduct for Members, and preparation and training for the new requirements for dealing with investigations into Members' conduct.

- **The Special Purposes Committee** meets to review the effectiveness of the Authority's Risk Management framework and internal control environment including overseeing:

- Risk management strategies
- Anit-fraud arrangements
- Whistleblowing strategies
- Internal and External Audit activity

The Committee also reviews the effectiveness of the Authority's financial and non-financial performance to the extent if affects exposure to risk and poor internal control, along with the annual Statement of Internal Control.

- **Internal Audit** activity focuses on areas identified by the Authority that are considered a high priority or a major risk. Internal Audit is an independent and objective assurance service to the Authority who complete a programme of reviews throughout the year, to provide an opinion on the internal control, risk management and governance arrangements of Avon Fire Authority.

- In addition, Internal Audit undertakes a **National Fraud Initiative** and proactive fraud detection work, which includes reviewing the control environment in areas where fraud or irregularity has occurred. Any significant weaknesses in the control environment identified by Internal Audit are reported to the Senior Management Board and the Audit Commission.

- The Audit Commission's **Annual Audit and Inspection Letter** is considered by the Service Management Board and the Fire Authority. A number of external audits and inspections also take place, including a CPA corporate assessment. The Service Management Board has adopted a Use of Resources Improvement Plan which relates to areas identified as requiring improvement. Progress is monitored by the Service Management Board and corrective action or additional measures are initiated where appropriate through the Service Management Team.

- The **Corporate Risk Register** is continually reviewed by the Service Management Team and endorsed by the Authority twice per year. This ensures that actions are being taken to effectively manage the Authority's highest risks.

The Monitoring Officer:

- Works with key officers to produce reports which inform Members of corporate issues
- Works with the CFO/CEO to review the declarations of interest of Members and officers
- Reviews Members' training, briefing, induction and development needs; and arranges training as appropriate
- Attends the Service Management Board meeting on a regular basis with the S112 officer to report back on governance issues, and receive updates
- Reviews and revises delegations, protocols, documents and policies to ensure that they correctly reflect current legislative requirements and meet the needs of the Authority
- Implements annual reminders of corporate governance requirements to ensure that they remain visible
- Raises the visibility and accessibility of the role of Monitoring Officer, to encourage Members and staff contact
- Provides a legal know-how service to senior officers on key matters
- Will annually produce a report on governance matters to the AFA.

The Authority have been advised on the implications of the review of effectiveness of the Governance framework through the Performance Management and Risk Forum.

The Corporate Governance Strategy 2008-2011 sets out how the Authority will comply with the Accounts and Audit (Amendment)(England) Regulations and ensures a high level of governance is provided across the Service. The Governance Strategy was approved by the Combined Fire Authority on 17 June 2008; a copy of this document is available on the Authority's website http://www.avonfire.gov.uk/

5. Significant Governance Issues

An annual health check of Avon Fire Authority's annual Governance Framework was carried out in June 2009 and no significant governance issues were identified. A copy of the completed 2008-09 Corporate Governance - Annual Analysis and Action Plan is available on the Authority's website http://www.avonfire.gov.uk

The Improvement Coordination Unit within Service Improvement Directorate will monitor governance arrangements throughout the year and provide the Performance Management and Risk Forum with progress reports.

6. Certification

The Authority is certain that the actions to address issues highlighted in the annual analysis and action plan will further enhance the Governance arrangements for Avon Fire Authority. We are satisfied the actions will address the need for improvements that were identified in the annual analysis/review of effectiveness and will monitor their implementation as part of our next annual review.

Chair of Avon Fire Authority : Councillor Terry Walker	*Terry Walker*	Date 25 June 2010
Chief Fire Officer/Chief Executive : Kevin Pearson	*Kevin Pearson*	Date 25 June 2010
Treasurer/S112 Officer : James Dack	*James Dack*	Date 25 June 2010
Clerk to the Authority/Monitoring Officer : Geraldine Gee	*Geraldine Gee*	Date 25 June 2010

GOVERNANCE STRATEGY
(Incorporating the local code of governance)
2008 - 2011

Agreed by the Service Management Board
June 2008

Governance Strategy - Overview:

Under the Accounts and Audit (Amendment)(England) Regulations Avon Fire Authority (AFA) are required to produce an Annual Governance Statement (which subsumes the former Statement on Internal Control). This requires the Authority to approve an Annual Governance Statement to accompany the accounts in June. This strategy sets out how we will comply with these regulations using the CIPFA/ SOLACE governance framework *'Delivering good governance in local government'* and ensures that we provide high levels of governance across the Authority and Service.

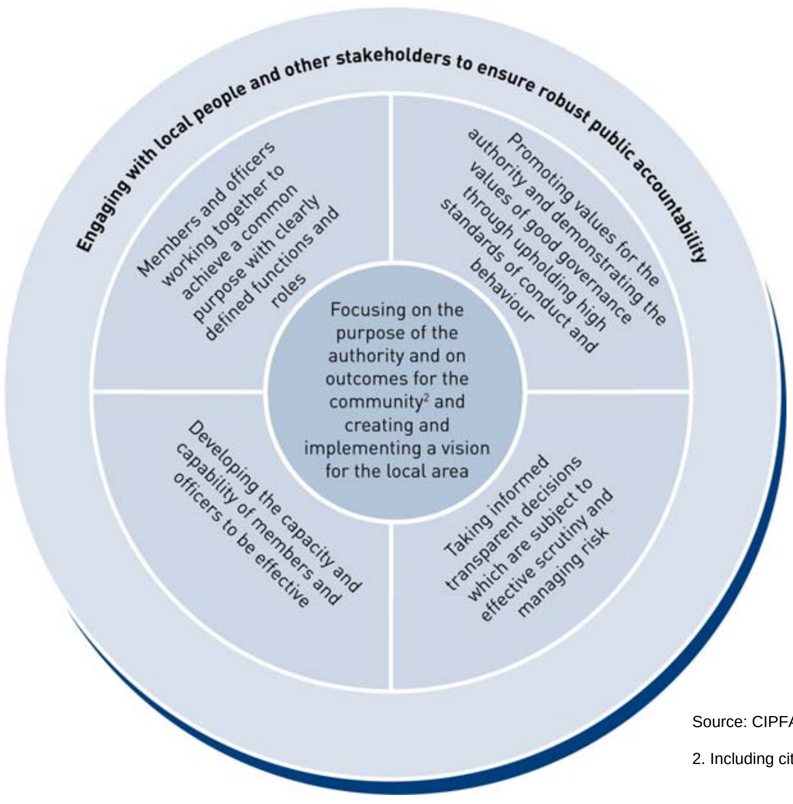
Governance Strategy - Introduction:

What do we mean by good governance?

The CIPFA/SOLACE have defined Governance as '*how public bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, and honest and accountable manner'.* It comprises the systems and processes, and culture and values by which public bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

The main **principles** of governance according to the Good Governance Standard are:

1. Focusing on the organisation's purpose and on outcomes for citizens and service users
2. Performing effectively in clearly defined functions and roles
3. Promoting values for the whole organisation, demonstrating good governance through behaviour.
4. Taking informed, transparent decisions and managing risk
5. Developing the capacity and capability of the governing body to be effective
6. Engaging stakeholders and making accountability real



Source: CIPFA 'Delivering Good Governance Framework' 2007.

2. Including citizens and service users

What are the attributes of good governance?

An effective governance framework must demonstrate the following attributes:

- There is a clear vision of purpose and intended outcomes for the public and that it is clearly communicated, both within the organisation and to external stakeholders.
- Arrangements are in place to review the vision and its implications for the governance arrangements.
- Arrangements exist for measuring the quality of services for the public, for ensuring they are delivered in accordance with the aims and objectives and for ensuring that they represent the best use of resources.
- The roles and responsibilities of the Authority and its scrutiny and officer functions are clearly defined and documented, with clear delegation arrangements and protocols for effective communication.
- Codes of conduct defining the standards of behaviour for Members and staff are in place, conform with appropriate ethical standards, and are communicated and embedded across the Service.
- Standing orders, standing financial instructions, a scheme of delegation and supporting procedures, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks.
- The core functions of an audit committee, as identified in CIPFA's *Audit Committee - Practical Guidance for Local Authorities (2005),* are undertaken by Members via the Performance Management Forum and Special Purposes Committee. (see appendix A)
- Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to Members.
- Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised.
- Arrangements exist for identifying the development needs of Members and senior officers in relation to their strategic roles, and are supported by appropriate training.
- Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Governance arrangements with respect to partnerships and other group working incorporate good practice as identified by the Audit Commission's report on the governance of partnerships, and are reflected in the Authority's overall governance arrangements.

Governance Strategy - Approach:

Under the Accounts and Audit (Amendment)(England) Regulations we are required to produce an Annual Governance Statement (which replaces the former Statement on Internal Control). In doing this we are expected to follow 'proper guidance' which has been deemed by the CLG under Circular 03/2006 to be '*the CIFPA/SOLACE framework-Delivering good governance in local* *government 2007'*. This is based on good governance standards for public services and is further supported by a *Rough guide for practitioners*.

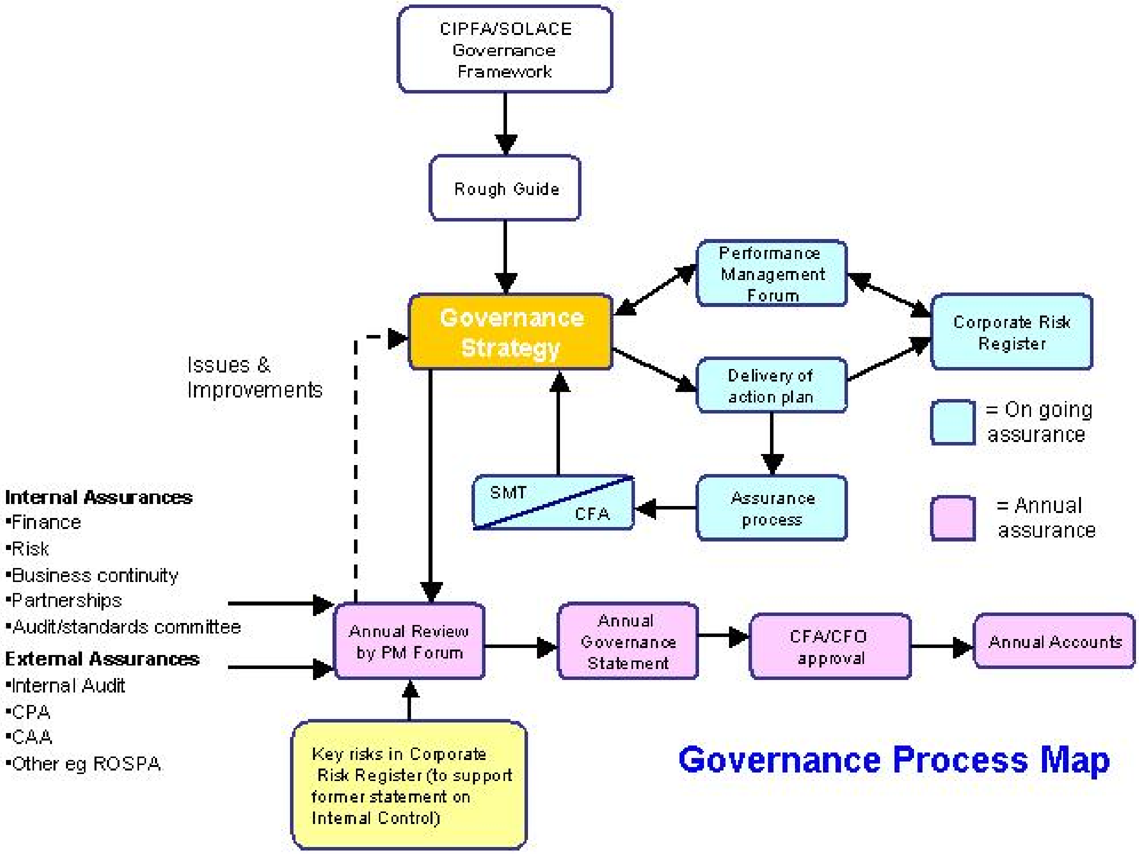


Figure 1

*The **Governance process map** (Figure1) demonstrates the methodology of assurance monitoring, and the Authority's approach to carrying out the requirements of the Good Governance Framework.*

In reviewing and approving the governance statement, AFA Members will require assurances on the effectiveness of the governance framework. In line with the former (now subsumed) Statement on Internal Control, we will ensure that all areas of activity within each of the **six core principles** are risk assessed and the risks where appropriate, are reflected in the Corporate Risk Register. The annual governance review and the key risks and controls facing the Authority will be considered when formulating the annual governance statement.

Although we will produce an annual governance statement as a one off exercise, we will link the requirement for supporting activities and assurances to our performance and risk management arrangements.

A synopsis of our approach is set out later in this strategy under the heading 'Governance strategy - performance management'. In this way we will both increase confidence in the governance framework and ensure that assurances and associated issues are more embedded within our overall way of working.

Senior management from across the Service will provide the primary source of assurance, it is also expected assurances will be available from a wide range of external sources, including corporate assessments and direction of travel statements, inspections and external audit (through the annual audit of the accounts and use of resources assessments).

In addition we should also draw upon audits done by others and the application of specific diagnostic tools developed by the Audit Commission.

Governance Strategy - Priorities:

In order to ensure that we have the highest standards of governance within the Authority and the Service, we have identified a number of key priorities over the next three years,

- **Raise awareness and formalise our governance arrangements**. Whilst we have demonstrated good governance for many years, there is a need to raise awareness of the new governance framework with officers and Members; strengthen the processes by which we formally scrutinise our current practices and take forward key issues and improvements.

- **Improving our assurance framework** – In support of the above, we need to strengthen and formalise our assurance framework. This will include using national standards and structured assurances from key officers and chairs of committees.

- **Partnership governance** – We continue to demonstrate good and effective partnership working. We are establishing a partnership register and associated monitoring reports. We need to continue to drive forward this work to maximise the opportunities afforded by partnership working, as well as better understanding and managing the risks arising from them.

- **Community engagement**– We have many mechanisms to engage with the public and external stakeholders. However, we must ensure that our approach is effective, efficient and inclusive.

- **Business continuity and risk management** – We are further enhancing our strong track record in risk management by linking our approach to business continuity. We will strengthen our approach to business continuity and ensure that an appropriate assurance framework is established.

- **Supporting Members in their growing role.** We will continue to ensure that Elected Members are supported in their roles. We will continue to support Members through the use of training and the fostering of close and positive Officer-Member relations.

Governance Strategy - Delivery:

The strategy is based upon a baseline assessment using the governance framework and rough guide and divided into the following **six core principles** of good governance:

- Focusing on the organisation's purpose and on outcomes for citizens and service users
- Performing effectively in clearly defined functions and roles
- Promoting values for the whole organisation, demonstrating good governance through behaviour
- Taking informed, transparent decisions and managing risk
- Developing the capacity and capability of the governing body to be effective
- Engaging stakeholders and making accountability real

These are shown in the diagram below (figure 2), where it can clearly be seen that each of the **six core principles** support our Corporate Plan. Each principle is further broken down into specific activities and projects, of which a manager has responsibility for the management and monitoring of performance against each activity. Overall monitoring will be carried out by the Improvement

Coordination Unit (ICU), with progress discussed regularly at the Performance Management Forum (PMF).

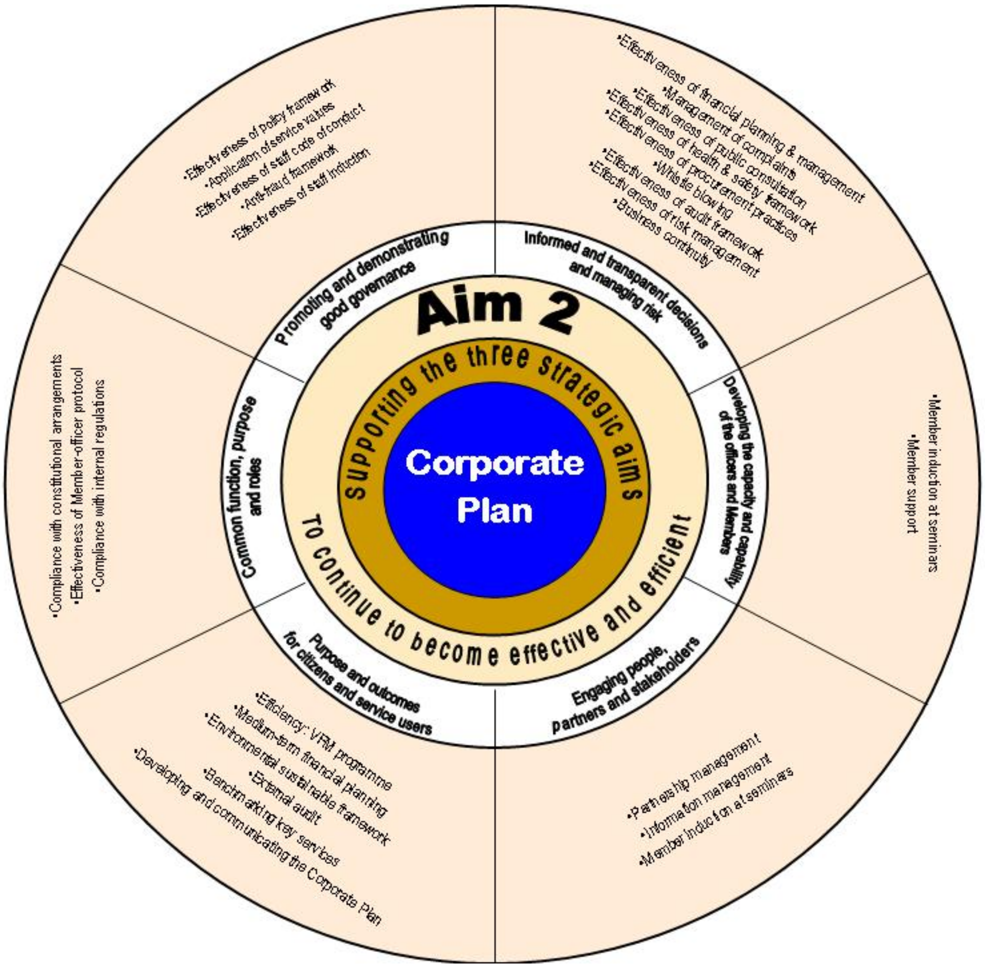


Figure 2

The diagram above (Figure 2) illustrates how one of the Authority's strategic aims contributes to the ***six core principles*** *within the Good Governance Framework.*

The **six core principles** are considered to have equal importance and are briefly outlined below:

1. Focusing on the organisation's purpose and on outcomes for citizens and service users

One of the key functions of good governance is to set out clearly what the Service is trying to achieve for the public, partnerships and its staff and to operate in an effective, efficient, economic and ethical manner. We need to develop and articulate our vision, purpose and key outcomes and to communicate this clearly within the Service and to external stakeholders. In terms of good governance we should be:

- Exercising strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcome for citizens and service users
- Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning
- Ensuring that the Authority makes best use of resources and that tax payers and service users receive excellent value for money

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Fire Authority has the overall responsibility for directing and controlling itself and the Service. Responsibilities and relationships should be clear, positive and working as intended. In terms of good governance we should be:

- Ensuring effective leadership throughout the Authority and being clear about the roles and responsibilities of the scrutiny system
- Ensuring that a constructive working relationship exists between Authority Members and officers and that the responsibilities of Members and officers are carried out to a high standard
- Ensuring relationships between the Authority, its partners and the public are clear so that each knows what to expect of the other behaviour

3. Promoting values for the whole organisation, and demonstrating good governance through up holding high standards of conduct and behaviour

Good governance flows from a shared ethos and culture, as well as systems and processes. It cannot be reduced to a set of rules. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour of both officers and Members. In terms of good governance we should be:

- Ensuring Authority Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance
- Ensuring that organisational values are put into practice and are effective
- Ensuring effectiveness of Member and staff code of conduct

4. Taking informed, transparent decisions and managing risk

Central to good governance is good decision-making. It must be well informed and be supported by robust systems to ensure that decisions are implemented and that resources are used legally and efficiently. Risk management is central to this. In terms of good governance we should be:

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- Ensuring that an effective risk management system is in place
- Using their legal powers to the full benefit of the citizens and communities in their area

5. Developing the capacity and capability of the governing body to be effective

Effective governance relies on public and staff confidence in Members and officers. We need Members and officers with the right skills to govern the Authority and Service. In addition, governance is strengthened by the participation of people with differing knowledge and skills. In terms of good governance we should be:

- Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- Encouraging new talent for membership of the Authority so that best use can be made of individuals’ skills and resources in balancing continuity and renewal

6. Engaging stakeholders and making accountability real

As a public body we are accountable in a number of ways. We are accountable to the public, and national government in a variety of ways and means under a range of legal requirements and expectations. Both Members and staff are subject to codes of conduct and breaches of this and policy need to be fairly and transparently challenged and people made accountable. In terms of good governance we should be:

- Exercising leadership through a robust system of scrutiny which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships
- Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Authority, in partnership or by commissioning

Governance Strategy – Performance management:

This strategy will be underpinned by key activities and projects, each supported by a costed and risk-assessed initiative log (Initiative logs are the Services method of producing business cases). Each activity or project will be assigned to a Directorate/Unit to deliver through its action plan. The Directorate/Unit will review performance against their action plan and assess progress of key activities/ project, using performance indicators, risk status and financial standing. Issues will be raised through the Performance Management Forum and if appropriate, reflected within the Corporate Risk Register.

To support this, the Finance section will make regular contact with Unit Heads to assess actual/ projected spend and ensure financial issues are appropriately reported. Directors and Unit Heads will discuss areas of concern to ensure issues and risks are properly managed.

Each project lead will produce timely reports bringing together performance, risk and financial management information for discussion and monitoring of progress at the PMF. These statements will then form the basis of performance reports to the Fire Authority. To support the above, the ICU will also provide reports to Service Management Team (SMT) on the progress of improvement plans resulting from the corporate assessments and internal audit process. Using assurance statements (which are produced by Unit Heads and presented to the SMT), an updated assurance report will be produced in June to accompany the Annual Governance Statement and statement of accounts. These will be scrutinised by Service Management Board before being agreed by the full Fire Authority.

Appendix A - Guidance on the role of the Special Purposes Committee (SPC), Improvement Coordination Unit (ICU) and Standards Committees

Role of the SPC, ICU and Standards committee

The guidance note for delivering good governance in local government makes a useful distinction between the functions of 'overseeing financial processes, audit and risk management' and 'ensuring and promoting good ethical conduct'. The focus of the SPC and the ICU should be on the former whilst the focus of the standards committee should be on the latter.

The guide recommends that:

Special Purposes Committee

- Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements are in place and operating effectively.
- Seeks assurances that action is being taken on risk related issues identified by auditors and inspectors
- Be satisfied that the Authority's assurance statements properly reflect the risk environment and any action required to improve it
- Receive the annual report of the Head of Internal audit
- Consider the reports of external audit and inspection agencies

Improvement Coordination Unit

- Approve (but not direct) internal audit's strategy, plan and monitor progress
- Review internal audit reports and the main issues arising and seek assurance that action has been taken where necessary
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted

Standards committee

- Give the Authority advice on adopting a local code of conduct
- Monitor the effectiveness of the code
- Train Members on the code, or arrange such training
- Promote and maintain high standards of conduct for Members
- Help Members to follow the code of conduct

Avon Fire & Rescue CO_2 Emissions Report 2009/10

1. Introduction

At Avon Fire and Rescue Service we are committed to understanding, reporting and reducing our carbon footprint. This report provides information on our carbon dioxide (CO_2) emissions for the year ending 31st March 2010 and compares this to a baseline of emissions for the financial year 2008/9.

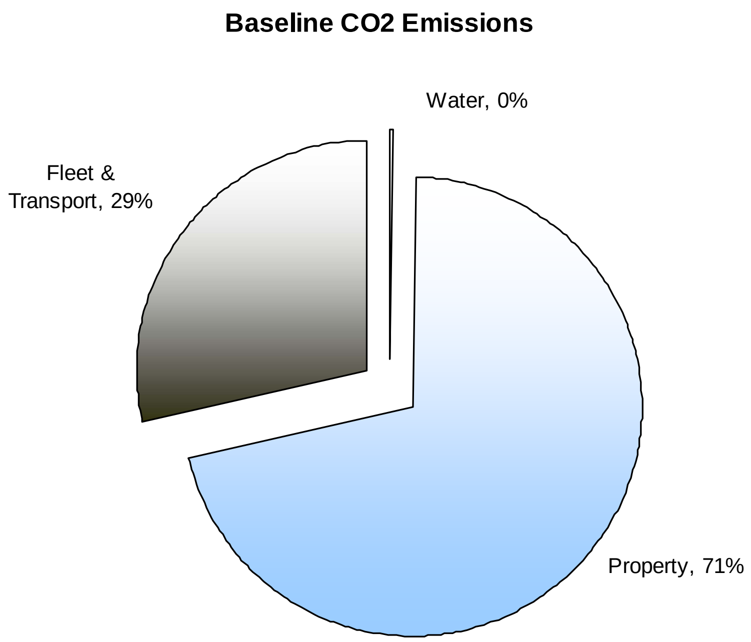
The preparation of this report has been consistent with the Avon Fire and Rescue Service Carbon Management Plan (CMP) which includes details of the scope of emissions included in our baseline and the assumptions and data sources used to calculate our CO_2 emissions.

Our Carbon Management Plan sets an overall target to reduce CO_2 emissions by 30% from our 2008/9 baseline by the year ending 31st March 2014.

2. Carbon Management - Approach

Avon Fire and Rescue encompasses a wide range of assets including a fleet of over 150 vehicles (including Fire Appliances, cars, vans and other specialist equipment) an estate of 26 sites comprising of 23 operational fire stations, a technical centre, Urban Search and Rescue facility, headquarters building, training facilities and a Control centre.

The direct emissions associated with these assets and their use of energy and fuel makes up the largest proportion of our carbon footprint. This report provides a summary of these emissions and also reports on business travel by our staff.



Reducing our carbon footprint

In addition to our property energy and transport fuel consumption we have also considered the emissions associated with metered water supplies, use of fuel for training purposes (e.g. propane) and use of other resources such as paper and wood. Together these additional sources currently account for less than 1% of our total emissions and have been excluded from our reporting.

We will continue to review the scope of our CO_2 reporting and will consider extending this in future to include:

- Employee commuting
- Operational and training use of water
- Waste and Recycling

3. Carbon Management - Performance

Emissions data from the assets and activities described is detailed in the Carbon Statement and graphs which follow. To provide a comparison the baseline data for 2008/9 is also shown.

Overall our emissions have decreased by approximately 3% from our baseline, the majority of which is associated with improvements within our property assets. This is a modest reduction in the first year of our Carbon Management Plan and should be set in context against both the expansion of our operations in the last 12 months (including the full occupation of a new Urban Search and Rescue facility and our Nova Way Technical Centre) and the cold weather from November 2009 – January 2010 which gave rise to a sharp increase in gas and oil consumption associated with heating. It is estimated that if no action had been taken to reduce emissions then these events would have resulted in an increase in emissions over the 2008/09 baseline.

The significant efforts made to cut our emissions include:

- Staff training and engagement activities including the appointment of volunteer Environmental Champions
- Investment in building insulation, replacement windows and doors
- Replacing obsolete boilers and heating systems with high efficiency alternatives
- Extensive upgrades to lighting systems including occupancy controls
- Energy consumption monitoring and targeting

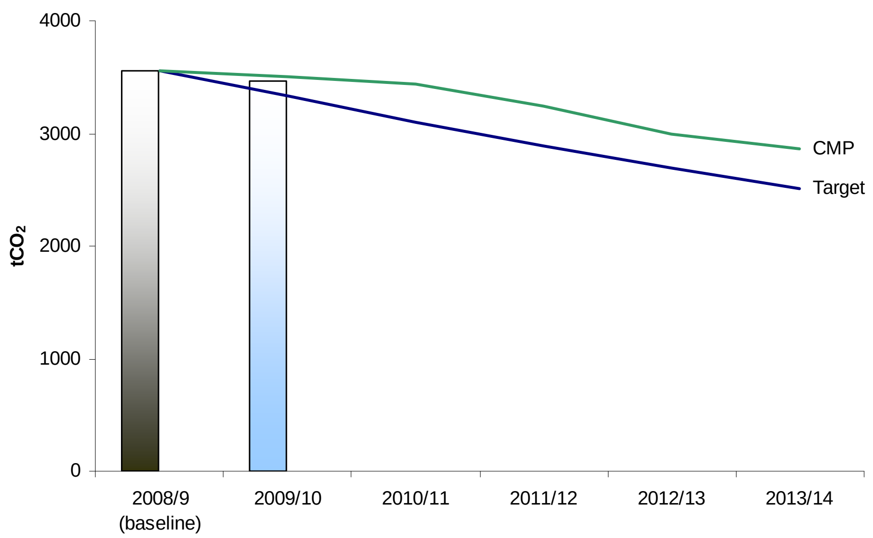
Emissions associated with transport and the operation of our fleet have also decreased, however, we recognise more work is needed to have a greater impact in this area which accounts for approximately a third of our total carbon footprint. Our Carbon Management Plan includes a number of projects focussed on transport which aim to:

- Eliminate or reduce the need to travel
- Reduce the impact of travel (through improved fuel efficiency and low carbon alternatives)

3.1. Carbon Statement 2009/10

Carbon Dioxide Emissions	Baseline 2008/9 tCO2	2009/10 tCO2
Avon Fire & Rescue Property		
Whole Time Fire Stations	1049	**1086**
Retained Fire Stations	142	**164**
Headquarters (includes Temple Fire Station)	989	**786**
Lansdown Service Control and South West Command Development Centre	265	**264**
Nova Way Fleet, Transport Workshops and Stores	91	**165**
Sub total	2536	**2465**
Avon Fire & Rescue Fleet and Transport		
Operational Fleet	634	**626**
Ancillary Fleet (including cars, vans and support function vehicles)	171	**170**
Business Travel (including lease cars, and staff related travel)	221	**204**
Sub total	1026	**1000**
Total emissions	3562	**3465**
Reduction on baseline		**3%**

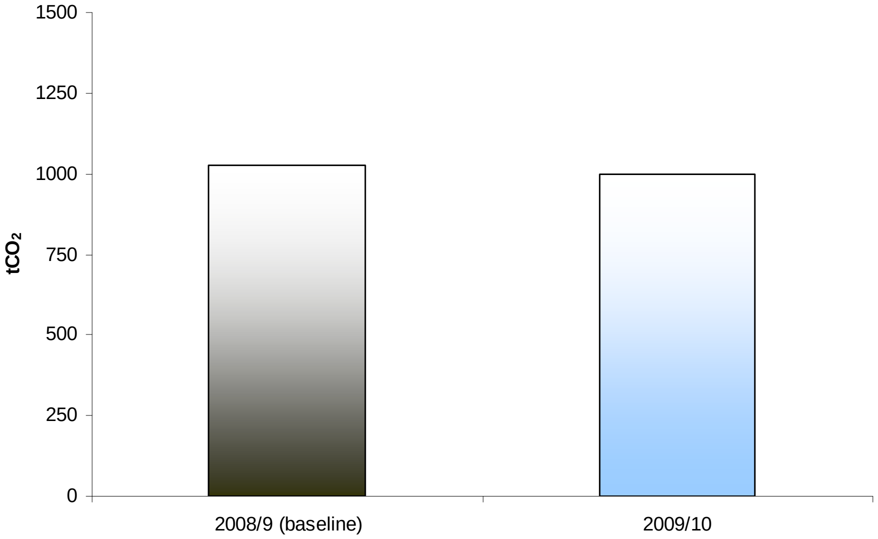
3.2. Total emissions against target and CMP



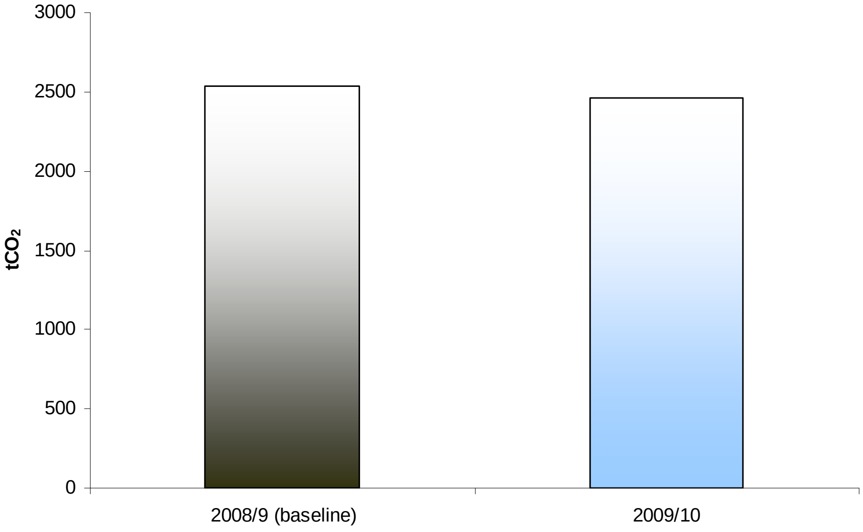
The graph above shows our performance in 2009/10 compared to our baseline, a linear projection of our 30% reduction target (blue line), and the reduction in emissions we expect to achieve by implementing our Carbon Management Plan.

The CMP currently accounts for 88% of our reduction target. The remaining 12% (equivalent to approximately 130 tCO_2) will be the focus of additional projects and initiatives identified and launched over the next four years.

3.3. Total Transport Emissions



3.4. Total Property Emissions



The reduction in emissions from our property have accounted for the vast majority of the overall drop in emissions. Whilst for some of our properties there have been slight increases in emissions, for every property where investment in energy efficiency has been made over the last year, we are able to demonstrate a reduction in energy consumption.