AVON FIRE AUTHORITY

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Statement of Accounts 2012/2013

PROVIDING AVON FIRE & RESCUE SERVICE

Avon Fire Authority

Draft Statement of Accounts 2012/13

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Explanatory Foreword by the Treasurer

Introduction

Avon Fire Authority provides a Fire and Rescue Service for the Unitary Authorities of Bath and North East Somerset, Bristol, North Somerset and South Gloucestershire. This document contains the Statement of Accounts for the Fire Authority for the year ended 31 March 2013. The preparation of the Statutory Statement of Accounts is undertaken in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, ('the code'), published by CIPFA/LASAAC. The Accounts and Audit (England) Regulations 2012 require that the accounts are completed and approved by the Authority by 30th September 2013 and that the responsible financial officer (i.e. the S151 officer) must sign and date the Statement of Accounts by no later than the 30th June 2013.

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

The Statement of Accounts primarily comprises the following principal financial statements:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement

This foreword provides a guide to the statements that follow. It also explains material items within the Accounts, compares revenue spending to the budget that was approved for the year, outlines the resources available for capital expenditure and other financial commitments and sets the accounts into the context of ongoing plans.

The foreword also provides an outline of the Services' non-financial performance including a range of performance indicators and description of key achievements throughout the year.

Accounting Changes from 2011/12 to 2012/13

There are no new material disclosure requirements affecting the Fire Authority in the 2012/13 accounts.

Overview of the Financial Year 2012/13

Key Items

Key financial issues arising from the Statement of Accounts are:

- The Comprehensive Income and Expenditure Accounts show a deficit on Provision of Services of £24.324m. This figure includes items which are required to be charged to the Comprehensive Income and Expenditure account in accordance with proper accounting practices but do not fall to be charged to the council tax payer. The deficit is primarily in relation to the adjustments required for pension charges.

- The net expenditure for the year, after adjusting for these items was £44.809m, £1.645m lower than budgeted. Savings were achieved on all main areas of the budget. A number of specific reserves were agreed during the year including:-

Reserve Requested	£	Justification
Training Reserve	100,000	To fund e-learning package, high rise training and other identified pressures.
Hydrants	100,000	To fund an increase in hydrant inspections and resulting works
Medical Intervention Reserve	20,000	To fund medical interventions for employees to assist in their return to work.
Community Safety Reserve	135,000	Commissioning of some services from the Community Voluntary Sector to support internal initiatives. Smoke alarms.

- The balance of funding, £1.290m was transferred to the Authority's Austerity Reserve to assist with meeting future budgetary pressures.

- The general 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.

- There was a net increase in Total Usable Reserves of £1.2m for the year. Total Usable Reserves of £7.3m, excluding the working balance of £1.500m were available at 31st March 2013.

- The Authority's medium term plan identifies certain budget pressures and significant reductions in future Government grant funding. In response the Fire Authority has implemented a range of cost saving measures including the support of early retirement and voluntary early release schemes, and a recruitment freeze. These measures have contributed significantly to the underspend.

- During the year £4.0m was spent on the Authority's approved capital programme. £162k of this expenditure is to be funded by borrowing and a further £2.1m funded from revenue contributions and capital receipts. The balance of the programme of £1.7m was funded from Capital Grants. Because of current low short-term interest rates and the increased risks associated with lending, resulting from 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 2013/14.

- The Authority fully complied with a range of Prudential borrowing indicators set for the year to ensure borrowing levels are within agreed limits. Financing costs as a % of revenues budget were 4.50% compared to the 4.94% target, the total capital financing requirement reduced by £1.980m to £21.711m.

Prudential Indicators	Estimated £'000s	Actual £'000s	Variance £'000s
Capital Financing Requirement	£23,692	£21,711	-£1,981
Financing costs as a % of revenue	4.94%	4.51%	-0.43%
Impact on Council Tax	£2.23	£2.11	-£0.12
Operational Boundary for external debt	£23,682	£21,711	-£1,971
Authorised Limit for external debt	£24,692	£21,711	-£2,981

- The Authority is a partner in a Private Finance Initiative (PFI) training centre. During 2012/13 Gloucestershire County Council, the administrators of the scheme predicted a further funding shortfall at the end of the PFI contract period of £1.2m (£590k attributable to Avon). An amount has been set aside in the accounts to provide for this.

Revenue Budget and Spending in 2012/2013

The Avon Fire Authority set a net revenue budget for 2012/13 of £46.454m (£44.729m in 2011/12), after allowing for the contribution to reserves, which resulted in a Council Tax of £62.77 in 2012/13 (£60.38 in 2011/12) per Band D property.

In broad terms, where the Authority's funding came from and what it was spent on during 2012/2013 can be analysed as follows:

Source of funds	%	Application of funds	%
General Government Grants	0.9%	Employees (net)	73.0%
Contribution from non-domestic rate	46.5%	Premises	4.2%
Council Tax payers	48.6%	Transport	3.0%
Other Income	4.0%	Supplies and Services	10.5%
		Other Costs	6.8%
		Net transfer to earmarked reserves	2.6%

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

	Budget 2012/2013 £'000s	Actual Expenditure 2012/13 £'000s	Difference £'000s
Expenditure on Services			
Employees (net)	35,809	35,344	(465)
Premises	2,142	2,013	(129)
Transport	1,592	1,466	(126)
Supplies & Services	5,370	5,068	(302)
Other Costs	3,864	3,296	(568)
Income	(1,925)	(1,980)	(55)
Net Expenditure	46,852	45,207	(1,645)
Transfers to \ from revenue reserves			
Transfers from Reserves	(398)	(398)	0
Transfers to Specific Reserves	0	355	355
Balance transferred to Austerity Reserve	0	1,290	1,290
	(398)	1,247	1,645
Net Expenditure after transfer to \ from reserves	46,454	46,454	0
Revenue Support Grant	(437)	(437)	0
Non-domestic rates redistribution	(22,515)	(22,515)	0
Precepts	(23,502)	(23,502)	0
Working Balance	0	0	0

The 2012/13 revenue budget was under spent by £1.645m a variance of 3.5% when compared to budget. After deducting the initial transfer of reserves at the start of the financial year of £355k, £1.290m was added to Total Usable Reserves at the year end. This reflects the efforts made by all managers and staff to contain expenditure and introduce efficiencies in light of future grant reductions facing the Authority following the latest Comprehensive Spending Review.

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

- **Employee's** – A total underspend of £464k (1%) was achieved. This comprises of an underspend of £156k for Firefighters and an overspend of £152k for retained Firefighters. There were savings on control staff of £79k and support staff £215k and a reduction in the strain on the pension fund and redundancy costs of £170k.

- **Ill health retirements** – There were 3 ill health retirements accounted for in the year totalling £202k. A pension reserve of £500k is available to meet future ill health payments and other pension pressures.

- **Premises Costs** – an overall saving of £129k against budget primarily due to a reduction in NNDR costs of £33k and refuse collection £23k, utilities £22k and repairs and maintenance £27k.

- **Transport** – Transport costs were £127k lower than budget. There was a reduction in vehicle maintenance costs of £16k, fuel costs were lower than budget by £75k and vehicle insurance reduced by £27k.

- **Supplies and Services –** There was a substantial saving of £303k achieved overall. Key savings were made in non-operational equipment £70k, uniforms and Property Plant & Equipment £137k, Fire hydrants £89k, ICT costs £108k, marketing £62k and community safety £164k. These savings were partly offset by a £590k overspend on the Joint Training Centre budget relating to the creation of a provision to meet identified shortfalls in the equalisation fund.

- **Capital Financing –** A saving of £412k was achieved by initially funding asset acquisitions with internal funds instead of borrowing.

- **Retention Budget** – The balance on the retention budget of £155k was not utilised.

- **Income.** –There was an increase in budgeted income of £54k primarily caused by recharges for seconded staff and other miscellaneous income.

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

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

	2012/2013	
	£'000	£'000
Surplus for year		1,646
Budgeted transfer from reserves		(398)
		1,248
PFI Equalisation fund movement		(21)
Net increase in usable reserves		1,227
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		
IAS 19- Retirement Benefits	(31,776)	
Depreciation, Impairment, Amortisation and other charges for assets	(4,391)	
Capital Grants Applied	1,728	
Transfer to / from Collection Fund Adjustment Account	(2)	
Transfer to / from Accumulated Absences Account	162	
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	1,096	
Revenue contributions to capital expenditure	1,888	
Employer's contributions payable to the Pensions Account and retirement benefits	5,744	
		(25,551)
Surplus on the Comprehensive Income and Expenditure Account for the year		**(24,324)**

Capital Budget and Spending 2012/13

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

For 2013/14, actual capital expenditure was £4.0m (including capital creditors). Further details relating to capital expenditure can be found in the notes to the core financial statements.

2012/13 Capital Programme

EXPENDITURE CLASSIFICATION	Revised Budget £'000	Outturn £'000	Slippage £'000	Total Programme £'000	Variance Year end £'000
PREMISES					
Environmental works	165	73	97	170	5
Health and Safety works	115	88	31	119	4
Access and dignity works	173	32	164	196	23
Bedminster works	327	294	12	306	-21
Bath works	80	16	64	80	0
SHACS	15	1	0	1	-14
Improved Security	90	63	35	98	8
Fire alarm expansion	50	4	46	50	0
General Improvements	198	112	95	207	9
Total Premises	**1213**	**683**	**544**	**1227**	**14**
INFORMATION AND COMMUNICATION SYSTEMS					
Hardware replacement programme	75	35	0	35	-40
Software	25	25	0	25	0
Control - Resilience	1,400	231	1,169	1,400	0
Total Information and comms systems	**1500**	**291**	**1169**	**1460**	**-40**
OPERATIONAL VEHICLES AND EQUIPMENT					
Foam Plan - stage 1	680	141	571	712	32
Lease buy out	62	61	0	61	-1
Rescue pumps	557	567	0	567	10
Turn-table ladders	567	568	0	568	1
Other vehicles	425	353	57	410	-15
Operational equipment	28	18	10	28	0
PPE	1,300	1,299	0	1,299	-1
Total Vehicles and operational equipment	**3619**	**3007**	**638**	**3645**	**26**
UNALLOCATED	**12**	**0**	**12**	**12**	**0**
TOTAL CAPITAL	**6344**	**3981**	**2363**	**6344**	**0**
Funded from:-					
- Approved Borrowing	1,356	162	1,194	1,356	0
- Revenue contributions / receipts	2,091	2,091	0	2,091	0
- Capital grants	2,897	1,728	1,169	2,897	0
TOTAL FUNDING	**6344**	**3981**	**2363**	**6344**	**0**

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

- Refurbishment and extension of Brislington Fire Station.
- Refresh of communication equipment to improve resilience of our control room.
- Provision of new personal protective equipment for all firefighting staff.
- Provision of new vehicles including the delivery of 2 turn table ladders and 2 rescue pumps.

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 required that PFI projects were recognised on the balance sheet in advance of the move to full International Financial Reporting Standards (IFRS) for 2010/11 financial statements. The Authority's 50% stake in the JTC was therefore included as a tangible asset on the balance sheet from 2009/10.

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 4 to the Core Financial Statements.

Using existing indices and interest rates a shortfall had been predicted at the end of the contract period of around £1.2m. An amount of £590k reflecting the Fire Authority's share has been set aside as a provision.

Provisions, Contingencies and write-offs

A provision of £590k has been created in relation to an identified shortfall in the Joint Training Centre Equalisation Fund of £1.2m.

The Authority is currently undergoing a series of negotiations in relation to a property and is seeking clarification around the nature of an existing lease and its obligations with reference to possible annual rentals and maintenance fees. At this stage no clear allocation of costs has been established.

Employment tribunal cases have been brought on behalf of retained Firefighters to seek redress under the Part-time Workers' Regulations. This is a national issue and the National Employers organisation has agreed a compensation settlement for retained Firefighters and as a result payments have been made to cover the agreed compensation settlements. However there remains an outstanding issue over whether or not retained Firefighters should have been able to access the Firefighters Pension Scheme 1992 from July 2000, when the Part-time Workers' Regulations came into force, until April 2006, when retained Firefighters became eligible to join the 2006 Pension Scheme.

Explanation of the Statements.

The Statement of Accounts comprises of the following elements:-

- **Statement of Accounting Policies**
- **Statement of Responsibilities for the Statement of Accounts**
- **Independent Auditors Report**
- **The Financial Statements**

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

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 Independent Auditors Report – The Statement of Accounts is audited by Grant Thornton UK LLP, whose opinion and certificate are included in this section.

Financial Statements

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

Probably the most important issue for readers of the accounts will be whether the Fire Authority has a surplus or deficit compared to its budget (and Council Tax) for the year. Because the financial statements follow accounting standards rather than local government legislation, this isn't easy to identify.

As identified earlier in this foreword the Fire Authority managed an under spend of £1.6m in 2012/13. This can be correlated with the figures contained within the Movement in Reserves Statement in the Accounts. The increase in Total Usable Reserves contained with the statement is £1.2m. This reflects the £1.6m movement to reserves at the end of the year less the £0.4m of reserves utilised during the year.

The statement also identifies that the Fire Authority has a general fund balance of £1.5m, earmarked reserves of £5.5m and a PFI Equalisation fund of £1.8m equating to total usable reserves of £8.8m as detailed in Note 23.
It should be noted that the PFI Equalisation balance is held by Gloucestershire County Council as part of the agreed funding stream for the PFI project over its remaining life.

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

The statement for 2012/13 for the Fire Authority shows that a deficit of £24.3m was made on the provision of services .The Cost of Services for the year was £49.7m which was offset by grants and taxation receipts of £48.2m. Additional costs of £22.8m were incurred the majority in respect of the increase in pension liabilities associated with the actuary's valuation of the Service relevant pension schemes.

The 2012/13 accounts contain a deficit of £44.8m on other comprehensive income and expenditure primarily reflecting a surplus on the revaluation on some of the Fire Authority's properties and an actuarial loss on pension funds.

The total CIES shows a £69.1m deficit for the period and this figure is contained within the Movement in Reserves Statement.

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

The Fire Authority has fixed assets worth £58.1m primarily comprising of land and buildings, and vehicles.

Current assets are £9.3m and current liabilities £9.9m. The assets represent short term debtors primarily other Local Authorities £2.4m, central government bodies £3.4m and other entities and individuals of £1.6m and cash of £2.1m.

Current liabilities reflect loan charges repayable within one year of £0.8m, other creditors including the government creditors of £1.5m, Local Authorities £4.4m, and general creditors of £2.3m. A provision of £37k has been created to meet costs of introduction of the new finance system.

The Balance Sheet identifies long term borrowing of £9.4m although, for the time being, revenue balances are being temporarily utilised to offset borrowing since income on balances is currently around 0.4%, while interest on long term borrowing remains at around 4.25% (20 year). This will help offset the impact in the current year of the fall in income on balances. The current total capital financing requirement is £21.7m.

Other long term liabilities are £525.0m. This primarily reflects future pension cash flows as calculated under IAS 19. It should be noted that these have increased by £73.5m from 2011/12.

The bottom half of the Balance Sheet (reserves) is reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Fire Authority may use to provide services, subject to the need to maintain prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Fire Authority is not able to use to provide services. This category of reserves includes reserves that hold un-realised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The usable reserves are an indication of the resources available to the Fire Authority to deliver services in the future. Key issues are how the balances have changed over the year, whether the balances are adequate, and what the balances mean in terms of future budgets and services. The PFI Equalisation is classified as a usable reserve.

As at the 31st March 2013 the Authority had £8.7m of usable reserves and a deficit of unusable reserves of £484.9m.

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

In summary the Authority received surplus cash flows from operating activities of £5.9m. Investing cash flows were £2m primarily representing investment in capital assets net of capital grants. Financing activities were £1.1m representing repayment of PFI contract obligation and long term debts.
The net increase in cash and cash equivalents was £2.7m for the year.

Firefighters Pension Fund Account and Net Assets Statement

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

2012/13 Fire Fighters Pension Fund

	Outturn £'000
Pensions Outgoings:	
Pension payments	10,543
Commutations	2,905
Transfers to other schemes	569
Lifetime allowance charge	166
Total Expenditure	**14,183**
Pension Income	
Employee Contributions	-2,208
Employer Contributions	-3,866
In year ill health income	-34
Transfer in from other schemes	0
Government Grant	-8,075
Total Income	**-14,183**
Net Fund Expenditure	**0**

Organisational Performance

AF&RS continues to make good progress in reducing risk in our community by reducing the number and impact of incidents attended. We have had success this year in reducing the number of accidental dwelling fires we attended by 10% or 53 incidents. The estimated cost of each fire incident is £8,507, so this reduction represents a saving of over £450,871 to our community. The number of deliberate vehicle fires attended reduced by 22% or 88 incidents, an estimated saving of £216,304 to our community (cost per incident £2,458)

AF&RS continues to make good progress in using our resources more effectively; in particular only attending alarm calls where it has been confirmed there is a risk of fire, or if we have been unable to speak to anyone on site and can therefore not confirm either way.
This has freed up considerable resources that we can redeploy in community safety and training to ensure we are prepared for incidents. In 2012/13 we didn't attend 1,494 alarms where there was no risk to the community. Our average attendance at alarms is 2.5 appliances so this represents 3,735 fewer appliance movements.

AF&RS continues to provide an excellent response service to our community. In December 2012 Avon Fire Authority decided to change the way we measure our response to emergency incidents to make them easier to measure and understand. The emphasis is now on ensuring the first

lifesaving intervention attends the incident within an agreed standard and that a sufficient resource to deal with the incident is mobilised.
These new response standards were introduced from 1 January 2013. This report gives our performance against our old standard before 1 January 2013 and our new standard after this date. We recognise however that there is still work to do. Though primary fires reduced by 18%, or 327 incidents, we tragically lost seven people in primary fires. AF&RS continues to work towards zero fire deaths.

We continue to make good progress in protecting our community. The percentage of dwelling fire incidents attended where we have to take no fire-fighting action was 36.1% or 172 incidents. AF&RS is confident that we have the right strategies and interventions in place to make our community safer and that our greater emphasis on performance management will help to focus these strategies and interventions.

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

Financial Climate and Medium Term Financial Planning

Future spending plans

The last Local Government Finance Settlement confirmed the following key funding decisions for the Fire Authority:-

- A Referendum limit confirmed at 2% except for those Fire Authorities with a 2012/13 council tax level within the bottom quartile of Combined and Metropolitan Fire and Rescue Services where a referendum limit has been set at a £5 increase in Council Tax. Avon falls outside of this quartile.
- Overall reduction in government grant before floors of 14.9%.
- Reduction in grant after floor of 8.7% for 2013/14 and 6.2% 2014/15. The Fire Authority is receiving substantial support from the floor arrangements total £1.139m for 2013/14.
- Capital allocation of £1.077m
- Council Tax Freeze grants confirmed and guaranteed in the base for a 2 year period only.

This information has been utilised to build a 4 year medium financial plan which is shown in summary below:-

Medium Term Plan

	12/13 £000	13/14 £000	14/15 £000	15/16 £000	16/17 £000
Detail Analysis					
Employees	35,658	34,637	34,471	34,446	34,541
Premises	2,004	2,011	2,066	1,900	1,760
Transport	1,670	1,694	1,704	1,761	1,821
Supplies and Services	4,734	4,684	4,646	4,786	4,910
Other Costs	4,067	3,540	3,006	2,747	2,754
Unidentified savings	0	0	-149	-585	-1,330
Total Expenditure	**48,133**	**46,566**	**45,744**	**45,055**	**44,456**
Income	-1,679	-1,737	-1,645	-1,693	-1,736
Budget before use of reserves	**46,454**	**44,829**	**44,099**	**43,362**	**42,720**
Reserves	0	-15	-300	-300	-300
Net Budget	**46,454**	**44,814**	**43,799**	**43,062**	**42,420**

The plan is supported by the following analysis which demonstrates the ongoing reduction in government support and the identification of significant savings targets over the medium term.

Medium Term Financial Plan	Budget			
	2013/14	**2014/15**	**2015/16**	**2016/17**
	£'000	**£'000**	**£'000**	**£'000**
Council Tax Increase Target	**2.00%**	**2.50%**	**2.50%**	**2.50%**
Base budget	46,454	45,113	44,099	43,360
Effect of pay and price increases, cost of capital	571	1,062	1,133	1,137
Current base budget	**47,025**	**46,175**	**45,232**	**44,497**
Add Pressures / growth	3	159	0	10
Less Identified savings	(2,200)	(1,802)	(1,435)	(1,043)
Initial Budget	**44,828**	**44,532**	**43,797**	**43,464**
Additional required savings	285	(433)	(437)	(744)
Budget before use of reserves	**45,113**	**44,099**	**43,360**	**42,720**
Reserves	(15)	(300)	(300)	(300)
Net Budget	**45,098**	**43,799**	**43,060**	**42,420**
Less Locally retained business rates	(4,460)	(4,596)	(4,688)	(4,782)
Government Support	(19,383)	(17,767)	(16,332)	(14,977)
Add \ Less effect of Collection Fund (deficits) \ surpluses	(87)	0	0	0
Net amount chargeable to Council Tax Payers	**21,168**	**21,436**	**22,040**	**22,661**
Band D Council Tax	**£64.02**	**£65.62**	**£67.26**	**£68.94**
Budget Increase (excl use of reserves)	**(2.89%)**	**(2.25%)**	**(1.68%)**	**(1.48%)**
Key Financial Assumptions	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**
Other Inflation	3.50%	3.50%	3.00%	2.50%
Use of Reserves	(300)	(300)	(300)	(300)
Estimated Council Tax base	326,198	326,663	327,684	328,710
Net Collection Fund Positions	87	0	0	0
Government Support -Real Terms	(8.70%)	(7.24%)	(7.16%)	(7.16%)

Earmarked Reserves	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**
Balance 1 April	5,299	5,569	5,269	4,969
Utilised during year	270	(300)	(300)	(300)
Balance 31 March	**5,569**	**5,269**	**4,969**	**4,669**

Medium Term Financial Strategy

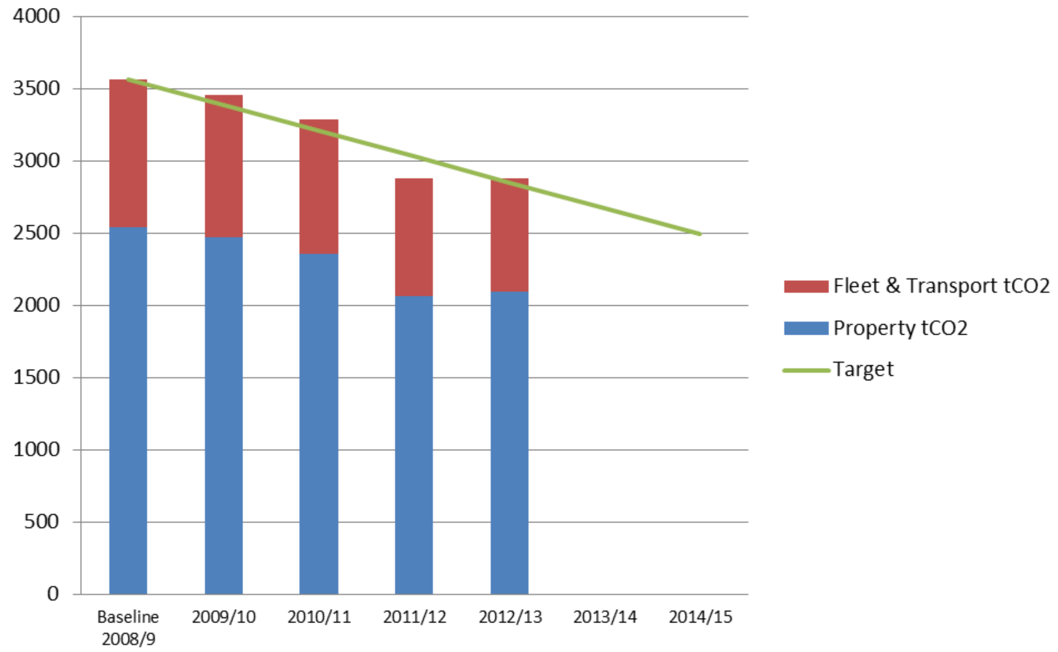
The Medium Term Financial Strategy assesses how the Authority will manage its finances over the next 4 years. The stated objectives are:-

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

CO2 Emissions Report and Environmental Update

CO2 Emissions

We are currently on track with the delivery of our Carbon Management Plan and have sustained an emissions reduction on our baseline of 19% over the last financial year. The graph below shows our performance over the last four years compared to our emissions baseline, and a projection of our 30% reduction target.



Property Emissions
We have achieved a reduction in emissions across all property categories. Our continued investment in energy efficiency has delivered significant improvements and associated cost savings, in particular associated with our heating systems; delivering more savings during the colder weather we have experienced in the last year.

Transport Emissions
Overall transport emissions have fallen by more than 20% compared to our 2008 / 09 baseline. Emissions have fallen across all categories of transport. The greatest reduction is in business travel; "casual" business mileage claims have been reduced by more than 50%. A review of our deployment to high volume and low risk response calls is also now underway which could achieve a reduction in operational fleet use and associated emissions.

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.

In preparing this statement of accounts, the Treasurer has:

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent;

complied with the code of practice.

The Treasurer has also;

kept proper accounting records which were up to date;

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

I certify that the statement of accounts on pages 16-82 provide a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2013.

Signed

James Dack
Treasurer of the Avon Fire Authority
27th September 2013

Movement in Reserves Statement

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

	Fund Balance £'000	Earmarked Fund Reserves £'000	**Total Usable reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 31 March 2011	1,500	5,436	**6,936**	(374,572)	**(367,636)**
Movement in reserves during 2011/12					
Surplus or (deficit) on the provision of services	(29,546)	-	(29,546)	-	(29,546)
Other Comprehensive Income and Expenditure	(9,865)	-	(9,865)	-	(9,865)
Total Comprehensive Income and Expenditure	**(39,411)**	**-**	**(39,411)**	**-**	**(39,411)**
Adjustments between accounting basis & funding basis under regulations (note 9)	40,020	-	40,020	(40,020)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**609**	**-**	**609**	**(40,020)**	**(39,411)**
Transfers to/from earmarked Reserves (note 22)	(609)	609	-	-	-
Increase / Decrease in 2011/12	**-**	**609**	**609**	**(40,020)**	**(39,411)**
Balance at 31 March 2012 carried forward	**1,500**	**6,045**	**7,545**	**(414,592)**	**(407,047)**
Movement in reserves during 2012/13					
Surplus or (deficit) on the provision of services	(24,324)	-	(24,324)	-	(24,324)
Other Comprehensive Income and Expenditure	(44,803)	-	(44,803)	-	(44,803)
Total Comprehensive Income and Expenditure	**(69,127)**	**-**	**(69,127)**	**-**	**(69,127)**
Adjustments between accounting basis & funding basis under regulations (note 9)	70,354		70,354	(70,354)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**1,227**	**-**	**1,227**	**(70,354)**	**(69,127)**
Transfers to/from earmarked Reserves (note 23)	(1,227)	1,227	-	-	-
Increase / Decrease in 2012/13	**-**	**1,227**	**1,227**	**(70,354)**	**(69,127)**
Balance at 31 March 2013 carried forward	**1,500**	**7,272**	**8,772**	**(484,946)**	**(476,174)**

Comprehensive Income and Expenditure Statement for the Year Ending 31 March 2013

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

2011/2012				2012/2013		
Gross Expenditure *	Gross Income *	Net Expenditure *		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
6,835	(288)	6,547	Community fire safety	7,332	(216)	7,116
48,001	(2,342)	45,659	Fire fighting and rescue operations	44,333	(2,614)	41,719
164	(13)	151	Fire service emergency planning and civil defence	112	(7)	105
1,139	(15)	1,124	Corporate and democratic core	643	(14)	629
284	-	284	Non Distributed Cost (Pension Past Service Cost)	95	-	95
56,423	(2,658)	53,765	**Cost of Services**	**52,515**	**(2,851)**	**49,664**
		72	Other operating expenditure (note 29)			220
		24,005	Financing and investment income and expenditure (note 28)			22,619
		(48,296)	Taxation and non-specific grant income (note 27)			(48,179)
		29,546	**(Surplus) or Deficit on Provision of Services**			**24,324**
		(2,934)	(Surplus) or Deficit on revaluation of non-current assets			(2,579)
		12,799	Actuarial (Gains) / Losses on Pension Assets/ Liabilities			47,382
		9,865	**Other Comprehensive Income and Expenditure**			**44,803**
		39,411	**Total Comprehensive Income and Expenditure**			**69,127**

Balance Sheet as at 31 March 2013

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

Balance Sheet as at 31 March 2013

31-Mar-12 £'000		Notes	31-Mar-13 £'000
	Property, Plant & Equipment	10	
40,883	- Land and Buildings		42,067
14,766	- Vehicles, Plant and Equipment		15,603
524	**Intangible assets**	10	393
56,173	**Long Term Assets**		**58,063**
4,734	Short Term Debtors	16	7,171
10	Cash and Cash Equivalents	17	2,153
4,744	**Current Assets**		**9,324**
(602)	Bank Overdrafts		
(824)	Short Term Borrowing		(805)
-	Short-Term Provisions	21	(38)
(5,011)	Short Term Creditors	18	(8,216)
(6,437)	**Current Liabilities**		**(9,059)**
(10,193)	Long term borrowing	19	(9,388)
	Other Long Term Liabilities		
(447,742)	Net Pensions Liability	26	(521,156)
	Long-term Provisions	22	(590)
(3,592)	Deferred Liability	4,14	(3,368)
(461,527)	**Long Term Liabilities**		**(534,502)**
(407,047)	**Net Assets**		**(476,174)**
7,545	Usable Reserves	23	8,772
(414,592)	Unusable Reserves	24	(484,946)
(407,047)	**Total Reserves**		**(476,174)**

Signed
Terry Walker
Chair of the Avon Fire Authority
27th September 2013

James Dack
Treasurer of the Avon Fire Authority
27th September 2013

Cash Flow Statement

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

2011/2012 £'000		2012/2013 £'000
29,546	Net (surplus) or deficit on the provision of services	24,324
(30,864)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(31,704)
1,151	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,508
(167)	Net cash flows from Operating Activities (note 32)	(5,872)
1,579	Investing Activities (note 33)	2,031
1,013	Financing Activities (note 34)	1,096
2,425	Net increase or decrease in cash and cash equivalents	(2,745)
(1,833)	Cash and cash equivalents at the beginning of the reporting period	592
592	**Cash and cash equivalents at the end of the reporting period (note 17)**	**(2,153)**

1. **Statement of Accounting Policies**

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations and be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Best Value Accounting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

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

ii Accruals of Income and Expenditure

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

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

iii Cash and Cash Equivalents and Bank Overdrafts

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

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

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

iv Exceptional Items

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

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

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

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

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

vi Charges to Revenue for Non-Current Assets

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

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

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

vii Employee Benefits

Benefits Payable During Employment

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

<u>Termination Benefits</u>

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

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

<u>Post-Employment Benefits</u>

Employees of the Authority are divided between the 'Old' and 'New' Fire Fighters Pension Scheme for its uniformed Firefighters and the Local Government Scheme for support staff and abated Firefighters:

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

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

The Firefighters Pension Scheme

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

The Local Government Pension Scheme

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

- The liabilities of the Avon Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate based on the return for high quality corporate bonds.
- The assets of Avon Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - Quoted securities – current bid price
    - Un-quoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value.

- The change in the net pensions liability is analysed into seven components:
    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
    - Contributions paid to the Avon Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Long Term Disability Benefit

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

viii Events After the Balance Sheet Date

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

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

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

ix Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

x Government Grants and Contributions

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

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

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

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

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

xi Intangible Assets

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

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

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

xii Heritage Assets

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

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

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

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

xiii Inventories

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

xiv Leases

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

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

<u>The Authority as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).
The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

xv Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

xvi. Property, Plant and Equipment

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

<u>Recognition</u>

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

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

<u>Measurement</u>

Assets are initially measured at cost, comprising:

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

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

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

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

- infrastructure and community assets – depreciated historical cost.
- operational land and properties and other operational assets – lower of net current replacement costs or net realisable value
- vehicles, plant and equipment – depreciated replacement cost

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

<u>Impairment</u>

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

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

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

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

<u>Depreciation</u>

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

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

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

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

Disposals

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

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

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

xvii Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – recognised as non-current assets on the balance sheet.

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

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

xviii Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xix Reserves

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

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

xx VAT

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

2.

a. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future Government support for local government generally and fire services in particular. However, the Authority has determined that there is as yet insufficient evidence to show that its assets may be impaired by any anticipated need to scale back service provision.

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

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

The items in the Authority's Balance Sheet at 31 March 2013 for which there is a risk of adjustment in the forthcoming financial year are as follows:

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

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

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

- Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred. These rates are based on professional guidance and are used to calculate the appropriate depreciation charge for each asset. Property assets are subject to individual 5 year reviews which could result in changes to their remaining assets lives and corresponding changes to depreciation charges and net book values. The current economic climate may effect spending on repairs and maintenance, which may change the useful economic lives assigned to assets.
-

c. **Accounting Standards issued but not yet adopted**

The Code requires disclosure of information relating to the impact of accounting standards that have been issued but not yet adopted.

Amendments were made to IAS 19 Employee Benefits in 2011. These have been adopted by the Code and require a change in accounting policy with effect from 1 April 2013. For the Firefighters pension schemes, the changes have no impact due to the unfunded nature of the schemes. However, for the Local Government pension scheme, there are new classes of components of the defined benefit cost, which the actuary has estimated would have increased the charge to the Deficit on the Provision of Services in the 2012/13 Comprehensive Income and Expenditure Statement by £166,000 had they been in effect for that year. As this expense is notional and is reversed out via the movement in reserves statement it would have no effect on the balance sheet.

3. **External Audit Fees**

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

2011/2012 £'000		2012/2013 £'000
64	Fees payable with regard to external audit services carried out by the appointed auditor	39

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

As set out in the Accounting policies, under a joint PFI venture, the Authority now receive a significant element of their fire training from 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 15 years of the joint venture are as follows:

2011/2012 £'000		Service Charge	Interest	Repayment of Liability	Total 2012/2013 £'000
1,227	Total contract payments	766	383	109	1,258
	Outstanding undischarged contract obligations:-				
1,258	Within 1 year	785	367	51	1,203
5,168	Between 2 and 5 years	3,338	1,582	466	5,386
7,504	Between 6 and 10	4,659	2,013	1,017	7,689
8,516	Between 11 and 15	5,265	1,882	1,581	8,728
1,818	Over 16 years	-	-	-	-

Gloucestershire County Council administers an Equalisation Fund, relating to the project, 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 2013 a surplus of £1.77 million (£1.79 million at 31.3.12) was attributable to Avon and this has been shown as a reserve within the balance sheet with a corresponding debtor against Gloucestershire County Council.

Using existing indices and interest rates a shortfall is predicted at the end of the contract period of around £1.2m. An amount of £590k reflecting the Fire Authority's share has been set aside as a provision.

Summary totals for the Asset held under the Private Finance Initiative and accounted for as part of Non-Current Assets – namely the Building, including Lifecycle Replacement costs and the effect of Revaluation are as follows:

	Property, Plant & Equipment £'000
Gross asset value at 31 March 2012	5,005
Accumulated depreciation and impairment	(1,654)
Net book value of asset at 31 March 2012	3,351
Movement in 2012/13:	
Lifecycle Replacement costs	19
Depreciation	(209)
Net book value of asset at 31 March 2013	3,161

Summary totals for the corresponding Liability are as follows:

	Property, Plant & Equipment £'000
Finance Lease Liability o/s at 31 March 2012	3,223
Finance Lease Liability Repaid in 12/13	109
Finance Lease Liability o/s at 31 March 2013	3,114

5. **Members' Allowances**

In accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended) the totals sums paid by Avon Fire Authority to members/co-optees under the Avon Fire Authority Members Allowances Scheme 2009 in the period 1 April 2012 to 31 March 2013 are set out below. The summary of allowances, which have been paid under this scheme are as follows:

2011/2012 £'000		2012/2013 £'000
51	Allowances	49
1	Travel and subsistence expenses	1
52	**Total**	**50**

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

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

2011/2012 £	Recipient	Basic Allowance	Special Responsibility Allowance	Travelling & Subsistence Allowance	Cooptees Allowance	2012/2013 £
3,589	Councillor P Abraham	1,453	694	101	-	2,248
1,453	Councillor L Alexander	1,453	-	-	-	1,453
1,230	Councillor C Ann	1,453	-	-	-	1,453
1,251	Councillor S Ball	1,453	-	-	-	1,453
1,588	Councillor C Barrett	1,453	-	127	-	1,580
1,453	Councillor N Barrett	1,453	-	-	-	1,453
1,230	Councillor M Bell	242	-	-	-	242
137	Councillor S Brown	-	-	-	-	-
1,230	Councillor C Cave	1,453	-	-	-	1,453
137	Councillor J Clark	-	-	-	-	-
137	Councillor M Cole	-	-	-	-	-
1,453	Councillor S Comer	1,453	-	-	-	1,453
3,871	Councillor S Cook	1,453	1,985	-	-	3,438
1,453	Councillor K Cranney	1,453	-	-	-	1,453
960	Councillor G Curran	-	-	-	-	-
137	Councillor K Dando	-	-	-	-	-
3,134	Councillor C Davies	1,453	299	-	-	1,752
-	Councillor A Davis	739	-	-	-	739
1,453	Councillor M Drew	1,453	1,692	-	-	3,145
1,453	Councillor H Gregor	1,453	-	-	-	1,453
1,230	Councillor A Hale	1,453	-	-	-	1,453
1,230	Councillor D Holbrook	-	-	-	-	-
1,453	Councillor B Hugill	1,453	-	-	-	1,453
1,230	Councillor C Jackson	1,453	-	-	-	1,453
1,245	Councillor P Judd	1,453	-	-	-	1,453
-	Councillor T Leaman	1,238	-	-	-	1,238
-	Councillor J Lovell	1,238	-	-	-	1,238
1,446	Councillor T Marter	1,453	-	231	-	1,684
1,230	Councillor C Martin	242	-	-	-	242
-	Councillor R Payne	1,238	-	-	-	1,238
1,230	Councillor W Sandry	1,453	-	-	-	1,453
1,230	Councillor R Stone	242	-	-	-	242
1,230	Councillor S Townsend	1,453	-	-	-	1,453
10,054	Councillor T Walker	1,453	8,601	-	-	10,054
137	Councillor S McGall	-	-	-	-	-
137	Councillor A Patel	-	-	-	-	-
223	Councillor D Pickup	-	-	-	-	-
223	Councillor I Porter	-	-	-	-	-
137	Councillor H Roberts	-	-	-	-	-
279	Councillor R Willis	-	-	-	-	-
223	Councillor M Wollacott	-	-	-	-	-
137	Councillor G Wood	-	-	-	-	-
128	Mr W Hendy	-	-	-	-	-
-	Mr D Holbrook	484	-	-	-	484
243	Mr C Williams	-	-	-	182	182
52,024	**Total**	**36,176**	**13,270**	**460**	**182**	**50,088**

6. Employees Remuneration

The Authority is required, by the Accounts and Audit Regulations 2011 to disclose the number of employees whose remuneration, excluding employer pension contributions, was £50,000 or more in bands of £5,000 (previous regulations required bands of £10,000) and this information is set out in the following table – staff included in the senior officer remuneration table (note 7) are not included in this table:

2011/2012 No. of Employees	Remuneration Band	2012/2013 No. of Employees
8	£50,000 - £54,999	8
5	£55,000 - £59,999	6
4	£60,000 - £64,999	1
1	£65,000 - £69,999	2

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

2011/2012			2012/2013			
No. of departures agreed	Total cost of exit packages in each band £,000	Exit Package Cost Band (including special payments)	No. of Compulsory Redundancies	No. of other departures agreed	Total no. of exit packages by cost band	Total cost of exit packages in each band £,000
11	146	£0 - £20,000	1	3	4	30
5	167	£20,001 - £40,000	-	-	-	-
1	54	£40,001 - £60,000	-	-	-	-
1	76	£60,001 - £80,000	-	-	-	-
18	443	Total	1	3	4	30

7. Senior Officer Remuneration

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

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

Post Holder		Salary Incl. Fees & Allowances	Benefits in Kind	Pension Contributions	Total Remuneration Including Pension Contributions
		£	£	£	£
Current staff:					
Chief Fire Officer & Chief Executive - K Pearson	2012/13	130,080	-	14,170	144,250
	2011/12	133,091	-	20,496	153,587
Deputy Chief Fire Officer	2012/13	125,389	2,052	26,694	154,135
	2011/12	125,323	665	26,694	152,682
Assistant Chief Fire Officer - Risk Reduction	2012/13	125,532	59	26,694	152,285
	2011/12	125,323	55	26,694	152,072
Director of Finance and Asset Management and Treasurer	2012/13	82,434	5,116	9,016	96,566
	2011/12	82,713	4,905	12,738	100,356
Director of Corporate Services	2012/13	82,713	6,718	9,016	98,447
	2011/12	82,713	7,396	12,738	102,847
Monitoring Officer	2012/13	35,971	29	3,920	39,920
	2011/12	62,391	-	9,608	71,999
Total 2012/13		582,119	13,974	89,510	685,603
Total 2011/12		611,554	13,021	108,968	733,543
Staff who have now left the organisation:					
Deputy Chief Fire Officer - J O'Brien (Left post 2/4/12)	2012/13	928	-	198	1,126
	2011/12	167,032	674	35,578	203,284
Director of HR & People Development (Left post 25/6/12)	2012/13	19,530	819	2,129	22,478
	2011/12	82,713	3,157	12,738	98,608
Total 2012/13		20,458	819	2,327	23,604
Total 2011/12		249,745	3,831	48,316	301,892
Grand total 2012/13		**602,577**	**14,793**	**91,837**	**709,207**
Grand total 2011/12		**861,299**	**16,852**	**157,284**	**1,035,435**

8. **Related Party Transactions**

The Code of Practice requires disclosure of material transactions with 'related parties' – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. For 2012/2013 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 – (£25,187k).

- 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 - (£8,760k) and as a provider of financial services to the Fire Authority – amount including the cost of servicing existing debt (£1,499k).

  - Bath & North East Somerset as a billing Authority responsible for collecting council tax on behalf of the Fire Authority for its area - (£4,040k) and as the Authority responsible for administering the Avon Pension Fund, with contributions paid over in respect of Fire Authority employees and payments in respect of the Firefighters pension scheme – (£15,678k)

  - North Somerset (£4,929k) and South Gloucestershire (£5,776k) 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 - (£5,664k).

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

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

2011/12 Fund balance £'000	2011/12 Movement in Unusable Reserves £'000		2012/13 Fund balance £'000	2012/13 Movement in Unusable Reserves £'000
		Adjustments primarily involving the Capital Adjustment Account		
		Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
8,552	(8,552)	Charges for depreciation and impairment of non-current assets	4,015	(4,015)
(2,934)	2,934	Revaluation Gain in Property, Plant & Equipment	(2,579)	2,579
(2,830)	2,830	Capital Grants and contributions applied	(1,728)	1,728
164	(164)	Amortisation of intangible assets	156	(156)
66	(66)	Write Back of Finance Lease Liability re Purchased Assets	(75)	75
6	(6)	Profit/Loss on sale of non- current assets	296	(296)
		Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement		-
(775)	775	Capital expenditure charged against Fund balance	(1,888)	1,888
(779)	779	Statutory Provision for the Repayment of Debt - MRP	(473)	473
(43)	43	Statutory Repayment of Debt - Finance Lease	(29)	29
(100)	100	Statutory Repayment of Debt - PFI	(109)	109
(219)	219	Voluntary Provision above MRP	(486)	486
		Adjustments primarily involving the Pensions Reserve		
32,652	(32,652)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 26)	31,776	(31,776)
12,799	(12,799)	Actuarial Gains or Losses on Pension Assets and Liabilities	47,382	(47,382)
(6,065)	6,065	Employers pensions contributions and direct payments	(5,744)	5,744
		Adjustments primarily involving the Collection Fund Adjustment Account		
(181)	181	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with stautory requirements	2	(2)
		Adjustments primarily involving the Accumulated Absences Account		
(293)	293	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(162)	162
40,020	**(40,020)**	**Total Adjustments**	**70,354**	**(70,354)**

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

Tangible Non-Current Assets

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

Operational Assets	2012/2013 Land & Buildings £'000	Vehicles & Equipment £'000	**Total £'000**
Cost or Valuation			
1 April 2012	65,411	31,722	**97,133**
Additions	703	3,272	**3,975**
Disposals	-	(5,043)	**(5,043)**
Revaluations	10,836	1,991	**12,827**
31 March 2013	**76,950**	**31,942**	**108,892**
Depreciation and impairments			
1 April 2012	(24,529)	(16,956)	**(41,485)**
Charge for year	(2,234)	(2,212)	**(4,446)**
Disposals	-	4,082	**4,082**
Revaluations	(8,120)	(1,253)	**(9,373)**
31 March 2013	**(34,883)**	**(16,339)**	**(51,222)**
Net book value of assets at 31 March 2012	**40,882**	**14,766**	**55,648**
Net book value of assets at 31 March 2013	**42,067**	**15,603**	**57,670**

Operational Assets	2011/2012 Land & Buildings £'000	Vehicles & Equipment £'000	**Total £'000**
Cost or Valuation			
1 April 2011	54,637	27,227	**81,864**
Donated	-	2,916	**2,916**
Additions	532	2,536	**3,068**
Disposals	-	(3,130)	**(3,130)**
Revaluations	10,242	2,173	**12,415**
31 March 2012	**65,411**	**31,722**	**97,133**
Depreciation and impairments			
1 April 2011	(10,120)	(14,528)	**(24,648)**
Donated	-	(1,576)	**(1,576)**
Charge for year	(1,730)	(1,988)	**(3,718)**
Disposals	-	2,544	**2,544**
Revaluations	(12,678)	(1,408)	**(14,086)**
31 March 2012	**(24,528)**	**(16,956)**	**(41,484)**
Net book value of assets at 31 March 2011	**44,517**	**12,699**	**57,216**
Net book value of assets at 31 March 2012	**40,883**	**14,766**	**55,649**

Intangible Non-Current Assets

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

2011/2012 £'000	Intangible Assets (Purchased software licences)	2012/2013 £'000
	Original Cost	
1,023	1 April 2012 (2011)	1,042
19	Additions	25
-	Disposals	-
-	Revaluations	-
1,042	31 March 2013 (2012)	**1,067**
	Amortisation and impairments	
(354)	1 April 2012 (2011)	**(518)**
(164)	Charge for year	(156)
-	Disposals	-
-	Revaluations	-
(518)	31 March 2013 (2012)	**(674)**
669	**Net book value of assets at 31 March 2012 (2011)**	**524**
524	**Net book value of assets at 31 March 2013 (2012)**	**393**

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £156k charged to revenue in 2012/13 was attributed to Community Fire Safety (£7k), Fire Fighting and Rescue Operations (£145k), Fire Service Emergency Planning and Civil Defence (£1k) and Corporate Democratic Core (£3k).

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

2011/2012 £'000		2012/2013 £'000
23,325	Opening Capital Financing Requirement	22,721
	Capital Investment	
3,069	Property Plant and Equipment	3,974
19	Intangible assets	25
	Sources of finance	
(18)	Capital Receipts	(222)
(1,491)	Government grants and other contributions	(1,728)
(2,183)	Revenue Provision	(3,059)
22,721	Closing Capital Financing Requirement	21,711
	Explanation of movements in year	
(365)	Increase in underlying need to borrow (supported by Government financial assistance)	(366)
(239)	Increase in underlying need to borrow (unsupported by Government financial assistance)	(644)
(604)	Increase/ (decrease) in Capital Financing Requirement	(1,010)

12. Capital Financing - Minimum Revenue Provision

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

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

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

The calculation of the authorities Capital Finance Requirement and its MRP is as follows:

2011/2012 £’000		2012/2013 £’000
	Opening Capital Financing Requirement as at 1 April:	
57,885	Fixed assets	56,173
(5,220)	Revaluation Reserve	(7,553)
(29,340)	Capital Adjustment Account	(25,899)
23,325	Capital Financing Requirement	**22,721**
(165)	Adjustment Factor A	(165)
23,160	Adjusted Capital Financing Requirement	**22,556**
921	MRP	962
219	Finance Leases -Voluntary MRP Contributions	134

13. Information on Assets held

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

Number as at 31/03/2012		Number as at 31/03/2013
	Land and buildings	
1	Joint Training Centre (Part owned - PFI)	1
23	Fire Stations etc	23
1	Service 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	
89	Operational Vehicles	81
80	Ancillary Vehicles	77
24	Compressors	22
26	Trailers etc	26

14. Assets held under finance leases

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

2011/2012 Vehicles & Equipment £'000		2012/2013 Vehicles & Equipment £'000
297	Total rentals paid	188
	Analysis of charges in the Financial Statements	
35	Finance Charge - (Comprehensive Income and Expenditure Statement)	24
262	MRP (including voluntary contributions) - (Movement in Reserves Statement)	164

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

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

	Vehicles & Equipment £'000
Certified valuation at 31 March 2012	7,397
Accumulated depreciation and impairment	(5,891)
Net book value of assets at 31 March 2012	**1,506**
Movement in 2012/13	
Additions	-
Disposals	(323)
Revaluations	81
Depreciation	(376)
Impairments	-
Net book value of assets at 31 March 2013	**888**

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

2011/2012 £'000		2012/2013 £'000
	Finance Lease Liabilities	
239	Current	172
477	Non-Current	305
716		477
60	Finance Costs Payable in Future Years	37
776	Minimum Lease Payments	514

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

	Minimum Lease		Finance Lease	
	31-Mar-13 £,000	31-Mar-12 £,000	31-Mar-13 £,000	31-Mar-12 £,000
Not Later than one year	188	263	172	239
Later than one year and not later than five years	326	513	305	477
	514	776	477	716

15. Non-Current Asset Valuation

The code requires assets carried at fair value to have a valuation at least every five years as a minimum, but these should be re-valued more regularly if a five yearly valuation would be insufficient to reflect material changes in value. Where there has been no material change the Authority has chosen to carry out the valuation of its properties on a five year rolling basis. During March 2013 ten of the Authority's properties were re-valued by external valuers, DTZ, in accordance with appropriate Practice Statements and United Kingdom Practice Statements contained within the RICS Valuation Standards. In addition DTZ reviewed fourteen of the Authority's other properties on a desk top basis, updating the rates applied to the various assets by reference to the "All in Tender Price Index" published by BCIS. This process did not however, involve reviewing the residual life of these properties.

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

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

Assets	Years
Buildings	10-57
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 on a straight-line basis over 5 years.

16. **Debtors**

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

31/03/2012 £'000		31/03/2013 £'000
1,099	Central Government Bodies	3,443
6	NHS	3
2,899	Other local authorities	2,416
730	Other entities and individuals	1,310
4,734		7,172

17. **Cash and Cash Equivalents**

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

31/03/2012 £'000		31/03/2013 £'000
10	Cash held by the Authority - Imprests	10
(602)	Bank Current Accounts	2,143
(592)		2,153

18. **Creditors**

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

31/03/2012 £'000		31/03/2013 £'000
(83)	Central Government Bodies	(1,541)
(2,285)	Other local authorities	(4,409)
(2,643)	Other entities and individuals	(2,266)
(5,011)		(8,216)

19. **Analysis of Borrowing**

The loans outstanding consist of a loan through Bristol City Council and a smaller interest free loan from Salix Finance Ltd. Loans repayable during 2012/2013 are shown as short term borrowing in the Balance Sheet. The maturity of long-term loans is as follows:

31/03/2012 £'000		31/03/2013 £'000
792	Between 1 and 2 years	790
2,150	Between 2 and 5 years	2,054
2,980	Between 5 and 10 years	2,865
4,271	Over 10 years	3,679
10,193	Total long term borrowing at 31 March 2013 (2012)	9,388

As at 31 March 2013 (2012) the Authority had deferred borrowing of £7,926k (£7,764k). Figure as per prudential indicators.

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 2012 £'000	31 March 2013 £'000	March 2012 **£'000**	March 2013 £'000
Financial Liabilities at amortised cost	(10,195)	(9,388)	(6,079)	(8,435)
Total borrowings	**(10,195)**	**(9,388)**	**(6,079)**	**(8,435)**
Loans and receivables	-	-	4,170	8,709
Total debtors	**-**	**-**	**4,170**	**8,709**

Financial Instruments Gains/Losses

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

2012/2013	Financial Liabilities measured at amortised costs £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expense			
- Loan & Leases	(542)	-	(542)
- PFI	(409)	-	(409)
Interest payable and similar charges	**(951)**	**-**	**(951)**
Interest income	-	21	21
Interest and Investment Income	**-**	**21**	**21**
Net Gain / (loss) for the year	**(951)**	**21**	**(930)**

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 Public Works Loan Board (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 2012 Carrying Amount £'000	31 March 2012 Fair Value £'000	31 March 2013 Carrying Amount **£'000**	31 March 2013 Fair Value **£'000**
Loan Debt				
Local Authority	(10,905)	(13,848)	(10,113)	(13,393)
Other Loans	(112)	(112)	(80)	(80)
Bank & Cash	(592)	(592)	-	-
Total debt	**(11,609)**	**(14,552)**	**(10,193)**	**(13,473)**
Trade and other creditors	(4,663)	(4,663)	(7,630)	(7,630)
Total Financial Liabilities	**(16,272)**	**(19,215)**	**(17,823)**	**(21,103)**

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 2012 Carrying Amount £'000	31 March 2012 Fair Value £'000	31 March 2013 Carrying Amount **£'000**	31 March 2013 Fair Value £'000
Loans and Investments				
Bank and cash	-	-	2,153	2,153
Total debt	**-**	**-**	**2,153**	**2,153**
Trade and other debtors	4,170	4,170	6,556	6,556
Total Loans and Receivables	**4,170**	**4,170**	**8,709**	**8,709**

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 2013 £'000	Historical experience of default %	Adjustments for market conditions at 31 March 2013 %	Estimated maximum exposure to default £'000
Other counterparties - Local Authorities	2,416	0.0%	0.0%	-
Other counterparties - NHS	3	0.0%	0.0%	-
Other counterparties - Central Government	3,443	0.0%	0.0%	-
Trade and other debtors	694	0.0%	0.4%	3
	6,556			**3**

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 £3k has been created to cover the risk of default.

Liquidity risk

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

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

Refinancing and Maturity Risk

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

The maturity analysis of financial liabilities is as follows:

2012/2013	£'000
Less than one year	(8,435)
Between 1 and 2 years	(790)
Between 2 and 5 years	(2,054)
More than 5 years	(6,544)
	(17,823)

The maturity analysis of financial assets is as follows:

2012/2013	£'000
Less than one year	8,709

Market risk

Interest rate risk

Interest on the Authority's existing borrowing is based upon long term fixed interest rate maturity loans and therefore there is minor exposure to interest rate movements. However, as previously indicated the Authority has deferred borrowing of £7,926k which is being funded by utilising balances to offset borrowing in the short term in accordance with the Authority's approved Treasury Management Strategy. A differential increase in interest rates between long term and short term rates would give lead to an interest rate exposure for the Authority. This risk can be mitigated against increased counter party risks associated with lending surplus balances as part of the treasury management function.

The Authority's medium term financial plan has made provision for some borrowing in 2013/2014. Overall long term borrowing rates have remained at historic low levels throughout the year and the situation is being closely monitored.

2012/2013	£’000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	42
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	**42**
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	**-**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(1,320)

The interest rate risk on deferred borrowing of a 1% increase in rates is £79k

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 2012/13 was only 0.39%. The maximum impact could only be the interest received in the year of £16k. The approximate impact of a 1% fall in interest rates on the fixed rate borrowing liabilities would be:

2012/2013	£’000
Increase in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	5,708

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

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

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

21. Short Term Provisions

	Balance at 1 April 2011 £'000	Additional Provisions Made in 2011/12 £'000	Amounts Utilised in 2011/12 £'000	Balance at 31 March 2012 £'000	Additional Provisions Made in 2012/13 £'000	Amounts Utilised in 2012/13 £'000	Balance at 31 March 2013 £'000
Finance systems	-	-	-	-	38	-	38
	-	-	-	-	38	-	38

Contribution towards new financial system

The Authority's financial services provider replaced their financial systems during 2012/13, this process being outsourced to a third party. As part of this process the Authority were given the option to tailor the new financial system to its own specific requirements and agreed to make a contribution towards the extra costs of this. Any contribution payable was subject to the overall successful introduction of the new financial system as well as that part specifically tailored for the Authority.

22. Long Term Provisions

	Balance at 1 April 2011 £'000	Additional Provisions Made in 2011/12 £'000	Amounts Utilised in 2011/12 £'000	Balance at 31 March 2012 £'000	Additional Provisions Made in 2012/13 £'000	Amounts Utilised in 2012/13 £'000	Balance at 31 March 2013 £'000
PFI	-	-	-	-	590	-	590
	-	-	-	-	590	-	590

Private Finance Initiative

As detailed in the Note 1 (Statement of Accounting Policies) and more specifically in Note 4 the Authority has entered into a Joint Training PFI scheme. As part of this scheme the equalisation fund, administered by Gloucestershire County, is invested to ensure that adequate funding is available throughout the life of the contract. The fund is reviewed and if necessary contributions from the three partners amended every three to five years with the intention that the balance on the fund at the end of the contract will be nil. By using existing indices and interest rates a shortfall is predicted at the end of the contract period of around £1.17m of which £0.6m is attributable to the Authority. The provision will be utilised to off-set any increased contributions which have yet to be agreed.

23. **Usable Reserves**

	Balance at 1 April 2011 £'000	Transfers in 2011/12 £'000	Transfers out 2011/12 £'000	Balance at 31 March 2012 £'000	Transfers in 2012/13 £'000	Transfers out 2012/13 £'000	Balance at 31 March 2013 £'000
Fund Balance	**1,500**	-	**-**	**1,500**	**-**	**-**	**1,500**
Austerity Reserve	2,107	**996**	**(400)**	**2,703**	**1,290**	**-**	**3,993**
Pension & Budget Pressures Reserves Incl.							
PPE / ICP Replacement Reserve	400	100	(400)	100	-	(100)	-
Control Resilience Reserve	400	-	-	400	-	-	400
Premises H&S Reserve Critical Works	100	-	-	100	-	-	100
Pension Reserve	500	-	-	500	-	-	500
Legal Fees Reserve	100	-	-	100	-	-	100
Community Safety Reserve	-	80	-	80	135	(80)	135
Marketing & Communicaion Reserve	-	30	-	30	-	(30)	-
Breathing Apparatus Reserve	-	75	-	75	-	(25)	50
Training Reserve	-	150	-	150	100	(150)	100
	1,500	**435**	**(400)**	**1,535**	**235**	**(385)**	**1,385**
Hydrants	-	-	-	-	100	-	100
Medical Intervention	-	-	-	-	20	-	20
SWCDC Reserve	**45**	**13**	**(45)**	**13**	**-**	**(13)**	**-**
PFI Equalisation Fund	**1,784**	**10**	**-**	**1,794**	**-**	**(20)**	**1,774**
Total Usable Reserves	**6,936**	**1,454**	**(845)**	**7,545**	**1,645**	**(418)**	**8,772**

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

a. <u>Austerity Reserve</u>

This reserve has been created to assist the Authority in achieving its medium term financial targets. It will be utilised to offset the reduction in government grant over the current CSR by smoothing out grant reductions, funding one off costs and supporting spend to save initiatives. The Authority's successful transformation and change programme enabled a further £1.29m of the savings achieved during the year to be added to this reserve. It is anticipated that this reserve will be utilised over the next 4-5 years.

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

This reserve was utilised during the year, as planned, to finance the additional costs associated with the purchase of new Personal Protective Equipment.

c. <u>Control Resilience Reserve</u>

The Regional Control Centre project has been cancelled. The Authority has identified increased costs with maintaining and developing the existing control infrastructure in order to maintain resilience. A programme of works is underway and it is anticipated that this reserve will be utilised over the next two years.

d. <u>Premises / H & S Reserve Critical Works</u>

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

e. <u>Pension Reserve</u>

This reserve has been created to assist in the financing of ill-health pension retirements where costs of 2 or 4 x the retirees salary are paid to the Department of Communities and Local Government. This reserve will be utilised over the next 4 years.

f. <u>Legal Fees Reserve</u>

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

g. <u>Community Safety Reserve</u>

This reserve was created in 2011/12 to fund a new coordinated safety campaign. Part of the reserve was utilised during the year with the balance being carried forward. An additional amount has also been added to progress the commissioning of services from the voluntary sector and other internal initiatives including the fitting of smoke alarms. The reserve is expected to be used over the next 2 years.

h. Marketing & Communication Reserve

This reserve was utilised during the year to fund community safety advertising campaigns as planned.

i. Breathing Apparatus Reserve

A reserve to fund a new breathing apparatus total care package was created in 2011/12. Part of this reserve was utilised during the year and it is anticipated that the balance will be utilised over the next 2 years

j. Training Reserve

This reserve was created in 2011/12 to fund an e-learning system, high rise training programme and other identified pressures. Part of this reserve was utilised during 2012/13 with the balance being carried forward to fund the outstanding training initiatives.

k. Hydrants

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

l. Medical Intervention

This reserve has been created to fund medical interventions for employees to assist in their return to work. It is expected that this reserve will be utilised in 2013/14.

m. SWDC Reserve

This reserve was utilised during the year as planned.

n. Equalisation Fund

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

24. Unusable Reserves

Balance at 31 March 2012 £'000		Balance at 31 March 2013 £'000
7,553	**Revaluation Reserve**	9,441
25,899	**Capital Adjustment Account**	26,911
(447,742)	**Pensions Reserve**	(521,156)
189	**Collection Fund Adjustment**	187
(491)	**Accumulated Absences Account**	(329)
(414,592)	**Total Unusable Reserves**	**(484,946)**

Revaluation Reserve

2011/2012 £'000		2012/2013 £'000
5,220	**Balance at 1 April 2012 (2011)**	**7,553**
2,934	Adjustment to revaluation of assets	2,578
8,154	**Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**10,131**
(601)	Difference between fair value depreciation and historic cost depreciation	(690)
7,553	**Balance at 31 March 2013 (2012)**	**9,441**

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

Where assets have been re-valued the excess current value depreciation 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 value of non-current assets carried in the balance sheet is greater because they are carried at re-valued amounts rather than depreciated historic cost.

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

Capital Adjustment Account

2011/12 £'000		2012/2013 £'000
29,340	**Balance at 1 April 2012 (2011)**	**25,899**
	Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(8,552)	Depreciation and impairment of non-current assets	(4,014)
(164)	Amortisation of intangible assets	(156)
(66)	Write back of Lease re Assets Purchased	75
(6)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(960)
20,552		**20,844**
601	Adjusting amounts written out of the Revaluation Reserve	1,133
21,153	Net written out amount of the cost of non-current assets consumed in the year	**21,977**
	Capital Financing applied in the year	
2,830	Capital Grants credited to the Comprehensive Income and Expenditure Statement	1,950
922	Minimum revenue provision for capital financing	610
219	Voluntary revenue provision for capital financing	486
775	Capital expenditure charged in-year to the fund balance	1,888
25,899	**Balance at 31 March 2013 (2012)**	**26,911**

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

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

Pensions Reserve Summary – See Note 26 for further information

2011/12 £'000		2012/2013 £'000
(408,356)	**Balance at 1 April 2012 (2011)**	**(447,742)**
(12,799)	Actuarial gains or losses on pensions assets and liabilities	(47,382)
(32,652)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(31,776)
6,065	Employer's pensions contributions and direct payments to pensioners payable in the year	5,744
(447,742)	**Balance at 31 March 2013 (2012)**	**(521,156)**

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

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

Collection Fund Adjustment Account

2011/12 £'000		2012/2013 £'000
8	**Balance at 1 April 2012 (2011)**	**189**
(7)	Bath and North East Somerset	26
167	Bristol City Council	(71)
(15)	North Somerset	32
36	South Gloucestershire	11
189	**Balance at 31 March 2013 (2012)**	**187**

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

Accumulated Absences Account

2011/12 £'000		2012/2013 £'000
-784	**Balance at 1 April 2012 (2011)**	**-491**
784	Settlement or cancellation of accrual made at the end of the preceding year	491
-491	Amount accrued at the end of the current year	-329
293	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	162
-491	**Balance at 31 March 2013 (2012)**	**-329**

25. Authorisation of Accounts for issue

The date that the financial statements are authorised for issue by the Treasurer of the Fire Authority is 27th September 2013. Events that occur after this date will not be recognised in the Statement of Accounts.

26. **Retirement Benefits**

Participation in Pension Schemes

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

The Authority participates in two pension schemes:

- <u>Local Government Pension Scheme</u>

  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 2010 and assessed the overall funding level at 83%.

- <u>Firefighters scheme</u>

  Regular Firefighters employed before 6 April 2006 were eligible to join the Firefighters Pension Scheme but this scheme closed to new entrants from April 2006. The Employer contribution rate for this scheme was 21.3%. Employee contributions vary according to salary, as shown in the table under Note 2 to the Firefighters Pension Fund Account on page 78.

  A New Firefighters Pension Scheme was introduced for regular and retained Firefighters employed since 6 April 2006, which has different contribution rates payable into the scheme and benefits available to scheme members. The employer contribution rate for this scheme was 11.0%. Employee contributions vary according to salary, as shown in the table under Note 2 to the Firefighters Pension Fund Account on page 78.

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

Transactions Relating to Retirement Benefits

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

However, the charge required to be met from council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Fire Fighters Scheme	
	2011/12	2012/13	2011/12	2012/13
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Costs of Services:				
Current Service Costs	696	695	8,624	9,290
Past service Costs / (Gains)	-	-	-	-
Settlements and Curtailments	284	95	-	-
Financing and Investment Income and Expenditure:				
Interest Costs	1,377	1,352	22,870	21,440
Expected Return on Assets in the Scheme	(1,204)	(1,096)	-	-
Net Effect on Surplus or Deficit on Provision of Services	1,153	1,046	31,494	30,730
Other Comprehensive Income and Expenditure:				
Actuarial (Gains)/Losses On Pension Assets/Liabilities	1,773	2,005	11,026	45,377
Net Effect on Total Comprehensive Income and Expenditure Statement	2,926	3,051	42,520	76,107
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(1,153)	(1,046)	(31,494)	(30,730)
Actual amount charged against the Fund Balance for pensions in the year:				
Employers contributions payable to the scheme	960	743	3,935	3,917
Retirement Benefits payable to pensioners			1,170	1,110

The cumulative amount of actuarial gains and (losses) recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is (£220,803k).

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded liabilities Local Government		Unfunded liabilities Fire Fighters Scheme	
	2011/2012	2012/2013	2011/2012	2012/2013
	£'000	£'000	£'000	£'000
Liabilities at beginning of year	(24,896)	(27,870)	(401,980)	(439,395)
Current Service Cost	(696)	(695)	(8,624)	(9,290)
Interest Cost	(1,377)	(1,352)	(22,870)	(21,440)
Contributions by scheme	(295)	(255)	(2,112)	(2,192)
Pension transfers in	-	-	-	(26)
Actuarial gains and (losses)	(1,043)	(3,491)	(15,920)	(53,290)
Benefits Paid	721	1,490	12,111	15,132
Loss on Curtailments	(284)	(95)	-	-
Past service (costs) / Gains	-	-	-	-
Liabilities at end of year	(27,870)	(32,268)	(439,395)	(510,501)

Reconciliation of fair value of the scheme assets:

	Funded Assets Local Government		Unfunded Assets Fire Fighters Scheme	
	2011/2012	2012/2013	2011/2012	2012/2013
	£'000	£'000	£'000	£'000
Assets at beginning of year	18,515	19,523	-	-
Expected rate of return	1,204	1,096	-	-
Actuarial gains and losses	(730)	1,486	4,894	7,913
Employer contributions	960	743	5,105	5,027
Contributions by scheme participants	295	255	2,112	2,192
Benefits paid	(721)	(1,490)	(12,111)	(15,132)
Assets at end of year	19,523	21,613	-	-

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 £2,582k (2011/12: £474k).

Scheme History

	2008/09 £'000s	2009/10 £'000s	2010/11 £'000s	2011/12 £'000s	2012/13 £'000s
Present value of liabilities					
Local Government Scheme	(17,237)	(24,532)	(24,896)	(27,870)	(32,268)
Fire Fighters Scheme	(285,781)	(432,630)	(401,980)	(439,395)	(510,501)
Fair value of assets in the Local Government Scheme	11,680	16,202	18,515	19,523	21,613
Surplus/(deficit) in the					
Local Government Scheme	(5,557)	(8,330)	(6,381)	(8,347)	(10,655)
Fire Fighters Scheme	(285,781)	(432,630)	(401,980)	(439,395)	(510,501)
Total	(291,338)	(440,960)	(408,361)	(447,742)	(521,156)

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £521m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £476m.

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

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary

- The deficit on the 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 2014 for the Local Government Pension Scheme is £677k and for the Firefighters schemes £3,739k

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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 2010 updated for the following years.

The main assumptions used by the actuary have been:

	Local Government		Fire Fighters Scheme	
	2011/2012	2012/2013	2011/2012	2012/2013
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.0%	-	-
Government Bonds	3.1%	2.8%	-	-
Other Bonds	4.1%	3.9%	-	-
Property	6.0%	5.7%	-	-
Cash / Liquidity	0.5%	0.5%	-	-
Other	7.0%	7.0%	-	-
Mortality assumptions:				
Longevity at 65 for current				
Men	22.8	22.9	23.4	23.5
Women	25.7	25.9	25.3	25.4
Longevity at 65 for future				
Men	25.1	25.2	26.5	26.7
Women	28.1	28.2	28.3	28.4
Rate of inflation CPI	2.5%	2.4%	2.5%	2.5%
Rate of inflation RPI	N/A	N/A	3.6%	3.7%
Rate of increase in salaries	4.0%	3.9%	4.7%	4.8% *
Rate of increase in pensions	2.5%	2.4%	2.5%	2.5%
Rate of discounting scheme	4.9%	4.2%	4.9%	4.3%
Take-up of option to convert annual pension into retirement	50%	50%	-	-

* Allowance has been made for short-term public sector pay restraints as announced by Government

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 2010 valuation. For any employers who are not admitting new entrants to the Fund, the average age can be expected to increase gradually over time.

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

Local Government Scheme	31 March 2012	31 March 2013
	%	%
Equity Investments	58.3%	62.3%
Government Bonds	12.9%	11.5%
Other Bonds	11.8%	9.3%
Property	7.4%	7.5%
Cash/Liquidity	1.6%	1.9%
Other assets	8.0%	7.5%
	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	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Experience gains and (losses) on assets	(29.3)%	(20.8)%	3.7%	(3.7)%	6.9%
Experience gains and (losses) on liabilities	(1.3)%	0.0%	(1.5)%	0.0%	0.0%

Fire Fighters Scheme	2008/09	2009/10 restated	2010/11 restated	2011/12	2012/13
	%	%	%	%	%
Experience gains and (losses) on liabilities	0.0%	(64.1)%	0.5%	1.0%	3.7%

27. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

2011/2012 £'000		2012/2013 £'000
	Credited to Taxation and Non Specific Grant	
1,491	General Capital Grant	1,728
1,340	Donated Assets	-
2,831	Total Capital Grant	1,728
22,369	Precepts	23,500
5,322	General Government Grants	436
17,219	Non-domestic Rates Distribution	22,515
555	Council Tax Freeze Grant	-
48,296	**Total**	**48,179**
	Credited to Services	
990	New Dimension / USAR	1,341
303	Fire Link	313
894	PFI grant	894
2,187	**Total**	**2,548**

None of the grants received by the Authority in 2011/12 or 2012/13 have conditions attached to them and therefore they are recognised as income in their year of receipt

28. Financing and Investment Income and Expenditure

2011/2012 £'000		2012/2013 £'000
	Interest Payable and Similar Charges	
590	Loans & Leases	542
404	PFI	409
994		951
23,043	Pension Interest Costs and Expected Return on Pension Assets	21,696
(25)	Interest Receivable and Similar Income	(21)
(7)	Other Investment Income	(8)
24,005	Total	**22,618**

29. Other Operating Expenditure

2011/2012 £'000		2012/2013 £'000
6	Loss on Disposal of Non-Current Assets	295
66	Adjustment of Finance Lease Liability for Leased Assets Purchased	(75)
72	Total	**220**

30. Amounts Reported for Resource Allocation Decisions

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

No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

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

2011/12 £'000	Income and Expenditure	2012/13 £'000
(736)	Fees, charges & other service income	(639)
(1,545)	Government Grants	(1,341)
(2,281)	**Total Income**	**(1,980)**
36,463	Employee expenses	35,344
9,948	Other Service expenses	11,842
46,411	**Total Expenditure**	**47,186**
44,130	**Net Expenditure**	**45,206**

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

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

	2011/12 **£'000**	2012/13 **£'000**
Net expenditure in the Analysis	44,130	45,207
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	11,780	8,363
Amounts included in the Analysis not included in the Cost of Services	(2,145)	(3,906)
Cost of Services in Comprehensive Income and	**53,765**	**49,664**

31. Reconciliation to Subjective Analysis

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

2012/13	Analysis £,000	Amounts not reported to mgt for decision making £,000	Amounts not included in Cost of Services £,000	Cost of Services £,000	Corporate Amounts £,000	Total £,000
Fees, charges & other service income	(615)	-	-	(615)	-	**(615)**
Interest and Investment	(23)	(6)	29	-	(29)	**(29)**
Income from Council Tax		(2)	2	-	(23,500)	**(23,500)**
Government Grants and Contributions	(1,341)	-	-	(1,341)	(24,678)	**(26,019)**
Total Income	**(1,979)**	**(8)**	**31**	**(1,956)**	**(48,207)**	**(50,163)**
Employee expenses	35,344	4,174	-	39,518	-	**39,518**
Other Service expenses	11,842	26	(3,937)	7,931	951	**8,882**
Depreciation, amortisation and impairment	-	4,171	-	4,171	-	**4,171**
Pensions - Change in indices	-	-	-	-	21,696	**21,696**
Interest Payments	-	-	-	-	-	**-**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	220	**220**
Total Expenditure	**47,186**	**8,371**	**(3,937)**	**51,620**	**22,867**	**74,487**
(Surplus) or deficit on the provision of services	**45,207**	**8,363**	**(3,906)**	**49,664**	**(25,340)**	**24,324**

2011/12	Analysis £,000	Amounts not reported to mgt for decision making £,000	Amounts not included in Cost of Services £,000	Cost of Services £,000	Corporate Amounts £,000	Total £,000
Fees, charges & other service income	(711)	-	-	(711)	-	**(711)**
Interest and Investment	(25)	(7)	32	-	(32)	**(32)**
Income from Council Tax	-	(180)	180	-	(22,369)	**(22,369)**
Government Grants and Contributions	(1,545)	-	552	(993)	(25,927)	**(26,920)**
Total Income	**(2,281)**	**(187)**	**764**	**(1,704)**	**(48,328)**	**(50,032)**
Employee expenses	36,463	3,251	-	39,714	-	**39,714**
Other Service expenses	9,948	-	(2,909)	7,039	994	**8,033**
Depreciation, amortisation and impairment	-	8,716	-	8,716	-	**8,716**
Pensions - Change in indices	-	-	-	-	-	**-**
Interest Payments	-	-	-	-	23,043	**23,043**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	72	**72**
Total Expenditure	**46,411**	**11,967**	**(2,909)**	**55,469**	**24,109**	**79,578**
(Surplus) or deficit on the provision of services	**44,130**	**11,780**	**(2,145)**	**53,765**	**(24,219)**	**29,546**

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2011/2012 £'000		2012/2013 £'000
(32)	Interest Received	(21)
994	Interest Paid	951

33. Cash Flow Statement – Investing Activities

2011/2012 £'000		2012/2013 £'000
3,088	Purchase of property, plant and equipment	3,981
(1,491)	Capital Grants	(1,728)
(18)	Proceeds from Sale of Equipment	(222)
1,579	Net cash flows from investing activities	2,031

34. Cash Flow Statement – Financing Activities

2011/2012 £'000		2012/2013 £'000
361	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	273
(127)	Cash Receipts for long-term borrowing	-
779	Repayments of long-term borrowing	823
1,013	Net cash flows from investing activities	1,096

35. Contingent Liabilities

The Authority is currently undergoing a series of negotiations in relation to a property in Pilning with South Gloucestershire Council and a private landlord. The Authority is seeking clarification around the nature of an existing lease and its obligations with reference to possible annual rentals and maintenance fees. At this stage no clear costs have been established.
Employment tribunal cases have been brought on behalf of retained Firefighters to seek redress under the Part-time Workers' Regulations. This is a national issue and the National Employers organisation has agreed a compensation settlement for retained Firefighters and as a result payments have been made to cover the agreed compensation settlements. However there remains an outstanding issue over whether or not retained Firefighters should have been able to access the Firefighters Pension Scheme 1992 from July 2000, when the Part-time Workers' Regulations came into force, until April 2006, when retained Firefighters became eligible to join the 2006 Pension Scheme. The Department for Communities and Local Government is dealing with this issue and it is not yet known whether or not authorities will be required to pay retrospective employer contributions. If they are required to do so, it is not known how many retained Firefighters and former employees may wish to access the 1992 scheme and the potential liability cannot therefore be quantified.

36. Post Balance Sheet Events

There are no known post balance sheet events at the date of authorisation.

Firefighters Pension Fund Account

Under the new arrangements for financing Firefighters pensions which came into effect from April 2006 the Authority was required to set up a new ring fenced 'Pensions Account'. There are no material changes to the Pension Fund as a result of IFRS transition.

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

2011/2012 £'000		2012/2013 £'000	£'000
	Contributions receivable:		
	Fire Authority		
(3,996)	- contributions in relation to pensionable pay	(3,866)	
-	- early retirements	(34)	
(2,152)	Firefighters contributions	(2,208)	
(6,148)	**Total**		**(6,108)**
(41)	**Transfers in from other authorities**		**-**
	Benefits payable:		
9,866	Pensions	10,543	
964	Commutations and lump sum retirement benefits	2,905	
-	Other	166	
10,830			**13,614**
	Payments to and on account of leavers:		
4	Transfers out to other authorities		**568**
4,645	**Net amount payable for the year**		**8,074**
(4,645)	Top-up grant payable by the Government		(8,074)
-			**-**

Net assets statement

The assets and liabilities of the pensions account as at 31 March 2013 are as follows:

31/03/2012 £'000		31/03/2013 £'000
	Current assets	
704	Top-up grant receivable from the Government	3,007
957	Payment in Advance	1,018
19	Debtor - Other Local Authorities	26
-	Cash and Bank	-
1,680		**4,051**
	Current liabilities	
(1,680)	Cash and Bank	(3,396)
-	Top-up grant repayable to the Government	-
-	Creditor	(655)
(1,680)		**(4,051)**
-	**Net assets**	**-**

Notes to the Firefighters Pension Fund Account

1. Operation of the Fund

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

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

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

2. Contributions

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

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

2011/ 2012		2012/ 2013							
	Salary range from	£0	£15,001	£30,001	£40,001	£50,001	£60,001	£100,001	£120,001
	Salary range up to	£15,000	£30,000	£40,000	£50,000	£60,000	£100,000	£120,000	-
	Firefighters pension scheme:								
	1992 Scheme								
21.3%	Employer	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%
11.0%	Employee	11.0%	11.6%	11.7%	11.8%	11.9%	12.2%	12.5%	13.0%
32.3%	**Total**	32.3%	32.9%	33.0%	33.1%	33.2%	33.5%	33.8%	34.3%
	2006 Scheme								
11.0%	Employer	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
8.5%	Employee	8.5%	8.8%	8.9%	9.0%	9.1%	9.3%	9.5%	9.7%
19.5%	**Total**	19.5%	19.8%	19.9%	20.0%	20.1%	20.3%	20.5%	20.7%

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 21–32. Details of the pension liability of the Firefighters scheme, calculated in accordance with IAS 19, and included in the Core Financial Statements are set out in note 26 to the Core Financial Statements.

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

Opinion on the Authority financial statements

We have audited the financial statements of Avon Fire Authority for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Avon Fire Authority as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, *Avon Fire Authority* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Avon Fire Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Barrie Morris
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House
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27 September 2013