AVON FIRE AUTHORITY

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Statement of Accounts 2013/2014

PROVIDING AVON FIRE & RESCUE SERVICE

Avon Fire Authority

Statement of Accounts 2013/14

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Explanatory Foreword by the Treasurer

Introduction

Avon Fire Authority provides a Fire and Rescue Service for the Unitary Authority areas of Bath and North East Somerset, Bristol, North Somerset and South Gloucestershire. This document contains the Statement of Accounts for the Fire Authority for the year ended 31 March 2014. 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 2013/14.The code specifies the principles and practices of accounting required to give a true and fair view of the financial position and transactions of the Fire Authority.

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

Overview of the Financial Year 2013/14

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

- The net expenditure for the year before transfers to and from reserves was £43.3m, £0.5m lower than the revised budget. Savings were achieved on most of the main areas of the budget. In total £2.1m was transferred to reserves at year end, £501k to earmarked reserves and the balance of £1.6m transferred to the Authority's Austerity Reserve to assist with meeting future budgetary pressures.

- The Comprehensive Income and Expenditure Account show a deficit on Provision of Services of £25.4m. 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.

- After utilising £0.5m within the year there was a net increase in Total Usable Reserves of £1.5m for the year. Total Usable Reserves of £8.7m, excluding the working balance of £1.5m were available as at 31st March 2014.

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

- The Fire Authority's medium term financial plan identifies certain budget pressures and significant reductions in future Government grant funding. In response the Fire Authority has implemented a range of cost saving measures including the support of early retirement, voluntary early release schemes and a recruitment freeze. These measures have contributed significantly to the financial savings achieved in the year. The Authority is also making good progress on its "Investing for the future programme" which will deliver further efficiencies.

- During the year £3.1m was spent on the Fire Authority's approved capital programme of £11.9m. £0.3m of this expenditure was funded by borrowing and a further £1.4m funded from revenue contributions and capital receipts and the balance of expenditure, £1.4m funded from Capital Grants. £8.8m of the programme slipped forward into

2014/15, relating in the main to the Fire Authority's "Investing in the Future" building programme.

- Due to the current low short-term interest rates and the increased risks associated with lending resulting from the current financial climate, borrowing to finance capital expenditure has been delayed. Capital expenditure is therefore being funded from internal resources and the position will continue to be monitored closely during 2014/15.

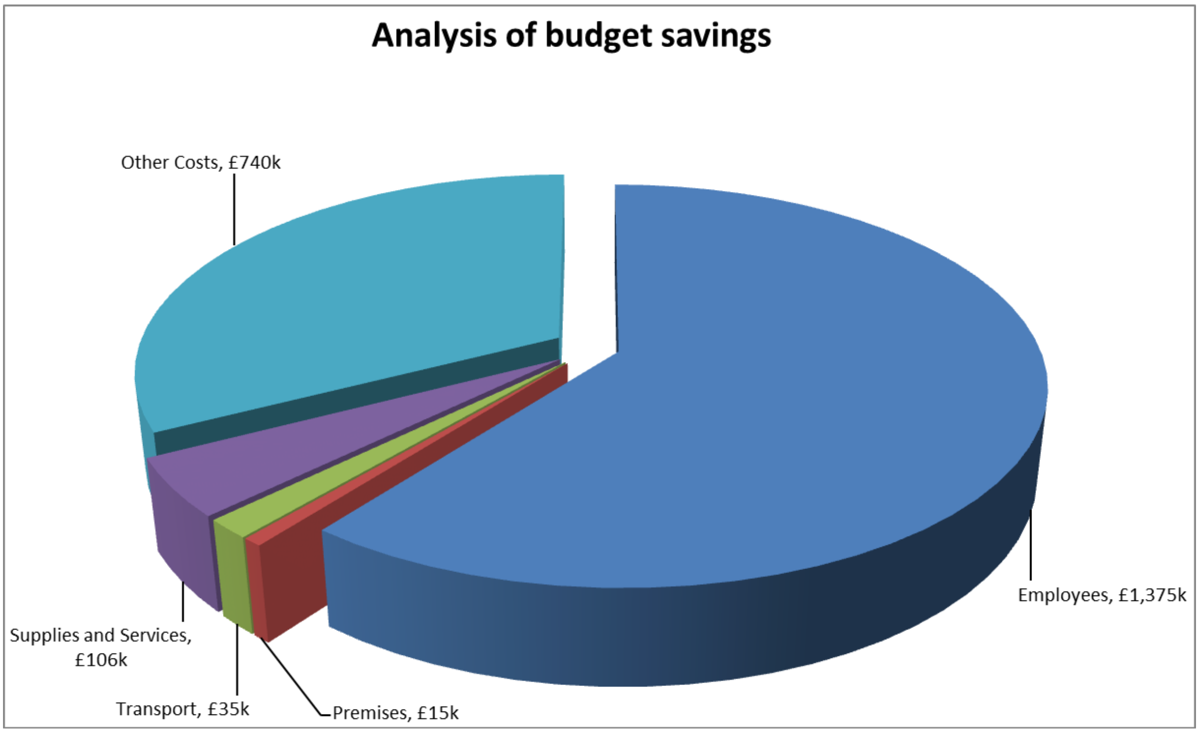
- The Authority sets a range of Prudential borrowing indicators for the financial year to ensure borrowing levels are within agreed limits. Due to slippage in the capital programme and additional repayment in debt, the total financing requirement was £9m below the initial estimate, which had a corresponding effect on the operational and authorise limits for external debt..

Approved Financial Plan 2013/14

The Fire Authority had to consider a number of major financial considerations in determining the budget for 2013/14 including:

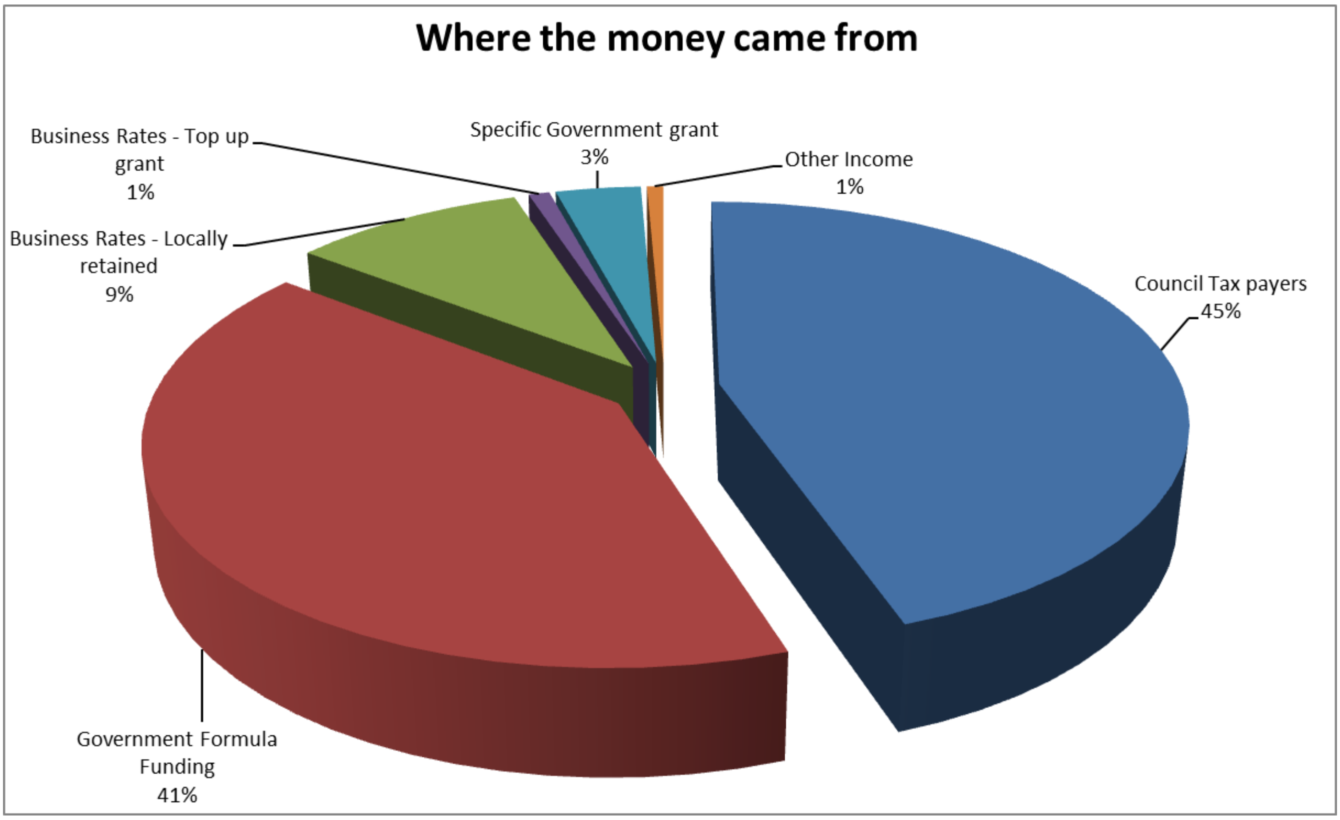
- An overall reduction in Central Government funding of 8.7%, 14.9% before allowing for the impact of the floor adjustment.
- A further reductions in Central Government funding of 6.2% for 2014/15
- A limit on the increase in council tax of 2% before a referendum was required
- A capital grant allocation of £1.077m

In total a revenue budget of £44.8m and a capital programme of £11.9m were approved by the Fire Authority for 2013/14 which included savings of £2.3m the details of which were as follows:

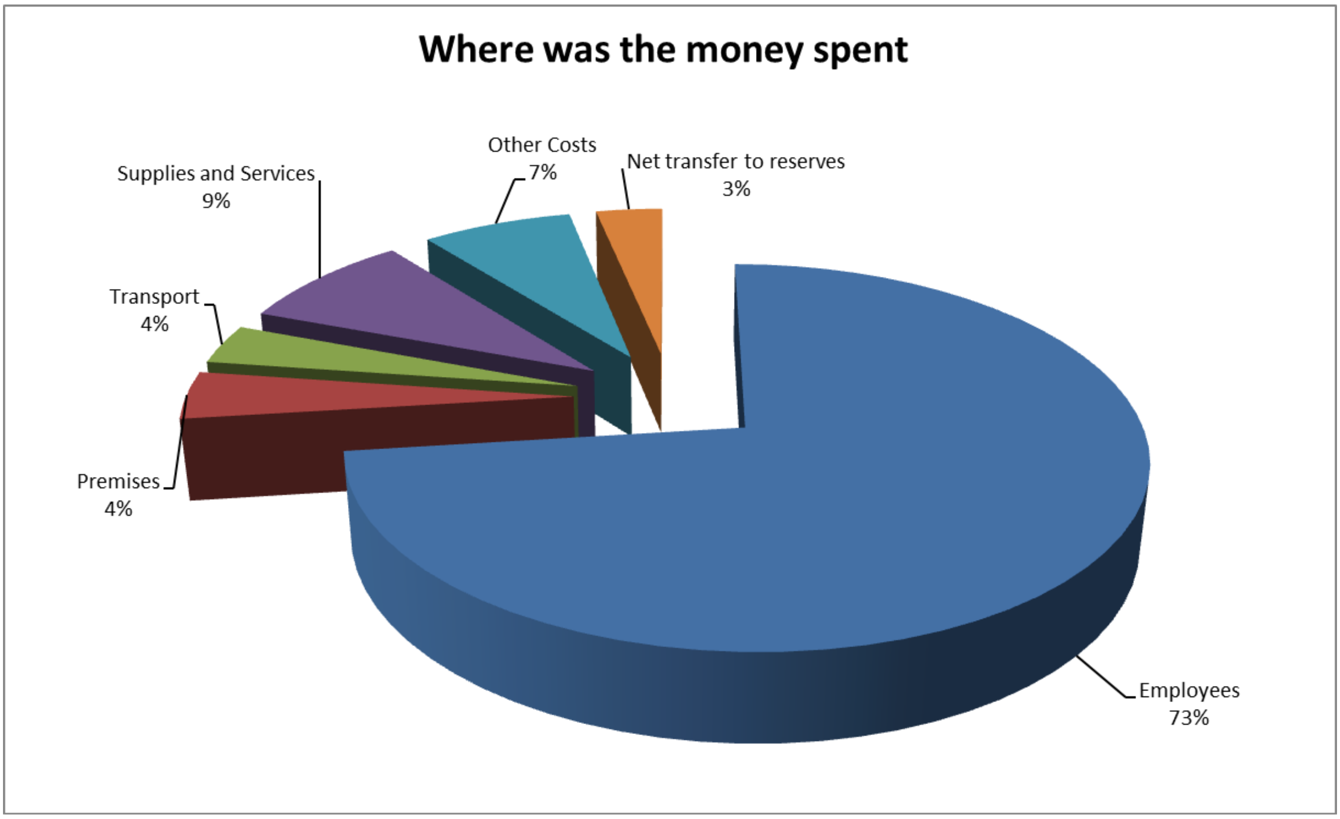


Revenue Budget and Spending in 2013/2014

The Fire Authority set a net revenue budget for 2013/14 of £44.813m (£46.545m in 2012/13), after allowing for the contribution to reserves, which resulted in a Council Tax of £64.02 (£62.77 in 2012/13) per Band D property. In broad terms 45% of the Fire Authority's funding came from the local council tax payer, with a further 10% from business rates. The majority of the remainder of the funding comes from Central Government.



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



The 2013/14 revenue budget was under spent by £0.490m a variance of 1.1% when compared to budget. After deducting the initial transfer of reserves at the start of the financial year of £535k, £1.5m was added to Total Usable Reserves at the year end. This reflects the efforts made by all managers and staff to contain expenditure and introduce efficiencies in light of future grant reductions facing the Authority following the latest Comprehensive Spending Review.

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

		Budget 2013/14 £'000	Actual Expenditure 2013/14 £'000	Difference £'000
Expenditure on Services				
	Employees (net)	34,204	34,169	-35
	Premises	1,979	1,951	-28
	Transport	1,557	1,638	81
	Supplies and Services	4,220	4,044	-176
	Other Costs	3,594	3,443	-151
	Income	-1,775	-1,956	-181
Net Expenditure		43,779	43,289	-490
Transfers to \ from revenue reserves				
	Transfers from Reserves	-535	-535	0
	Transfers to Specific Reserves	303	501	198
	Balance transferred to Austerity Reserve	1,266	1,558	292
Net Expenditure after transfer to \ from reserves		44,813	44,813	0
Revenue Support Grant		-19,383	-19,383	0
Non-domestic rates redistribution		-4,460	-4,460	0
Precepts		-20,970	-20,970	0
Working Balance		0	0	0

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

- **Employee's** – A total underspend of £35k was achieved. This comprised of an under spend of £116k for firefighters, savings on control staff of £30k and training costs of £44k. There were overspends of £74k for support staff and additional costs of £38k associated with the introduction of Auxiliary Firefighters.

- **Ill health retirements** – There were a number of ill health retirements accounted for in the year totalling £137k. A pension provision has been set up to accommodate a number of identified ill health cases. Additionally a pension reserve of £500k is available to meet future changes to the pension scheme financing arrangements.

- **Premises Costs** – an overall saving of £28k was made against budget primarily due to a reduction in utilities of £48k.

- **Transport** – Transport costs were £81k higher than budget. This relates to higher than forecast accident repairs of £103k offset by saving’s on vehicle fuel.

- **Supplies and Services** – Overall there was an under spend of £176k, the primary causes were a reduction in operational equipment expenditure of £35k and savings on personal protective equipment of £130k linked to the introduction of the ICP contract.

- **Capital Financing –** Expenditure was in line with budget, a reduction of £40k has been achieved on debt repayment, which has been offset by an increase in revenue contribution to capital of the same amount.

- **Retention Budget** – The balance on the retention budget of £152k allocated to meet unexpected spending was not utilised.

- **Income.** –There was an increase in income of £181k primarily due to the receipt of additional government grant.

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

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

	2013/14 £'000	£'000
Surplus for year		490
Budgeted transfer to/from reserves		1,034
		1,524
PFI Equalisation fund movement		- 33
Net increase in useable reserves		1,491
Adjustments for items which do not fall to be charged to the council tax payer but which are required to be charged to the Income and Expenditure Account in accordance with proper accounting practices.		
Items to be charged to the Income and Expenditure Account		
IAS 19- Retirement Benefits	-34,225	
Depreciation, Impairment, Amortisation and other charges for assets	-3,045	
Capital Grants Applied	1,420	
Transfer to / from Collection Fund Adjustment Account	191	
Transfer to / from Accumulated Absences Account	104	
Items required by statute to be charged to council tax		
Minimum Revenue Provision (MRP) including voluntary contributions for the repayment of debt and deferred liabilities	1,664	
Revenue contributions to capital expenditure	1,450	
Employer's contributions payable to the Pensions Account and retirement benefits	5,535	
		-26,906
Surplus on the Comprehensive Income and Expenditure		**-25,414**

Reserves

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

Reserve	Justification	£'000
Contribution to Personal Protective Equipment	To meet fluctuations in costs associated with the introduction of the new ICP contract.	125
Personal Medical Intervention	To support medical intervention and prevention initiatives.	20
Marketing & Communication	To support community safety campaigns.	28
Community Safety	To support commissioning of services from the Voluntary Sector and other community safety initiatives.	203
Auxiliary	To meet training and equipment costs associated with the setting up of an auxiliary firefighter capacity.	125
Austerity	To assist the Authority in meeting its medium term financial targets, offsetting the reduction in government grants and contributing to "the investing in the future programme".	1,560
Total		2,061

Capital Budget and Spending 2013/14

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

For 2013/14 The Fire Authority set a capital programme of £11.9m. This is significantly higher than the normal capital programme and reflects the Authority's investment in to a premises rationalisation and improvement programme titled "Investing for the Future". Capital expenditure for the year can be set out in the table below:-

Area	Revised Budget 2013/14 £'000	Capital Expenditure £'000	Outturn including slippage £'000	Projected Variation £'000	Slippage £'000
Fleet	2,513	2,167	2,572	59	405
Premises	7,768	526	7,711	-57	7,185
Operational Equipment	50	0	40	-10	40
IT	1,299	449	1,275	-24	825
Funds not allocated	279	0	311	32	311
Total Programme	11,909	3,142	11,909	0	8,766

The net underspend for the year on programmed areas was £32k and this has been utilised to increase the balance of funds not allocated slipped forward.

Funding for the expenditure incurred in year and for the current programme was / will be met by the following sources:

Funding Source	2013/14 Funding £'000	Total Programme Funding £'000
Capital Grant	1,420	2,246
Revenue Contributions / Capital receipts	1,397	1,396
Prudential Borrowing	325	8,267
Total Funding	3,142	11,909

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

- Preliminary works associated with the "Investing for the Future" project
- A range of environmental initiatives.
- Improved physical security
- Control infrastructure resilience
- Operational foam plan capability
- 4 new Fire Appliances

A number of capital items slipped into 2014/15. These items mainly comprise of funding for the investing in the future project and improvement to our control facilities.

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

Prudential Indicators	Estimated £'000	Actual £'000	Variance £'000
Capital Financing Requirement	20,750	20,305	-445
Financing costs as a % of revenue	5.36%	5.57%	0.21%
Impact on Council Tax	£4.47	£4.48	£0.01
Operational Boundary for external debt	20,750	20,305	-445
Authorised Limit for external debt	21,750	21,305	-445

The Authority undertakes long term borrowing for periods in excess of one year in order to finance its capital spending. During the year the Authority repaid loan amount of £1.5m, leaving the total loans at year end of £8.7m. This includes £0.8m of short term loans due for repayment in 2014/15. In addition the Authority has deferred borrowing of £8.3m outstanding as at 31 March 2014.

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

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

The Government provides some revenue support to the project in the form of grants (PFI credits) and the three authorities finance the balance by making contributions from their own resources. An analysis of the Authority's future commitments to the net annual contract payments (50%), due under the PFI joint venture, along with further analysis of the asset value held on the balance sheet are detailed in note 4 to the Core Financial Statements. Using existing indices and interest rates a revised shortfall had been predicted at the end of the contract period of around £0.82m. A provision of £0.6m was set up in 2012/13 reflecting the Fire Authority's share of the existing deficit and has been maintained at that level in 2013/14.

Provisions, Contingencies and write-offs

The Authority is currently undergoing a series of negotiations in relation to a property and is seeking clarification around a number of sensitive issues. A provision has been established to fund a potential lease buy-out.

A number of other provisions have been set up primarily to meet a backlog of hydrant maintenance work, to meet the cost of identified ill-health retirements and to allow for the possibility of business rate appeals.

THE STATEMENT OF ACCOUNTS

The Statement of Accounts explains the Fire Authority's finances during the financial year 2013/14 and its financial position at the end of the year. It follows approved accounting standards and is necessarily technical in parts. The Authority's Statement of Accounts for the year 2013/14 comprises of:-

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

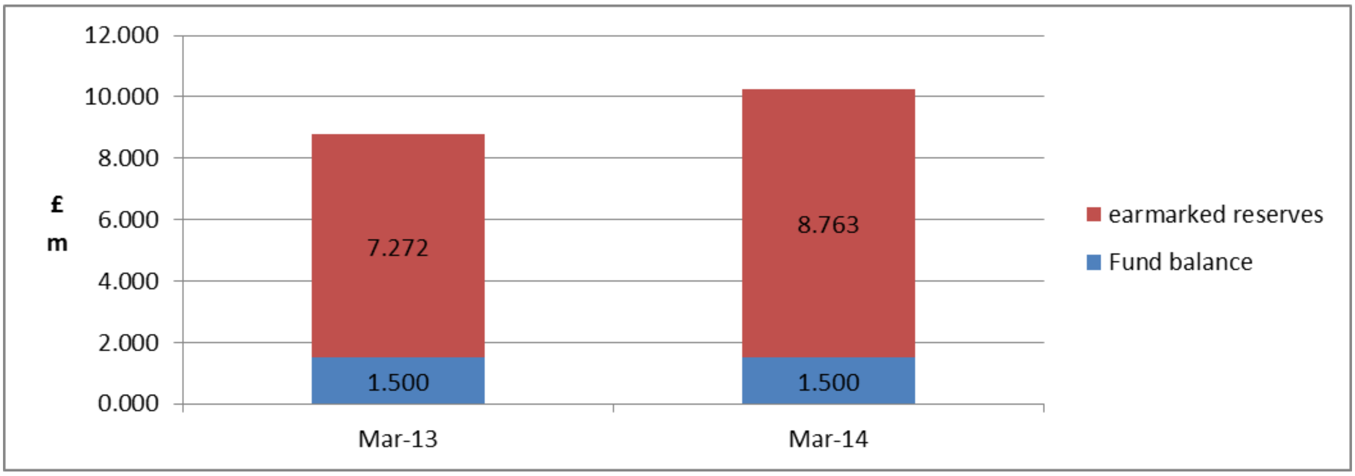
- **The Statement of Responsibilities –** this sets out the respective responsibilities of the Fire Authority and the Treasurer for the accounts.

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

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

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

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



As identified earlier in this foreword, the Authority managed an under spend of £490k against its revised budget, after allowing for the transfer of £1.034m to reserves. The total transfer to reserves of £1.491m after adjusting for the movement in PFI reserve can be correlated with the figures contained within the Movement in Reserves Statement on page 17 of the Statement of Accounts. The increase in Total Usable Reserves contained within this statement is a matching £1.491m. This reflects the movement to reserves at the end of the year less the reserves utilised during the year.

The statement also identifies that the Authority has a general fund balance of £1.5m and earmarked reserves of £8.763m equating to total usable reserves of £10.263m.

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

Comprehensive income and Expenditure	2012/13 £'000	2013/14 £'000	Change £'000
Cost of providing services	49,664	48,644	(1,020)
Financing and investment income (net)	22,839	23,194	355
Taxation and Grant Income	(48,179)	(46,424)	1,755
Total deficit on the provision of services	24,324	25,414	1,090
Surplus on revaluation of assets	(2,579)	(2,708)	(129)
Actuarial gains losses on pension assets	47,382	(39,076)	(86,458)
Total other income an expenditure	44,803	(41,784)	(86,587)
Total comprehensive income and expenditure	69,127	(16,370)	(85,497)

The statement for 2013/14 for the Authority shows that a deficit of £25.4m was made on the provision of the Authority's services, an increase of £1.1m on the previous year .The cost of providing the Authority's Services for the year was £48.6m which was offset by grants and taxation receipts of £46.4m. Additional costs of £23.2m were incurred in respect of the increase in pension liabilities associated with the actuary's valuation of the Authority's relevant pension schemes.

The 2013/14 accounts contain a surplus of £41.784m on other comprehensive income and expenditure which primarily reflects a surplus on the revaluation on some of the Authority's properties and an actuarial gain on pension funds.

In total the Comprehensive Income and Expenditure Statement shows a £16.370m surplus for the period and this figure is contained within the Movement in Reserves Statement. This shows a significant improvement compared to 2012/13 where a deficit of £69m was made. This is primarily due to the change of position from a £47m actuarial loss on pensions assets in 12/13 compared to a gain of £39m in 2013/14.

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

timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet	2012/13 £'000	2013/14 £'000	Change £'000
Long term assets	58,063	60,855	2,792
Current assets	9,325	7,002	(2,323)
Current liabilities	(9,059)	(5,170)	3,889
Long term liabilities	(534,503)	(522,491)	12,012
Net Assets	(476,174)	(459,804)	16,370
Usable reserves	8,772	10,263	1,491
Unusable reserves	(484,946)	(470,067)	14,879
Total reserves	(476,174)	(459,804)	16,370

The Authority has long term assets worth £60.9m primarily comprising of land and buildings, and vehicles. This has increased over the year by £3m reflecting the investment in the capital programme and the revaluation of assets.

Current assets at 31st March 2014 were £7.0m represented by cash at bank of £1.3m and short term debtors of £5.8m. This is a reduction of £2.3m over the year and is primarily due to the reduction in government debtors in respect of the firefighter pension fund. Current liabilities at the 31st March 2014 were £5.2m comprising of short term borrowing of £0.8m, provisions of £0.6m and creditors of £3.8m. Short term liabilities were reduced by £3.9m compared to the previous year primarily due to a reduction in amounts due to local authorities.

The Balance Sheet identifies other long term liabilities of £522m. This primarily reflects future pension cash flows as calculated under accounting standard IAS 19. It should be noted that these have decreased by £10m from 2012/13. Long term borrowing has fallen by £1.5m to £8m.

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

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

As at the 31st March 2014 the Fire Authority had £10.3m of usable reserves and a deficit of unusable reserves of £470m.

The Cash Flow Statement

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

Cash Flow Statement	2012/13 £'000	2013/14 £'000	Change £'000
Net cash flows from operating activities	(4,796)	(2,991)	1,805
Investing activities	879	2,119	1,240
Financing activities	1,172	1,732	560
Change in cash / cash equivalents	(2,745)	860	3,605
Cash / cash equivalents beginning of the year	592	(2,153)	(2,745)
Cash / cash equivalents end of the year	(2,153)	(1,293)	860

In summary the Authority received surplus cash flows from operating activities of £2.9m a reduction of £1.8m on the previous year. Investing cash flows were £2.1m primarily representing investment in capital assets net of capital grants. Financing activities were £1.7m representing repayment of PFI contract obligation and long term debts.

The overall net decrease in cash and cash equivalents was £0.9m for the year.

The Firefighter's Pension Fund Account and Net Assets Statement

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

	Forecast £'000	Outturn £'000	Variance £'000
Pensions Outgoings			
Pension payments	11,092	11,111	19
Commutations	1,889	2,554	665
Transfers to other schemes	0	97	97
Death Grant	0	24	24
Total Expenditure	**12,981**	**13,786**	**805**
Pension Income			
Employee Contributions	(2,220)	(2,390)	(170)
Employer Contributions	(3,794)	(3,719)	75
In year ill health income	(25)	(91)	(66)
Transfer in from other schemes	0	0	0
Government Grant	(6,942)	(7,586)	(644)
Total Income	**(12,981)**	**(13,786)**	**(805)**
Net Fund Expenditure	0	0	0

Total pension expenditure for the year was £13.8m, £0.8m more than the anticipated budget. The overspend position is primarily due to an increase in lump sum commutations. .

£2.4m of employee contributions were made into the pension account with a further £3.7m from the employer. Total income was a £161k more than budgeted. In total Government top up grant of £7.586m was received to fund the gap between expenditure and income.

Financial Climate and Medium Term Financial Planning

The Fire Authority has to develop and produce a Medium Term Financial Plan (MTFP) to ensure that it has adequate resources to deliver its services into the future. Key elements of the plan are based on funding issues arising from the 2014/15 Local Government Finance Settlement, which were as follows:

- Increases in the basic amount of Council Tax above 2% would require a referendum to be held
- The funding of nine specific grants was rolled into previous years' settlement figure to form the basis of the start-up funding assessment.
- There was a reduction in the 2014-15 settlement funding assessment of 7.53%.
- The capital grant allocation was £1.077m.

The Government have indicated that austerity measures need to continue for several more years. The Fire Authority's approved 4 year medium term financial plan medium term is summarised below:

Detail Analysis	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
Employees	34,466	34,455	34,359	35,188
Premises	2,058	1,792	1,649	1,713
Transport	1,577	1,615	1,647	1,680
Supplies and Services	4,389	4,547	4,688	4,790
Other Costs	6,199	3,662	2,330	2,337
Unidentified savings	0	0	-250	-507
Total Expenditure	48,689	46,071	44,423	45,201
Income	(1,857)	(1,911)	(1,968)	-2,017
Budget before use of reserves	46,832	44,160	42,455	43,184
Reserves	(2,500)	(1,577)	(500)	(500)
Net Budget	44,332	42,583	41,955	42,684

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

Analysis of proposed savings 2014/15 - 2016/17					
Area	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	Total £'000
Employees	(1,076)	(736)	(856)	0	(2,668)
Premises	(20)	(240)	(210)	0	(470)
Transport	(50)	0	0	0	(50)
Supplies and Serrvices	(321)	(10)	(5)	0	(336)
Other Costs	(512)	(1,143)	(263)	0	(1,918)
Unidentified savings	0	0	(250)	(257)	(507)
Total Savings	(1,979)	(2,129)	(1,584)	(257)	(5,949)
Income	0	0	0	0	0
Net SavingsExpenditure	(1,979)	(2,129)	(1,584)	(257)	(5,949)
Use of Reserves	(2,500)	(1,577)	(500)	(500)	(5,077)
Total reductions	(4,479)	(3,706)	(2,084)	(757)	(11,026)

The objectives of the MTFP are:-

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

Organisational Performance

AF&RS continues to make good progress in reducing risk in our community by reducing the number and impact of incidents attended. We have had success this year in reducing the number of accidental dwelling fires we attended by 9% or 41 incidents. The estimated cost of each fire incident is £8,500, so this reduction represents a saving of over £348,787 to our community. Furthermore, 34.9% of Accidental Dwelling Fires that we attended in 2013/14 required no firefighting action on our attendance, a good measure of our success in prevention. Though any fatality in a fire is a tragic loss, and AF&RS continues to work towards zero fire deaths, we are pleased to report that in 2013/14 we recorded the lowest number of fire fatalities on record.

On a month-by-month basis we have recorded the lowest monthly totals on record for Accidental Dwelling Fires (28 incidents in March 2014), Deliberate Vehicle Fires (15 incidents in December 2013), deliberate Secondary Fires (30 incidents in February 2014) and Deliberate primary fires (excluding vehicles) (six incidents in October 2013). We have also recorded the lowest monthly totals on record for Attendance at Automatic Fire Alarms (122 incidents in February 2014).

AF&RS continues to provide an excellent response service to our community. We are pleased to report that all of our response standards have been met, ensuring that the vital first lifesaving response is in attendance within the time that we have said we will achieve. As part of our customer satisfaction surveys we ask people who have had a fire whether our response time was in line with their expectations. For 96% of incidents we are responding quicker than or in line with expectations. We also answered over 98% of 999 calls we received within our target time of seven seconds.

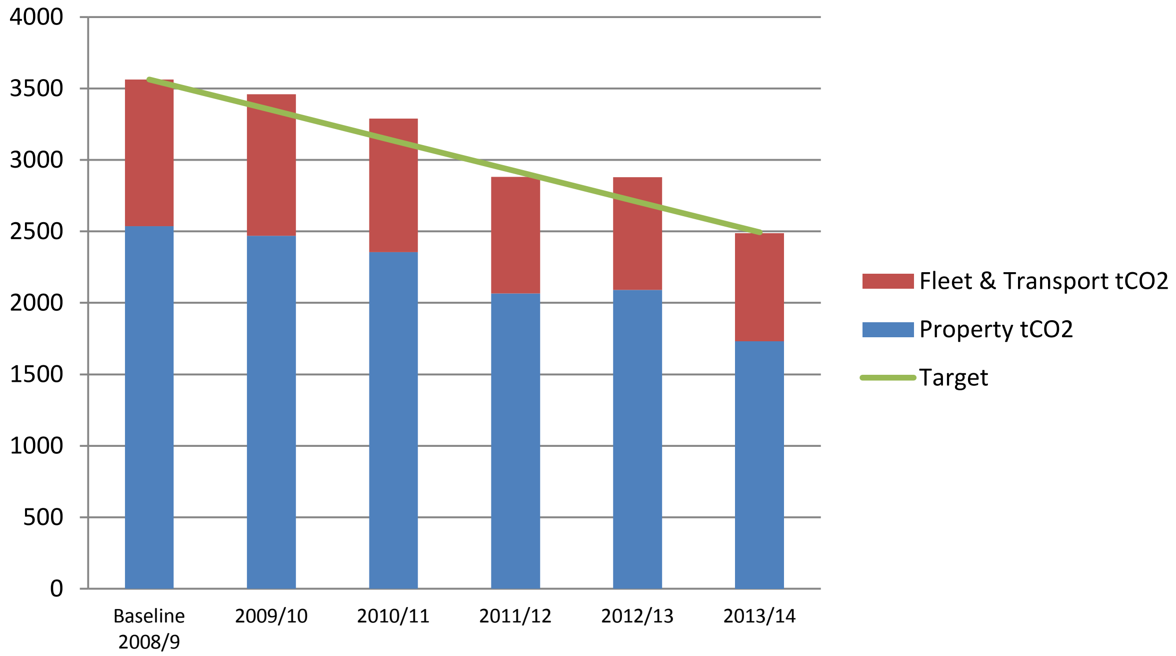
AF&RS is pleased that it gets very few complaints about the service we provide and that our customer satisfaction surveys continue to show a very high level of satisfaction with the service. For performance at incidents 99% of people who responded said they were very or fairly satisfied with our service.

Environmental Performance

CO_2 Emissions

We have largely completed the implementation of our Carbon Management Plan and have now achieved our target of a 30% reduction in emissions compared to our 2008/9 baseline.

The graph below shows our performance over the last five years compared to our baseline, and a linear projection of our 30% reduction target.



Property Emissions

We have achieved a reduction in emissions across all property categories. This has been achieved by improving heating and lighting systems, building insulation, building controls, renewable energy installations and working with staff to ensure that buildings are operated efficiently.

Work is continuing with our smaller retained fire stations to improve lighting by installing the latest LED fittings and integrating heating with our building management systems. As part of our “Investing for the Future” programme to refurbish, redevelop and build new facilities, we are also ensuring a high level of building energy performance and reviewing the potential for further renewable energy as part of the design process.

Transport Emissions

Overall transport emissions have fallen by more than 25% compared to our 2008 / 09 baseline. The greatest reduction is in business travel; which has been reduced by 50% cutting annual emissions by over 100 tonnes CO_2 / Yr.

A reduction of our deployment to high volume and low risk response calls has also contributed to a fall in operational fleet use and associated emissions which have dropped by 20% compared to our baseline.

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 17-81 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 2014.

Signed

James Dack
Treasurer of the Avon Fire Authority
26th September 2014

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 2012	1,500	6,045	**7,545**	(414,592)	**(407,047)**
Movement in reserves during 2012/13					
Surplus or (deficit) on the provision of services	(24,490)	-	(24,490)	-	(24,490)
Other Comprehensive Income and Expenditure	(44,637)	-	(44,637)	-	(44,637)
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)**
Movement in reserves during 2013/14					
Surplus or (deficit) on the provision of services	(25,414)	-	(25,414)	-	(25,414)
Other Comprehensive Income and Expenditure	41,784	-	41,784	-	41,784
Total Comprehensive Income and Expenditure	**16,370**	**-**	**16,370**	**-**	**16,370**
Adjustments between accounting basis & funding basis under regulations (note 9)	(14,879)		(14,879)	14,879	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**1,491**	**-**	**1,491**	**14,879**	**16,370**
Transfers to/from earmarked Reserves (note 23)	(1,491)	1,491	-	-	-
Increase / Decrease in 2013/14	**-**	**1,491**	**1,491**	**14,879**	**16,370**
Balance at 31 March 2014 carried forward	**1,500**	**8,763**	**10,263**	**(470,067)**	**(459,804)**

Comprehensive Income and Expenditure Statement for the Year Ending 31 March 2014

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.

2012/2013 Restated				2013/2014		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,332	(216)	7,116	Community fire safety	7,263	(300)	6,963
44,333	(2,614)	41,719	Fire fighting and rescue operations	43,157	(2,492)	40,665
112	(7)	105	Fire service emergency planning and civil defence	80	(3)	77
643	(14)	629	Corporate and democratic core	957	(18)	939
95	-	95	Non Distributed Cost (Pension Past Service Cost)	-	-	-
52,515	(2,851)	49,664	**Cost of Services**	**51,457**	**(2,813)**	**48,644**
		220	Other operating expenditure (note 29)			6
		22,785	Financing and investment income and expenditure (note 28)			23,188
		(48,179)	Taxation and non-specific grant income (note 27)			(46,424)
		24,490	**(Surplus) or Deficit on Provision of Services**			**25,414**
		(2,579)	(Surplus) or Deficit on revaluation of non-current assets			(2,708)
		47,216	Remeasurements of the net defined benefit liability			(39,076)
		44,637	**Other Comprehensive Income and Expenditure**			**(41,784)**
		69,127	**Total Comprehensive Income and Expenditure**			**(16,370)**

Balance Sheet as at 31 March 2014

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 2014

31-Mar-13 £'000		Notes	31-Mar-14 £'000
	Property, Plant & Equipment	10	
42,067	- Land and Buildings		43,852
15,603	- Vehicles, Plant and Equipment		16,656
393	**Intangible assets**	10	347
58,063	**Long Term Assets**		**60,855**
7,172	Short Term Debtors	16	5,709
2,153	Cash and Cash Equivalents	17	1,293
9,325	**Current Assets**		**7,002**
(805)	Short Term Borrowing		(767)
(38)	Short-Term Provisions	21	(564)
(8,216)	Short Term Creditors	18	(3,839)
(9,059)	**Current Liabilities**		**(5,170)**
(9,388)	Long term borrowing	19	(7,918)
	Other Long Term Liabilities		
(521,156)	Net Pensions Liability	26	(510,769)
(590)	Long-term Provisions	22	(590)
(3,369)	Deferred Liability	4,14	(3,214)
(534,503)	**Long Term Liabilities**		**(522,491)**
(476,174)	**Net Assets**		**(459,804)**
8,772	Usable Reserves	23	10,263
(484,946)	Unusable Reserves	24	(470,067)
(476,174)	**Total Reserves**		**(459,804)**

Signed
Terry Walker
Chair of the Avon Fire Authority
26th September 2014

James Dack
Treasurer of the Avon Fire Authority
26th September 2014

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.

2012/2013 Restated £'000		2013/2014 £'000
24,324	Net (surplus) or deficit on the provision of services	25,414
(31,070)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(29,854)
1,950	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,449
-4,796	Net cash flows from Operating Activities (notes 28 & 31)	(2,991)
879	Investing Activities (note 32)	2,119
1,172	Financing Activities (note 33)	1,732
(2,745)	Net increase or decrease in cash and cash equivalents	860
592	Cash and cash equivalents at the beginning of the reporting period	(2,153)
(2,153)	**Cash and cash equivalents at the end of the reporting period (note 17)**	**(1,293)**

1. Statement of Accounting Policies

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 and the Best Value Accounting Code of Practice 2013/14, 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

<u>Benefits Payable During Employment</u>

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 movement on the net pensions liability is analysed into the following constituents:
    - o Service cost comprising:

      – Current Service cost - the increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period

      - Past service cost – (where applicable) the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the authority in the number of employees covered by a plan).

      - Any gain or loss on settlement – (where applicable) arising when an authority enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan.
    - o Net Interest on the defined benefit liability/ (asset) – the change during the present in the net defined benefit liability/(asset) that arises from the passage of time.
    - o 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.
    - o 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.
    - o Remeasurements of the net defined benefit liability (asset) comprising:
        - Actuarial gains and losses – changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and b) the effects or changes in actuarial assumptions.
        - the Return on plan assets – excluding amounts included in net interest on the net defined benefit liability/(asset)
    - o Contributions by scheme participants – the increase in scheme liabilities and assets due to payments made into the scheme by employees (where increased contribution increases pensions due to the employee in the future).
    - o Contributions by the Employer – the increase in scheme assets due to payments made into the scheme by the employer
    - o Benefits paid – payments to discharge liabilities directly to pensioners

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

Discretionary Benefits

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

Long Term Disability Benefit

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

viii Events After the Balance Sheet Date

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

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

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

ix Financial Instruments

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 2013/14* (S*e*RCOP). 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 S*e*RCOP 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.

Depreciation

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

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

Depreciation is not charged in the year of acquisition.

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

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

Disposals

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

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

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

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.

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2014 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. Please refer to the Sensitivity analyses provided in Note 26.

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

- Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred. These rates are based on professional guidance and are used to calculate the appropriate depreciation charge for each asset. Property assets are subject to individual 5 year reviews which could result in changes to their remaining assets lives and corresponding changes to depreciation charges and net book values. The current economic climate may affect spending on repairs and maintenance, which may change the useful economic lives assigned to assets. It is estimated that the annual depreciation charge would increase by £508k for every year that useful lives have to be reduced.

- The Actuary has made no allowance within the Firefighter pension disclosures for any potential liability in respect of retained Firefighters that may opt to join the modified section of the 2006 scheme in the future. There are currently no such members in the scheme as the relevant SIs only came into force on 1 April 2014. The 2012 valuation of the Fire Pension Schemes in England will not include any liability for such members. It is envisaged that they will be included in the 2016 valuation of the schemes. However, it is not yet clear how such members will be accounted for within the pensions disclosures going forward.

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

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

IFRS 13 Fair Value Measurement: Adoption of this standard will only affect non-Operational assets, of which the authority holds none, and surplus assets/ assets held for sale, of which the authority holds none.

For both IAS 32 Financial Instruments: Presentation and Annual Improvements to IFRSs 2009 – 2011 Cycle: disclosure requirements are expected to be included in a subsequent edition of the Code and there are not expected to be any impact on the authority other than changes in presentation.

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.

2012/2013 £'000		2013/2014 £'000
39	Fees payable with regard to external audit services carried out by the appointed auditor *	42

* A £6k rebate from the Audit commission relating to 2013/14 was received after the accounts had closed and will be credited to the 2014/15 financial year.

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:

2012/2013 £'000		Service Charge £'000	Interest £'000	Repayment of Liability £'000	Total 2013/2014 £'000
1,258	Total contract payments	785	367	50	1,202
	Outstanding undischarged contract obligations:-				-
1,203	Within 1 year	804	370	45	1,219
5,386	Between 2 and 5 years	3,421	1,625	600	5,646
7,689	Between 6 and 10	4,774	1,999	1,107	7,880
8,728	Between 11 and 15	4,263	1,484	1,312	7,059

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.
Although the deficit calculated at 31 March 2013 has reduced, until such time as a renegotiation of the Training Centre contributions by the three partners is agreed, the

Authority considers it prudent to keep the provision at existing levels. The provision will then be utilised to off-set any increased contributions once they are agreed.

Summary totals for the Asset held under the 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 2013	5,023
Accumulated depreciation and impairment	(1,862)
Net book value of asset at 31 March 2013	3,161
Movement in 2013/14:	
Lifecycle Replacement costs	83
Depreciation	(211)
Net book value of asset at 31 March 2014	3,033

Summary totals for the corresponding Liability are as follows:

	Property, Plant & Equipment £'000
Finance Lease Liability o/s at 31 March 2013	3,114
Finance Lease Liability Repaid in 13/14	50
Finance Lease Liability o/s at 31 March 2014	3,064

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

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 2013 in the period 1 April 2013 to 31 March 2014 are set out below. The summary of allowances, which have been paid under this scheme are as follows:

2012/2013 £'000		2013/2014 £'000
49	Allowances	50
1	Travel and subsistence expenses	-
50	**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:

2012/2013 £	Recipient	Basic Allowance £	Special Responsibility Allowance £	Travelling & Subsistence Allowance £	Cooptees Allowance £	2013/2014 £
2,248	Councillor P Abraham	1,453	1,697		113	3,263
1,453	Councillor L Alexander	1,453				1,453
1,453	Councillor C Ann	211				211
1,453	Councillor S Ball	1,453				1,453
1,580	Councillor C Barrett	1,453			138	1,591
1,453	Councillor N Barrett	1,453				1,453
242	Councillor M Bell	-				-
1,453	Councillor C Cave	211				211
1,453	Councillor S Comer	211				211
3,438	Councillor S Cook	1,453	293			1,746
1,453	Councillor K Cranney	1,453				1,453
1,752	Councillor C Davies	1,453				1,453
739	Councillor A Davis	1,453				1,453
3,145	Councillor M Drew	1,453	1,985			3,438
-	Councillor R Garner	1,242				1,242
1,453	Councillor H Gregor	1,453				1,453
1,453	Councillor A Hale	1,453				1,453
-	Councillor N Hartley	1,242				1,242
1,453	Councillor B Hugill	211				211
1,453	Councillor C Jackson	1,453				1,453
1,453	Councillor P Judd	254				254
1,238	Councillor T Leaman	1,453				1,453
1,238	Councillor J Lovell	1,453				1,453
1,684	Councillor T Marter	211				211
242	Councillor C Martin	1,242				1,242
1,238	Councillor R Payne	1,453				1,453
-	Councillor W Payne	1,242				1,242
-	Councillor M Pepperall	1,242				1,242
-	Councillor D Pickup	1,242				1,242
1,453	Councillor W Sandry	211				211
-	Councillor D Poole	1,242				1,242
242	Councillor R Stone	1,242				1,242
1,453	Councillor S Townsend	211				211
10,054	Councillor T Walker	1,453	8,601			10,054
484	Mr D Holbroook	-				-
	Mr B Shearne	120				120
182	Mr C Williams	372				372
50,088	**Total**	**36,860**	**12,576**	**-**	**251**	**49,688**

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:

2012/2013 No. of Employees	Remuneration Band	2013/2014 No. of Employees
8	£50,000 - £54,999	14
6	£55,000 - £59,999	4
1	£60,000 - £64,999	5
2	£65,000 - £69,999	1

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

2012/2013			2013/2014			
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
4	30	£0 - £20,000	-	1	1	2
4	30	Total	-	1	1	2

7. **Senior Officer Remuneration**

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

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

Post Holder		Salary Incl. Fees & Allowances	Benefits in Kind	Pension Contributions	Note	Total Remuneration Including Pension Contributions
		£	£	£		£
Chief Fire Officer & Chief Executive - K Pearson	2013/14	130,000	20	77,002	(1)	207,022
	2012/13	130,080	-	14,170		144,250
Deputy Chief Fire Officer - J Day	2013/14	139,924	3,199	29,800		172,923
	2012/13	125,389	2,052	26,694		154,135
Assistant Chief Fire Officer - Risk Reduction	2013/14	118,427	1,146	25,224		144,797
	2012/13	125,532	59	26,694		152,285
Director of Finance and Asset Management and Treasurer	2013/14	82,713	5,717	9,016		97,446
	2012/13	82,434	5,116	9,016		96,566
Director of Corporate Services	2013/14	82,713	7,354	9,016		99,083
	2012/13	82,713	6,718	9,016		98,447
Monitoring Officer	2013/14	35,971	16	3,921		39,908
	2012/13	35,971	29	3,920		39,920
Temporary promotion to Assistant Chief Officer:					(2)	
Area Manager - Operational Response	2013/14	24,781	-	5,278	(3)	30,059
Area Manager - People Development	2013/14	3,540	-	754	(4)	4,294
Area Manager - Fire Safety	2013/14	17,701	-	3,770	(5)	21,471
Total 2013/14		635,770	17,452	163,782		817,004
Total 2012/13		582,119	13,974	89,510		685,603

(1) includes £62,832 in respect of payment for Added years

(2) the temporary promotion costs do not include the Officers' base salary or Benefits in Kind

(3) Temporary promotion 01/04/2013 - 28/07/14 and 01/12/13 - 02/03/14

(4) Temporary promotion 01/03/14 - 31/3/14

(5) Temporary promotion 29/7/13 - 30/11/13 & 03/03/14 - 31/3/14

8. **Related Party Transactions**

The Code of Practice requires disclosure of material transactions with 'related parties' – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. For 2013/2014 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 – (£21,916k).

- 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 - (£9,200k) and as a provider of financial services to the Fire Authority – amount including the cost of servicing existing debt (£1,448k).

    - Bath & North East Somerset as a billing Authority responsible for collecting council tax on behalf of the Fire Authority for its area - (£4,416k) 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 – (£15,243k)

    - North Somerset (£5,147k) and South Gloucestershire (£6,667k) 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 - (£5,326k).

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.

2012/13 Fund balance £'000	2012/13 Movement in Unusable Reserves £'000		2013/14 Fund balance £'000	2013/14 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:		
4,015	(4,015)	Charges for depreciation and impairment of non-current assets	2,968	(2,968)
(2,579)	2,579	Revaluation Gain in Property, Plant & Equipment	(2,708)	2,708
(1,728)	1,728	Capital Grants and contributions applied	(1,420)	1,420
156	(156)	Amortisation of intangible assets	72	(72)
(75)	75	Write Back of Finance Lease Liability re Purchased Assets	(67)	67
296	(296)	Profit/Loss on sale of non- current assets	72	(72)
		Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement		-
(1,888)	1,888	Capital expenditure charged against Fund balance	(1,450)	1,450
(473)	473	Statutory Provision for the Repayment of Debt - MRP	(440)	440
(29)	29	Statutory Repayment of Debt - Finance Lease	(20)	20
(109)	109	Statutory Repayment of Debt - PFI	(51)	51
(486)	486	Voluntary Provision above MRP	(1,154)	1,154
		Adjustments primarily involving the Pensions Reserve		
31,776	(31,776)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 26)	34,224	(34,224)
47,382	(47,382)	Actuarial Gains or Losses on Pension Assets and Liabilities	(39,076)	39,076
(5,744)	5,744	Employers pensions contributions and direct payments	(5,535)	5,535
		Adjustments primarily involving the Collection Fund Adjustment Account		
2	(2)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(190)	190
		Adjustments primarily involving the Accumulated Absences Account		
(162)	162	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	(104)	104
70,354	**(70,354)**	**Total Adjustments**	**(14,879)**	**14,879**

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	Land & Buildings £'000	PFI £'000	Vehicles & Equipment £'000	Total £'000
2013/2014				
Cost or Valuation				
1 April 2013	71,887	5,024	31,702	**108,613**
Donated	-		-	**-**
Additions	526	83	2,590	**3,199**
Disposals	(122)		(2,012)	**(2,134)**
Revaluation increases/ (decreases) to Revaluation Reserve	2,023	-	1,108	**3,131**
Revaluation increases/ (decreases) to (Surplus)/Deficit on the provision of Services	1,603	-	2,010	**3,613**
31 March 2014	**75,917**	**5,107**	**35,398**	**116,422**
Depreciation and impairments				
1 April 2013	(32,981)	(1,863)	(16,099)	**(50,943)**
Donated	-	-	-	**-**
Charge for year	(3,530)	(211)	(2,314)	**(6,055)**
Disposals	101		1,853	**1,954**
Revaluations	1,312	-	(2,182)	**(870)**
31 March 2014	**(35,098)**	**(2,074)**	**(18,742)**	**(55,914)**
Net book value of assets at 31 March 2013	**38,906**	**3,161**	**15,603**	**57,670**
Net book value of assets at 31 March 2014	**40,819**	**3,033**	**16,656**	**60,508**

Operational Assets	Land & Buildings £'000	PFI £'000	Vehicles & Equipment £'000	Total £'000
2012/2013				
Cost or Valuation				
1 April 2012	60,406	5,005	31,722	**97,133**
Additions	684	19	3,272	**3,975**
Disposals	-		(5,043)	**(5,043)**
Revaluation increases/ (decreases) to Revaluation Reserve	2,435	-	659	**3,094**
Revaluation increases/ (decreases) to (Surplus)/Deficit on the provision of Services	8,401	-	1,332	**9,733**
31 March 2013	**71,926**	**5,024**	**31,942**	**108,892**
Depreciation and impairments				
1 April 2012	(22,874)	(1,655)	(16,956)	**(41,485)**
Charge for year	(2,026)	(208)	(2,212)	**(4,446)**
Disposals	-		4,082	**4,082**
Revaluations	(8,120)		(1,253)	**(9,373)**
31 March 2013	**(33,020)**	**(1,863)**	**(16,339)**	**(51,222)**
Net book value of assets at 31 March 2012	**37,532**	**3,350**	**14,766**	**55,648**
Net book value of assets at 31 March 2013	**38,906**	**3,161**	**15,603**	**57,670**

Intangible Non-Current Assets

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

2012/2013 £'000	Intangible Assets (Purchased software licences)	2013/2014 £'000
	Original Cost	
1,042	1 April 2013 (2012)	1,067
25	Additions	26
1,067	31 March 2014 (2013)	**1,093**
	Amortisation and impairments	
(518)	1 April 2013 (2012)	**(674)**
(156)	Charge for year	(72)
(674)	31 March 2014 (2013)	**(746)**
524	**Net book value of assets at 31 March 2013 (2012)**	**393**
393	**Net book value of assets at 31 March 2014 (2013)**	**347**

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £72k charged to revenue in 2013/14 was attributed to Community Fire Safety (£4k), Fire Fighting and Rescue Operations (£67k) and Corporate Democratic Core (£1k).

11. Capital Expenditure and Sources of Finance

Capital expenditure and sources of finance were as follows:

2012/2013 £'000		2013/2014 £'000
684	Land and buildings	526
1,690	Vehicles	2,167
1,316	Ops equipment	-
266	IT Hardware	423
25	Software	26
3,981		**3,142**
1,728	Grant	1,420
222	Capital Receipts	29
1,869	Revenue Contributions	1,368
162	Prudential Borrowing	325
3,981		**3,142**

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.

2012/2013 £'000		2013/2014 £'000
22,721	Opening Capital Financing Requirement	21,711
	Capital Investment	
3,974	Property Plant and Equipment	3,199
25	Intangible assets	26
	Sources of finance	
(222)	Capital Receipts	(29)
(1,728)	Government grants and other contributions	(1,420)
(3,059)	Revenue Provision	(3,182)
21,711	Closing Capital Financing Requirement	20,305
	Explanation of movements in year	
(366)	Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(350)
(644)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,056)
(1,010)	Increase/ (decrease) in Capital Financing Requirement	(1,406)

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:

2012/2013 £’000		2013/2014 £’000
	Opening Capital Financing Requirement as at 1 April:	
56,173	Fixed assets	58,063
(7,553)	Revaluation Reserve	(9,441)
(25,899)	Capital Adjustment Account	(26,911)
22,721	Capital Financing Requirement	**21,711**
(165)	Adjustment Factor A	(165)
22,556	Adjusted Capital Financing Requirement	**21,546**
962	MRP	1,579
134	Finance Leases -Voluntary MRP Contributions	85

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 31/03/2013		Number as at 31/03/2014
	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	
81	Operational Vehicles	84
77	Ancillary Vehicles	85
22	Compressors	-
26	Trailers etc	27

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.

2012/2013 Vehicles & Equipment £'000		2013/2014 Vehicles & Equipment £'000
188	Total rentals paid	120
	Analysis of charges in the Financial Statements	
24	Finance Charge - (Comprehensive Income and Expenditure Statement)	15
164	MRP (including voluntary contributions) - (Movement in Reserves Statement)	105

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 2013	3,100
Accumulated depreciation and impairment	(2,212)
Net book value of assets at 31 March 2013	**888**
Movement in 2013/14	
Additions	-
Disposals	(112)
Revaluations	40
Depreciation	(238)
Impairments	-
Net book value of assets at 31 March 2014	**578**

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.

2012/2013 £'000		2013/2014 £'000
	Finance Lease Liabilities	
172	Current	109
305	Non-Current	196
477		305
37	Finance Costs Payable in Future Years	21
514	Minimum Lease Payments	326

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

	Minimum Lease		Finance Lease	
	31-Mar-14 £,000	31-Mar-13 £,000	31-Mar-14 £,000	31-Mar-13 £,000
Not Later than one year	120	188	109	172
Later than one year and not later than five years	205	326	196	305
	325	514	305	477

15. Non-Current Asset Valuation

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

- Land and Buildings were re-valued by external valuers, DTZ, as at 31 March 2014
- Vehicles and material transport related items of equipment were re-valued by the Authority's internal Feet Engineer, Paul Beard, as at 31 December 2013

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
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:

31/03/2013 £'000		31/03/2014 £'000
3,443	Central Government Bodies	2,442
3	NHS	15
2,416	Other local authorities	2,294
1,310	Other entities and individuals	958
7,172		5,709

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:

31/03/2013 £'000		31/03/2014 £'000
10	Cash held by the Authority - Imprests	4
2,143	Bank Current Accounts	1,289
2,153		1,293

18. **Creditors**

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

31/03/2013 £'000		31/03/2014 £'000
(1,541)	Central Government Bodies	(1,724)
(4,409)	Other local authorities	(275)
(2,266)	Other entities and individuals	(1,840)
(8,216)		(3,839)

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 2013/2014 are shown as short term borrowing in the Balance Sheet. The maturity of long-term loans is as follows:

31/03/2013 £'000		31/03/2014 £'000
790	Between 1 and 2 years	721
2,054	Between 2 and 5 years	1,951
2,865	Between 5 and 10 years	2,674
3,679	Over 10 years	2,572
9,388	Total long term borrowing at 31 March 2014 (2013)	7,918

As at 31 March 2014 (2013) the Authority had deferred borrowing of £8,252k (£7,926k).

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 2013 £'000	31 March 2014 £'000	31 March 2013 Restated £'000	31 March 2014 £'000
Financial Liabilities at amortised cost	(9,388)	(7,918)	(7,060)	(3,224)
Total borrowings	**(9,388)**	**(7,918)**	**(7,060)**	**(3,224)**
Loans and receivables	-	-	7,636	6,323
Total debtors	**-**	**-**	**7,636**	**6,323**

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

	Current	
	31 March 2013 Restated £'000	31 March 2014 £'000
Financial Liabilities at amortised cost per Note 20	**(7,060)**	**(3,224)**
Government Grants deferred	(1,168)	-
Statutory debt in relation to HMRC	-	(583)
Receipts in advance	(157)	(36)
Short term liabilities in relation to leases inc PFI	(223)	(155)
Receipts in advance and overpayments in relation to Council Tax	(413)	(607)
Short term Borrowing	805	766
Short Term Creditors	**(8,216)**	**(3,839)**

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:

2013/2014	Financial Liabilities measured at amortised costs £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expense			
- Loan & Leases	497	-	497
- PFI	391	-	391
Interest payable and similar charges	**888**	**-**	**888**
Interest income	-	(30)	(30)
Interest and Investment Income	**-**	**(30)**	**(30)**
Net Gain / (loss) for the year	**888**	**(30)**	**858**

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 2013 Restated		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount **£'000**	Fair Value **£'000**
Loan Debt				
Local Authority	(10,113)	(13,393)	(8,637)	(10,657)
Other Loans	(80)	(80)	(48)	(48)
Bank & Cash	-	-		
Total debt	**(10,193)**	**(13,473)**	**(8,685)**	**(10,705)**
Trade and other creditors	(6,255)	(6,255)	(2,458)	(2,458)
Total Financial Liabilities	**(16,448)**	**(19,728)**	**(11,143)**	**(13,163)**

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

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

	31 March 2013 £'000	Current March 2014 £'000
Carrying amount total debt per Note 20	**(10,193)**	**(8,685)**
Short Term Borrowing	(805)	(767)
Long Term Borrowing	(9,388)	(7,918)
Short Term Creditors	**(10,193)**	**(8,685)**

	Current	
	31 March 2013 Restated £'000	31 March 2014 £'000
Trade and other Creditors per Note 20	**(6,255)**	**(2,458)**
Government grants deferred	(1,168)	-
Statutory debt in relation to HMRC	-	(583)
Receipts in advance	(157)	(36)
Short term liabilities in relation to leases inc PFI	(223)	(155)
Receipts in advance and overpayments in relation to Council Tax	(413)	(607)
Short Term Creditors	**(8,216)**	**(3,839)**

Loans and receivables

	31 March 2013 Restated		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Investments				
Bank and cash	2,153	2,153	1,294	1,294
Total debt	**2,153**	**2,153**	**1,294**	**1,294**
Trade and other debtors	5,483	5,483	5,030	5,030
Total Loans and Receivables	**7,636**	**7,636**	**6,324**	**6,324**

Reconciliation note

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

	Current	
	31 March 2013 Restated £'000	31 March 2014 £'000
Trade and other Debtors per Note 20	**5,483**	**5,030**
Payments in advance	1,073	28
Short Term Debtors in Council Tax	1,104	1,354
Provision for bad debt	(488)	(703)
Short Term Debtors	**7,172**	**5,709**

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:
    - o The Authority's overall borrowing;
    - o Its maximum and minimum exposures to fixed and variable rates;
    - o Its maximum and minimum exposures the maturity structure of its debt;
    - o 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 2014 £'000	Historical experience of default	Adjustments for market conditions at 31 March 2014	Estimated maximum exposure to default £'000
Other counterparties - Local Authorities	2,294	0.0%	0.0%	-
Other counterparties - NHS	15	0.0%	0.0%	-
Other counterparties - Central Government	2,442	0.0%	0.0%	-
Trade and other debtors	307	0.0%	46.7%	143
	5,058			**143**

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 £143k 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:

2013/2014	£'000
Less than one year	(3,224)
Between 1 and 2 years	(721)
Between 2 and 5 years	(1,951)
More than 5 years	(5,245)
	(11,141)

The maturity analysis of financial assets is as follows:

2013/2014	£'000
Less than one year	6,323

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 £8,252k 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 2014/2015. Overall long term borrowing rates have remained at historic low levels throughout the year and the situation is being closely monitored.

Effects of a 1% rise in rates:

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

2013/2014	£'000
Increase in interest receivable on variable rate investments	87
Impact on Surplus or Deficit on the Provision of Services	**87**

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

2013/2014	£'000
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(1,524)

Effects of a 1% fall in rates:

As interest rates are so low due to the current financial climate a 1% fall in rates is not possible as the average rate for 2013/14 was only 0.35%. The maximum impact could only be the interest received in the year of £30k.

2013/2014	£'000
Increase in interest receivable on variable rate investments	(30)
Impact on Surplus or Deficit on the Provision of Services	**(30)**

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

2013/2014	£'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)	1,886

The effect of a 1% change (rise or fall) in rates on Interest rate risk relating to deferred borrowing of £8,252k would be: £83k

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 2012 £'000	Additional Provisions Made in 2012/13 £'000	Amounts Utilised in 2012/13 £'000	Balance at 31 March 2013 £'000	Additional Provisions Made in 2013/14 £'000	Amounts Utilised in 2013/14 £'000	Balance at 31 March 2014 £'000
Fire Hydrants	-	-	-	-	65	-	65
Finance systems	-	38	-	38	-	-	38
Lease Buy-out	-	-	-	-	98	-	98
Ill Health Retirement	-	-	-	-	81	-	81
NDR Appeals	-	-	-	-	282	-	282
	-	38	-	38	526	-	564

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

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

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

- Lease buyout
  Negotiations are on-going over the potential to secure a lease buy-out. The final amount and timing will be dependent on the outcome of these negotiations

- Ill Health retirement
  This provision has been created to contribute to the identified cost of ill-health retirement

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

22. Long Term Provisions

	Balance at 1 April 2012 £'000	Additional Provisions Made in 2012/13 £'000	Amounts Utilised in 2012/13 £'000	Balance at 31 March 2013 £'000	Additional Provisions Made in 2013/14 £'000	Amounts Utilised in 2013/14 £'000	Balance at 31 March 2014 £'000
PFI	-	590	-	590		-	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.

Although the deficit calculated at 31 March 2013 has reduced, until such time as a renegotiation of the Training Centre contributions by the three partners is agreed, the Authority considers it prudent to keep the provision at existing levels. The provision will then be utilised to off-set any increased contributions once they are agreed.

23. Useable Reserves

	Balance at 1 April 2012 £'000	Transfers in 2012/13 £'000	Transfers out 2012/13 £'000	Balance at 31 March 2013 £'000	Transfers in 2013/14 £'000	Transfers out 2013/14 £'000	Balance at 31 March 2014 £'000
Fund Balance	1,500	-	-	1,500	-	-	1,500
	1,500	**-**	**-**	**1,500**	**-**	**-**	**1,500**
Austerity Reserve	2,703	1,290	-	3,993	1,560	(302)	5,251
	2,703	**1,290**	**-**	**3,993**	**1,560**	**(302)**	**5,251**
Pension & Budget Pressures Reserves Incl.							
PPE / ICP Replacement Reserve	100	-	(100)	-	125	-	125
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	135	(80)	135	203	(135)	203
Marketing Reserve	30	-	(30)	-	28	-	28
Auxiliary Reserve	-	-	-	-	125	-	125
Breathing Apparatus Reserve	75	-	(25)	50	-	-	50
Training Reserve	150	100	(150)	100	-	(100)	-
	1,535	**235**	**(385)**	**1,385**	**481**	**(235)**	**1,631**
Hydrants	-	100	-	100	-	-	100
Medical Intervention	-	20	-	20	20	-	40
SWCDC Reserve	13	-	(13)	-	-	-	-
PFI Equalisation Fund	1,794	-	(20)	1,774	5	(38)	1,741
Total Usable Reserves	**7,545**	**1,645**	**(418)**	**8,772**	**2,066**	**(575)**	**10,263**

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. Offsetting the reduction in government grants and contributing to 'the investing in the future programme2'. It is anticipated that this reserve will be utilised over the next 4-5 years.

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

This reserve will be utilised to meet fluctuations in personal protective equipment costs associated with the introduction of the Integrated Clothing project.

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

Following the cancellation of the Regional Control Centre project by Central Government, increased costs were identified in maintaining and developing the existing control infrastructure in order to maintain resilience. A programme of works is underway and it is anticipated that this reserve will be utilised over the next one to 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 two or four times 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 will be utilised to fund community safety activity including safety campaigns, commissioning services from the voluntary sector and the fitting of smoke alarms.

h. <u>Marketing Reserve</u>

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

i. <u>Auxiliary Reserve</u>

This reserve will be utilised to provide training and equipment for auxiliary members of staff.

j. Breathing Apparatus Reserve

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

k. Training Reserve

This reserve was created in 2011/12 to fund an e-learning system, high rise training programme and other identified pressures. The balance of this reserve was utilised during the year.

l. 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.

m. Medical Intervention

This reserve has been created to fund medical intervention and prevention initiatives.

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 2013 £'000		Balance at 31 March 2014 £'000
9,441	**Revaluation Reserve**	10,899
26,911	**Capital Adjustment Account**	29,651
(521,156)	**Pensions Reserve**	(510,769)
187	**Collection Fund Adjustment**	377
(329)	**Accumulated Absences Account**	(225)
(484,946)	**Total Unusable Reserves**	**(470,067)**

Revaluation Reserve

2012/2013 £'000		2013/2014 £'000
7,553	**Balance at 1 April 2013 (2012)**	**9,441**
2,578	Adjustment to revaluation of assets	2,708
10,131	**Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**12,149**
(690)	Difference between fair value depreciation and historic cost depreciation	(1,250)
9,441	**Balance at 31 March 2014 (2013)**	**10,899**

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

2012/13 £'000		2013/2014 £'000
25,899	**Balance at 1 April 2013 (2012)**	**26,911**
	Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(4,014)	Depreciation and impairment of non-current assets	(2,968)
(156)	Amortisation of intangible assets	(72)
75	Write back of Lease re Assets Purchased	67
(960)	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	(180)
20,844		**23,758**
1,133	Adjusting amounts written out of the Revaluation Reserve	1,328
21,977	Net written out amount of the cost of non-current assets consumed in the year	**25,086**
	Capital Financing applied in the year	
1,950	Capital Grants credited to the Comprehensive Income and Expenditure Statement	1,450
610	Minimum revenue provision for capital financing	511
486	Voluntary revenue provision for capital financing	1,154
1,888	Capital expenditure charged in-year to the fund balance	1,450
26,911	**Balance at 31 March 2014 (2013)**	**29,651**

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

2012/13 £'000		2013/2014 £'000
(447,742)	**Balance at 1 April 2013 (2012)**	**(521,156)**
(47,382)	Remeasurements of pensions assets and liabilities	39,076
(31,776)	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	(34,224)
5,744	Employer's pensions contributions and direct payments to pensioners payable in the year	5,535
(521,156)	**Balance at 31 March 2014 (2013)**	**(510,769)**

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

2012/13 £'000		2013/2014 £'000
189	**Balance at 1 April 2013 (2012)**	**187**
26	Bath and North East Somerset	45
(71)	Bristol City Council	134
32	North Somerset	(7)
11	South Gloucestershire	18
187	**Balance at 31 March 2014 (2013)**	**377**

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

Accumulated Absences Account

2012/13 £'000		2011/2012 £'000
(491)	**Balance at 1 April 2013 (2012)**	**(329)**
491	Settlement or cancellation of accrual made at the end of the preceding year	329
(329)	Amount accrued at the end of the current year	(225)
162	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	104
(329)	**Balance at 31 March 2014 (2013)**	**(225)**

25. Authorisation of Accounts for issue

The date that the financial statements are authorised for issue by the Treasurer of the Fire Authority is 26th September 2014. 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 2013 and assessed the overall funding level at 75%.

- <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 80.

  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 81.

  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		Firefighters Scheme	
	2012/13 Restated £'000	2013/14 £'000	2012/13 Restated £'000	2013/14 £'000
Comprehensive Income and Expenditure Statement				
Costs of Services:				
Current Service Cost	712	925	9,290	10,940
(gain)/loss from settlements	(95)	-	-	-
Financing and Investment Income and Expenditure:				
Net Interest expense	390	449	21,440	21,910
Total Post-employment Benefits charged to the Surplus or Deficit on Provision of Services	1,007	1,374	30,730	32,850
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure:				
Remeasurement of the net defined benefit liability comprising:				
Return on Plan Assets (excluding the amount included in the Net Interest expense)	(1,652)	317	(26,817)	(21,362)
Actuarial Gains and losses arising on changes in demographic assumptions	-	(122)	(60)	(50)
Actuarial Gains and losses arising on changes in financial assumptions	3,491	(2,889)	72,280	(14,970)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	2,846	(1,320)	76,133	(3,532)
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	(1,007)	(1,374)	(30,730)	(32,850)
Actual amount charged against the Fund Balance for pensions in the year:				
Employers contributions payable to the scheme	743	693	3,917	3,612
Retirement Benefits payable to pensioners			1,110	1,230

The cumulative amount of Remeasurements recognised in the Comprehensive Income and Expenditure Statement to 31 March 2014 is (£181,727k).

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded liabilities Local Government		Unfunded liabilities Firefighters Scheme	
	2012/2013 Restated £'000	2013/2014 £'000	2012/2013 Restated £'000	2013/2014 £'000
Liabilities at beginning of year	(27,870)	(32,268)	(439,395)	(510,501)
Current Service Cost	(712)	(925)	(9,290)	(10,940)
Interest Cost	(1,335)	(1,342)	(21,440)	(21,910)
Contributions by scheme participants	(255)	(264)	(2,192)	(2,318)
Pension transfers in	-	-	(26)	-
Remeasurements (gains) and losses:				
Actuarial gains/losses from changes in demographic assumptions	-	122	-	-
Actuarial gains/losses from changes in financial assumptions	(3,491)	2,889	(72,220)	15,020
Other	-	(963)	18,930	13,240
Losses/ (gains) on Curtailments	(95)	-	-	-
Benefits Paid	1,490	880	15,132	15,282
Liabilities at end of year	(32,268)	(31,871)	(510,501)	(502,127)

Reconciliation of fair value of the scheme assets:

	Funded Assets Local Government		Unfunded Assets Firefighters Scheme	
	2012/2013 Restated £'000	2013/2014 £'000	2012/2013 Restated £'000	2013/2014 £'000
Assets at beginning of year	19,523	21,613	-	-
Interest Income	945	909	-	-
Return on Plan Assets, excluding the amount included in the net interest expense	1,652	646	7,887	8,122
Administration expenses	(15)	(16)	-	-
Pension transfers in			26	
Employer contributions	743	693	5,027	4,842
Contributions by scheme participants	255	264	2,192	2,318
Benefits paid	(1,490)	(880)	(15,132)	(15,282)
Assets at end of year	21,613	23,229	-	-

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

The actual return on scheme assets in the year was £1,480k (2012/13 Restated: £2,596k).

Scheme History

	2009/10 £'000s	2010/11 £'000s	2011/12 £'000s	2012/13 Restated £'000s	2013/14 £'000s
Present value of liabilities					
Local Government Scheme	(24,532)	(24,896)	(27,870)	(32,268)	(31,871)
Firefighters Scheme	(432,630)	(401,980)	(439,395)	(510,501)	(502,127)
	(457,162)	(426,876)	(467,265)	(542,769)	(533,998)
Fair value of assets in the Local Government Scheme	16,202	18,515	19,523	21,613	23,229
Surplus/(deficit) in the					
Local Government Scheme	(8,330)	(6,381)	(8,347)	(10,655)	(8,642)
Firefighters Scheme	(432,630)	(401,980)	(439,395)	(510,501)	(502,127)
Total	(440,960)	(408,361)	(447,742)	(521,156)	(510,769)

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £511m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £460m.

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

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

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

  The total contributions expected to be made by the Authority in the year to 31 March 2015 for the Local Government Pension Scheme is £758k.

  The total contributions expected to be made by the Authority in the year to 31 March 2015 for the Firefighters pension scheme is £3,534k (1992 scheme: £3,089k; 2006 scheme: £445k).

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 Firefighters scheme liabilities have been assessed by the Government Actuary's Department (GAD). The estimates for the Local Government scheme are based on the latest full valuation as at 31 March 2010 updated for the following years.

The main assumptions used by the actuary have been:

	Local Government		Fire Fighters Scheme		
	2012/2013	2013/2014	2012/2013	2013/2014	
Long-term expected rate of return on assets in the scheme:					
Equity investments	7.0%	7.0%	-	-	
Government Bonds	2.8%	3.4%	-	-	
Other Bonds	3.9%	4.3%	-	-	
Property	5.7%	6.2%	-	-	
Cash / Liquidity	0.5%	0.5%	-	-	
Other	7.0%	7.0%	-	-	
Mortality assumptions:					
Longevity at 65 for current					
Men	22.9	23.3	23.5	23.5	
Women	25.9	25.8	25.4	25.5	
Longevity at 65 for future					
Men	25.2	25.7	26.7	26.6	
Women	28.2	28.7	28.4	28.6	
Rate of inflation CPI	2.4%	2.4%	2.5%	2.5%	
Rate of inflation RPI	N/A	N/A	3.7%	3.7%	
Rate of increase in salaries	3.9%	3.9%	4.8%	4.5%	*
Rate of increase in pensions	2.4%	2.4%	2.5%	2.5%	
Rate of discounting scheme	4.2%	4.5%	4.3%	4.4%	
Take-up of option to convert annual pension into retirement lump sum	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 2013 %	31 March 2014 %
Equities	UK quoted	19.4	16.7
	UK Futures	0.5	0.4
	Global quoted	23.4	13.9
	North America	5.2	5.2
	North America	0.3	0.2
	Japan	2.4	2.3
	Europe ex UK	5.4	6.0
	Pacific Rim ex Japan	2.8	2.4
	Emerging markets	5.1	9.4
Bonds	UK Government fixed	3.5	2.8
	UK Government gilt futures	0.5	0.4
	UK Government indexed	6.7	5.7
	Overseas Government fixed	2.6	2.2
	Sterling Corporate Bonds	6.2	8.1
Property	UK property Funds	4.0	4.5
	Overseas Property Funds	3.1	3.2
Alternatives	Hedge funds	7.1	4.9
	Diversified Growth Funds	0.0	9.5
Cash	Cash accounts	1.8	1.7
	Net current assets	0.0	0.4
		100	100

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	2009/10 %	2010/11 %	2011/12 %	2012/13 Restated %	2013/14 %
Experience gains and (losses) on assets	(20.8)%	3.7%	(3.7)%	7.6%	6.4%
Experience gains and (losses) on liabilities	0.0%	(1.5)%	0.0%	0.0%	3.0%

Firefighters Scheme	2009/10 restated %	2010/11 restated %	2011/12 %	2012/13 Restated %	2013/14 %
Experience gains and (losses) on liabilities	(64.1)%	0.5%	1.0%	3.7%	2.6%

Sensitivity Analyses Firefighters Scheme

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

Sensitivity Analysis Firefighters Pension Scheme 1992 Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	-1/2% a year	10.7%	48.0
Rate of increase in salaries	+1/2 % a year	1.8%	8.0
Rate of increase in pensions/ deferred revaluation	+1/2 % a year	8.8%	40.0
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		1.7%	8.0

The weighted average duration of the defined benefit obligation is around 21 years.

Note: Employer Contributions of £3,269,099 were received during 2013/14.

Note: Current Service Cost (inclusive of Member Contributions) for 2014/15 is 63.6% of Pensionable Pay.

Sensitivity Analysis Firefighters 2006 scheme Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	-1/2% a year	18.3%	2.0
Rate of increase in salaries	+1/2 % a year	10.2%	1.1
Rate of increase in pensions/ deferred revaluation	+1/2 % a year	8.2%	0.9
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		1.4%	0.1

The weighted average duration of the defined benefit obligation is around 36 years.

Note: Employer Contributions of £343,281 were received during 2013/14.

Note: Current Service Cost (inclusive of Member Contributions) for 2014/15 is 50.0% of Pensionable Pay.

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

Sensitivity Analysis Local Government Pension Scheme

Sensitivity Analysis Local Government Pension scheme					
		Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
Disclosure item		+0.1% pa discount rate	+0.1% pa inflation	+0.1% pa pay growth	1 year increase in life expectancy
	£'000s	£'000s	£'000s	£'000s	£'000s
Liabilities	31,871	31,249	32,504	32,056	32,459
Assets	(23,229)	(23,229)	(23,229)	(23,229)	(23,229)
Deficit/ (Surplus)	8,642	8,020	9,275	8,827	9,230
Projected Service Cost for next year	784	759	809	784	801
Projected Net Interest Cost for next year	372	351	401	380	399

27. **Analysis of Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

2012/2013 Restated £'000		2013/2014 £'000
	Credited to Taxation and Non Specific Grant	
1,728	General Capital Grant	1,420
1,728	Total Capital Grant	1,420
23,500	Precepts	21,223
436	General Government Grants	19,383
22,515	Non-domestic Rates Distribution	4,398
-	Council Tax Freeze Grant	-
48,179	**Total**	**46,424**
	Credited to Services	
1,341	New Dimension / USAR	1,305
313	Fire Link	334
894	PFI grant	894
303	Other income	280
2,851	**Total**	**2,813**

None of the grants received by the Authority in 2012/13 or 2013/14 have conditions attached to them and therefore they are recognised as income in their year of receipt

28. Financing and Investment Income and Expenditure

2012/2013 £'000		2013/2014 £'000
	Interest Payable and Similar Charges	
542	Loans & Leases	497
409	PFI	391
951		888
21,696	Net Interest on the net defined benefit liability	22,343
(21)	Interest Receivable and Similar Income	(35)
(8)	Other Investment Income	(8)
22,618	Total	**23,188**

29. **Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by function on the face of the Comprehensive Income and Expenditure Statement is that specified by the 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:

2012/13 £'000	Income and Expenditure	2013/14 £'000
(638)	Fees, charges & other service income	(318)
(1,341)	Government Grants	(1,639)
(1,979)	**Total Income**	**(1,957)**
35,344	Employee expenses	34,169
2,013	Premises	1,951
1,466	Transport	1,638
5,068	Supplies & Services	4,044
3,295	Other Service expenses	3,444
47,186	**Total Expenditure**	**45,246**
45,207	**Net Expenditure**	**43,289**

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:

	2012/13 **£'000**	2013/14 **£'000**
Net expenditure in the Analysis	45,207	43,289
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	8,363	8,878
Amounts included in the Analysis not included in the Cost of Services	(3,906)	(3,522)
Cost of Services in Comprehensive Income and	**49,664**	**48,645**

30. Reconciliation to Subjective Analysis

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

2013/14	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	(280)	-	-	(280)	-	**(280)**
Interest and Investment	(38)	-	38	-	(43)	**(43)**
Income from Council Tax	-	-	-	-	(25,621)	**(25,621)**
Government Grants and Contributions	(1,639)	(894)	-	(2,533)	(20,803)	**(23,336)**
Total Income	**(1,957)**	**(894)**	**38**	**(2,813)**	**(46,467)**	**(49,280)**
Employee expenses	34,169	6,242	-	40,411	-	**40,411**
Premises	1,951	-	-	1,951	-	**1,951**
Transport	1,638	-	-	1,638	-	**1,638**
Supplies & Services	4,044	491	(35)	4,500	-	**4,500**
Other/ Capital costs	3,444	-	(3,525)	(81)	888	**807**
Depreciation, amortisation and impairment	-	3,039	-	3,039	-	**3,039**
Pensions - Change in indices	-	-	-	-	22,343	**22,343**
Interest Payments	-	-	-	-	-	**-**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	5	**5**
Total Expenditure	**45,246**	**9,772**	**(3,560)**	**51,458**	**23,236**	**74,694**
(Surplus) or deficit on the provision of services	**43,289**	**8,878**	**(3,522)**	**48,645**	**(23,231)**	**25,414**

2012/13	Analysis	Amounts not reported to mgt for decision making	Amounts not included in Cost of Services	Cost of Services	Corporate Amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,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**
Premises	2,013	-	-	2,013	-	**2,013**
Transport	1,466	-	-	1,466	-	**1,466**
Supplies & Services	5,068	26	(24)	5,070		**5,070**
Other/ Capital costs	3,295	-	(3,913)	(618)	951	**333**
Depreciation, amortisation and impairment	-	4,171	-	4,171	-	**4,171**
Pensions - Change in indices	-	-	-	-	-	**-**
Interest Payments	-	-	-	-	21,696	**21,696**
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**

31. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2012/2013 Restated £'000		2013/2014 £'000
(4,445)	Depreciation	(6,055)
432	Impairment	3,088
(156)	Amortisation	(72)
(2,160)	Increase/ decrease in Creditors	3,965
2,437	Increase/ decrease in Debtors	(1,463)
(26,032)	Movements in Pension Liability	(28,689)
(628)	Contributions to/(from) Provisions	(526)
(518)	Carrying amount of non-current assets held for sale, sold or derecognised	(102)
(31,070)		(29,854)
1,728	Capital grants	1,420
222	Proceeds from Sale of Equipment	29
1,950		1,449

32. Cash Flow Statement – Investing Activities

2012/2013 Restated £'000		2013/2014 £'000
3,998	Purchase of property, plant and equipment	3,225
(222)	Proceeds from Sale of Equipment	(29)
(2,897)	Capital Grants	(1,077)
879	Net cash flows from investing activities	2,119

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

2012/2013 Restated £'000		2013/2014 £'000
-	Cash Receipts for long-term borrowing	-
824	Repayments of long-term borrowing	1,509
238	Cash payments for the reduction of a finance lease liability:	172
110	Cash payments for the reduction of a PFI liability:	51
1,172	Net cash flows from investing activities	1,732

34. **Contingent Liabilities**

There are no contingent liabilities at the date of publication

35. **Post Balance Sheet Events**

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

Firefighters Pension Fund Account

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

2012/2013 £’000		2013/2014 £’000	£’000
	Contributions receivable:		
	Fire Authority		
(3,866)	**-** contributions in relation to pensionable pay	(3,718)	
(34)	**-** early retirements	(91)	
(2,208)	Firefighters contributions	(2,390)	
(6,108)	**Total**		**(6,199)**
-	**Transfers in from other authorities**	-	**-**
	Benefits payable:		
10,543	Pensions	11,111	
2,905	Commutations and lump sum retirement benefits	2,554	
166	Other	24	
13,614			**13,689**
	Payments to and on account of leavers:		
568	Transfers out to other authorities		97
8,074	**Net amount payable for the year**		**7,587**
(8,074)	Top-up grant payable by the Government		(7,587)
-			**-**

Net assets statement

The assets and liabilities of the pensions account as at 31 March 2014 are as follows:

31/03/2013 £’000		31/03/2014 £’000
	Current assets	
3,007	Top-up grant receivable from the Government	2,120
1,018	Payment in Advance	-
26	Debtor - Other Local Authorities	-
-	Cash and Bank	-
4,051		**2,120**
	Current liabilities	
(3,396)	Cash and Bank	(2,120)
-	Top-up grant repayable to the Government	-
(655)	Creditor	-
(4,051)		**(2,120)**
-	**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:

2013/ 2014									
Salary range from	£0	£15,001	£21,001	£30,001	£40,001	£50,001	£60,001	£100,001	£120,001
Salary range up to	£15,000	£21,000	£30,000	£40,000	£50,000	£60,000	£100,000	£120,000	-
Firefighters pension scheme:									
1992 Scheme									
Employer	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%
Employee	11.0%	11.9%	12.9%	13.2%	13.5%	13.7%	14.1%	14.5%	15.0%
Total	32.3%	33.2%	34.2%	34.5%	34.8%	35.0%	35.4%	35.8%	36.3%
2006 Scheme									
Employer	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	
Employee	8.5%	9.1%	9.6%	9.9%	10.1%	10.2%	10.5%	10.8%	
Total	19.5%	20.1%	20.6%	20.9%	21.1%	21.2%	21.5%	21.8%	

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								
Employer	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%
Employee	11.0%	11.6%	11.7%	11.8%	11.9%	12.2%	12.5%	13.0%
Total	32.3%	32.9%	33.0%	33.1%	33.2%	33.5%	33.8%	34.3%
2006 Scheme								
Employer	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Employee	8.5%	8.8%	8.9%	9.0%	9.1%	9.3%	9.5%	9.7%
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 2014 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 1 to 4. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Avon Fire Authority as at 31 March 2014 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 2013/14 and applicable law.

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 October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in 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 October 2013, 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 2014.

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, 55-61 Victoria Street, Bristol, BS1 6FT

26 September 2014