Appendix 1

AVON FIRE & RESCUE

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2020-2021 Draft Statement of Accounts and Narrative Report

The 2020/21 Statement of Accounts and Narrative Report have been approved by the Audit, Governance & Ethics Committee (AGEC) on the 23rd September, 2021, subject to receiving final information from the Avon Pension Fund Auditors. AGEC has delegated final approval of the accounts to the Fire Authority Chair, the AGEC Chair, the Chief Fire Officer and the Treasurer.

PREVENTING PROTECTING RESPONDING

Avon Fire Authority

Statement of Accounts 2020/21

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2020/21 Narrative Report

Introduction

Avon Fire & Rescue Service (AF&RS) provides emergency, Prevention, Protection and Response services to the communities of Bath and North East Somerset, Bristol, North Somerset and South Gloucestershire. We are committed to providing a safer place for people to live, work and visit across the area made up of 132,609 hectares and a residential population of more than 1.1 million people, living in over 480,000 homes. We also provide the same services for millions of visitors and those that travel through our area each year.

This document contains the Statement of Accounts for the Fire Authority for the year ended 31 March 2021. 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 2020/21. 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.

Our role

Our primary role is to provide an effective, efficient and economic fire and rescue service that meets the public’s expectations, our legislative requirements and is delivered by safe, professional and well trained staff.

While firefighting has traditionally been at the forefront of our work, the role of a modern fire and rescue service has increased to cover the core functions of 'Preventing', 'Protecting' and 'Responding'.

A lot of our work now focuses on how we can prevent accidents and emergencies from happening in the first place, as we believe this is the best way to protect our communities. We do this by providing advice and education through events, visits, campaigns and partnership working.

Alongside this work we also provide a '999' response service to a range of incidents and emergencies from road traffic collisions and fires, to flooding and chemical spills. We work closely with the other emergency services, as well as numerous external agencies.

We are committed to keeping our communities fully informed of how we are performing as a Service. During the COVID-19 pandemic it was not possible to hold live meetings open to the public to attend and instead meetings took place virtually with the public being able to present Public Access Statements to be read on their behalf. All virtual meetings were live-streamed on the AF&RS YouTube channel. As the impact of the pandemic reduces, the Fire Authority will allow public attendance at live meetings, but in the meantime all live meetings are recorded for the public to watch.

It is also important for us to ensure the financial health of our organisation and to provide Value for Money. The substantial reduction in funding received from Central Government during the period of austerity has presented a challenge to the way in which we provide our service; however we have responded well in identifying the necessary ongoing efficiency savings to meet this funding reduction.

Looking ahead, our most recent 2021-2025 Medium-Term Financial Plan (MTFP) highlights some financial challenges, in particular around future funding levels, as a result of a one year funding agreement for 2021/22, rather than the anticipated Comprehensive Spending Review

(CSR) which anticipated a minimum three year agreement. Other key challenges include the economic impact of the COVID-19 pandemic and new cost pressures associated with the Collection Fund deficit and additional pension costs.

Our Service Plan

Following extensive consultation with local communities, stakeholders and staff, our refreshed Service Plan 2021-2024 was approved by the Fire Authority and published on the 1 April 2021 and set out 24 strategic actions across our key objectives of Preventing, Protecting, Responding and Resilience as well as making our Service Stronger and Investing in our People.

This Service Plan is our contract with the public and outlines how we will deliver continuous improvement to the service; the Service Plan is available via our website to anyone who wishes to read it: https://www.avonfire.gov.uk/documents/category/216-service-plan

It clearly articulates our two Priorities of ***Making our Communities Safer*** and ***Making Our Service Stronger.***

Medium-Term Financial Strategy (MTFP)

It is important for the service to ensure the financial health of the organisation and to provide the best value service to the public. The reductions in funding received from Central Government during previous periods of austerity have placed increased importance on the need for robust financial planning to ensure services are delivered within the funding envelope available. Where efficiency savings are required, these have been identified within the 4 year MTFP to enable these savings to be planned in advance, to avoid any detrimental impact to the way in which we provide our service.

How we decide what we do

What we decide to do is influenced by a number of factors:

Our statutory responsibilities

The Service has a range of statutory responsibilities it is required to perform, including those through the Fire and Rescue Services Act 2004, Civil Contingencies Act 2004, Regulatory Reform (Fire Safety) Order 2005, Policing and Crime Act 2017 and the Fire and Rescue National Framework for England.

Direction from Central Government

The Fire and Rescue National Framework sets out the Government's expectations for Fire and Rescue services, these being:

- make appropriate provision for fire prevention and protection activities and response to fire and rescue related incidents;
- identify and assess the full range of foreseeable fire and rescue related risks their areas face;
- collaborate with emergency services and other local and national partners to increase the efficiency and effectiveness of the service they provide;
- be accountable to communities for the service they provide; and
- develop and maintain a workforce that is professional, resilient, skilled, flexible and diverse.

Fire and Rescue Service Inspections

As part of the Government's Fire Reform programme and in order to strengthen the independence of the inspection regime for Fire and Rescue Services, the remit of Her Majesty's (HM) Inspectorate of Constabulary was widened in 2017 to create HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). The Inspectorate is now responsible for inspecting and reporting on the efficiency and effectiveness of fire and rescue services in England.

The process started in April 2018 and our final report was published on 20 December 2018. In October 2018 and August 2019, HMICFRS undertook re-visits to focus on Technical Fire Safety (TFS), the results of all visits are available at: https://www.justiceinspectorates.gov.uk/hmicfrs/?frs=avon.

The inspection team concluded that the organisation has appropriate governance arrangements in place to support the political and strategic oversight of our HMICFRS Inspection Action Plan, which is regularly updated and published. The increased capacity within TFS is translating into increased capability as training continues and the HMICFRS acknowledged our progress as "positive".

Additionally, the Service has seen dramatic improvements in its Business Fire Safety (BFS) performance and is consistently dealing with Building Regulations within required timescales, whilst increasing the numbers of fire safety audits completed. The BFS department is also maintaining performance against licensing applications, continuing with successful prosecution activity, and meeting the additional demands of the Home Office's Building Risk Review programme.

On the 5 August 2020, the HM Chief Inspector of Fire & Rescue Services confirmed that the Home Secretary had commissioned a COVID-19 inspection of Fire and Rescue Services and had asked the Inspectorate to consider:

a) what is working well and what is being learnt;
b) how the fire sector is responding to the COVID-19 crisis;
c) how fire services are dealing with the problems they face; and
d) what changes are likely as a result of the COVID-19 pandemic.

HMICFRS published the results of its COVID-19 thematic review on 22 January 2021, in the form of a national summary report and 44 individual letters, one for each Fire and Rescue Service in England. In Avon Fire & Rescue Service's letter, HMICFRS confirmed they were:

"… pleased to see the service continuing to maintain its statutory functions during the pandemic. The service adapted and responded to the pandemic effectively and gave additional support to the community. It used its whole-time firefighters to respond to emergencies. And it increased its on-call cover. The service is looking at how to use its on-call workforce more flexibly."

"Many staff across the service volunteered for extra roles, such as driving ambulances. This meant the people of Avon were better supported through the pandemic."

Covering HMICFRS' overall assessment of the effectiveness of Avon Fire & Rescue Service's response to the pandemic, the report welcomed the organisation's planning for a pandemic and the dynamic way in which the organisation adapted to continue to deliver the full range of activities including community safety, Business Fire Safety as well as responding to emergencies.

HMICFRS Round 2 inspections

The second round of full 'all-service' inspections re-started in January 2021 and the organisation was again placed in Tranche 1, with six weeks of fieldwork completed between the 10 May 2021 and the 18 June 2021. At the time of writing, the fieldwork and evidence collation has been completed and the post-inspection debrief provided initial feedback and tentative emerging themes for the Service Leadership Board. HMICFRS will now draft its report before publishing our new set of graded judgments against the three pillars of effectiveness, efficiency and people in the "winter 2021" period (exact date still to be confirmed).

Governance Arrangements

Avon Fire Authority is responsible for ensuring that it delivers its services in accordance with the prevailing legislation, regulations and Government guidance and that proper standards of stewardship, conduct, probity and professional competence are set and adhered to by all those working for and with the Authority. This will ensure the services provided to the people of Avon are delivered efficiently, effectively and fairly and that public money is used wisely, is properly accounted for and achieves optimum Value for Money.

The Fire Authority is committed to continuously improving its services to meet the needs of the public, reviewing and developing what it does and consulting with the public about its activities on a regular basis. In discharging these responsibilities, the Authority is required to ensure that appropriate arrangements are put in place for the control and management of its business affairs, service performance, finances and for the management of the key risks the organisation faces.

Annual Governance Statement

Under the Accounts and Audit Regulations 2015, the Fire Authority is required to produce an Annual Governance Statement. This document sets out a framework by which the Fire Authority's internal systems and processes are directed and controlled. It enables the Fire Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of cost effective services. The Annual Governance Statement 2020/21 will be presented and approved at the Audit, Governance and Ethics Committee at the meeting on the 23 September 2021.

A copy of the 2020/21 Governance Statement can be viewed on our website at:
https://www.avonfire.gov.uk/documents/category/158-corporate-governance-assurance

Governance Structure

The Fire Authority has overall responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) and that public money is safeguarded, properly accounted for and used efficiently, effectively and economically.

The Fire Authority also has a duty under the Local Government Act 2003 and subsequent Localism Act 2011 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, effectiveness and ethics. Internal arrangements for ensuring good governance include:

The Audit, Governance and Ethics Committee will consider and review issues relating to Audit, Governance, Risk Management and the conduct of Members. Their work includes scrutinising and approving the Statement of Accounts, the Annual Governance Statement, Statement of Assurance and the Corporate Risk Register. The Committee also reviews the Code of Conduct for Members and ensures that Members receive appropriate relating to the Code of Conduct. It also deals with cases referred by the Monitoring Officer by way of a Member Conduct Panel.

The Performance Review and Scrutiny Committee is responsible for the scrutiny of the organisations' performance and the delivery of the Authority's policies, plans and objectives. Their work includes scrutinising performance against key indicators and to review and make recommendations to the Fire Authority on the Service Plan, the Medium Term Financial Plan, the Precept, the Capital Programme and other strategic matters. This Committee considers reports on the outcome of reviews and makes recommendations for improvement and ensures the organisation works collaboratively with other Fire & Rescue Authorities.

The People and Culture Committee will undertake the recruitment, appointment and annual pay review of the members of the Service Leadership Board and Statutory Officers and to make recommendations to the Authority. The Committee also undertakes an annual review of all completed disciplinary, grievances and other employee disputes (including Employment Tribunals and personal injury claims). Their work includes monitoring of the Authority's compliance against the Equality Act 2010, and to ensure the organisation has in place sufficient measures to ensure staff welfare and wellbeing, including policies and procedures affecting staff that promote a positive culture.

The Local Pension Board will assist the Scheme Manager in administering the various firefighter pension schemes by providing governance and scrutiny of the policies, pension documentation, decisions and outcomes.

The Service Leadership Board consists of the most senior executive officers of the Service. The SLB has overall responsibility for the organisation's strategic direction, leadership and decision making. The Board considers strategic issues, finance and risk. It has overall responsibility for management of the organisation, the establishment of strategy, direction-setting and both capital and revenue requirements. The Board monitors and oversees Service operations, ensuring competent and prudent management, good governance, sound planning and suitable procedures for the maintenance of adequate systems of internal control and for compliance with statutory and regulatory obligations.

The **Service Leadership Team** provides day to day leadership and management for the Service, overseeing a working environment which supports the effective achievement of goals and priorities (both operational and non-operational), maintains all necessary standards of compliance and good practice, and ensures that the Service is a great place to work. The SLT has delegated responsibility for developing and delivering against the Service Plan, as well as other supporting Service strategies, action plans and budgets

The Clerk (and Monitoring Officer) is responsible for overseeing and reporting on the lawfulness of decision-making and for advising upon and overseeing the governance arrangements for the Fire Authority. The Clerk ensures that meetings of the Fire Authority and the Committees are properly organised and convened and that all actions and decisions taken are not only in accordance with the law and the Fire Authority's Constitution, but also in accordance with recognised best practice and are transparent. The Clerk is also the internal legal adviser to the Fire Authority Members and officers on key matters.

The Treasurer provides independent professional advice and guidance to the Fire Authority to enable elected Members and the Service Leadership Board to effectively scrutinise financial information. The Treasurer is charged with ensuring there is compliance with legislation on financial issues and the effective strategic management of the Fire Authority's Annual Budgets and Financial Strategies. This includes oversight of the forecasting and financial reporting to the Fire Authority and oversight of the internal financial controls. The Treasurer has specific responsibilities for the management and reporting of the Fire Authorities reserves and oversight for the production of the Annual Statement of Accounts.

External Audit

In accordance with the Local Audit and Accountability Act 2014, a relevant authority must appoint an external auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year. That appointment is made on the Fire Authority's behalf by Public Sector Audit Appointments Ltd (PSAA), the appointing body which conducts the tendering process and the appointment runs for 5 years initially, with an option to extend to 7 years.

Audits are carried out under the Code of Audit Practice issued by the National Audit Office which covers three key areas: Financial Statements, Annual Governance Statement and a Value for Money conclusion. In relation to 'Value for Money', the new Code of Audit Practice for 2020/21 onwards introduced significant changes, including the need for a narrative commentary against Value of Money criteria.

Internal Audit

The Service employs auditors to conduct internal audit inspections to provide an independent and objective assurance service to the Fire Authority. They complete a programme of reviews throughout the year, to provide an opinion on the internal control, risk management and governance arrangements of the Fire Authority.

In addition, the Government's National Fraud Initiative proactively conducts fraud detection work, which includes reviewing the control environment in areas where fraud or irregularity has the potential to occur. Any significant weaknesses in the control environment will be identified; additional controls implemented, and reported to the Internal and External audit providers for consideration.

The Corporate Risk Register is regularly reviewed by the Service Leadership Team and escalated to the Service Leadership Board and the Fire Authority as necessary. The current Risk Management policy requires the Corporate Risk Register to be presented to the Fire Authority (Audit, Governance and Ethics Committee) twice a year. Section 6 of the Annual Governance Statement provides details of the top three corporate risks impacting the Service and also a list of planned mitigations to reduce the risk to the Fire Authority. **The Annual Governance Statement 2020/21** was presented and approved at he Audit, Governance and Ethics Committee at the meeting scheduled 23 September 2021.

The Community Risk Register is the responsibility of the Avon and Somerset Local Resilience Forum (LRF) and provides information on emergencies that could happen within the Avon and Somerset area, together with an assessment of how likely they are to happen and the impacts if they do. The information contained within the Community Risk Register is used to inform AF&RS Corporate Risk Register and the annual Strategic Assessment.
The Community Risk Register can be viewed at:
https://www.avonandsomerset.police.uk/about/policies-and-procedures/community-risk-register

The Strategic Assessment enables AF&RS to identify issues with the potential to affect the future strategic direction of the Service, as well as informing the Corporate Risk Register and underpinning the Service Plan.

Overview of the Financial Year 2020/2021

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

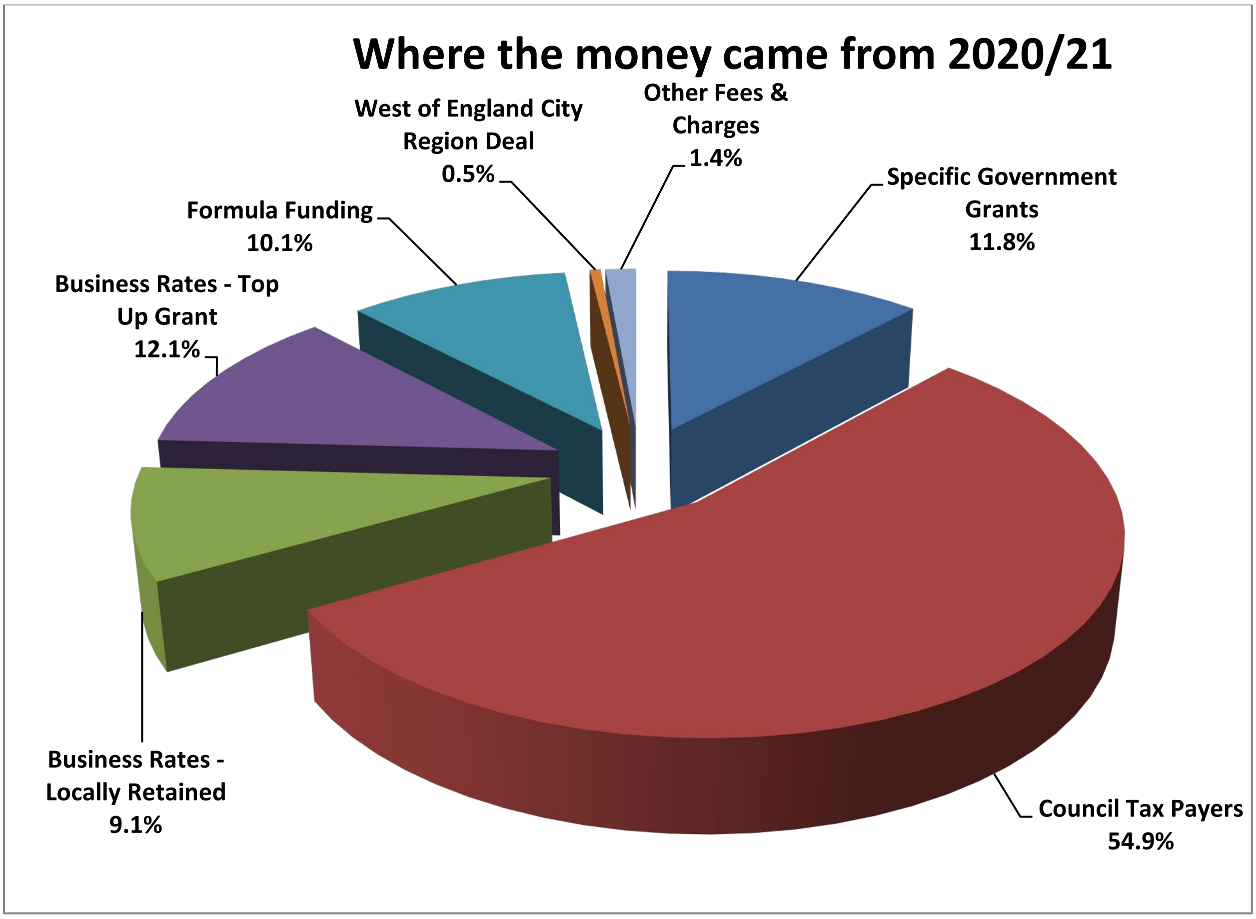
- The 2020/21 final revenue outturn was a break-even position (2019/20 break-even).
- There is a four year Capital Programme which was approved by the Fire Authority in March 2020. This relates to Land and Buildings, Fleet, operational Equipment and IT. The capital programme for 2020/21 was £12.131m and there has been slippage of £5.896m. This underspend has been carried forward into the 2021/22 Capital Programme, as approved by the Fire Authority.
- A full review of reserves was undertaken and transfers between reserves were made during the year and are described in the reserves section of this report.
- The general fund reserve (working balance) remained at £1.5m for 2020/21 (2019/20 £1.5m). This sum is intended to meet unforeseen expenditure and, if called upon, would then need to be replaced.

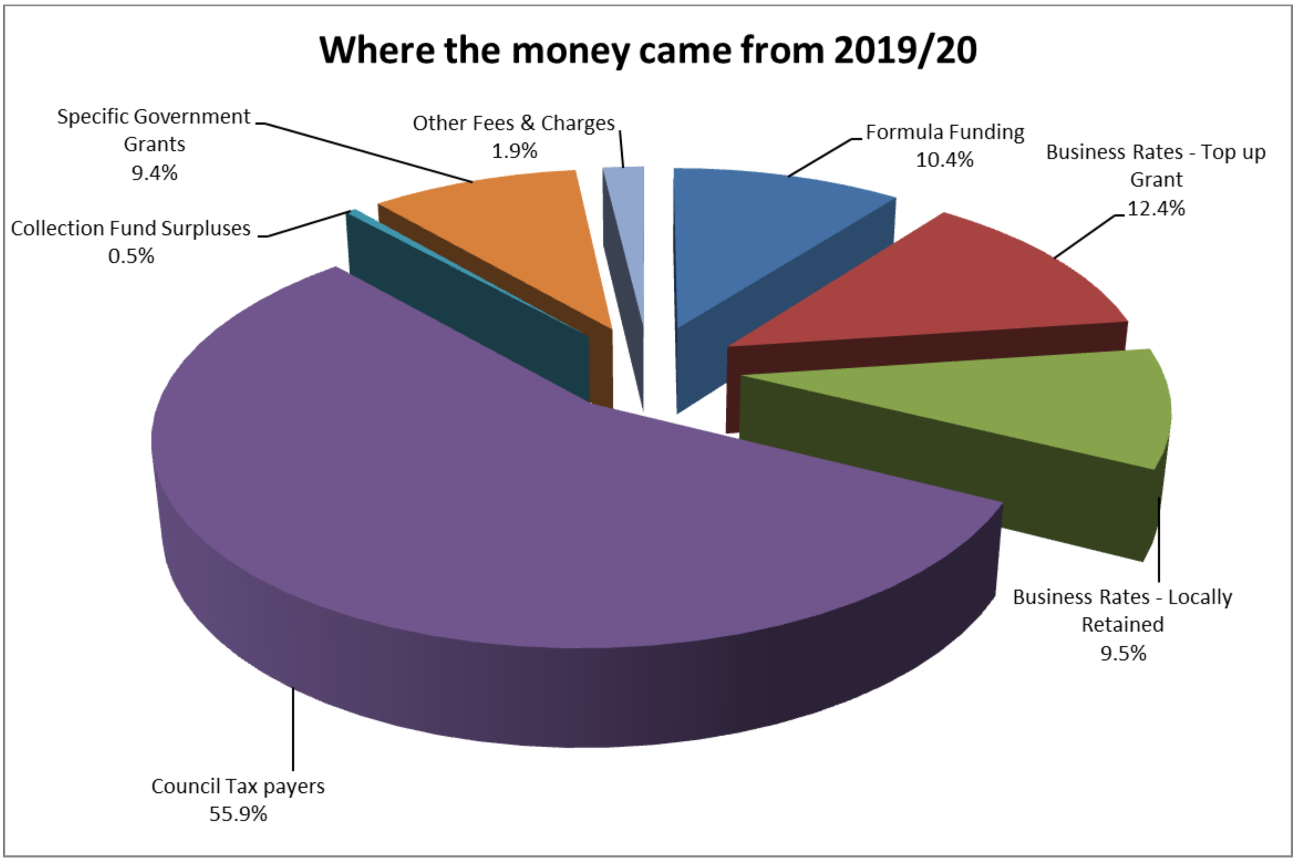
2020/21 Revenue Budget

The original Annual Budget approved by the Fire Authority for 2020/21 totalled £48.990m and this budget increased to £51.067m at the year end. The key increases to the annual budgets related to additional income including COVID-19 cost pressures and Fire Protection funding.

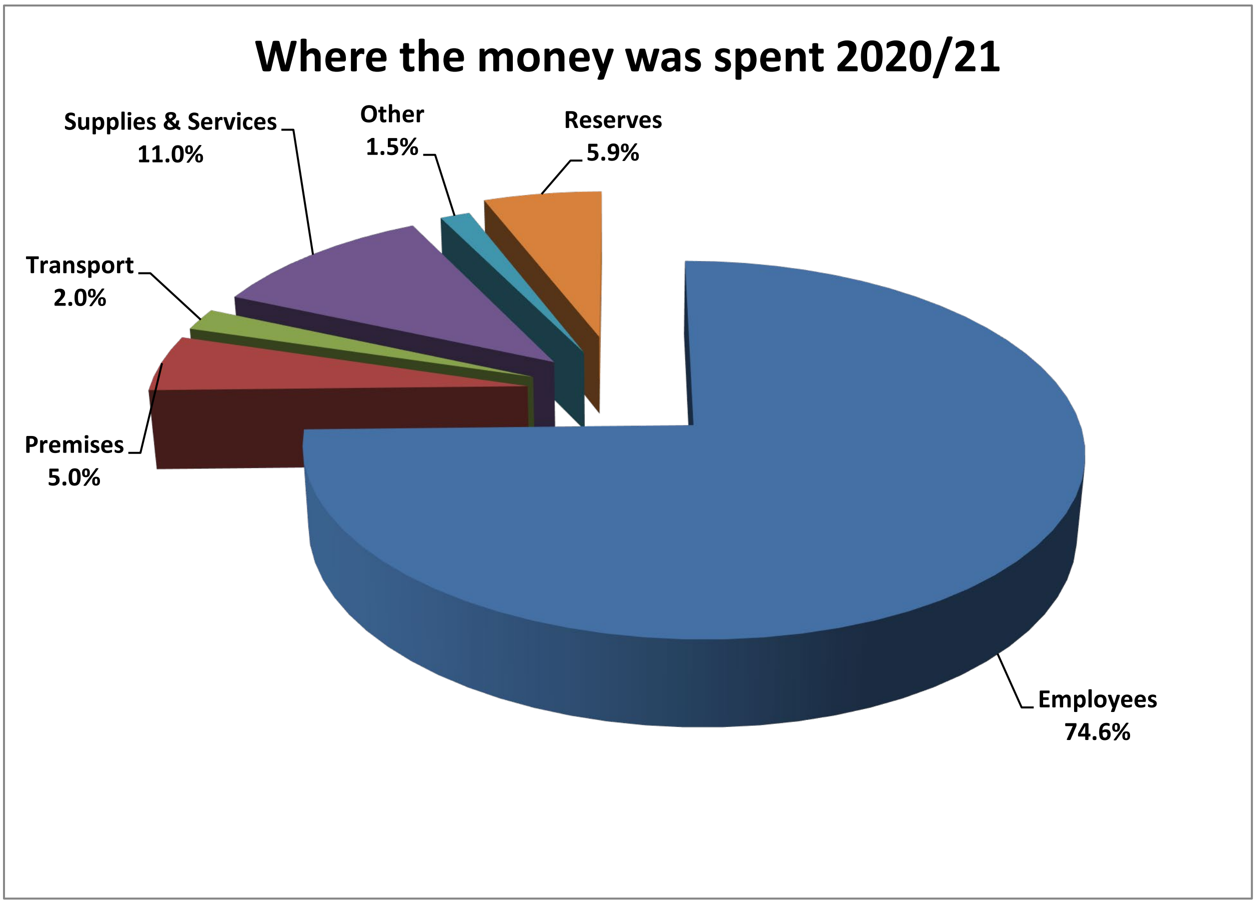
In broad terms, 54.9% (2019/20 55.9%) of the Fire Authority's funding came from the local council tax payer, with 12.1% (2019/20 12.4%) from business rates (a top up grant from the Government) and 9.1% from locally retained Business Rates. The majority of the remainder of the funding comes from Central Government, for items such as formula funding and specific Government grants.

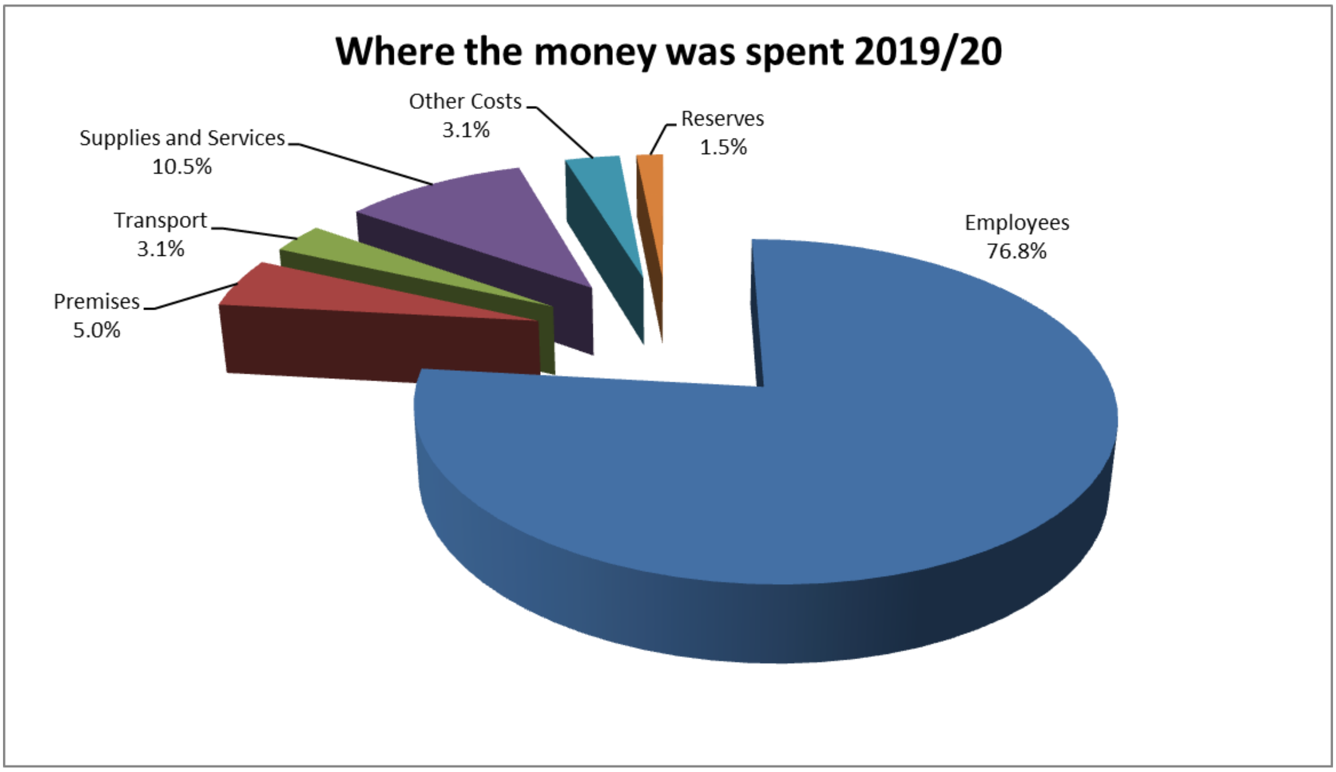
In addition the Fire Authority received specific grants from Central Government and other income from various sources such as rents and secondments. The Central Government grant included £870k in 2020/21 in addition to the £192k received in 2019/20 COVID-19 Support grant and £535k of Fire Protection funding.


Where the money came from 2020/21
West of England City Region Deal 0.5%
Other Fees & Charges 1.4%
Specific Government Grants 11.8%
Formula Funding 10.1%
Business Rates - Top Up Grant 12.1%
Business Rates - Locally Retained 9.1%
Council Tax Payers 54.9%


Where the money came from 2019/20
Specific Government Grants 9.4%
Other Fees & Charges 1.9%
Formula Funding 10.4%
Business Rates - Top up Grant 12.4%
Collection Fund Surpluses 0.5%
Business Rates - Locally Retained 9.5%
Council Tax payers 55.9%

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





The majority of expenditure continues to relate to employee staff costs. The staff costs have reduced from 76.8% in 2019/20 to 75% in 2020/21. Central Government continues to subsidise the increase in Firefighter pension contributions by issuing a grant of £2.407m.

Set out below is a comparison between the actual expenditure in 2020/21 and the revised budget for the year. Details supporting the major variations highlighted in the statement are as follows:

	Original Budget 2020/21 £'001	Revised Budget 2020/21 £'000	Actual Expenditure 2020/21 £'000
Expenditure on Services			
Employees (net)	39,415	39,561	38,163
Premises	2,420	2,444	2,564
Transport	1,609	1,591	1,006
Supplies and Services	6,038	5,970	5,649
Other Costs	951	951	753
Income	(4,817)	(6,700)	(7,203)
Net Expenditure	**45,616**	**43,817**	**40,932**
Transfers to \ from revenue reserves			
Transfers from Reserves	(1,636)	(1,961)	3,320
Transfers to Reserves	-	2,124	(325)
Net Expenditure after transfer to \ from reserves	**43,981**	**43,981**	**43,927**
Local tax payers			
Council Tax	(27,839)	(27,839)	(27,840)
Locally retained Business rates	(4,635)	(4,635)	(4,581)
Collection fund surpluses	-	-	-
Central Government			
Formula Funding	(11,252)	(11,252)	(11,252)
Non-domestic rates redistribution			
West of England City Region Deal	(254)	(254)	(254)
Working Balance	**0**	**0**	**0**

These budget and actual amounts comprise the net expenditure chargeable to the General Fund, which relates to council tax, business rates and formula funding from Central Government. This is before statutory accounting adjustments relating to pensions, capital and other differences, to get to the net expenditure in the Comprehensive Income and Expenditure Statement.

Reserves

There are a number of reasons why the Fire Authority holds reserves. Reserves are an essential tool to ensure long-term budget stability and Fire Authorities are expected to provide for reserves to manage their financial position and to manage risks.

There is no statutory maximum level of reserves and traditionally AF&RS has held £1.5m in the general reserve.

The Fire Authority maintains the following reserves:

- general reserve (working balance): to manage the impact of uneven cash flows and unexpected events or emergencies; and
- earmarked reserves: sums set aside to meet known or predicted specific requirements.

The opening balance of reserves at 1 April 2020 was £14.4m. A number of reserve movements were agreed by the Fire Authority during 2020/21, including an additional Capital reserve and an increase to the 'Invest to Save' reserve to provide resilience and to encourage future Service Developments, leaving a balance of £19.3m at 31 March 2021.

A full review of reserves is carried out at a minimum annually to ensure continuing relevance and adequacy. During 2020/21 the Treasurer, supported by the Head of Finance has undertaken further reviews of the Fire Authority reserves with the Service Leadership Board. This more thorough review of the reserves during 2020/21 has supported an integrated approach to the Financial Planning process, through the MTFP and the 2021/22 Annual Budget.

Capital Budget and Spending 2020/21

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 2020/21, the Fire Authority set a revised capital programme of £12.1m (2019/20 £5.8m). Capital expenditure for the year is shown in the table below:

Area	Revised Budget 2020/21 £'000	Outturn £'000	Slippage £'000
Fleet	5,149	2,656	2,493
Premises	5,511	2,754	2,757
Operational Equipment	336	299	37
IT	933	334	599
Unallocated	202	0	202
Total Programme	12,131	6,043	6,088

Funding for the programme was met from the following sources:

Funding Source	2020/21 Funding £'000
Capital Receipts / Capital Reserves	6,033
Revenue Contributions	10
Total Funding	6,043

The capital receipt relates to the sale of the Temple Back HQ site.

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

Premises - Total Expenditure in 2020/21 of £2.754m.

- This expenditure includes costs related to the reinvesting for the Future project with work proceeding on the redevelopment of Avonmouth Fire Station - £2.5m, preparatory work on the redevelopment of Bath and Weston stations - £176k and other projects - £78k.

Fleet - Total Expenditure in 2020/21 of £2.656m

- The purchase of seven appliances - £2.590m, and a rescue boat - £66k;

Operational Equipment - Total Expenditure in 2020/21 £0.299m

- Thermal imaging cameras - £136k, Drone and related equipment £51k, other operational and safety equipment - £109k

IT - Total Expenditure in 2020/21 £0.334m

- Commencement of a programme to upgrade the hardware and software, to enhance resilience - £81k and replacement of the Mobile Data Terminals - £252k.

The budgets for a number of capital items have been carried forward into 2021/22.

Budget re-profiling

Some budget re-profiling within the capital budget was required during the year, for which the COVID-19 pandemic was a significant contributing factor.

Premises:

- Premises projects in construction were subject to social distancing rules with fewer personnel on site and delays to material and equipment deliveries
- Delays in the design work on the refurbishment of Bedminster fire station as site investigations and surveys were put back.
- Funds set aside for various minor works on fire stations and training facilities were not utilised during the year due to reduced staff capacity and the disruption of the works on operational sites adhering to reduced occupancy and social distancing measures

Fleet:

- Seven new appliances were purchased in 2020/2021, but COVID-19 restrictions prevented the delivery of three vehicles.
- Vacancies and absences within the Fleet Technical Resource Team meant that it was not possible to procure the other budgeted specialist vehicles, including the Emergency Response Unit (£300k), Hovercraft (£500k), Breathing Apparatus Unit (£200k).

IT and Transformation Programme:

- In February 2021 a unanimous decision was taken by AFA to support the Transformation Programme and approve a total budget which equates to £2.473m. This programme is being funded through approved reserves of £1.964m and through the approved Capital Strategy, totalling £509k, over a three year period ending in 2022/23, though this date has the potential to change based on progress and/or available budget.

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 receives 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 7 to the Statement of Accounts. Using existing indices and interest rates, a surplus has been predicted at the end of the contract period of around £0.32m (£0.16m attributable to Avon). A provision of £0.6m was set up in 2012/13 reflecting the Fire Authority's share of the estimated deficit at that point and has been maintained at that level in 2020/21 to reflect the uncertainty around interest rates and other possible fluctuations. As stated in note 23 to the Statement of Accounts, further to notes 1 and 7 and the volatility of the rates affecting the equalisation fund over the past few years, it is felt prudent to keep the provision for training centre contributions at existing levels. This exact value required will not be known until the end of the PFI scheme in 2028 and won't fully be forecastable until 2026/27.

THE STATEMENT OF ACCOUNTS

The Statement of Accounts explains the Fire Authority's finances during the financial year 2020/21 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 2020/21 comprises:

- **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 Auditor's Report** – this contains the external auditor's 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 Comprehensive Income and Expenditure Statement

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:

2019/2020				2020/2021		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
56,984	(5,842)	51,142	Fire fighting and rescue operations	56,774	(8,056)	48,718
56,984	**(5,842)**	**51,142**	**Cost of Services**	**56,774**	**(8,056)**	**48,718**
		(9,741)	Firefighter Pension Top up Grant			(9,693)
		16,662	Financing and investment income and expenditure (note 28)			14,786
		(42,764)	Taxation and non-specific grant income (note 27)			(41,575)
		15,299	**Deficit on Provision of Services**			**12,236**
		(1,123)	(Deficit) / Surplus on revaluation of non-current assets (note 25)			24
		(48,186)	Remeasurements of the net defined benefit liability (note 26)			51,317
		(49,309)	**Other Comprehensive Income and Expenditure**			**51,341**
		(34,010)	**Total Comprehensive Income and Expenditure**			**63,577**

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 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.

	General Fund Balance £'000	Earmarked Fund Reserves £'000	Unapplied Capital Receipts Reserve £'000	**Total Usable reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
	1,500	**7,118**	**5,689**	**14,307**	**(612,608)**	**(598,301)**
Deficit on the provision of services	(15,299)	-	-	(15,299)	-	(15,299)
Other Comprehensive Expenditure	-	-	-	-	49,309	49,309
	(15,299)	**-**	**-**	**(15,299)**	**49,309**	**34,010**
Adjustments between accounting basis & funding basis under regulations (note 12)	15,956	-	-	15,956	(15,956)	-
	657	**-**	**-**	**657**	**33,353**	**34,010**
Transfers to/from earmarked Reserves (note 24)	(657)	657	(535)	(535)	535	-
	-	**657**	**(535)**	**122**	**33,888**	**34,010**
	1,500	**7,775**	**5,154**	**14,429**	**(578,720)**	**(564,291)**
Deficit on the provision of services	(12,236)	-	-	(12,236)	-	(12,236)
Other Comprehensive Income and Expenditure	-	-	-	-	(51,341)	(51,341)
	(12,236)	**-**	**-**	**(12,236)**	**(51,341)**	**(63,577)**
Adjustments between accounting basis & funding basis under regulations (note 12)	15,132	-	-	15,132	(15,132)	-
	2,896	**-**	**-**	**2,896**	**(66,473)**	**(63,577)**
Transfers to/from earmarked Reserves (note 24)	(2,896)	2,896	1,967	1,967	(1,967)	-
	-	**2,896**	**1,967**	**4,863**	**(68,440)**	**(63,577)**
	1,500	**10,671**	**7,121**	**19,292**	**(647,160)**	**(627,868)**

The Balance Sheet

This statement shows the value as at the 31 March 2021 of the total 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 useable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (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'.

31-Mar-20 £'000		Notes	31-Mar-21 £'000
59,169	Property, Plant & Equipment	13	61,988
198	Intangible assets	13	154
59,367	**Long-term Assets**		**62,142**
14,922	Short-term Debtors	17	5,925
-	Inventories		27
9,722	Cash and Cash Equivalents	18	15,094
24,644	**Current Assets**		**21,046**
(1,075)	Short-term Provisions	22	(997)
(6,148)	Short-term Creditors	19	(7,507)
(7,223)	**Current Liabilities**		**(8,504)**
(7,000)	Long-term borrowing	20	(7,000)
	Other Long-term Liabilities		
(631,468)	Net Pensions Liability	26	(693,147)
(590)	Long-term Provisions	23	(590)
(2,021)	Deferred Liability	7	(1,815)
(641,079)	**Long-term Liabilities**		**(702,552)**
(564,291)	**Net Liabilities**		**(627,868)**
14,429	Usable Reserves	24	19,292
(578,720)	Unusable Reserves	25	(647,160)
(564,291)	**Total Reserves**		**(627,868)**

The Authority has long-term assets worth £62.142m (2019/20 £59.367m) primarily comprising Land and Buildings and Vehicles.

Current assets at 31 March 2021 were £21.046m (2019/20 £24.644m) represented by short-term debtors of £5.925m (2019/20 £14.922m) and cash and cash equivalents of £15.094m (2019/20 £9.722m). This is a decrease of £3.598m on current assets over the year and is primarily due to the deferred capital receipt for the old HQ site of £8m being moved from short-term debtors to cash and then additional cash spend relating to the purchase of fixed assets.

Current liabilities at 31 March 2021 were £8.504m (2019/20 £7.223m) comprising provisions of £0.997m (2019/20 £1.075m) and creditors of £7.507m (2019/20 £6.148m).

The Balance Sheet identifies other long-term liabilities of £702.552m (2019/20 £641.079m). This primarily reflects future pension cash flows as calculated under accounting standard IAS 19 of £693.1m (2019/20 £631.5m).

Despite the balance sheet showing a deficit position, this is due to the pension liabilities, which are notional liabilities, as the Firefighters' schemes are unfunded and underwritten by Central Government. Therefore these liabilities are not due to be paid by Avon Fire and Rescue.

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.

2019/2020 £'000		2020/2021 £'000
15,299	Net deficit on the provision of services	12,236
(19,125)	Adjustments to net deficit on the provision of services for non-cash movements (note 29)	(15,854)
(3,826)	Net cash flows from Operating Activities	(3,618)
789	Investing Activities (note 30)	(1,958)
195	Financing Activities (note 31)	203
(2,842)	Net increase or decrease in cash and cash equivalents	(5,373)
(6,880)	Cash and cash equivalents at the beginning of the reporting period	(9,721)
(9,722)	**Cash and cash equivalents at the end of the reporting period (note 18) in-hand**	**(15,094)**

In summary the Authority received surplus cash flows from operating activities of £3.6m (2019/20 £3.8m), a decrease of £0.2m on the previous year. The surplus on investing cash flows was £2m (2018/19 £0.8m deficit – primarily representing the capital receipt on the sale of the former HQ at Temple Back). The deficit on financing activities was £0.2m (2019/20 0.2m – representing the repayment of the PFI contract obligation and long-term debts). The overall increase in cash and cash equivalents was 5.4m (2019/20 £2.8m) for the year.

The Firefighters’ Pension Fund Account and Net Assets Statement

It is unusual for an unfunded pension scheme such as the Firefighters’ Scheme to have a fund 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 on pages 100 – 103, within the draft Statement of Accounts.

	2020/21 Forecast £'000	2020/21 Outturn £'000	2020/21 Variance £'000
Pensions Outgoings			
Pension payments	14,917	15,148	231
Commutations	1,983	1,806	(177)
Transfers to other schemes	15	0	(15)
Other	122	221	99
Total Expenditure	**17,037**	**17,175**	**138**
Pension Income			
Employee Contributions	(2,346)	(2,345)	1
Employer Contributions	(5,244)	(5,324)	(79)
In year ill health income	(260)	(413)	(153)
Transfer in from other schemes	(795)	0	795
Government Grant	(8,391)	(9,093)	(702)
Total Income	**(17,037)**	**(17,175)**	**(138)**
Net Fund Expenditure	0	0	0

Total pension expenditure for the year was £17.2m (2019/20 £17.6m); employer contributions totalled £5.3m (2019/20 £5.3m) for the year. In total a Government top-up grant of £9.1m (2019/20 £9.5m) has been received to fund the gap between expenditure and income. The forecast Transfer-in from other schemes (£795k) will occur in 2021/22.

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. The continued real terms reduction in Government funding has provided a significant financial challenge to the Fire Authority, in addition to the additional Collection Fund deficit and additional pension costs. Whilst the financial challenge is a key driver for change, it remains important that the Fire Authority's future strategies continue to be service-led.

The Fire Authority has published its refreshed Service Plan 2021-24 which incorporates its Integrated Risk Management Plan (IRMP). The Service Plan reflects the changing risk profile in Avon Fire Authority's area and indicates how resources and capability will be used to mitigate foreseeable risks in our communities. The Fire Authority's Service Plan 2021-24 can be viewed at https://www.avonfire.gov.uk/documents/category/216-service-plan

The Fire Authority's revised approved four-year Medium-Term Financial Plan covering the period 2021 to 2025 is summarised below:

Medium Term Financial Plan 2021-2025 Detail Analysis	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Employees	38,199	38,961	39,741	40,535
Premises	2,467	2,516	2,567	2,618
Transport	1,397	1,435	1,464	1,493
Supplies and Services	5,594	5,648	5,691	5,734
Other Costs	2,323	2,126	1,988	1,854
Total Expenditure	49,980	50,687	51,450	52,235
Income	(5,422)	(5,422)	(5,422)	(5,422)
Budget before use of reserves	**44,558**	**45,265**	**46,029**	**46,814**
Reserves	0	0	0	0
Net Budget	**44,558**	**45,265**	**46,029**	**46,814**

The MTFP outlined above is based on a number of assumptions on key financial matters such as inflation, pay awards and government funding and the precept level.

The objectives of the MTFP are:

- To ensure the Authority's strategic priorities can be delivered within the funding envelope available;
- To ensure expenditure 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 precept increases are not excessive; and
- To ensure the Authority maintains a realistic level of general reserves to meet unforeseen events.

Brexit

Following the outcome of the referendum on the UK leaving the EU and the current position on negotiations between the UK Government and the EU on this withdrawal, there is a significant amount of economic uncertainty which brings the potential for further periods of austerity for the UK as a whole.

It is not possible to provide financial forecasts of the impact of Brexit with any certainty. The impact was reviewed during the analysis undertaken for the Medium-Term Financial Plan 2020–2024 and as it remains uncertain as to the specific impact, a financial contingency has been provided to mitigate any potential cost pressures.

Brexit has and continues to adversely affect construction, transportation, supply chains and price fluctuations on materials.

COVID-19

The Fire Authority has established a Critical Incident Management Team to oversee and plan for the effects of COVID-19 within the workplace. The Business Continuity plans have been reviewed, since travel and office based working have been severely curtailed. The Authority is satisfied that it has in place appropriate plans, including home working with access to secure IT equipment and platforms, to minimise disruption to services. It has been identified that the IT infrastructure, whilst adequate to support activities in the short-term, has some long-term issues that will need to be resolved and this work is being undertaken by the Transformation, Procurement and IT teams.

As a provider of frontline public services, there have been minimal operational impacts on the Authority as it maintains the delivery of its core services however delays in capital construction and fluctuations in material prices have been a factor. Due to the financing arrangements with the constituent Unitary Authorities, as at the date of signing, the Authority is not expecting a reduction in funding to impact in the 2020/21 financial year, however a significant deficit relating to the impact of COVID-19 will affect the next 3 years. The precept and non-domestic rates will be paid by the Unitary Authorities as set out in the budget schedules. In addition Central Government funding totalling £1.062m has been allocated to the Authority to pay for additional COVID-19 related costs (£192k received in 2019/20 and a further £870k received in 2020/21).

The Fire Authority is still uncertain how the COVID-19 pandemic will affect property prices, but due to AFA’s property portfolio, the Fire Authority feels this risk is largely mitigated.

Organisational Performance

AF&RS continues to make progress in reducing risk in our community by reducing the number and impact of incidents attended. We have met the reduction targets for deliberate large fires, deliberate vehicle fires, deliberate small fires and attendance at false alarms, and were just off target for accidental dwelling fires. Each incident that is prevented represents a reduction of risk in our community.

We are committed to doing all that we can to make our community safer and our Service stronger. We analyse our data to help us understand what additional interventions and initiatives we can take.

Any fatality in a fire is a tragic loss and AF&RS continues to work towards our target of zero deaths. In 2020/21 we recorded five fire fatalities (2019/2020 five).

Our Performance Report published on our website gives full information about our progress against our targets. https://www.avonfire.gov.uk/documents/category/66-performance-reports

The table below shows the key performance indicators that are considered central to monitoring performance against strategic objectives. The table shows how we measured against target for each indicator in 2020/21 and also compares our performance against 2019/20 although the measurement criteria for Response has changed and therefore no comparison year on year is available:

	How we compare against target (2020/21)		How we compared with the previous year (2019/20)		
	Target (2020/21)	Actual (2020/21)	Actual (2019/20)	Numerical change	% change
Preventing					
Accidental dwelling fires (ADF)	497	461	504	-43	-9%
Deliberate primary fires (excluding vehicles)	228	163	218	-55	-25%
All deliberate vehicle fires	376	227	280	-53	-19%
Deliberate secondary fires (excluding vehicles)	1,005	811	836	-25	-3%
Protecting					
Percentage of ADFs where no fire and rescue service firefighting action is required.	Monitor only	43.9%	45.2%	N/A	-1.3%
Responding**					
Emergency critical response (average)	8:30 (mm:ss)	07:16 (mm:ss)	N/A* (changed method of reporting)	N/A	N/A
Emergency non-critical response (average)	12:30 (mm:ss)	07:31 (mm:ss)	N/A	N/A	N/A
Non-emergency attended calls (average)	62:00 (mm:ss)	07:45 (mm:ss)	N/A	N/A	N/A
Calls for assistance answered within seven seconds	94%	96.2%	96.2%	N/A	+0.0%

Response

This year is the first year of reporting our response using our new standards agreed in our Service Plan 2021-24.This means we measure our response using a more risk based approach, ensuring that we respond quickest to incidents with the most risk. For each of our three response categories we set a target based upon the average time from when we alert our appliances to when they arrive on scene.

For emergency critical responses (where there is a known life risk or involving a property) our target is an average of 8:30 minutes and on average we took 7:16 minutes.

For emergency non-critical responses our target is an average of 12:30 minutes and on average we took 7:31 minutes.

For non-emergency attended calls our target is an average of 62 minutes and on average we took 7:45 minutes.

Where we have not met our response standards it is usually because the nearest fire appliances were committed to dealing with other incidents.

A summary of the service provided to our communities can be seen in the diagram below.

IN 2020/21, DESPITE THE PANDEMIC, AVON FIRE & RESCUE SERVICE

HANDLED 17,894 EMERGENCY CALLS

RESPONDED TO 9,049 INCIDENTS

WAS CALLED TO 550 FIRES IN THE HOME

RESCUED 420 PEOPLE FROM FIRE AND OTHER EMERGENCIES

FITTED 3,480 SMOKE ALARMS

CARRIED OUT 3,027 FIRE SAFETY VISITS IN THE HOME

ENGAGED WITH 2,553 BUSINESSES TO PROVIDE ADVICE

REDUCED OUR CARBON EMISSIONS BY 14% CO_2

ATTENDED 392 VEHICLE FIRES

COVERED OVER 700 SHIFTS DRIVING AMBULANCES

COVERED IN EXCESS OF 11,000 HRS AT MASS VACCINATION CENTRES

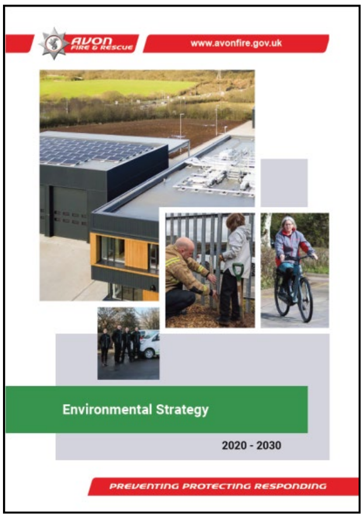
WAS CALLED TO 392 ROAD TRAFFIC COLLISIONS

RESPONDED TO OVER 2700 AMBULANCE 999 CALLS

WE ARE HERE TO HELP 24 HOURS A DAY | SEVEN DAYS A WEEK 365 DAYS A YEAR

ALL FOR ONLY 10P A DAY FOR EACH PERSON IN AVON

CO2 Emissions Report and Environmental Update 2020/21

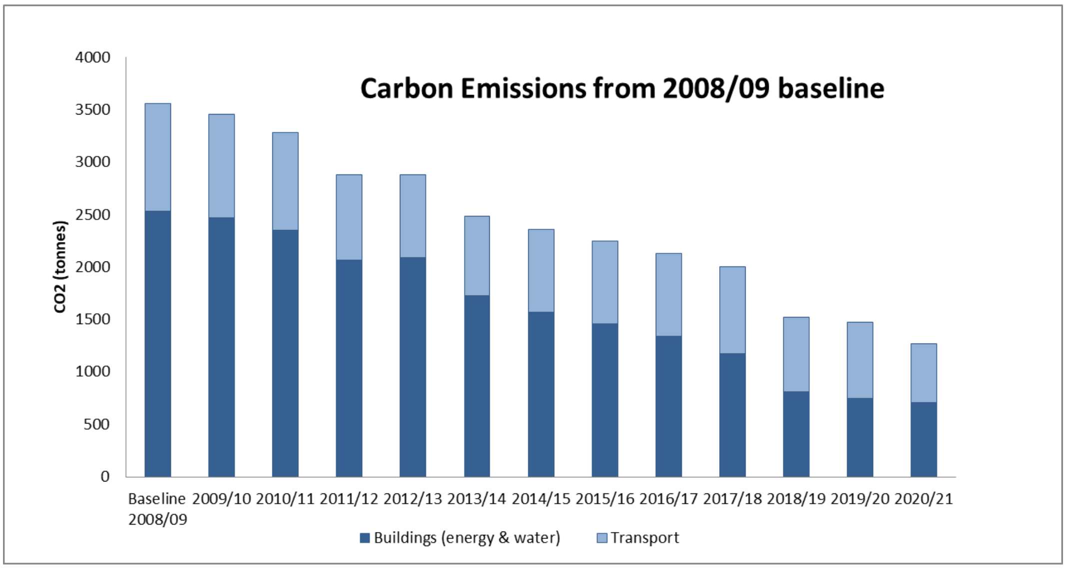


Over the past year, Avon Fire Authority has taken significant steps to acknowledge the climate crisis and biodiversity loss that the world is facing, by declaring both a Climate and an Ecological Emergency. This followed the approval of Avon Fire & Rescue Service's (AF&RS) Environmental Strategy 2020-2030, which outlines the Service's approach to protecting the environment, managing the Service's impacts and being more climate-resilient. Central to the strategy is an ambitious commitment to achieve Net Zero Carbon by 2030, in alignment with the Service's four local authorities' commitments. The strategy is supported by an Action Plan that will be reviewed annually to measure progress and to reflect changes in available technologies or Service developments. This will form the basis of the detailed annual performance reports which will be issued and made available on the AF&RS website.

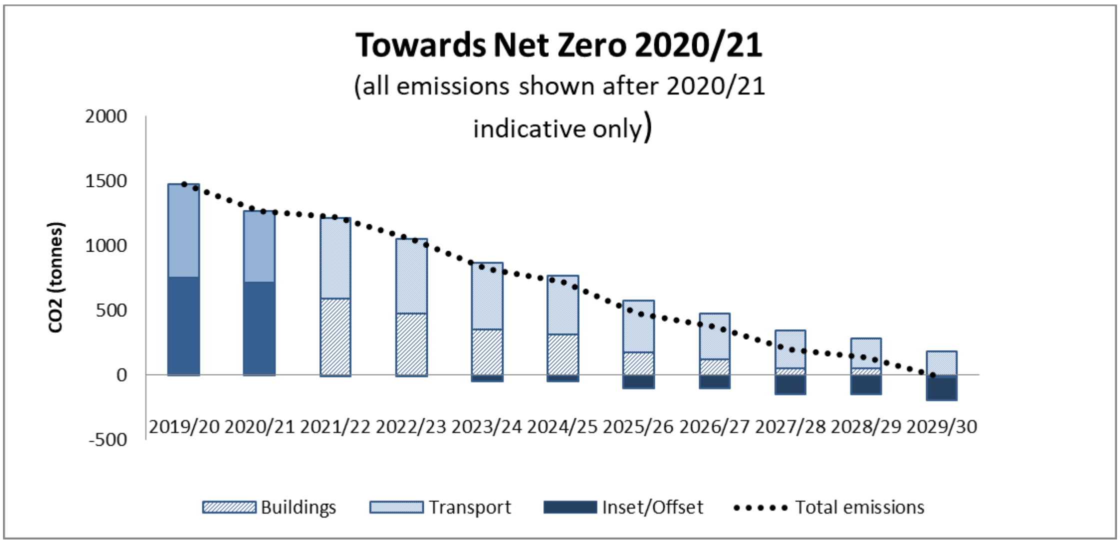
Key performance highlights and measures taken for the past year are summarised below.

CO2 Emissions

To date, AF&RS carbon emissions have been reported against a 2008/09 baseline and by the end of 2020/21, emissions were reduced by 64%. AF&RS-reported carbon emissions are made up of building energy consumption (gas, electricity and heating oil), fleet vehicle fuel, and essential / casual and lease vehicle mileage claims. These are known as Scope 1 & 2 emissions and are from all activities, operations and sites over which we have direct control.



In line with the new Strategy and Net Zero goal, we are now reporting on the annual reduction from 2019/20 emissions towards Net Zero by 2030. A linear trajectory would be 10% reduction per year, however by end 2020/21 (Year 1), we have already achieved a 14% reduction. The graph below shows actual progress to 2020/21, then an indicative trajectory up to 2030. This assumes that any remaining emissions would be 'netted' off using minimal offsets or insets (e.g. tree planting to sequester carbon or investment in on- or off-site renewables) to deal with unavoidable emissions, for example from diesel-fuelled fleet vehicles or essential air travel, which are not zero emission-capable by 2030.



2020/21 emission reductions are due to:

- Fewer Fleet appliance movements. Contributory factors are the changes in our automatic fire alarm response based on better risk analysis, the new system of On-Call Support Officers who provide additional resource so that whole-time crews are not having to go on standby so frequently to On-Call stations, and of course, the impacts of COVID-19 on incident frequency and type over the past year.

- Energy efficiency measures implemented including: Station-wide lighting refurbishment to efficient LEDs and building control upgrade at Southmead to improve heating & hot water efficiency; Heat zoning upgrades at Lansdown Control; Building fabric improvements at a number of On Call stations

- Energy and fuel at a national level has become less carbon intensive as the UK increases the proportion of mains electricity from renewables and biodiesel in pump fuel; therefore the carbon factor we use in our calculations has changed, also reducing our carbon footprint.

Environmental Performance

Other notable environmental actions or achievements in 2020/21 include:

- The Service is delighted to be one of the only Emergency Services awarded a £823,670 Public Sector Decarbonisation Scheme (PSDS) grant in February 2021. This will help the Service reduce energy demand and carbon emissions across our estate, making further progress towards our Net Zero goal.

- Issue of a procurement tender for a contractor to deliver a range of renewable energy and low carbon technology projects to include air source heat pumps, solar electricity panels, and solar thermal and battery energy storage systems. Initially the projects will be funded by the PSDS grant, but the tender will also provide the Service with an on-going mechanism to deliver additional future projects as part of AF&RS Net Zero carbon commitment.

- Approval of an Electric Vehicle Salary Sacrifice Scheme for employees to be procured and rolled out in 2021/22.

- Approval for electric vehicle charging infrastructure to be rolled out across the Service's estate in 2021/22.

- Inclusion of a number of electric vehicles for the Ancilliary Fleet in the 2021/22 Fleet replacement programme.

- Development a Net Zero route map and tool to help establish out a clear route to achieving Net Zero by 2030. This provides an on-going mechanism for calculating projected carbon emission reductions, setting specific targets for each year and financial estimates for carbon reduction measures.

- Initiate work to establish a Scope 3 carbon footprint for indirect activities, such as employee commuting and procured goods, with a route map to reducing those emissions.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;

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

to approve the statement of accounts.

The Treasurer's Responsibilities

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

In preparing this statement of accounts, the Treasurer has:

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent; and

complied with the code of practice.

The Treasurer has also:

kept proper accounting records which were up to date; and

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

Certificate of the Treasurer

I certify that the statement of accounts on pages 28-103 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 2021.

Signed

D. Neale

Danielle Neale
Treasurer of the Avon Fire Authority
23rd September 2021

Comprehensive Income and Expenditure Statement for the year ending 31 March 2021

This statement shows the accounting cost in the year of providing services in accordance with Generally Accepted Accounting Principles (GAAP), 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.

2019/2020				2020/2021		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
56,984	(5,842)	51,142	Fire fighting and rescue operations	56,774	(8,056)	48,718
56,984	**(5,842)**	**51,142**	**Cost of Services**	**56,774**	**(8,056)**	**48,718**
		(9,741)	Firefighter Pension Top up Grant			(9,693)
		16,662	Financing and investment income and expenditure (note 28)			14,786
		(42,764)	Taxation and non-specific grant income (note 27)			(41,575)
		15,299	**Deficit on Provision of Services**			**12,236**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision on Services			
		(1,123)	Surplus on revaluation of non-current assets (note 25)			24
		(48,186)	Remeasurements of the net defined benefit liability (note 26)			51,317
		(49,309)	**Other Comprehensive Income and Expenditure**			**51,341**
		(34,010)	**Total Comprehensive Income and Expenditure**			**63,577**

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 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.

	General Fund Balance £'000	Earmarked Fund Reserves £'000	Unapplied Capital Receipts Reserve £'000	**Total Usable reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 1 April 2019	**1,500**	**7,118**	**5,689**	**14,307**	**(612,608)**	**(598,301)**
Movement in reserves during 2019/20						
Deficit on the provision of services	(15,299)	-	-	(15,299)	-	(15,299)
Other Comprehensive Expenditure	-	-	-	-	49,309	49,309
Total Comprehensive Income and Expenditure	**(15,299)**	**-**	**-**	**(15,299)**	**49,309**	**34,010**
Adjustments between accounting basis & funding basis under regulations (note 12)	15,956	-	-	15,956	(15,956)	-
Net Increase before Transfers to Earmarked Reserves	**657**	**-**	**-**	**657**	**33,353**	**34,010**
Transfers to/from earmarked Reserves (note 24)	(657)	657	(535)	(535)	535	-
Increase/(Decrease) in 2019/20	**-**	**657**	**(535)**	**122**	**33,888**	**34,010**
Balance at 31 March 2020 carried forward	**1,500**	**7,775**	**5,154**	**14,429**	**(578,720)**	**(564,291)**
Movement in reserves during 2020/21						
Deficit on the provision of services	(12,236)	-	-	(12,236)	-	(12,236)
Other Comprehensive Income and Expenditure	-	-	-	-	(51,341)	(51,341)
Total Comprehensive Income and Expenditure	**(12,236)**	**-**	**-**	**(12,236)**	**(51,341)**	**(63,577)**
Adjustments between accounting basis & funding basis under regulations (note 12)	15,132	-	-	15,132	(15,132)	-
Net Increase before Transfers to Earmarked Reserves	**2,896**	**-**	**-**	**2,896**	**(66,473)**	**(63,577)**
Transfers to/from earmarked Reserves (note 24)	(2,896)	2,896	1,967	1,967	(1,967)	-
Increase/(Decrease) in 2020/21	**-**	**2,896**	**1,967**	**4,863**	**(68,440)**	**(63,577)**
Balance at 31 March 2021 carried forward	**1,500**	**10,671**	**7,121**	**19,292**	**(647,160)**	**(627,868)**

Balance Sheet as at 31 March 2021

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 a 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'.

31-Mar-20 £'000		Notes	31-Mar-21 £'000
59,169	Property, Plant & Equipment	13	61,988
198	Intangible assets	13	154
59,367	**Long-term Assets**		**62,142**
14,922	Short-term Debtors	17	5,925
-	Inventories		27
9,722	Cash and Cash Equivalents	18	15,094
24,644	**Current Assets**		**21,046**
(1,075)	Short-term Provisions	22	(997)
(6,148)	Short-term Creditors	19	(7,507)
(7,223)	**Current Liabilities**		**(8,504)**
(7,000)	Long-term borrowing	20	(7,000)
	Other Long-term Liabilities		
(631,468)	Net Pensions Liability	26	(693,147)
(590)	Long-term Provisions	23	(590)
(2,021)	Deferred Liability	7	(1,815)
(641,079)	**Long-term Liabilities**		**(702,552)**
(564,291)	**Net Liabilities**		**(627,868)**
14,429	Usable Reserves	24	19,292
(578,720)	Unusable Reserves	25	(647,160)
(564,291)	**Total Reserves**		**(627,868)**

These financial statements are updated for re-signing and replace the unaudited financial statements approved at the meeting of the Audit, Governance and Ethics Committee on 14th July 2021.

Signed

B. M. Massey

D. Neale

Brenda Massey
Chair of the Avon Fire Authority
23rd September 2021

Danielle Neale
Treasurer of the Avon Fire Authority
23rd September 2021

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.

2019/2020 £'000		2020/2021 £'000
(15,299)	Net deficit on the provision of services	(12,236)
19,125	Adjustments to net deficit on the provision of services for non-cash movements (note 29)	15,854
3,826	Net cash flows from Operating Activities	3,618
(789)	Investing Activities (note 30)	1,958
(195)	Financing Activities (note 31)	(203)
2,842	Net increase or decrease in cash and cash equivalents	5,373
6,880	Cash and cash equivalents at the beginning of the reporting period	9,721
9,722	**Cash and cash equivalents at the end of the reporting period (note 18) in-hand**	**15,094**

Notes to the Core Financial Statements

1. **Statement of Accounting Policies**

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21 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.

The Authority adopted IFRS 15: Revenue Recognition from Contracts with Customers from 1 April 2018, such that revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. The main change is that revenue recognition is now based on the transfer of control over goods and services to a customer rather than risks and rewards, which may result in changes to the pattern of revenue recognition. In local government, the generation of revenues from charges to service recipients is only a minor funding stream and contracts with customers tend to be accounted for and delivered within each financial year.

- Revenue from the sale of goods is recognised when the Authority transfers the significant control 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 charged with the following amounts to record the cost of holding fixed assets during the year:

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

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

vii Employee Benefits

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

The Firefighters Pension Schemes

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

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

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

Discretionary Benefits

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

Long-term Disability Benefit

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

viii Events After the Balance Sheet Date

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

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

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

ix Financial Instruments and Fair Value Measurement

The Authority's financial assets and financial liabilities are classified as held at amortised cost.

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Fair value measurement

The Authority measures some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Financial instruments as set out in note 21 are classified at the following levels in the hierarchy:

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

x Government Grants and Contributions

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

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

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

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

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

xi Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised on a straight line basis over its useful life of 5 years to the Fire fighting and rescue operations 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. 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.

Recognition

Assets costing individually or collectively less than £5,000 are classed as de-minimis 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.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price; and
- 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.

Valuation

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

- operational land and properties and other operational assets – either depreciated replacement costs for specialised assets, or at existing use value for other assets;
- vehicles, plant and equipment – depreciated historical cost, as a proxy for fair value; and
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Property valuations are undertaken by an external professional valuer independent of the Fire Authority in accordance with the RICS Valuation – Global Standards.

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. The depreciated replacement cost assumes that the asset would be replaced with a modern equivalent, not a building of identical design, with the same service potential as the existing asset.

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

Depreciation is not charged in the year of acquisition.

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

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

Disposals

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

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

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

xiii 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 its 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 revalued 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.

xiv Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>

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

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

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

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

<u>Contingent Liabilities</u>

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.

<u>Contingent Assets</u>

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.

xv 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.

xvi VAT

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

xvii Council Tax and Non-Domestic Rates

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

2.

a. Critical Judgements in Applying Accounting Policies

In applying the policies set out in the Statement of Accounting Policies, the Authority has to make certain judgements about complex transactions or those involving uncertainty about future events. It is felt that there are no critical judgement required in relation to applying accounting policies.

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 2021 for which there is a risk of adjustment in the forthcoming financial year are as follows:

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

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

- Land and Building assets are subject to external valuations every 5 years. These valuations are physically completed for an element of the asset stock and then applied across the full asset stock. Although these valuations are completed by industry experts they are estimates and due to the high value of such assets there is a risk of error as the estimates could result in significant differences. Further medium to long term estimation uncertainty also arises from the economic impact of COVID-19, as discussed further below. No assumption has been made in relation to the potential impact of Brexit on land and buildings valuations as at this stage it is not possible to make forecasts with any certainty.

- COVID-19:
  The Accounts demonstrate the performance of the Authority as at 31st March 2021, vast periods during this year the UK has been subject to national lockdowns or local restrictions as a result of the COVID-19 global pandemic and changed the way we deliver services. In the South West of England we have been fortunate with infections from the pandemic and as an authority we have seen minimal impacts on sickness or our ability to deliver our core services. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions on the value of land and buildings. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

  The land and buildings valuations (see note 16 on page 67) are therefore reported on the basis of VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, it’s recommended that the valuation of these properties is frequently reviewed.

The value of UK land and property investments that make up part of the assets held in the local government pension scheme (see note 26 on page 92) is £1,431k which also has material valuation uncertainty.

The value of land and property assets (see note 13 on page 58) is £48,958k.

- There is still uncertainty about the implications of Britain leaving the European Union. The judgement has been made that this will not significantly impair the value of the Fire Authority’s assets. However this judgement needs to be revisited and reviewed regularly.

c. Accounting Standards issued but not yet adopted

The Code of Practice on Local Council Accounting in the United Kingdom (the Code) requires the Authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued or amended but not yet adopted.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

For this disclosure the standards introduced only include a number of minor amendments to the following International Financial Reporting Standards and are currently not applicable or will not have a material impact to the Authority and the information provided in the financial statements..

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2022.

IFRS 9, IFRS 39, IFRS 7, IFRS 4 & IFRS 16 will all be slightly amended for the Interest Rate Benchmark Reform.

3. Expenditure and Funding Analysis

This analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) in comparison with those resources consumed or earned. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21	Net Expenditure Chargeable to the General Fund £'000	Adjustment between Funding and Accounting Basis (Note 4) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Fire fighting and rescue operations	40,724	7,994	48,718
Net Cost of Service	**40,724**	**7,994**	**48,718**
Other Income	(43,620)	7,138	(36,482)
(Surplus)/Deficit on Provision of Services	**(2,896)**	**15,132**	**12,236**
Opening Usable Reserves Balance	9,275		
Plus surplus on Usable Reserves Balance in year	2,896		
Closing Usable Reserve Balance at 31 March	12,171		

2019/20	Net Expenditure Chargeable to the General Fund £'000	Adjustment between Funding and Accounting Basis (Note 4) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Fire fighting and rescue operations	42,648	8,494	51,142
Net Cost of Service	**42,648**	**8,494**	**51,142**
Other Income	(43,305)	7,462	(35,843)
(Surplus)/Deficit on Provision of Services	**(657)**	**15,956**	**15,299**
Opening Usable Reserves Balance	8,618		
Plus surplus on Usable Reserves Balance in year	657		
Closing Usable Reserve Balance at 31 March	9,275		

4. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

2020/21	Adjustments for Capital Purposes £'000	Net change for the Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Fire fighting and rescue operations	2,222	5,854	(82)	7,994
Net Cost of Service	**2,222**	**5,854**	**(82)**	**7,994**
Other Income and Expenditure	279	4,508	2,351	7,138
Deficit on Provision of Services	**2,501**	**10,362**	**2,269**	**15,132**

2019/20	Adjustments for Capital Purposes £'000	Net change for the Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Fire fighting and rescue operations	1,766	6,693	35	8,494
Net Cost of Service	**1,766**	**6,693**	**35**	**8,494**
Other Income and Expenditure	368	6,583	511	7,462
Deficit on Provision of Services	**2,134**	**13,276**	**546**	**15,956**

- Adjustments for capital purposes

Cost of Service - adds in depreciation and impairment and revaluation gains and losses.

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing, i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – Capital grants are adjusted for as income not chargeable under generally accepted accounting practices. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions.

- Net change for the pensions' adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension-related expenditure and income:

Cost of services - removes the employer pension contributions made by the Authority as allowed by statute and replaces it with current and past service costs.

Financing and investment income and expenditure - the net interest on the defined benefit liability charged to the Comprehensive Income and Expenditure Statement.

- Other Differences

Other Differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

Taxation and non-specific grant income and expenditure - represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

5. Expenditure and Income Analysed by Nature

This reconciliation shows how the Surplus or Deficit on Provision of Service included in the Comprehensive Income and Expenditure Statement is analysed by nature.

2019/20 £'000		2020/21 £'000
	Expenditure	
44,361	Employee benefits expenses	43,968
9,364	Other Service expenses	9,562
3,633	Depreciation, amortisation and impairment	3,244
16,964	Interest payments	14,830
(374)	Pension past service costs	-
73,948		71,604
	Income	
(402)	Fees & charges and other service income	(795)
(31,692)	Income from Council Tax & Business Rates	(30,323)
(26,253)	Grants and contributions	(28,206)
(302)	Interest and investment income	(44)
(58,649)		(59,368)
15,299	**Deficit on the provision of services**	12,236

6. 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 auditor.

2019/2020 £'000		2020/2021 £'000
24	Fees payable with regard to external audit services carried out by the appointed auditor	24
-	Additional Value for Money risk factors	9
31	Additional fees regarding extra work on the impact of prior year adjustments	-
5	Additional fees regarding extra work on the impact of the McCloud judgement	-
9	Additional fees regarding public access work	-

7. 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 receives a significant element of its fire training from Babcock Fire Training (Avonmouth) Limited, a company contracted to provide the training until 31 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 nine years of the joint venture are as follows:

2019/2020 £'000		Service Charge £'000	Interest £'000	Repayment of Liability £'000	Total 2020/2021 £'000
1,515	Total contract payments	931	403	203	1,537
	Outstanding undischarged contract obligations:				
1,537	Within 1 year	954	392	206	1,552
6,540	Between 2 and 5 years	4,059	1,567	1,116	6,742
5,347	Between 6 and 7 years	2,184	710	699	3,593

As detailed in the note 1 (Statement of Accounting Policies) and more specifically throughout this note the Authority has entered into a Joint Training PFI scheme. As part of this scheme the equalisation fund, administered by Gloucestershire County Council, is invested to ensure that adequate funding is available throughout the life of the contract. The fund is reviewed and if necessary contributions from the three partners amended every three to five years with the intention that the balance on the fund at the end of the contract will be nil.

The fund as at 31 March 2021 is forecasted to be in surplus of £71k at the end of the contract; the surplus has increased by £63k from the small surplus that was calculated at 31 March 2020. There are unknowns regarding inflation rates over the remaining 7 years of the contract.
The Training Centre contributions by the three partners are to remain at current levels to mitigate the risk of future rises in inflation rates. The Authority considers it prudent to also keep the provision at existing levels.

Summary totals for the Asset held under the PFI and accounted for as part of Long Term 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 2020	5,536
Accumulated Depreciation and Impairment	(3,358)
Net Book Value of Asset at 31 March 2020	2,178
Movement in 2020/21	
Life Cycle replacement costs (additions)	10
Revaluation	(24)
Depreciation	(269)
Net Book Value of Asset at 31 March 2021	1,895

Summary totals for the corresponding liability are as follows:

	Property Plant & Equipment £'000
PFI Lease Liability outstanding at 31 March 2020	2,223
PFI Lease Liability repaid in 2020/21	(202)
PFI Lease Liability outstanding at 31 March 2021	2,021
PFI Lease Liability - Current	206
PFI Lease Liability - Deferred	1,815

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.

8. Members' Allowances

In accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended) the total sums paid by Avon Fire Authority to members/co-optees under the Avon Fire Authority Members' Allowances Scheme for 2020/21 are set out on the following page. The summary of allowances, which have been paid under this scheme are as follows:

2019/2020 £'000		2020/2021 £'000
51	Allowances	51
51	**Total**	**51**

A copy of the Members' Allowances Scheme and of the record of payments made under the scheme are available for inspection by appointment at Police and Fire Headquarters, Valley Road, Portishead, Bristol, BS20 8JJ between 8.30am and 4.30pm Monday to Friday (excluding public holidays).

A detailed list of individual payments can be seen below:

2019/2020 £	Recipient	Basic Allowance £	Special Responsibility Allowance £	Travel & Subsistence Expenses £	2020/2021 £
1,542	Councillor J Ashe	1,584	-	-	1,584
	Councillor S Bromley	1,307	-	-	1,307
1,718	Councillor T Butters	1,584	-	-	1,584
1,370	Councillor E Clough	409	-	-	409
396	Councillor C Davies	-	-	-	-
11,219	Councillor D Davies	1,584	9,681	15	11,280
3,666	Councillor A Davis	1,584	2,165	-	3,749
1,649	Councillor R Eddy	1,584	-	-	1,584
170	Councillor R Garner	-	-	-	-
2,596	Councillor P Goggin	1,584	1,083	54	2,721
882	Councillor A Hale	-	-	-	-
1,295	Councillor H Hopkinson	1,584	-	-	1,584
882	Councillor C Jackson	-	-	-	-
1,202	Councillor R Jacobs	1,584	-	-	1,584
1,542	Councillor C Johnson	1,584	-	-	1,584
1,238	Councillor T Jones	1,584	-	-	1,584
	Councillor S Khan	1,167	-	-	1,167
3,398	Councillor C Lake	1,584	2,107	-	3,691
3,057	Councillor B Massey	1,584	2,165	-	3,749
1,238	Councillor A Monk	1,584	-	-	1,584
153	Councillor M Morris	-	-	-	-
1,174	Councillor P Myers	1,584	-	-	1,584
1,238	Councillor R Payne	1,584	-	-	1,584
1,542	Councillor C Phipps	1,584	-	-	1,584
373	Councillor S Pomfret	-	-	-	-
153	Councillor I Scott	-	-	-	-
1,204	Councillor B Shearn	277	-	-	277
153	Councillor M Shelford	-	-	-	-
1,238	Councillor R Tucker	1,584	-	-	1,584
153	Councillor M Williams	-	-	-	-
187	Councillor N Wilton	-	-	-	-
3,649	Councillor C Windows	1,584	2,165	-	3,749
354	Mrs S Burrell	-	-	-	-
50,631		31,672	19,366	69	51,107

9. **Employees' Remuneration**

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

2019/2020 No. of Employees	Remuneration Band	2020/2021 No. of Employees
9	£50,000 - £54,999	10
11	£55,000 - £59,999	9
12	£60,000 - £64,999	15
7	£65,000 - £69,999	6
4	£70,000 - £74,999	3
1	£75,000 - £79,999	2
1	£80,000 - £84,999	2

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

2019/2020			2020/2021			
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
1	1	£0 - £20,000	-	2	2	3
1	24	£20,001 - £30,000	-	-	-	-
1	33	£30,001 - £40,000	-	1	1	32
3	58	Total	-	3	3	35

10. Senior Officer Remuneration

Under the CIPFA Code of Practice, 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 and 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 - M Crennell	**2020/21**	**148,671**	**9,014**	**54,743**		**212,428**
	2019/20	145,229	2,935	53,669		201,833
Deputy Chief Officer & Deputy Chief Executive - L Houghton	**2020/21**	**-**	**-**	**-**		**-**
	2019/20	157,148	3,117	26,474	1	186,739
Assistant Chief Fire Officer - Director of Service Delivery	**2020/21**	**117,344**	**7,860**	**33,822**		**159,026**
	2019/20	117,340	3,698	33,039		154,077
Interim Assistant Chief Fire Officer - Director of Service Delivery	**2020/21**	**74,400**	**927**	**12,567**	**2**	**87,894**
	2019/20	18,753	633	2,877	3	22,263
Assistant Chief Fire Officer - Director of Service Delivery Support	**2020/21**	**122,044**	**1,054**	**33,781**		**156,879**
	2019/20	118,165	1,314	44,381		163,860
Director of Corporate Services	**2020/21**	**31,799**	**-**	**5,628**	**4**	**37,427**
	2019/20	-	-	-		-
Interim Director of Corporate Services	**2020/21**	**63,598**	**-**	**11,257**	**5**	**74,855**
	2019/20	23,267	-	3,560	6	26,827
Treasurer	**2020/21**	**53,928**	**-**	**9,545**	**7**	**63,473**
	2019/20	-	-	-		-
Interim Treasurer	**2020/21**	**-**	**-**	**-**		**-**
	2019/20	12,257	-	-	8	12,257
Interim Treasurer and Finance Manager	**2020/21**	**25,628**	**-**	**3,065**	**9**	**28,693**
	2019/20	120,089	4,199	18,219		142,507
Legal Advisor, Clerk & Monitoring Officer	**2020/21**	**29,131**	**-**	**5,069**	**10**	**34,200**
	2019/20	29,734	-	3,784	11	33,518
Total 2020/21		**666,543**	**18,855**	**169,477**		**854,875**
Total 2019/20		741,982	15,896	186,003		943,881

(1) Post holder resigned 31/12/19

(2) Interim appointment ended on 30/09/2020 but recommenced on 11/01/21

(3) Interim appointment commenced 27/1/20

(4) Appointment commenced 27/7/20

(5) Interim appointment ended 26/7/20

(6) Interim appointment commenced 1/1/20

(7) Appointment commenced 4/5/20

(8) Interim appointment ended 30/6/19

(9) Post holder resigned 31/5/20

(10) Appointment commenced 30/9/20

(11) Post holder resigned 30/6/19

11. Related Party Transactions

The Code of Practice requires disclosure of material transactions with 'related parties' – bodies or individuals including key management / personnel that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. For 2020/2021 the appropriate items are as follows:

- UK 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 – (£18,513k).

- 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 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 there have been no significant transactions during the year.

- Other local authorities:

  - Bristol City Council as a billing Authority responsible for collecting council tax & business rates on behalf of the Fire Authority for its area (£11,800k). Also is a provider of financial services to the Fire Authority £229k.

  - Bath & North East Somerset Council as a billing Authority responsible for collecting council tax & business rates on behalf of the Fire Authority for its area - (£5,735k) 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 £18,192k.

  - North Somerset Council (£6,403k) and South Gloucestershire Council (£8,736k) as billing authorities responsible for collecting council tax and business rates on behalf of the Fire Authority for their areas.

- Other public bodies:

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

  - Police and Crime Commissioner for Avon and Somerset own the premises of the Authority's headquarters and the cost of the service charge is £210k.

12. 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.

2019/20 Fund balance £'000	2019/20 Movement in Unusable Reserves £'000		2020/21 Fund balance £'000	2020/21 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:		
3,581	(3,581)	Charges for depreciation, impairment & revaluation of non-current assets	3,200	(3,200)
52	(52)	Amortisation of intangible assets	44	(44)
		Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement		
(251)	251	Capital expenditure charged against Fund balance	(10)	10
(280)	280	Statutory Provision for the Repayment of Debt - MRP	(280)	280
(195)	195	Statutory Repayment of Debt - PFI	(203)	203
(773)	773	Voluntary Provision above MRP	(250)	250
		Adjustments primarily involving the Pensions Reserve		
21,081	(21,081)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 26)	19,000	(19,000)
(7,805)	7,805	Employer's pension contributions and direct payments	(8,638)	8,638
		Adjustments primarily involving the Collection Fund Adjustment Account		
511	(511)	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	2,351	(2,351)
		Adjustments primarily involving the Accumulated Absences Account		
35	(35)	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	(82)	82
15,956	**(15,956)**	**Total Adjustments**	**15,132**	**(15,132)**

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

Property, Plant and Equipment

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

	Asset under construction £'000	Land & Buildings £'000	2020/21 PFI £'000	Vehicles & Equipment £'000	**Total £'000**
Cost or Valuation					
1 April 2020	-	47,592	5,536	26,346	**79,474**
Additions	2,460	285	10	3,288	**6,043**
Disposals	-	-	-	(148)	**(148)**
Revaluation (decreases)/increases to Revaluation Reserve	-	-	(24)	-	**(24)**
Revaluation increases to (surplus) / deficit on the provision of Services	-	-	-	-	**-**
31 March 2021	**2,460**	**47,877**	**5,522**	**29,486**	**85,345**
Depreciation and impairments					
1 April 2020	-	-	(3,358)	(16,947)	**(20,305)**
Charge for year	-	(1,379)	(269)	(1,552)	**(3,200)**
Disposals	-	-	-	148	**148**
Revaluation written out to (surplus) / deficit on the provision of Services	-	-	-	-	**-**
31 March 2021	**-**	**(1,379)**	**(3,627)**	**(18,351)**	**(23,357)**
Net book value of assets at 31 March 2020	**-**	**47,592**	**2,178**	**9,399**	**59,169**
Net book value of assets at 31 March 2021	**2,460**	**46,498**	**1,895**	**11,135**	**61,988**

	Land & Buildings £'000	2019/20 PFI £'000	Vehicles & Equipment £'000	**Total £'000**
Cost or Valuation				
1 April 2019	47,971	5,523	26,212	**79,706**
Additions	458	-	164	**622**
Disposals	(4)	-	(30)	**(34)**
Revaluation increases to Revaluation Reserve	(2,378)	13	-	**(2,365)**
Revaluation increases to (surplus) / deficit on the provision of Services	1,545	-	-	**1,545**
31 March 2020	**47,592**	**5,536**	**26,346**	**79,474**
Depreciation and impairments				
1 April 2019	(347)	(3,086)	(15,264)	**(18,697)**
Charge for year	(1,397)	(272)	(1,713)	**(3,382)**
Disposals	-	-	30	**30**
Revaluation written out to (surplus) / deficit on the provision of Services	1,744	-	-	**1,744**
31 March 2020	**-**	**(3,358)**	**(16,947)**	**(20,305)**
Net book value of assets at 31 March 2019	**47,624**	**2,437**	**10,948**	**61,009**
Net book value of assets at 31 March 2020	**47,592**	**2,178**	**9,399**	**59,169**

The uncertainty of land and buildings valuations due to COVID-19 are further referred to in note 2b on pages 45 and 46.

Intangible Non-Current Assets

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

2019/20 £'000	Intangible Assets (Purchased software licences)	2020/21 £'000
	Original Cost	
926	1 April 2020 (2019)	**1,093**
167	Additions	-
1,093	31 March 2021 (2020)	**1,093**
	Amortisation and impairments	
(843)	1 April 2020 (2019)	**(895)**
(52)	Charge for year	(44)
(895)	31 March 2021 (2020)	**(939)**
83	**Net book value of assets at 31 March 2020 (2019)**	**198**
198	**Net book value of assets at 31 March 2021 (2020)**	**154**

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

Capital expenditure and sources of finance were as follows:

2019/20 £'000		2020/21 £'000
458	Land and buildings	2,754
20	Vehicles	2,656
81	Ops equipment	299
64	IT Hardware	334
167	Software	-
790		**6,043**
535	Unapplied Capital Receipts	6,033
4	Capital Receipts	-
251	Revenue Contributions	10
790		**6,043**

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.

2019/20 £'000		2020/21 £'000
15,354	Opening Capital Financing Requirement	14,106
	Capital Investment	
623	Property, Plant and Equipment	6,042
167	Intangible assets	1
	Sources of finance	
(535)	Unapplied Capital Receipts	(6,033)
(4)	Capital Receipts	-
(1,499)	Revenue Provision	(743)
14,106	Closing Capital Financing Requirement	**13,373**
	Explanation of movements in year	
(1,053)	Decrease in underlying need to borrow (supported by Government financial assistance)	(530)
(195)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(203)
(1,248)	Decrease in Capital Financing Requirement	**(733)**

15. **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 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 1 April 2008 the Authority is required to repay this debt over the life of the asset 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.

During 2020/21 the Authority made additional Voluntary Revenue Provision (VRP) over and above MRP in relation to the repayment of deferred borrowing.

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

2019/20 £'000		2020/21 £'000
	Opening Capital Financing Requirement as at 1 April:	
61,092	Fixed Assets	59,368
(19,060)	Revaluation Reserve	(19,626)
(26,678)	Capital Adjustments Account	(25,636)
15,354	Opening Capital Financing Requirement	**14,106**
(1,248)	Less in year statutory and voluntary revenue provision	(733)
14,106	Capital Financing Requirement	**13,373**
(165)	Adjustment Factor A	(165)
13,941	Adjusted Capital Financing Requirement	**13,208**
280	MRP	280
968	VRP	453
1,248		733

16. 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 revalued 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. Land and Buildings were revalued by external valuers, Jones Lang LaSalle, as at 31 March 2020.

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 depreciated replacement cost assumes that the asset would be replaced with a modern equivalent, not a building of identical design, with the same service potential as the existing asset. The modern equivalent may well be smaller than the existing asset, for example due to technological advances in plant and machinery.

The uncertainty of land and buildings valuations due to COVID-19 are further referred to in note 2b on pages 45 and 46.

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

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

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

17. Debtors

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

31/03/2020 £'000		31/03/2021 £'000
83	Trade Debtor	17
246	VAT - Non trade	359
1,799	Collection Fund - Non Trade	1,424
3,026	Pension top up grant - Non trade	2,653
8,000	Deferred Capital Receipts	-
1,768	Other - Non trade	1,472
14,922		5,925

18. 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:

31/03/2020 £'000		31/03/2021 £'000
9,722	Bank Current Accounts in-hand	15,094
9,722		15,094

19. Creditors

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

31/03/2020 £'000		31/03/2021 £'000
(1,012)	Trade Creditors	(1,961)
(629)	PAYE - Non-trade	(652)
(992)	Grants received in advance - Non-trade	-
(3,515)	Other - Non-trade	(4,894)
(6,148)		(7,507)

20. Analysis of Borrowing

The loans outstanding consist of two through The Public Works Loan Board. The maturity of long-term loans is as follows:

31/03/2020 £'000		31/03/2021 £'000
-	Between 1 and 2 years	-
-	Between 2 and 5 years	-
3,500	Between 5 and 10 years	3,500
3,500	Over 10 years	3,500
7,000	Total long-term borrowing at year-end	7,000

As at 31 March 2021 (2020) the Authority had deferred borrowing of £4,352k (£4,882k).

21. 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 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Financial Liabilities at amortised cost	(9,021)	(8,815)	(3,848)	(5,467)
Total borrowings	**(9,021)**	**(8,815)**	**(3,848)**	**(5,467)**
Financial Assets at amortised cost	-	-	15,396	19,287
Financial Assets at fair value through profit or loss	-	-	8,000	-
Total debtors	**-**	**-**	**23,396**	**19,287**

Reconciliation note

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

	Current	
	31 March 2020 £'000	31 March 2021 £'000
Financial Liabilities at amortised cost as above	**(3,848)**	**(5,467)**
Statutory debt in relation to HMRC	10	(652)
Receipts in advance	(992)	-
Short-term liabilities in relation to PFI	(203)	(206)
Receipts in advance and overpayments in relation to Council Tax .	(652)	(758)
Fire Fighter pension scheme - Ill health	(463)	(424)
Short-term Creditors per note 19	**(6,148)**	**(7,507)**

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:

2020/2021	Financial Liabilities measured at amortised costs £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expense			
- Loan	221	-	221
- PFI	440	-	440
Interest payable and similar charges	**661**	**-**	**661**
Interest income	-	(36)	(36)
Interest and Investment Income	**-**	**(36)**	**(36)**
Net loss/(gain) for the year	**661**	**(36)**	**625**

Fair Values

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

- For loans, the new maturity rates from the Public Works Loan Board (PWLB) as available at 31 March have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount; and
- 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 2020		31 March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loan Debt				
Public Works Loan Board	(7,000)	(9,705)	(7,000)	(8,991)
Deferred Liability - PFI	(2,021)	(2,021)	(1,815)	(1,815)
Total debt	**(9,021)**	**(11,726)**	**(8,815)**	**(10,806)**
Trade and other creditors	(3,848)	(3,848)	(5,467)	(5,467)
Total Financial Liabilities	**(12,869)**	**(15,574)**	**(14,282)**	**(16,273)**

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

Reconciliation note

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

	Current	
	31 March 2020 £'000	31 March 2021 £'000
Carrying amount total debt per below	**(7,000)**	**(7,000)**
Long-term Borrowing per note 20	(7,000)	(7,000)
Total Borrowing	**(7,000)**	**(7,000)**

	Current	
	31 March 2020 £'000	31 March 2021 £'000
Trade and other Creditors per above	**(3,848)**	**(5,467)**
Statutory debt in relation to HMRC	10	(652)
Receipts in advance	(992)	-
Short-term liabilities in relation to leases inc PFI	(203)	(206)
Receipts in advance and overpayments in relation to Council Tax	(652)	(758)
Fire Fighter pension scheme - Ill health	(463)	(424)
Short-term Creditors per note 19	**(6,148)**	**(7,507)**

Financial assets held at amortised cost

	31 March 2020		31 March 2021	
	Carrying Amount £'000	Amortised Cost £'000	Carrying Amount £'000	Amortised Cost £'000
Financial assets held at amortised cost				
Bank and cash	9,722	9,722	15,094	15,094
Total debt / (credit)	**9,722**	**9,722**	**15,094**	**15,094**
Trade and other debtors	5,674	5,674	4,193	4,193
Total Loans and Receivables	**15,396**	**15,396**	**19,287**	**19,287**

Financial assets held at fair value through profit or loss

	31 March 2020		31 March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial assets held at fair value through profit or loss				
Deferred Capital Receipts	8,000	8,000	-	-
Total Loans and Receivables	**8,000**	**8,000**	**-**	**-**

Reconciliation note

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

	Current	
	31 March 2020 £'000	31 March 2021 £'000
Trade and other Debtors per above	**13,674**	**4,193**
Short-term Debtors in Council Tax	2,499	2,093
Provision for bad debt	(1,497)	(720)
Short-term Debtors in VAT	246	359
Short-term Debtors per note 17	**14,922**	**5,925**

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; and
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

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

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

- 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 at the Fire Authority committee. 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, which gives priority to security and liquidity rather than yield.

The Authority's surplus cash is invested with Bristol City Council. A fixed payment, or charge if overdrawn, on the daily cash balance is set at 7 days LIBID. As such this further reduces the credit risk to negligible amounts.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default of payment due 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 2021 £'000	Historical experience of default	Adjustments for market conditions at 31 March 2021	Estimated maximum exposure to default at 31 March 2021 £'000	Estimated maximum exposure to default as reported 31 March 2020 £'000
Other counterparties - Local Authorities	1,404	0.0%	0.0%	-	-
Other counterparties - NHS	-	0.0%	0.0%	-	-
Other counterparties - Central Government	2,671	0.0%	0.0%	-	-
Trade and other debtors	473	0.2%	0.8%	4	4
	4,548			**4**	**4**

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 with reference to specific debtors and individual debts, not a formula basis, at the year-end has been carried out and an impairment to financial assets provision of £4k has been created to cover the risk of default. Due to the small number and value of debts the Authority's write off policy is on a case by case basis when there is no reasonable expectation of recovery, which is seen a definition of default, even though they are still subject to enforcement activity. There has been no change in our approach during the year and no material change from one year to another or expected in future years.

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 manages the operational risks within the approved parameters.

The maturity analysis of financial liabilities is as follows:

2020/2021	£'000
Less than one year	(5,467)
Between 1 and 2 years	(234)
Between 2 and 5 years	(882)
More than 5 years	(7,699)
	(14,282)

The maturity analysis of financial assets is as follows:

2020/2021	£'000
Less than one year	19,287
Between 1 and 2 years	-
Between 2 and 5 years	-
More than 5 years	-
	19,287

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 £4,352k which is being funded by utilising balances to offset borrowing in the short term in accordance with the Authority's approved Treasury Management Strategy.

A differential increase in interest rates between long-term and short-term rates would lead to an interest rate exposure for the Authority. This risk can be mitigated against increased counterparty risks associated with lending surplus balances as part of the treasury management function. The effect of a 1% change (rise or fall) in rates on interest rate risk relating to deferred borrowing of £4,352k would be £44k.

<u>Effects of a 1% rise in rates:</u>

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

2020/2021	£'000
Increase in interest receivable on variable rate investments	181
Impact on Surplus or Deficit on the Provision of Services	**181**

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

2020/2021	£'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)	(988)

Effects of a 1% fall in rates:

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

Zero bank interest has been received in 2020/21 as interest rates have been below zero. A 1% fall in rates would thus have no impact as the amount received would still be zero.

Other interest received in year was in relation to amounts charged against Deferred Capital Receipts but this has also been fully settled in year so not impact on interest rate movements.

2020/2021	£'000
Increase in interest receivable on variable rate investments	-
Impact on Surplus or Deficit on the Provision of Services	**-**

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

2020/2021	£'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)	1,112

The methodology and assumptions are based on a 1% movement in rates as this is a simple visual comparator. Obviously, rates could change by different amounts and so the impact would be proportionate.
These assumptions are using 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.

22. Short Term Provisions

	Balance at 1 April 2019 £'000	Additional Provisions Made in 2019/20 £'000	Amounts Utilised in 2019/20 £'000	Balance at 31 March 2020 £'000	Additional Provisions Made in 2020/21 £'000	Amounts Utilised in 2020/21 £'000	Balance at 31 March 2021 £'000
Fire Hydrants	65	-	-	65	-	-	65
HQ Relocation Expenses	186	-	(112)	74	-	(54)	20
NDR Appeals	662	733	(662)	733	709	(733)	709
Major repairs	276		(73)	203	-	-	203
	1,189	733	(847)	1,075	709	(787)	997

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

- Fire Hydrants
  This provision has been created and retained due to a backlog of maintenance work. Hydrant inspections are scheduled to be carried out on a three yearly cycle but due to past staff shortages the inspection programme has been behind schedule. Any maintenance work identified then needs to be scheduled for repairs with the relevant water company. It is anticipated that this provision will be used over the next two years.

- HQ Relocation Expenses
  The Fire Authority moved support staff to share the Police headquarters site at Portishead. The staff, previously located at the headquarters site at Temple Back, were relocated in September 2017 and a provision was created to cover the expected additional travel costs that will be incurred by support staff as a result of this move in accordance with the Fire Authority's approved relocation policy. The remainder of this provision has been retained to cover any claims not yet submitted by March 2021. The remainder will then be fully utilised within 2021/22.

- NDR Appeals
  This provision has been created to allow for the cost of possible NDR Appeals. The timing is dependent on the Valuation Office hearing and passing judgement on these appeals.

- Major Repairs
  During 2017/18 an accommodation block attached to one of the Authority's fire stations suffered a significant structural failure. Investigations are ongoing to determine the extent of the defects and the necessary rectification works required as a result. Some works have taken place during 2018/19 and 2019/20 and it is anticipated that the remaining required rectification works will be undertaken during 2021/22 as these were delayed by COVID-19 restrictions.

23. Long Term Provisions

	Balance at 1 April 2019	Additional Provisions Made in 2019/20	Amounts Utilised in 2019/20	Balance at 31 March 2020	Additional Provisions Made in 2020/21	Amounts Utilised in 2020/21	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PFI	590	-	-	590	-	-	590
	590	-	-	590	-	-	590

<u>Private Finance Initiative</u>

Further to notes 1 and 7 and the volatility of the rates affecting the equalisation fund over the past few years, it is felt prudent to keep the provision for training centre contributions at existing levels.
This exact value required will not be known until the end of the PFI scheme in 2028 and won't fully be forecastable until 2026/27.

24. Usable Reserve

	Balance at 1 April 2019 £'000	Transfers in 2019/20 £'000	Transfers out 2019/20 £'000	Balance at 31 March 2020 £'000	Transfers in 2020/21 £'000	Transfers out 2020/21 £'000	Balance at 31 March 2021 £'000
Fund Balance	1,500	-	-	1,500	-	-	1,500
	1,500	**-**	**-**	**1,500**	**-**	**-**	**1,500**
Invest to Save Reserve	1,000	-	-	1,000	259	-	1,259
	1,000	**-**	**-**	**1,000**	**259**	**-**	**1,259**
Pension & Budget Pressures Reserves Incl.							
PPE / ICP Replacement Reserve	140	60	(140)	60	-	(60)	-
Control Resilience Reserve	296	-	-	296	-	(221)	75
Premises / H&S Critical Works Reserve	200	-	(53)	147	-	(114)	33
Pension Reserve	420	-	-	420	100	-	520
Legal Fees Reserve	100	-	-	100	-	-	100
Community Safety Reserve	-	70	-	70	-	(45)	25
Marketing Reserve	28	-	(28)	-	-	-	-
Auxiliary Reserve	100	-	-	100	-	(100)	-
Capital Financing Reserve	587	1	-	588	-	(588)	-
Operational Fitness Reserve	35	-	(35)	-	-	-	-
Document Management & Retention System Reserve	60	-	-	60	-	-	60
ESMCP Reserve	285	-	(18)	267	188	(204)	251
Procurement Reserve	40	-	(40)	-	-	-	-
Equality & Inclusivity Reserve	74	-	-	74	-	(74)	-
Improvement Programme Reserve	1,480	-	(1,480)	-	227	-	227
Airbus SC Responses software Reserve	6	-	-	6	-	(6)	-
Strategic Development software Reserve	10	-	-	10	-	-	10
Transformation Reserve	457	1,354	-	1,811		(113)	1,698
Furniture Reserve	20	-	(20)	-	-	-	-
Swift Water Rescue Equipment Reserve	100	-	-	100	281	(381)	-
BT WAN Upgrade Reserve	-	110	-	110	-	-	110
Communication - UPS / Station End Reserve	-	30	-	30	-	-	30
Control & Communications - Welfare Reserve	-	25	-	25	-	-	25
COVID-19 Reserve	-	192	-	192	870	(1,062)	-
National Operational Guidance Reserve	-	300	-	300	-	-	300
Extrication Challenges Reserve	-	7	-	7	-	(7)	-
IT Infrastructure Reserve	-	406	-	406	-	(56)	350
	4,438	**2,555**	**(1,814)**	**5,179**	**1,666**	**- 3,031**	**3,814**
Hydrants Reserve	100	-	-	100	-	(100)	-
Medical Intervention Reserve	40	-	-	40	-	(9)	31
PFI Equalisation Fund	1,540	-	(84)	1,456	-	(100)	1,356
Unapplied Capital Receipts Reserve	5,689	-	(535)	5,154	8,000	(6,033)	7,121
General Capital Reserve	-	-	-	-	4,211	-	4,211
Total Usable Reserve	**14,307**	**2,555**	**(2,433)**	**14,429**	**14,136**	**(9,273)**	**19,292**

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

a. Invest to Save Reserve
Previously the Austerity Reserve, this reserve has been maintained to fund future initiatives and programmes to assist the Authority in achieving its medium-term financial targets. It is anticipated that this reserve will be utilised over the next four-five years.

In 2020/21 an amount of £259k has been added to this reserve to ensure future investment requirements can be met.

b. PPE/ICP Replacement Reserve
This reserve was fully utilised in 2020/21.

c. Control Resilience Reserve
A reserve was created to ensure resilience on the Control room function. This is a risk critical area and it has been agreed that recruitment will be undertaken so that the number of posts are over establishment, given the length of time required to suitably train Control room staff. £221k was released in 2020/21 as the baseline budget has been adjusted to provide additional funding for this team going forward. The reserve is expected to be fully utilised within the next four years.

d. Premises / H&S Critical Works Reserve
This reserve has been created to finance any urgent works identified by the Authority as a priority in relation to Health and Safety, including works to remove asbestos. £114k was used in 2020/21. This reserve will be utilised as required.

e. Pension Reserve
This reserve has been created to assist in the financing of ill-health pension retirements where costs of two or four times the retiree's salary are paid to the Department for Communities and Local Government. An additional amount of £100k was transferred to this reserve during 2020/21 to meet expected costs relating to the immediate detriment pensions issue relating to pension cases that will require adjustments to be made. This reserve will be utilised as required.

f. Legal Fees Reserve
This reserve has been set up to fund expenditure associated with legal claims, primarily property and employee costs. This reserve will be utilised as required.

g. Community Safety Reserve
An amount of £70k to pay for two new electric vehicles, pay for the upgrade of CFRMIS and to support the assistive Technology programme. £45k was used in 2020/21. The balance on this reserve will be utilised during 2021/22.

h. Marketing and Communications Reserve
This reserve was fully utilised in 2019/20.

i. Auxiliary Reserve
This reserve was fully utilised in 2020/21.

j. Capital Financing Reserve
This reserve was fully utilised in 2020/21.

k. Operational Fitness Reserve
This reserve was fully utilised in 2019/20.

l. Document Management and Retention System Reserve
This reserve has been set up to fund the development of a Corporate wide document system to improve administration and information security requirements, including GDPR. The reserve will be used as and when required.

m. ESMCP Reserve
In March 2017 the Government paid a grant to Avon Fire and Rescue to fund the ESMCP project. A further grant was received in 2017/18. Work commenced during 2018/19, and £177k was utilised, with a further £18k in 2019/20. The balance of the grant will be utilised over the next two years whilst the project is completed.

n. Procurement Reserve
This reserve was no longer required and the balance of £40k was transferred to the PPE Replacement Reserve in 2019/20.

o. Equality & Inclusivity Reserve
This reserve was fully utilised in 2020/21.

p. Improvement Programme Reserve
This reserve was set up in 2017/18 to fund the additional costs associated with the Best Value Improvement Programme agreed at the Fire Authority in October 2017. £20k was utilised during 2018/19 with a further £126k in 2019/20. As this programme has now come to an end, the remaining balance of £1,354k has now been transferred to the Transformation reserve.

q. Airbus SC Response Software Reserve
This reserve was fully utilised in 2020/21.

r. Strategic Development Software Reserve
This reserve will fund the purchase and implementation of strategic development software. This will be utilised in 2021/22.

s. Transformation Reserve
This reserve has been created to undertake digitalisation and corporate level projects of the Authority. Digitalisation includes the introduction of Office 365, incident resource management and business process re-engineering. Corporate level projects include collaboration, cultural reviews and Firewatch enhancement.

£457k was set aside in 2018/19, with a further £1,354k being transferred from the Improvement Programme Reserve during 2019/20. This will be utilised over the next two years.

t. Furniture Reserve
This reserve was no longer required and the balance of £20k was transferred to the PPE Replacement Reserve in 2019/20.

u. Swift Water Rescue Equipment Reserve
This reserve was fully utilised in 2020/21.

v. BT WAN Upgrade Reserve
To facilitate the upgraded BT WAN contract roll out. The funds will support the additional one-off costs associated with the main contract (provision of circuits to AFRS where required). An amount of £110k was transferred in during 2019/20. It is expected to be utilised during 2021/22.

w. Communication - UPS / Station End Reserve
To enable the upgrade of fire station call-out equipment, UPS and call-out PCs. An amount of £30k was transferred in during 2019/20. It is expected to be utilised during 2021/22.

x. Control & Communications – Welfare Reserve
To enable the welfare and rest areas for Control and Communications to be built and updated. An amount of £25k was transferred in during 2019/20. It is expected to be utilised during 2021/22 following delays to the project as a result of COVID-19 restrictions.

y. COVID-19 Reserve
In March 2020, it became apparent that COVID-19 would increase the costs of operating the Fire Service. The Government released a grant to cover the additional costs. As these costs had not yet materialised, an amount of £192k, the whole of the grant, was transferred to the reserve to cover future increased costs of PPE, cleaning, staff and IT. An additional amount of £870k was then released during 2020/21 giving a total grant of £1,062k to cover additional COVID-19 related expenditure. This reserve has been fully utilised in 2020/21

z. National Operational Guidance Reserve
To implement the new National Operational Guidance (NOG). An amount of £300k was transferred in during 2019/20. This is expected to be utilised over the next two years.

aa. Extrication Challenges Reserve
This reserve was fully utilised in 2020/21.

bb. IT Infrastructure Reserve
To address problems identified with the existing IT structure resulting from the recent review undertaken. An amount of £406k was transferred in during 2019/20. £56k was utilised in 2020/21. It is expected that the balance will be utilised during the next two years.

cc. Hydrants Reserve
This reserve was fully utilised in 2020/21.

dd. Medical Intervention Reserve
This reserve has been created to fund medical intervention and prevention initiatives. £9k was utilised in 2020/21. The balance will be utilised as and when required.

ee. PFI Equalisation Fund
A 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.

ff. Unapplied Capital Receipts Reserve
This reserve has been set aside to fund the ongoing capital programme over the next three years.

gg. General Capital Reserve

An additional capital reserves of £4,211k has been included to fund the ongoing capital commitments of the service. This is expected to be utilised over the next three years.

25. Unusable Reserves

Balance at 31 March 2020 £'000		Balance at 31 March 2021 £'000
19,626	**Revaluation Reserve**	19,041
25,636	**Capital Adjustment Account**	29,728
(631,468)	**Pensions Reserve**	(693,147)
(149)	**Collection Fund Adjustment**	(2,500)
(365)	**Accumulated Absences Account**	(282)
8,000	**Deferred Capital Receipt Reserve**	-
(578,720)	**Total Unusable Reserves**	**(647,160)**

Revaluation Reserve

2019/2020 £'000		2020/2021 £'000
19,060	**Balance at 1 April**	**19,626**
1,123	Adjustment to revaluation of assets	(24)
20,183	**Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**19,602**
(557)	Difference between fair value depreciation and historic cost depreciation	(561)
19,626	**Balance at 31 March**	**19,041**

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

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

Capital Adjustment Account

2019/2020 £'000		2020/2021 £'000
26,678	**Balance at 1 April**	**25,636**
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,581)	Depreciation and impairment of non-current assets	(3,200)
(52)	Amortisation of intangible assets	(44)
(4)	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	-
23,041		**22,392**
557	Adjusting amounts written out of the Revaluation Reserve	561
23,598	Net written out amount of the cost of non-current assets consumed in the year	**22,953**
	Capital Financing applied in the year	
539	Capital Grants and Capital Receipts credited to the Comprehensive Income and Expenditure Statement	6,032
280	Minimum revenue provision for capital financing	280
968	Voluntary revenue provision for capital financing	453
251	Capital expenditure charged in-year to the fund balance	10
25,636	**Balance at 31 March**	**29,728**

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

The account also contains revaluation gains accumulated on Property 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

2019/2020 £'000		2020/2021 £'000
(666,378)	**Balance at 1 April**	**(631,468)**
48,186	Remeasurements of pensions assets and liabilities	(51,317)
(21,081)	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	(19,000)
7,805	Employer's pensions contributions and direct payments to pensioners payable in the year	8,638
(631,468)	**Balance at 31 March**	**(693,147)**

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 employer's 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, Firefighters and Local Authority, and additional information is shown in note 26.

Collection Fund Adjustment Account

2019/2020 £'000		2020/2021 £'000
362	**Balance at 1 April**	**(149)**
28	Bath and North East Somerset	(488)
(404)	Bristol City Council	(852)
(66)	North Somerset	(310)
(69)	South Gloucestershire	(701)
(149)	**Balance at 31 March**	**(2,500)**

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 tax payers 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

2019/2020 £'000		2020/2021 £'000
(330)	**Balance at 1 April**	**(365)**
330	Settlement or cancellation of accrual made at the end of the preceding year	365
(365)	Amount accrued at the end of the current year	(282)
(35)	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	83
(365)	**Balance at 31 March**	**(282)**

Deferred Capital Receipt Reserve

31/03/2020 £'000		31/03/2021 £'000
8,000	Deferred Capital Receipts	-
8,000		-

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 & North East Somerset Council and is called the Avon Pension Fund. The Fund provides members with benefits related to length of service and final or average 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 2019 and assessed the overall funding level at 94%.

- <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 37.3%. Employee contributions vary according to salary, as shown in the table under Note 2 to the Firefighters’ Pension Fund Account on page 102.

  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 27.4%. Employee contributions vary according to salary, as shown in the table under Note 2 to the Firefighters’ Pension Fund Account on page 102.

  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 into the scheme with any deficit / surplus at the year-end being met by / paid to central government. The employer contribution rate is determined by central government.

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

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

Transactions Relating to Retirement Benefits

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

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

	Local Government Pension Scheme		Firefighters' Scheme	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Comprehensive Income and Expenditure Statement				
Costs of Services:				
Current Service Cost	1,712	1,732	13,160	12,760
Past service Costs / Curtailments	166	-	(540)	-
Firefighters' Pension Top-up Grant	-	-	(9,741)	(9,693)
Financing and Investment Income and Expenditure:				
Net Interest expense	484	478	15,810	13,690
Administration expenses	30	33	-	-
Total Post-employment Benefits charged to the Surplus or Deficit on Provision of Services	2,392	2,243	18,689	16,757
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined benefit liability comprising:				
(Return)/Loss on Plan Assets (excluding the amount included in the Net Interest expense)	4,194	(4,801)	-	-
Actuarial gains arising on changes in experience assumptions	(896)	(1,052)	(4,980)	(14,340)
Actuarial gains and losses arising on changes in demographic assumptions	(2,421)	-	(19,810)	-
Actuarial losses and gains arising on changes in financial assumptions	(1,523)	9,220	(22,750)	62,290
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	1,746	5,610	(28,851)	64,707
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	(2,392)	(2,243)	(18,689)	(16,757)
Actual amount charged against the Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme	1,166	1,941	5,279	5,297
Retirement Benefits payable to pensioners			1,360	1,400

The cumulative amount of remeasurements recognised in the Comprehensive Income and Expenditure Statement to 31 March 2021 is (£205,367)

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Local Government		Firefighters' Scheme	
	2019/2020 £'000	2020/2021 £'000	2019/2020 £'000	2020/2021 £'000
Liabilities at beginning of year	(54,841)	(52,298)	(645,650)	(610,160)
Current Service Cost	(1,712)	(1,732)	(13,160)	(12,760)
Past Service Cost / Curtailments	(166)	-	540	-
Transfers In	-	-	(20)	(50)
Transfers Out	-	-	-	-
Interest Cost	(1,306)	(1,251)	(15,810)	(13,690)
Contributions by scheme participants	(325)	(360)	(2,310)	(2,310)
Remeasurements gains and (losses):				
Actuarial gains from changes in demographic assumptions	2,421	-	19,810	-
Actuarial (losses)/gains from changes in financial assumptions	1,523	(9,220)	22,750	(62,290)
Actuarial gains from experience	896	1,052	4,980	14,340
Benefits Paid	1,212	790	18,710	18,750
Liabilities at end of year	(52,298)	(63,019)	(610,160)	(668,170)

Reconciliation of fair value of the scheme assets:

	Funded Assets Local Government		Unfunded Assets Firefighters' Scheme	
	2019/2020 £'000	2020/2021 £'000	2019/2020 £'000	2020/2021 £'000
Assets at beginning of year	34,113	30,990	-	-
Interest Income	822	773	-	-
Return on Plan Assets, excluding the amount included in the net interest expense	(4,194)	4,801	-	-
Firefighters' Pension Top-up Grant	-	-	9,741	9,693
Transfers In	-	-	20	50
Transfers Out	-	-	-	-
Administration expenses	(30)	(33)	-	-
Employer contributions	1,166	1,941	6,639	6,697
Contributions by scheme participants	325	360	2,310	2,310
Benefits paid	(1,212)	(790)	(18,710)	(18,750)
Refund of Contributions	-	-	-	-
Assets at end of year	30,990	38,042	-	-

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 £5,574k (2019/20: (£2,177k)).

Scheme History

	2016/17 Restated £'000s	2017/18 Restated £'000s	2018/19 £'000s	2019/20 £'000s	2020/21 £'000s
Present value of liabilities					
Local Government Scheme	(47,887)	(48,526)	(54,841)	(52,298)	(63,019)
Firefighters' Scheme	(579,994)	(597,880)	(645,650)	(610,160)	(668,170)
	(627,881)	(646,406)	(700,491)	(662,458)	(731,189)
Fair value of assets in the Local Government Scheme	29,719	31,291	34,113	30,990	38,042
Surplus/(deficit) in the					
Local Government Scheme	(18,168)	(17,235)	(20,728)	(21,308)	(24,977)
Firefighters' Scheme	(579,994)	(597,880)	(645,650)	(610,160)	(668,170)
Total	(598,162)	(615,115)	(666,378)	(631,468)	(693,147)

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £693m (£631m) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £693m (£631m).

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

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

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

- The total contribution expected to be made by the Authority in the year to 31 March 2022 for the Local Government Pension Scheme is £996k.

- The total contribution expected to be made by the Authority in the year to 31 March 2022 for the Firefighters' pension schemes is £5,271k (1992 scheme: £883k; 2006 scheme: £45k; 2015 scheme: £4,292k; Retained Modified scheme: £51k).

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Scheme liabilities have been assessed by Mercer Limited the independent actuary to the Avon Pension Fund, which manages the Local Government Scheme on behalf of the Authority. The Firefighters' scheme liabilities have been assessed by the Government Actuary's Department (GAD). The estimates for the Local Government scheme are based on the latest full valuation as at 31 March 2016 updated for the following years.

The main assumptions used by the actuary have been:

	Local Government		Fire Fighters' Scheme	
	2019/2020	2020/2021	2019/2020	2020/2021
Mortality assumptions:				
Longevity at 65 for current				
Men	23.2	23.3	21.3	21.4
Women	25.3	25.4	21.3	21.4
Longevity at 65 for future				
Men	24.7	24.8	23.0	23.1
Women	27.3	27.4	23.0	23.1
Rate of inflation CPI	2.1%	2.7%	2.0%	2.4%
Rate of increase in salaries	3.6%	4.2%	4.0%	4.2%
Rate of increase in pensions	2.2%	2.8%	2.0%	2.4%
Rate of discounting scheme	2.4%	2.1%	2.3%	2.0%

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 2016 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 2020	31 March 2021
		%	%
Equities	UK quoted	7.0	-
	Global quoted	32.2	32.1
	Emerging markets	4.3	5.4
Bonds	UK Government indexed	5.6	14.1
	Sterling Corporate Bonds	9.1	8.5
Property	UK Property Funds	5.2	7.2
	Overseas Property Funds	4.7	-
Alternatives	Hedge funds	5.8	5.2
	Diversified Growth Funds	13.5	9.5
	Infrastructure	8.0	7.8
	Secured Income	1.5	5.3
	EFT's	0.9	2.0
Cash	Cash accounts	2.2	2.9
		100	100

The uncertainty of land and buildings valuations due to COVID-19 are further referred to in note 2b on pages 45 and 46.

History of Experience Gains and Losses

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

Local Government	2016/17	2017/18	2018/19	2019/20	2020/21
	%	%	%	%	%
Experience gains and (losses) on assets	15.5%	1.8%	4.8%	7.0%	14.7%
Experience gains and (losses) on liabilities	0.0%	0.0%	0.0%	0.0%	0.0%

Firefighters' Scheme	2016/17	2017/18	2018/19	2019/20	2020/21
	%	%	%	%	%
Experience gains and (losses) on liabilities	0.4%	(1.1)%	0.0%	0.0%	0.0%

Sensitivity Analysis Firefighters' Scheme

The Code of Practice requires disclosure of information that describes how its defined benefit plans may affect the amount, timing and uncertainty of the Authority's future cash flows. Sensitivity analyses have been provided by the actuaries to illustrate the impact of changes in the key industry financial and demographic assumptions 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	(8.5)%	-47.0
Rate of increase in salaries	+1/2 % a year	0.5%	4.0
Rate of increase in pensions / deferred revaluation	+1/2 % a year	7.5%	44.0
Life Expectancy: each pensioner subject to longevity of an individual one further year younger than assumed		3.5%	20.0

The weighted average duration of the defined benefit obligation (DBO) is around 18 years.

Note: Employer Contributions of £837,522 were received during 2020/21.

Note: Current Service Cost (inclusive of member contributions) for 2021/22 is 75.2% of Pensionable Pay.

Sensitivity Analysis Firefighters' 2006 scheme Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	+1/2% a year	(14.5)%	-3.0
Rate of increase in salaries	+1/2 % a year	6.0%	1.0
Rate of increase in pensions / deferred revaluation	+1/2 % a year	10.0%	2.0
Life Expectancy: each pensioner subject to longevity of an individual one further year younger than assumed		3.5%	1.0

The weighted average duration of the defined benefit obligation is around 33 years.

Note: Employer Contributions of £94,159 were received during 2020/21.

Note: Current Service Cost (inclusive of member contributions) for 2021/22 is 51.3% of Pensionable Pay.

Sensitivity Analysis Firefighters' 2015 scheme Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	+1/2% a year	(15.0)%	-7.0
Rate of increase in salaries	+1/2 % a year	6.5%	3.0
Rate of increase in pensions / deferred revaluation	+1/2 % a year	10.0%	5.0
Life Expectancy: each pensioner subject to longevity of an individual one further year younger than assumed		3.0%	1.0

The weighted average duration of the defined benefit obligation is around 33 years.

Note: Employer Contributions of £4,364,791 were received during 2020/21.

Note: Current Service Cost (inclusive of member contributions) for 2021/22 is 85.2% of Pensionable Pay.

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

Sensitivity Analysis Local Government Pension Scheme

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

Sensitivity Analysis Local Government Pension scheme					
		Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
Disclosure item		+0.1% pa discount rate	+0.1% pa inflation	+0.1% pa pay growth	1 year increase in life expectancy
	£'000s	£'000s	£'000s	£'000s	£'000s
Liabilities	63,019	61,928	64,130	63,164	64,889
Assets	(38,042)	(38,042)	(38,042)	(38,042)	(38,042)
Deficit	24,977	23,886	26,088	25,122	26,847
Projected Service Cost for next year	2,211	2,152	2,273	2,211	2,283
Projected Net Interest Cost for next year	514	515	537	517	553

The weighted average duration of the defined benefit obligation is around 17 years.

As previously mentioned, the Local Government Pension Scheme (LGPS) is administered by Bath and North East Somerset Council and is called the Avon Pension Fund. If, in the very exceptional circumstance, a member authority including Avon Fire Authority were to leave the scheme that authority would be responsible for any liabilities owed to the fund and the liability would not pass on to the remaining members. The LGPS is a funded defined benefit pension arrangement for local authorities and is governed by statute principally now the Local Government Pension Scheme Regulations 2013.

The sensitivity analyses above for both schemes have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes, while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the schemes, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis above did not change from those used in the previous period.

27. Analysis of Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.
Under IFRS 15 we have assessed for contracts and no further disclosure is required:

2019/2020 £'000		2020/2021 £'000
	Credited to Taxation and Non-specific Grant	
26,840	Precepts	27,635
11,072	General Government Grants	11,252
4,852	Non-domestic Rates Distribution	2,688
42,764	**Total**	**41,575**
	Credited to Services	
-	COVID-19 Support Grant	1,080
877	New Dimension / USAR Grants	877
457	Fire Link Grant	485
-	Fire Safety Grant	634
895	PFI Grant	895
2,407	Fire Fighters Pension Contribution Grant	2,407
1,206	Other income	1,678
5,842	**Total**	**8,056**

None of the grants received by the Authority in 2019/20 or 2020/21 have conditions attached to them and therefore they are recognised as income in their year of receipt.

28. Financing and Investment Income and Expenditure

The Authority incurred and received the following interest and investment to the Comprehensive Income and Expenditure Statement in 2020/21:

2019/2020 £'000		2020/2021 £'000
	Interest Payable and Similar Charges	
221	Loans	221
449	PFI	440
670		661
16,294	Net Interest on the net defined benefit liability	14,168
(295)	Interest Receivable and Similar Income	(36)
(7)	Other Investment Income	(7)
16,662	Total	**14,786**

29. Cash Flow Statement – Operating Activities

The deficit on the provision of services has been adjusted for the following non-cash movements and that are investing or financing activities:

2019/2020 £'000		2020/2021 £'000
3,382	Depreciation	3,200
199	Impairment	-
52	Amortisation	44
597	Increase in Creditors	1,356
1,729	Decrease in Debtors	997
-	Increase in inventories	(27)
13,276	Movements in Pension Liability	10,362
(114)	Contributions to Provisions	(78)
4	Carrying amount of non-current assets held for sale, sold or derecognised	-
19,125		15,854
-	Proceeds from Sale of non-current assets	-
-	Deferred Capital Receipts	-
-		-

Cash Flow Statement – Operating Activities (Interest)

The cash flows for operating activities include the following items:

2019/2020 £'000		2020/2021 £'000
287	Interest received	42
(436)	Interest paid	(418)

30. Cash Flow Statement – Investing Activities

2019/2020 £'000		2020/2021 £'000
(789)	Purchase of property, plant and equipment	(6,042)
-	Proceeds from Sale of non-current assets	8,000
(789)	Net cash flows from investing activities	1,958

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

2019/2020 £'000		2020/2021 £'000
(195)	Cash payments for the reduction of a PFI liability	(203)
(195)	Net cash flows from investing activities	(203)

32. **Contingent Liabilities**

Following the publication of the Independent Inspectors’ report in July 2017 a number of disciplinary investigations were initiated which are being undertaken by external independent investigators. The outcome of these investigations will only be known once they have been concluded and could result in potential claims being made against the Fire Authority. It is not possible to determine whether it is probable that an outflow of resources will result; or to make a reliable estimate of any resultant outflow of resources.

Firefighters’ Pension Fund Account

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

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

2019/2020 £’000		2020/2021 £’000	2020/2021 £’000
	Contributions receivable:		
	Fire Authority		
(5,345)	- contributions in relation to pensionable pay	(5,324)	
(404)	- early retirements	(413)	
(2,335)	Firefighters' contributions	(2,345)	
(8,084)	**Total**		**(8,082)**
(16)	**Transfers in from other authorities**		**-**
	Benefits payable:		
14,622	Pensions	15,148	
2,845	Commutations and lump-sum retirement benefits	1,806	
150	Other	221	
17,617	**Net amount payable for the year**		**17,175**
	Payments to and on account of leavers:		
15	Transfers out to other authorities		**-**
9,532	**Deficit for the year before top-up grant receivable from central government**		**9,093**
(9,532)	Top-up grant payable by the Government		(9,093)
-			-

Net assets statement

The assets and liabilities of the pensions account as at 31 March 2021 are as follows:

31/03/2020 £'000		31/03/2021 £'000
	Current assets	
3,026	Top-up grant receivable from the Government	2,653
3,026		**2,653**
	Current liabilities	
(2,360)	Cash and Bank	(2,198)
(666)	Creditor	(455)
(3,026)		**(2,653)**
-	**Net assets**	**-**

Notes to the Firefighters' Pension Fund Account

1. Operation of the Fund

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

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

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

2. Contributions

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

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

2020/2021									
Salary range from	£0	£15,610	£21,853	£31,219	£41,625	£52,031	£62,437	£104,061	£124,873
Salary range up to	£15,609	£21,852	£31,218	£41,624	£52,030	£62,436	£104,060	£124,872	-
Firefighters' pension scheme:									
1992 Scheme									
Employer	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%
Employee	11.00%	12.20%	14.20%	14.70%	15.20%	15.50%	16.00%	16.50%	17.00%
Total	48.3%	49.5%	51.5%	52.0%	52.5%	52.8%	53.3%	53.8%	54.3%
2006 Scheme									
Employer	27.40%	27.40%	27.40%	27.40%	27.40%	27.40%	27.40%	27.40%	27.40%
Employee	8.50%	9.40%	10.40%	10.90%	11.20%	11.30%	11.70%	12.10%	12.50%
Total	35.9%	36.8%	37.8%	38.3%	38.6%	38.7%	39.1%	39.5%	39.9%
Retained Firefighters' Modified Scheme									
Employer	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%
Employee	11.00%	12.20%	14.20%	14.70%	15.20%	15.50%	16.00%	16.50%	17.00%
Total	48.3%	49.5%	51.5%	52.0%	52.5%	52.8%	53.3%	53.8%	54.3%
	£0	£27,819	£51,516	£142,501					
	£27,818	£51,515	£142,500	or more					
2015 Scheme									
Employer	28.80%	28.80%	28.80%	28.80%					
Employee	11.00%	12.90%	13.50%	14.50%					
Total	39.8%	41.7%	42.3%	43.3%					

2019/2020									
Salary range from	£0	£15,610	£21,853	£31,219	£41,625	£52,031	£62,437	£104,061	£124,873
Salary range up to	£15,609	£21,852	£31,218	£41,624	£52,030	£62,436	£104,060	£124,872	-
Firefighters' pension scheme:									
1992 Scheme									
Employer	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%
Employee	11.00%	12.20%	14.20%	14.70%	15.20%	15.50%	16.00%	16.50%	17.00%
Total	48.3%	49.5%	51.5%	52.0%	52.5%	52.8%	53.3%	53.8%	54.3%
2006 Scheme									
Employer	27.40%	27.40%	27.40%	27.40%	27.40%	27.40%	27.40%	27.40%	27.40%
Employee	8.50%	9.40%	10.40%	10.90%	11.20%	11.30%	11.70%	12.10%	12.50%
Total	35.9%	36.8%	37.8%	38.3%	38.6%	38.7%	39.1%	39.5%	39.9%
Retained Firefighters' Modified Scheme									
Employer	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%	37.30%
Employee	11.00%	12.20%	14.20%	14.70%	15.20%	15.50%	16.00%	16.50%	17.00%
Total	48.3%	49.5%	51.5%	52.0%	52.5%	52.8%	53.3%	53.8%	54.3%
	£0	£27,819	£51,516	£142,501					
	£27,818	£51,515	£142,500	or more					
2015 Scheme									
Employer	28.80%	28.80%	28.80%	28.80%					
Employee	11.00%	12.90%	13.50%	14.50%					
Total	39.8%	41.7%	42.3%	43.3%					

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 32 – 44. 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.

GLOSSARY OF TERMS

ACCOUNTING PERIOD - This is the length of time covered by the accounts. This is normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VOLUNTARY REVENUE PROVISION (VRP) - The amount over and above MRP that the Authority has charged to the revenue account to provide for the repayment of debt.

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