AVON FIRE & RESCUE

www.avonfire.gov.uk


# Statement of Accounts and Narrative Report 2019 - 2020

PREVENTING PROTECTING RESPONDING

# Avon Fire Authority

## Statement of Accounts 2019/20

## Contents

# 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 2020. 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 2019/20. 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 fire fighting 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. All Committee meetings are open to the public to attend and our main Fire Authority meetings are available to watch on the AF&RS YouTube channel.

It is also important for us to ensure the financial health of our organisation and to provide a best value service to the public. The substantial reduction in funding received from Central Government during the period of austerity has presented a significant 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 beyond 2020 our most recent medium-term financial plan for the next four years anticipates further financial challenges, in particular uncertainties of the impact on future funding from a government-led Fair Formula Funding and Comprehensive Spending Review (CSR), the economic impact of the COVID-19 pandemic and new cost pressures associated with pensions. Our latest forecast is that Avon Fire Authority could be facing a funding gap of around £2.5 million over this four year period to 2023/24, depending on planning assumptions.

## Our Service Plan


Following extensive consultation with local communities, stakeholders and staff, our refreshed Service Plan was approved by the Fire Authority and published on 1 April 2020 and set out 30 pieces of work 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 demonstrates our commitment to our continuous improvement journey and included consideration of further recommendations resulting from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspection in 2018 and included them in our 2019/20 action plan, aligned to the publication of this Service Plan.

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

## Medium-Term Financial Strategy

It is also important for us to ensure the financial health of our organisation and to provide the best value service to the public. The substantial reductions in funding received from Central Government during the period of austerity has placed increased importance on the need for robust financial planning to ensure that required efficiency savings can be identified well 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 the new HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). The new Inspectorate is now responsible for inspecting and reporting on the efficiency and effectiveness of fire and rescue services in England.

HMICFRS' first inspection of all 45 English fire and rescue services was split into three tranches. Avon Fire & Rescue Service was placed in Tranche 1. The process started in April 2018 and our final report was published on 20 December 2018 (available at https://www.justiceinspectorates.gov.uk/hmicfrs/fire-and-rescue-services/avon).

The report provides a graded judgement against each of three principal questions as well as each of the eleven 'core' questions within the HMICFRS inspection framework and methodology. There are four categories of graded judgement: outstanding, good, requires improvement and inadequate.

Following the inspection fieldwork week in July 2018, HMICFRS wrote to the Service in August 2018 to raise a 'cause of concern' relating to the availability of sufficient specialist capacity within our Technical Fire Safety (TFS) department. As a result, we submitted a plan for a three-stage increase in TFS capacity between December 2018 and December 2019 and this is reflected in our overall HMICFRS inspection action plan, the latest version of which is available at https://avonfire.gov.uk/our-performance/hmicfrs.

In October 2018, HMICFRS visited us again to focus on the cause of concern relating to TFS. Due to the timeframe between the initial inspection and the re-visit, HMICFRS was not expecting the identified areas to be fully resolved. However, they were looking to see that there was an effective plan in place with the right level of leadership and oversight to deal with the issues they identified. The results of the first re-visit are available at https://www.justiceinspectorates.gov.uk/hmicfrs/?frs=avon.

In August 2019, HMICFRS undertook a second re-visit to assess our progress to ensure sufficient specialist capacity within our TFS department required to:

a) comply with our statutory duty to respond to consultations under the Building Regulations within 15 working days; and
b) effectively discharge our risk-based inspection programme.

- **On Governance:** The inspection team concluded that we have appropriate governance arrangements in place to support the political and strategic oversight of our HMICFRS improvement action plan which is regularly updated and published.

- **On TFS staffing:** Following our initial inspection in summer 2018, we committed to increase staffing to 24 TFS officers (including Grey and Green Book staff) by the end of 2019; however, due to recruitment challenges the actual number in December 2019 stood at 22.5 full-time equivalent (FTE) staff. Our increased **capacity** is translating into increased **capability** as training continues and we were encouraged that HMICFRS acknowledged our progress as 'positive' in its second re-visit letter available at https://www.justiceinspectorates.gov.uk/hmicfrs/?frs=avon&s.

- **On Building Regulations consultations:** In November 2019 we contracted a specialist consultant to assist with Building Regulations consultations while new TFS staff continue their training. Since the original HMICFRS visit in July 2018, we have seen significant improvements in our performance and are currently dealing with 100%

of Building Regulations and licensing applications within statutory timescales whilst increasing the numbers of fire safety audits completed and continuing with ongoing prosecution activity.

- **On our risk-based inspection programme (RBIP):** We acted on the recommendations from the August 2019 re-visit and developed an interim RBIP based on incident data extracted from the national Incident Reporting System (IRS) data and commercially available Experian data. This interim RBIP was tested for risk ratings and accuracy based on previous inspection history and went live from 1 March 2020. This interim RBIP ensures we target our TFS inspections on premises presenting the highest risk based on data currently available to us pending the development of a wider risk stratification process based on risk modelling.

**Monitoring progress**

Progress against our HMICFRS Inspection Action Plan is monitored on a monthly basis by the Service Leadership Team and scrutinised at each meeting of the Fire Authority's Performance Review and Scrutiny Committee.

**Suspension of inspections due to COVID-19**

HMICFRS' second round of fire and rescue service inspections in England should have commenced in early 2020. However, on 13 March 2020 HM Chief Inspector of Fire & Rescue Services wrote to all Chiefs and Chairs to confirm that as a result of the current coronavirus pandemic, all HMICFRS inspection activity "which requires appreciable input from forces and FRSs" has been suspended until further notice. However, we are expecting a thematic inspection in terms of how we have responded to the COVID-19 pandemic and a further full Service inspection during 2021.

## 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 risks it 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 for 2019/20 can be viewed at:

https://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 economically, 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 preparation and training for the new requirements for dealing with investigations into Members' conduct.

**The Performance Review and Scrutiny Committee** will consider and review the Fire Authority's policies, plans and objectives. Their work includes the development and agreement of an annual work programme, scrutinising performance against key indicators, considering reports on the outcome of reviews and making recommendations for improvement, and to monitor aspects of service improvement including health, safety and welfare, equality, training and development.

**The People and Culture Committee** will undertake the recruitment, appointment and annual pay review of the Principal 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 the welfare, wellbeing, policies and procedures affecting staff that promote positive culture.

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

**The Service Leadership Board** and **Service Leadership Team** are responsible for considering overall operational, financial and performance management within the organisation. They are also responsible for making key decisions to minimise and manage risk; initiating corrective action through the application of new and existing internal control processes.

**The Clerk** (as the Monitoring Officer) is responsible for reviewing and revising delegations, protocols, documents and policies to ensure that they correctly reflect current legislative requirements and meet the needs of the Fire Authority. The Clerk will also implement annual reminders of corporate governance requirements to ensure that they remain visible and raise the visibility and accessibility of the role of the Monitoring Officer, to encourage Member and staff contact. The Clerk also provides a legal advice to the Fire Authority and Service Leadership Board on key matters.

**The Treasurer** contributes to the effective leadership, maintaining focus on its purpose and vision through rigorous analysis and challenge. The Treasurer contributes to the effective corporate management, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and supports the effective financial governance of the organisation. The Treasurer leads the development of a Medium-Term Financial Strategy and the annual budgeting process to ensure financial balance is achieved. The Treasurer leads or promotes change programmes within the organisation.

In addition, the Treasurer will ensure the medium-term financial strategy reflects the Fire Authority's corporate priorities as set out within the Corporate Plan and Integrated Risk Management Plan, including joint planning with partners and other stakeholders.

**External Audit** and Fire and Rescue Service Inspection reports and findings will be fully considered by the Fire Authority and where necessary the Service Leadership Board will develop an Action Plan which relates to areas identified as requiring improvement. Progress will be monitored by the Corporate Assurance Unit and corrective action or additional measures will be initiated through the Service Leadership Team.

**Internal Audit** is an independent and objective assurance service to the Fire Authority who 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, Internal Audit undertakes a National Fraud Initiative and proactive fraud detection work, which includes reviewing the control environment in areas where fraud or irregularity has occurred. Any significant weaknesses in the control environment identified by Internal Audit are reported to the Audit, Governance and Ethics Committee and the external audit provider, currently Deloitte LLP.

**The Corporate Risk Register** is regularly reviewed by the Service Leadership Team and escalated to 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 2019/20 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 as at 31 March 2020.

**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 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 2019/20

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

- The 2019/20 final outturn was a break-even position in revenue terms (2018/19 break-even);

- The revised net expenditure budget for 2019/20 set by the Authority was £43,072,000 (2018/19 £41,843,000), after transfers from reserves, as reported to the Fire Authority in May 2020;

- The actual net expenditure was £43,060,000 (2018/19 £41,843,000), after net transfers to reserves, £12,000 lower than the budget figure (2018/19 the same as the budget);

- 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;

- 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 balance (working balance) remains at £1.5m (2018/19 £1.5m), which is within the parameters agreed by the Fire Authority. This sum is intended to meet unforeseen expenditure and, if called upon, would then need to be replaced;

- The Fire Authority's Medium-Term Financial Plan identifies certain budget pressures and real term reductions in future Government grant funding, which will need to be considered through further efficiency savings. In response, the Fire Authority has implemented a range of cost saving measures which have contributed significantly to the financial savings achieved in the year; and

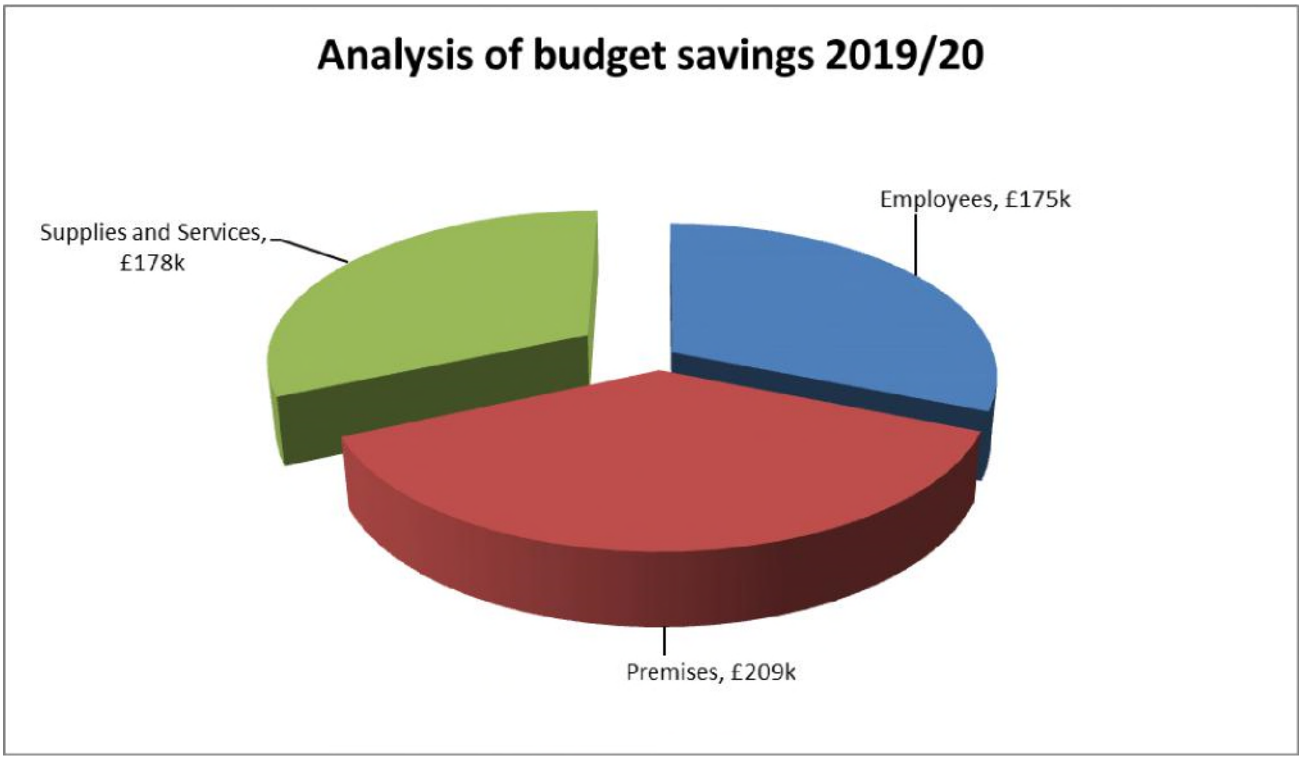
- There is a four year capital programme which was approved by the Fire Authority in March 2019. This relates to land and buildings, fleet, operational equipment and IT. The capital programme for 2019/20 was £5,841,000, and there has been slippage of £5,052,000. This will be reviewed during 2020/21.

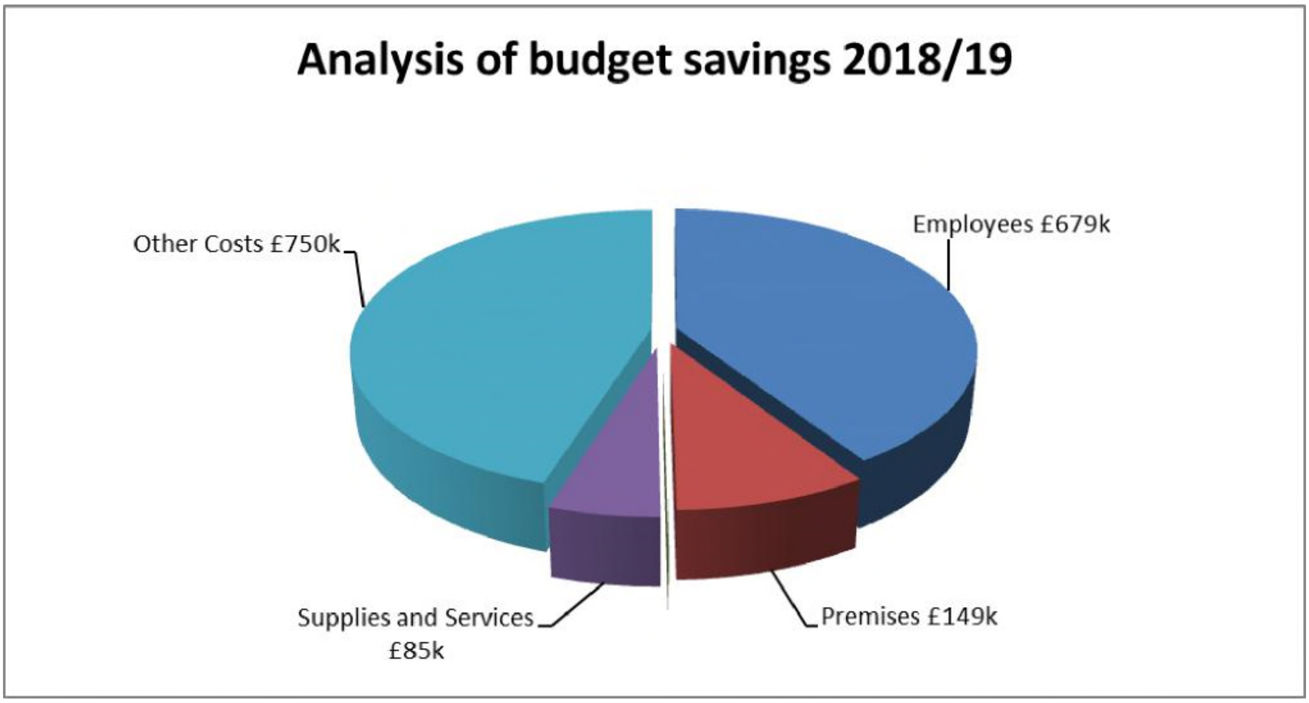
## Approved Financial Plan 2019/20

In setting a final revenue budget with net expenditure of £42.3m the Fire Authority had to consider a number of major financial considerations including:

- A reduction in Central Government funding of 4.17%;
- A limit on the increase in council tax of 2% before a referendum was required; and
- No capital grant allocation.

In total an initial revenue budget, before the use of reserves, of £42.3m was approved by the Fire Authority for 2019/20. This included savings for 2019/20 of £562,000, compared to savings of £1,663,000 for 2018/19, the details of which are shown below.

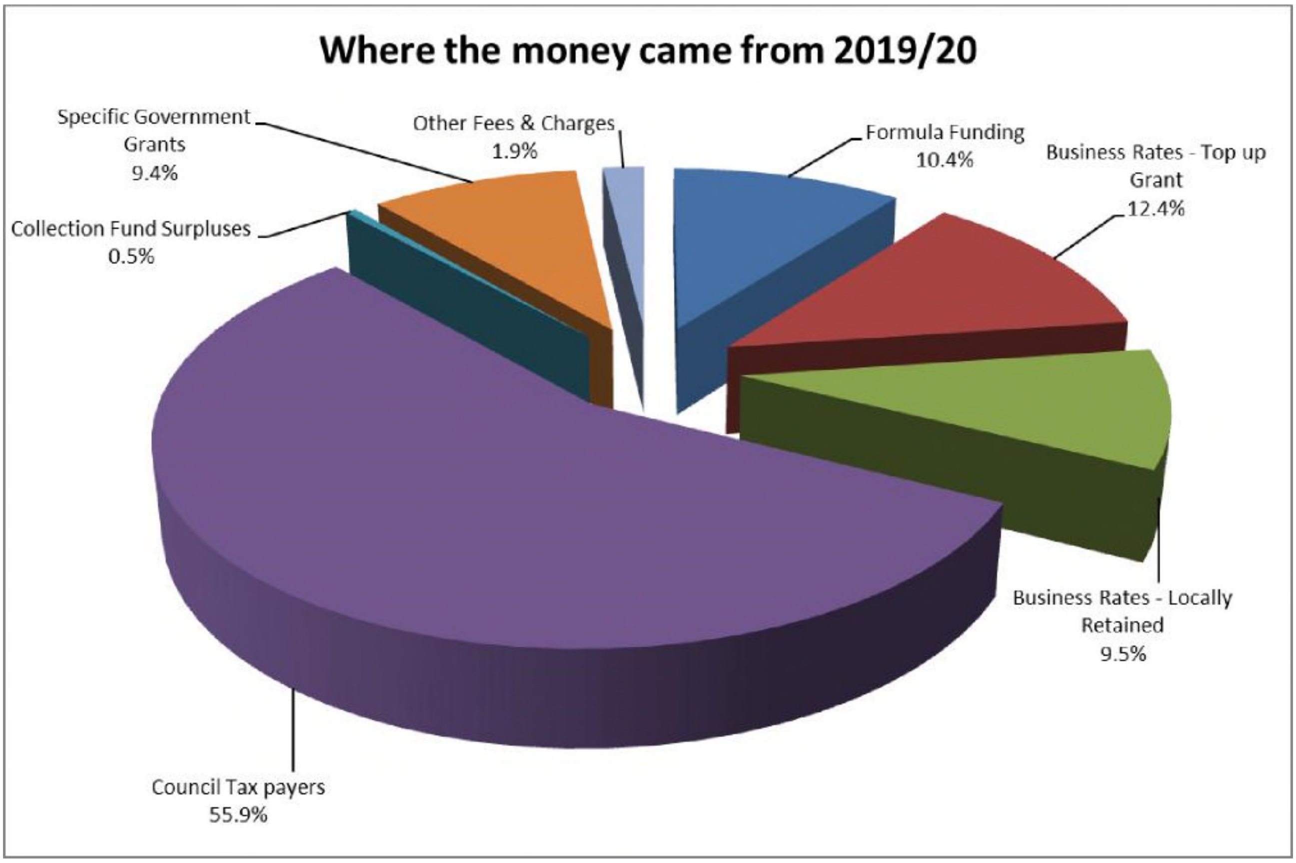


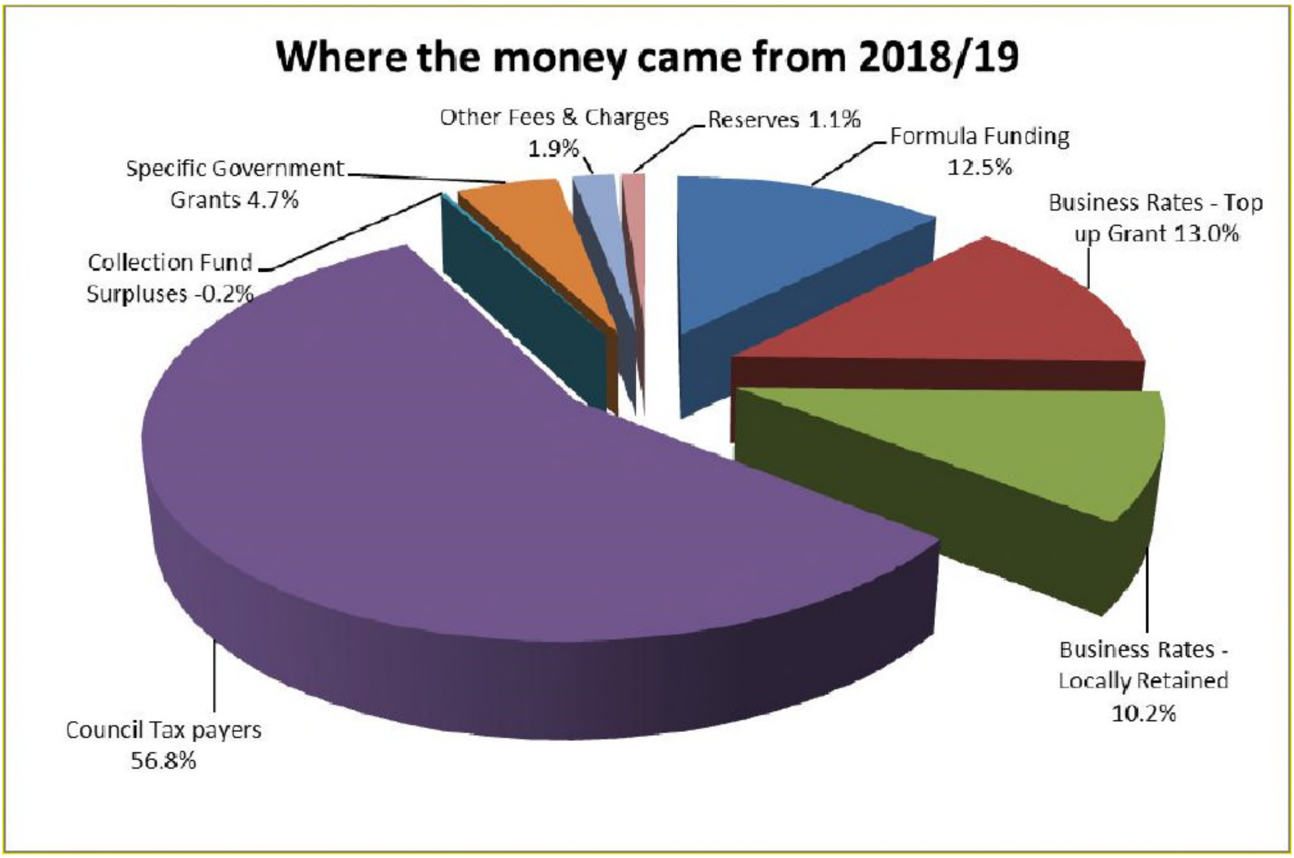



## Revised Revenue Budget and Spending in 2019/20

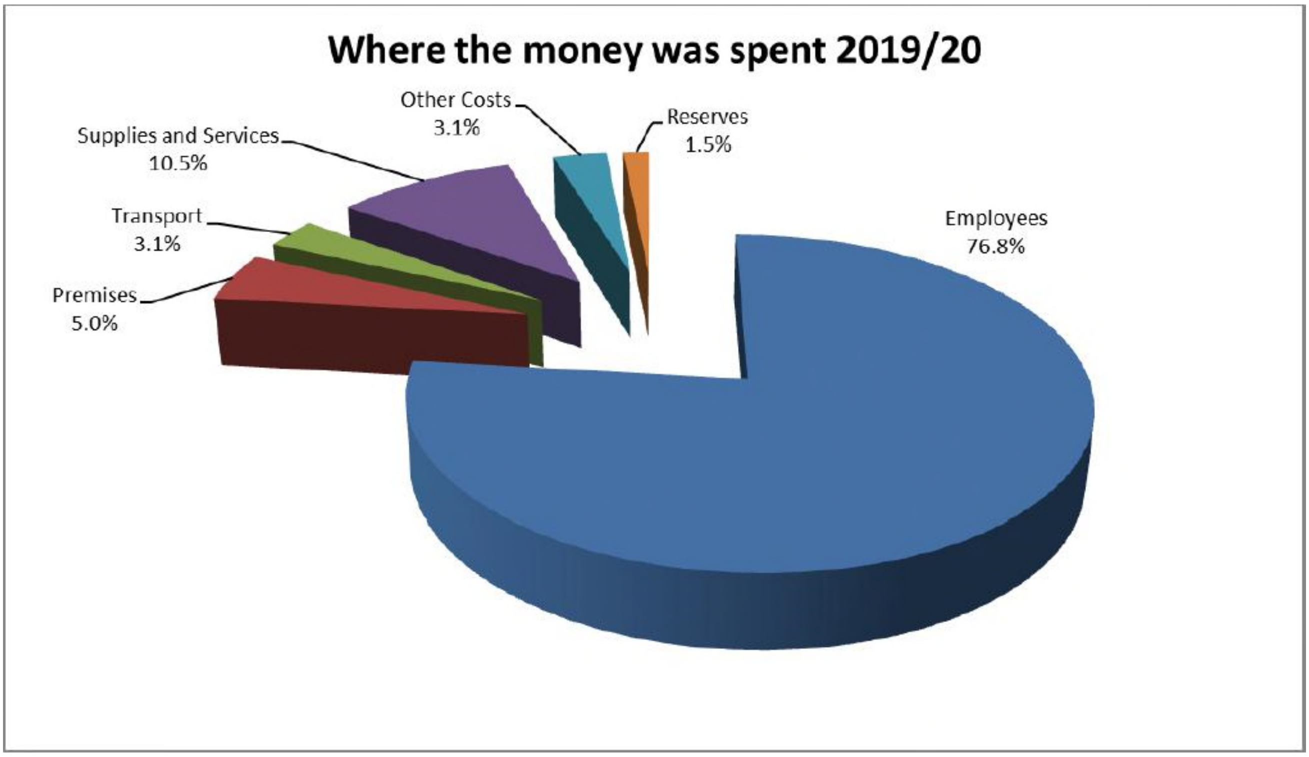
A number of changes to the budget were reported to the Fire Authority during 2019/20.

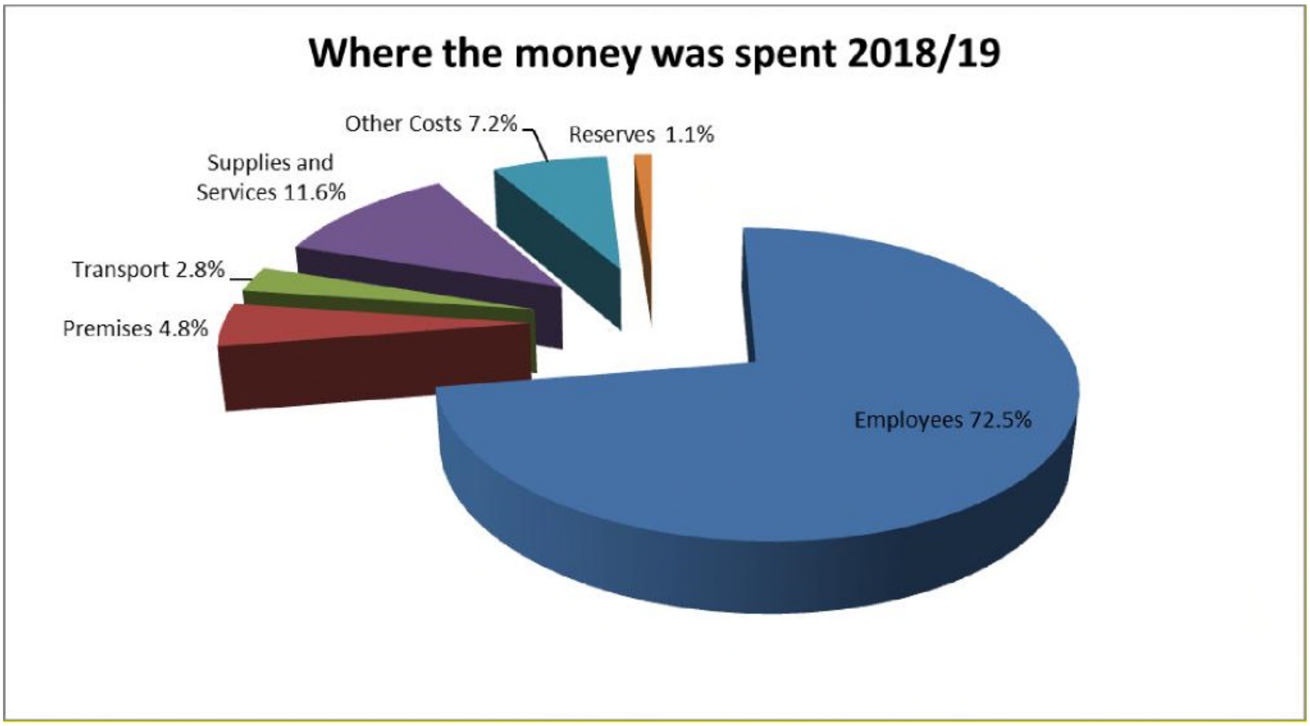
In broad terms 55.9% (2018/19 56.8%) of the Fire Authority's funding came from the local council tax payer, with a further 9.5% (2018/19 10.2%) from locally retained business rates. The majority of the remainder of the funding comes from Central Government, for items such as formula funding and business rates – top up grant and specific Government grants.






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






The majority of expenditure continues to relate to employee staff costs. The 2019/20 staff costs have increased over 2018/19 mainly due to increased employer pension contributions. The cost of these increased contributions have been subsidised by Central Government by way of a specific grant, shown in income above.

Other costs relate to capital funding. Due to the capital receipt from the sale of the Temple back HQ site in 2018/19, there was additional repayment of debt in that year.

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

| | Original Budget 2019/20 £'000 | Revised Budget 2019/20 £'000 | Actual Expenditure 2019/20 £'000 | Difference £'000 |
|---|---|---|---|---|
| Expenditure on Services | | | | |
| Employees (net) | 37,182 | 37,109 | 37,229 | 120 |
| Premises | 2,376 | 2,465 | 2,433 | (32) |
| Transport | 1,833 | 1,553 | 1,487 | (66) |
| Supplies and Services | 5,703 | 5,302 | 5,093 | (209) |
| Other Costs | 1,528 | 1,522 | 1,525 | 3 |
| Income | (4,900) | (5,679) | (5,447) | 232 |
| Net Expenditure | **43,722** | **42,272** | **42,320** | **48** |
| Transfers to \ from revenue reserves | | | | |
| Transfers from Reserves | (650) | (477) | (473) | 4 |
| Transfers to Reserves | - | 1,277 | 1,213 | (64) |
| Net Expenditure after transfer to \ from reserves | **43,072** | **43,072** | **43,060** | **(12)** |
| Local tax payers | | | | |
| Council Tax | (27,122) | (27,122) | (27,121) | 1 |
| Locally retained Business rates | (4,632) | (4,632) | (4,621) | 11 |
| Collection fund surpluses | (246) | (246) | (246) | - |
| Central Government | | | | |
| Formula Funding | (5,034) | (5,034) | (5,034) | - |
| Non-domestic rates redistribution | (6,038) | (6,038) | (6,038) | - |
| Working Balance | **-** | **-** | **-** | **-** |

Further detail of variations can be found in the report to Avon Fire Authority on 12 May 2020, which can be accessed here – https://avonfire.gov.uk/documents/category/224-2020.

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, particularly at a time when the Fire Authority is facing significant year-on-year reductions in grant funding over the medium term. There is no statutory maximum level of reserves and traditionally AF&RS has held £1.5m in the general reserve and for 2019/20 this represents 3.5% of expenditure.

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 detail and adequacy of reserves are considered by the Fire Authority as part of the annual budget setting process.

The opening balance of reserves at 1 April 2019 was £14.3m. A number of reserve movements were agreed by the Fire Authority, including the transfer of £1,354,000 into the Transformation Reserve to fund the future ICT strategy, and the following new reserves were approved at the year-end, leaving a balance of £14.4m at 31 March 2020:

| Reserve | Justification | £'000 |
|---|---|---|
| PPE / ICP Replacement | To fund fluctuations in PPE costs | 60 |
| Community Safety | To fund two electric vehicles, upgrade CFRMIS and support the assistive technology programme | 70 |
| Capital Financing | To support the future capital programme | 1 |
| BT WAN Upgrade | To facilitate the upgraded BT WAN contract roll out | 110 |
| Communication - UPS / Station End | To upgrade fire station call-out equipment, UPS and call-out PCs | 30 |
| Control & Communications - Welfare | To enable the rest areas for Control and Communications to be built and updated | 25 |
| COVID-19 | Government grant to cover additional costs incurred as a result of the Covid-19 pandemic | 192 |
| National Operational Guidance | To implement the new National Operational Guidance (NOG) | 300 |
| Extrication Challenge | To purchase vehicles, equipment and PPE for training and events | 7 |
| IT Infrastructure | To address problems identified with the existing IT infrastructure resulting from the recent review | 406 |
| **Total** | | **1,201** |

A full review of reserves is carried out annually to ensure continuing relevance and adequacy. This review has been undertaken by the Service Leadership Board in conjunction with the Treasurer. Existing and potential financial pressures on a risk basis are considered and this has been informed by the Medium-Term Financial Planning (MTFP) process.

## Capital Budget and Spending 2019/20

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 2019/20, The Fire Authority set a revised capital programme of £5.8m (2018/19 £4.3m). Capital expenditure for the year is shown in the table below:

| Area | Revised Budget 2019/20 £'000 | Outturn £'000 | Variation £'000 | Slippage £'000 |
|---|---|---|---|---|
| Fleet | 2,500 | 20 | 0 | 2,480 |
| Premises | 1,656 | 458 | 0 | 1,198 |
| Operational Equipment | 307 | 80 | 0 | 227 |
| IT | 1,177 | 231 | 0 | 946 |
| Funds not allocated | 201 | 0 | 0 | 201 |
| Total Programme | 5,841 | 789 | 0 | 5,052 |

The programme for 2018/19 is shown in the table below:

| Area | Revised Budget 2018/19 £'000 | Outturn £'000 | Variation £'000 | Slippage £'000 |
|---|---|---|---|---|
| Fleet | 2,150 | 306 | 6 | 1,850 |
| Premises | 1,267 | 482 | 0 | 785 |
| Operational Equipment | 191 | 40 | (6) | 145 |
| IT | 452 | 96 | 1 | 357 |
| Funds not allocated | 278 | 33 | 0 | 245 |
| Total Programme | 4,338 | 957 | 1 | 3,382 |

Funding for the programme was met from the following sources:

| Funding Source | 2019/20 Funding £'000 |
|---|---|
| Capital Grant | 0 |
| Revenue Contributions | 251 |
| Capital Receipts / Capital Reserves | 538 |
| Prudential Borrowing | 0 |
| Total Funding | 789 |

The capital receipt was from the sale of the Temple Back HQ site.

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

**Premises**
- Continuation of the Reinvesting for the Future project with work proceeding on the redevelopment of Avonmouth fire station - £428k;

**Fleet**
- The purchase of an electric van - £20k;

**Operational Equipment**
- Breathing Apparatus replacement and a washing machine - £72k; and

**IT**
- Commencement of a programme to upgrade the hardware and software, to enhance resilience - £231k.

The budgets for a number of capital items have been rolled forward into 2020/21. An analysis of the prudential indicators demonstrates that borrowing was maintained within the approved prudential limits.

The budgets for a number of capital items have been rolled forward into 2020/21. An analysis of the prudential indicators demonstrates that borrowing was maintained within the approved prudential limits.

**Slippage**
There has been a significant level of slippage in all areas of the capital budget during the year. This is due to various factors –

Premises
- Delays in the design work on the refurbishment of Bedminster fire station.
- The need for a change in main contractor on the Avonmouth fire station rebuild project.
- Funds set aside for various minor works on fire stations, were not utilised during the year.

Fleet
- The main supplier of fire appliances in the UK ceased to trade, which meant that a new technical specification had to be agreed.
- A new procurement process also had to be undertaken to engage an alternative supplier.
- The above were exacerbated by vacancies and absences within the Fleet technical resource.

Operational Equipment
- Three specific projects – thermal imaging cameras, gain access equipment and the drone, were not completed during the year.

IT
- The Transformation project was due to begin during the year, and that was delayed. This meant that the IT funding that was allocated to Transformation was also delayed.

## 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 Core Financial Statements. 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 2019/20 to reflect the uncertainty around interest rates and other possible fluctuations. As stated in note 23 to the accounting statements, 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 2019/20 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 2019/20 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:

| Comprehensive Income and Expenditure | 2018/19 £'000 | 2019/20 £'000 | Change £'000 |
|---|---|---|---|
| Fire fighting and rescue operations | 41,630 | 42,648 | 1,018 |
| Adjustments for capital purposes | (54) | 1,766 | 1,820 |
| Net change for pension adjustments | 29,605 | 6,693 | (22,912) |
| Other differences | (2) | 35 | 37 |
| Cost of providing services | 71,179 | 51,142 | (20,037) |
| Financing and investment income and expenditure (net) including other operating income and expenditure | 2,816 | 16,662 | 13,846 |
| Taxation and Grant Income including Firefighter Pension top-up grant | (55,377) | (52,505) | 2,872 |
| **Total deficit on the provision of services** | **18,618** | **15,299** | **(3,319)** |
| Surplus on revaluation of assets | (6,997) | (1,123) | 5,874 |
| Actuarial losses / (gains) on pension assets | 19,034 | (48,186) | (67,220) |
| **Total other income and expenditure** | **12,037** | **(49,309)** | **(61,346)** |
| **Total comprehensive income and expenditure** | **30,655** | **(34,010)** | **(64,665)** |

## The Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Net Increase / Decrease before Transfers to earmarked reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

One of the most important issues for readers of the Financial Statements will be whether the Fire Authority has a surplus or deficit compared to its budget (and Council Tax) for the year. As the financial statements follow accounting standards rather than local government legislation, this isn't easy to identify. The Movement in Reserves Statement reconciles the two different approaches and is shown on page 38.

## The Balance Sheet

This statement shows the value at 31 March 2020 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 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'.

| **Balance Sheet** | **2018/19 £'000** | **2019/20 £'000** | **Change £'000** |
|---|---|---|---|
| Long-term assets | 69,092 | 59,367 | (9,725) |
| Current assets | 15,531 | 24,644 | 9,113 |
| Current liabilities | (6,733) | (7,223) | (490) |
| Long-term liabilities | (676,191) | (641,079) | 35,112 |
| **Net Liabilities** | **(598,301)** | **(564,291)** | **34,010** |
| Usable reserves | 14,307 | 14,429 | 122 |
| Unusable reserves | (612,608) | (578,720) | 33,888 |
| **Total reserves** | **(598,301)** | **(564,291)** | **34,010** |

The Authority has long-term assets worth £59.4m (2018/19 £69.1m) primarily comprising land and buildings and vehicles.

Current assets at 31 March 2020 were £24.6m (2018/19 £15.5m) represented by short-term debtors of £14.9m (2018/19 £8.6m) and cash and cash equivalents of £9.7m (2018/19 £6.9m). This is an increase of £9.1m over the year and is primarily due to the deferred capital receipt for the old HQ site of £8.0m being moved to short-term debtors. Current liabilities at 31 March 2020 were £7.2m (2018/19 £6.7m) comprising provisions of £1.1m (2018/19 £1.2m) and creditors of £6.1m (2018/19 £5.5m).

The Balance Sheet identifies other long-term liabilities of £641.1m (2018/19 £676.2m). This primarily reflects future pension cash flows as calculated under accounting standard IAS 19 of

£631.5m (2018/19 £666.4m). It should be noted that these have decreased by £34.91m from 2018/19.

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.

| **Cash Flow Statement** | **2018/19 £'000** | **2019/20 £'000** | **Change £'000** |
|---|---|---|---|
| Net cash flows from operating activities | (1,683) | (3,826) | (2,143) |
| Investing activities | (8,952) | 789 | 9,741 |
| Financing activities | 2,562 | 195 | (2,367) |
| **Change in cash / cash equivalents** | **(8,073)** | **(2,842)** | **5,231** |
| Cash / cash equivalents beginning of the year | 1,193 | (6,880) | (8,073) |
| Cash / cash equivalents end of the year | (6,880) | (9,722) | (2,842) |
| **Change in cash / cash equivalents** | **(8,073)** | **(2,842)** | **5,231** |

In summary the Authority received surplus cash flows from operating activities of £3.8m (2018/19 £1.7m), an increase of £2.1m on the previous year. The deficit on investing cash flows was £0.8m (2018/19 £9.0m surplus – primarily representing the capital receipt on the sale of the former HQ at Temple Back). The deficit on financing activities was £0.2m (2018/19 £2.6m – representing the repayment of the PFI contract obligation and long-term debts). The overall increase in cash and cash equivalents was £2.8m (2018/19 £8.1m) 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 104 - 107.

| | 2019/20 Forecast £'000 | 2019/20 Outturn £'000 | Variance £'000 |
|---|---|---|---|
| **Pensions Outgoings** | | | |
| Pension payments | 14,414 | 14,622 | 208 |
| Commutations | 1,304 | 2,845 | 1,541 |
| Transfers to other schemes | 0 | 15 | 15 |
| Other | 0 | 150 | 150 |
| **Total Expenditure** | **15,718** | **17,632** | **1,914** |
| | | | |
| **Pension Income** | | | |
| Employee Contributions | (2,334) | (2,335) | (1) |
| Employer Contributions | (5,255) | (5,345) | (90) |
| In year ill health income | (381) | (404) | (23) |
| Transfer in from other schemes | (50) | (16) | 34 |
| Government Grant | (7,698) | (9,532) | (1,834) |
| **Total Income** | **(15,718)** | **(17,632)** | **(1,914)** |
| | | | |
| **Net Fund Expenditure** | 0 | 0 | 0 |

| | 2018/19 Forecast £'000 | 2018/19 Outturn £'000 | Variance £'000 |
|---|---|---|---|
| **Pensions Outgoings** | | | |
| Pension payments | 13,736 | 13,925 | 189 |
| Commutations | 3,125 | 4,429 | 1,304 |
| Other | 0 | 66 | 66 |
| **Total Expenditure** | **16,861** | **18,420** | **1,559** |
| | | | |
| **Pension Income** | | | |
| Employee Contributions | (2,220) | (2,347) | (127) |
| Employer Contributions | (2,740) | (2,829) | (89) |
| In year ill health income | (382) | (264) | 118 |
| Transfer in from other schemes | (50) | 0 | 50 |
| Government Grant | (11,469) | (12,980) | (1,511) |
| **Total Income** | **(16,861)** | **(18,420)** | **(1,559)** |
| | | | |
| **Net Fund Expenditure** | 0 | 0 | 0 |

Total pension expenditure for the year was £17.6m (2018/19 £18.4m); employer contributions totalled £5.3m (2018/19 £2.8m) for the year. In total Government top-up grant of £9.5m (2018/19 £13.0m) is receivable to fund the gap between expenditure and income.

## Financial Climate and Medium-Term Financial Planning

The Fire Authority has to develop and produce a Medium-Term Financial Plan (MTFP) to ensure that it has adequate resources to deliver its services into the future. The continued real terms reduction in Government funding has provided a significant financial challenge to the Fire Authority. 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 2020-23 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 2020-23 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 2020 to 2024 is summarised below:

| Detail Analysis | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 |
|---|---|---|---|---|
| Employees | 39,415 | 39,104 | 39,816 | 40,392 |
| Premises | 2,420 | 2,364 | 2,470 | 2,528 |
| Transport | 1,609 | 1,641 | 1,674 | 1,708 |
| Supplies and Services | 5,955 | 5,883 | 5,981 | 6,094 |
| Other Costs | 1,034 | 1,115 | 1,648 | 2,286 |
| Unidentified Savings | 0 | (254) | (856) | (1,438) |
| Total Expenditure | 50,433 | 49,853 | 50,733 | 51,570 |
| Income | (5,071) | (4,956) | (4,982) | (5,013) |
| **Budget before use of reserves** | **45,362** | **44,897** | **45,751** | **46,557** |
| Reserves | (1,636) | (223) | (146) | 0 |
| **Net Budget** | **43,726** | **44,674** | **45,605** | **46,557** |

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

| Analysis of Savings 2020/21 - 2023/24<br>Area | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | Total £'000 |
|---|---|---|---|---|---|
| Employees | (19) | 0 | (70) | (71) | (160) |
| Premises | (139) | 0 | 0 | 0 | (139) |
| Transport | (77) | 0 | 0 | 0 | (77) |
| Supplies and Services | 0 | 0 | 0 | 0 | 0 |
| Other Costs | (571) | 0 | 0 | 0 | (571) |
| Unidentified savings | 0 | (254) | (856) | (1,438) | (2,548) |
| Total Savings | (806) | (254) | (926) | (1,509) | (3,495) |
| Income | 0 | 0 | 0 | 0 | 0 |
| Use of Reserves | 0 | 0 | 0 | 0 | 0 |
| Total reductions | (806) | (254) | (926) | (1,509) | (3,495) |

These forecast savings for the period 2020-2024 do not include any potential impact of COVID-19 or Brexit. At the time of publication of the financial statements the UK has now left the European Union. In reviewing the MTFP the Authority has carried out an initial impact assessment, based on a no-deal scenario, in terms of how it may adversely impact future funding streams and costs. Whilst it is not possible to make forecasts with any certainty this assessment has highlighted the level of risk to the Authority's finances and provided some assurance that this risk can be mitigated in the medium-term through the use of reserve balances.

The objectives of the MTFP are:

- To ensure the Authority's aims and objectives can be delivered;
- To ensure commitments do not exceed forecast resources over the four-year period;
- To look for more efficient ways of delivering services;
- To manage the resources available effectively and to ensure the budget is aligned with corporate objectives;
- To ensure that Council Tax increases are not excessive; 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. A report on the likely impact of Brexit on the Authority's Medium-Term Financial Plan 2019 – 2023 was presented to the Fire Authority in March 2019 and this is available at https://www.avonfire.gov.uk/documents/category/217-2019.

The focus of this initial impact assessment was to identify those finance and funding risks likely to be impacted by Brexit in the short-term i.e. the next two years. It is considered that suitable mitigations are in place to manage those finance and funding risks for the next financial year 2020/21 but this will be carefully monitored.

## COVID-19

The COVID-19 outbreak has been developing worldwide at different rates since it first emerged in China in December 2019, resulting in the World Health Organisation declaring a global pandemic on 11th March 2020. So far it has caused substantial volatility in financial markets and disruption in supply chains. The Authority has established a Critical incident Management Team to oversee and plan. 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, so as to minimise disruption to services. It has been identified that the IT infrastructure, whilst adequate to support activities in the short-term, has some longterm 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. 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 in the 2020/21 financial year. 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 Authority also expects a negative impact on property asset values – the valuer's valuations are reported on the basis of 'material valuation uncertainty' as per 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, the valuer recommends that the valuation of these properties is kept under frequent review.

## 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.

We are also very pleased to report that 93% (2019 88%) of respondents said that they were very satisfied with the service they had received in an emergency and 1% (2019 9%) were fairly satisfied. No respondents were dissatisfied with the service they received.

Any fatality in a fire is a tragic loss and AF&RS continues to work towards our target of zero deaths. In 2019/20 we recorded five fire fatalities (2018/2019 three)

Our Performance Report published on our website gives full information about our progress against our targets.

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 2019/20 and also compares our performance against 2018/19:

| | How we compare against target (2019/20) | | How we compared with the previous year (2018/19) | | |
|---|---|---|---|---|---|
| | Target (2019/20) | Actual (2019/20) | Actual (2018/19) | Numerical change | % change |
| **Preventing** | | | | | |
| Accidental dwelling fires (ADF) | 485 | 504 | 534 | -30 | -5.6% |
| Deliberate primary fires (excluding vehicles) | 235 | 218 | 227 | -9 | -4.0% |
| All deliberate vehicle fires | 353 | 280 | 333 | -53 | -15.9% |
| Deliberate secondary fires (excluding vehicles) | 1,048 | 836 | 1,143 | -307 | -26.9% |
| **Protecting** | | | | | |
| Percentage of ADFs where no fire and rescue service fire fighting action is required. | Monitor only | 45.2% | 43.6% | N/A | +1.6% |
| **Responding** | | | | | |
| Initial call fire in Building Cat.1: First Appliance in 8 mins | 85% | 92% | 91% | N/A | +1.0% |
| Initial call fire in Building Cat.2: First Appliance in 10 mins | 90% | 95% | 96% | N/A | -1.0% |
| Initial call fire in Building Cat.3: First Appliance in 15 mins | 95% | 96% | 94% | N/A | -2.0% |

| | | | | | |
|---|---|---|---|---|---|
| Full resources required mobilised to fire in building | 95% | 100% | 100% | N/A | 0.0% |
| Initial call fire – all other: First attendance in 15 mins | 95% | 97% | 96% | N/A | +1.0% |
| Life threatening non-fire emergency: First attendance in 15 mins | 95% | 96% | 97% | N/A | -1.0% |
| Calls for assistance answered within seven seconds | 94% | 96.2% | 94.5% | N/A | +1.7% |

AF&RS continues to provide an excellent response service to our community.

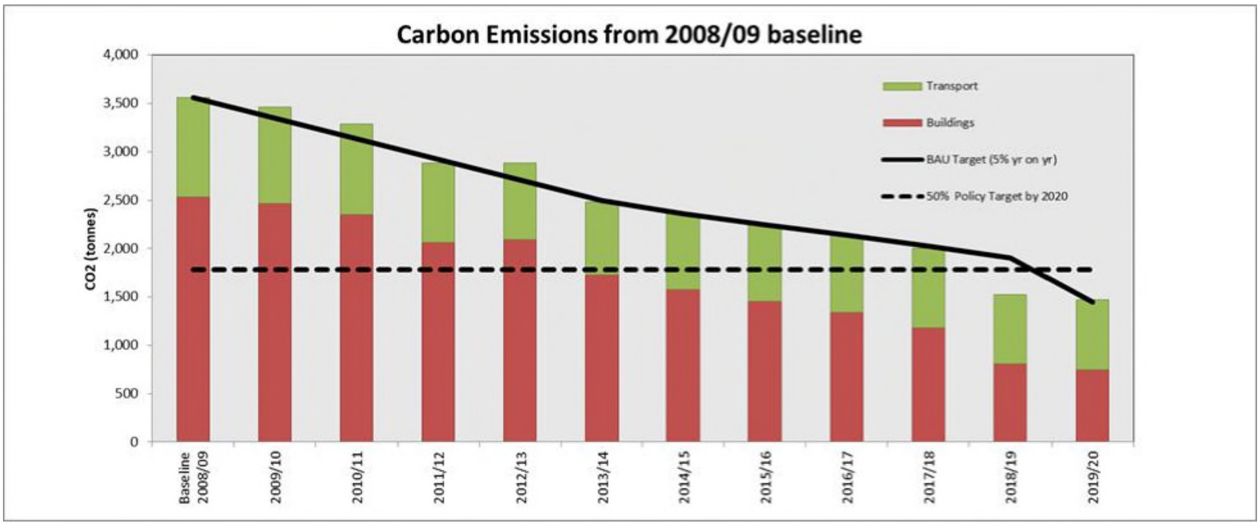
We are pleased to report that all of our response standards have been met, ensuring a lifesaving response is in attendance within the time that we have said we will achieve. We also answered over 96.2% (2019 94.5%) of 999 calls we received within our target time of seven seconds.

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

# $CO_2$ Emissions Report and Environmental Update 2019/20

**$CO_2$ Emissions**
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.

By the end of 2019/20, AF&RS reduced carbon emissions by 59% since a 2008/09 baseline, well ahead of our 50% reduction by 2020 target.

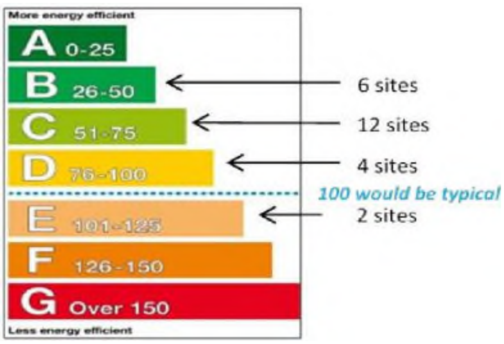



These reductions are due to improved efficiencies in our estate management and operation, delivery of cleaner energy sources and fleet improvements. In addition, energy and fuel at a national level has become less carbon intensive as the UK increases the proportion of mains electricity from renewables and biodiesel in pump fuel; therefore the carbon factor we use in our calculations has changed, also reducing our carbon footprint.

**Property Emissions**
Over the past year, we achieved a 1% reduction in energy consumption (kWh) compared to the previous year, finalising the extensive programme of lighting and heating improvements undertaken in 2018/19 and planning for a further programme of works from 2020. It is also noted that one of our fire stations, Avonmouth, was announced as the winner in the UK Fire & Rescue Service's energy saving competition for the 2018/2019 winter season.

**Display Energy Certificates (DECs)**
DECs are produced for all buildings on our estate to give us a service-wide picture of our buildings' performance. Similar to energy ratings for white appliances, A represents the most energy efficient and G the least. Our estate's average DEC rating is now C (62) compared to E (112) in 2011/12.

The distribution of ratings for our buildings is shown in the graphic:



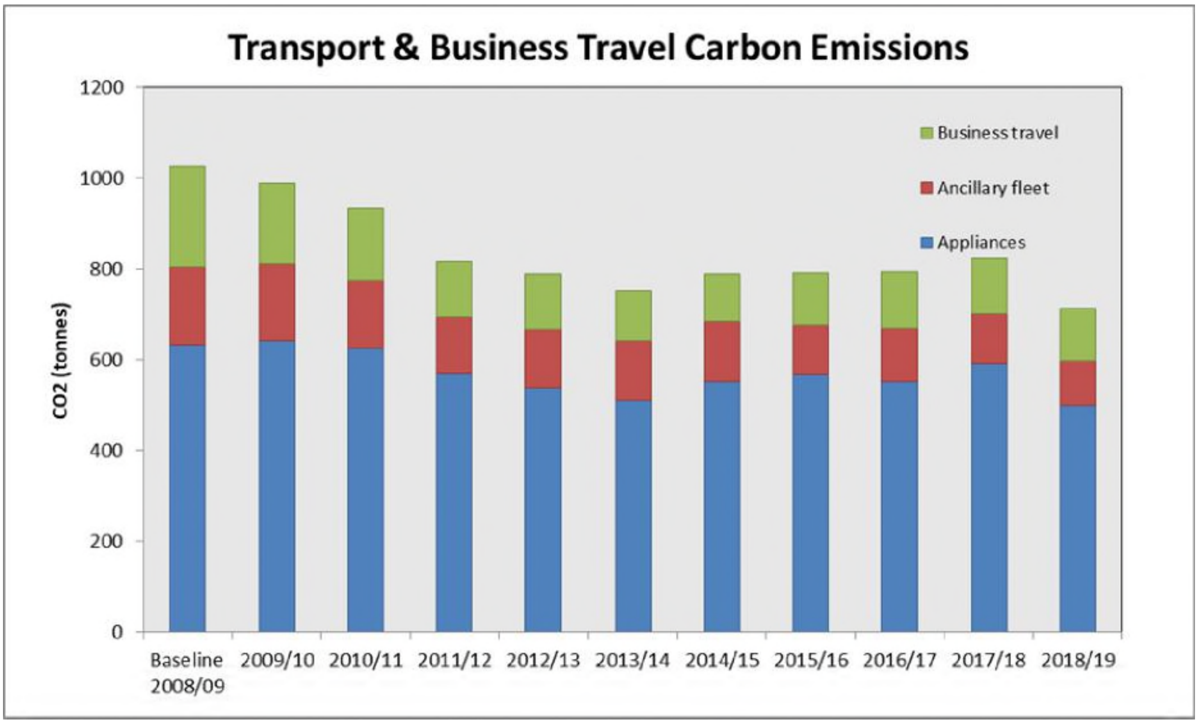
**Energy Efficiency Improvements**
During 2019/20, measures to improve energy efficiency included:

- External lighting upgrades at Lansdown and Yate, replacing fittings with high efficiency LEDs and motion-detection controls;
- Building fabric improvements including installation of solar blinds at Hicks Gate and roof insulation at Nova Way;
- Ongoing heating system improvements at the final 2 retained stations to be upgraded including new pipework, radiators and controls at Paulton and Radstock; and
- Enhancement of the Building Management System to improve heating & hot water efficiencies across our larger sites.

**Renewable Energy**
By the end of 2019/20, 87% of AF&RS' total energy demand was met by renewables (on & off site), well above our 20% by 2020 target. Generation capacity on our 9 sites with solar PV systems is 170kWp, providing a Feed-In Tariff income of £11-12,000 per annum. Measures taken during 2019/20 have included:

- Purchasing 100% renewable electricity and green gas (generated locally from the Geneco anaerobic digester plant in Avonmouth);
- Feasibility work to connect Temple Fire Station into Bristol City Council's district heat network; and
- Inclusion of renewable strategies in the briefs for new build fire stations at Avonmouth, Bath & Weston.

**Transport Emissions**
Emissions associated with Transport have fallen by 30% compared to a 2008/09 baseline due to fleet improvements such as upgrading vehicles, improved call-challenging, changes in our automatic fire alarm response based on better risk analysis, and our adoption of low and zero emission vehicles.




Measures taken in 2019/20 have also included:

- Deployment of 2 electric vans for use by the Community Fire Safety team;
- Initiating the installation of telematics in our fleet vehicles;

- Development of our new Fleet Strategy in line with Clean Air Zone requirements;
- Trials of low/ultra-low emission vehicles to inform our fleet replacement programme; and
- On-going involvement in the London Fire Brigade's zero emissions fire appliance research and development programme (ZEPA).

**Environmental Report 2019/2020**
A detailed report will be issued and made available on the AF&RS website providing more information about our environmental progress in 2019/20 and future plans.

## 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 32-107 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 2020.

***Signed***

D. Neale

**Danielle Neale**
**Treasurer of the Avon Fire Authority**
**27th November 2020**

**Comprehensive Income and Expenditure Statement for the year ending 31 March 2020**

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.

| Gross Expenditure | Gross Income | | [illegible] | [illegible] | | |
|---|---|---|---|---|---|---|
| 74,662 | (3,483) | 71,179 | Fire fighting and rescue operations | 56,984 | (5,842) | 51,142 |
| **74,662** | **(3,483)** | **71,179** | **Cost of Services** | **56,984** | **(5,842)** | **51,142** |
| | | (13,215) | Other operating income | | | - |
| | | (12,954) | Firefighter Pension Top up Grant | | | (9,741) |
| | | 16,031 | Financing and investment income and expenditure (note 28) | | | 16,662 |
| | | (42,423) | Taxation and non-specific grant income (note 27) | | | (42,764) |
| | | **18,618** | **Deficit on Provision of Services** | | | **15,299** |
| | | (6,997) | Surplus on revaluation of non-current assets (note 25) | | | (1,123) |
| | | 19,034 | Remeasurements of the net defined benefit liability (note 26) | | | (48,186) |
| | | **12,037** | **Other Comprehensive Income and Expenditure** | | | **(49,309)** |
| | | **30,655** | **Total Comprehensive Income and Expenditure** | | | **(34,010)** |

## 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 2018** | **1,500** | **6,693** | **-** | **8,193** | **(575,839)** | **(567,646)** |
| **Movement in reserves during 2018/19** | | | | | | |
| Deficit on the provision of services | (18,618) | - | - | (18,618) | - | (18,618) |
| Other Comprehensive Expenditure | - | - | - | - | (12,037) | (12,037) |
| **Total Comprehensive Income and Expenditure** | **(18,618)** | **-** | **-** | **(18,618)** | **(12,037)** | **(30,655)** |
| Adjustments between accounting basis & funding basis under regulations (note 12) | 24,732 | - | - | 24,732 | (24,732) | - |
| **Net increase/(decrease) before Transfers to Earmarked Reserves** | **6,114** | **-** | **-** | **6,114** | **(36,769)** | **(30,655)** |
| Transfers to/from earmarked Reserves (note 24) | (6,114) | 425 | 5,689 | - | - | - |
| **Increase/(Decrease) in 2018/19** | **-** | **425** | **5,689** | **6,114** | **(36,769)** | **(30,655)** |
| **Balance at 31 March 2019 carried forward** | **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 Income and 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)** |

**Balance Sheet as at 31 March 2020**

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-19 £'000 | | Notes | 31-Mar-20 £'000 |
|---|---|---|---|
| 61,009 | Property, Plant & Equipment | 13 | 59,169 |
| 83 | Intangible assets | 13 | 198 |
| 8,000 | Long-term Debtor - Deferred Capital Receipt | | 17 |
| **69,092** | **Long-term Assets** | | **59,367** |
| 8,651 | Short-term Debtors | | 17 |
| 6,880 | Cash and Cash Equivalents | 18 | 9,722 |
| **15,531** | **Current Assets** | | **24,644** |
| (1,189) | Short-term Provisions | 22 | (1,075) |
| (5,544) | Short-term Creditors | 19 | (6,148) |
| **(6,733)** | **Current Liabilities** | | **(7,223)** |
| (7,000) | Long-term borrowing | 20 | (7,000) |
| | Other Long-term Liabilities | | |
| (666,378) | Net Pensions Liability | 26 | (631,468) |
| (590) | Long-term Provisions | | 23 |
| (2,223) | Deferred Liability | 7 | (2,021) |
| **(676,191)** | **Long-term Liabilities** | | **(641,079)** |
| **(598,301)** | **Net Liabilities** | | **(564,291)** |
| 14,307 | Usable Reserves | | 24 |
| (612,608) | Unusable Reserves | 25 | (578,720) |
| **(598,301)** | **Total Reserves** | | **(564,291)** |

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 26th August 2020.

**Signed**

Donald Davies

D. Neale

**Donald Davies**
**Chair of the Avon Fire Authority**
**27th November 2020**

**Danielle Neale**
**Treasurer of the Avon Fire Authority**
**27th November 2020**

## 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.

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| 18,618 | Net deficit on the provision of services | 15,299 |
| (38,211) | Adjustments to net deficit on the provision of services for non-cash movements (note 29) | (19,125) |
| 17,910 | Adjustments for items included in the net deficit on the provision of services that are investing and financing activities (note 29) | - |
| (1,683) | Net cash flows from Operating Activities | (3,826) |
| (8,952) | Investing Activities (note 30) | 789 |
| 2,562 | Financing Activities (note 31) | 195 |
| (8,073) | Net increase or decrease in cash and cash equivalents | (2,842) |
| 1,193 | Cash and cash equivalents at the beginning of the reporting period | (6,880) |
| **(6,880)** | **Cash and cash equivalents at the end of the reporting period (note 18) in-hand** | **(9,722)** |

## 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 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20 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 accounting policy for financial instruments was amended in 2018/19 as a result of the adoption by the Code of IFRS 9. However, as the Authority does not have complex borrowing or lending arrangements, the accounting treatment of financial instruments has not changed. 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.

Assets Held for Sale

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

**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.

Contingent Assets

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

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

### 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 2020 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 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 2020, just one week after the UK officially went into lockdown as a result of the COVID-19 global pandemic declared by the World Health Organisation 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 'material valuation uncertainty' as per 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 96) is £1,611k which also has material valuation uncertainty.

The value of land and property assets (see note 13 on page 62) is £47,592k.

- There is still uncertainty about the implications of Britain leaving the European Union. At the current time it is not possible to predict the agreement that will be reached at the end of the transition period. The assumption has been made that this will not significantly impair the value of the Fire Authority's assets. However this assumption 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 2021.

**IAS 28 Investments in Associates and Joint Ventures** clarifies the treatment for Longterm Interests in Associates and Joint Ventures.

**IAS 19 Employee Benefits** amendments to the treatment of Plan amendments, Curtailments and Settlements.

Annual Improvements to IFRS Standards 2015 – 2017 cycle

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.

| **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 | 14,307 | | |
| Plus surplus on Usable Reserves Balance in year | 657 | | |
| Closing Usable Reserve Balance at 31 March | 14,964 | | |

| **2018/19** | 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 | 41,630 | 29,549 | 71,179 |
| **Net Cost of Service** | **41,630** | **29,549** | **71,179** |
| Other Income and Expenditure | (47,744) | (4,817) | (52,561) |
| **(Surplus)/Deficit on Provision of Services** | **(6,114)** | **24,732** | **18,618** |
| Opening Usable Reserves Balance | 8,193 | | |
| Plus surplus on Usable Reserves Balance in year | 6,114 | | |
| Closing Usable Reserve Balance at 31 March | 14,307 | | |

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.

| 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** |

| 2018/19 | Adjustments for Capital Purposes £'000 | Net change for the Pension Adjustments £'000 | Other Differences £'000 | Total Adjustments £'000 |
|---|---|---|---|---|
| Fire fighting and rescue operations | (54) | 29,605 | (2) | 29,549 |
| **Net Cost of Service** | **(54)** | **29,605** | **(2)** | **29,549** |
| Other Income and Expenditure | (7,050) | 2,624 | (391) | (4,817) |
| **(Surplus) or Deficit on Provision of Services** | **(7,104)** | **32,229** | **(393)** | **24,732** |

- 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.

| 2018/19 £'000 | | 2019/20 £'000 |
|---|---|---|
| | **Expenditure** | |
| 36,821 | Employee benefits expenses | 44,361 |
| 8,976 | Other Service expenses | 9,364 |
| 3,577 | Depreciation, amortisation and impairment | 3,633 |
| (13,215) | Profit on disposal of non-current assets | - |
| 16,263 | Interest payments | 16,964 |
| 25,288 | Pension past service costs | (374) |
| 77,710 | | 73,948 |
| | **Income** | |
| (458) | Fees & charges and other service income | (402) |
| (30,868) | Income from Council Tax & Business Rates | (31,692) |
| (27,534) | Grants and contributions | (26,253) |
| (232) | Interest and investment income | (302) |
| (59,092) | | (58,649) |
| 18,618 | **Deficit on the provision of services** | 15,299 |

## 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.

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| 24 | Fees payable with regard to external audit services carried out by the appointed auditor | 24 |
| - | Additional fees regarding extra work on the impact of prior year adjustments | 31 |
| - | Additional fees regarding extra work on the impact of the McCloud judgement | 5 |
| - | Additional fees regarding public access work | 9 |

## 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:

| 2018/2019 £'000 | | Service Charge £'000 | Interest £'000 | Repayment of Liability £'000 | Total 2019/2020 £'000 |
|---|---|---|---|---|---|
| 1,478 | Total contract payments | 909 | 411 | 195 | 1,515 |
| | Outstanding undischarged contract obligations: | | | | |
| 1,515 | Within 1 year | 931 | 403 | 203 | 1,537 |
| 6,366 | Between 2 and 5 years | 3,961 | 1,577 | 1,002 | 6,540 |
| 7,058 | Between 6 and 9 years | 3,236 | 1,093 | 1,018 | 5,347 |

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 2020 is forecasted to be in a small surplus at the end of the contract; this is a swing from a small deficit that was calculated at 31 March 2019. There are unknowns regarding inflation rates over the remaining 8 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 Non-Current Assets – namely the building, including lifecycle replacement costs and the effect of revaluation are as follows:

| | Property Plant & Equipment £'000 |
|---|---|
| Gross Asset Value at 31 March 2019 | 5,523 |
| Accumulated Depreciation and Impairment | (3,086) |
| Net Book Value of Asset at 31 March 2019 | 2,437 |
| Movement in 2019/20 | |
| Revaluation | 13 |
| Depreciation | (272) |
| Net Book Value of Asset at 31 March 2020 | 2,178 |

Summary totals for the corresponding liability are as follows:

| | Property Plant & Equipment £'000 |
|---|---|
| PFI Lease Liability outstanding at 31 March 2019 | 2,418 |
| PFI Lease Liability repaid in 2019/20 | (195) |
| PFI Lease Liability outstanding at 31 March 2020 | 2,223 |
| PFI Lease Liability - Current | 202 |
| PFI Lease Liability - Deferred | 2,021 |

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 2019/20 are set out on the following page. The summary of allowances, which have been paid under this scheme are as follows:

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| 56 | Allowances | 51 |
| **56** | **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:

| 2018/2019 £ | Recipient | asic Allowance £ | pecial esponsibility llowance £ | ravel & ubsistence xpenses £ | 2019/2020 £ |
|---|---|---|---|---|---|
| 281 | Councillor P Abraham | - | - | - | - |
| 1,512 | Councillor J Ashe | 1,542 | - | - | 1,542 |
| 163 | Councillor A Barber | - | - | - | - |
| 290 | Councillor C Barrett | - | - | - | - |
| 1,972 | Councillor T Butters | 1,542 | - | 176 | 1,718 |
| - | Councillor E Clough | 1,174 | - | 196 | 1,370 |
| 1,563 | Councillor C Davies | 373 | - | 23 | 396 |
| 11,660 | Councillor D Davies | 1,542 | 9,414 | 263 | 11,219 |
| 3,831 | Councillor A Davis | 1,542 | 2,124 | - | 3,666 |
| 281 | Councillor K Dudd | | | | - |
| 1,313 | Councillor R Eddy | 1,542 | - | 107 | 1,649 |
| 1,571 | Councillor R Garner | 153 | - | 17 | 170 |
| 1,734 | Councillor P Gggin | 1,542 | 1,054 | - | 2,596 |
| 3,871 | Councillor A Hale | 373 | 509 | - | 882 |
| - | Councillor H Hopkinson | 1,238 | - | 57 | 1,295 |
| 3,578 | Councillor C Jackson | 373 | 509 | - | 882 |
| - | Councillor R Jacobs | 1,174 | - | 28 | 1,202 |
| 281 | Councillor H Jama | - | - | - | - |
| 1,235 | Councillor C Johnson | 1,542 | - | - | 1,542 |
| - | Councillor T Jones | 1,238 | - | - | 1,238 |
| 2,545 | Councillor C Lake | 1,542 | 252 | 1,604 | 3,398 |
| 562 | Councillor B Massey | 1,238 | 1,819 | - | 3,057 |
| - | Councillor A Monk | 1,238 | - | - | 1,238 |
| 1,664 | Councillor M Morris | 153 | - | - | 153 |
| - | Councillor P Myers | 1,174 | - | - | 1,174 |
| - | Councillor R Payne | 1,238 | - | - | 1,238 |
| 1,512 | Councillor C Phipps | 1,542 | - | - | 1,542 |
| 1,512 | Councillor S Pomfret | 373 | - | - | 373 |
| 1,512 | Councillor I Scott | 153 | - | - | 153 |
| 429 | Councillor A Shah | - | - | - | - |
| - | Councillor B Shearn | 1,204 | - | - | 1,204 |
| 2,275 | Councillor M Shelford | 153 | - | - | 153 |
| - | Councillor R Tucker | 1,238 | - | - | 1,238 |
| 558 | Councillor M Tyrrell | - | - | - | - |
| 1,512 | Councillor M Williams | 153 | - | - | 153 |
| 1,844 | Councillor N Wilton | 153 | - | 34 | 187 |
| 4,123 | Councillor C Windows | 1,542 | 2,107 | - | 3,649 |
| 146 | Mrs S Burrell | 354 | - | - | 354 |
| 240 | Mr M Rose | - | - | - | - |
| 55,570 | | 30,338 | 17,788 | 2,505 | 50,631 |

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:

| 2018/2019 No. of Employees | Remuneration Band | 2019/2020 No. of Employee |
|---|---|---|
| 13 | £50,000 - £54,999 | 9 |
| 9 | £55,000 - £59,999 | 11 |
| 11 | £60,000 - £64,999 | 12 |
| 4 | £65,000 - £69,999 | 7 |
| 2 | £70,000 - £74,999 | 4 |
| 4 | £75,000 - £79,999 | 1 |
| - | £80,000 - £84,999 | 1 |

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

| 2018/2019 | | | 2019/2020 | | | |
|---|---|---|---|---|---|---|
| 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 | 5 | £0 - £20,000 | - | 1 | 1 | 1 |
| - | - | £20,001 - £30,000 | - | 1 | 1 | 24 |
| - | - | £30,001 - £40,000 | - | 1 | 1 | 33 |
| 1 | 5 | Total | - | 3 | 3 | 58 |

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 - Crennell | M **2019/20** | **145,229** | **2,935** | **53,669** | | **201,833** |
| | 2018/19 | 144,064 | 15,132 | 33,625 | | 192,821 |
| Deputy Chief Officer & Deputy Chief Executive - L Houghton | **2019/20** | **157,148** | **3,117** | **26,474** | **(1** | **186,739** |
| | 2018/19 | 118,603 | 5,737 | 16,960 | | 141,300 |
| Assistant Chief Fire Officer - Director of Service Delivery | **2019/20** | **117,340** | **3,698** | **33,039** | | **154,077** |
| | 2018/19 | 111,921 | 2,738 | 16,005 | | 130,664 |
| Interim Assistant Chief Fire Officer - Director of Service Delivery | **2019/20** | **18,753** | **633** | **2,877** | **(2** | **22,263** |
| | 2018/19 | - | - | - | | - |
| Assistant Chief Fire Officer - Director of Service Delivery Support | **2019/20** | **118,165** | **1,314** | **44,381** | | **163,860** |
| | 2018/19 | 111,921 | 1,709 | 24,287 | | 137,917 |
| Director of Corporate Services | **2019/20** | **-** | **-** | **-** | | **-** |
| | 2018/19 | 84,783 | 7,305 | 11,732 | (3 | 103,820 |
| Interim Director of Corporate Services | **2019/20** | **23,267** | **-** | **3,560** | **(4** | **26,827** |
| | 2018/19 | - | - | - | | - |
| Interim Treasurer | **2019/20** | **12,257** | **-** | **-** | **(6** | **12,257** |
| | 2018/19 | 15,841 | - | - | (5 | 15,841 |
| Interim Treasurer and Finance Manager | **2019/20** | **120,089** | **4,199** | **18,219** | | **142,507** |
| | 2018/19 | 81,876 | 6,228 | 12,036 | | 100,140 |
| Legal Advisor, Clerk & Monitoring Officer | **2019/20** | **29,734** | **-** | **3,784** | **(7** | **33,518** |
| | 2018/19 | 96,999 | - | 14,259 | | 111,258 |
| **Total 2019/20** | | **741,982** | **15,896** | **186,003** | | **943,881** |

(1) Post holder resigned 31/12/19
(2) Interim appointment commenced 27/1/20
(3) Post holder resigned 18/2/19
(4) Interim appointment commenced 1/1/20
(5) Interim appointment commenced 24/11/18
(6) Interim appointment ended 30/6/19
(7) 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 2019/2020 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 – (£16,512k).

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

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

- Other local authorities:

  - Bristol City Council as a billing Authority responsible for collecting council tax & business rates on behalf of the Fire Authority for its area (£11,761k). Also is a provider of financial services to the Fire Authority £227k.

  - 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 - (£5,521k) 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 £18,958k.

  - North Somerset Council (£6,424k) and South Gloucestershire Council (£8,497k) 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 £245k.

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.

| Fund balance | Movement in Unusable Reserves | 089/112 09/0122 | £'000 £'000 £'000 £'000 | Fund balance |
|---|---|---|---|---|
| | | **Adjustments primarily involving the Capital Adjustment Account** | | |
| | | **Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:** | | |
| 3,517 | (3,517) | Charges for depreciation, impairment & revaluation of non-current assets | 3,581 | (3,581) |
| - | - | Capital Grants and contributions applied | - | - |
| 59 | (59) | Amortisation of intangible assets | 52 | (52) |
| (5,215) | 5,215 | Profit/(Loss) on sale of non-current assets | - | - |
| 5,689 | (5,689) | Adjustments involving the Capital Receipts Reserve | - | - |
| | | **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement** | | |
| (593) | 593 | Capital expenditure charged against Fund balance | (251) | 251 |
| (375) | 375 | Statutory Provision for the Repayment of Debt - MRP | (280) | 280 |
| (179) | 179 | Statutory Repayment of Debt - PFI | (195) | 195 |
| (2,007) | 2,007 | Voluntary Provision above MRP | (773) | 773 |
| | | **Adjustments primarily involving the Deferred Capital Receipts Reserve** | | |
| (8,000) | 8,000 | Profit/(Loss) on sale of non-current assets | - | - |
| | | **Adjustments primarily involving the Pensions Reserve** | | |
| 37,293 | (37,293) | Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 26) | 21,081 | (21,081) |
| (5,064) | 5,064 | Employer's pension contributions and direct payments | (7,805) | 7,805 |
| | | **Adjustments primarily involving the Collection Fund Adjustment Account** | | |
| (391) | 391 | 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 | 511 | (511) |
| | | **Adjustments primarily involving the Accumulated Absences Account** | | |
| (2) | 2 | 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 | 35 | (35) |
| **24,732** | **(24,732)** | **Total Adjustments** | **15,956** | **(15,956)** |

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:

| 2019/20 | Land & Buildings £'000 | 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 (decreases)/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** |

| 2018/19 | Land & Buildings £'000 | PFI £'000 | Vehicles & Equipment £'000 | **Total £'000** |
|---|---|---|---|---|
| **Cost or Valuation** 1 April 2018 | 42,316 | 4,988 | 26,307 | **73,611** |
| Additions | 515 | - | 436 | **951** |
| Disposals | - | - | (531) | **(531)** |
| Revaluation increases to Revaluation Reserve | 3,858 | 535 | - | **4,393** |
| Revaluation increases to (surplus) / deficit on the provision of Services | 1,282 | - | - | **1,282** |
| 31 March 2019 | **47,971** | **5,523** | **26,212** | **79,706** |
| **Depreciation and impairments** | | | | |
| 1 April 2018 | (329) | (2,815) | (13,856) | **(17,000)** |
| Charge for year | (1,320) | (271) | (1,908) | **(3,499)** |
| Disposals | - | - | 500 | **500** |
| Revaluation written out to (surplus) / deficit on the provision of Services | 1,302 | - | - | **1,302** |
| 31 March 2019 | **(347)** | **(3,086)** | **(15,264)** | **(18,697)** |
| **Net book value of assets at 31 March 2018** | **41,987** | **2,173** | **12,451** | **56,611** |
| **Net book value of assets at 31 March 2019** | **47,624** | **2,437** | **10,948** | **61,009** |

The uncertainty of land and buildings valuations due to COVID-19 are further referred to in note 2b on pages 49 and 50.

## Intangible Non-Current Assets

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

| 2018/19 £'000 | Intangible Assets (Purchased software licences) | 2019/20 £'000 |
|---|---|---|
| | **Original Cost** | |
| **918** | 1 April 2019 (2018) | **926** |
| 8 | Additions | 167 |
| - | Disposals | |
| **926** | 31 March 2020 (2019) | **1,093** |
| | **Amortisation and impairments** | |
| **(784)** | 1 April 2019 (2018) | **(843)** |
| (59) | Charge for year | (52) |
| - | Disposals | |
| **(843)** | 31 March 2020 (2019) | **(895)** |
| **134** | **Net book value of assets at 31 March 2019 (2018)** | **83** |
| **83** | **Net book value of assets at 31 March 2020 (2019)** | **198** |

## Assets Held for Sale

| 2018/19 £'000 | Assets Held for Sale | 2019/20 £'000 |
|---|---|---|
| 4,664 | **Balance at start of year** | - |
| - | Additions in year | - |
| - | Revaluation | - |
| - | Assets newly classified as held for sale: | - |
| **4,664** | | **-** |
| (4,664) | Assets sold | - |
| **-** | **Balance at end of year** | **-** |

The New Temple Back Fire Station and Offices asset has been valued on a Current Value Depreciated Replacement Cost basis. RICS guidance[1] on this matter directs the valuer to establish the lowest amount that a prudent purchaser would pay to acquire a site for an equivalent development in a relevant location at the valuation date. Avon Fire & Rescue and their appointed valuer Jones Lang LaSalle (JLL) have determined that a location in Temple Back, central Bristol is required as opposed to a lower cost alternative site. On this basis the land value element of the valuation reflects this and in particular the adopted land value of £8.5m reflects the assumption that Avon Fire & Rescue would have to compete with other bidders for the site which would have a significantly increased value as it based upon sales evidence relating to development(s) for higher value alternative uses. Should it be determined in the future that an alternatively located lower cost site be suitable, including alternative sites within Bristol, then the site valuation will be lower as it will reflect the value of a hypothetical lower cost alternative site with appropriate characteristics to deliver the required service potential.

[1]RICS professional standards and guidance, UK - Depreciated replacement cost method of valuation for financial reporting - 1st Edition, November 2018

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

Capital expenditure and sources of finance were as follows:

| 2018/19 £'000 | | 2019/20 £'000 |
|---|---|---|
| 515 | Land and buildings | 458 |
| 306 | Vehicles | 20 |
| 41 | Ops equipment | 81 |
| 88 | IT Hardware | 64 |
| 8 | Software | 167 |
| **958** | | **790** |
| - | Unapplied Capital Receipts | 535 |
| 365 | Capital Receipts | 4 |
| 593 | Revenue Contributions | 251 |
| **958** | | **790** |

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.

| 2018/19 £'000 | | 2019/20 £'000 |
|---|---|---|
| 21,772 | Opening Capital Financing Requirement | 15,354 |
| | Capital Investment | |
| 950 | Property, Plant and Equipment | 623 |
| 8 | Intangible assets | 167 |
| | Sources of finance | |
| - | Unapplied Capital Receipts | (535) |
| (4,221) | Capital Receipts | (4) |
| (3,155) | Revenue Provision | (1,499) |
| **15,354** | Closing Capital Financing Requirement | **14,106** |
| | Explanation of movements in year | |
| (202) | Decrease in underlying need to borrow (supported by Government financial assistance) | (1,053) |
| (6,216) | Decrease in underlying need to borrow (unsupported by Government financial assistance) | (195) |
| **(6,418)** | Decrease in Capital Financing Requirement | **(1,248)** |

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 2019/20 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:

| Restated 2018/19 £'000 | | 2019/20 £'000 |
|---|---|---|
| | Opening Capital Financing Requirement as at 1 April: | |
| 61,409 | Fixed Assets | 61,092 |
| (12,555) | Revaluation Reserve | (19,060) |
| (27,083) | Capital Adjustments Account | (26,678) |
| **21,771** | Opening Capital Financing Requirement | **15,354** |
| (6,417) | Less in year statutory and voluntary revenue provision | (1,248) |
| **15,354** | Capital Financing Requirement | **14,106** |
| (165) | Adjustment Factor A | (165) |
| **15,189** | Adjusted Capital Financing Requirement | **13,941** |
| 554 | MRP | 280 |
| 2,007 | VRP | 968 |
| 2,561 | | 1,248 |

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 49 and 50.

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

| | Assets |
|---|---|
| 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:

| 31/03/2019 £'000 | | 31/03/2020 £'000 |
|---|---|---|
| 116 | Trade Debtor | 83 |
| 294 | VAT - Non Trade | 246 |
| 2,549 | Collection Fund - Non Trade | 1,799 |
| 3,804 | Pension top up grant - Non Trade | 3,026 |
| - | Deferred Capital Receipt - Non Trade | 8,000 |
| 1,888 | Other - Non Trade | 1,768 |
| 8,651 | | 14,922 |

The Deferred Capital Receipt above in 2018/19 was classified as a long-term debtor as per the table below.

| 31/03/2019 £'000 | | 31/03/2020 £'000 |
|---|---|---|
| 8,000 | Deferred Capital Receipts | - |
| 8,000 | | - |

## 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:

| 31/03/2019 £'000 | | 31/03/2020 £'000 |
|---|---|---|
| 6,880 | Bank Current Accounts (overdraft) in-hand | 9,722 |
| 6,880 | | 9,722 |

## 19. Creditors

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

| 31/03/2019 £'000 | | 31/03/2020 £'000 |
|---|---|---|
| (1,447) | Trade Creditors | (1,012) |
| (612) | PAYE - Non-trade | (629) |
| (457) | Grants received in advance - Non-trade | (992) |
| (3,028) | Other - Non-trade | (3,515) |
| (5,544) | | (6,148) |

## 20. Analysis of Borrowing

The loans outstanding consist of a loan through Bristol City Council which was repaid in full during 2018/19 and two through The Public Works Loan Board. The maturity of long-term loans is as follows:

| 31/03/2019 £'000 | | 31/03/2020 £'000 |
|---|---|---|
| - | Between 1 and 2 years | - |
| - | Between 2 and 5 years | - |
| - | Between 5 and 10 years | 3,500 |
| 7,000 | Over 10 years | 3,500 |
| 7,000 | Total long-term borrowing at year-end | 7,000 |

As at 31 March 2020 (2019) the Authority had deferred borrowing of £4,882k (£5,935k).

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 2019 £'000 | 31 March 2020 £'000 | 31 March 2019 £'000 | 31 March 2020 £'000 |
| Financial Liabilities at amortised cost | (9,223) | (9,021) | (2,927) | (3,848) |
| **Total borrowings** | **(9,223)** | **(9,021)** | **(2,927)** | **(3,848)** |
| Financial Assets at amortised cost | 8,000 | - | 13,506 | 15,396 |
| Financial Assets at fair value | - | - | - | 8,000 |
| **Total debtors** | **8,000** | **-** | **13,506** | **23,396** |

### 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 2019 £'000 | 31 March 2020 £'000 |
| **Financial Liabilities at amortised cost as above** | **(2,927)** | **(3,848)** |
| Statutory debt in relation to HMRC | (612) | 10 |
| Receipts in advance | (457) | (992) |
| Short-term liabilities in relation to PFI | (195) | (203) |
| Receipts in advance and overpayments in relation to Council Tax | (1,257) | (652) |
| . Fire Fighter pension scheme - Ill health | (96) | (463) |
| **Short-term Creditors per note 19** | **(5,544)** | **(6,148)** |

**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:

| 2019/2020 | Financial Liabilities measured at amortised costs £'000 | Financial Assets Loans & Receivables £'000 | Total £'000 |
|---|---|---|---|
| **Interest expense** | | | |
| - Loan | 221 | - | 221 |
| - PFI | 449 | - | 449 |
| **Interest payable and similar charges** | **670** | **-** | **670** |
| Interest income | - | (295) | (295) |
| **Interest and Investment Income** | **-** | **(295)** | **(295)** |
| **Net loss/(gain) for the year** | **670** | **(295)** | **375** |

## Fair Values

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

- For loans, the new maturity rates from the Public Works Loan Board (PWLB) as available at 31 March have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount; 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 2019 | | 31 March 2020 | |
|---|---|---|---|---|
| | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| Loan Debt | | | | |
| Public Works Loan Board | (7,000) | (9,858) | (7,000) | (9,705) |
| Deferred Liability - PFI | (2,223) | (2,223) | (2,021) | (2,021) |
| **Total debt** | **(9,223)** | **(12,081)** | **(9,021)** | **(11,726)** |
| Trade and other creditors | (2,927) | (2,927) | (3,848) | (3,848) |
| **Total Financial Liabilities** | **(12,150)** | **(15,008)** | **(12,869)** | **(15,574)** |

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 2019 £'000 | 31 March 2020 £'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 2019 £'000 | 31 March 2020 £'000 |
| **Trade and other Creditors per above** | **(2,927)** | **(3,848)** |
| Statutory debt in relation to HMRC | (612) | 10 |
| Receipts in advance | (457) | (992) |
| Short-term liabilities in relation to leases inc PFI | (195) | (203) |
| Receipts in advance and overpayments in relation to Council Tax | (1,257) | (652) |
| Fire Fighter pension scheme - Ill health | (96) | (463) |
| **Short-term Creditors per note 19** | **(5,544)** | **(6,148)** |

## Financial assets held at amortised cost

| | 31 March 2019 | | 31 March 2020 | |
|---|---|---|---|---|
| | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| Financial assets held at amortised cost<br>Bank and cash | 6,880 | 6,880 | 9,722 | 9,722 |
| **Total debt / (credit)** | **6,880** | **6,880** | **9,722** | **9,722** |
| Trade and other debtors | 6,626 | 6,626 | 5,674 | 5,674 |
| **Total Loans and Receivables** | **13,506** | **13,506** | **15,396** | **15,396** |

## Financial assets held at fair value

| | 31 March 2019 | | 31 March 2020 | |
|---|---|---|---|---|
| | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| Financial assets held at fair value<br>Deferred Capital Receipts | 8,000 | 8,000 | 8,000 | 8,000 |
| **Total Loans and Receivables** | **8,000** | **8,000** | **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 2019 £'000 | 31 March 2020 £'000 |
|---|---|---|
| **Trade and other Debtors per above** | **6,626** | **13,674** |
| Short-term Debtors in Council Tax | 2,342 | 2,499 |
| Provision for bad debt | (611) | (1,497) |
| Short-term Debtors in VAT | 294 | 246 |
| **Short-term Debtors per note 17** | **8,651** | **14,922** |

**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 2020 | Historical experience of default | Adjustments for market conditions at 31 March 2020 | Estimated maximum exposure to default at 31 March 2020 | Estimated maximum exposure to default as reported 31 March 2019 |
|---|---|---|---|---|---|
| | £'000 | | | £'000 | £'000 |
| Other counterparties - Local Authorities | 2,250 | 0.0% | 0.0% | - | - |
| Other counterparties - NHS | - | 0.0% | 0.0% | - | - |
| Other counterparties - Central Government | 3,272 | 0.0% | 0.0% | - | - |
| Trade and other debtors | 8,394 | 0.3% | 0.0% | 4 | 4 |
| | **13,916** | | | **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 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.

**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:

| 2019/2020 | £'000 |
|---|---|
| Less than one year | (3,848) |
| Between 1 and 2 years | (206) |
| Between 2 and 5 years | (797) |
| More than 5 years | (8,018) |
| | (12,869) |

The maturity analysis of financial assets is as follows:

| 2019/2020 | £'000 |
|---|---|
| Less than one year | 23,396 |
| Between 1 and 2 years | - |
| Between 2 and 5 years | - |
| More than 5 years | - |
| | 23,396 |

**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 £4,822k 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 £4,882k would be £49k.

The Authority's medium-term financial plan has made no provision for borrowing in 2020/2021.

Effects of a 1% rise in rates:

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

| 2019/2020 | £'000 |
|---|---|
| Increase in interest receivable on variable rate investments | 112 |
| **Impact on Surplus or Deficit on the Provision of Services** | **112** |

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

| 2019/2020 | £'000 |
|---|---|
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) | (1,142) |

Effects of a 1% fall in rates:

As interest rates are low due to the current financial climate a 1% fall in rates is not possible as the average rate for 2019/20 was only 0.75%. The maximum impact could only be the interest received in the year of £295k.

| 2019/2020 | £'000 |
|---|---|
| Increase in interest receivable on variable rate investments | (295) |
| **Impact on Surplus or Deficit on the Provision of Services** | **(295)** |

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

| 2019/2020 | £'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) | 1,304 |

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 2018 | Additional Provisions Made in 2018/19 | Amounts Utilised in 2018/19 | Balance at 31 March 2019 | Additional Provisions Made in 2019/20 | Amounts Utilised in 2019/20 | Balance at 31 March 2020 |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fire Hydrants | 65 | - | - | 65 | - | - | 65 |
| HQ Relocation Expenses | 186 | - | - | 186 | - | (112) | 74 |
| NDR Appeals | 586 | 662 | (586) | 662 | (662) | 733 | 733 |
| Uniformed Staff Pay Award | 191 | - | (191) | - | | | - |
| Major repairs | 425 | - | (149) | 276 | | (73) | 203 |
| | 1,453 | 662 | (926) | 1,189 | (662) | 548 | 1,075 |

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

- <u>Fire Hydrants</u>
  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.

- <u>HQ Relocation Expenses</u>
  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 will be used during 2020/21, as the three year period comes to an end in September 2020.

- <u>NDR Appeals</u>
  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.

- <u>Uniformed Staff Pay Award</u>
  This provision was utilised in 2018/19.

- <u>Major Repairs</u>
  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 2020/21.

23. **Long Term Provisions**

| | Balance at 1 April 2018 | Additional Provisions Made in 2018/19 | Amounts Utilised in 2018/19 | Balance at 31 March 2019 | Additional Provisions Made in 2019/20 | Amounts Utilised in 2019/20 | Balance at 31 March 2020 |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| PFI | 590 | - | - | 590 | - | - | 590 |
| | 590 | - | - | 590 | - | - | 590 |

Private Finance Initiative

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 2018 | Transfers in 2018/19 | Transfers out 2018/19 | Balance at 31 March 2019 | Transfers in 2019/20 | Transfers out 2019/20 | Balance at 31 March 2020 |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fund Balance | 1,500 | - | - | 1,500 | - | - | 1,500 |
| | **1,500** | **-** | **-** | **1,500** | **-** | **-** | **1,500** |
| Invest to Save Reserve | 1,000 | - | - | 1,000 | - | - | 1,000 |
| | **1,000** | **-** | **-** | | | | |
| **Pension & Budget Pressures Reserves Incl.** | | | | | | | |
| PPE / ICP Replacement Reserve | 25 | 115 | - | 140 | 60 | (140) | 60 |
| Control Resilience Reserve | 328 | - | (32) | 296 | - | - | 296 |
| Premises / H&S Critical Works Reserve | 200 | - | - | 200 | - | (53) | 147 |
| Pension Reserve | 320 | 100 | - | 420 | - | - | 420 |
| Legal Fees Reserve | 100 | - | - | 100 | - | - | 100 |
| Community Safety Reserve | 34 | - | (34) | - | 70 | - | 70 |
| Marketing Reserve | 28 | - | - | 28 | - | (28) | - |
| Auxiliary Reserve | 75 | 25 | - | 100 | - | - | 100 |
| Capital Financing Reserve | 608 | - | (21) | 587 | 1 | - | 588 |
| Operational Fitness Res erve | 70 | - | (0) | 35 | - | (35) | - |
| Retention System Reserve | 60 | - | - | 60 | - | - | 60 |
| ESMCP Reserve | 462 | - | (177) | 285 | - | (18) | 267 |
| Procurement Reserve | 40 | - | - | 40 | - | (40) | - |
| Equality & Inclusivity Reserve | 74 | - | - | 74 | - | - | 74 |
| Improvement Programme Reserve | 1,500 | - | (20) | 1,480 | - | (1,480) | - |
| Airbus SC Responses softw are Reserve | 6 | - | - | 6 | - | - | 6 |
| Strategic Development softw are Reserve | 10 | - | - | 10 | - | - | 10 |
| Transformation Reserve | - | 457 | - | 457 | 1,354 | - | 1,811 |
| Furniture Reserve | - | 20 | - | 20 | - | (20) | - |
| Sw ift Water Rescue Equipment Reserve | - | 100 | - | 100 | - | - | 100 |
| BT WAN Upgrade Reserve | - | - | - | - | 110 | - | 110 |
| Communication - UPS / Station End Reserve | - | - | - | - | 30 | - | 30 |
| Control & Communications - Welfare Reserve | - | - | - | - | 25 | - | 25 |
| COVID-19 Reserve | - | - | - | - | 192 | - | 192 |
| National Operational Guidance Reserve | - | - | - | - | 300 | - | 300 |
| Extrication Challenges Reserve | - | - | - | - | 7 | - | 7 |
| IT Infrastructure Reserve | - | - | - | - | 406 | - | 406 |
| | **3,940** | **817** | **(319)** | **4,438** | **2,555** | **(1,814)** | **5,179** |
| Hydrants Reserve | 100 | - | - | 100 | - | - | 100 |
| Medical Intervention Reserve | 40 | - | - | 40 | - | - | 40 |
| PFI Equalisation Fund | 1,613 | - | (73) | 1,540 | - | (84) | 1,456 |
| Unapplied Capital Receipts Reserve | | 5,689 | - | 5,689 | - | (535) | 5,154 |
| **Total Usable Reserve** | **8,193** | **6,506** | **(392)** | **14,307** | **2,555** | **(2,433)** | **14,429** |

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 £642k will be utilised to make a payment in advance of the past service deficit costs of the Local Government Pension Scheme. This amount will then be paid back to the reserve over the following two years. The use of the reserve in this way results in a saving of £19k.

b. PPE/ICP Replacement Reserve
This reserve was created to fund fluctuations in PPE costs. The original reserve was fully utilised in 2019/20, however there is a further requirement, so an additional £60k has been transferred in from other unused reserves. To be utilised as and when required.

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. Additionally, the roll out of the emergency services mobile communications programme (ESMCP) is expected to be finalised within the next three years. £32k was used in 2018/19, with the reserve 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. £53k was used in 2019/20. 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 2018/19 to meet expected costs. 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 £34k to contribute to the Safe and Well Programme was fully utilised in 2018/19. A further £70k was transferred into the reserve to pay for two new electric vehicles, Pay for the upgrade of CFRMIS and to support the assistive Technology programme. This is expected to be utilised during 2020/21.

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

i. Auxiliary Reserve
This reserve will be utilised as required to provide training and equipment for auxiliary members of staff; an additional £25k was transferred into this reserve during 2018/19.

j. Capital Financing Reserve
This reserve was created to support funding of the future Capital Programme including the reinvesting for the future programme and any variations in expenditure. £21k was utilised during 2018/19, with a further £1k being added in 2019/20. The reserve will be used as and when required.

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 created to review the procurement function to align to the NFCC category model and strength skill sets. This is no longer required and the balance of £40k has been transferred to the PPE Replacement Reserve.

o. Equality & Inclusivity Reserve
This reserve funds the review of the organisation’s strategic direction to reflect issues of culture and inclusiveness. And is expected to be to be utilised in the next two years.

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 has been created to fund the purchase of a mobile data terminal software update to units on appliances. This will be 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 2020/21.

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 three years

t. <u>Furniture Reserve</u>
This reserve has been created to fund additional furniture requirements. This is no longer required and the balance of £20k has been transferred to the PPE Replacement Reserve.

u. <u>Swift Water Rescue Equipment Reserve</u>
This reserve has been set up for health and safety reasons, for additional training and equipment. It will be utilised over the next two years.

v. <u>BT WAN Upgrade Reserve</u>
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 2020/21.

w. <u>Communication - UPS / Station End Reserve</u>
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 2020/21.

x. <u>Control & Communications – Welfare Reserve</u>
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 2020/21.

y. <u>COVID-19 Reserve</u>
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, and is expected to be fully utilised in 2020/21.

z. <u>National Operational Guidance Reserve</u>
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. <u>Extrication Challenges Reserve</u>
To purchase vehicles, equipment and PPE for training and events. An amount of £7k was transferred in during 2019/20. It is expected to be utilised during 2020/21.

bb. <u>IT Infrastructure Reserve</u>
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. It is expected to be utilised during the next two years.

cc. <u>Hydrants Reserve</u>
This reserve has been set up to fund the costs of repair works resulting from an increasing number of inspections. The numbers can be highly volatile and by setting a reserve these costs can be covered as and when they are incurred.

dd. Medical Intervention Reserve

This reserve has been created to fund medical intervention and prevention initiatives and 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 reinvesting in the future project which encompasses rebuilding and modernising three of the existing fire stations located at Avonmouth, Bath and Weston-super-Mare; and will be utilised over the next three to five years.

## 25. **Unusable Reserves**

| Balance at 31 March 2019 | | Balance at 31 March 2020 |
|---|---|---|
| 19,060 | **Revaluation Reserve** | 19,626 |
| 26,678 | **Capital Adjustment Account** | 25,636 |
| (666,378) | **Pensions Reserve** | (631,468) |
| 362 | **Collection Fund Adjustment A t** | (149) |
| (330) | **Accumulated Absences Account** | (365) |
| 8,000 | **Deferred Capital Receipt Reserve** | 8,000 |
| **(612,608)** | **Total Unusable Reserves** | **(578,720)** |

### Revaluation Reserve

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| **12,555** | **Balance at 1 April** | **19,060** |
| 6,997 | Adjustment to revaluation of assets | 1,123 |
| **19,552** | **Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services** | **20,183** |
| (492) | Difference between fair value depreciation and historic cost depreciation | (557) |
| **19,060** | **Balance at 31 March** | **19,626** |

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**

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| **27,083** | **Balance at 1 April** | **26,678** |
| | Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| (3,518) | Depreciation and impairment of non-current assets | (3,581) |
| (59) | Amortisation of intangible assets | (52) |
| (4,695) | Amounts of non-current assets written off on disposal sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (4) |
| **18,811** | | **23,041** |
| 492 | Adjusting amounts written out of the Revaluation Reserve | 557 |
| **19,303** | Net written out amount of the cost of non-current assets consumed in the year | **23,598** |
| | Capital Financing applied in the year | |
| 4,221 | Capital Grants and Capital Receipts credited to the Comprehensive Income and Expenditure Statement | 539 |
| 554 | Minimum revenue provision for capital financing | 280 |
| 2,007 | Voluntary revenue provision for capital financing | 968 |
| 593 | Capital expenditure charged in-year to the fund balance | 251 |
| **26,678** | **Balance at 31 March** | **25,636** |

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**

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| **(615,115)** | **Balance at 1 April** | **(666,378)** |
| (19,034) | Remeasurements of pensions assets and liabilities | 48,186 |
| (37,293) | 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 | (21,081) |
| 5,064 | Employer's pensions contributions and direct payments to pensioners payable in the year | 7,805 |
| **(666,378)** | **Balance at 31 March** | **(631,468)** |

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**

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| **(29)** | **Balance at 1 April** | **362** |
| 75 | Bath and North East Somerset | 28 |
| 296 | Bristol City Council | (404) |
| (3) | North Somerset | (66) |
| 23 | South Gloucestershire | (69) |
| **362** | **Balance at 31 March** | **(149)** |

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**

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| **(332)** | **Balance at 1 April** | **(330)** |
| 332 | Settlement or cancellation of accrual made at the end of the preceding year | 330 |
| (330) | Amount accrued at the end of the current year | (365) |
| 2 | 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 | (35) |
| **(330)** | **Balance at 31 March** | **(365)** |

**Deferred Capital Receipt Reserve**

| 31/03/2019 £'000 | | 31/03/2020 £'000 |
|---|---|---|
| 8,000 | Deferred Capital Receipts | 8,000 |
| 8,000 | | 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 2016 and assessed the overall funding level at 86%.

- <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 106.

  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 106.

  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 | |
|---|---|---|---|---|
| | 2018/19 £'000 | 2019/20 £'000 | 2018/19 £'000 | 2019/20 £'000 |
| **Comprehensive Income and Expenditure Statement** | | | | |
| Costs of Services: | | | | |
| Current Service Cost | 1,491 | 1,712 | 7,890 | 13,160 |
| Past service Costs / Curtailments | 458 | 166 | 24,830 | (540) |
| Firefighters' Pension Top-up Grant | - | - | (12,954) | (9,741) |
| Financing and Investment Income and Expenditure: | | | | |
| Net Interest expense | 435 | 484 | 15,120 | 15,810 |
| Administration expenses | 23 | 30 | - | - |
| **Total Post-employment Benefits charged to the Surplus or Deficit on Provision of Services** | 2,407 | 2,392 | 34,886 | 18,689 |
| 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) | (823) | 4,194 | - | - |
| Actuarial gains arising on changes in experience assumptions | - | (896) | (60) | (4,980) |
| Actuarial gains and losses arising on changes in demographic assumptions | - | (2,421) | - | (19,810) |
| Actuarial losses and gains arising on changes in financial assumptions | 2,977 | (1,523) | 16,940 | (22,750) |
| **Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement** | 4,561 | 1,746 | 51,766 | (28,851) |
| **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 | (2,407) | (2,392) | (34,886) | (18,689) |
| **Actual amount charged against the Fund Balance for pensions in the year:** | | | | |
| Employer's contributions payable to the scheme | 1,068 | 1,166 | 2,656 | 5,279 |
| Retirement Benefits payable to pensioners | | | 1,340 | 1,360 |

The cumulative amount of remeasurements recognised in the Comprehensive Income and Expenditure Statement to 31 March 2020 is (£163,823k).

**Assets and Liabilities in relation to Retirement Benefits**

Reconciliation of present value of the scheme liabilities:

| | Local Government | | Firefighters' Scheme | |
|---|---|---|---|---|
| | 2018/2019 £'000 | 2019/2020 £'000 | 2018/2019 £'000 | 2019/2020 £'000 |
| Liabilities at beginning of year - Restated | (48,526) | (54,841) | (597,880) | (645,650) |
| Current Service Cost | (1,491) | (1,712) | (7,890) | (13,160) |
| Past Service Cost / Curtailments | (458) | (166) | (24,830) | 540 |
| Transfers In | - | - | - | (20) |
| Transfers Out | - | - | - | - |
| Interest Cost | (1,264) | (1,306) | (15,120) | (15,810) |
| Contributions by scheme participants | (307) | (325) | (2,180) | (2,310) |
| Remeasurements gains and | | | | |
| Actuarial gains from changes in demographic assumptions | - | 2,421 | - | 19,810 |
| Actuarial (losses)/gains from changes in financial assumptions | (2,977) | 1,523 | (16,940) | 22,750 |
| Actuarial gains from experience | - | 896 | 60 | 4,980 |
| Benefits Paid | 182 | 1,212 | 19,130 | 18,710 |
| Liabilities at end of year | (54,841) | (52,298) | (645,650) | (610,160) |

The past service cost/curtailments included in the prior year relate mainly to the impact of the McCloud judgement.

Reconciliation of fair value of the scheme assets:

| | Funded Assets Local Government | | Unfunded Assets Firefighters' Scheme | |
|---|---|---|---|---|
| | 2018/2019 £'000 | 2019/2020 £'000 | 2018/2019 £'000 | 2019/2020 £'000 |
| Assets at beginning of year | 31,291 | 34,113 | - | - |
| Interest Income | 829 | 822 | - | - |
| Return on Plan Assets, excluding the amount included in the net interest expense | 823 | (4,194) | - | - |
| Firefighters' Pension Top-up Grant | - | - | 12,954 | 9,741 |
| Transfers In | - | - | - | 20 |
| Transfers Out | - | - | - | - |
| Administration expenses | (23) | (30) | - | - |
| Employer contributions | 1,068 | 1,166 | 3,996 | 6,639 |
| Contributions by scheme participants | 307 | 325 | 2,180 | 2,310 |
| Benefits paid | (182) | (1,212) | (19,130) | (18,710) |
| Refund of Contributions | - | - | - | - |
| Assets at end of year | 34,113 | 30,990 | - | - |

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 £2,177k (2018/19: £1,651k).

**Scheme History**

| | 2015/16 | 2016/17 | 2017/18 Restated | 2018/19 Restated | 2019/20 |
|---|---|---|---|---|---|
| | £'000s | £'000s | £'000s | £'000s | £'000s |
| Present value of liabilities | | | | | |
| Local Government Scheme | (38,441) | (47,887) | (48,526) | (54,841) | (52,298) |
| Firefighters' Scheme | (476,186) | (579,994) | (597,880) | (645,650) | (610,160) |
| | (514,627) | (627,881) | (646,406) | (700,491) | (662,458) |
| Fair value of assets in the Local Government Scheme | 26,268 | 29,719 | 31,291 | 34,113 | 30,990 |
| Surplus/(deficit) in the | | | | | |
| Local Government Scheme | (12,173) | (18,168) | (17,235) | (20,728) | (21,308) |
| Firefighters' Scheme | (476,186) | (579,994) | (597,880) | (645,650) | (610,160) |
| Total | (488,359) | (598,162) | (615,115) | (666,378) | (631,468) |

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £635m (£666m) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £635m (£666m).

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 2021 for the Local Government Pension Scheme is £1,846k.

- The total contribution expected to be made by the Authority in the year to 31 March 2021 for the Firefighters' pension schemes is £5,851k (1992 scheme: £901k; 2006 scheme: £120k; 2015 scheme: £4,788k; Retained Modified scheme: £42k).

## 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 | |
|---|---|---|---|---|
| | 2018/2019 | 2019/2020 | 2018/2019 | 2019/2020 |
| Mortality assumptions: | | | | |
| Longevity at 65 for current | | | | |
| Men | 23.7 | 23.2 | 22.0 | 21.3 |
| Women | 26.2 | 25.3 | 22.0 | 21.3 |
| Longevity at 65 for future | | | | |
| Men | 26.3 | 24.7 | 23.9 | 23.0 |
| Women | 29.0 | 27.3 | 23.9 | 23.0 |
| Rate of inflation CPI | 2.2% | 2.1% | 2.4% | 2.0% |
| Rate of increase in salaries | 3.7% | 3.6% | 4.4% | 4.0% |
| Rate of increase in pensions | 2.3% | 2.2% | 2.4% | 2.0% |
| Rate of discounting scheme | 2.4% | 2.4% | 2.5% | 2.3% |

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 2019 | 31 March 2020 |
|---|---|---|---|
| | | % | % |
| Equities | UK quoted | 7.5 | 7.0 |
| | Global quoted | 28.3 | 32.2 |
| | Emerging markets | 4.6 | 4.3 |
| Bonds | UK Government indexed | 12.1 | 5.6 |
| | Sterling Corporate Bonds | 11.7 | 9.1 |
| Property | UK Property Funds | 5.1 | 5.2 |
| | Overseas Property Funds | 4.6 | 4.7 |
| Alternatives | Hedge funds | 4.9 | 5.8 |
| | Diversified Growth Funds | 12.5 | 13.5 |
| | Infrastructure | 7.0 | 8.0 |
| | Secured Income | 0.0 | 1.5 |
| | EFT's | 0.0 | 0.9 |
| Cash | Cash accounts | 1.7 | 2.2 |
| | | 100 | 100 |

The uncertainty of land and buildings valuations due to COVID-19 are further referred to in note 2b on pages 49 and 50.

**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 | 2015/16 % | 2016/17 % | 2017/18 % | 2018/19 % | 2019/20 % |
|---|---|---|---|---|---|
| Experience gains and (losses) on assets | (1.1)% | 15.5% | 1.8% | 4.8% | 7.0% |
| Experience gains and (losses) on liabilities | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

| Firefighters' Scheme | 2015/16 % | 2016/17 % | 2017/18 % | 2018/19 % | 2019/20 % |
|---|---|---|---|---|---|
| Experience gains and (losses) on liabilities | 5.9% | 0.4% | (1.1)% | 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<br>Firefighters' Pension Scheme 1992<br><br>Change in assumption * | | % | £ Million |
|---|---|---|---|
| Rate of discounting scheme liabilities | +1/2% a year | (8.5)% | -45.0 |
| Rate of increase in salaries | +1/2 % a year | 1.0% | 4.0 |
| Rate of increase in pensions / deferred revaluation | +1/2 % a year | 7.0% | 37.0 |
| Life Expectancy: each pensioner subject to longevity of an individual one further year younger than assumed | | 3.0% | 16.0 |

The weighted average duration of the defined benefit obligation is around 18 years. Note: Employer Contributions of £1,133,456 were received during 2019/20.

Note: Current Service Cost (inclusive of member contributions) for 2020/21 is 75.2% of Pensionable Pay.

| Sensitivity Analysis<br>Firefighters' 2006 scheme<br><br>Change in assumption * | | % | £ Million |
|---|---|---|---|
| Rate of discounting scheme liabilities | +1/2% a year | (15.5)% | -4.0 |
| 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 | | 3.0% | 1.0 |

The weighted average duration of the defined benefit obligation is around 35 years. Note: Employer Contributions of £90,956 were received during 2019/20.

Note: Current Service Cost (inclusive of member contributions) for 2020/21 is 51.3% of Pensionable Pay.

| Sensitivity Analysis<br>Firefighters' 2015 scheme<br><br>Change in assumption * | | % | £ Million |
|---|---|---|---|
| Rate of discounting scheme liabilities | +1/2% a year | (15.5)% | -6.0 |
| Rate of increase in salaries | +1/2 % a year | 6.0% | 2.0 |
| Rate of increase in pensions / deferred revaluation | +1/2 % a year | 9.5% | 4.0 |
| 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 35 years.

Note: Employer Contributions of £4,054,597 were received during 2019/20.

Note: Current Service Cost (inclusive of member contributions) for 2020/21 is 92.8% 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 | 52,298 | 51,393 | 53,220 | 52,431 | 53,682 |
| Assets | (30,990) | (30,990) | (30,990) | (30,990) | (30,990) |
| Deficit | 21,308 | 20,403 | 22,230 | 21,441 | 22,692 |
| Projected Service Cost for next year | 1,569 | 1,526 | 1,615 | 1,569 | 1,616 |
| Projected Net Interest Cost for next year | 489 | 487 | 511 | 493 | 523 |

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

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 2019/20.
Under IFRS 15 we have assessed for contracts and no further disclosure is required:

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| | **Credited to Taxation and Non-specific Grant** | |
| - | General Capital Grant | - |
| - | Total Capital Grant | - |
| 25,916 | Precepts | 26,840 |
| 11,555 | General Government Grants | 11,072 |
| 4,952 | Non-domestic Rates Distribution | 4,852 |
| **42,423** | **Total** | **42,764** |
| | **Credited to Services** | |
| 877 | New Dimension / USAR | 877 |
| 444 | Fire Link | 457 |
| 895 | PFI grant | 895 |
| - | Fire Fighters Pension Contribution Grant | 2,407 |
| 1,267 | Other income | 1,206 |
| **3,483** | **Total** | **5,842** |

None of the grants received by the Authority in 2018/19 or 2019/20 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 2019/20:

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| | Interest Payable and Similar Charges | |
| 258 | Loans | 221 |
| 450 | PFI | 449 |
| 708 | | 670 |
| 15,555 | Net Interest on the net defined benefit liability | 16,294 |
| (225) | Interest Receivable and Similar Income | (295) |
| (7) | Other Investment Income | (7) |
| **16,031** | Total | **16,662** |

## 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:

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| (3,498) | Depreciation | (3,382) |
| (20) | Impairment | (199) |
| (59) | Amortisation | (52) |
| (901) | Decrease in Creditors | (597) |
| 2,927 | Decrease/(Increase) in Debtors | (1,729) |
| (32,229) | Movements in Pension Liability | (13,276) |
| 264 | Contributions to Provisions | 114 |
| (4,695) | Carrying amount of non-current assets held for sale, sold or derecognised | (4) |
| (38,211) | | (19,125) |
| 9,910 | Proceeds from Sale of non-current assets | - |
| 8,000 | Deferred Capital Receipts | - |
| 17,910 | | - |

### Cash Flow Statement – Operating Activities (Interest)

The cash flows for operating activities include the following items:

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| (216) | Interest received | (287) |
| 489 | Interest paid | 436 |

## 30. Cash Flow Statement – Investing Activities

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| 958 | Purchase of property, plant and equipment | 789 |
| (9,910) | Proceeds from Sale of non-current assets | - |
| (8,952) | Net cash flows from investing activities | 789 |

## 31. Cash Flow Statement – Financing Activities

| 2018/2019 £'000 | | 2019/2020 £'000 |
|---|---|---|
| 2,383 | Repayments of long-term borrowing | - |
| 179 | Cash payments for the reduction of a PFI liability | 195 |
| 2,562 | Net cash flows from investing activities | 195 |

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

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

| 2018/2019 £'000 | | 2019/2020 £'000 | 2019/2020 £'000 |
|---|---|---|---|
| | **Contributions receivable:** | | |
| | Fire Authority | | |
| (2,829) | - contributions in relation to pensionable pay | (5,345) | |
| (264) | - early retirements | (404) | |
| (2,347) | Firefighters' contributions | (2,335) | |
| **(5,440)** | **Total** | | **(8,084)** |
| - | **Transfers in from other authorities** | | **(16)** |
| | **Benefits payable:** | | |
| 13,925 | Pensions | 14,622 | |
| 4,429 | Commutations and lump-sum retirement benefits | 2,845 | |
| 66 | Other | 150 | |
| **18,420** | | | **17,617** |
| | **Payments to and on account of leavers:** | | |
| - | Transfers out to other authorities | | **15** |
| **12,980** | **Deficit for the year before top-up grant receivable from central government** | | **9,532** |
| (12,980) | Top-up grant payable by the Government | | (9,532) |
| **-** | | | **-** |

There were no individual transfers in or out in 2018/19.

**Net assets statement**

The assets and liabilities of the pensions account as at 31 March 2020 are as follows:

| 31/03/2019 £'000 | | 31/03/2020 £'000 |
|---|---|---|
| | **Current assets** | |
| 3,805 | Top-up grant receivable from the Government | 3,026 |
| **3,805** | | **3,026** |
| | **Current liabilities** | |
| (3,240) | Cash and Bank | (2,360) |
| (565) | Creditor | (666) |
| **(3,805)** | | **(3,026)** |
| **-** | **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:

## 2019/ 2020

| Salary range from | £0 | £15,610 | £21,853 | £31,219 | £41,625 | £52,031 | £62,437 | £104,061 | £124,873 |
|---|---|---|---|---|---|---|---|---|---|
| **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 - 27,818 | 27,819 - 51,515 | 51,516 - 142,500 | 142,501 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% | | | | | |

## 2018/ 2019

| Salary range from | £0 | £15,610 | £21,853 | £31,219 | £41,625 | £52,031 | £62,437 | £104,061 | £124,873 |
|---|---|---|---|---|---|---|---|---|---|
| **Firefighters' pension scheme:** | | | | | | | | | |
| **1992 Scheme** | | | | | | | | | |
| Employer | 21.7% | 21.7% | 21.7% | 21.7% | 21.7% | 21.7% | 21.7% | 21.7% | 21.7% |
| Employee | 11.0% | 12.2% | 14.2% | 14.7% | 15.2% | 15.5% | 16.0% | 16.5% | 17.0% |
| **Total** | 32.7% | 33.9% | 35.9% | 36.4% | 36.9% | 37.2% | 37.7% | 38.2% | 38.7% |
| **2006 Scheme** | | | | | | | | | |
| Employer | 11.9% | 11.9% | 11.9% | 11.9% | 11.9% | 11.9% | 11.9% | 11.9% | 11.9% |
| Employee | 8.5% | 9.4% | 10.4% | 10.9% | 11.2% | 11.3% | 11.7% | 12.1% | 12.5% |
| **Total** | 20.4% | 21.3% | 22.3% | 22.8% | 23.1% | 23.2% | 23.6% | 24.0% | 24.4% |
| **Retained Firefighters' Modified Scheme** | | | | | | | | | |
| Employer | 21.7% | 21.7% | 21.7% | 21.7% | 21.7% | 21.7% | 21.7% | 21.7% | 21.7% |
| Employee | 11.0% | 12.2% | 14.2% | 14.7% | 15.2% | 15.5% | 16.0% | 16.5% | 17.0% |
| **Total** | 32.7% | 33.9% | 35.9% | 36.4% | 36.9% | 37.2% | 37.7% | 38.2% | 38.7% |
| **2015 Scheme** | | | | | | | | | |
| Employer | 14.3% | 14.3% | 14.3% | 14.3% | 14.3% | 14.3% | 14.3% | 14.3% | 14.3% |
| Employee | 11.0% | 11.0% | 11.0% | 12.9% | 12.9% | 13.5% | 13.5% | 13.5% | 14.5% |
| **Total** | 25.3% | 25.3% | 25.3% | 27.2% | 27.2% | 27.8% | 27.8% | 27.8% | 28.8% |

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

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

In our opinion the financial statements of Avon Fire and Rescue Authority ('the Authority'):

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Movement in Reserves Statement;
- the Cash Flow Statement;
- the Statement of significant Accounting Policies;
- the Firefighters' Pension Fund Account on pages 104 -107;
- the related notes to the financial statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting (2019/20).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter regarding material uncertainty in respect of land and buildings valuations

We draw attention to note 2 and note 13 which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Authority's land and buildings portfolio.

As noted by the Authority's external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the land and buildings portfolio at the balance sheet date. Our opinion is not modified in respect of this matter.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Treasurer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**Other information**

The Treasurer is responsible for the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Treasurer's responsibilities**

As explained more fully in the Treasurer's responsibilities statement, the Treasurer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and for such internal control as Treasurer is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

**Auditor's responsibilities for the audit of the financial statements** Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

#### Basis for Qualified Conclusion

As discussed further on page 3, in 2018, Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) 2018/19 Inspection Report rated the Authority as inadequate in respect of how well the Fire and Rescue Service looks after its people and raised 'cause of concern' relating to the availability of sufficient specialist capacity within Technical Fire Safety (TFS) department.

In October 2018 and August 2019, HMICFRS undertook revisits to assess the progress of their initial findings. Although, significant progress had been made on those findings, following areas were still in progress at 31 March 2020:

a) Fire and rescue services must be consulted for building regulation approval and services must return building regulation consultations within 15 working days; and
b) effectively discharge Risk-Based Inspection Programme (RBIP) in relation to increase staffing of TFS officers.

### Qualified conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in April 2020, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Avon Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

**Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020 as to whether Avon Fire and Rescue Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Avon Fire and Rescue Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

**Matters on which we are required to report by exception**
The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or

- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

**CERTIFICATE OF COMPLETION OF THE AUDIT**

We certify that we have completed the audit of the accounts of Avon Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

**USE OF OUR REPORT**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

I C Howse.

Ian Howse, CPFA, CA (Appointed auditor)
For and on behalf of Deloitte LLP
Cardiff, United Kingdom
27 November 2020

**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.

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

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

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

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

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

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

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

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

**VOUNTARY 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.

Produced by
the Corporate Communication department
Avon Fire & Rescue Service,
Police & Fire Headquarters, PO Box 37, Valley Road, Bristol, BS20 8JJ
Tel: 0117 926 2061 Fax: 0117 925 0980
www.avonfire.gov.uk

@AvonFireRescue AvonFireRescue