AVON FIRE AUTHORITY

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Statement of Accounts 2016/2017

PROVIDING AVON FIRE & RESCUE SERVICE

Avon Fire Authority

Statement of Accounts 2016/17

Contents

Narrative Report by the Treasurer

Introduction

Avon Fire Authority provides a Fire and Rescue Service for the Unitary Authority areas of Bath and North East Somerset, Bristol, North Somerset and South Gloucestershire. This document contains the Statement of Accounts for the Fire Authority for the year ended 31 March 2017. 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 2016/17. 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.

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

Overview of the Financial Year 2016/17

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

- For 2016/17 the Authority originally set a budget of £44.3m, £42.8m after allowing for a £1.5m transfer from reserves. During the year a reduction in transfers from earmarked reserves of £0.5m was approved together with transfers to reserves of £0.9m giving a revised budget of £42.8m.

- The actual net expenditure was £41.9m, £0.9m lower than the revised budget. The following transfers to earmarked reserves have been made during the year:

  i. HQ Relocation Reserve - £914k
  ii. Austerity Reserve - £405k
  iii. ESMCP Reserve - £236k
  iv. Operational Fitness Reserve - £70k
  v. Document Management and Retention System Reserve - £60k
  vi. Equality & Inclusivity Reserve - £50k
  vii. Community Safety Reserve - £49k
  viii. Procurement Reserve - £40k
  ix. Capital Financing Reserve - £20k
  x. Training Reserve - £20k

- The Comprehensive Income and Expenditure Account shows a deficit on Provision of Services of £10.9m. This figure includes items which are required to be charged to the Comprehensive Income and Expenditure account in accordance with proper accounting practices but do not fall to be charged to the council tax payer. The deficit is primarily in relation to the adjustments required for pension charges.

- During the year, the Authority transferred £1.0m from Usable reserves and £1.9m was transferred to Usable Reserves, resulting in a net increase in Total Usable Reserves of £0.9m for the year. Total Usable Reserves of £7.4m, excluding the working balance of £1.5m were available as at 31st March 2017.

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

- The Fire Authority's medium term financial plan identifies certain budget pressures and significant reductions in future Government grant funding. In response the Fire Authority has implemented a range of cost saving measures which have contributed significantly to the financial savings achieved in the year.

- The Fire Authority's original "Investing for the future programme" included the refurbishment of one fire station, building two new stations and a new headquarters. The refurbishment and building of one of the new fire stations had been completed in previous financial years and the building of the second new fire station was completed during this year. The Fire Authority decided not to proceed with building a new headquarters but, alternatively, in collaboration with Avon and Somerset Police, agreed to an offer to share their headquarters site at Portishead.

- During the year £4.3m was spent on the Fire Authority's approved revised capital programme of £6.5m. Of this spend, £1.9m was funded from revenue contributions and capital receipts and the balance of £2.4m was funded by borrowing. £2.2m of the capital programme slipped forward into 2017/18.

- Due to the continuing low short-term interest rates and the increased risks associated with lending due to the current financial climate, the borrowing to finance capital expenditure has been deferred. As at 31 March 2017 there was £9.8m of capital expenditure being funded from internal resources and the position will continue to be monitored closely during 2017/18.

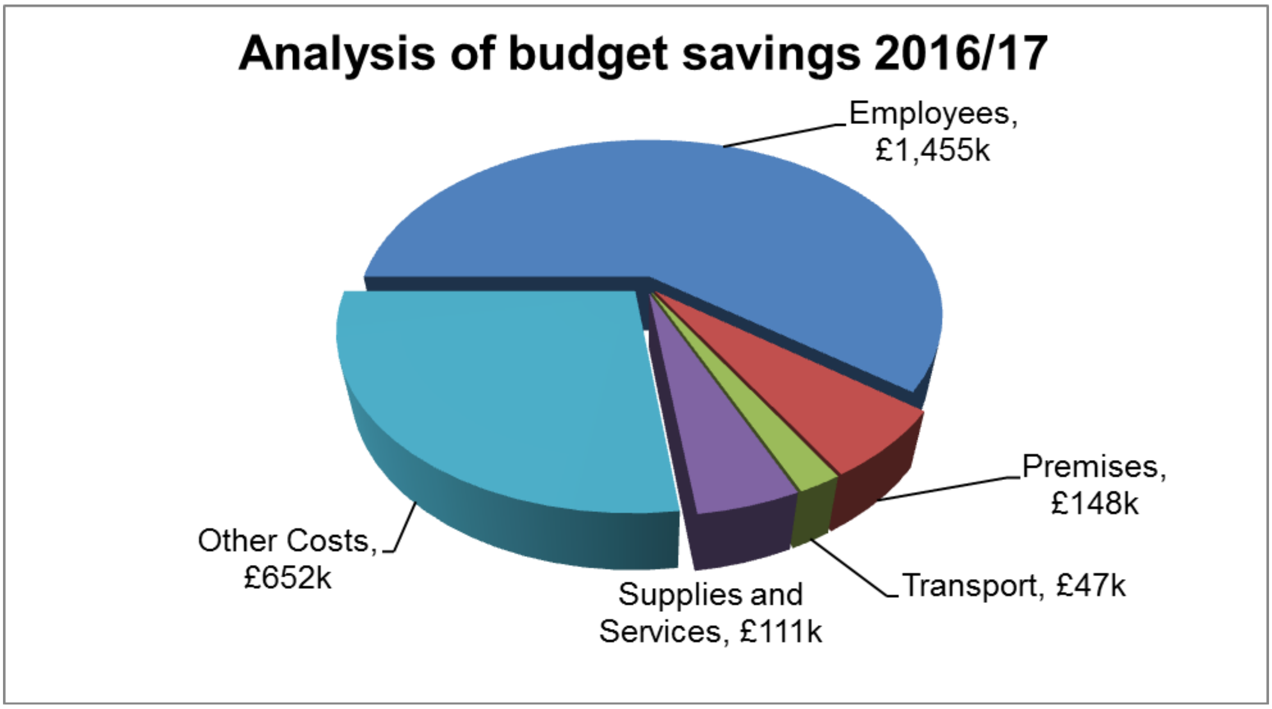
- The Authority sets a range of Prudential borrowing indicators for the financial year to ensure borrowing levels are within agreed limits. Due to slippage in the capital programme and additional repayment in debt, the total financing requirement was £2.8m below the initial estimate, which had a corresponding effect on the operational and authorised limits for external debt.

Approved Financial Plan 2016/17

The Fire Authority had to consider a number of major financial considerations in determining the budget for 2016/17 including:

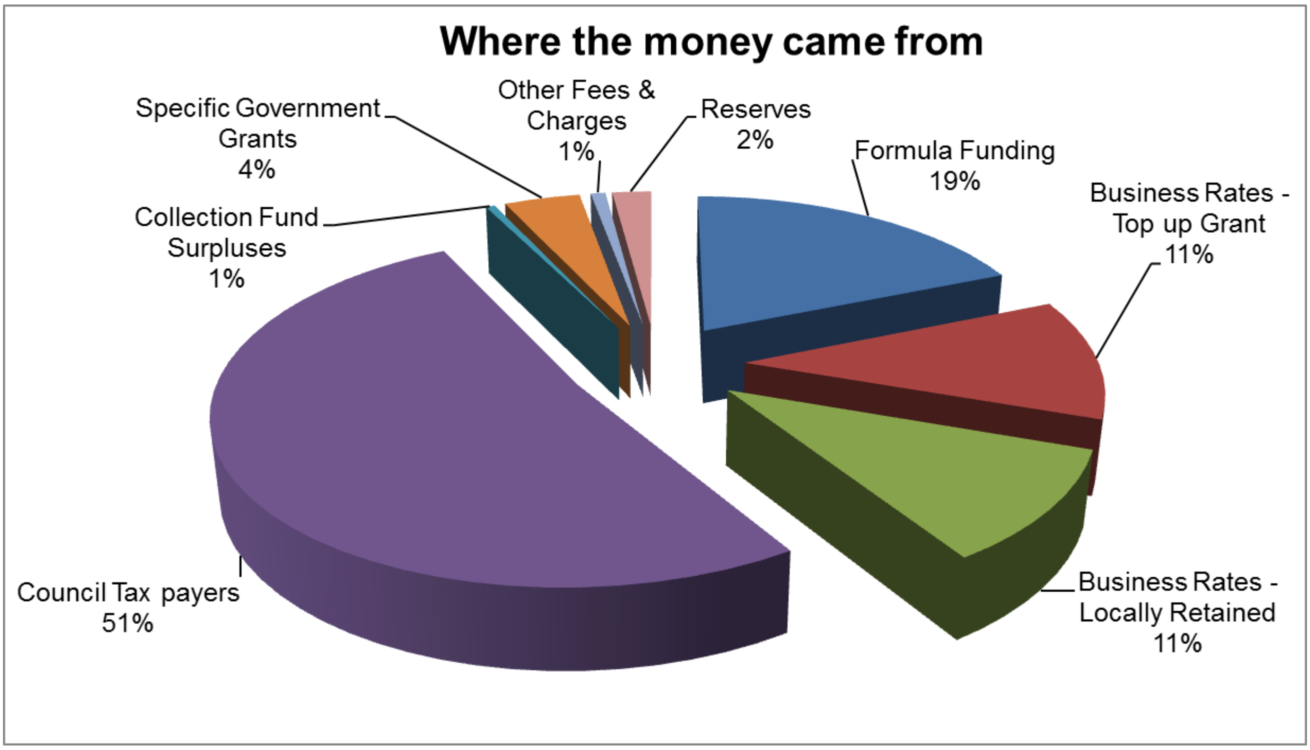
- An overall reduction in Central Government funding of 9.54%.
- A limit on the increase in council tax of 2% before a referendum was required
- No capital grant allocation

In total an initial revenue budget, before the use of reserves, of £44.3m was approved by the Fire Authority for 2016/17. This included savings of £2.4m, the details of which are shown below. In addition a capital programme of £14.9m was also approved. The approved budget after the use of reserves was £42.8m (£43.3m in 2015/16) resulting in a Council Tax of £67.93 (£66.60 in 2015/16) per Band D property.

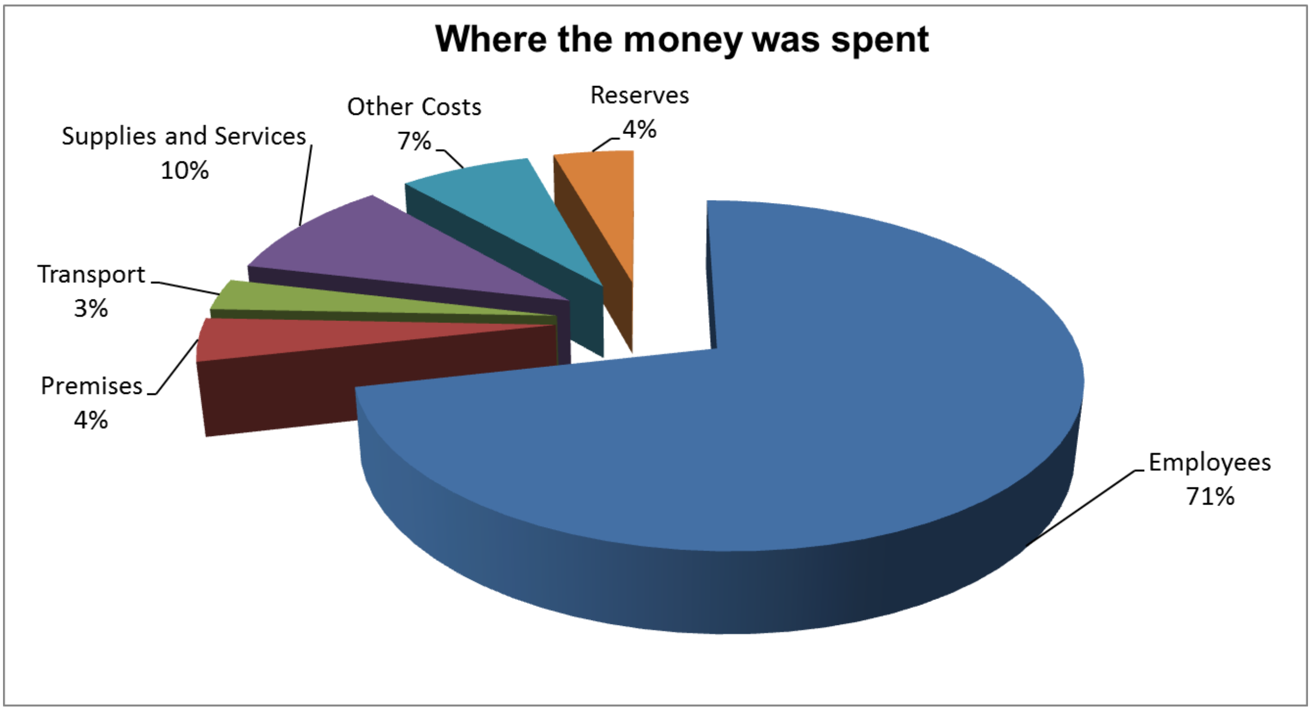


Revised Revenue Budget and Spending in 2016/2017

A number of changes to the budget were reported during the year. In broad terms 51% of the Fire Authority's funding came from the local council tax payer, with a further 11% from locally retained business rates. The majority of the remainder of the funding comes from Central Government.



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



The 2016/17 revenue budget was under spent by £0.9m a variance of 2.4% when compared to the revised budget. During the year £1.0m was transferred from reserves, of which £0.9m was used to fund the Investing for the Future and HQ relocation projects. During the year a total of £1.9m has been added to Total Usable Reserves.

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:

	Revised Budget 2016/17 £'000	Actual Expenditure 2016/17 £'000	Difference £'000
Expenditure on Services			
Employees (net)	33,050	32,896	(154)
Premises	1,985	1,912	(73)
Transport	1,552	1,395	(157)
Supplies and Services	4,814	4,663	(151)
Other Costs	3,296	3,278	(18)
Income	(1,874)	(2,247)	(373)
Net Expenditure	**42,823**	**41,897**	**(926)**
Transfers to \ from revenue reserves			
Transfers from Reserves	(963)	(963)	0
Transfers to Specific Reserves	934	1,460	526
Balance transferred to Austerity Reserve	0	405	405
Net Expenditure after transfer to \ from reserves	**42,794**	**42,799**	**5**
Local tax payers			
Council Tax	(23,741)	(23,741)	0
Locally retained Business rates	(4,881)	(4,881)	0
Collection fund surpluses	(223)	(228)	(5)
Central Government			
Formula Funding	(8,647)	(8,647)	0
Non-domestic rates redistribution	(5,302)	(5,302)	0
Working Balance	**0**	**0**	**0**

In line with the Authority's approach to risk management key budgets were closely monitored throughout the year, the overall position at the end of the year compared to the revised budget can be summarised as follows:

- **Employees** – A total underspend of £154k was achieved, comprising mainly of savings of £506k for whole-time firefighters that was partly offset by financial pressures on retained firefighters £63k and control staff of £72k.and additional ill health retirement costs of £240k .
- **Premises Costs** – an overall saving of £73k was achieved against budget. Main variances were a £46k saving on repair and maintenance budgets, £46k saving on utilities but overspend on business rates of £52k
- **Transport** – Transport costs were £157k lower than budget. This relates to savings on fuel of £53k and on maintenance of £99k
- **Supplies and Services** – Overall there was an under spend of £151k. The primary variances were an underspend of £68k on uniform and personal protective equipment and a reduction in expenditure of £51k in relation to community fire safety initiatives. Retention budget not used of £69k, a saving on social marketing of £33k, underspends on Comms of £47k and ICT of £53k, subsistence of £22k and seminars and conferences of £18k. These are countered by an overspend on fees and charges of £210k

- **Capital Financing –** Overall there was an underspend of £18k. A £88k interest saving was utilised to increase debt repayment and increase the revenue contribution to capital. A £20k saving on the Urban Search and Rescue (USAR) materials budget was transferred to the capital financing budget to fund changes to the training tower at Hicks Gate. The works will be undertaken in 2017/18 and this funding has been transferred to a capital financing reserve.

- **Income.** –There was an overall increase in income against budget of £373k due to Government Grants. A grant of £236k was recived in March in respect of the Emergency Services Mobile Communications Programme (ESMCP). The upgrade work on ESMCP is likely to commence in 2017/18 and the grant has been transferred to an earmarked reserve. Additional grant of £119k over budget in respect of small business rate relief grant was received, £42k of which was in respect of prior year adjustments.

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

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

	2016/17	
	£'000	£'000
Surplus for year		930
Budgeted transfer from reserves		(963)
Budgeted transfer to reserves		934
		901
PFI Equalisation fund movement		(23)
Net increase in useable reserves		878
Adjustments for items which do not fall to be charged to the		
Items to be charged to the Income and Expenditure Account		
IAS 19- Retirement Benefits	(24,971)	
Firefighter Pension Top up Grant	10,541	
Depreciation, Impairment, Amortisation and other charges for assets	(5,523)	
Capital Grants Applied	17	
Transfer to / from Collection Fund Adjustment Account	(100)	
Transfer to / from Accumulated Absences Account	21	
Items required by statute to be charged to council tax payers		
Minimum Revenue Provision (MRP) including voluntary contributions for the repayment of debt and deferred liabilities	1,537	
Revenue contributions to capital expenditure	1,414	
Employer's contributions payable to the Pensions Account and retirement benefits	5,240	
		(11,824)
Deficit on the Comprehensive Income and Expenditure		**(10,946)**

Reserves

The following reserves were set up or utilised at the end of the financial year to meet future financial commitments:

Reserve	Justification	£'000
Training	To fund leadership training courses.	20
Capital Financing	To fund changes to USAR rig at Hicksgate	20
Community Safety	To support community safety campaigns and initiatives	50
Operational Fitness Reserve	To implement a fitness assessment and delivery programme	70
Document Management and Retention System	To fund the implementation of a Corporate wide document and email management system to improve administration and Information security,	60
Procurement	To review the procurement of training and the production of a unified procurement package to reduce costs	40
Equality & Inclusivity	To fund independent review of organisations strategic direction	50
ESCMP	Grant funding provided from Government in advance of project start date	236
HQ Relocation	To contribute to the costs of relocation of HQ to Portishead	914
Austerity	To fund future efficiency initiatives and programmes	405
Total		**1,865**

Capital Budget and Spending 2016/17

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 2016/17 The fire Authority set a revised capital programme of £6.5m. Capital expenditure for the year is shown in the table below:-

Area	Revised Budget 2016/17 £'000	Outturn including slippage £'000	Projected Variation £'000	Slippage £'000
Fleet	2,193	2,231	38	677
Premises	3,397	3,407	10	1,012
Operational Equipment	62	24	(38)	0
IT	475	405	(70)	73
Funds not allocated	409	510	101	510
Total Programme	6,536	6,577	41	2,272

Overall there was a net underspend of £60k on programmed areas. Additional funding of £41k, which became available towards the end of March 2017, has increased this underspend to £101k which has been utilised to increase the balance of funds not allocated and slipped into future years.

Funding for the programme was met by the following sources:

Funding Source	2016/17 Funding £'000	Total Programme Funding £'000
Capital Grant	17	17
Revenue Contributions / Capital receipts	1,902	6,560
Prudential Borrowing	2,386	0
Total Funding	4,305	6,577

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

- Completion of the “Investing for the Future” project with the opening of a new fire station on an existing site in central Bristol and training tower enhancements over a number of sites.
- A range of environmental initiatives including the installation of solar panels at a number of sites.
- Control infrastructure investment to improve resilience.
- The purchase of a new Fire Appliance, ancillary vehicles, and the development of a mobile hose laying and salvage unit and command and welfare units.

A number of capital items rolled into 2017/18.

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

Prudential Indicators	Estimated £'000	Actual £'000	Variance £'000
Capital Financing Requirement	26,327	23,499	-2,828
Financing costs as a % of revenue	5.28%	5.29%	0.01%
Impact on Council Tax	£3.78	£3.59	-£0.19
Operational Boundary for external debt	26,327	23,499	-2,828
Authorised Limit for external debt	27,327	24,499	-2,828

The Authority undertakes long term borrowing for periods in excess of one year in order to finance its capital spending. During the year the Authority repaid loan amounts of £1.3m. Total loans outstanding at year end stood at £11.0m. This includes £0.8m of short term loans due for repayment in 2017/18. In addition the Authority has deferred borrowing of £9.8m outstanding as at 31 March 2017. The Capital Financing Requirement is significantly lower than estimated due to the large slippage element within the original Capital Expenditure programme.

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

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

The Government provides some revenue support to the project in the form of grants (PFI credits) and the three authorities finance the balance by making contributions from their own resources. An analysis of the Authority's future commitments to the net annual contract payments (50%), due under the PFI joint venture, along with further analysis of the asset value held on the balance sheet are detailed in note 1 to the Core Financial Statements. Using existing indices and interest rates a revised surplus has been predicted at the end of the contract period of around £0.86m (£0.43m 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 2016/17 to reflect the uncertainty around interest rates and other possible fluctuations.

Government Inspection

During the year the Home Office commissioned an inspection using the Secretary of State's powers under section 10 of the Local Government Act 1999. The Inspector appointed was directed to consider:

- Decisions and scrutiny by the Authority in relation to salaries and expenses of employees and in relation to spending on hospitality.
- The Authority's processes and practices for entering into contracts, including procurement contracts.
- The Authority's compliance with the accountability and assurance requirements under the Fire and Rescue National Framework for England
- The Authority's systems and processes to ensure such transparency of information relating to governance as would reasonably be expected of any public authority, including appropriate treatment of whistle-blowers.
- Compliance with the seven principles of public life by elected members of the Authority and by senior officers.
- The Authority's processes and practices for taking action against any member or officer of the Authority who is found not to have met the standards required of that member or officer.
- The Authority's processes and practices for effectively assessing the validity of any complaints made about members of the Authority and senior officers and the provision made for the appropriate consideration of such complaints.
- Any decisions taken by the Authority to ensure that a culture of fear and bullying does not exist and the action taken by the Authority where it is found to exist.

The inspection is to cover the period 1 January 2011 to 1 February 2017 and the Authority must pay the reasonable fees of the inspector for carrying out the inspection. It has been estimated that the likely cost of the inspection will be £200k, of which an accrual of £60k has been included within the 2016/17 Statement of Accounts and a provision created for the balance due of £140k.

The inspector has been directed to report the findings of the inspection to the Secretary of State by 30 June, or such later date as agreed with the Secretary of State.

Provisions, Contingencies and write-offs

During the year a debt of £130k in respect of insurance claims for turntable ladder damage was written off. A provision had been set up in 2013/14 as the balance of probabilities indicated the claim would not be paid. Both the debt and its provision were written off in 2016/17.

THE STATEMENT OF ACCOUNTS

The Statement of Accounts explains the Fire Authority's finances during the financial year 2016/17 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 2016/17 comprises of:-

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

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

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

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

The Comprehensive Income and Expenditure Account

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

Comprehensive income and Expenditure	2015/16 £'000	2016/17 £'000	Change £'000
Cost of providing services	55,141	45,998	(9,143)
Financing and investment income and expenditure (net)	19,724	18,356	(1,368)
Taxation and Grant Income	(53,214)	(53,408)	(194)
Total deficit on the provision of services	**21,651**	**10,946**	**(10,705)**
(Surplus) or Deficit on revaluation of assets	(1,224)	(2,010)	(786)
Actuarial (gains) losses on pension assets	(86,438)	98,188	184,626
Total other income and expenditure	**(87,662)**	**96,178**	**183,840**
Total comprehensive income and expenditure	**(66,011)**	**107,124**	**173,135**

The statement for 2016/17 for the Authority shows that a deficit of £10.95m was made on the provision of the Authority's services; a £10.71m decrease on the previous year .The cost of providing the Authority's Services for the year was £46.00m which was offset by grants and taxation receipts of £53.41m. Additional costs of £18.36m were incurred primarily in respect of the increase in pension liabilities associated with the actuary's valuation of the Authority's relevant pension schemes increase.

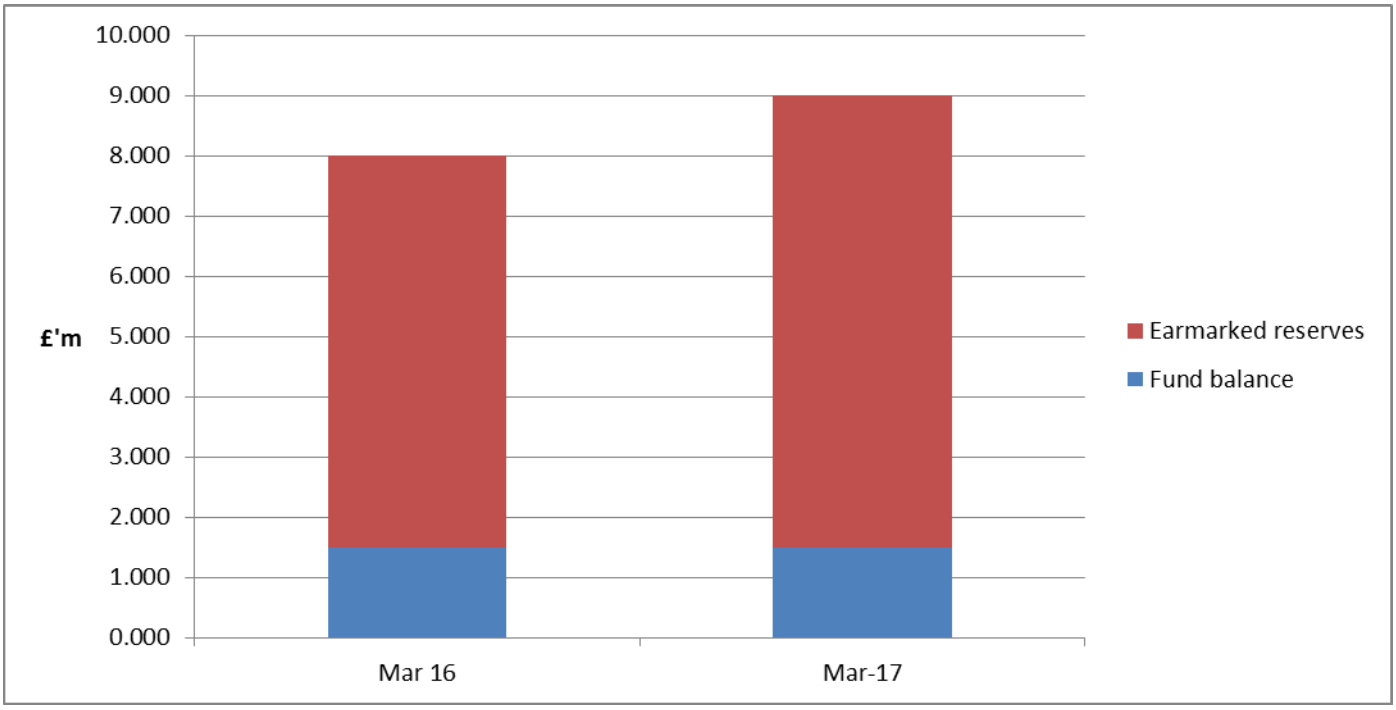
The 2016/17 accounts show a deficit of £96.18m on other comprehensive income and expenditure which primarily reflects a loss on the actuarial gain on pension funds offset by a surplus on the revaluation on some of the Authority's properties.

In total the Comprehensive Income and Expenditure Statement shows a £101.1m deficit for the period and this figure is contained within the Movement in Reserves Statement. This shows a significant decrease compared to 2015/16 where a surplus of £66.01m was made. This is primarily due to the change of position from a £86.44m actuarial gain on pensions assets in 15/16 compared to an actuarial loss of £98.19m in 2016/17.

The Movement in Reserves Statement

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

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



As identified earlier in this foreword the Authority managed an under spend of £0.9m against its revised budget of £42.8m. The total net transfer to reserves of £0.9m, after adjusting for the movement in PFI reserve, can be correlated with the figures contained within the Movement in Reserves Statement on page 23 of the Statement of Accounts. The Total Usable Reserves shown in this statement has increased by £0.9m, reflecting the movement to reserves of £1.9m less the reserves utilised during the year of £1.0m.

The statement also identifies that the Authority has a general fund balance of £1.5m and earmarked reserves of £7.4m equating to total usable reserves of £8.9m.

The Balance Sheet

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

Balance Sheet	2015/16 £'000	2016/17 £'000	Change £'000
Long term assets	59,676	55,784	(3,892)
Current assets	7,213	13,660	6,447
Current liabilities	(6,406)	(10,249)	(3,843)
Long term liabilities	(503,251)	(609,087)	(105,836)
Net Assets	**(442,768)**	**(549,892)**	**(107,124)**
Usable reserves	7,996	8,873	877
Unusable reserves	(450,764)	(558,765)	(108,001)
Total reserves	**(442,768)**	**(549,892)**	**(107,124)**

The Authority has long term assets worth £55.8m primarily comprising of land and buildings, and vehicles.

Current assets at 31st March 2017 were £13.7m represented by short term debtors of £8.9m and properties held for sale of £4.8m. This is an increase of £6.4m over the year and is primarily due to the increase in the value of properties held for sale of £4.2m and an increase in short term debtors of £3.9m re Pension grant. Current liabilities at the 31st March 2017 were £10.2m comprising of £3.3m overdraft, short term borrowing of £0.8m, provisions of £1.0m and creditors of £5.1m.

The Balance Sheet identifies other long term liabilities of £609.09m. This primarily reflects future pension cash flows as calculated under accounting standard IAS 19. It should be noted that these have increased by £107.38m from 2015/16. The average duration of the scheme's liabilities is approximately 20 years and the discount rate has decreased by approximately 0.9% (3.55% to 2.65%) since the start of the year. The expected rate of future inflation has risen by 0.15% (2.2% to 2.35%) whilst the rate of increase for both salaries and pensions has also risen. The net effect has been a substantial increase in liabilities. Long term borrowing has decreased by £1.4m to £10.2m.

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

As at the 31st March 2017 the Fire Authority had £8.9m of usable reserves an increase of £0.9m, details of the reserves created are referred to earlier in this statement and shown in note 25 to the accounts. The deficit on unusable reserves increased by £108.001m primarily as a result of changes in economic assumptions when calculating the liabilities of the firefighter pension schemes.

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	**2015/16 £'000**	**2016/17 £'000**	**Change £'000**
Net cash flows from operating activities	(3,971)	(448)	3,523
Investing activities	8,036	3,801	(4,235)
Financing activities	1,806	1,534	(272)
Change in cash / cash equivalents	**5,871**	**4,887**	**(984)**
Cash / cash equivalents beginning of the year	(7,484)	(1,613)	5,871
Cash / cash equivalents end of the year	(1,613)	3,274	4,887
Change in cash / cash equivalents	**5,871**	**4,887**	**(984)**

In summary the Authority received surplus cash flows from operating activities of £0.5m, a decrease of £3.5m on the previous year. The deficit Investing cash flows were £3.8m primarily representing investment in capital assets net of capital grants and capital receipts. The deficit on Financing activities was £1.5m representing repayment of PFI contract obligation and long term debts.

The overall decrease in cash and cash equivalents was £4.9m for the year as borrowing was deferred.

The Firefighter’s Pension Fund Account and Net Assets Statement

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

	2016/17 Forecast £'000	2016/17 Outturn £'000	Variance £'000
Pensions Outgoings			
Pension payments	12,365	12,670	305
Commutations	2,461	4,475	2,014
Transfers to other schemes	0	0	0
Other	0	79	79
Total Expenditure	**14,826**	**17,224**	**2,398**
Pension Income			
Employee Contributions	(2,433)	(2,392)	41
Employer Contributions	(3,224)	(3,068)	156
In year ill health income	(170)	(400)	(230)
Transfer in from other schemes	0	(45)	(45)
Government Grant	(8,999)	(11,319)	(2,320)
Total Income	**(14,826)**	**(17,224)**	**(2,398)**
Net Fund Expenditure	0	0	0

Total pension expenditure for the year was £17.2m, £2.4m more than the anticipated budget. The overspend is primarily in respect of lump sum payments for a larger number of retirees than anticipated. It is always difficult to predict exactly when staff will opt to go. There were a large number of lump sums paid in March 2017. Ill health retirements are also difficult to predict in advance. The high costs this year are anticipated to be one off.
Employer contributions totalled £3.1m for the year. In total Government top up grant of £11.3m 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 dominant driver for change, it remains important that the Fire Authority's future strategies continue to be service-led.

The Integrated Risk Management Plan (IRMP) is arguably the most important document Avon Fire Authority will consider up to 2020. The new IRMP 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. In addition, the Minister of State for Policing and the Fire Service has clearly outlined his intentions for reform of the Fire Service and the IRMP shows how these will be achieved by the Fire Authority. The Fire Authority's IRMP can be viewed at https://www.avonfire.gov.uk/fire-authority-home

In 2016 the Government offered Fire and Rescue Authorities a four year funding settlement in return for robust efficiency plans and the Fire Authority decided to accept the Government's offer. The Fire Authority's efficiency plan 2016/17 – 2019/20 is incorporated within the "Medium Term Financial Strategy 2016/17 to 2019/20" document which can be viewed at: https://www.avonfire.gov.uk/documents/category/48-finances

The four year funding settlement incorporated identified savings of £5m and reductions in Government support as follows:

Reductions in Government support			
2016/17	2017/18	2018/19	2019/20
-7.14%	-9.35%	-4.38%	-1.87%

The Fire Authority's approved 4 year medium term financial plan is summarised below:

Detail Analysis	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
Employees	33,077	32,867	32,902	33,279
Premises	2,040	2,128	2,177	2,228
Transport	1,599	1,631	1,663	1,667
Supplies and Services	4,798	4,896	4,995	5,096
Other Costs	3,546	2,186	2,465	3,062
Total Expenditure	45,060	43,708	44,202	45,332
Income	(1,938)	(1,855)	(1,888)	-1,931
Budget before use of reserves	43,122	41,853	42,314	43,401
Reserves	(1,055)	(67)	0	0
Net Budget	42,067	41,786	42,314	43,401

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 2017/18 - 2020/21					
Area	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**Total £'000**
Employees	(904)	(520)	(243)	0	(1,667)
Premises	(55)	(35)	0	0	(90)
Transport	0	0	0	0	0
Supplies and Services	0	0	0	0	0
Other Costs	(770)	(569)	(49)	0	(1,388)
Unidentified savings	0	0	0	0	0
Total Savings	(1,729)	(1,124)	(292)	0	(3,145)
Net SavingsExpenditure	(1,729)	(1,124)	(292)	0	(3,145)
Use of Reserves	(1,055)	(67)	0	0	(1,122)
Total reductions	(2,784)	(1,191)	(292)	0	(4,267)

The objectives of the MTFP are:-

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

Organisational Performance

AF&RS continues to make good progress in reducing risk in our community by reducing the number and impact of incidents attended. We have met our target for reducing incident numbers for all indicators apart from Deliberate Vehicle Fires where we were just off target.

We have had success this year in reducing the number of accidental dwelling fires we attended by 5% or 22 incidents. The estimated cost of each fire incident is £8,500, so this reduction represents a saving of over £187,000 to our community. Furthermore, 40.1% of Accidental Dwelling Fires that we attended in 2016/17 required no firefighting action on our attendance, a good measure of our success in prevention. Any fatality in a fire is a tragic loss and AF&RS continues to work towards zero fire deaths. In 2016/17 we recorded two fire fatalities which equals the lowest total we have on record.

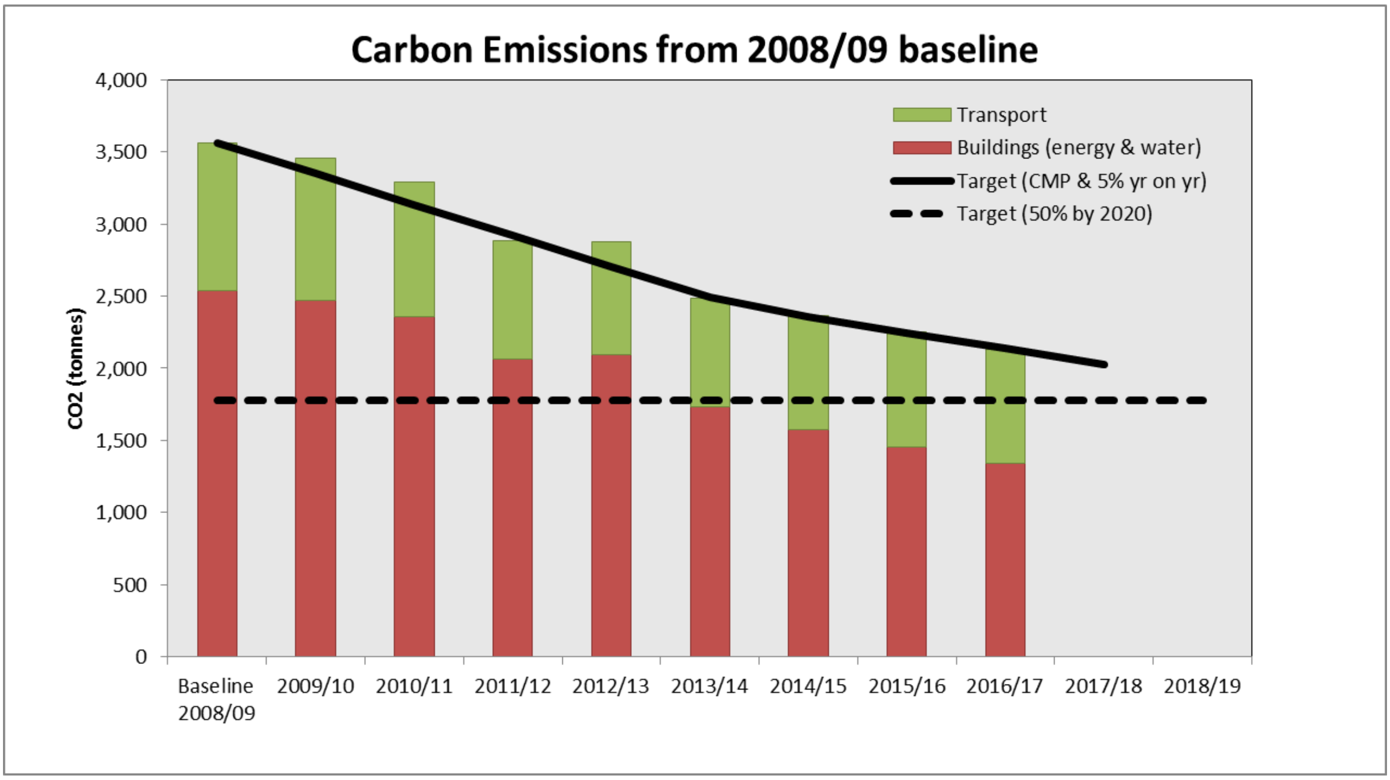
AF&RS continues to provide an excellent response service to our community. We are pleased to report that all of our response standards have been met, ensuring that the vital first lifesaving response is in attendance within the time that we have said we will achieve.

CO_2 Emissions Report and Environmental Update 2016/17

CO_2 Emissions

AF&RS reported carbon emissions are made up of Building Energy Consumption (Gas, Electricity and Heating Oil), Fleet Vehicle Fuel and Private and Lease vehicle mileage claims. This was the scope of emissions originally agreed with the Carbon Trust as part of the development of our Carbon Management Plan in 2010.

The graph below shows our performance compared to a baseline in 2008/9, and a projection of our carbon reduction targets (5% Yr on Yr Reduction and a stretch target of 50% Reduction by 2020).



Total Carbon Emissions have continued to fall year on year and we can now report a reduction of 40% on our 2008/9 baseline.

During 2016/17, emissions have fallen by a further 5.1% when compared to the previous year. We are on track to reach the ambitious longer term target established in the Environmental Policy ‘to reduce CO2 equivalent emissions by 50% by 2020 from a 2008/09 baseline’.

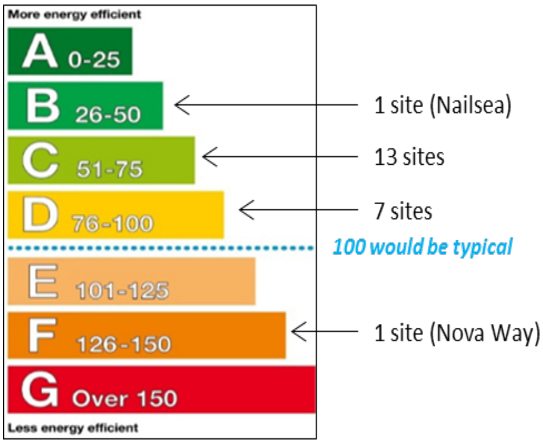
Property Emissions

Energy used in buildings has been cut by 31.2% since 2011/12. However, over the past year, consumption has risen slightly on the previous year by 2% in the main due to colder temperatures in November, December & January compared to 2015/16, resulting in a significant increase in gas consumption during these months. In addition, this was also the first winter period in which both new stations at Temple & Hicks Gate were fully operational. Despite the slight increase in consumption, the associated carbon emissions have fallen as our electricity and oil consumption have continued to fall.

Display Energy Certificates (DECs)

It is a statutory requirement for all public sector buildings above 250m^2 floor area to display an annual certificate showing the energy performance of a building based on actual consumption. DECs provide an 'A to G' rating based on a comparison with a theoretical benchmark building with a performance typical of its type, where A is the lowest CO_2 emissions (best) & G is the highest emissions (worst).

We have DECs for 22 of our buildings including 'proxy' DECs for our buildings less than 250m^2 in order to give us a service-wide picture of our buildings' performance against a benchmark, and in order to provide a basis for targeting improvements. Current DEC ratings are shown below (does not include Hicks Gate or Temple which had not been in operation for a complete year by end of 2016/17). The average DEC rating for our estate is C (73).



Dehumidifiers

Following successful use at Bedminster & Kingswood, Dehumidifiers were installed at Avonmouth, Hicks Gate, Temple & Bath during 2016/17. The use of dehumidifiers to dry PPE & water rescue equipment is a more efficient & cost effective solution rather than providing heating to drying rooms all year round.

Lighting

A complete lighting upgrade was undertaken at Nova Way, replacing all internal & external fittings with high efficiency LEDs & Hi-bay Induction light fittings and motion-detection controls where appropriate. The estimated savings are 60% of electricity consumption for lighting which equates to, 25T CO_2/yr and over £6,500/yr combined with reduced lighting maintenance cost. The total project value was£34k with a projected payback of just under 5 years.

Retained station energy efficiency improvements

A range of improvements were made at Yatton Fire Station including replacing electric heaters with more efficient equipment, upgrading heating & hot water controls, replacing Appliance Bay fans, replacing lighting with energy-efficient LED light fittings, and replacing old timers with motion-detection controls on external lighting. Electricity consumption at the station has reduced by 50% since the works were completed, with an estimated annual saving of £1,000 & a project payback period of only 2 years. The improvements at Yatton will inform an Invest to Save programme to be rolled out across all retained stations.

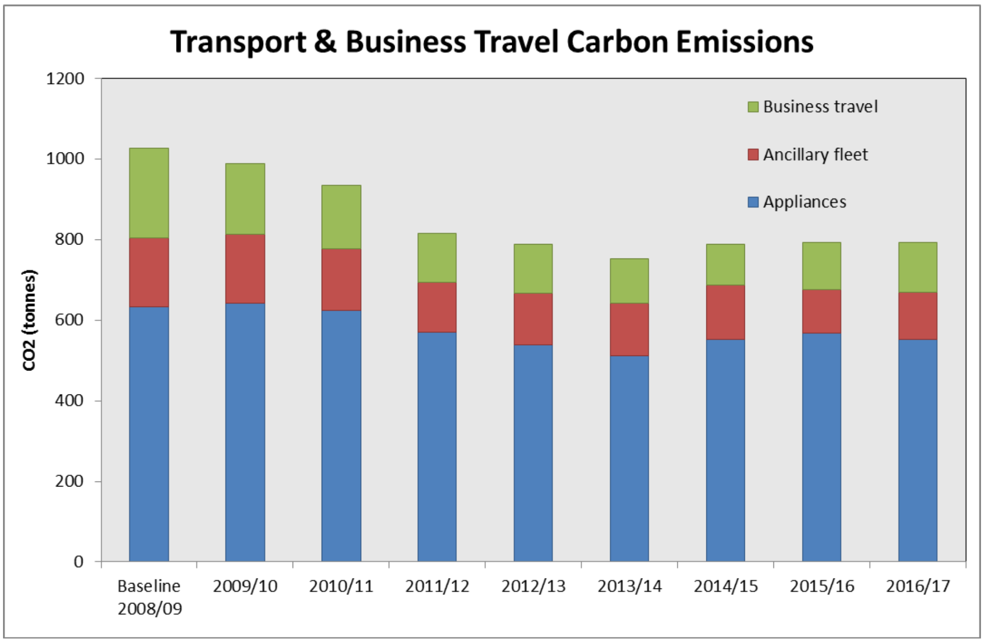
Building Management System (BMS)

BMSs were also installed at Lansdown, Nova Way, Temple & Hicks Gate, enabling better control of the heating & hot water systems at those sites by linking them to external temperatures & occupancy which will reduce energy consumption as well as improving comfort levels.

Temple & Hicks Gate Fire Stations
Both new fire stations became fully operational in 2016 have been built to very high energy-efficiency standards (BREEAM 'excellent') with features such as roof-mounted solar PV, the latest LED light fittings & intelligent controls, efficient boilers & heating control systems, & insulation beyond the requirements of Building Regulations. As with all new buildings there is settling down period, with on-going work to optimise these buildings for maximum efficiency. Both stations are targeting a DEC A rating.

Renewable Energy
In line with the new Environmental Policy introduced in 2016, AF&RS is committed to increasing the development and use of renewable energy sources, setting a new performance indicator 'To generate 20% of AFRS' total energy demand from renewable energy (on- & off-site) by 2020'. This equates to a year on year increase of 5%. By the end of 2016/17, we had exceeded this target, with 7.4% of our total energy demand generated from renewable sources.

Transport Emissions
Emissions associated with Transport have fallen by 23% compared to a 2008/9 baseline, however this downward trend has been reversed in the last 3 years due partly to a recent increase in casual mileage claims.



Operational fleet
With ongoing rreplacement & investment in the operational fleet, over 75% of our 70 frontline vehicles are Euro 4, 5 & 6 compliant. There are 3 remaining Euro 2 compliant vehicles which are planned for disposal or replacement in 2017.

Pool cars
Older pool cars have now been replaced with lower emission vehicles and staff are also able to use Co Wheels hybrid & electric cars (provided as part of a local car club), including vehicles based at Temple HQ & Patchway Fire station. Over 60 staff are now members of Co Wheels.

Electric vehicle charge-points
Further electric car charging points have been installed at Bath & Temple, shortly to be installed at Hicks Gate, funded in part by a regional grant scheme. These are for use by staff for charging pool cars & their own vehicles.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

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

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

to approve the statement of accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/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;

complied with the code of practice.

The Treasurer has also:

kept proper accounting records which were up to date;

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

I certify that the statement of accounts on pages 22-97 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 2017.

Signed

Martyn Wallberg

Martyn Wallberg
Treasurer of the Avon Fire Authority
27 September 2017

Comprehensive Income and Expenditure Statement for the Year Ending 31 March 2017

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.
The 2015/2016 Restatement is due to the requirement to report financial statements in the same format as monthly management accounts. This has resulted in the cost of services beings shown as one line rather than analysing it under the Service Reporting Code of Practice (SeRCOP) headings.

Restated 2015/2016				2016/2017		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
57,873	(2,732)	55,141	Fire fighting and rescue operations	48,976	(2,978)	45,998
57,873	**(2,732)**	**55,141**	**Cost of Services**	**48,976**	**(2,978)**	**45,998**
		334	Other operating expenditure			208
		(8,356)	Firefighter Pension Top up Grant			(10,541)
		19,390	Financing and investment income and expenditure (note 29)			18,148
		(44,858)	Taxation and non-specific grant income (note 28)			(42,867)
		21,651	**(Surplus) or Deficit on Provision of Services**			**10,946**
		(1,224)	(Surplus) or Deficit on revaluation of non-current assets			(2,010)
		(86,438)	Remeasurements of the net defined benefit liability			98,188
		(87,662)	**Other Comprehensive Income and Expenditure**			**96,178**
		(66,011)	**Total Comprehensive Income and Expenditure**			**107,124**

Movement in Reserves Statement

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

	Fund Balance £'000	Earmarked Fund Reserves £'000	**Total Usable reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 31 March 2015	**1,500**	**7,621**	**9,121**	**(517,900)**	**(508,779)**
Movement in reserves during 2015/16					
Surplus or (deficit) on the provision of services	(21,651)	-	(21,651)	-	(21,651)
Other Comprehensive Income and Expenditure	-	-	-	87,662	87,662
Total Comprehensive Income and Expenditure	**(21,651)**	**-**	**(21,651)**	**87,662**	**66,011**
Adjustments between accounting basis & funding basis under regulations (note 12)	20,525		20,525	(20,525)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(1,126)**	**-**	**(1,126)**	**67,137**	**66,011**
Transfers to/from earmarked Reserves (note 25)	1,126	(1,126)	-	-	-
Increase / (Decrease) in 2015/16	**-**	**(1,126)**	**(1,126)**	**67,137**	**66,011**
Balance at 31 March 2016 carried forward	**1,500**	**6,495**	**7,995**	**(450,763)**	**(442,768)**
Movement in reserves during 2016/17					
Surplus or (deficit) on the provision of services	(10,946)	-	(10,946)	-	(10,946)
Other Comprehensive Income and Expenditure	-	-	-	(96,178)	(96,178)
Total Comprehensive Income and Expenditure	**(10,946)**	**-**	**(10,946)**	**(96,178)**	**(107,124)**
Adjustments between accounting basis & funding basis under regulations (note 12)	11,824		11,824	(11,824)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**878**	**-**	**878**	**(108,002)**	**(107,124)**
Transfers to/from earmarked Reserves (note 25)	(878)	878	-	-	-
Increase / (Decrease) in 2016/17	**-**	**878**	**878**	**(108,002)**	**(107,124)**
Balance at 31 March 2017 carried forward	**1,500**	**7,373**	**8,873**	**(558,765)**	**(549,892)**

Balance Sheet as at 31 March 2017

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

31-Mar-16 £'000		Notes	31-Mar-17 £'000
59,473	Property, Plant & Equipment	13	55,628
203	Intangible assets	13	156
59,676	**Long Term Assets**		**55,784**
610	Assets Held for Sale	13	4,806
4,990	Short Term Debtors	18	8,854
1,613	Cash and Cash Equivalents	19	-
7,213	**Current Assets**		**13,660**
-	Cash and Cash Equivalents	19	(3,274)
(725)	Short Term Borrowing	21	(796)
(890)	Short-Term Provisions	23	(1,065)
(4,791)	Short Term Creditors	20	(5,114)
(6,406)	**Current Liabilities**		**(10,249)**
(11,550)	Long term borrowing	21	(10,162)
	Other Long Term Liabilities		
(488,359)	Net Pensions Liability	27	(595,737)
(590)	Long-term Provisions	24	(590)
(2,752)	Deferred Liability	7,16	(2,598)
(503,251)	**Long Term Liabilities**		**(609,087)**
(442,768)	**Net Assets**		**(549,892)**
7,996	Usable Reserves	25	8,873
(450,764)	Unusable Reserves	26	(558,765)
(442,768)	**Total Reserves**		**(549,892)**

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 16th June 2017.

Signed

Donald Davies

Donald Davies
Chair of the Avon Fire Authority
27 September 2017

Martyn Wallberg

Martyn Wallberg
Treasurer of the Avon Fire Authority
27 September 2017

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.

2015/2016 £'000		2016/2017 £'000
21,651	Net (surplus) or deficit on the provision of services	10,946
(27,458)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(11,913)
1,836	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	519
(3,971)	Net cash flows from Operating Activities (note 30)	(448)
8,036	Investing Activities (note 31)	3,801
1,806	Financing Activities (note 32)	1,534
5,871	Net increase or decrease in cash and cash equivalents	4,887
(7,484)	Cash and cash equivalents at the beginning of the reporting period	(1,613)
(1,613)	**Cash and cash equivalents at the end of the reporting period (note 19)**	**3,274**

1. Statement of Accounting Policies

i General Principles

The Statement of Accounts summarises the Authority’s transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17 supported by International Financial Reporting Standards (IFRS).

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

ii Accruals of Income and Expenditure

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

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

iii Cash and Cash Equivalents and Bank Overdrafts

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

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

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

iv Exceptional Items

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

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

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

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

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

The only Prior Period Adjustments effected the 2016/17 Statement of accounts is the 2015/16 Comprehensive Income and Expenditure Statement that now needs to be in the same format as monthly management accounts. This has resulted in the cost of services beings shown as one line rather than analysing it under the Service Reporting Code of Practice (SeRCOP) headings.

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.
- 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 Fire Fighters 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 account.

The Local Government Pension Scheme

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

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

- Property – market value.

- The movement on the net pensions liability is analysed into the following constituents:
  - 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 or 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

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 22 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 over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xii Leases

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

xiii. 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-minimus and are not capitalised. The expenditure is charged direct to the appropriate service line.

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- operational land and properties and other operational assets – lower of net current replacement costs or net realisable value.
- vehicles, plant and equipment – depreciated replacement cost.
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

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 previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

xiv Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – recognised as non-current assets on the balance sheet.

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

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

xv Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xvi 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.

xvii VAT

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

xviii 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. The critical judgement made in the Statement of Accounts was:

- There is a high degree of uncertainty about future Government support for local government generally and fire services in particular. The Authority has developed a Medium Term Financial Plan (MTFP) in order to prepare and plan for any requirement to scale back service provision. The Authority has also developed an Integrated Risk Management Plan (IRMP) which 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. In addition, the Minister of State for Policing and Fire Services has clearly outlined his intentions for reform of the Fire Service and the IRMP shows how these will be achieved by the Fire Authority. The accounts have therefore been prepared on a Going Concern basis.

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2017 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 27.

- Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred. These rates are based on professional guidance and are used to calculate the appropriate depreciation charge for each asset. Property assets are subject to individual 5 year reviews which could result in changes to their remaining assets lives and corresponding changes to depreciation charges and net book values. The current economic climate may affect spending on repairs and maintenance, which may change the useful economic lives assigned to assets. It is estimated that if the remaining economic useful lives of the Authority's assets were reduced by one year the annual depreciation charge would increase by £684k

c. Accounting Standards issued but not yet adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2016/17 (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 but not yet adopted. This requirement applies to accounting standards that came into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2016 for 2016/17).

For this disclosure the standards introduced by the 2016/17 Code only include a number of minor amendments to International Financial Reporting Standards

If these had been adopted for the financial year 2016/17 there would be no material impact on the financial statements.

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.

2016/17	Net Expenditure Chargeable to the General Fund £'000	Adjustment between Funding and Accounting Basis (Note 4) £'000	Net Expenditure in the Comptrehensive Income and Expenditure Statement £'000
Fire fighting and rescue operations	41,898	4,045	45,943
Net Cost of Service	**41,898**	**4,045**	**45,943**
Other Income and Expenditure	(42,776)	7,779	(34,997)
(Surplus) or Deficit on Provision of Services	**(878)**	**11,824**	**10,946**
Opening General Fund Balance	7,995		
Plus surplus on GeneralFund Balance in year	878		
Closing General Fund Balance at 31 March	8,873		

2015/16	Net Expenditure Chargeable to the General Fund £'000	Adjustment between Funding and Accounting Basis (Note 4) £'000	Net Expenditure in the Comptrehensive Income and Expenditure Statement £'000
Fire fighting and rescue operations	44,342	10,799	55,141
Net Cost of Service	**44,342**	**10,799**	**55,141**
Other Income and Expenditure	(43,216)	9,726	(33,490)
(Surplus) or Deficit on Provision of Services	**1,126**	**20,525**	**21,651**
Opening General Fund Balance	9,121		
Less deficit on GeneralFund Balance in year	(1,126)		
Closing General Fund Balance at 31 March	7,995		

4. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments 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.

2016/17	Adjustments for Capital Purposes £'000	Net change for the Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Fire fighting and rescue operations	1,490	2,576	(21)	4,045
Net Cost of Service	**1,490**	**2,576**	**(21)**	**4,045**
Other Income and Expenditure	1,065	6,614	100	7,779
(Surplus) or Deficit on Provision of Services	**2,555**	**9,190**	**79**	**11,824**

2015/16	Adjustments for Capital Purposes £'000	Net change for the Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Fire fighting and rescue operations	5,701	4,827	271	10,799
Net Cost of Service	**5,701**	**4,827**	**271**	**10,799**
Other Income and Expenditure	(225)	10,068	(117)	9,726
(Surplus) or Deficit on Provision of Services	**5,476**	**14,895**	**154**	**20,525**

- 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 ie 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 nonspecific 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 CIES.

- 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.

2015/16 £'000		2016/17 £'000
	Expenditure	
38,620	Employee benefits expenses	35,199
8,510	Other Service expenses	8,340
10,687	Depreciation, amortisation and impairment	5,316
334	Loss on disposal of non-current assets	208
19,508	Interest payments	18,297
77,659		67,360
	Income	
(195)	Fees & charges and other service income	(208)
(28,078)	Income from Council tax & Business Rates	(28,896)
(27,674)	Grants and contributions	(27,283)
(61)	Interest and investment income	(27)
(56,008)		(56,414)
21,651	**(Surplus) or deficit on the provision of services**	10,946

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 auditors.

2015/2016 £'000		2016/2017 £'000
31	Fees payable with regard to external audit services carried out by the appointed auditor	31

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 receive a significant element of their fire training from Babcock Fire Training (Avonmouth) Limited, a company contracted to provide the training until 31st March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates (DBFO) under the PFI contract.

The Authority's share (50%) of the annual net contract payments paid during the year together with the estimated amounts payable over the remaining 12 years of the joint venture are as follows:

As detailed in the Note 1 (Statement of Accounting Policies) and more specifically in Note 7 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. Although the fund is forecasted to be in surplus at the end of the contract and furthermore the surplus has increased as at 31 March 2017 from that calculated at 31 March 2016 there are unknowns regarding inflation rates over the remaining 11 years of the contract.

2015/2016 £'000		Service Charge £'000	Interest £'000	Repayment of Liability £'000	Total 2016/2017 £'000
1,360	Total contract payments	845	404	139	1,388
	Outstanding undischarged contract obligations:-				
1,388	Within 1 year	865	405	151	1,421
5,951	Between 2 and 5 years	3,681	1,618	783	6,082
8,295	Between 6 and 10 years	5,138	1,928	1,450	8,516
3,593	11 years	1,105	349	364	1,818

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 2016	4,456
Accumulated Depreciation and Impairment	(2,406)
Net Book Value of Asset at 31 March 2016	2,050
Movement in 2016/17	
Lifecycle Replacement Costs	15
Revaluation	267
Depreciation	(193)
Net Book Value of Asset at 31 March 2017	2,139

Summary totals for the corresponding liability are as follows:

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.

	Property Plant & Equipment £'000
Finance Lease Liability outstanding at 31 March	2,887
Finance Lease Liability repaid in 2016/17	(139)
Finance Lease Liability outstanding at 31 March	2,748

8. **Members' Allowances**

In accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended) the totals sums paid by Avon Fire Authority to members/co-optees under the Avon Fire Authority Members Allowances Scheme for 2016/17 are set out on the following page. The summary of allowances, which have been paid under this scheme are as follows:

2015/2016 £'000		2016/2017 £'000
48	Allowances	51
48	**Total**	**51**

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

A detailed list of individual payments can be seen below:

2015/2016 £	Recipient	Basic Allowance £	Special Responsibility Allowance £	Travel & Subsistence Expenses £	2016/2017 £
9,454	Councillor P Abraham	1,691	8,273	522	10,486
160	Councillor S Ball	-	-	-	-
1,223	Councillor A Barber	1,466	-	-	1,466
1,487	Councillor C Barrett	1,466	-	47	1,513
1,453	Councillor N Barrett	1,466	-	-	1,466
1,223	Councillor C Bolton	158	-	-	158
1,237	Councillor T Butters	1,466	-	-	1,466
-	Councillor J Clark	1,214	-	-	1,214
148	Councillor S Cook	-	-	-	-
1,453	Councillor K Cranney	1,466	-	-	1,466
1,453	Councillor C Davies	158	-	-	158
1,292	Councillor D Davies	1,466	458	76	2,001
1,453	Councillor A Davis	1,466	714	-	2,180
3,438	Councillor M Drew	1,466	2,003	-	3,469
-	Councillor K Dunn	1,214	-	-	1,214
1,487	Councillor R Garner	1,466	-	-	1,466
160	Councillor H Gregor	-	-	-	-
1,453	Councillor A Hale	1,466	-	-	1,466
160	Councillor N Hartley	-	-	-	-
3,123	Councillor C Jackson	1,466	2,003	-	3,469
-	Councillor H Jama	1,214	-	-	1,214
160	Councillor T Kent	-	-	-	-
1,453	Councillor J Lovell	158	-	-	158
-	Councillor B Massey	1,214	568	-	1,782
160	Councillor R Payne	-	-	-	-
1,453	Councillor W Payne	158	-	-	158
160	Councillor M Pepperall	-	-	-	-
1,262	Councillor C Phipps	1,466	-	-	1,466
1,223	Councillor S Pomfret	1,466	-	-	1,466
160	Councillor D Poole	-	-	-	-
1,223	Councillor I Scott	1,466	-	-	1,466
1,270	Councillor M Shelford	1,466	-	43	1,509
160	Councillor C Smith	-	-	-	-
1,223	Councillor J Smith	158	-	-	158
230	Councillor R Stone	-	-	-	-
-	Councillor C Stevens	1,214	-	-	1,214
-	Councillor M Threlfall	1,214	-	-	1,214
1,130	Councillor T Walker	-	-	-	-
1,223	Councillor M Williams	1,466	-	-	1,466
1,223	Councillor N Wilton	1,466	-	63	1,529
1,525	Councillor C Windows	1,466	-	-	1,466
160	Councillor M Wollacott	-	-	-	-
-	Mr M Rose	365	-	-	365
122	Mr C Williams	-	-	-	-
240	Mr B Shearn	-	-	-	-
47,618	**Total**	**36,513**	**14,020**	**751**	**51,284**

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 (previous regulations required bands of £10,000) and this information is set out in the following table – staff included in the senior officer remuneration table (note 10) are not included in this table:

2015/2016 No. of Employees	Remuneration Band	2016/2017 No. of Employees
14	£50,000 - £54,999	15
12	£55,000 - £59,999	8
4	£60,000 - £64,999	5
3	£65,000 - £69,999	4
1	£70,000 - £74,999	2

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

2015/2016			2016/2017			
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
3	17	£0 - £20,000	-	1	1	8
1	30	£20,001 - £30,000	-	-	-	-
4	47	Total	-	1	1	8

10. **Senior Officer Remuneration**

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

There have been a number of changes to the members of SMB and their roles during the year.

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

Post Holder		Salary Incl. Fees & Allowances	Benefits in Kind	Pension Contributions	Note	Total Remuneration Including Pension Contributions
		£	£	£		£
Chief Fire Officer & Chief Executive - K Pearson	2016/17	145,623	3,188	18,442		167,253
	2015/16	144,157	4,969	18,256		167,382
Deputy Chief Officer & Deputy Chief Executive - L Houghton	2016/17	115,692	4,344	16,544		136,580
	2015/16	116,854	4,780	13,230		134,864
Assistant Chief Fire Officer - Director of Operational Response and Technical Services, previously Director of Risk Reduction and Operational Training	2016/17	108,909	1,451	15,574		125,934
	2015/16	107,754	963	18,688		127,405
Assistant Chief Fire Officer – Director of Operational Response	2016/17	44,019	26	8,740	(1)	52,785
	2015/16	107,142	3,830	23,383		134,355
Assistant Chief Fire Officer - Director of Risk Reduction and Learning & Development	2016/17	27,160	805	5,894	(2)	33,859
	2015/16	-	-	-		-
Interim Treasurer and Finance Manager	2016/17	19,505	1,009	2,523	(3)	23,037
	2015/16	-	-	-		-
Director of Finance, Assurance and Asset Management and Treasurer	2016/17	72,591	3,248	8,852	(4)	84,691
	2015/16	93,432	7,562	11,866		112,860
Legal Advisor, Clerk & Monitoring Officer	2016/17	79,522	-	10,099		89,621
	2015/16	12,191		1,548	(5)	13,739
Total 2016/17		613,021	14,071	86,668		713,760
Total 2015/16		581,530	22,104	86,971		690,605

(1) Post holder left 13/8/16

(2) New role - Post holder started 01/01/17

(3) Interim appointment commenced 01/01/17

(4) Post holder left 28/12/16

(5) Post holder started 04/01/16

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 2016/2017 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 – (£16,725k).

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

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

- Other local authorities:

    - Bristol City Council as a billing Authority responsible for collecting council tax on behalf of the Fire Authority for its area (£10,477k). Is a provider of financial services to the Fire Authority – amount including the cost of servicing existing debt £1,773k. Bristol City Council also provides a long term loan with a current balance of £3,958k.

    - Bath & North East Somerset Council as a billing Authority responsible for collecting council tax on behalf of the Fire Authority for its area - (£4,945k) 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 £18,036k.

    - North Somerset Council (£5,917k) and South Gloucestershire Council (£7,662k) as billing authorities responsible for collecting council tax on behalf of the Fire Authority for their areas.

- Other public bodies:

    - HM Revenue & Customs as a significant element of the Fire Authority's expenditure relates to payments for PAYE, National Insurance and VAT £5,070k.

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

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.

2015/16 Fund balance £'000	2015/16 Movement in Unusable Reserves £'000		2016/17 Fund balance £'000	2016/17 Movement in Unusable Reserves £'000
		Adjustments primarily involving the Capital Adjustment Account		
		Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
10,617	(10,617)	Charges for depreciation, impairment & revaluation of non-current assets	5,257	(5,257)
(1,361)	1,361	Capital Grants and contributions applied	(17)	17
69	(69)	Amortisation of intangible assets	58	(58)
-	-	Write Back of Finance Lease Liability re Purchased Assets	-	-
334	(334)	Profit/Loss on sale of non-current assets	208	(208)
		Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement		
(2,377)	2,377	Capital expenditure charged against Fund balance	(1,414)	1,414
(721)	721	Statutory Provision for the Repayment of Debt - MRP	(878)	878
(11)	11	Statutory Repayment of Debt - Finance Lease	(7)	7
(132)	132	Statutory Repayment of Debt - PFI	(138)	138
(943)	943	Voluntary Provision above MRP	(514)	514
		Adjustments primarily involving the Pensions Reserve		
20,802	(20,802)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 26)	14,430	(14,430)
(5,906)	5,906	Employers pensions contributions and direct payments	(5,240)	5,240
		Adjustments primarily involving the Collection Fund Adjustment Account		
(117)	117	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	100	(100)
		Adjustments primarily involving the Accumulated Absences Account		
271	(271)	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	(21)	21
20,525	**(20,525)**	**Total Adjustments**	**11,824**	**(11,824)**

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

Property, Plant and Equipment

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

2016/2017	Land & Buildings £'000	Assets under Construction £'000	PFI £'000	Vehicles & Equipment £'000	**Total £'000**
Cost or Valuation					
1 April 2016	39,674	2,464	4,456	34,230	**80,824**
Additions	452	1,935	15	1,899	**4,301**
Disposals	(7)	-	-	(2,616)	**(2,623)**
Transfer to Assets Held for Sale	(4,656)	-	-	-	**(4,656)**
Transfer from Assets under Construction	4,399	(4,399)	-	-	**-**
Revaluation increases / (decreases) to Revaluation Reserve	(1,982)	-	267	828	**(887)**
Revaluation increases / (decreases) to (Surplus) / deficit on the provision of Services	(167)	-	-	366	**199**
31 March 2017	**37,713**	**-**	**4,738**	**34,707**	**77,158**
Depreciation and impairments					
1 April 2016	(120)	-	(2,406)	(18,825)	**(21,351)**
Charge for year	(1,592)	-	(193)	(2,690)	**(4,475)**
Disposals	-	-	-	2,372	**2,372**
Transfer to Assets Held for Sale	281	-	-	-	**281**
Revaluations	1,036	-	-	607	**1,643**
31 March 2017	**(395)**	**-**	**(2,599)**	**(18,536)**	**(21,530)**
Net book value of assets at 31 March 2016	**39,554**	**2,464**	**2,050**	**15,405**	**59,473**
Net book value of assets at 31 March 2017	**37,318**	**-**	**2,139**	**16,171**	**55,628**

2015/2016	Land & Buildings £'000	Assets under Construction £'000	PFI £'000	Vehicles & Equipment £'000	**Total £'000**
Cost or Valuation					
1 April 2015	75,819	-	4,446	34,798	**115,063**
2014/15 Adjustment	-	-	-	107	**107**
Additions	4,956	2,464	10	2,049	**9,479**
Disposals	(36)	-	-	(2,418)	**(2,454)**
Transfer to Assets Held for Sale	(610)	-	-	-	**(610)**
Revaluation increases / (decreases) to Revaluation Reserve	(34,834)	-	-	(255)	**(35,089)**
Revaluation increases / (decreases) to (Surplus) / deficit on the provision of Services	(5,621)	-	-	(51)	**(5,672)**
31 March 2016	**39,674**	**2,464**	**4,456**	**34,230**	**80,824**
Depreciation and impairments					
1 April 2015	(34,116)	-	(2,236)	(18,366)	**(54,718)**
Charge for year	(3,205)	-	(170)	(2,383)	**(5,758)**
Disposals	4	-	-	2,103	**2,107**
Transfer to Assets Held for Sale	-	-	-	-	**-**
Revaluations	37,197	-		(179)	**37,018**
31 March 2016	**(120)**	**-**	**(2,406)**	**(18,825)**	**(21,351)**
Net book value of assets at 31 March 2015	**41,703**	**-**	**2,210**	**16,432**	**60,345**
Net book value of assets at 31 March 2016	**39,554**	**2,464**	**2,050**	**15,405**	**59,473**

Intangible Non-Current Assets

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

2015/2016 £'000	Intangible Assets (Purchased software licences)	2016/2017 £'000
	Original Cost	
1,095	1 April 2016 (2015)	872
-	Additions	11
(223)	Disposals	-
872	31 March 2017 (2016)	**883**
	Amortisation and impairments	
(823)	1 April 2016 (2015)	**(669)**
(69)	Charge for year	(58)
223	Disposals	-
(669)	31 March 2017 (2016)	**(727)**
272	**Net book value of assets at 31 March 2016 (2015)**	**203**
203	**Net book value of assets at 31 March 2017 (2016)**	**156**

Assets Held for Sale

2015/2016 £'000	Assets Held for Sale	2016/2017 £'000
455	**Balance at start of year**	610
4	Additions in year	9
-	Revaluation	(9)
610	Assets newly classified as held for sale:	4,656
1,069		**5,266**
(459)	Assets sold	(460)
610	**Balance at end of year**	**4,806**

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

Capital expenditure and sources of finance were as follows:

2015/2016 £'000		2016/2017 £'000
7,435	Land and buildings	2,410
1,625	Vehicles	976
116	Ops equipment	603
307	IT Hardware	320
-	Software	11
9,483		**4,320**
1,361	Grant	17
472	Capital Receipts	503
2,377	Revenue Contributions	1,414
5,273	Prudential Borrowing	2,386
9,483		**4,320**

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.

2015/2016 £'000		2016/2017 £'000
19,182	Opening Capital Financing Requirement	22,649
	Capital Investment	
9,483	Property Plant and Equipment	4,320
	Sources of finance	
(472)	Capital Receipts	(503)
(1,361)	Government grants and other contributions	(17)
(4,183)	Revenue Provision	(2,951)
22,649	Closing Capital Financing Requirement	**23,498**
	Explanation of movements in year	
(320)	Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(307)
3,787	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	1,156
3,467	Increase/(decrease) in Capital Financing Requirement	**849**

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

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

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

2015/16 £'000		2016/17 £'000
	Opening Capital Financing Requirement as at 1st April:	
61,073	Fixed Assets	60,287
(11,294)	Revaluation Reserve	(11,570)
(30,597)	Capital Adjustments Account	(26,068)
19,182	Capital Financing Requirement	**22,649**
(165)	Adjustment Factor A	(165)
19,017	Adjusted Capital Financing Requirement	**22,484**
1,738	MRP	1,462
69	Finance Lease - Voluntary MRP Contributions	75

16. **Assets held under finance leases**

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

2015/2016 Vehicles & Equipment £'000		2016/2017 Vehicles & Equipment £'000
85	Total rentals paid	85
	Analysis of charges in the Financial Statements	
6	Finance Charge - (Comprehensive Income and Expenditure Statement)	3
79	MRP (including voluntary contributions) - (Movement in Reserves Statement)	82

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

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

	Vehicles & Equipment £'000
Certified valuation at 31 March 2016	1,576
Accumulated depreciation and impairment	(1,351)
Net book value of assets at 31 March 2016	**225**
Movement in 2016/17	
Additions	-
Disposals	-
Revaluations	(4)
Depreciation	(113)
Impairments	-
Net book value of assets at 31 March 2017	**108**

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

2015/2016 £'000		2016/2017 £'000
	Finance Lease Liabilities	
79	Current	-
3	Non-Current	-
82		-
3	Finance Costs Payable in Future Years	-
85	Minimum Lease Payments	-

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

	Minimum Lease		Finance Lease	
	31-Mar-17 £,000	31-Mar-16 £,000	31-Mar-17 £,000	31-Mar-16 £,000
Not Later than one year	-	82	-	79
Later than one year and not later than five years	-	3	-	3
	-	85	-	82

17. **Non-Current Asset Valuation**

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

- Land and Buildings were re-valued by external valuers, Cushman & Wakefield, as at 31 December 2016
- Vehicles and material transport related items of equipment were re-valued by the Authority's internal Fleet Engineer, Paul Beard, as at 31 December 2016

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

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

Assets	Years
Buildings	10-60
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 5 years.

18. **Debtors**

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

31/03/2016 £'000		31/03/2017 £'000
1,460	Central Government Bodies	4,406
2,360	Other local authorities	3,352
1,170	Other entities and individuals	1,096
4,990		8,854

19. 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:

31/03/2016 £'000		31/03/2017 £'000
2	Cash held by the Authority - Imprests	2
1,611	Bank Current Accounts	(3,276)
1,613		(3,274)

20. Creditors

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

31/03/2016 £'000		31/03/2017 £'000
(1,002)	Central Government Bodies	(2,037)
(408)	Other local authorities	(341)
(3,381)	Other entities and individuals	(2,736)
(4,791)		(5,114)

21. Analysis of Borrowing

The loans outstanding consist of a loan through Bristol City Council and one through The Public Works Loan Board. Loans repayable during 2016/2017 are shown as short term borrowing in the Balance Sheet and total £796k. The maturity of long-term loans is as follows:

31/03/2016 £'000		31/03/2017 £'000
697	Between 1 and 2 years	860
1,926	Between 2 and 5 years	2,302
1,927	Between 5 and 10 years	-
7,000	Over 10 years	7,000
11,550	Total long term borrowing at 31 March 2017 (2016)	10,162

As at 31 March 2017 (2016) the Authority had deferred borrowing of £9,791k (£7,405k).

22. 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 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Financial Liabilities at amortised cost	(14,302)	(12,760)	(3,716)	(3,872)
Total borrowings	**(14,302)**	**(12,760)**	**(3,716)**	**(3,872)**
Loans and receivables	-	-	5,286	4,244
Total debtors	**-**	**-**	**5,286**	**4,244**

Reconciliation note

The SORP 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 2016 £'000	31 March 2017 £'000
Financial Liabilities at amortised cost per Note 20	**(3,716)**	**(3,872)**
Statutory debt in relation to HMRC	(525)	(577)
Receipts in advance	-	(356)
Short term liabilities in relation to leases inc PFI	(217)	(151)
Receipts in advance and overpayments in relation to Council Tax .	(755)	(707)
Short term Borrowing	725	796
Fire Fighter pension scheme - Ill health	(303)	(247)
Short Term Creditors	**(4,791)**	**(5,114)**

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:

2016/2017	Financial Liabilities measured at amortised costs £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expense			
- Loan & Leases	478	-	478
- PFI	426	-	426
Interest payable and similar charges	**904**	**-**	**904**
Interest income	-	(19)	(19)
Interest and Investment Income	**-**	**(19)**	**(19)**
Net Gain / (loss) for the year	**904**	**(19)**	**885**

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;
- 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 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	**Carrying Amount £'000**	**Fair Value £'000**
Loan Debt				
Local Authority	(5,275)	(6,848)	(3,958)	(6,521)
Public Works Loan Board	(7,000)	(7,274)	(7,000)	(9,247)
Other Loans	-	-	-	-
Deferred Liability - Finance Lease	(3)	(3)	-	-
Deferred Liability - PFI	(2,749)	(2,749)	(2,598)	(2,598)
Total debt	**(15,027)**	**(16,874)**	**(13,556)**	**(18,366)**
Trade and other creditors	(2,991)	(2,991)	(3,076)	(3,076)
Total Financial Liabilities	**(18,018)**	**(19,865)**	**(16,632)**	**(21,442)**

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 2016 £'000	31 March 2017 £'000
Carrying amount total debt per Note 21	**(12,275)**	**(10,958)**
Short Term Borrowing	(725)	(796)
Long Term Borrowing	(11,550)	(10,162)
Total Borrowing	**(12,275)**	**(10,958)**

	Current	
	31 March 2016 £'000	31 March 2017 £'000
Trade and other Creditors per Note 20	**(2,991)**	**(3,076)**
Statutory debt in relation to HMRC	(525)	(577)
Receipts in advance	-	(356)
Short term liabilities in relation to leases inc PFI	(217)	(151)
Receipts in advance and overpayments in relation to Council Tax.	(755)	(707)
Fire Fighter pension scheme - Ill health	(303)	(247)
Short Term Creditors	**(4,791)**	**(5,114)**

Loans and receivables

	31 March 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Investments				
Bank and cash	1,613	1,613	(3,274)	(3,274)
Total debt / (credit)	**1,613**	**1,613**	**(3,274)**	**(3,274)**
Trade and other debtors	3,672	3,672	7,518	7,518
Total Loans and Receivables	**5,285**	**5,285**	**4,244**	**4,244**

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 2016 £'000	31 March 2017 £'000
Trade and other Debtors per Note 18	**3,672**	**7,518**
Payments in advance	47	-
Short Term Debtors in Council Tax	1,582	1,502
Provision for bad debt	(746)	(525)
Short Term Debtors in VAT	435	359
Short Term Debtors	**4,990**	**8,854**

Nature and Extent of Risk Arising from Financial Instruments and How the Authority Manages those Risks

Key Risks

The Authority's activities expose it to a variety of financial risks, the key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk - the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Authority's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Authority's annual budget and council tax setting. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by Bristol City Council under the terms of a Financial Services contract. The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

The Authority's treasury portfolio is not of a significant size to provide significant treasury risk.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Authority's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2017 £'000	Historical experience of default	Adjustments for market conditions at 31 March 2017	Estimated maximum exposure to default £'000
Other counterparties - Local Authorities	3,352	0.0%	0.0%	-
Other counterparties - NHS	-	0.0%	0.0%	-
Other counterparties - Central Government	4,406	0.0%	0.0%	-
Trade and other debtors	119	6.0%	3.0%	4
	7,877			**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 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.

Liquidity risk

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

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

Refinancing and Maturity Risk

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

The maturity analysis of financial liabilities is as follows:

2016/2017	£'000
Less than one year	(3,872)
Between 1 and 2 years	(860)
Between 2 and 5 years	(2,302)
More than 5 years	(7,000)
	(14,034)

The maturity analysis of financial assets is as follows:

2016/2017	£'000
Less than one year	4,244

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 £9,791k 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 counter party 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 £9,791k would be £98k.

The Authority's medium term financial plan has made provision for some borrowing in 2016/2017. Overall long term borrowing rates have remained at historic low levels throughout the year and the situation is being closely monitored.

Effects of a 1% rise in rates:

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

2016/2017	£'000
Increase in interest receivable on variable rate investments	17
Impact on Surplus or Deficit on the Provision of Services	**17**

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

2016/2017	£'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)	(2,428)

Effects of a 1% fall in rates:

As interest rates are so low due to the current financial climate a 1% fall in rates is not possible as the average rate for 2016/17 was only 0.20%. The maximum impact could only be the interest received in the year of £19k.

2016/2017	£'000
Increase in interest receivable on variable rate investments	(19)
Impact on Surplus or Deficit on the Provision of Services	**(19)**

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

2016/2017	£'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)	3,011

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

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

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

23. Short Term Provisions

	Balance at 1 April 2015 £'000	Additional Provisions Made in 2015/16 £'000	Amounts Utilised in 2015/16 £'000	Balance at 31 March 2016 £'000	Additional Provisions Made in 2016/17 £'000	Amounts Utilised in 2016/17 £'000	Balance at 31 March 2017 £'000
Fire Hydrants	65	-	-	65	-	-	65
Finance systems	38	-	-	38	-	-	38
Ill Health Retirement	81	-	(81)	-	-	-	0
HQ Relocation Expenses	0	330	-	330	-	-	330
NDR Appeals	396	457	(396)	457	492	(457)	492
Pension commutation	2,106	-	(2,106)	-	-	-	-
Independant Inspection Reserve	-	-	-	-	140	-	140
	2,686	787	(2,583)	890	632	(457)	1,065

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

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

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

- Ill Health retirement
  This provision was utilised during 2015/16.

- HQ Relocation Expenses
  The Fire Authority has agreed to accept an offer from Avon and Somerset Police for its support staff to share the Police headquarters site at Portishead. The support staff currently located at the headquarters site at Temple Back will be relocated to Portishead in September 2017 and a provision has been 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.

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

- Pension Commutations Payments
  This provision has been fully utilised in 2015/16 for the payment of additional pension commutations to whole-time firefighters who retired between 1st December 2001 and 21st August 2006.

- <u>Independent Inspection Reserve</u>

  As announced the government is undertaking an inspection of the Avon Fire Authority. The latest estimate of costs indicates further costs of £140k, which will be utilised primarily in 2017/18.

24. Long Term Provisions

	Balance at 1 April 2015	Additional Provisions Made in 2015/16	Amounts Utilised in 2015/16	Balance at 31 March 2016	Additional Provisions Made in 2016/17	Amounts Utilised in 2016/17	Balance at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PFI	590	-	-	590	-	-	590
	590	-	-	590	-	-	590

<u>Private Finance Initiative</u>

Further to Note 1 & 7 it is felt prudent to keep the provision for training centre contributions at existing levels. The provision will then be utilised to off-set any increased contributions once they are agreed.

25. Useable Reserves

	Balance at 1 April 2015 £'000	Transfers in 2015/16 £'000	Transfers out 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers in 2016/17 £'000	Transfers out 2016/17 £'000	Balance at 31 March 2017 £'000
Fund Balance	1,500	-	-	1,500	-	-	1,500
	1,500	**-**	**-**	**1,500**	**-**	**-**	**1,500**
Austerity Reserve	1,784	397	(400)	1,781	405	-	2,186
	1,784	**397**	**(400)**	**1,781**	**405**	**-**	**2,186**
Pension & Budget Pressures Reserves Incl.							
PPE / ICP Replacement Reserve	125	-	-	125	-	-	125
Control Resilience Reserve	400	-	-	400	-	-	400
Premises H&S Reserve Critical Works	100	-	-	100	-	-	100
Pension Reserve	200	120		320	-	-	320
Legal Fees Reserve	100	-	-	100	-	-	100
Community Safety Reserve	100	64	(100)	64	49	(64)	49
Marketing Reserve	28	-	-	28	-	-	28
Auxiliary Reserve	125	-	-	125	-	-	125
Breathing Apparatus Reserve	50	-	-	50	-	-	50
Training Reserve	100	70	(100)	70	20	-	90
Investing for the Future	1,700	-	(1,065)	635	-	(635)	-
ICT Development	76	-	(76)	-	-	-	-
Capital Financing	872	-	-	872	20	(264)	628
Operational Fitness Reserve	-	-	-	-	70	-	70
Document Management and Retention System Reserve	-	-	-	-	60	-	60
ESMCP Reserve	-	-	-	-	236	-	236
HQ Relocation Reserve	-	-	-	-	914	-	914
Procurement Reserves	-	-	-	-	40	-	40
Equality & Inclusivity Reserve	-	-	-	-	50	-	50
	3,976	**254**	**(1,341)**	**2,889**	**1,459**	**(963)**	**3,385**
Hydrants	100	-	-	100	-	-	100
Medical Intervention	40	-	-	40	-	-	40
PFI Equalisation Fund	1,721	-	(35)	1,686	-	(24)	1,662
Total Usable Reserves	**9,121**	**651**	**(1,776)**	**7,996**	**1,864**	**(987)**	**8,873**

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

a. Austerity Reserve

This reserve has been created to fund future initiatives and programmes to assist the Authority in achieving its medium term financial targets. There was a net increase in the reserve of £405k during the year and it is anticipated that this reserve will be utilised over the next 4-5 years.

b. PPE /ICP Replacement Reserve

This reserve will be utilised to meet fluctuations in personal protective equipment costs associated with the introduction of the Integrated Clothing project and the one-off cost associated with the planned change in station wear.

c. Control Resilience Reserve

Following the cancellation of the Regional Control Centre project by Central Government, increased costs were identified in maintaining and developing the existing control infrastructure in order to maintain resilience. The resilience programme of works was finalised in 2016/17 with the role out the emergency services mobile communications programme (ESMCP) expected to be finalised within the next 3 years. This reserve will be utilised over this period to support completion of these programmes, with £72k budgeted for in 17/18 and £32k in 2018/19.

d. Premises / H & S Reserve Critical Works

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

e. 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 retirees salary are paid to the Department for Communities and Local Government. It is anticipated that the balance will be utilised over the next 4 years.

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 over the next 4 years.

g. Community Safety Reserve

This balance of £64k on this reserve at the start of the financial year was utilised to fund community safety activity including safety campaigns, commissioning services from the voluntary sector and the fitting of smoke alarms as planned. An amount of £49k was set-up during the year to fund further commitments to commissioning services from the voluntary sector and safety campaigns.

h. Marketing Reserve

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

i. Auxiliary Reserve

This reserve will be utilised over the next 4 years to provide training and equipment for auxiliary members of staff.

j. Breathing Apparatus Reserve

This reserve was created in 2011/12 to fund new breathing apparatus total care package, part of the reserve was then utilised. The agreed apparatus has now been purchased, the balance of this reserve will fund any total care pack issues in connection with this apparatus.

k. Training Reserve

An addition of £20k has been added to the brought forward balance on this reserve and will be utilised for leadership training during the next 1 - 2 years.

l. Investing for the Future

This reserve was fully utilised in 2016/17 as part of the funding for the Investing for the Future programme.

m. ICT Development

This reserve was utilised during 2015/16.

n. Capital Financing

This reserve was created as a result of the high level of uncertainty around the availability of Capital Grant from Central Government in future years. Central Government have subsequently confirmed that no capital grant funding will be made available for the foreseeable future and so this reserve is to be utilised during the 1-3 years to provide funding for the Authority's capital programme, including the need to refurbish 3 fire stations as identified in the IRMP.

o. Operational Fitness Reserve

In 2016/17 it was agreed to develop and implement a fitness assessment and delivery programme including the recruitment of a Physical training instructor and this reserve has been created to fund this.

p. Document Management & Retention System Reserve

This reserve has been set up to fund the implementation of a Corporate wide document and email management system to improve administration and Information security,

q. ESMCP Reserve

In March 2017 the Government paid grant to the Avon Fire and Rescue to fund the ESMCP project. Work is not due to commence until late 2017/18, so the grant has been allocated to a reserve to be used over the next 2 years whilst the project is undertake.

r. <u>HQ Relocation Reserve</u>

Approved expenditure relating to the HQ relocation to Portishead is due to be spent in 2017/18 and therefore a reserve has been allocated to fund these costs when they are incurred.

s. <u>Procurement Reserve</u>

This reserve has been created to review the procurement of training and the production of a unified procurement package to reduce costs.

t. <u>Equality & Inclusivity Reserve</u>

This reserve has been created to enable an independent review to be undertaken to inform the organisation's strategic direction to reflect issues of culture and inclusiveness. It is anticipated that this reserve will be utilised in 2017/18.

u. <u>Hydrants</u>

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

v. <u>Medical Intervention</u>

This reserve has been created to fund medical intervention and prevention initiatives and will be utilised over the next 4 years.

w. <u>Equalisation Fund</u>

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.

26. Unusable Reserves

Balance at 31 March 2016 £'000		Balance at 31 March 2017 £'000
11,571	**Revaluation Reserve**	12,355
26,066	**Capital Adjustment Account**	24,737
(488,359)	**Pensions Reserve**	(595,737)
370	**Collection Fund Adjustment**	271
(412)	**Accumulated Absences Account**	(391)
(450,764)	**Total Unusable Reserves**	**(558,765)**

Revaluation Reserve

2015/2016 £'000		2016/2017 £'000
11,294	**Balance at 1 April 2016 (2015)**	**11,571**
1,100	Adjustment to revaluation of assets	1,662
12,394	**Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**13,233**
(823)	Difference between fair value depreciation and historic cost depreciation	(878)
11,571	**Balance at 31 March 2017 (2016)**	**12,355**

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

Where assets have been re-valued the excess current value depreciation 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 re-valued amounts rather than depreciated historic cost.

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

Capital Adjustment Account

2015/2016 £'000		2016/2017 £'000
30,596	**Balance at 1 April 2016 (2015)**	**26,066**
	Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(11,932)	Depreciation and impairment of non-current assets	(14,211)
1,313	Revaluation losses/gains on Plant, Property & Equipment	8,954
(69)	Amortisation of intangible assets	(58)
(684)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(363)
19,224		**20,388**
823	Adjusting amounts written out of the Revaluation Reserve	878
20,047	Net written out amount of the cost of non-current assets consumed in the year	**21,266**
	Capital Financing applied in the year	
1,836	Capital Grants and Capital Receipts credited to the Comprehensive Income and Expenditure Statement	520
712	Minimum revenue provision for capital financing	636
1,094	Voluntary revenue provision for capital financing	901
2,377	Capital expenditure charged in-year to the fund balance	1,414
26,066	**Balance at 31 March 2017 (2016)**	**24,737**

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, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Pensions Reserve Summary – See Note 27 for further information

2015/2016 £'000		2016/2017 £'000
(559,902)	**Balance at 1 April 2016 (2015)**	**(488,359)**
86,438	Remeasurements of pensions assets and liabilities	(98,188)
(20,801)	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	(14,430)
5,906	Employer's pensions contributions and direct payments to pensioners payable in the year	5,240
(488,359)	**Balance at 31 March 2017 (2016)**	**(595,737)**

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

This reserve relates to the two pension schemes, Fire Fighters and Local Authority and additional information is shown in note 27.

Collection Fund Adjustment Account

2015/2016 £'000		2016/2017 £'000
253	**Balance at 1 April 2016 (2015)**	**370**
(12)	Bath and North East Somerset	(109)
(9)	Bristol City Council	157
137	North Somerset	(93)
1	South Gloucestershire	(54)
370	**Balance at 31 March 2017 (2016)**	**271**

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

Accumulated Absences Account

2015/2016 £'000		2016/2017 £'000
(141)	**Balance at 1 April 2016 (2015)**	**412**
141	Settlement or cancellation of accrual made at the end of the preceding year	(412)
412	Amount accrued at the end of the current year	391
553	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	(21)
412	**Balance at 31 March 2017 (2016)**	**391**

27. **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 salary. It is a 'defined benefit' scheme. The Fund's Actuary carries out a valuation of the Fund every three years in accordance with government regulations. If the valuation indicates that there are insufficient assets to meet future liabilities, employer contribution rates are increased to make up the shortfall. The latest valuation was undertaken at 31 March 2013 and assessed the overall funding level at 78%.

- <u>Firefighters scheme</u>

  Regular Firefighters employed before 6 April 2006 were eligible to join the Firefighters Pension Scheme but this scheme closed to new entrants from April 2006. The Employer contribution rate for this scheme was 21.7%. Employee contributions vary according to salary, as shown in the table under Note 2 to the Firefighters Pension Fund Account on page 96.

  A New Firefighters Pension Scheme was introduced for regular and retained Firefighters employed since 6 April 2006, which has different contribution rates payable into the scheme and benefits available to scheme members. The employer contribution rate for this scheme was 11.9%. Employee contributions vary according to salary, as shown in the table under Note 2 to the Firefighters Pension Fund Account on page 96.

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

  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 and 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	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement				
Costs of Services:				
Current Service Cost	1,103	972	9,563	6,517
Past service Costs	-	-	-	190
Firefighters Pension Top up Grant			(8,356)	(10,541)
Financing and Investment Income and Expenditure:				
Net Interest expense	421	442	18,070	16,850
Total Post-employment Benefits charged to the Surplus or Deficit on Provision of Services	1,524	1,414	19,277	13,016
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure:				
Remeasurement of the net defined benefit liability comprising:				
Return on Plan Assets (excluding the amount included in the Net Interest expense)	1,173	(2,097)	(28,644)	(2,370)
Actuarial gains and losses arising on changes in demographic assumptions	-	(163)	(7,370)	(8,170)
Actuarial gains and losses arising on changes in financial assumptions	(2,337)	7,778	(49,260)	103,210
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	360	6,932	(65,997)	105,686
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the code	(1,524)	(1,414)	(19,277)	(13,016)
Actual amount charged against the Fund Balance for pensions in the year:				
Employers contributions payable to the scheme	880	937	3,676	3,053
Retirement Benefits payable to pensioners			1,350	1,250

The cumulative amount of re-measurements recognised in the Comprehensive Income and Expenditure Statement to 31 March 2017 is (£199,802k)

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded liabilities Local Government		Unfunded liabilities Firefighters Scheme	
	2015/2016 £'000	2016/2017 £'000	2015/2016 £'000	2016/2017 £'000
Liabilities at beginning of year	(39,073)	(38,441)	(547,209)	(476,186)
Current Service Cost	(1,103)	(972)	(9,563)	(6,517)
Past Service Cost				(190)
Transfers In				(28)
Interest Cost	(1,278)	(1,374)	(18,070)	(16,850)
Contributions by scheme participants	(295)	(285)	(2,558)	(2,374)
Remeasurements (gains) and losses:				
Actuarial (gains) / losses from changes in demographic assumptions		163		8,170
Actuarial (gains) / losses from changes in financial assumptions	2,337	(10,303)	56,630	(103,210)
Actuarial (gains) / losses from experience		2,525	28,360	2,370
Benefits Paid	971	800	16,224	17,246
Liabilities at end of year	(38,441)	(47,887)	(476,186)	(577,569)

Reconciliation of fair value of the scheme assets:

	Funded Assets Local Government		Unfunded Assets Firefighters Scheme	
	2015/2016 £'000	2016/2017 £'000	2015/2016 £'000	2016/2017 £'000
Assets at beginning of year	26,380	26,268	-	-
Interest Income	874	953	-	-
Return on Plan Assets, excluding the amount included in the net interest expense	(1,173)	2,097	8,356	10,541
Transfers In				28
Administration expenses	(17)	(21)	-	-
Employer contributions	880	937	5,026	4,303
Contributions by scheme participants	295	285	2,842	2,374
Benefits paid	(971)	(800)	(16,009)	(17,246)
Refund of Contributions			(215)	-
Assets at end of year	26,268	29,719	-	-

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 £4,607k (2015/16: (£299k)).

Scheme History

	2012/13 Restated £'000s	2013/14 £'000s	2014/15 Restated £'000s	2015/16 £'000s	2016/17 £'000s
Present value of liabilities					
Local Government Scheme	(32,268)	(31,871)	(39,073)	(38,441)	(47,887)
Firefighters Scheme	(510,501)	(502,127)	(547,209)	(476,186)	(577,569)
	(542,769)	(533,998)	(586,282)	(514,627)	(625,456)
Fair value of assets in the Local Government Scheme	21,613	23,229	26,380	26,268	29,719
Surplus/(deficit) in the					
Local Government Scheme	(10,655)	(8,642)	(12,693)	(12,173)	(18,168)
Firefighters Scheme	(510,501)	(502,127)	(547,209)	(476,186)	(577,569)
Total	(521,156)	(510,769)	(559,902)	(488,359)	(595,737)

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £596m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £596m.

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 2018 for the Local Government Pension Scheme is £977k.

- The total contribution expected to be made by the Authority in the year to 31 March 2018 for the Firefighters pension scheme is £2,748k (1992 scheme: £1,430k; 2006 scheme: £47k; 2015 scheme: £1,271k).

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 2013 updated for the following years.

The main assumptions used by the actuary have been:

	Local Government		Fire Fighters Scheme	
	2015/2016	2016/2017	2015/2016	2016/2017
Mortality assumptions:				
Longevity at 65 for current				
Men	23.5	23.5	22.3	22.4
Women	26.0	26.0	22.3	22.4
Longevity at 65 for future				
Men	25.9	26.0	24.6	24.7
Women	28.9	28.7	24.6	24.7
Rate of inflation CPI	2.0%	2.3%	2.0%	2.4%
Rate of increase in salaries	3.5%	3.8%	4.2%	4.4%
Rate of increase in pensions	2.0%	2.3%	2.2%	2.4%
Rate of discounting scheme	3.6%	2.5%	3.6%	2.7%

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 2013 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 2016	31 March 2017
		%	%
Equities	UK quoted	16.4	14.8
	UK Futures	0.0	0.0
	Global quoted	8.0	9.1
	North America - quoted	0.0	0.0
	North America - non-quoted	9.3	8.6
	Japan	2.9	2.3
	Europe ex UK	6.5	5.0
	Pacific Rim ex Japan	2.1	2.4
	Emerging markets	8.6	9.8
Bonds	UK Government fixed	1.8	0.0
	UK Government gilt futures	6.2	0.0
	UK Government indexed	3.1	12.0
	Overseas Government fixed	0.0	0.0
	Sterling Corporate Bonds	9.3	7.9
Property	UK property Funds	5.2	4.2
	Overseas Property Funds	4.1	4.5
Alternatives	Hedge funds	5.3	5.4
	Diversified Growth Funds	9.9	8.9
	Infrastructure	0.0	3.9
Cash	Cash accounts	1.3	1.2
		100	100

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	2012/13 Restated %	2013/14 %	2014/15 %	2015/16 %	2016/17 %
Experience gains and (losses) on assets	7.6%	6.4%	12.0%	(1.1)%	15.5%
Experience gains and (losses) on liabilities	0.0%	3.0%	0.0%	0.0%	0.0%

Firefighters Scheme	2012/13 Restated %	2013/14 %	2014/15 %	2015/16 %	2016/17 %
Experience gains and (losses) on liabilities	3.7%	2.6%	2.1%	5.9%	0.4%

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 for the pension schemes as follows:

Sensitivity Analysis Firefighters Pension Scheme 1992 Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	+1/2% a year	(8.9)%	-46.4
Rate of increase in salaries	+1/2 % a year	0.8%	4.2
Rate of increase in pensions / deferred revaluation	+1/2 % a year	8.6%	44.8
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.7%	14.1

The weighted average duration of the defined benefit obligation is around 19 years.

Note: Employer Contributions of £1,508,692 were received during 2016/17.

Note: Current Service Cost (inclusive of member contributions) for 2017/18 is 73.4% of Pensionable Pay.

Sensitivity Analysis Firefighters 2006 scheme Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	+1/2% a year	(15.1)%	-2.8
Rate of increase in salaries	+1/2 % a year	5.8%	1.1
Rate of increase in pensions/ deferred revaluation	+1/2 % a year	10.2%	1.9
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.4%	0.4

The weighted average duration of the defined benefit obligation is around 34 years.

Note: Employer Contributions of £123,610 were received during 2016/17.

Note: Current Service Cost (inclusive of member contributions) for 2017/18 is 48.3% of Pensionable Pay.

Sensitivity Analysis Firefighters 2015 scheme Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	+1/2% a year	(15.9)%	-1.8
Rate of increase in salaries	+1/2 % a year	7.4%	0.8
Rate of increase in pensions/ deferred revaluation	+1/2 % a year	10.8%	1.2
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.2%	0.2

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

Note: Employer Contributions of £1,420,445 were received during 2016/17.

Note: Current Service Cost (inclusive of member contributions) for 2017/18 is 56.7% 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 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	47,887	46,988	48,804	48,124	48,790
Assets	(29,719)	(29,719)	(29,719)	(29,719)	(29,719)
Deficit/ (Surplus)	18,168	17,269	19,085	18,405	19,071
Projected Service Cost for next year	1,473	1,431	1,516	1,473	1,503
Projected Net Interest Cost for next year	442	436	465	448	465

28. Analysis of Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

2015/2016 £'000		2016/2017 £'000
	Credited to Taxation and Non Specific Grant	
1,361	General Capital Grant	17
1,361	Total Capital Grant	17
23,279	Precepts	23,965
15,420	General Government Grants	13,949
4,798	Non-domestic Rates Distribution	4,936
44,858	**Total**	**42,867**
	Credited to Services	
904	New Dimension / USAR	899
369	Fire Link	411
895	PFI grant	895
565	Other income	772
2,733	**Total**	**2,977**

None of the grants received by the Authority in 2015/16 or 2016/17 have conditions attached to them and therefore they are recognised as income in their year of receipt.

29. Financing and Investment Income and Expenditure

The Authority incurred and received the following interest and investment to the Comprehensive Income and Expenditure Statement in 2016/17:

2015/2016 £'000		2016/2017 £'000
	Interest Payable and Similar Charges	
556	Loans & Leases	478
421	PFI	426
977		904
18,474	Net Interest on the net defined benefit liability	17,271
(54)	Interest Receivable and Similar Income	(19)
(7)	Other Investment Income	(8)
19,390	Total	**18,148**

30. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2015/2016 £'000		2016/2017 £'000
(7,073)	Depreciation	(4,475)
(3,545)	Impairment	(782)
(69)	Amortisation	(58)
(1,313)	(Increase) / decrease in Creditors	(386)
(1,551)	Increase / (decrease) in Debtors	3,863
(14,895)	Movements in Pension Liability	(9,190)
1,794	Contributions to/(from) Provisions	(174)
(807)	Carrying amount of non-current assets held for sale, sold or derecognised	(711)
(27,459)		(11,913)
1,361	Capital grants	17
475	Proceeds from Sale of non-current assets	502
1,836		519

Cash Flow Statement – Operating Activities (Interest)

2015/2016 £'000		2016/2017 £'000
(44)	Interest received	(13)
824	Interest paid	734

31. Cash Flow Statement – Investing Activities

2015/2016 £'000		2016/2017 £'000
9,483	Purchase of property, plant and equipment	4,320
(475)	Proceeds from Sale of non-current assets	(502)
(972)	Capital Grants	(17)
8,036	Net cash flows from investing activities	3,801

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

2015/2016 £'000		2016/2017 £'000
-	Cash Receipts for long-term borrowing	
1,561	Repayments of long-term borrowing	1,317
114	Cash payments for the reduction of a finance lease liability	78
131	Cash payments for the reduction of a PFI liability	139
1,806	Net cash flows from investing activities	1,534

33. **Events After the Balance Sheet Date**

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On 2 February 2017 the Minister for Policing and the Fire Service ordered a best value inspection of Avon Fire Authority pursuant to section 10 of the Local Government Act 1999 (as amended by the Local Audit and Accountability Act 2014). An Independent Inspector, Dr Craig Baker, was appointed by the Home Secretary on 3 February 2017 to undertake the inspection covering the period 1 January 2011 to 1 February 2017. However in relation to the Authority's current and likely future compliance with the requirements of Part 1 of the 1999 act in relation to its governance functions, the Inspector was required to have regard to all relevant matters, whenever arising.

On the 19 July 2017 the Inspector published his report which concluded that Avon Fire Authority was failing in a number of respects to comply with its obligations under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. A copy of the full report is available at https://www.avonfire.gov.uk/documents/category/197-2017 under Extraordinary Meeting - Thursday 27 July - Background papers" together with Avon Fire Authority's proposed action plan in response to the Inspection report under Extraordinary Meeting - Thursday 27 July - Motion with appendix.

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:

2015/2016 £'000		2016/2017 £'000	2016/2017 £'000
	Contributions receivable:		
	Fire Authority		
(3,381)	- contributions in relation to pensionable pay	(3,068)	
(294)	- early retirements	(400)	
(2,842)	Firefighters contributions	(2,392)	
(6,517)	**Total**		**(5,860)**
-	**Transfers in from other authorities**	(45)	**(45)**
	Benefits payable:		
12,161	Pensions	12,670	
2,500	Commutations and lump sum retirement benefits	4,475	
230	Other	79	
14,891			**17,224**
	Payments to and on account of leavers:		
215	Transfers out to other authorities	-	**-**
8,589	**Net amount payable for the year**		**11,319**
(8,589)	Top-up grant payable by the Government		(11,319)
-			**-**

Net assets statement

The assets and liabilities of the pensions account as at 31 March 2017 are as follows:

31/03/2016 £'000		31/03/2017 £'000
	Current assets	
-	Payment in Advance	1,200
1,024	Top-up grant receivable from the Government	3,622
1,024		**4,822**
	Current liabilities	
(630)	Cash and Bank	(4,422)
(394)	Creditor	(400)
(1,024)		**(4,822)**
-	**Net assets**	**-**

Notes to the Firefighters Pension Fund Account

1. Operation of the Fund

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

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

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

2. Contributions

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Department 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:

2016/ 2017									
Salary range from	£0	£15,001	£21,001	£30,001	£40,001	£50,001	£60,001	£100,001	£120,001
Salary range up to	£15,000	£21,000	£30,000	£40,000	£50,000	£60,000	£100,000	£120,000	-
Firefighters pension scheme:									
1992 Scheme									
Employer	21.7%	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	10.0%	10.0%	10.0%	12.2%	12.2%	13.5%	13.5%	13.5%	14.5%
Total	24.3%	24.3%	24.3%	26.5%	26.5%	27.8%	27.8%	27.8%	28.8%

2015/ 2016									
Salary range from	£0	£15,001	£21,001	£30,001	£40,001	£50,001	£60,001	£100,001	£120,001
Salary range up to	£15,000	£21,000	£30,000	£40,000	£50,000	£60,000	£100,000	£120,000	-
Firefighters pension scheme:									
1992 Scheme									
Employer	21.7%	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	10.0%	10.0%	10.0%	12.2%	12.2%	13.5%	13.5%	13.5%	14.5%
Total	24.3%	24.3%	24.3%	26.5%	26.5%	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 26–38. 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 27 to the Core Financial Statements.

5. Pension contribution holiday

The Department for Communities and Local Government (DCLG) have agreed to settle a case brought by the Fire Brigades Union (FBU) to provide a contributions holiday to those regular firefighters who were members of the 1992 Firefighters' Pension Scheme, who joined the service before the age of 20, and who have served for over 30 years before reaching the minimum retirement age of 50.

The Government agreed to reimburse Fire Authorities for these additional costs in line with the previous pension ombudsman case regarding commutation factors. At 31 March 2016 it was estimated that £220k would be payable by the Authority, and this was accounted for in 2015/16. The figures were finalised in 2016/17 and the final figure was £298k. The additional cost plus grant received and accrued have been accounted for in the 2016/17 Fire Fighters Pension Fund Account along with associated creditor and debtor included in the Authority's balance sheet.

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

We have audited the financial statements of Avon Fire Authority (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 5. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing 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 Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the 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 criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Basis for adverse conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness we identified the following matters:

In July 2017 the Home Office published a Statutory Inspection report of Avon Fire Authority under section 10 of the Local Government Act 1999. The report concluded that:

- the Authority failed to comply with its section 3 duty. Section 3 requires a best value authority to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This failure was due to weaknesses in governance arrangements such as insufficient scrutiny of decisions by Members, inadequate information to support decisions made, inappropriate treatment of Member challenge and a focus on maintaining consensus.
- failings in leadership and culture have meant that the Authority has not secured continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.

The Inspector reported that the Authority took some steps to improve its governance arrangements following a peer review in 2015, including the introduction of a new committee structure in 2016. However, the Inspector's report also indicated the need for a more fundamental cultural change in the Authority to enable it to fulfil its value for money duty under section 3.

The above matters are weaknesses in the Authority's arrangements for:

- acting in the public interest through demonstrating and applying the principles and values of good governance,
- understanding and using appropriate information to support informed decision making and performance management,
- managing risks effectively and maintaining a sound system of internal control and,
- planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Adverse Value for Money Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, because of the significance of the matters described in the basis for adverse conclusion paragraphs above, we are not satisfied that, in all significant respects, *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of its resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Peter Barber

Peter Barber
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

27th September 2017

GLOSSARY OF TERMS

ACCOUNTING PERIOD - This is the length of time covered by the accounts. This is normally a period of twelve 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.

DEBTOR - 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.

FINANCE LEASE - A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee (the Authority) from the lessor.

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 ACCOUNT - 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.

LEASING - Method of financing the acquisition of capital assets, usually in the form of operating or financing leases.

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 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.