AVON FIRE AUTHORITY

www.avonfire.gov.uk



















Statement of Accounts 2017/2018

PROVIDING AVON FIRE & RESCUE SERVICE

Avon Fire Authority

Statement of Accounts 2017/18

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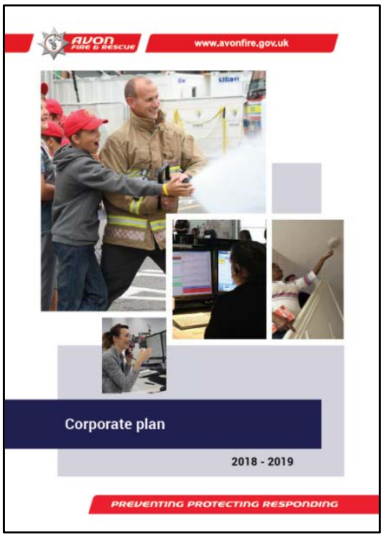
Narrative Report by the Treasurer

Introduction

Avon Fire Authority provides a Fire and Rescue Service for a population of over 1.1 million in 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 31st March 2018. 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 2017/18. The code specifies the principles and practices of accounting required to give a true and fair view of the financial position and transactions of the Fire Authority.

Our role

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



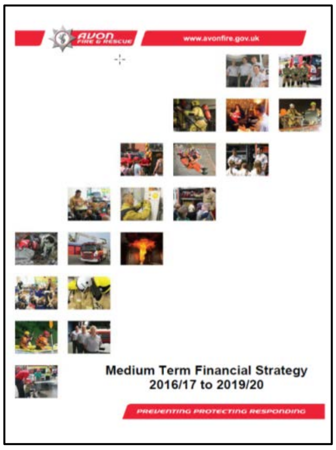
We are committed to keeping our communities fully informed of how we are performing as a Service. All Committee meetings are open to the public to attend and our main Fire Authority meeting is now aired live on YouTube.

Our Corporate Plan provides an insight into the work that we do the progress we have made and the services we offer to the communities we serve.

We will continue to work closely with our blue light partner agencies and will increase our partnership working to promote and support community health, safety and wellbeing.

It is also important for us to ensure the financial health of our organisation and to provide a best value service to the public. The substantial reduction in funding received from Central Government continues to present a significant challenge to the way in which we provide our service.

Our medium term financial plan for the next four years identifies further reductions in Central Government funding and this, together with other identified spending pressures, means that Avon Fire Authority are expecting to face a funding gap of around £1.2 million over this period.



Our Vision, Mission and Values

Our vision

To provide the highest standard and best value service to the community

We are committed to the wider community agenda of making our area a better place to live and work. To do this, we will provide a high standard of service 24 hours a day, 365 days of the year.

Our mission

To improve public safety through prevention, protection, response and resilience

We are committed to making our communities safer by reducing the risks that exist within the area we serve.

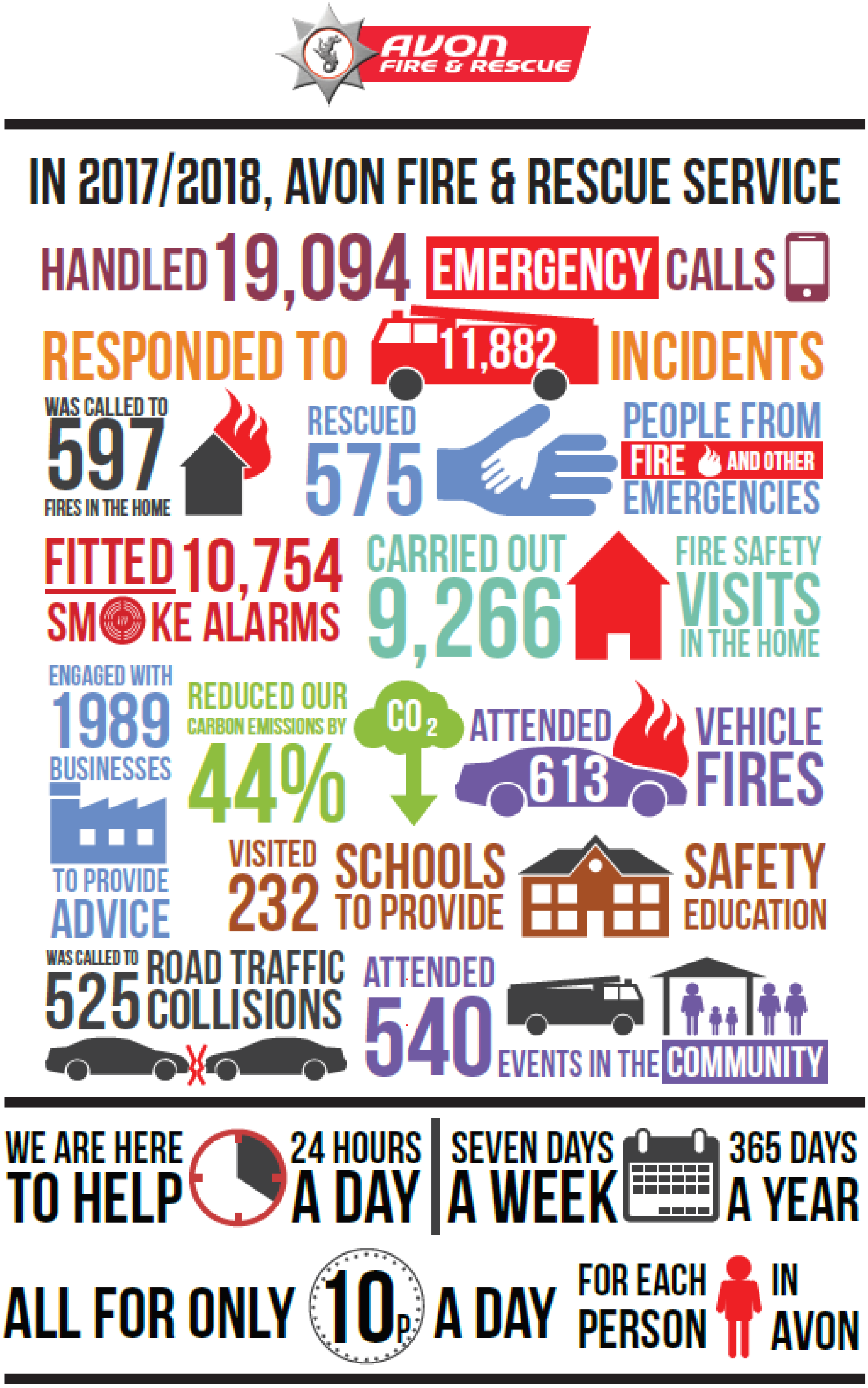
Our values

Respectful, honest, courageous, ambitious,inclusive and transparent

We believe that it is not just what we do, but also how we do it, that is important. Our values act as the standards of behaviour we expect from our elected members, and our staff.

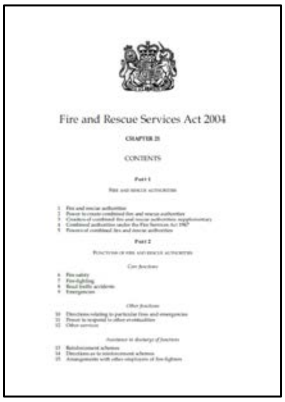
The service we provide

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



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.

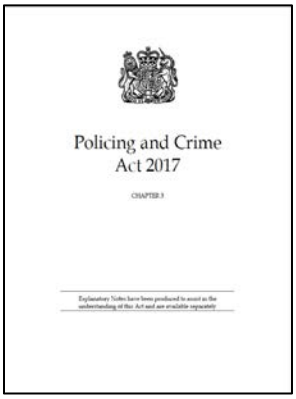
How we decide what we do


Fire and Rescue Services Act 2004


Civil Contingencies Act 2004


REGULATORY REFORM, ENGLAND AND WALES

The Regulatory Reform (Fire Safety) Order 2005

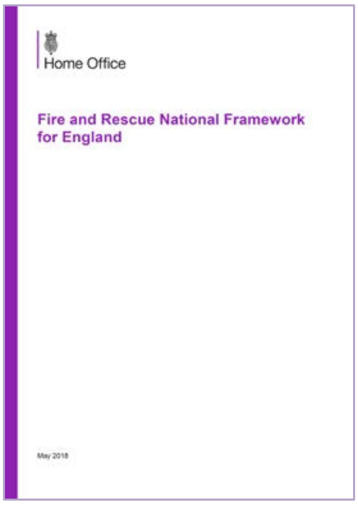

Policing and Crime Act 2017

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

Our statutory responsibilities

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

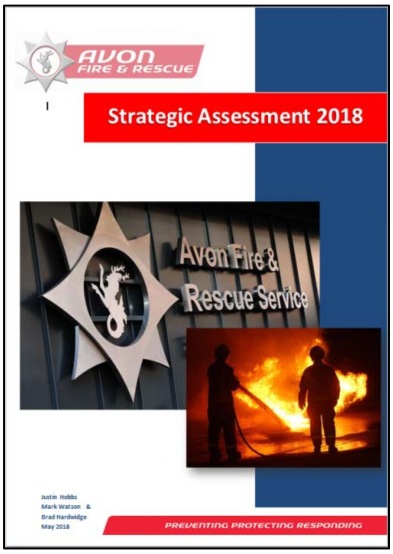
Direction from central Government



The Fire and Rescue National Framework sets out the Government's expectations for us as a fire and rescue service, these being:

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

Our Strategic Assessment



AF&RS's Strategic Assessment 2018 provides details of the Service's risk profile and identifies areas that have the potential to impact on the future strategic direction of the Service.

The Strategic Assessment includes an analysis of its existing response capability and its long-term contingency arrangements. As part of the analysis, capability gaps that cannot be addressed through mutual aid agreements, reconfiguration of resources or collective action will be highlighted to the Home Office to inform the National Risk Assessment and the provision of national resilience assets and capabilities.

The Annual Governance Statement

As required by The Accounts and Audit Regulation 2015 the Audit, Governance and Ethics Committee has approved our Annual Governance Statement for the 2017/2018 financial year. The Statement sets out how we comply with these regulations and ensures that high levels of governance are provided across the Fire Authority and the Service and includes:

- a summary of our governance framework and arrangements;
- the results of our annual review of effectiveness for 2017/2018;
- a summary of improvements made in 2017/2018; and
- details of two significant governance issues identified, including the issues relating to the Statutory Inspection of Avon Fire Authority commissioned by the Minister of State for Fire and Policing on Thursday 2 February 2017 under section 10 of the Local Government Act 1999

By signing the Statement of Commitment in section 12 of the Annual Governance Statement, the Chair of the Fire Authority, the Chief Fire Officer/Chief Executive, the interim Treasurer/S112 Officer and the Clerk to the Fire Authority/Monitoring Officer all confirm that they have:

> "… been advised of the implications of the result of the 2017/2018 review of the effectiveness of the governance and internal control framework and of the plans to address identified weaknesses and ensure continuous improvement of the systems in place. We propose over the coming year to take steps to address the matters [listed] to enhance further the Service's governance and internal control arrangements.
>
> "We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and that we will monitor their implementation and operation over the next year and as part of our next annual review of effectiveness."

The Annual Governance Statement 2017/2018 is available at www.avonfire.gov.uk.

Our main priorities and strategic objectives

Priority one - Making our communities safer

The objectives outlined below are influenced by our prevention, protection, response and resilience activities and developed in line with current government legislation, audit and inspection and corporate requirements.

Key objectives for 2018 to 2019

Prevention

- We will produce evidence-based station profiles based on the IRMP and local incident data to identify and reduce risk in our communities.
- We will use risk information and data to identify vulnerable people in our communities and will implement proactive initiatives through our risk reduction activities to improve their safety and wellbeing.
- We will collaborate with other emergency services and partners to improve safety and wellbeing in our communities.

Protection

- We will follow a risk-based inspection programme through our Technical Fire Safety team to ensure that buildings within our area are safe and comply with necessary requirements.
- We will support the improvement of fire safety standards nationally following the Hackitt review of the tragic Grenfell Tower fire.

Response

- We will carry out risk modelling and review our strategic risk assessment in order to inform a revised IRMP April 2019. This will ensure we match resources to community risk.
- Using a risk-based approach we will carry out a review of our response standards, and if necessary we will amend our corporate priorities, strategies and the IRMP as a result of our findings.
- Using a risk-based approach we will carry out a review of the Critical Attendance Standards (CAST) to ensure we have the right resources to respond to community risk

Resilience

- We will ensure we have suitable business continuity plans in place to respond to foreseeable major events.
- We will improve our succession planning to ensure that skills and knowledge are not lost.

Priority two - Making our service stronger

The objectives outlined below are influenced by our business development strategies alongside the continuous personal and professional development of our staff to ensure our Service improves and grows stronger.

Key objectives for 2018 to 2019

Business development

- We will work towards the completion of the 62 recommendations contained within the Statutory Improvement Plan to secure continuous improvement and taking into consideration the outcomes of the HMICFRS inspection.
- We will create a single integrated Corporate Plan and IRMP by April 2019.
- We will seek opportunities to maximise technology as an enabler for innovation and improved services, this will allow us to work more efficiently and effectively.
- We will seek to strengthen our workforce through diversity and inclusion in recruitment, employee engagement and community engagement.
- We will carry out a cultural review so that our staff can influence the shape and feel of our organisation, now and in the future.

Personal and professional development

- We will assess the skills and capacity of our workforce to identify where additional skills, realignment of resources or targeted activity is required.
- We will continue to support our staff to reach their full potential by providing opportunities for both promotion and development., This will include the ability to gain skills in specialist areas such as leadership, operational competence and gaining professional accreditation for a safe and effective organisation.

Collaboration

- We will collaborate with partners to achieve an integrated approach in support of our communities.

Economic efficiencies

- We will seek new opportunities to procure goods and services jointly with partners where this creates efficiencies and savings.
- We will identify opportunities to share premises, where this will realise efficiencies and savings
- We will use medium term financial planning to ensure we effectively plan for our future.

Overview of the Financial Year 2017/18

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

- For 2017/18 the Authority originally set a budget of £43.1m, £42.1m after allowing for a £1.0m transfer from reserves. During the year an increase in transfers from earmarked reserves of £1.6m was approved together with transfers to reserves of £1.5m giving a revised budget of £43.2m.

- The actual net expenditure was £42.7m, £0.5m lower than the revised budget. The following transfers to earmarked reserves have been made during the year:

    i. Invest to Save Reserve - £314k
    ii. ESMCP Reserve - £227k
    iii. SC Response Software Reserve – £6k
    iv. SC Strategic development software reserve £10k
    v. Community Safety Reserve - £34k

- A full reassessment of reserves was undertaken and transfers between reserves were made during the year and are described in the reserves section of this report.

- The Comprehensive Income and Expenditure Account shows a deficit on Provision of Services of £10.4m. This figure includes items which are required to be charged to the Comprehensive Income and Expenditure account in accordance with proper accounting practices but do not fall to be charged to the council tax payer. The deficit is primarily in relation to the adjustments required for pension charges.

- During the year, the Authority transferred £2.94m from earmarked reserves and £2.26m was transferred to earmarked reserves, resulting in a net decrease in Total Usable Reserves of £0.68m for the year. Total Usable Reserves of £6.7m, excluding the working balance of £1.5m were available as at 31st March 2018.

- 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.

- During the year £2.0m was spent on the Fire Authority's approved revised capital programme of £4.0m. Of this spend, £2.0m was funded from revenue contributions and capital receipts and there was no requirement to fund through borrowing. £2.0m of the capital programme slipped forward into 2018/19.

- Due to the continuing low short-term interest rates and the increased risks associated with lending due to the current financial climate, borrowing to finance capital expenditure has continued to be deferred. As at 31st March 2018 there was £9.8m of capital expenditure being funded from internal resources and the position will continue to be monitored closely during 2018/19.

- 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 reduction in borrowing, the total financing requirement was £0.7m below the initial estimate, which had a corresponding effect on the operational and authorised limits for external debt.

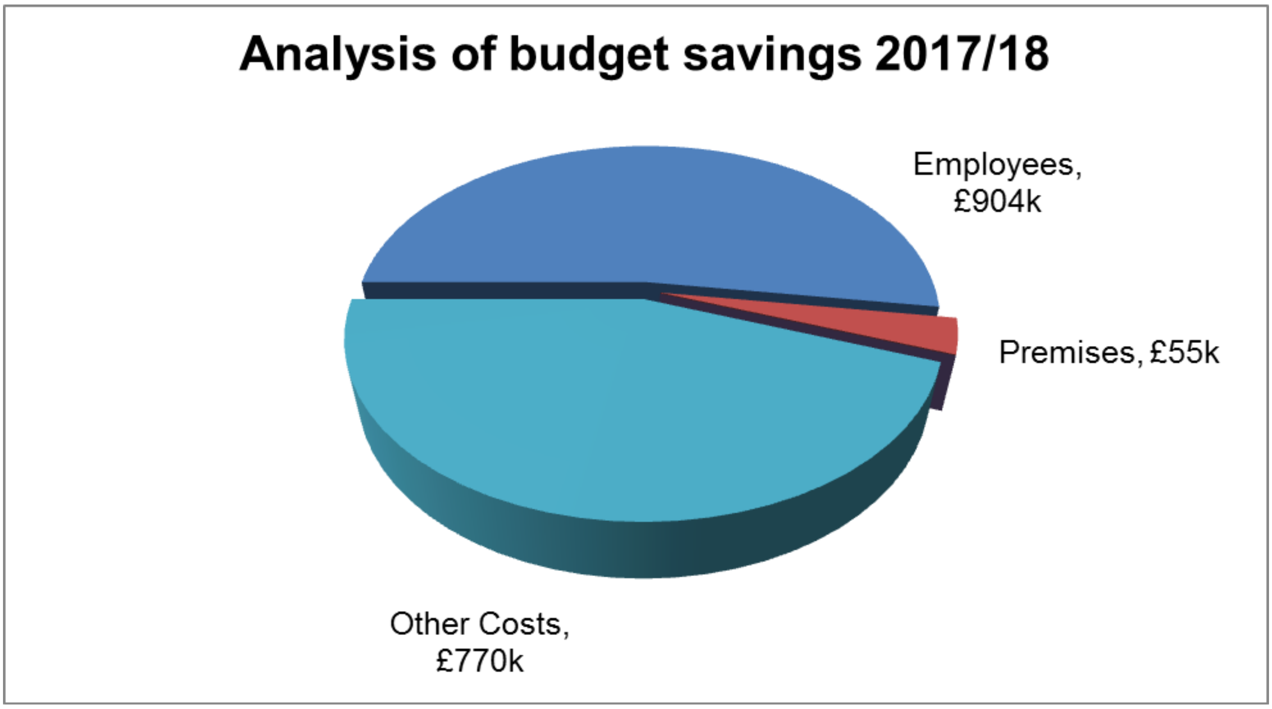
- In previous years the vehicles, plant and equipment fixed assets were valued at depreciated replacement cost. For the current and future years, this policy has been changed to value them at depreciated historical cost. This has meant that a prior period adjustment has been made, to account for the effect of this change in policy on previous years' accounts. The net book value of fixed assets has reduced, which has been offset by a corresponding reduction in the level of unusable reserves.

Approved Financial Plan 2017/18

The Fire Authority had to consider a number of major financial considerations in determining the budget for 2017/18 including:

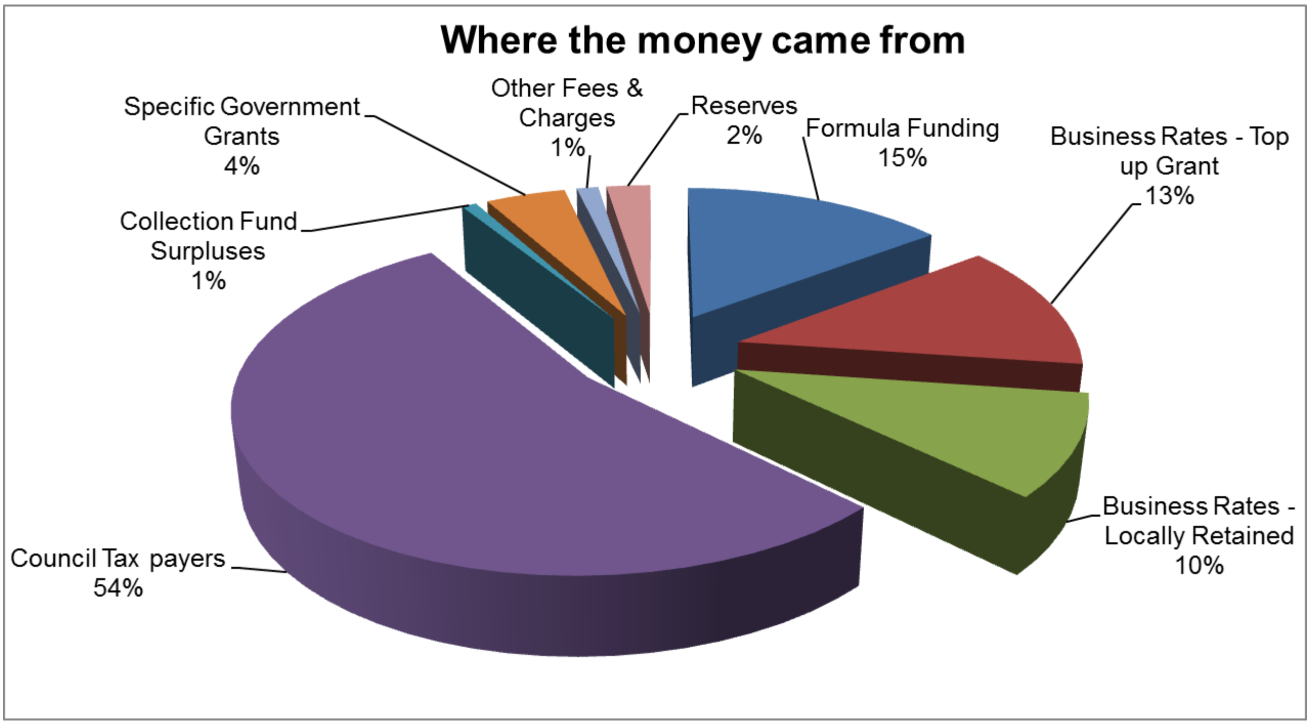
- An overall reduction in Central Government funding of 9.35%.
- A limit on the increase in council tax of 2% before a referendum was required
- No capital grant allocation

In total an initial revenue budget, before the use of reserves, of £43.1m was approved by the Fire Authority for 2017/18. This included savings of £1.7m, the details of which are shown below. In addition a capital programme of £4.6m, including slippage of £2.3m from 2016/17 was also approved. The approved budget after the use of reserves was £42.1m (£42.8m in 2016/17) resulting in a Council Tax of £69.28 (£67.93 in 2016/17) per Band D property.

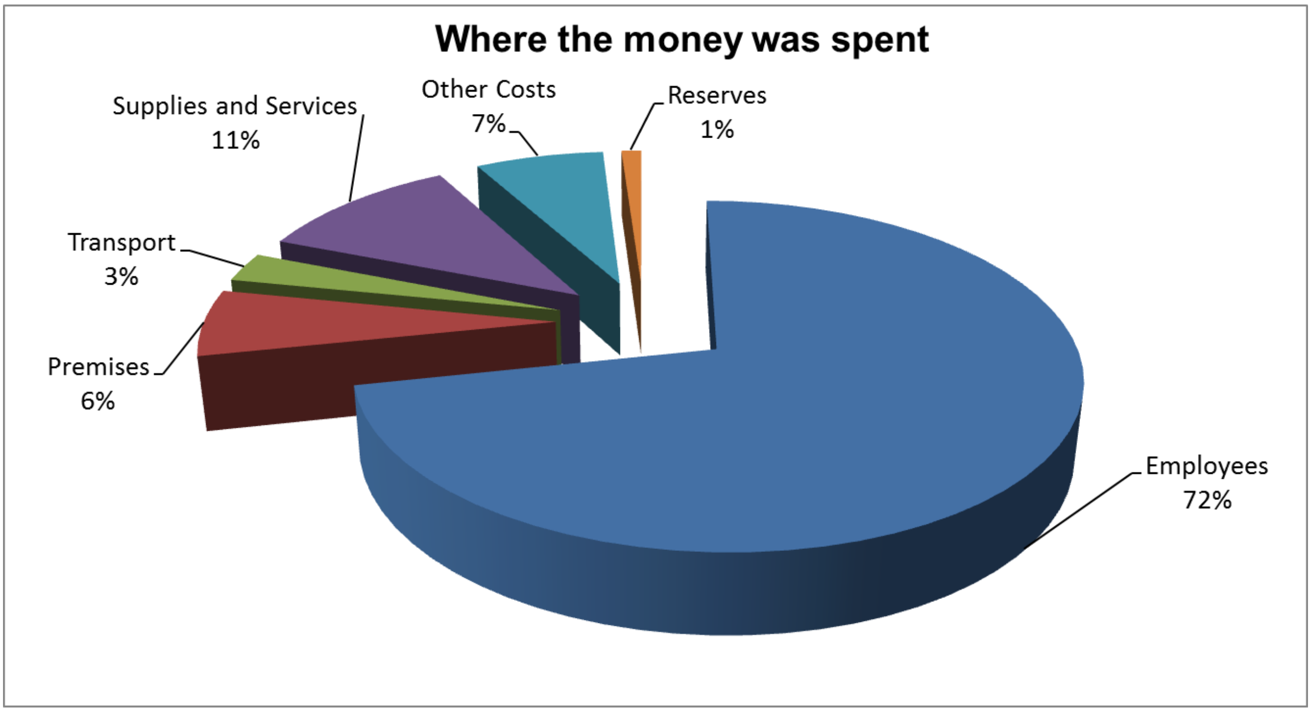


Revised Revenue Budget and Spending in 2017/2018

A number of changes to the budget were reported during the year. In broad terms 54% of the Fire Authority's funding came from the local council tax payer, with a further 10% 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 2017/18 revenue budget was under spent by £0.5m a variance of 1.1% when compared to the revised budget. During the year £1.1m was transferred from reserves, £0.5m added to reserves with a further £1.8m being transferred between reserves after review.

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

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

	Original Budget 2017/18 £'001	Revised Budget 2017/18 £'000	Actual Expenditure 2017/18 £'000	Difference £'000
Expenditure on Services				
Employees (net)	33,077	33,185	32,827	(358)
Premises	2,070	2,699	2,936	237
Transport	1,561	1,742	1,301	(441)
Supplies and Services	4,832	5,196	5,033	(163)
Other Costs	3,507	2,496	3,179	683
Income	(1,925)	(2,130)	(2,579)	(449)
Net Expenditure	**43,122**	**43,188**	**42,697**	**(491)**
Transfers to \ from revenue reserves				
Transfers from Reserves	(1,055)	(2,621)	(2,891)	(270)
Transfers to Reserves	0	1,500	2,261	761
Net Expenditure after transfer to \ from reserves	**42,067**	**42,067**	**42,067**	**0**
Local tax payers				
Council Tax	(24,668)	(24,668)	(24,668)	0
Locally retained Business rates	(4,557)	(4,557)	(4,557)	0
Collection fund surpluses	(385)	(385)	(385)	0
Central Government				
Formula Funding	(6,709)	(6,709)	(6,709)	0
Non-domestic rates redistribution	(5,748)	(5,748)	(5,748)	0
Working Balance	**0**	**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 £358k was achieved**, comprising mainly of savings of £258k for whole-time firefighters, £113k for retained firefighters, £37k for auxiliary firefighters, £28k for support staff and £142k on training that were partly offset by financial pressures on control staff of £57k and additional ill health retirement costs of £165k.

- **Premises Costs – There was an overall overspend of £237k in this area**, which was mainly attributable to major repairs required on one of the fire stations amounting to £425k. This has been offset by savings of £128k on rental costs, £23k on other premises costs and £19k on business rates.

- **Transport – Transport costs were £441k lower than budget**. This relates to savings on maintenance of £304k, travel costs of £42k and other transport costs of £61k.

- **Supplies and Services – Overall there was an under spend of £163k**. The primary variances were an underspend of £84k on hydrants, £53k on furniture, £33k on community fire safety initiatives and £32k on equipment hire. There were other underspends - £63k on fees and charges, £23k on IT costs, £27k on SWCDC costs and £26k on subscriptions, which were offset by overspends - £90k on legal fees, £77k on telecoms, and £63k on Firelink.

- **Capital Financing – Overall there was an overspend of £683k**. This is as a result of additional revenue contributions to capital as the capital receipt for the former HQ site did not become available in 2017/18 as originally anticipated.

- **Income.** – **There was an overall increase in income against budget of £449k**. £248k of this was as a result of Government grants. A grant of £213k was received in March in respect of the Emergency Services Mobile Communications Programme (ESMCP). The upgrade work on ESMCP is now likely to commence in 2018/19 and the grant has been transferred to an earmarked reserve. An additional £202k was due to income from other sources – £109k came from recharges and recoveries, £84k from property income (£53k of which was backdated income from a telecoms mast at Lansdown) and £61k from miscellaneous sources including the feed in tariff. This additional income was offset by lower than expected returns in sundry other areas of £52k.

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 deficit 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.

	2017/18	
	£'000	£'000
Surplus for year		491
Budgeted transfer from reserves		(2,891)
Budgeted transfer to reserves		1,770
		(631)
PFI Equalisation fund movement		(49)
Net increase in useable reserves		(680)
Adjustments for items which do not fall to be charged to the council tax payer but which are required to be charged to the Income and Expenditure Account in accordance with proper accounting practices		
Items to be charged to the Income and Expenditure Account in accordance with proper accounting practices but required by Statute not to be charged to council tax payers		
IAS 19- Retirement Benefits	(26,501)	
Firefighter Pension Top up Grant	10,343	
Depreciation, Impairment, Amortisation and other charges for assets	(1,692)	
Capital Grants Applied	0	
Transfer to / from Collection Fund Adjustment Account	(300)	
Transfer to / from Accumulated Absences Account	59	
Items required by statute to be charged to council tax payers but not required in accordance with proper accounting practices to be charged to the Income and Expenditure Account		
Minimum Revenue Provision (MRP) including voluntary contributions for the repayment of debt and deferred liabilities	1,726	
Revenue contributions to capital expenditure	1,213	
Employer's contributions payable to the Pensions Account and retirement benefits	5,482	
		(9,670)
Deficit on the Comprehensive Income and Expenditure Account for the year		**(10,350)**

Reserves

There are a number of reasons why the Fire Authority holds reserves. Reserves are an essential tool to ensure long term budget stability particularly at a time when the Fire Authority is facing significant year on year reductions in grant funding over the medium term. There is no statutory minimum or maximum level of reserves

The Fire Authority maintains the following reserves:

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

The detail and adequacy of reserves are considered by the Fire Authority as part of the annual budget setting process.
The following earmarked reserves were created at the end of the financial year to meet future financial commitments:

Reserve	Justification	£'000
Community Safety	To support community safety campaigns and initiatives	34
ESCMP	Grant funding provided from Government in advance of project start date	227
Invest to Save (formerly Austerity)	To fund future efficiency initiatives and programmes	314
SC Response Software Reserve	To fund software required for updating the MDT units on appliances	6
SC Strategic development software reserve	To fund strategic online development	10
Total		**591**

A full review of existing earmarked reserves is carried out annually to ensure continuing relevance and adequacy. This review has been undertaken by the appropriate member of the Service Management Board in conjunction with the Treasurer and as part of this review the following changes in earmarked reserves have been made during the year in addition to the £1.5m transfer from the Invest to Save (formerly called Austerity Reserve) to the Improvement Programme Reserve approved by Members in October 2017:

Reserve	Justification	Tfrs Out £,000	Tfrs In £'000
Operational Fitness Reserve	To implement a fitness assessment and delivery programme transferred from Training Reserve		35
Equality & Inclusivity	To fund review of organisations strategic direction to reflect issues of culture and inclusiveness, transferred from Training reserve		35
Premises / H&S Critical Works Reserve	To fund urgent works as a priority in terms of Health & Safety transferred from Uniform and PPE reserve		100
Invest to Save (formerly Austerity)	To fund future efficiency initiatives and programmes - £50k transferred from Auxiliary Reserve and £50k from BA Reserve	(1,500)	100
Improvement Programme Reserve	To provide funding for Best Value Improvement Programme, a transfer from the Invest to Save reserve		1,500
Uniform & PPE Reserve	Transfer to Premises / H&S Critical Works Reserve	(100)	
Auxilliary Reserve	Revised training provision resulting in reduced reserve required, transfer to Invest to Save Reserve	(50)	
BA Reserve	Reserve no longer required, transfer to Invest to Save Reserve	(50)	
Training Reserve	Transfers to Operational Fitness and Equality & Inclusivity	(70)	
Total		**(1,770)**	**1,770**

Capital Budget and Spending 2017/18

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 2017/18 The Fire Authority set a revised capital programme of £4.0m. Capital expenditure for the year is shown in the table below:-

Area	Revised Budget 2017/18 £'000	Outturn including slippage £'000	Projected Variation £'000	Slippage £'000
Fleet	2,134	2,067	(67)	625
Premises	1,032	1,031	(1)	767
Operational Equipment	126	128	2	102
IT	334	219	(115)	0
Funds not allocated	411	530	119	530
Total Programme	4,037	3,975	(62)	2,024

Overall there is a projected underspend on the Capital Programme of £181k. Of this underspend £119k has been transferred to the unallocated funding budget leaving a net underspend of £62k.

Funding for the programme was met by the following sources:

Funding Source	2017/18 Funding £'000	Total Programme Funding £'000
Capital Grant	0	0
Revenue Contributions	1,197	1,197
Capital Receipts / Capital Reserves	754	2,778
Prudential Borrowing	0	0
Total Funding	1,951	3,975

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.

The budgets for a number of capital items have been rolled (slipped) forward into 2018/19. An analysis of the prudential indicators demonstrates that borrowing was maintained with the approved prudential limits.

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 £1.6m. Total loans outstanding at year end stood at £9.4m. This includes £1.0m of short term loans due for repayment in 2018/19. In addition the Authority has deferred borrowing of £9.8m outstanding as at 31st March 2018. The Capital Financing Requirement is significantly lower than estimated due to the large slippage element within the original Capital Expenditure programme.

Prudential Indicators	Estimated £'000	Actual £'000	Variance £'000
Capital Financing Requirement	22,473	21,772	(701)
Financing costs as a % of revenue	5.34%	5.06%	-0.28%
Impact on Council Tax	£3.74	£4.99	£1.25
Operational Boundary for external debt	22,473	21,772	(701)
Authorised Limit for external debt	23,473	22,772	(701)

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 deficit has been predicted at the end of the contract period of around £0.83m (£0.415m 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 2017/18 to reflect the uncertainty around interest rates and other possible fluctuations.

Statutory Inspection of Avon Fire and Rescue Authority

In exercise of the Secretary of State's powers under section 10 of the Local Government Act 1999 an independent inspection was carried out in early 2017 with the inspectors report being published on Thursday 27th July 2017.

Following the publication of the report the Fire Authority introduced an Improvement Programme centred on the following improvement architecture:

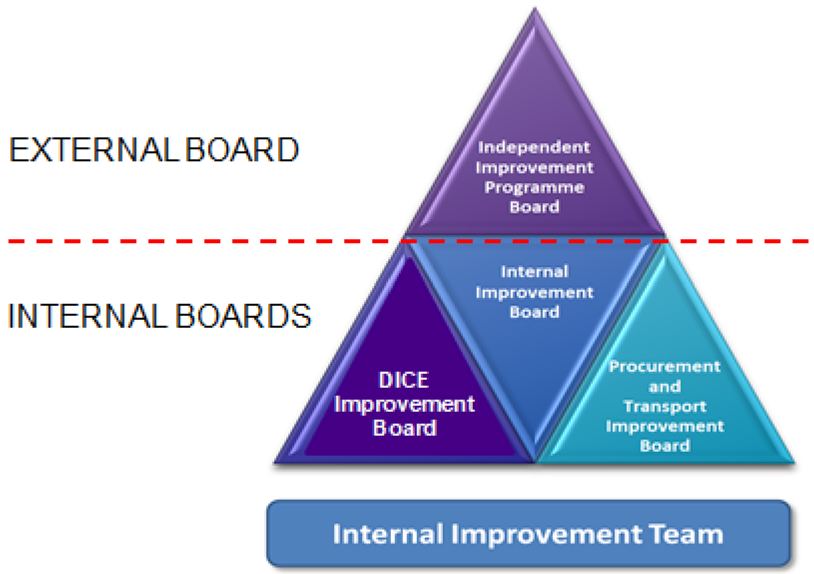


Fig. 1 - Scrutiny arrangements

External scrutiny is provided by the Independent Improvement Programme Board (IIPB), chaired by CFO Huw Jakeway from South Wales Fire & Rescue Service/Vice Chair of National Fire Chiefs' Council (NFCC).

The three internal improvement boards are as follows:

- Internal Improvement Board - Chaired by CFO/CE Mick Crennell
- Procurement and Transport Improvement Board – Chaired by Councillor Mark Shelford with officer representation provided by ACFO Rob Davis
- Diversity, Inclusion, Cohesion and Equality Improvement Board (D.I.C.E) – Chaired by Veron Dowdy (an independent chair) with officer representation provided by ACFO Simon Shilton.

The Boards are supported by a newly-formed, dedicated, Internal Improvement Team (IIT), headed up by an Area Manager, to provide both knowledge of the organisation and programme management support. The purpose of the IIT is to support the improvement architecture in securing organisational improvement through the implementation and delivery of the improvement action plan thereby ensuring compliance with the Authority's statutory duty to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.

An initial sixty two point action plan was approved by the Fire Authority on 17 July 2017 which is under constant review by the IIT and includes further actions being added in order to maximise opportunities for improvement.

Figure 2, below, shows the relationship between each Board within the improvement architecture, scrutiny arrangements and the reporting mechanism to key stakeholders which includes the Fire Authority, NFCC, the Home Office, Constituent authorities and other external stakeholders.

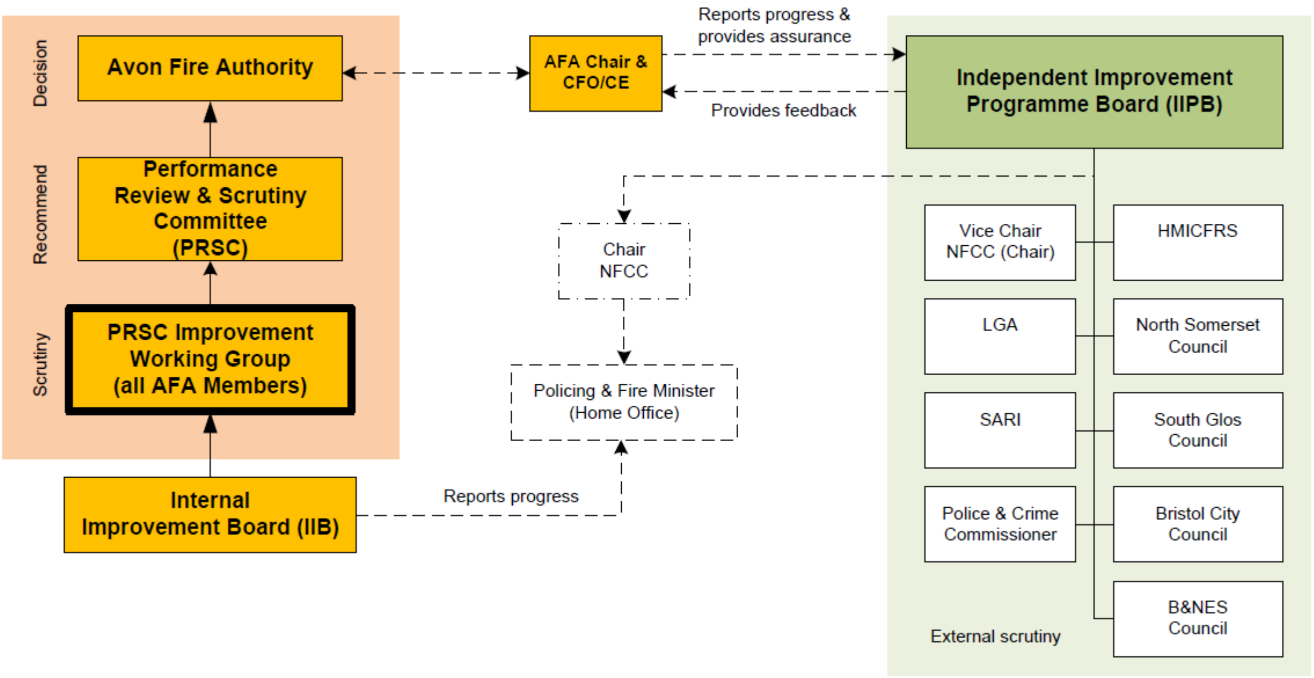


Fig. 2 - Scrutiny arrangements

Programme progress is reported monthly to key stakeholders with key documents being available on the Service Intra-net. While programme progress is recorded in Fire Authority/Committee papers, plans are being explored to publish a programme summary on the Services external website.

THE STATEMENT OF ACCOUNTS

The Statement of Accounts explains the Fire Authority's finances during the financial year 2017/18 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 2017/18 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	2016/17 £'000	2017/18 £'000	Change £'000
Cost of providing services	45,612	46,615	1,003
Financing and investment income and expenditure (net) including other operating expenditure	18,148	16,541	(1,607)
Taxation and Grant Income including Firefighter Pension top-up grant	(53,020)	(52,806)	214
Total deficit on the provision of services	**10,740**	**10,350**	**(390)**
(Surplus) or Deficit on revaluation of assets	(450)	(4,514)	(4,064)
Actuarial (gains) losses on pension assets	98,188	6,277	(91,911)
Total other income and expenditure	**97,738**	**1,763**	**(95,975)**
Total comprehensive income and expenditure	**108,478**	**12,113**	**(96,365)**

The statement in respect of 2017/18 for the Authority, shows that a deficit of £10.35m was made on the provision of the Authority's services; a £0.39m decrease on the previous year. The cost of providing the Authority's Services for the year was £46.62m which was offset by grants and taxation receipts of £52.81m. Additional costs of £16.54m 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.

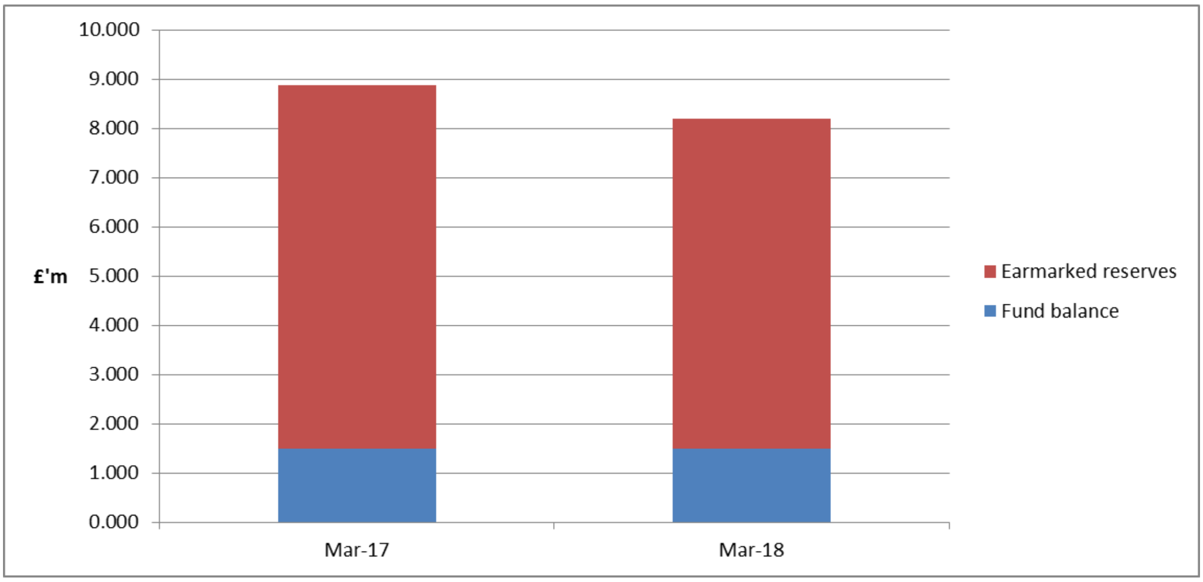
The 2017/18 accounts show a deficit of £1.76m on other comprehensive income and expenditure which primarily reflects a loss on the actuarial gain on pension funds of £6.28m offset by a surplus on the revaluation on some of the Authority's assets of £4.51m.

In total the Comprehensive Income and Expenditure Statement shows a £12.11m deficit for the period and this figure is contained within the Movement in Reserves Statement. This shows a significant decrease compared to 2016/17 where a deficit of £108.48m was made. This is primarily due to the reduced actuarial loss from a £98.18m actuarial loss on pensions assets in 16/17 compared to an actuarial loss of £6.28m in 2017/18.

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 £0.49m against its revised budget of £42.8m. The total net transfer to reserves of £0.68m, 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 decreased by £0.68m, reflecting the movement to reserves of £2.26m less the reserves utilised during the year of £2.94m.
The statement also identifies that the Authority has a general fund balance of £1.5m and earmarked reserves of £6.7m equating to total usable reserves of £8.2m.

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	2016/17 £'000	2017/18 £'000	Change £'000
Long term assets	52,258	56,433	4,175
Current assets	13,660	10,388	(3,272)
Current liabilities	(10,249)	(8,227)	2,022
Long term liabilities	(609,088)	(624,126)	(15,038)
Net Assets	**(553,419)**	**(565,532)**	**(12,113)**
Usable reserves	8,873	8,193	(680)
Unusable reserves	(562,292)	(573,725)	(11,433)
Total reserves	**(553,419)**	**(565,532)**	**(12,113)**

The Authority has long term assets worth £56.4m primarily comprising of land and buildings, and vehicles.

Current assets at 31st March 2018 were £10.4m represented by short term debtors of £5.7m and properties held for sale of £4.7m. This is a decrease of £3.3m over the year and is primarily due a decrease in short term debtors of £2.7m re Pension grant. Current liabilities at the 31st March 2018 were £8.2m comprising of £1.2m overdraft, short term borrowing of £1.0m, provisions of £1.0m and creditors of £4.6m, the movement in year primarily being as a result of the reduction in overdraft.

The Balance Sheet identifies other long term liabilities of £624.13m. This primarily reflects future pension cash flows as calculated under accounting standard IAS 19. It should be noted that these have increased by £16.95m from 2016/17. Long term borrowing has decreased by £1.7m to £8.4m.

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 2018 the Fire Authority had £8.2m of usable reserves a decrease of £0.7m, 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 £11.43m, 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	2016/17 £'000	2017/18 £'000	Change £'000
Net cash flows from operating activities	(448)	(5,020)	(4,572)
Investing activities	3,801	1,212	(2,589)
Financing activities	1,534	1,727	193
Change in cash / cash equivalents	**4,887**	**(2,081)**	**(6,968)**
Cash / cash equivalents beginning of the year	(1,613)	3,274	4,887
Cash / cash equivalents end of the year	3,274	1,193	(2,081)
Change in cash / cash equivalents	**4,887**	**(2,081)**	**(6,968)**

In summary the Authority received surplus cash flows from operating activities of £5.0m, an increase of £4.6m on the previous year. The deficit on Investing cash flows were £1.2m primarily representing investment in capital assets net of capital grants and capital receipts. The deficit on financing activities was £1.7m representing repayment of PFI contract obligation and long term debts.

The overall increase in cash and cash equivalents was £2.1m for the year as capital spend was lower.

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.

	2017/18 Forecast £'000	2017/18 Outturn £'000	Variance £'000
Pensions Outgoings			
Pension payments	12,586	13,187	601
Commutations	2,443	1,698	(745)
Other	0	160	160
Total Expenditure	**15,029**	**15,045**	**16**
Pension Income			
Employee Contributions	(2,316)	(2,343)	(27)
Employer Contributions	(2,972)	(2,952)	20
In year ill health income	(42)	(321)	(279)
Transfer in from other schemes	(50)	(824)	(774)
Government Grant	(9,649)	(8,605)	1,044
Total Income	**(15,029)**	**(15,045)**	**(16)**
Net Fund Expenditure	0	0	0

Total pension expenditure for the year was £15.0m, employer contributions totalled £3.0m for the year. In total Government top up grant of £8.6m 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 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	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000
Employees	33,103	34,432	35,062	35,807
Premises	2,176	2,243	2,313	2,385
Transport	1,794	1,848	1,903	1,960
Supplies and Services	5,322	5,547	5,685	5,846
Other Costs	2,340	2,558	2,222	2,320
Unidentfied Savings	0	-1,289	-1,289	-1,289
Total Expenditure	44,735	45,339	45,896	47,029
Income	(2,324)	(2,362)	(2,382)	-2,459
Budget before use of reserves	**42,411**	**42,977**	**43,514**	**44,570**
Reserves	(567)	(500)	0	0
Net Budget	**41,844**	**42,477**	**43,514**	**44,570**

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 2018/19 - 2021/22 Area	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Employees	(682)	0	0	0	(682)
Premises	(132)	0	0	0	(132)
Transport	0	0	0	0	0
Supplies and Services	(55)	0	0	0	(55)
Other Costs	(728)	0	0	0	(728)
Unidentified savings	0	(1,212)	0	0	(1,212)
Total Savings	(1,597)	(1,212)	0	0	(2,809)
Income	(70)	0	0	0	(70)
Use of Reserves	0	0	0	0	0
Total reductions	(1,667)	(1,212)	0	0	(2,879)

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 deliberate vehicle fires we attended by 6% or 24 incidents. Furthermore 41.4% of accidental dwelling fires that we attended in 2017/18 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 2017/18 we recorded five fire fatalities.

The table below shows how we measured against target for each indicator in 2017/18 and also compares our performance against 2016/17.

	How we compare against target (2017/2018)		How we compared with the previous year (2016/2017)		
	Target (2017/18)	Actual (2017/2018)	Actual (2016/2017)	Numerical change	% change
Accidental dwelling fires (ADF)	475	531	449	+82	+18%
Deliberate primary fires (excluding vehicles)	243	244	245	-1	0
All deliberate vehicle fires	351	408	432	-24	-6%
Deliberate secondary fires (excluding vehicles)	1099	1032	930	+102	+11%
Percentage of ADFs where no fire and rescue service firefighting action is required.	Monitor only	41.4%	40.1%	N/A	+1.30%

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.

In 2016/17 we attended two fatalities in fires. Each fire fatality is a tragic event and we continue to strive towards zero fire deaths. Though the numbers are too small to measure any significance, this is the joint lowest yearly total we have on record.

We are pleased to report that all of our response standards have been met, ensuring a lifesaving response is in attendance within the time that we have said we will achieve. We also answered over 96.6% of 999 calls we received within our target time of seven seconds.

A total of 97% of respondents to our customer satisfaction survey of people who have had a fire said our response times were quicker than or in line with expectations. Overall 91% said that they were very satisfied with the service provided.

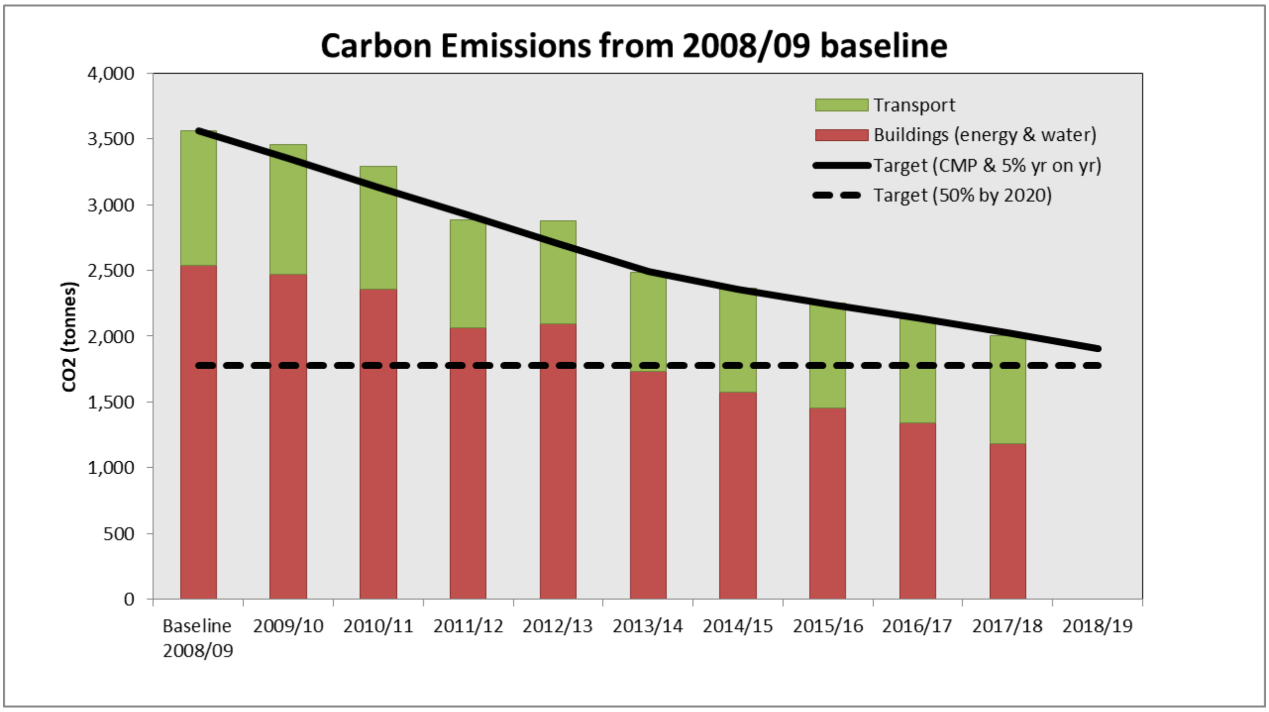
More information on organisational performance can be found on our web-site at https://www.avonfire.gov.uk/documents/category/64-our-performance

CO_2 Emissions Report and Environmental Update 2017/18

CO_2 Emissions

AF&RS reported carbon emissions are made up of building energy consumption (gas, electricity and heating oil), fleet vehicle fuel, and essential / casual and lease vehicle mileage claims. 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 2008/2009 and a projection of our carbon reduction targets (5% year on year reduction and a longer-term stretch target of 50% reduction by 2020).



During 2017/18, emissions have fallen by 6% when compared to the previous year, bringing us to a reduction of 44% on our 2008/9 baseline, so we are well on track to reach the longer-term stretch target of 50% reduction by 2020 from a 2008/09 baseline. These carbon reductions are largely due to the reduction in energy consumption across our estate as well as an increasing proportion of our energy supplied by renewable electricity.

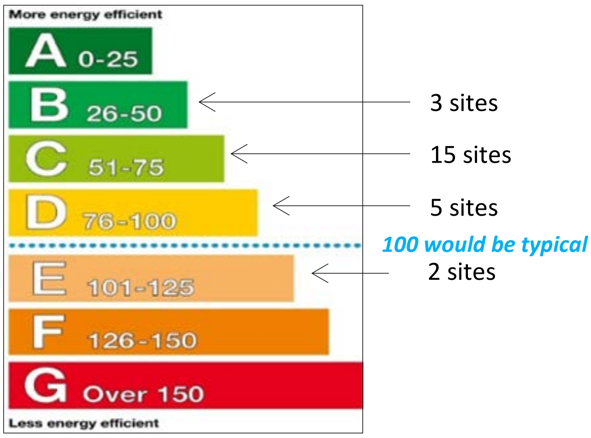
Property Emissions

Over the past year, we have achieved a considerable 11% reduction in energy consumption compared to the previous year, largely due to the closure of Temple HQ and implementing a range of heating system improvements at a number of our poorly performing stations. Against our longer term target, we have now reduced energy consumption by 43% from a 2011/12 baseline, and well on track to reach 50% reduction by 2020.

Display Energy Certificates (DECs)

It is a statutory requirement for all public sector buildings with a floor area above $250m^2$ 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) and G is the highest emissions (worst).

We have DECs for 25 of our buildings including ‘proxy’ DECs for our buildings less than $250m^2$, to give us a service-wide picture of our buildings’ performance against a benchmark and to provide a basis for targeting improvements. Current DEC ratings are shown below, with our average DEC rating being C (68), compared to an average E (112) in 2011/12 and better than the typical rating of D (100) for these types of building.



Energy efficiency improvements

- Complete lighting upgrades were undertaken at Lansdown Control and Clevedon, replacing all internal and external fittings with high efficiency LEDs and motion-detection controls where appropriate.
- Building fabric improvements were made at a number of stations including: cavity wall insulation at Kingswood; boiler room (valve and pipework insulation) at Yate, Patchway, Bedminster, Kingswood and Southmead; and double glazed windows at Winscombe
- Further heating system improvements were made at retained stations including: installation of a new gas supply and gas-fired heating system at Pill to replace electric storage heaters; a completely new heating system at Winscombe; a new efficient boiler at Thornbury; and new pipework and radiators at Chew Magna
- Replacement of one of the old oil-fired boilers at Lansdown with a more efficient kerosene-fired boiler
- An additional dehumidifier was installed at Southmead during 2017/18, following successful use at most of our other whole-time stations. The use of dehumidifiers to dry PPE and water rescue equipment is a more efficient and cost effective solution rather than providing heating to drying rooms all year round.

Building Management System (BMS)

BMS have now been installed at all our main sites, enabling better control of the heating and hot water systems at those sites by linking them to external temperatures and occupancy which will reduce energy consumption as well as improving comfort levels. During 2017/18 a number of technical improvements were made to bring more building services into BMS control as well as the provision of secure cloud-based access to enable remote investigation and maintenance.

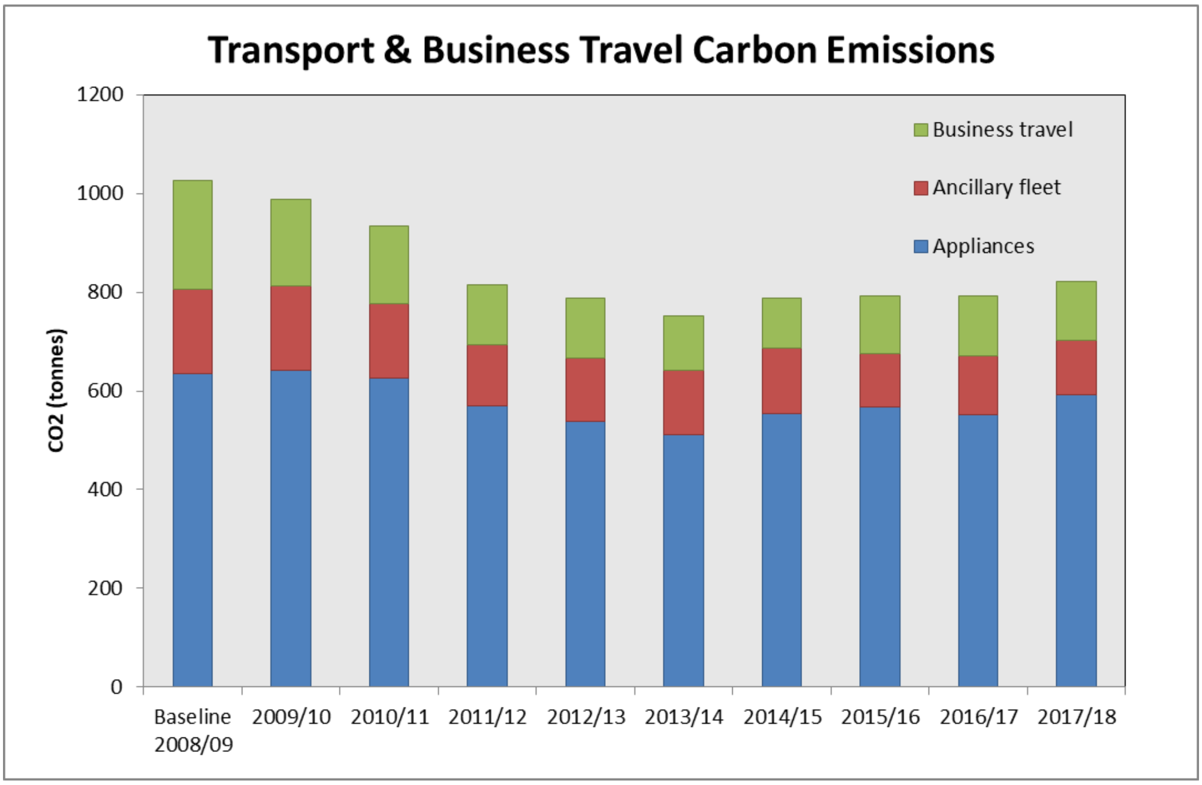
Renewable Energy

In line with the new Environmental Policy introduced in 2016, AF&RS is committed to increasing the development and use of renewable energy sources, in order ‘To generate 20% of AFRS’ total energy demand from renewable energy (on- and off-site) by 2020’. By the end of 2017/18, we had already exceeded the 2020 target, with 28.4% of our total energy demand generated from renewable sources.

A major contributing factor is the supply of 100% renewable electricity (solar and wind) from Bristol Energy to the majority of our sites. We also undertook a feasibility study of all our remaining sites without PV solar systems to determine which sites to install systems on in 2018/19, in order to benefit from the government’s Feed-In Tariff subsidy scheme before it is withdrawn in 2019.

Transport Emissions

Emissions associated with Transport have fallen by 20% compared to a 2008/09 baseline, however this downward trend has been reversed in the last 3 years due to a recent increase in casual mileage claims and appliance fuel use.



Fleet
With ongoing replacement and investment in the operational fleet, over 55% of our 70 frontline vehicles are now Euro 5 and 6 compliant. A number of the remaining Euro 3 compliant vehicles are planned for disposal or replacement in 2018.

Some initial work has been done to undertake a comprehensive fleet review in light of the proposed Clean Air Zones in Bristol and Bath. This will enable us to assess how effectively we are using our fleet and to identify opportunities to reduce emissions and/or replace existing vehicles with low emissions vehicles.

Pool cars
Older pool cars have been replaced with lower emission vehicles, and staff are also able to use the Co Wheels Car Club hybrid and electric cars.

Electric vehicle charge-points
A further electric car charging point has been installed at Hicks Gate, funded in part by a regional grant scheme. This brings the number of charge-points at our sites to 3. These are for use by staff for charging pool cars and their own vehicles. Further charge points will be installed during 2018/19.

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 30-105 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 31st March 2018.

Signed

Lynne Lamb

Lynne Lamb, Deputy Treasurer on behalf of
Martyn Wallberg
Treasurer of the Avon Fire Authority
21st September 2018

Comprehensive Income and Expenditure Statement for the Year Ending 31st March 2018

This statement shows the accounting cost in the year of providing services in accordance with Generally Accepted Accounting Principles (GAAP), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Restated 2016/2017				2017/2018		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
48,590	(2,978)	45,612	Fire fighting and rescue operations	49,970	(3,355)	46,615
48,590	**(2,978)**	**45,612**	**Cost of Services**	**49,970**	**(3,355)**	**46,615**
		388	Other operating expenditure			(590)
		(10,541)	Firefighter Pension Top up Grant			(10,343)
		18,148	Financing and investment income and expenditure (note 29)			16,541
		(42,867)	Taxation and non-specific grant income (note 28)			(41,873)
		10,740	**(Surplus) or Deficit on Provision of Services**			**10,350**
		(450)	(Surplus) or Deficit on revaluation of non-current assets			(4,514)
		98,188	Remeasurements of the net defined benefit liability			6,277
		97,738	**Other Comprehensive Income and Expenditure**			**1,763**
		108,478	**Total Comprehensive Income and Expenditure**			**12,113**

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.

(2016/17 Restated)	Fund Balance £'000	Earmarked Fund Reserves £'000	**Total Usable reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 31 March 2016	**1,500**	**6,495**	**7,995**	**(452,936)**	**(444,941)**
Movement in reserves during 2016/17					
Surplus or (deficit) on the provision of services	(10,740)	-	(10,740)	-	(10,740)
Other Comprehensive Income and Expenditure	-	-	-	(97,738)	(97,738)
Total Comprehensive Income and Expenditure	**(10,740)**	**-**	**(10,740)**	**(97,738)**	**(108,478)**
Adjustments between accounting basis & funding basis under regulations (note 12)	11,618		11,618	(11,618)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**878**	**-**	**878**	**(109,356)**	**(108,478)**
Transfers to/from earmarked Reserves (note 25)	(878)	878	-	-	-
Increase / (Decrease) in 2016/17	**-**	**878**	**878**	**(109,356)**	**(108,478)**
Balance at 31 March 2017 carried forward	**1,500**	**7,373**	**8,873**	**(562,292)**	**(553,419)**
Movement in reserves during 2017/18					
Surplus or (deficit) on the provision of services	(10,350)	-	(10,350)	-	(10,350)
Other Comprehensive Income and Expenditure	-	-	-	(1,763)	(1,763)
Total Comprehensive Income and Expenditure	**(10,350)**	**-**	**(10,350)**	**(1,763)**	**(12,113)**
Adjustments between accounting basis & funding basis under regulations (note 12)	9,670		9,670	(9,670)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(680)**	**-**	**(680)**	**(11,433)**	**(12,113)**
Transfers to/from earmarked Reserves (note 25)	680	(680)	-	-	-
Increase / (Decrease) in 2017/18	**-**	**(680)**	**(680)**	**(11,433)**	**(12,113)**
Balance at 31 March 2018 carried forward	**1,500**	**6,693**	**8,193**	**(573,725)**	**(565,532)**

Balance Sheet as at 31st March 2018

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'.

Restated 31-Mar-16 £'000	Restated 31-Mar-17 £'000		Notes	31-Mar-18 £'000
57,300	52,102	Property, Plant & Equipment	13	56,299
203	156	Intangible assets	13	134
57,503	**52,258**	**Long Term Assets**		**56,433**
610	4,806	Assets Held for Sale	13	4,664
4,990	8,854	Short Term Debtors	18	5,724
1,614	-	Cash and Cash Equivalents		-
7,214	**13,660**	**Current Assets**		**10,388**
-	(3,274)	Cash and Cash Equivalents	19	(1,193)
(726)	(796)	Short Term Borrowing	21	(954)
(890)	(1,065)	Short-Term Provisions	23	(1,453)
(4,791)	(5,114)	Short Term Creditors	20	(4,627)
(6,407)	**(10,249)**	**Current Liabilities**		**(8,227)**
(11,550)	(10,162)	Long term borrowing	21	(8,428)
		Other Long Term Liabilities		
(488,359)	(595,737)	Net Pensions Liability	27	(612,690)
(590)	(590)	Long-term Provisions	24	(590)
(2,752)	(2,599)	Deferred Liability	7,16	(2,418)
(503,251)	**(609,088)**	**Long Term Liabilities**		**(624,126)**
(444,941)	**(553,419)**	**Net Assets**		**(565,532)**
7,995	8,873	Usable Reserves	25	8,193
(452,936)	(562,292)	Unusable Reserves	26	(573,725)
(444,941)	**(553,419)**	**Total Reserves**		**(565,532)**

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 25th May 2018.

Signed

Donald Davies

Lynne Lamb

Donald Davies
Chair of the Avon Fire Authority
21st September 2018

Lynne Lamb. Deputy Treasurer on behalf of Martyn Wallberg
Treasurer of the Avon Fire Authority
21st September 2018

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.

restated 2016/2017 £'000		2017/2018 £'000
10,740	Net (surplus) or deficit on the provision of services	10,350
(11,707)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(16,124)
519	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	754
(448)	Net cash flows from Operating Activities (note 30)	(5,020)
3,801	Investing Activities (note 31)	1,212
1,534	Financing Activities (note 32)	1,727
4,887	Net increase or decrease in cash and cash equivalents	(2,081)
(1,613)	Cash and cash equivalents at the beginning of the reporting period	3,274
3,274	**Cash and cash equivalents at the end of the reporting period (note 19)**	**1,193**

1. Statement of Accounting Policies

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. 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 2017/18 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.

After careful consideration the Fire Authority has decided to make a change to the Property Plant and Equipment accounting policy. In particular the measurement of vehicles, plant and equipment has been changed from depreciated replacement cost to depreciated historical cost. This has resulted in a prior year adjustment and as such prior year balances have been restated within the accounts. The reason for this change is that these are non-property assets and depreciated historical cost is considered to be a proxy for current value and provides a realistic reflection of the consumption of the economic benefit provided by this class of asset.

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.

<u>The Authority as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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.

<u>Recognition</u>

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

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- 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 – either depreciated replacement costs for specialised assets, or at existing use value for other assets.
- vehicles, plant and equipment – depreciated historical 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 its share of the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

Non-current assets recognised on the Balance Sheet are 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.

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 31st March 2018 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 £923k.

c. Accounting Standards issued but not yet adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2017/18 (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 2017).

For this disclosure the standards introduced by the 2017/18 Code only include a number of minor amendments to the following International Financial Reporting Standards

IFRS 9 – Financial Instruments. The main changes involve the classification and measurement of financial assets and the application of a new model for impairment. The Authority is currently assessing the impact for each financial asset. The overall impact on the financial statements is not likely to be material..

IFRS 15 – Revenue from Contracts with Customers excludes council tax and business rates, and is not applicable where other standards apply, for example, in the case of leases or financial instruments. The impact is unlikely to be material.

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.

2017/18	Net Expenditure Chargeable to the General Fund £'000	Adjustment between Funding and Accounting Basis (Note 4) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Fire fighting and rescue operations	42,338	4,277	46,615
Net Cost of Service	**42,338**	**4,277**	**46,615**
Other Income and Expenditure	(41,658)	5,393	(36,265)
(Surplus) or Deficit on Provision of Services	**680**	**9,670**	**10,350**
Opening General Fund Balance	8,873		
Plus surplus on General Fund Balance in year	(680)		
Closing General Fund Balance at 31 March	8,193		

2016/17 restated	Net Expenditure Chargeable to the General Fund £'000	Adjustment between Funding and Accounting Basis (Note 4) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Fire fighting and rescue operations	41,953	3,659	45,612
Net Cost of Service	**41,953**	**3,659**	**45,612**
Other Income and Expenditure	(42,831)	7,959	(34,872)
(Surplus) or Deficit on Provision of Services	**(878)**	**11,618**	**10,740**
Opening General Fund Balance	7,995		
Less deficit on GeneralFund Balance in year	878		
Closing General Fund Balance at 31 March	8,873		

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.

2017/18	Adjustments for Capital Purposes £'000	Net change for the Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Fire fighting and rescue operations	(1,469)	5,805	(59)	4,277
Net Cost of Service	**(1,469)**	**5,805**	**(59)**	**4,277**
Other Income and Expenditure	222	4,871	300	5,393
(Surplus) or Deficit on Provision of Services	**(1,247)**	**10,676**	**241**	**9,670**

2016/17 restated	Adjustments for Capital Purposes £'000	Net change for the Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Fire fighting and rescue operations	1,104	2,576	(21)	3,659
Net Cost of Service	**1,104**	**2,576**	**(21)**	**3,659**
Other Income and Expenditure	1,245	6,614	100	7,959
(Surplus) or Deficit on Provision of Services	**2,349**	**9,190**	**79**	**11,618**

- 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.

restated 2016/17 £'000		2017/18 £'000
	Expenditure	
35,199	Employee benefits expenses	37,520
8,340	Other Service expenses	9,645
4,929	Depreciation, amortisation and impairment	2,282
388	Loss (profit) on disposal of non-current assets	(590)
18,297	Interest payments	17,093
67,153		65,950
	Income	
(207)	Fees & charges and other service income	(430)
(28,896)	Income from Council tax & Business Rates	(29,415)
(27,283)	Grants and contributions	(25,725)
(27)	Interest and investment income	(30)
(56,413)		(55,600)
10,740	**(Surplus) or deficit on the provision of services**	10,350

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.

2016/2017 £'000		2017/2018 £'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 11 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.
The fund is forecasted to be in deficit at the end of the contract and furthermore the deficit has swung as at 31st March 2018 from the surplus that was calculated at 31st March 2017. There are unknowns regarding inflation rates over the remaining 10 years of the contract. The Training Centre contributions by the three partners are to remain at current levels to mitigate the risk of future rises in inflation rates. The Authority considers it prudent to also keep the provision at existing levels.

2016/2017 £'000		Service Charge £'000	Interest £'000	Repayment of Liability £'000	Total 2017/2018 £'000
1,388	Total contract payments	865	405	151	1,421
	Outstanding undischarged contract obligations:-				
1,421	Within 1 year	887	412	179	1,478
6,082	Between 2 and 5 years	3,772	1,601	837	6,210
8,516	Between 6 and 10 years	5,265	1,882	1,581	8,728
1,818	11 years	-	-	-	-

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 2017	4,738
Accumulated Depreciation and Impairment	(2,599)
Net Book Value of Asset at 31 March 2017	2,139
Movement in 2017/18	
Lifecycle Replacement Costs	15
Revaluation	235
Depreciation	(216)
Net Book Value of Asset at 31 March 2018	2,173

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 2017	2,748
Finance Lease Liability repaid in 2017/18	(150)
Finance Lease Liability outstanding at 31 March 2018	2,598

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 2017/1 are set out on the following page. The summary of allowances, which have been paid under this scheme are as follows:

2016/2017 £'000		2017/2018 £'000
51	Allowances	56
51	**Total**	**56**

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

A detailed list of individual payments can be seen below:

2016/2017 £	Recipient	Basic Allowance £	Special Responsibility Allowance £	Travel & Subsistence Expenses £	2017/2018 £
10,486	Councillor P Abraham	1,643	2,487	275	4,405
-	Councillor J Ashe	371			371
1,466	Councillor A Barber	1,482		15	1,497
1,513	Councillor C Barrett	1,482		205	1,687
1,466	Councillor N Barrett	1,112			1,112
158	Councillor C Bolton	-			-
1,466	Councillor T Butters	1,482			1,482
1,214	Councillor J Clark	284			284
1,466	Councillor K Cranney	1,112	441		1,553
158	Councillor C Davies	1,202		27	1,229
2,001	Councillor D Davies	1,751	6,702	563	9,016
2,180	Councillor A Davis	1,482	1,018		2,500
3,469	Councillor M Drew	1,117	1,519	236	2,872
1,214	Councillor K Dudd	1,482			1,482
1,466	Councillor R Garner	1,482			1,482
1,466	Councillor A Hale	1,482	947	259	2,688
3,469	Councillor C Jackson	1,482	2,025		3,507
1,214	Councillor H Jama	1,482			1,482
-	Councillor C Lake	1,259	474		1,733
158	Councillor J Lovell	-			-
1,782	Councillor B Massey	1,482	878	25	2,385
-	Councillor M Morris	371		88	459
158	Councillor W Payne	-			-
1,466	Councillor C Phipps	1,482			1,482
1,466	Councillor S Pomfret	1,482			1,482
1,466	Councillor I Scott	1,482			1,482
-	Councillor A Shah	1,259			1,259
1,509	Councillor M Shelford	1,482		186	1,668
158	Councillor J Smith	-			-
1,214	Councillor C Stevens	247			247
1,214	Councillor M Threlfall	247			247
1,466	Councillor M Williams	1,482			1,482
1,529	Councillor N Wilton	1,482		506	1,988
1,466	Councillor C Windows	1,482			1,482
365	Mr M Rose	122		5	127
51,289	**Total**	**37,291**	**16,491**	**2,390**	**56,172**

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:

2016/2017 No. of Employees	Remuneration Band	2017/2018 No. of Employees
15	£50,000 - £54,999	11
8	£55,000 - £59,999	11
5	£60,000 - £64,999	9
4	£65,000 - £69,999	2
2	£70,000 - £74,999	4

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

2016/2017			2017/2018			
No. of departures agreed	Total cost of exit packages in each band £,000	Exit Package Cost Band (including special payments)	No. of Compulsory Redundancies	No. of other departures agreed	Total no. of exit packages by cost band	Total cost of exit packages in each band £,000
1	8	£0 - £20,000	2	-	2	21
-	-	£20,001 - £30,000	1	-	1	25
-	-	£90,001 - £100,000	1	-	1	100
1	8	Total	4	-	4	146

10. Senior Officer Remuneration

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

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
		£	£	£		£
Interim Chief Fire Officer & Chief Executive -M Crennell	**2017/18**	**94,810**	**18,875**	**24,177**	(1)	**137,862**
	2016/17	-	-	-		-
Chief Fire Officer & Chief Executive - K Pearson	**2017/18**	**92,891**	**2,918**	**12,401**	(2)	**108,210**
	2016/17	145,623	3,188	18,442		167,253
Deputy Chief Officer & Deputy Chief Executive - L Houghton	**2017/18**	**116,439**	**4,779**	**16,682**		**137,900**
	2016/17	115,692	4,344	16,544		136,580
Assistant Chief Fire Officer - Director of Operational Response, previously Director of Operational Response & Technical Services	**2017/18**	**109,997**	**595**	**15,730**		**126,322**
	2016/17	108,909	1,451	15,574		125,934
Assistant Chief Fire Officer – Director of Operational Response	**2017/18**	**-**	**-**	**-**		**-**
	2016/17	44,019	26	8,740	(3)	52,785
Assistant Chief Fire Officer - Director of Services Delivery Support, previously Director of Risk Reduction and Learning & Development	**2017/18**	**109,997**	**3,676**	**23,869**		**137,542**
	2016/17	27,160	805	5,894	(4)	33,859
Director of Corporate Services	**2017/18**	**25,850**	**3,211**	**3,809**	(5)	**32,870**
	2016/17	-	-	-		-
Interim Treasurer and Finance Manager	**2017/18**	**80,434**	**5,352**	**11,422**		**97,208**
	2016/17	19,505	1,009	2,523	(6)	23,037
Director of Finance, Assurance and Asset Management and Treasurer	**2017/18**	**-**	**-**	**-**		**-**
	2016/17	72,591	3,248	8,852	(7)	84,691
Legal Advisor, Clerk & Monitoring Officer	**2017/18**	**95,333**	**-**	**13,537**		**108,870**
	2016/17	79,522	-	10,099		89,621
Total 2017/18		**725,751**	**39,406**	**121,627**		**886,784**
Total 2016/17		613,021	14,071	86,668		713,760

(1) Interim appointment commenced 9/8/17
(2) Post holder left 4/11/17
(3) Post holder left 13/8/16
(4) New role - Post holder commenced 01/01/17
(5) Interim appointment commenced 01/12/17
(6) Interim appointment commenced 01/01/17
(7) Post holder left 28/12/16

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 2017/2018 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 – (£15,382k).

- 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 (£11,015k). Is a provider of financial services to the Fire Authority – amount including the cost of servicing existing debt £1,993k. Bristol City Council also provides a long term loan with a current balance of £2,383k.

    - Bath & North East Somerset Council as a billing Authority responsible for collecting council tax on behalf of the Fire Authority for its area - (£5,079k) 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 £16,201k.

    - North Somerset Council (£6,031k) and South Gloucestershire Council (£7,590k) 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 £5,421k.

    - 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.

restated 2016/17 Fund balance £'000	restated 2016/17 Movement in Unusable Reserves £'000		2017/18 Fund balance £'000	2017/18 Movement in Unusable Reserves £'000
		Adjustments primarily involving the Capital Adjustment Account		
		Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
4,871	(4,871)	Charges for depreciation, impairment & revaluation of non-current assets	2,225	(2,225)
(17)	17	Capital Grants and contributions applied	-	-
58	(58)	Amortisation of intangible assets	57	(57)
-	-	Write Back of Finance Lease Liability re Purchased Assets	-	-
388	(388)	Profit/Loss on sale of non-current assets	(590)	590
		Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement		
(1,414)	1,414	Capital expenditure charged against Fund balance	(1,213)	1,213
(878)	878	Statutory Provision for the Repayment of Debt - MRP	(438)	438
(7)	7	Statutory Repayment of Debt - Finance Lease	-	-
(138)	138	Statutory Repayment of Debt - PFI	(151)	151
(514)	514	Voluntary Provision above MRP	(1,137)	1,137
		Adjustments primarily involving the Pensions Reserve		
14,430	(14,430)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 26)	16,158	(16,158)
(5,240)	5,240	Employers pensions contributions and direct payments	(5,482)	5,482
		Adjustments primarily involving the Collection Fund Adjustment Account		
100	(100)	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	300	(300)
		Adjustments primarily involving the Accumulated Absences Account		
(21)	21	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	(59)	59
11,618	**(11,618)**	**Total Adjustments**	**9,670**	**(9,670)**

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:

	Land & Buildings £'000	Assets under Construction £'000	2017/2018 PFI £'000	Vehicles & Equipment £'000	**Total £'000**
Cost or Valuation					
1 April 2017	37,714	-	4,738	25,119	**67,571**
Additions	255	-	15	1,653	**1,923**
Disposals	-	-	-	(1,376)	**(1,376)**
Transfer to Assets Held for Sale	-	-	-	-	**-**
Transfer from Assets under Construction	-	-	-	-	**-**
Revaluation increases / (decreases) to Revaluation Reserve	1,849	-	235	-	**2,084**
Revaluation increases / (decreases) to (Surplus) / deficit on the provision of Services	2,497	-	-	-	**2,497**
31 March 2018	**42,315**	**-**	**4,988**	**25,396**	**72,699**
Depreciation and impairments					
1 April 2017	(314)	-	(2,599)	(12,556)	**(15,469)**
Charge for year	(1,186)	-	(216)	(2,065)	**(3,467)**
Disposals	-	-	-	1,362	**1,362**
Transfer to Assets Held for Sale	-	-	-	-	**-**
Revaluations	1,174		-	-	**1,174**
31 March 2018	**(326)**	**-**	**(2,815)**	**(13,259)**	**(16,400)**
Net book value of assets at 31 March 2017	**37,400**	**-**	**2,139**	**12,563**	**52,102**
Net book value of assets at 31 March 2018	**41,989**	**-**	**2,173**	**12,137**	**56,299**

Restated	Land & Buildings £'000	Assets under Construction £'000	2016/2017 PFI £'000	Vehicles & Equipment £'000	**Total £'000**
Cost or Valuation					
1 April 2016	39,674	2,464	4,456	24,417	**71,011**
Additions	452	1,935	15	1,899	**4,301**
Disposals	(7)	-	-	(1,197)	**(1,204)**
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	-	**(1,715)**
Revaluation increases / (decreases) to (Surplus) / deficit on the provision of Services	(166)	-	-	-	**(166)**
31 March 2017	**37,714**	**-**	**4,738**	**25,119**	**67,571**
Depreciation and impairments					
1 April 2016	(38)	-	(2,406)	(11,267)	**(13,711)**
Charge for year	(1,593)	-	(193)	(2,062)	**(3,848)**
Disposals	-	-	-	773	**773**
Transfer to Assets Held for Sale	281	-	-	-	**281**
Revaluations	1,036	-		-	**1,036**
31 March 2016	**(314)**	**-**	**(2,599)**	**(12,556)**	**(15,469)**
Net book value of assets at 31 March 2016	**39,636**	**2,464**	**2,050**	**13,150**	**57,300**
Net book value of assets at 31 March 2017	**37,400**	**-**	**2,139**	**12,563**	**52,102**

Intangible Non-Current Assets

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

2016/2017 £'000	Intangible Assets (Purchased software licences)	2017/2018 £'000
	Original Cost	
872	1 April 2017 (2016)	883
11	Additions	35
-	Disposals	-
883	31 March 2018 (2017)	**918**
	Amortisation and impairments	
(669)	1 April 2017 (2016)	**(727)**
(58)	Charge for year	(57)
-	Disposals	-
(727)	31 March 2018 (2017)	**(784)**
203	**Net book value of assets at 31 March 2017 (2016)**	**156**
156	**Net book value of assets at 31 March 2018 (2017)**	**134**

Assets Held for Sale

2016/2017 £'000	Assets Held for Sale	2017/2018 £'000
610	**Balance at start of year**	4,806
9	Additions in year	8
(9)	Revaluation	-
4,656	Assets newly classified as held for sale:	-
5,266		**4,814**
(460)	Assets sold	(150)
4,806	**Balance at end of year**	**4,664**

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

Capital expenditure and sources of finance were as follows:

2016/2017 £'000		2017/2018 £'000
2,410	Land and buildings	278
976	Vehicles	1,417
603	Ops equipment	52
320	IT Hardware	184
11	Software	35
4,320		**1,966**
17	Grant	-
503	Capital Receipts	754
1,414	Revenue Contributions	1,212
2,386	Prudential Borrowing	-
4,320		**1,966**

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.

2016/2017 £'000		2017/2018 £'000
22,649	Opening Capital Financing Requirement	23,498
	Capital Investment	
4,320	Property Plant and Equipment	1,966
	Sources of finance	
(503)	Capital Receipts	(754)
(17)	Government grants and other contributions	-
(2,951)	Revenue Provision	(2,938)
23,498	Closing Capital Financing Requirement	**21,772**
	Explanation of movements in year	
(307)	Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(300)
1,156	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,426)
849	Increase/(decrease) in Capital Financing Requirement	**(1,726)**

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:

restated 2016/17 £'000		2017/18 £'000
	Opening Capital Financing Requirement as at 1st April:	
58,114	Fixed Assets	57,064
(9,605)	Revaluation Reserve	(9,551)
(25,860)	Capital Adjustments Account	(24,015)
22,649	Capital Financing Requirement	**23,498**
(165)	Adjustment Factor A	(165)
22,484	Adjusted Capital Financing Requirement	**23,333**
1,462	MRP	1,726
75	Finance Lease - Voluntary MRP Contributions	0

16. Assets held under finance leases

The Authority has acquired vehicles for operational purposes under finance leases. The rentals payable under these arrangements finished in 2016/17. Amounts payable are identified below together with an analysis of the amounts which have been charged to the Comprehensive Income and Expenditure Statement in 2016/17.

2016/2017 Vehicles & Equipment £'000		2017/2018 Vehicles & Equipment £'000
85	Total rentals paid	-
	Analysis of charges in the Financial Statements	
3	Finance Charge - (Comprehensive Income and Expenditure Statement)	-
82	MRP (including voluntary contributions) - (Movement in Reserves Statement)	-

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 2017	1,572
Accumulated depreciation and impairment	(1,464)
Net book value of assets at 31 March 2017	**108**
Movement in 2017/18	
Additions	-
Disposals	-
Revaluations	-
Depreciation	(108)
Impairments	-
Net book value of assets at 31 March 2018	**-**

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 were payable by the Authority in future years while the liability remained outstanding.

The minimum lease payments were payable over the following periods:

	Minimum Lease		Finance Lease	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	£,000	£,000	£,000	£,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. Land and Buildings were re-valued by external valuers, Cushman & Wakefield, as at 31st December 2017.

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:

31/03/2017 £'000		31/03/2018 £'000
4,406	Central Government Bodies	1,324
3,352	Other local authorities	3,391
1,096	Other entities and individuals	1,009
8,854		5,724

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:

31/03/2017 £'000		31/03/2018 £'000
2	Cash held by the Authority - Imprests	-
(3,276)	Bank Current Accounts	(1,193)
(3,274)		(1,193)

20. Creditors

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

31/03/2017 £'000		31/03/2018 £'000
(2,037)	Central Government Bodies	(1,762)
(341)	Other local authorities	(377)
(2,736)	Other entities and individuals	(2,488)
(5,114)		(4,627)

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 2017/2018 are shown as short term borrowing in the Balance Sheet and total £954k (£796k). The maturity of long-term loans is as follows:

31/03/2017 £'000		31/03/2018 £'000
860	Between 1 and 2 years	916
2,302	Between 2 and 5 years	512
-	Between 5 and 10 years	-
7,000	Over 10 years	7,000
10,162	Total long term borrowing at 31 March 2018 (2017)	8,428

As at 31st March 2018 (2017) the Authority had deferred borrowing of £9,792k (£9,792k).

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 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000
Financial Liabilities at amortised cost	(12,760)	(10,847)	(3,872)	(3,328)
Total borrowings	**(12,760)**	**(10,847)**	**(3,872)**	**(3,328)**
Loans and receivables	-	-	4,244	3,292
Total debtors	**-**	**-**	**4,244**	**3,292**

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 2017 £'000	31 March 2018 £'000
Financial Liabilities at amortised cost per Note 20	**(3,872)**	**(3,328)**
Statutory debt in relation to HMRC	(577)	(597)
Receipts in advance	(356)	(505)
Short term liabilities in relation to leases inc PFI	(151)	(179)
Receipts in advance and overpayments in relation to Council Tax .	(707)	(716)
Short term Borrowing	796	954
Fire Fighter pension scheme - Ill health	(247)	(256)
Short Term Creditors	**(5,114)**	**(4,627)**

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:

2017/2018	Financial Liabilities measured at amortised costs £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expense			
- Loan & Leases	407	-	407
- PFI	435	-	435
Interest payable and similar charges	**842**	**-**	**842**
Interest income	-	(22)	(22)
Interest and Investment Income	**-**	**(22)**	**(22)**
Net Gain / (loss) for the year	**842**	**(22)**	**820**

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 31st 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 2017		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount **£'000**	Fair Value **£'000**
Loan Debt				
Local Authority	(3,958)	(6,521)	(2,383)	(3,834)
Public Works Loan Board	(7,000)	(9,247)	(7,000)	(9,259)
Deferred Liability - PFI	(2,598)	(2,598)	(2,418)	(2,418)
Total debt	**(13,556)**	**(18,366)**	**(11,801)**	**(15,511)**
Trade and other creditors	(3,076)	(3,076)	(2,374)	(2,374)
Total Financial Liabilities	**(16,632)**	**(21,442)**	**(14,175)**	**(17,885)**

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 2017 £'000	31 March 2018 £'000
Carrying amount total debt per Note 21	**(10,958)**	**(9,383)**
Short Term Borrowing	(796)	(954)
Long Term Borrowing	(10,162)	(8,428)
Total Borrowing	**(10,958)**	**(9,382)**

	Current	
	31 March 2017 £'000	31 March 2018 £'000
Trade and other Creditors per Note 20	**(3,076)**	**(2,374)**
Statutory debt in relation to HMRC	(577)	(597)
Receipts in advance	(356)	(505)
Short term liabilities in relation to leases inc PFI	(151)	(179)
Receipts in advance and overpayments in relation to Council Tax.	(707)	(716)
Fire Fighter pension scheme - Ill health	(247)	(256)
Short Term Creditors	**(5,114)**	**(4,627)**

Loans and receivables

	31 March 2017		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Investments				
Bank and cash	(3,274)	(3,274)	(1,193)	(1,193)
Total debt / (credit)	**(3,274)**	**(3,274)**	**(1,193)**	**(1,193)**
Trade and other debtors	7,518	7,518	4,484	4,484
Total Loans and Receivables	**4,244**	**4,244**	**3,291**	**3,291**

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 2017 £'000	31 March 2018 £'000
Trade and other Debtors per Note 18	**7,518**	**4,484**
Short Term Debtors in Council Tax	1,502	1,417
Provision for bad debt	(525)	(616)
Short Term Debtors in VAT	359	439
Short Term Debtors	**8,854**	**5,724**

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 2018 £'000	Historical experience of default	Adjustments for market conditions at 31 March 2018	Estimated maximum exposure to default £'000
Other counterparties - Local Authorities	1,324	0.0%	0.0%	-
Other counterparties - NHS	-	0.0%	0.0%	-
Other counterparties - Central Government	3,391	0.0%	0.0%	-
Trade and other debtors	208	0.3%	1.7%	4
	4,923			**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:

2017/2018	£'000
Less than one year	(3,328)
Between 1 and 2 years	(916)
Between 2 and 5 years	(512)
More than 5 years	(7,000)
	(11,756)

The maturity analysis of financial assets is as follows:

2017/2018	£'000
Less than one year	3,292

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 £9,792k would be £98k.

The Authority's medium term financial plan has made no provision for borrowing in 2018/2019.

Effects of a 1% rise in rates:

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

2017/2018	£'000
Increase in interest receivable on variable rate investments	26
Impact on Surplus or Deficit on the Provision of Services	**26**

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

2017/2018	£'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)	(2,048)

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 2017/18 was only 0.22%. The maximum impact could only be the interest received in the year of £22k.

2017/2018	£'000
Increase in interest receivable on variable rate investments	(22)
Impact on Surplus or Deficit on the Provision of Services	**(22)**

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

2017/2018	£'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)	2,543

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 2016 £'000	Additional Provisions Made in 2016/17 £'000	Amounts Utilised in 2016/17 £'000	Balance at 31 March 2017 £'000	Additional Provisions Made in 2017/18 £'000	Amounts Utilised in 2017/18 £'000	Balance at 31 March 2018 £'000
Fire Hydrants	65	-	-	65	-	-	65
Finance systems	38	-	-	38	-	(38)	0
HQ Relocation Expenses	330	-	-	330	-	(144)	186
NDR Appeals	457	492	(457)	492	586	(492)	586
Independant Inspection Reserve	-	140	-	140	-	(140)	-
Uniformed Staff Pay Award	-	-	-	-	191	-	191
Major repairs	-	-	-	-	425	-	425
	890	632	(457)	1,065	1,202	(814)	1,453

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

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

- Finance Systems
  This provision has been utilised in 2017/18.

- HQ Relocation Expenses
  The Fire Authority moved support staff to share the Police headquarters site at Portishead. The staff, previously located at the headquarters site at Temple Back, were relocated in September 2017 and a provision was created to cover the expected additional travel costs that will be incurred by support staff as a result of this move in accordance with the Fire Authority's approved relocation policy. This provision will be used over the three year period after relocation.

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

- Independent Inspection Reserve
  This provision has been utilised in 2017/18.

- Uniformed Staff Pay Award.
  Firefighters were offered a 2% pay award from July 2017 subject to agreement being reached on a number of changes to the roles that they undertake. An interim payment of 1% was made in December 2017 whilst negotiations are ongoing at a national level. This provision has been set up to allow for the additional 1% pay ward on the basis that this will be backdated to July 2017 once final settlement is reached.

- Major Repairs
During the year an accommodation block attached to one of the Authority's fire stations suffered a significant structural failure. Investigations are ongoing to determine the extent of the defects and the necessary rectification works required as a result. It is anticipated that the required rectification works will be undertaken during 2018/19.

24. Long Term Provisions

	Balance at 1 April 2016	Additional Provisions Made in 2016/17	Amounts Utilised in 2016/17	Balance at 31 March 2017	Additional Provisions Made in 2017/18	Amounts Utilised in 2017/18	Balance at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PFI	590	-	-	590	-	-	590
	590	-	-	590	-	-	590

Private Finance Initiative

Further to Note 1 & 7 and the volatility of the rates affecting the equalisation fund over the past few years, it is felt prudent to keep the provision for training centre contributions at existing levels.

25. Usable Reserves

	Balance at 1 April 2016 £'000	Transfers in 2016/17 £'000	Transfers out 2016/17 £'000	Balance at 31 March 2017 £'000	Transfers in 2017/18 £'000	Transfers out 2017/18 £'000	Balance at 31 March 2018 £'000
Fund Balance	1,500	-	-	1,500	-	-	1,500
	1,500	**-**	**-**	**1,500**	**-**	**-**	**1,500**
Invest to Save Reserve	1,780	406	-	2,186	314	(1,500)	1,000
	1,780	**406**	**-**	**2,186**	**314**	**(1,500)**	**1,000**
Pension & Budget Pressures Reserves Incl.							
PPE / ICP Replacement Reserve	125	-	-	125	-	(100)	25
Control Resilience Reserve	400	-	-	400	-	(72)	328
Premises H&S Reserve Critical Works	100	-	-	100	100	-	200
Pension Reserve	320	-	-	320	-	-	320
Legal Fees Reserve	100	-	-	100	-	-	100
Community Safety Reserve	64	49	(64)	49	34	(49)	34
Marketing Reserve	28	-	-	28	-	-	28
Auxiliary Reserve	125	-	-	125	-	(50)	75
Breathing Apparatus Reserve	50	-	-	50	-	(50)	-
Training Reserve	70	20	-	90	-	(90)	-
Investing for the Future	635	-	(635)	-	-	-	-
Capital Financing	872	20	(264)	628	-	(20)	608
Operational Fitness Reserve	-	70	-	70	35	(35)	70
Document Management and Retention System Reserve	-	60	-	60	-	-	60
ESMCP Reserve	-	236	-	236	226	-	462
HQ Relocation Reserve	-	914	-	914		(914)	-
Procurement Reserves	-	40	-	40	-	-	40
Equality & Inclusivity Reserve	-	50	-	50	35	(11)	74
Improvement Programme	-	-	-	-	1,500	-	1,500
Airbus SC Response software	-	-	-	-	6	-	6
Strategic Development software	-	-	-	-	10	-	10
	2,889	**1,459**	**(963)**	**3,385**	**1,946**	**(1,391)**	**3,940**
Hydrants	100	-	-	100	-	-	100
Medical Intervention	40	-	-	40	-	-	40
PFI Equalisation Fund	1,686	-	(24)	1,662	-	(49)	1,613
Total Usable Reserves	**7,995**	**1,865**	**(987)**	**8,873**	**2,260**	**(2,940)**	**8,193**

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

a. Invest to Save Reserve

Previously the Austerity Reserve, this reserve has been maintained to fund future initiatives and programmes to assist the Authority in achieving its medium term financial targets. There was an approved transfer out of the reserve to create the new Improvement Programme Reserve and a transfer in of £100k from the Auxiliary and BA Reserves as part of the reserves review. 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. This will be utilised over the next 2 years.

c. Control Resilience Reserve

A reserve was created to ensure resilience on the Control room function. This is a risk critical area and it has been agreed that recruitment will be undertaken so that the number of posts are over establishment, given the length of time required to suitably train Control room staff. Additionally, the role out of the emergency services mobile communications programme (ESMCP) is expected to be finalised within the next 3 years. £72k was used in 17/18 and a further £32k budgeted to be used in 2018/19, with the reserve expected to be fully utilised within the next 4 years.

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, including works to remove asbestos. This was increased in 2017/18 to allow for the work anticipated. This reserve will be utilised as required.

e. Pension Reserve

This reserve has been created to assist in the financing of ill-health pension retirements where costs of two or four times the retirees salary are paid to the Department for Communities and Local Government. This reserve will be utilised as required.

f. Legal Fees Reserve

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

g. Community Safety Reserve

This balance of £49k on this reserve at the start of the financial year was utilised to fund community safety activity. An amount of £34k was set-up during the year to contribute to the Safe and Well Programme to be launched in April 2019.

h. Marketing Reserve

This reserve will be utilised to provide funding for rebranding of appliances in support of inclusivity, equality and community safety initiatives. It will be utilised in 2018/19.

i. Auxiliary Reserve

This reserve will be utilised as required to provide training and equipment for auxiliary members of staff, an amount of £50k was transferred out of the reserve in 2017/18 to the Invest to Save reserve as part of the review of reserves.

j. Breathing Apparatus Reserve

The balance on this reserve was transferred to the Invest to Save reserve as part of the review of reserves.

k. Training Reserve

£20k of this reserve was utilised for training purposes in 2017/18 and the balance was transferred to the Invest to Save reserve as part of the review of reserves.

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. Capital Financing

This reserve was created to support funding of the future Capital Programme including the reinvesting for the future programme and any variations in expenditure. The reserve will be used as and when required.

n. 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. £35k of this was utilised in 2017/18 as it was originally planned to be a 2 year project. This has now been extended to 3 years, so an additional £35k was added in year.

o. Document Management & Retention System Reserve

This reserve has been set up to fund the development of a Corporate wide document system to improve administration and information security requirements, including GDPR.

p. ESMCP Reserve

In March 2017 the Government paid grant to the Avon Fire and Rescue to fund the ESMCP project. A further grant was received in 2017/18. Work is not due to commence now until 2018/19, so the grant has been allocated to a reserve to be used over the next 2 years whilst the project is undertaken.

q. HQ Relocation Reserve

This reserve was fully utilised in 2017/18.

r. Procurement Reserve

This reserve has been created to review the procurement function to align to the NFCC category model and strength skill sets. This will be utilised in 2018/19.

s. Equality & Inclusivity Reserve

This reserve funds the review of the organisation's strategic direction to reflect issues of culture and inclusiveness. It has been partially used in 2017/18 and as part of the reserves review a further £35k has been transferred from the Training reserve to be utilised in the next 2 years.

t. Improvement Programme Reserve

This reserve has been setup in 2017/18 to fund the additional costs associated with the Best Value Improvement Programme agreed at Fire Authority in October 2017. This is anticipated to be utilised in the next 2 years.

u. Airbus SC Response Software Reserve

This reserve has been created to fund the purchase of mobile data terminal software update to units on appliances. This will be utilised in 2018/19.

v. Strategic Development Software Reserve

This reserve will fund the purchase and implementation of strategic development software. This will be utilised in 2018/19.

w. Hydrants

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

x. Medical Intervention

This reserve has been created to fund medical intervention and prevention initiatives and will be utilised as and when required.

y. Equalisation Fund

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

26. Unusable Reserves

Restated Balance at 31 March 2017 £'000		Balance at 31 March 2018 £'000
9,551	**Revaluation Reserve**	13,839
24,014	**Capital Adjustment Account**	25,487
(595,737)	**Pensions Reserve**	(612,690)
271	**Collection Fund Adjustment**	(29)
(391)	**Accumulated Absences Account**	(332)
(562,292)	**Total Unusable Reserves**	**(573,725)**

Revaluation Reserve

restated 2016/2017 £'000		2017/2018 £'000
9,605	**Balance at 1 April 2017 (2016)**	**9,551**
170	Adjustment to revaluation of assets	4,490
9,775	**Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**14,041**
(224)	Difference between fair value depreciation and historic cost depreciation	(202)
9,551	**Balance at 31 March 2018 (2017)**	**13,839**

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

restated 2016/2017 £'000		2017/2018 £'000
25,860	**Balance at 1 April 2017 (2016)**	**24,014**
	Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(12,265)	Depreciation and impairment of non-current assets	(6,738)
7,394	Revaluation losses/gains on Plant, Property & Equipment	4,514
(58)	Amortisation of intangible assets	(57)
(611)	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	(141)
20,320		**21,592**
223	Adjusting amounts written out of the Revaluation Reserve	202
20,543	Net written out amount of the cost of non-current assets consumed in the year	**21,794**
	Capital Financing applied in the year	
520	Capital Grants and Capital Receipts credited to the Comprehensive Income and Expenditure Statement	754
636	Minimum revenue provision for capital financing	589
901	Voluntary revenue provision for capital financing	1,137
1,414	Capital expenditure charged in-year to the fund balance	1,213
24,014	**Balance at 31 March 2018 (2017)**	**25,487**

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

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

Pensions Reserve Summary – See Note 27 for further information

2016/2017 £'000		2017/2018 £'000
(488,359)	**Balance at 1 April 2017 (2016)**	**(595,737)**
(98,188)	Remeasurements of pensions assets and liabilities	(6,277)
(14,430)	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	(16,158)
5,240	Employer's pensions contributions and direct payments to pensioners payable in the year	5,482
(595,737)	**Balance at 31 March 2018 (2017)**	**(612,690)**

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

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

Collection Fund Adjustment Account

2016/2017 £'000		2017/2018 £'000
370	**Balance at 1 April 2017 (2016)**	**271**
(109)	Bath and North East Somerset	(9)
157	Bristol City Council	(355)
(93)	North Somerset	(84)
(54)	South Gloucestershire	148
271	**Balance at 31 March 2018 (2017)**	**(29)**

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

2016/2017 £'000		2017/2018 £'000
(412)	**Balance at 1 April 2017 (2016)**	**(391)**
412	Settlement or cancellation of accrual made at the end of the preceding year	391
(391)	Amount accrued at the end of the current year	(332)
21	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	59
(391)	**Balance at 31 March 2018 (2017)**	**(332)**

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:

- Local Government Pension Scheme

  All staff, other than uniformed Firefighters, are eligible to join the Local Government Pension Scheme (LGPS). The scheme is administered by Bath & North East Somerset Council and is called the Avon Pension Fund. The Fund provides members with benefits related to length of service and final or average salary. It is a 'defined benefit' scheme. The Fund's Actuary carries out a valuation of the Fund every three years in accordance with government regulations. If the valuation indicates that there are insufficient assets to meet future liabilities, employer contribution rates are increased to make up the shortfall. The latest valuation was undertaken at 31st March 2016 and assessed the overall funding level at 86%.

- Firefighters scheme

  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 104.

  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 104.

  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 31st 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	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Comprehensive Income and Expenditure Statement				
Costs of Services:				
Current Service Cost	972	1,601	6,517	8,610
Past service Costs / Curtailments	-	108	190	430
Firefighters Pension Top up Grant	-	-	(10,541)	(10,343)
Financing and Investment Income and Expenditure:				
Net Interest expense	442	462	16,850	15,290
Total Post-employment Benefits charged to the Surplus or Deficit on Provision of Services	1,414	2,171	13,016	13,987
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)	(2,097)	181	(2,370)	6,310
Actuarial gains and losses arising on changes in demographic assumptions	(163)	-	(8,170)	(15,040)
Actuarial gains and losses arising on changes in financial assumptions	7,778	(2,174)	103,210	17,000
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	6,932	178	105,686	22,257
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	(1,414)	(2,171)	(13,016)	(13,987)
Actual amount charged against the Fund Balance for pensions in the year:				
Employers contributions payable to the scheme	937	1,111	3,053	2,891
Retirement Benefits payable to pensioners			1,250	1,480

The cumulative amount of re-measurements recognised in the Comprehensive Income and Expenditure Statement to 31st March 2018 is (£195,736k)

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded liabilities Local Government		Unfunded liabilities Firefighters Scheme	
	2016/2017 £'000	2017/2018 £'000	2016/2017 £'000	2017/2018 £'000
Liabilities at beginning of year	(38,441)	(47,887)	(476,186)	(577,569)
Current Service Cost	(972)	(1,601)	(6,517)	(8,610)
Past Service Cost / Curtailments	-	(108)	(190)	(430)
Transfers In	(2)	(725)	(28)	(824)
Transfers Out	3	6		
Interest Cost	(1,374)	(1,195)	(16,850)	(15,290)
Contributions by scheme participants	(285)	(310)	(2,374)	(2,270)
Remeasurements (gains) and losses:				
Actuarial (gains) / losses from changes in demographic assumptions	163	-	8,170	15,040
Actuarial (gains) / losses from changes in financial assumptions	(10,303)	2,174	(103,210)	(17,000)
Actuarial (gains) / losses from experience	2,525	-	2,370	(6,310)
Benefits Paid	799	1,120	17,246	17,808
Liabilities at end of year	(47,887)	(48,526)	(577,569)	(595,455)

Reconciliation of fair value of the scheme assets:

	Funded Assets Local Government		Unfunded Assets Firefighters Scheme	
	2016/2017 £'000	2017/2018 £'000	2016/2017 £'000	2017/2018 £'000
Assets at beginning of year	26,268	29,719	-	-
Interest Income	953	756	-	-
Return on Plan Assets, excluding the amount included in the net interest expense	2,097	(181)	10,541	10,343
Transfers In	2	725	28	824
Transfers Out	(3)	(6)		
Administration expenses	(21)	(23)	-	-
Employer contributions	937	1,111	4,303	4,371
Contributions by scheme participants	285	310	2,374	2,270
Benefits paid	(799)	(1,120)	(17,246)	(17,808)
Refund of Contributions	-	-	-	-
Assets at end of year	29,719	31,291	-	-

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 £576k (2016/17: £4,607k).

Scheme History

	2013/14 £'000s	2014/15 Restated £'000s	2015/16 £'000s	2016/17 £'000s	2017/18 £'000s
Present value of liabilities					
Local Government Scheme	(31,871)	(39,073)	(38,441)	(47,887)	(48,526)
Firefighters Scheme	(502,127)	(547,209)	(476,186)	(577,569)	(595,455)
	(533,998)	(586,282)	(514,627)	(625,456)	(643,981)
Fair value of assets in the Local Government Scheme	23,229	26,380	26,268	29,719	31,291
Surplus/(deficit) in the					
Local Government Scheme	(8,642)	(12,693)	(12,173)	(18,168)	(17,235)
Firefighters Scheme	(502,127)	(547,209)	(476,186)	(577,569)	(595,455)
Total	(510,769)	(559,902)	(488,359)	(595,737)	(612,690)

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £613m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £613m.

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 31st March 2019 for the Local Government Pension Scheme is £1,066k.

- The total contribution expected to be made by the Authority in the year to 31st March 2019 for the Firefighters pension scheme is £2,841k (1992 scheme: £1,008k; 2006 scheme: £83k; 2015 scheme: £1,750k).

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 31st March 2016 updated for the following years.

The main assumptions used by the actuary have been:

	Local Government		Fire Fighters Scheme	
	2016/2017	2017/2018	2016/2017	2017/2018
Mortality assumptions:				
Longevity at 65 for current				
Men	23.5	23.6	22.4	21.9
Women	26.0	26.1	22.4	21.9
Longevity at 65 for future				
Men	26.0	26.2	24.7	23.9
Women	28.7	28.8	24.7	23.9
Rate of inflation CPI	2.3%	2.1%	2.4%	2.3%
Rate of increase in salaries	3.8%	3.6%	4.4%	4.3%
Rate of increase in pensions	2.3%	2.2%	2.4%	2.3%
Rate of discounting scheme	2.5%	2.6%	2.7%	2.6%

The actuary has not carried out any specific investigations in relation to whether the average age of the membership has increased, but does not believe that there have been substantial changes since the 2016 valuation. For any employers who are not admitting new entrants to the Fund, the average age can be expected to increase gradually over time.

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

Local Government Scheme		31 March 2017	31 March 2018
		%	%
Equities	UK quoted	14.8	14.2
	Global quoted	9.1	26.7
	North America - non-quoted	8.6	0.0
	Japan	2.3	0.0
	Europe ex UK	5.0	0.0
	Pacific Rim ex Japan	2.4	0.0
	Emerging markets	9.8	0.0
Bonds	UK Government indexed	12.0	10.8
	Sterling Corporate Bonds	7.9	12.2
Property	UK property Funds	4.2	4.3
	Overseas Property Funds	4.5	4.6
Alternatives	Hedge funds	5.4	4.6
	Diversified Growth Funds	8.9	13.2
	Infrastructure	3.9	5.8
Cash	Cash accounts	1.2	3.6
		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	2013/14 %	2014/15 %	2015/16 %	2016/17 %	2017/18 %
Experience gains and (losses) on assets	6.4%	12.0%	(1.1)%	15.5%	1.8%
Experience gains and (losses) on liabilities	3.0%	0.0%	0.0%	0.0%	0.0%

Firefighters Scheme	2013/14 %	2014/15 %	2015/16 %	2016/17 %	2017/18 %
Experience gains and (losses) on liabilities	2.6%	2.1%	5.9%	0.4%	(1.1)%

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	(9.0)%	-48.0
Rate of increase in salaries	+1/2 % a year	1.0%	5.0
Rate of increase in pensions / deferred revaluation	+1/2 % a year	7.5%	40.0
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.5%	13.0

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

Note: Employer Contributions of £1,217,554 were received during 2017/18.

Note: Current Service Cost (inclusive of member contributions) for 2018/19 is 79.8% of Pensionable Pay.

Sensitivity Analysis Firefighters 2006 scheme Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	+1/2% a year	(18.0)%	-4.0
Rate of increase in salaries	+1/2 % a year	4.5%	1.0
Rate of increase in pensions/ deferred revaluation	+1/2 % a year	9.0%	2.0
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		0.0%	0.0

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

Note: Employer Contributions of £110,307 were received during 2017/18.

Note: Current Service Cost (inclusive of member contributions) for 2018/19 is 50.8% of Pensionable Pay.

Sensitivity Analysis Firefighters 2015 scheme Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	+1/2% a year	(17.0)%	-3.0
Rate of increase in salaries	+1/2 % a year	5.5%	0.8
Rate of increase in pensions/ deferred revaluation	+1/2 % a year	11.5%	2.0
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		0.0%	0.0

The weighted average duration of the defined benefit obligation is around 32 years.

Note: Employer Contributions of £1,562,742 were received during 2017/18.

Note: Current Service Cost (inclusive of member contributions) for 2018/19 is 54.0% of Pensionable Pay.

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

Sensitivity Analysis Local Government Pension Scheme

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	48,526	47,615	49,455	48,713	49,441
Assets	(31,291)	(31,291)	(31,291)	(31,291)	(31,291)
Deficit/ (Surplus)	17,235	16,324	18,164	17,422	18,150
Projected Service Cost for next year	1,488	1,445	1,533	1,488	1,519
Projected Net Interest Cost for next year	434	426	459	439	458

28. **Analysis of Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

2016/2017 £'000		2017/2018 £'000
	Credited to Taxation and Non Specific Grant	
17	General Capital Grant	-
17	Total Capital Grant	-
23,965	Precepts	24,808
13,949	General Government Grants	12,458
4,936	Non-domestic Rates Distribution	4,607
42,867	**Total**	**41,873**
	Credited to Services	
899	New Dimension / USAR	1,046
411	Fire Link	430
895	PFI grant	895
772	Other income	985
2,977	**Total**	**3,356**

None of the grants received by the Authority in 2016/17 or 2017/18 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 2017/18:

2016/2017 £'000		2017/2018 £'000
	Interest Payable and Similar Charges	
478	Loans & Leases	407
426	PFI	435
904		842
17,271	Net Interest on the net defined benefit liability	15,729
(19)	Interest Receivable and Similar Income	(22)
(8)	Other Investment Income	(8)
18,148	Total	**16,541**

30. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

restated 2016/2017 £'000		2017/2018 £'000
(3,848)	Depreciation	(3,467)
(1,023)	Impairment	1,241
(58)	Amortisation	(57)
(386)	(Increase) / decrease in Creditors	91
3,863	Increase / (decrease) in Debtors	(3,129)
(9,190)	Movements in Pension Liability	(10,676)
(174)	Contributions to/(from) Provisions	37
(891)	Carrying amount of non-current assets held for sale, sold or derecognised	(164)
(11,707)		(16,124)
17	Capital grants	-
502	Proceeds from Sale of non-current assets	754
519		754

Cash Flow Statement – Operating Activities (Interest)

2016/2017 £'000		2017/2018 £'000
(13)	Interest received	(14)
734	Interest paid	650

31. Cash Flow Statement – Investing Activities

2016/2017 £'000		2017/2018 £'000
4,320	Purchase of property, plant and equipment	1,966
(502)	Proceeds from Sale of non-current assets	(754)
(17)	Capital Grants	
3,801	Net cash flows from investing activities	1,212

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

2016/2017 £'000		2017/2018 £'000
-	Cash Receipts for long-term borrowing	-
1,317	Repayments of long-term borrowing	1,576
78	Cash payments for the reduction of a finance lease liability	-
139	Cash payments for the reduction of a PFI liability	151
1,534	Net cash flows from investing activities	1,727

33. **Contingent Liabilities**

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

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

The sale of the former headquarters site was completed at the end of June 2018. An initial payment of £10m was received with a further £8m to be paid within the next five years.

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:

2016/2017 £’000		2017/2018 £’000	2017/2018 £’000
	Contributions receivable:		
	Fire Authority		
(3,068)	- contributions in relation to pensionable pay	(2,952)	
(400)	- early retirements	(322)	
(2,392)	Firefighters contributions	(2,343)	
(5,860)	**Total**		**(5,617)**
(45)	**Transfers in from other authorities**	(824)	**(824)**
	Benefits payable:		
12,670	Pensions	13,187	
4,475	Commutations and lump sum retirement benefits	1,699	
79	Other	160	
17,224			**15,046**
	Payments to and on account of leavers:		
-	Transfers out to other authorities	-	**-**
11,319	**Net amount payable for the year**		**8,605**
(11,319)	Top-up grant payable by the Government		(8,605)
-			**-**

Net assets statement

The assets and liabilities of the pensions account as at 31st March 2018 are as follows:

31/03/2017 £'000		31/03/2018 £'000
	Current assets	
1,200	Payment in Advance	139
3,622	Top-up grant receivable from the Government	886
4,822		**1,025**
	Current liabilities	
(4,422)	Cash and Bank	(1,025)
(400)	Creditor	-
(4,822)		**(1,025)**
-	**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:

2017/ 2018									
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	10.5%	10.5%	10.5%	12.7%	12.7%	13.5%	13.5%	13.5%	14.5%
Total	24.8%	24.8%	24.8%	27.0%	27.0%	27.8%	27.8%	27.8%	28.8%

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%

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 34–46. 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.

Independent auditor's report to the members of Avon Fire Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Avon Fire Authority (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement for the year ending 31 March 2018, the Movement in Reserves Statement, the Balance Sheet at 31 March 2018, the Cash Flow Statement and Notes to the Core Financial Statements, including the Statement of Accounting Policies, and include the firefighters' pension fund financial statements comprising the Firefighters Pension Fund Account, the Net assets statement and Notes to the Firefighters Pension Fund Account. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The Treasurer is responsible for the other information. The other information comprises the information included within the Statement of Accounts and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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. 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 2017/18, which give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit, Governance and Ethics Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Adverse conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2017, because of the significance of the matters described in the basis for adverse conclusion section of our report, 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 resources for the year ended 31 March 2018.

Basis for adverse conclusion

Our review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources identified a number of matters. In July 2017 the Home Office published a Statutory Inspection report 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.

These matters identify weaknesses in the Authority's arrangements for implementing and sustaining sufficient and appropriate governance arrangements throughout the organisation.

These matters are evidence of weaknesses in proper arrangements for informed decision making in acting in the public interest, through demonstrating and applying the principles and values of good governance.

Responsibilities of the Authority

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.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Alex Walling

Alex Walling
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

2 Glass Wharf
Bristol
BS2 0EL

21 September 2018

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.