AVON FIRE AUTHORITY

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Statement of Accounts 2018/2019

PROVIDING AVON FIRE & RESCUE SERVICE

Avon Fire Authority

Statement of Accounts 2018/19

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Narrative Report by the Treasurer

Introduction

Avon Fire & Rescue Service (AF&RS) provides emergency, protection and rescue services to the communities of Bath and North East Somerset, Bristol, North Somerset and South Gloucestershire. We are committed to providing a safer place for people to live, work and visit across the area made up of 132,609 hectares and a residential population of more than one million people, living in over 450,000 homes.

This document contains the Statement of Accounts for the Fire Authority for the year ended 31 March 2019. 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 2018/19. 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 meets the public's expectations, our legislative requirements and is delivered by safe, professional and well trained staff.

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

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

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

We are committed to keeping our communities fully informed of how we are performing as a Service. All Committee meetings are open to the public to attend and our main Fire Authority meetings are available to watch on the AF&RS YouTube channel.

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

Looking ahead beyond 2019 our most recent medium-term financial plan for the next four years anticipates further financial challenges, in particular uncertainties of the impact on future funding from a government-led Fair Formula Funding and Spending Review, and new cost pressures associated with pensions. Our latest forecast is that Avon Fire Authority is expecting to face a funding gap of around £2.6 million over this period.

Our Vision, Mission and Values

Our vision

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

Be the best fire and rescue service we can be, working hard to ensure our communities are at the centre of what we do. We are committed to keeping people safe, improving quality of life and making our area a better place to live, work and visit.

Our mission

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

Making our communities safer and meeting the needs of the people we serve, by identifying, understanding and tackling the risks that exist within our area. We will be accessible and provide a high standard of service 24 hours a day, 365 days a year.

Our values

Respectful, honest, courageous, ambitious, inclusive and transparent

Guided by the standards of behaviour captured in our values, we will support our staff to embrace challenges, recognise achievements and live out our values in making our communities safer and exceeding expectations. The public expect their emergency Services to be there when they need us, but also role model the very best standards of behaviour. When we make decisions and work together, our values are the things we keep in mind every time. They are important to us, and non-negotiable.

The service we provide

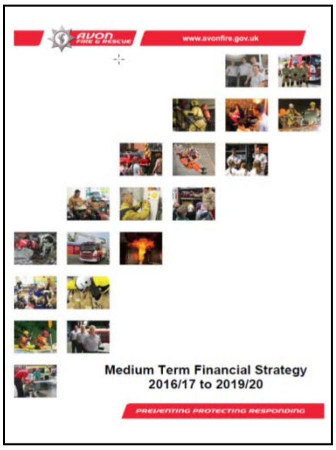
A summary of the service provided to our communities can be seen in the diagram below.

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.

Our Service Plan

In April 2019 we published our Service Plan; this now incorporates our Corporate Plan and the Integrated Risk Management Plan (IRMP), which had until this year been published as two separate documents. It provides an insight into the work that we do; how we identify and analyse risk; the progress we have made; our achievements and performance; and sets the strategic direction of AF&RS for the next three years informing the community how we intend to deliver our two key objectives of Making Our Community Safer and Making Our Service Stronger.

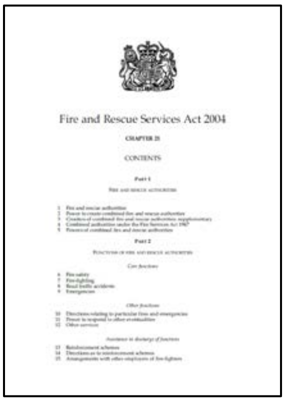
Medium Term Financial Strategy

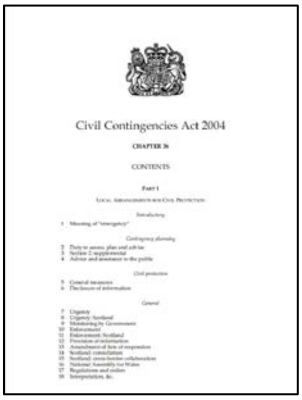


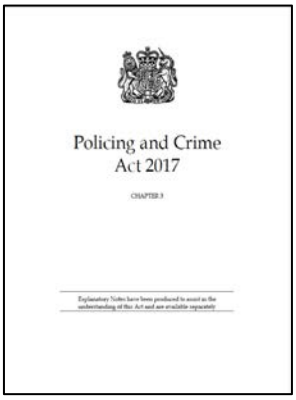
It is also important for us to ensure the financial health of our organisation and to provide a best value service to the public. The substantial reductions in funding received from Central Government during the period of austerity has placed increased importance on the need for robust financial planning to ensure that required efficiency savings can be identified well in advance to avoid any detrimental impact to the way in which we provide our service.

Our medium-term financial plan for the next four years anticipates further financial challenges ahead, forecasting that Avon Fire Authority is expecting to face a funding gap of around £2.6 million over this period. This is mainly attributable to the increased cost of providing for the firefighters' pension schemes.

How we decide what we do





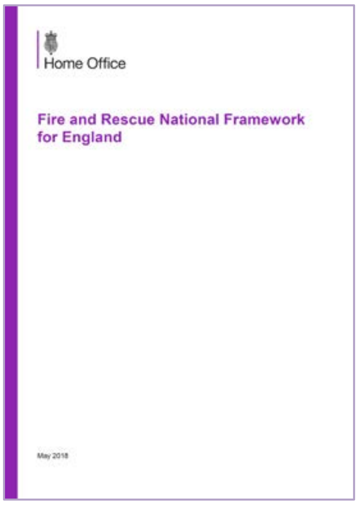


What we decide to do is influenced by a number of factors:

Our statutory responsibilities

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

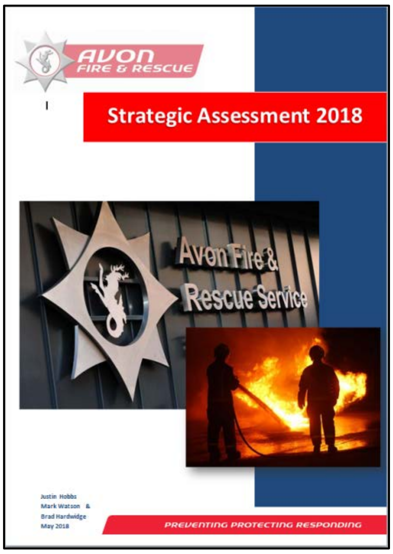
Direction from central Government



The Fire and Rescue National Framework sets out the Government's expectations for 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.

Fire and Rescue Service Inspections

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

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

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

A summary of Avon Fire & Rescue Service's inspection results	
Effectiveness	**Requires improvement**
Understanding the risk of fire and other emergencies	**Good**
Preventing fires and other risks	**Requires improvement**
Protecting the public through fire regulation	**Inadequate**
Responding to fires and other emergencies	**Requires improvement**
Responding to national risks	**Good**
Efficiency	**Requires improvement**
Making best use of resources	**Requires improvement**
Making the fire and rescue service affordable now and in the future	**Good**

	People	Inadequate
Promoting the right values and culture		Inadequate
Getting the right people with the right skills		Good
Ensuring fairness and promoting diversity		Inadequate
Managing performance and developing leaders		Requires improvement

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

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

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

a) comply with our statutory duty to respond to consultations under the Building Regulations within 15 working days; and

b) effectively discharge our risk-based inspection programme.

The inspection team concluded that we have appropriate governance arrangements in place to support the political and strategic oversight of our HMICFRS improvement action plan which is regularly updated and published. We committed to increase staffing to 24 TFS officers (including Grey and Green Book staff) by the end of 2019 but recruitment challenges – which have been similarly experienced across the country – mean that at the time of writing our TFS staffing stood at 21.5 FTE with further recruitment ongoing. The increased **capacity** will translate to increased **capability** as training continues and we were encouraged that HMICFRS acknowledged our progress as 'positive' in its second re-visit letter available at https://www.justiceinspectorates.gov.uk/hmicfrs/?frs=avon&s

We have also contracted a specialist consultant to assist with Building Regulations consultations while new TFS staff continue their training. Since the original HMICFRS visit in July 2018, we have seen dramatic improvements in our performance and are currently dealing with 99% of Building Regulations and licensing applications within statutory timescales whilst increasing the numbers of fire safety audits completed, maintaining performance against licensing applications and continuing with ongoing prosecution activity.

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

Governance Arrangements

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

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

Under the Accounts and Audit Regulations 2015, the Fire Authority is required to produce an Annual Governance Statement. This document sets out a framework by which the Fire Authority's internal systems and processes are directed and controlled. It enables the Fire Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of cost effective services.

The Annual Governance Statement for 2018/19 can be viewed at:

https://www.avonfire.gov.uk/documents/category/189-audit-governance-and-ethics-committee

Governance Structure

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

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

The Audit, Governance and Ethics Committee will consider and review issues relating to Audit, Governance, Risk Management and the conduct of Members. Their work includes scrutinising and approving the Statement of Accounts, the Annual Governance Statement, Statement of Assurance and the Corporate Risk Register. The Committee also reviews the Code of Conduct for Members, and preparation and training for the new requirements for dealing with investigations into Members' conduct.

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

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

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

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

The Treasurer contributes to the effective leadership, maintaining focus on its purpose and vision through rigorous analysis and challenge. Contributes to the effective corporate management, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and performance management. Supports the effective governance of the organisation. Leads or promotes change programmes within the organisation. Leads the development of a medium-term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery.

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

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

Internal Audit is an independent and objective assurance service to the Fire Authority who complete a programme of reviews throughout the year, to provide an opinion on the internal control, risk management and governance arrangements of the Fire Authority.

In addition, Internal Audit undertakes a National Fraud Initiative and proactive fraud detection work, which includes reviewing the control environment in areas where fraud or irregularity has occurred. Any significant weaknesses in the control environment identified by Internal Audit are reported to the Audit, Governance and Ethics Committee and the external audit provider, currently Deloitte LLP.

The Corporate Risk Register is regularly reviewed by the Service Leadership Team and escalated to the Fire Authority as necessary. The current Risk Management policy requires the Corporate Risk Register to be presented to the Fire Authority twice a year.

It should be noted: at the Fire Authority meeting held 25 September 2019 a new Constitution was circulated for approval. The new Constitution contained a proposal to reduce the number of Committees from five to three, and to include an Equality statement, and the Service Mission, Vision and Values.

The Corporate Risk Register forms a key part of our overall Risk Management Strategy 2018-2020. The register is a way of identifying significant corporate risks to the organisation, assessing the likelihood and impact of those risks materialising, and ensuring there are adequate control measures in place to mitigate those risks. Section 6 of the Annual Governance Statement 2018/19 provides details of the top three corporate risks impacting the Service and also a list of planned mitigations to reduce the risk to the Fire Authority.

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 2018/19

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

- The revised revenue budget for 2018/19 set by the Authority was £42.1m (2017/18 £43.1m);

- The actual net expenditure was £41.3m (2017/18 £42.7m), £0.8m lower than the revised budget;

- These budget and actual amounts comprise the net expenditure chargeable to the general Fund. This is before adjustments relating to pensions, capital and other differences, to get the net expenditure in the Comprehensive Income and Expenditure Statement (see Note 5);

- During the year the sale of the former HQ site at Temple Back was agreed at a disposal figure of £18m, £10m to be received in June 2018, with the remaining £8m to be deferred and paid within a five year period. It was agreed by the Authority that £14m of this sum is to be used to fund the Reinvesting in the Future Programme which encompasses the rebuilding and modernisation of three fire stations located at Avonmouth, Bath and Weston-super-Mare, with the remaining balance to be used to reduce the Authority overall borrowing requirement. Of the net receipt in 2018/19, £9.856m after disposal costs, an amount of £0.311m has been used to fund capital costs at Avonmouth fire station and £3.856m to reduce the borrowing requirement. The balance has been transferred to the earmarked reserve;

- 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 Statement shows a surplus on Provision of Services of £18.6m (2017/18 £11.2m). 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;

- The general fund balance (working balance) remains at £1.5m (2017/18 £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;

- Due to the continuing forecast of 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 31 March 2019 there was £5.9m of capital expenditure being funded from internal resources, as compared to £9.8m as at 31 March 2018, representing a reduction of £3.9m resulting from the utilisation of the capital receipt from the sale of the former HQ site to reduce the borrowing requirement; and

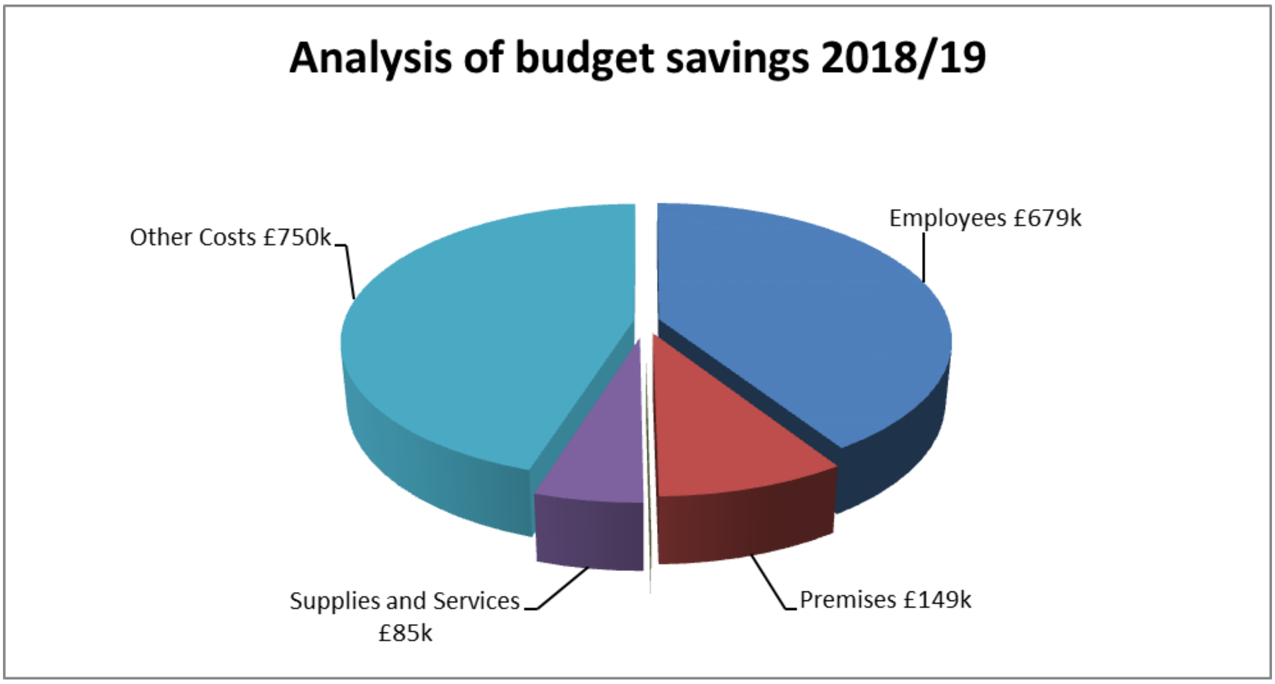
- The Authority set a range of Prudential borrowing indicators for the financial year to ensure borrowing levels are within agreed limits. The £17.9m net capital receipt and the increased revenue contributions during the year has had a material impact upon these with the capital financing requirement falling from £21.8m at the beginning of the year to £15.4m at the year-end. This has had a corresponding effect on the operational and authorised limits for external debt.

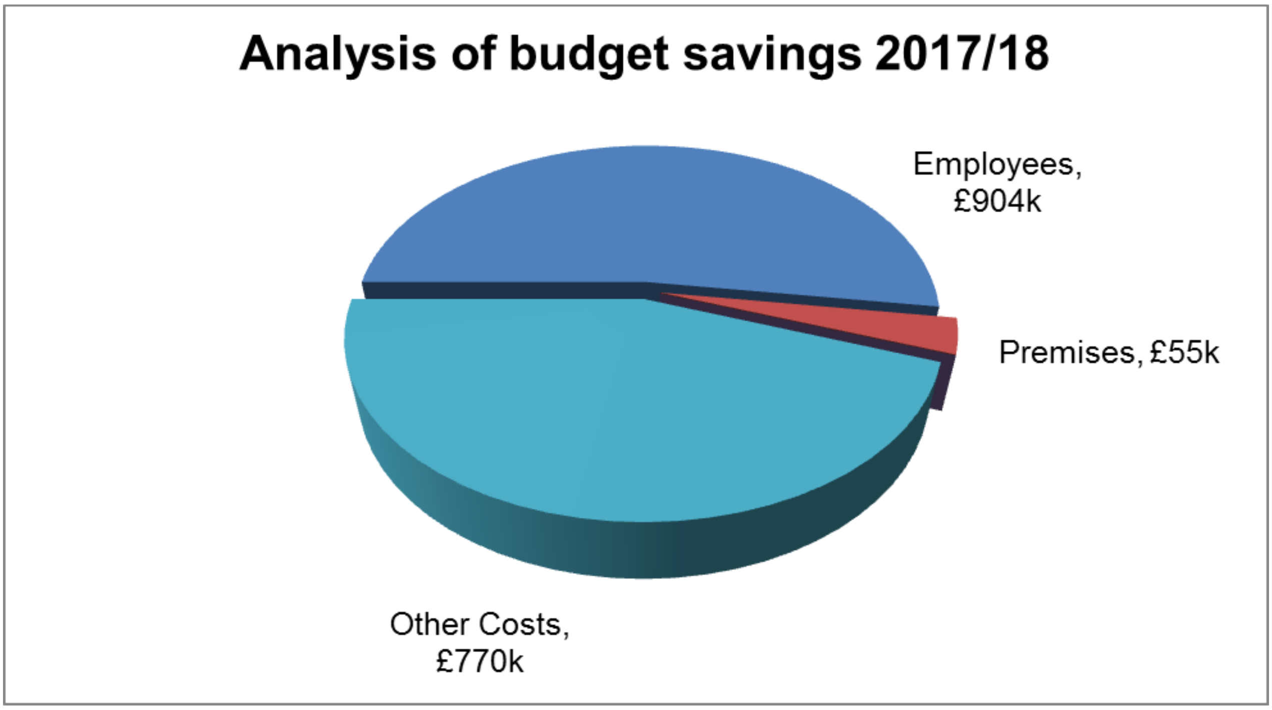
Approved Financial Plan 2018/19

In setting a revenue budget of £42.1m the Fire Authority had to consider a number of major financial considerations including:

- An overall reduction in Central Government funding of 7.26%;
- A limit on the increase in council tax of 3% before a referendum was required; and
- No capital grant allocation.

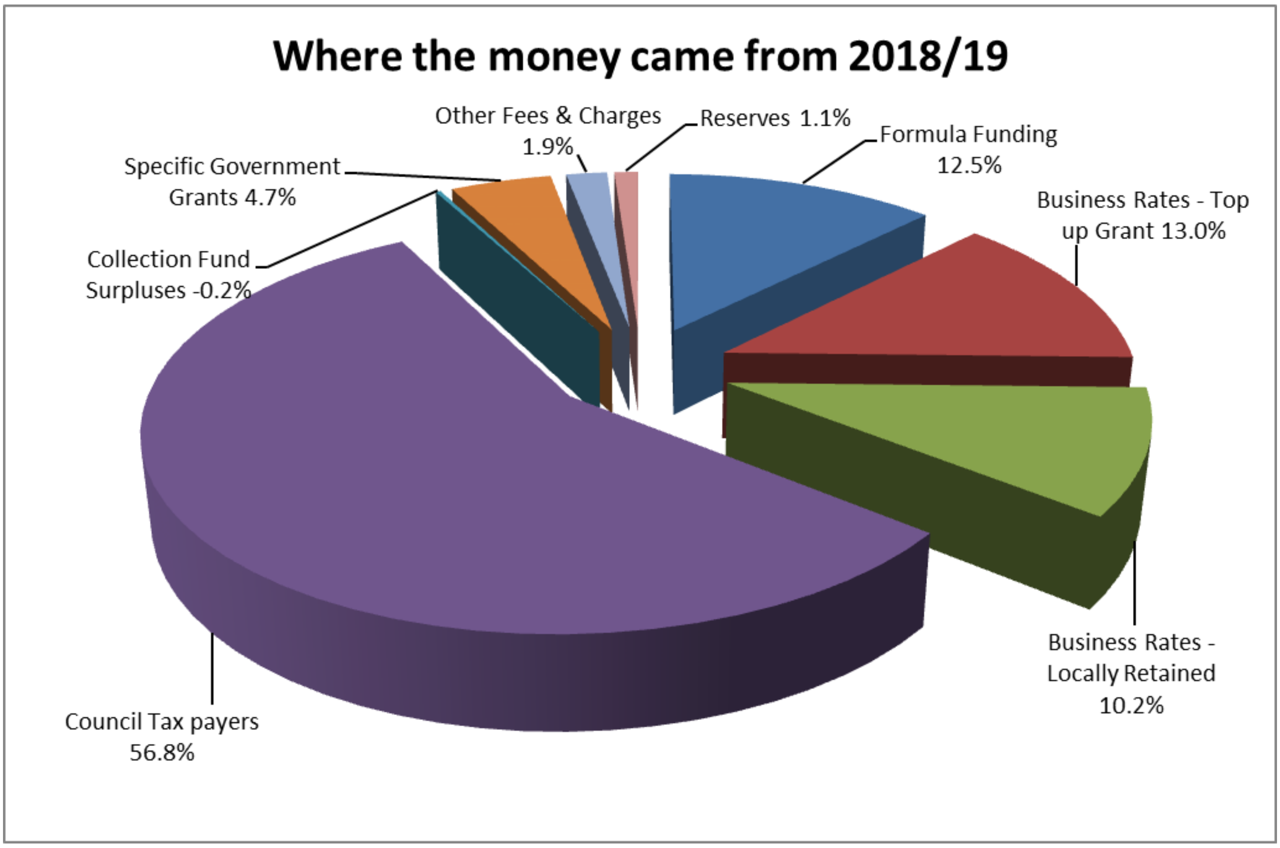
In total an initial revenue budget, before the use of reserves, of £42.5m was approved by the Fire Authority for 2018/19. This included savings of £1.7m, the details of which are shown below. The approved budget after the use of reserves was £42.0m (£42.1m in 2017/18) resulting in a Council Tax of £71.35 (£69.28 in 2017/18) per Band D property.

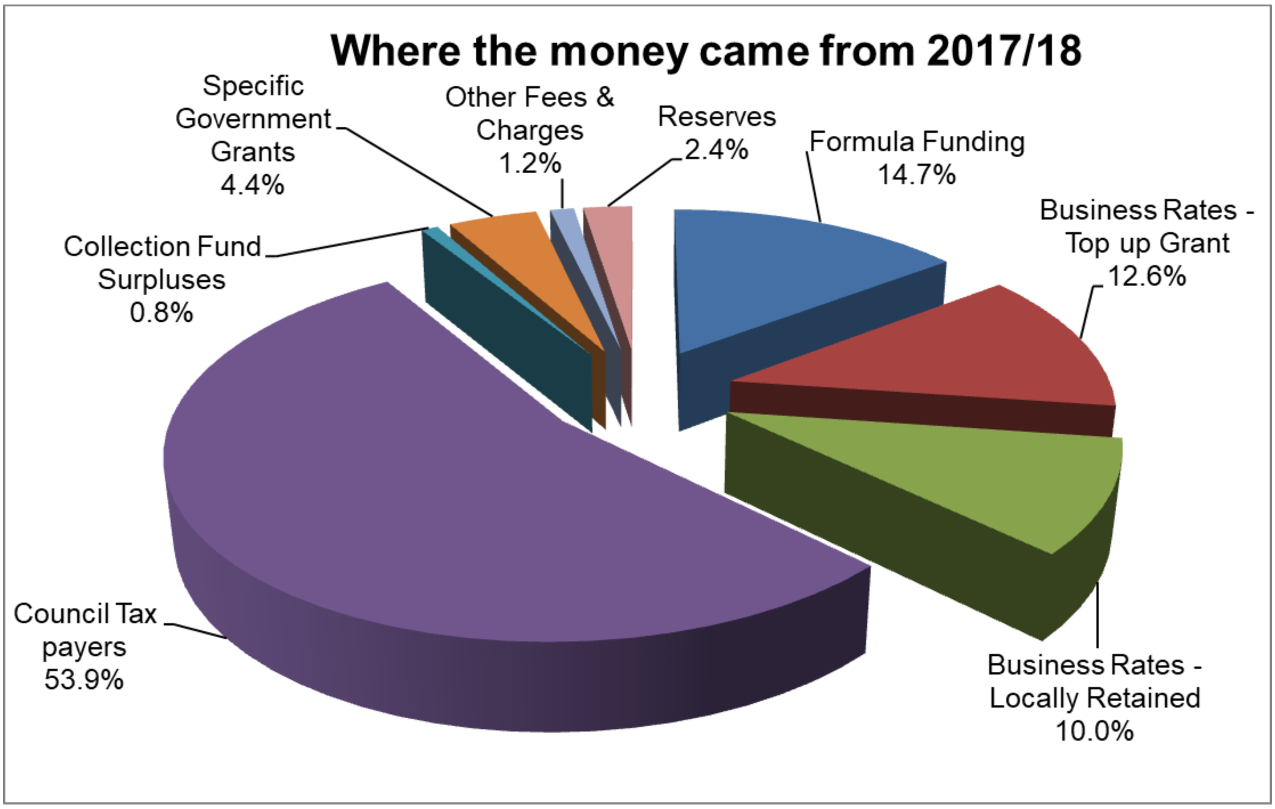




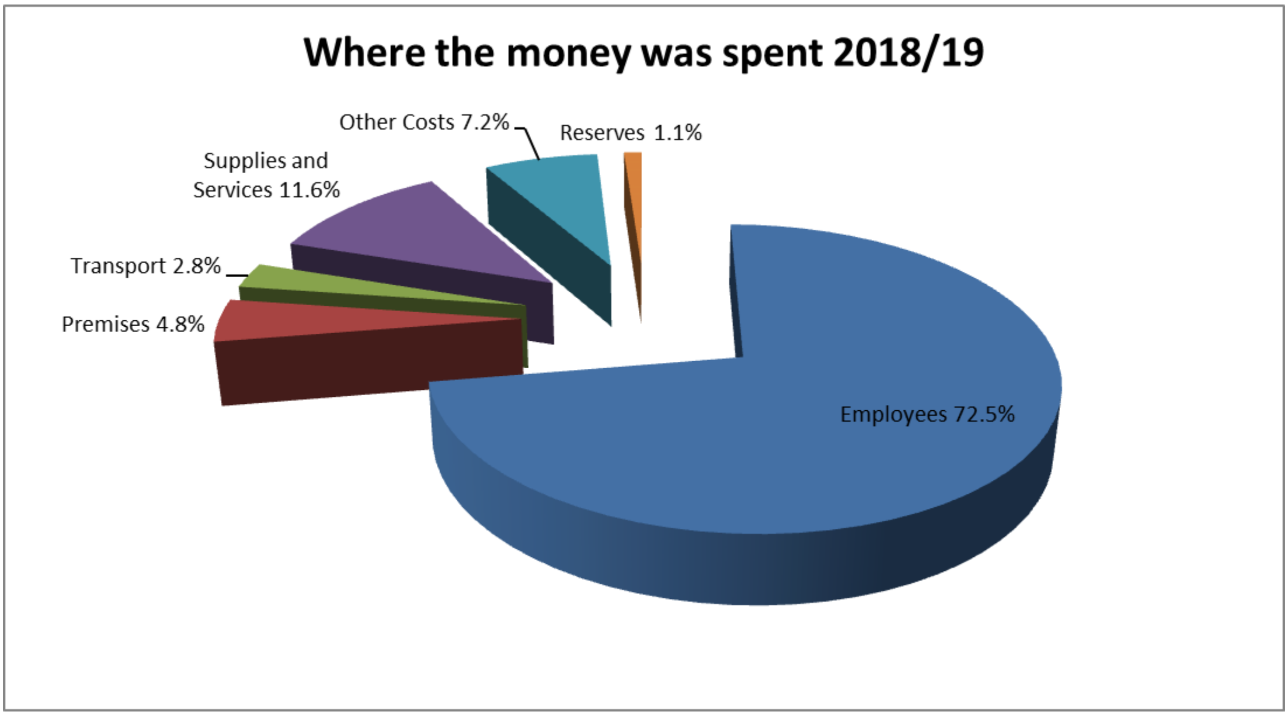
Revised Revenue Budget and Spending in 2018/19

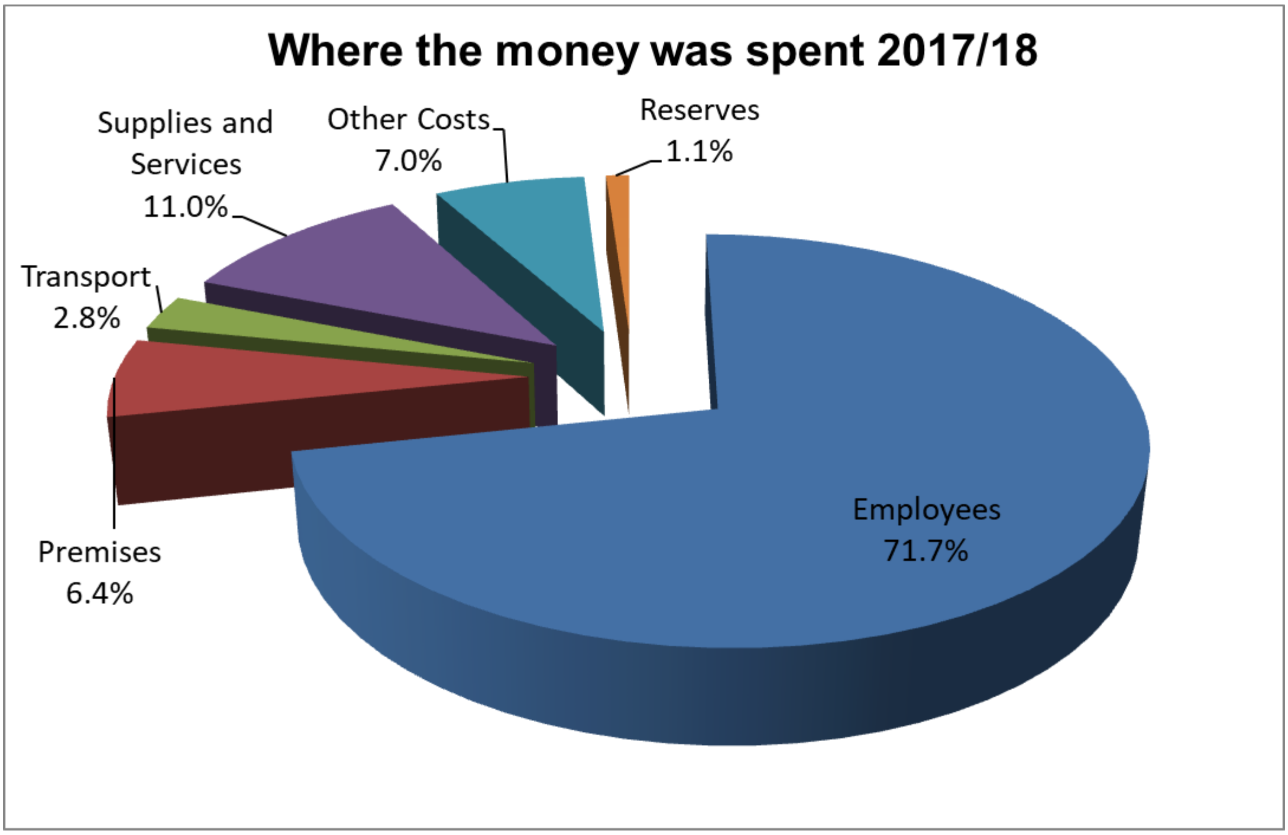
A number of changes to the budget were reported during the year. In broad terms 56.8% (2017/18 53.9%) of the Fire Authority's funding came from the local council tax payer, with a further 10.2% (2017/18 10.0%) from locally retained business rates. The majority of the remainder of the funding comes from Central Government.





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





The 2018/19 revenue budget was underspent by £0.8m (2017/18 £0.5m) a variance of 1.83% (2017/18 1.1%) when compared to the revised budget. During the year £0.3m (2017/18 £0.5m) was transferred from reserves and £0.8m (2017/18 £1.8m) added to reserves.

These budget and actual amounts comprise the net expenditure chargeable to the general Fund. This is before adjustments relating to pensions, capital and other differences, to get the net expenditure in the Comprehensive Income and Expenditure Statement.

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 2018/19 £'001	Revised Budget 2018/19 £'000	Actual Expenditure 2018/19 £'000	Difference £'000
Expenditure on Services				
Employees (net)	33,103	33,107	32,482	(625)
Premises	2,176	2,158	2,136	(22)
Transport	1,794	1,613	1,275	(338)
Supplies and Services	5,248	5,439	5,210	(229)
Other Costs	2,492	2,041	3,233	1,192
Income	(2,270)	(2,244)	(2,991)	(747)
Net Expenditure	**42,543**	**42,114**	**41,345**	**(769)**
Transfers to \ from revenue reserves				
Transfers from Reserves	(567)	(271)	(319)	(48)
Transfers to Reserves	-	-	817	817
Net Expenditure after transfer to \ from reserves	**41,976**	**41,843**	**41,843**	**-**
Local tax payers				
Council Tax	(25,742)	(25,742)	(25,742)	-
Locally retained Business rates	(4,814)	(4,658)	(4,658)	-
Collection fund surpluses	133	110	110	-
Central Government				
Formula Funding	(5,670)	(5,670)	(5,670)	-
Non-domestic rates redistribution	(5,883)	(5,883)	(5,883)	-
Working Balance	**-**	**-**	**-**	**-**

These budget and actual amounts comprise the net expenditure chargeable to the general Fund. This is before adjustments relating to pensions, capital and other differences, to get the net expenditure in the Comprehensive Income and Expenditure Statement.

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 £625,000 (2017/18 £358,000) was achieved, comprising mainly of savings on firefighter costs; there were also savings on pension costs and training. These savings were offset by overspends on control and corporate staff.

- Premises – There was an overall underspend in this area of £22,000 (2017/18 £237,000 overspend). Additional business rates were offset by underspends in all other areas.

- Transport – The savings of £338,000 (2017/18 £441,000) mainly relate to maintenance costs. Due to gaps in staffing, whilst ensuring that all scheduled testing and servicing has been achieved, planned additional works have not been possible.

- Supplies and services – The overall underspend of £229,000 (2017/18 £163,000) has been achieved by miscellaneous savings.

- Other costs – This overspend of £1,192,000 (2017/18 £683,000 overspend) relates to capital financing. The capital receipt from the sale of the former HQ site was utilised to repay additional borrowing and to make additional revenue contributions to capital.

- Income – There was an overall increase in income against budget of £747,000 (2017/18 £449,000). Much of this was from additional Government grants, with the balance from other sources.

Further detail of variations can be found in the report to the Audit, Governance and Ethics Committee of Avon Fire Authority on 31 May 2019, which can be accessed here – https://www.avonfire.gov.uk/documents/category/189-audit-governance-and-ethics-committee.

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

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 Statement 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 to accounting requirements. These items are reversed out in the Movement in Reserves Statement.

	2018/19	
	£'000	£'000
Surplus for year		769
Budgeted transfer from reserves		(271)
Unapplied capital receipts reserve		5,689
		6,187
PFI Equalisation fund movement		(73)
Net increase in useable reserves		6,114
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 Statement in accordance with proper accounting practices.		
Items to be charged to the Income and Expenditure Statement in accordance with proper accounting practices but required by Statute not to be charged to council tax payers		
IAS 19- Retirement Benefits	(50,247)	
Firefighter Pension Top up Grant	12,954	
Depreciation, Impairment, Amortisation and other charges for assets	(7,907)	
Capital Grants Applied	0	
Transfer to / from Collection Fund Adjustment Account	392	
Transfer to / from Accumulated Absences Account	2	
Capital Receipts Reserve	11,856	
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 Statement		
Minimum Revenue Provision (MRP) including voluntary contributions for the repayment of debt and deferred liabilities	2,562	
Revenue contributions to capital expenditure	593	
Employer's contributions payable to the Pensions Account and retirement benefits	5,064	
		(24,732)
Surplus on the Comprehensive Income and Expenditure Statement for the year		**(18,618)**

	2017/18	
	£'000	£'000
Surplus for year		491
Budgeted transfer from reserves		-2,892
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		
IAS 19- Retirement Benefits	-26,501	
Firefighter Pension Top up Grant	10,343	
Depreciation, Impairment, Amortisation and other charges for assets	-2,506	
Capital Grants Applied	0	
Profit/Loss on sale of non-current assets including adjustments involving capital receipts reserve	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		
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	
		-10,484
Surplus on the Comprehensive Income and Expenditure		**-11,164**

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; and
- earmarked reserves: sums set aside to meet known or predicted specific requirements.

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

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

Reserve	Justification	£'000
Pension	To cover expenditure that had to be deferred from 2018/19 into 2019/20	100
Uniform and PPE	To cover expenditure that had to be deferred from 2018/19 into 2019/20	115
Auxiliary	To provide training and equipment for auxiliary staff	25
Furniture	To cover expenditure that had to be deferred from 2018/19 into 2019/20	20
Swift Water Rescue Equipment	To fund investment in swift water rescue	100
Transformation	To provide funding for the Transformation Programme	457
Unapplied Capital Receipts	Capital received from the sale of the Temple Back HQ site	5,689
Total		**6,506**

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. Existing and potential financial pressures on a risk basis are considered and this has been informed by the Medium Term Financial Planning (MTFP) process.

Capital Budget and Spending 2018/19

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 2018/19, The Fire Authority set a revised capital programme of £4.3m (2017/18 £4.0m). Capital expenditure for the year is shown in the table below:

Area	Revised Budget 2018/19 £'000	Outturn including slippage £'000	Projected Variation £'000	Slippage £'000
Fleet	2,150	2,156	6	1,850
Premises	767	767	0	596
Reinvesting for the Future	500	500	0	189
Operational Equipment	191	185	(6)	145
IT	452	453	1	357
Funds not allocated	278	278	0	245
Total Programme	4,338	4,339	1	3,382

The programme for 2017/18 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 £1k (2018 £62k).

Funding for the programme was met from the following sources:

Funding Source	2018/19 Funding £'000	Total Programme Funding £'000
Capital Grant	0	0
Revenue Contributions	646	1,197
Capital Receipts / Capital Reserves	311	2,778
Prudential Borrowing	0	0
Total Funding	957	3,975

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

<u>Premises</u>

- Commencement of the Reinvesting for the Future project with work starting on the redevelopment of Avonmouth fire station;
- A range of environmental initiatives including the installation of solar panels at four stations.

<u>Fleet</u>

- The completion of a new appliance;
- The purchase of three new ancillary vehicles including an electric van; and
- The purchase of a new rescue boat.

The budgets for a number of capital items have been rolled (slipped) forward into 2019/20. An analysis of the prudential indicators demonstrates that borrowing was maintained within 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 £2.4m (2017/18 £1.6m). Total loans outstanding at year end stood at £7.0m (2017/18 £9.4m). This all comprises long-term loans. In addition the Authority has deferred borrowing of £5.9m (2017/18 £9.8m) outstanding as at 31 March 2019. 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	20,176	15,354	(4,822)
Financing costs as a % of revenue	4.32%	6.74%	2.42%
Impact on Council Tax	£2.51	£6.10	£3.59
Operational Boundary for external debt	20,176	15,354	(4,822)
Authorised Limit for external debt	21,176	16,354	(4,822)

Prior Year Adjustments

The Fire Authority has identified the following errors that impact on the cost of services resulting in a prior year adjustment being required:

- Pension – Due to an error in information previously provided to the Actuary an adjustment was required and made to the opening balance in the 2014/15 accounts to ensure the correct opening balance was used. The Actuary was notified of the error and this was corrected within their 2015/16 report. The manual adjustment made in 2014/15 for £2,425k should have then been reversed out in 2015/16 but this was overlooked in error resulting in the liability being understated by this amount in all subsequent years.

- Asset management system - Following a comprehensive review of the Fire Authority's asset management system a number of errors were identified as follows:
  i) Initial configuration error – During 2009/10 the Fire Authority purchased a new asset management system in order to account for its Property, Plant and Equipment (PPE) in accordance with proper accounting practices. When the data from the previous system was set up in the new system the consultant set up the existing impairment reserve of £20.6m as at 31 March 2009 incorrectly. As a result reversals of prior year impairments have not been accounted for correctly since 2009/10.
  ii) During an upgrade of the system in 2014 an options box within the system configuration was not selected resulting in the system not applying the appropriate accounting treatment. This error has had no impact on 2017/18 figures but has had an impact on previous years.
  iii) Other identified errors. The impact of these errors have been grouped together in the following tables as Other System Adjustments:
     - Enhancements to assets not properly recorded in the historic cost book.
     - Part disposal of an asset not recorded resulting in the asset values being overstated.
     - Incorrect depreciation being calculated on a small number of assets.
     - The valuation report provided by the external valuers for December 2016 omitted some costs applicable to one of the components included within the overall value of the Fire Authority's premises. The impact of this omission was that the Fire Authority's premises were undervalued in 2016/17. The December 2017 valuation report included all relevant costs and this had the effect of overstating the upwards revaluation.

  The asset management system has been reviewed by the software provider and thoroughly tested. It has also been subject to independent testing by the Fire Authority's internal and external auditors and the Fire Authority is reasonably assured that it is now correct. In line with the auditor's recommendations, improved procedures have been implemented to ensure that the system is updated correctly and that outputs are reviewed and checked in the future.

The following tables show the impact on the prime statements from the draft position reported as at 31 May 2020 for the financial year ended 31 March 2018:

Effect on the Comprehensive Income and Expenditure Statement 2017/18

	2017/2018				
	Originally Stated Net Expenditure	Restated Net Expenditure	Total Amount of Restatement	Impairment Reserve Treatment	Other System Amendments
	£'000	£'000	£'000	£'000	£'000
Fire fighting and rescue operations	46,615	47,429	814	(306)	1,120
Cost of Service	**46,615**	**47,429**	**814**	**(306)**	**1,120**
(Surplus) or Deficit on Provision of Services	**10,350**	**11,164**	**814**	**(306)**	**1,120**
(Surplus) or Deficit on revaluation of non-current assets	(4,514)	(3,044)	1,470	339	1,131
Other Comprehensive Income and Expenditure	**1,763**	**3233**	**1,470**	**339**	**1,131**
Total Comprehensive Income and Expenditure	**12,113**	**14,397**	**2,284**	**33**	**2,251**

Effect on line items in the Balance Sheet as at 31 March 2018

	2017/2018					
	As Originally Stated 31/03/2018	As Restated 31/03/2018	Total Amount of Restatement	Pension – Reversal of adjustment	Impairment Reserve Treatment	Other System Amendments
	£'000	£'000	£'000	£'000	£'000	£'000
Property, Plant & Equipment	56,299	56,611	312	-	-	312
Long Term Assets	**56,299**	**56,611**	**312**	**-**	**-**	**312**
Net Pensions Liability	(612,690)	(615,115)	(2,425)	(2,425)	-	-
Long Term Liabilities	**(624,126)**	**(626,551)**	**(2,425)**	**(2,425)**	**-**	**-**
Net Assets	**(565,532)**	**-567645**	**(2,113)**	**(2,425)**	**-**	**312**
Unusable Reserves	(573,725)	(575,838)	(2,113)	(2,425)	484	(172)
Total Reserves	**(565,532)**	**(567,645)**	**(2,113)**	**(2,425)**	**484**	**(172)**

Effect on the Movement in Reserves statement 2017/18

	2017/2018					
	Originally Stated Total Authority Reserves	Rsated Total Authority Reserves	Total Amount of Restatement	Pension – Reversal of adjustment	Impairment Reserve Treatment	Other System Amendments
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017	(553,419)	(553,249)	170	(2,425)	517	2,079
Movement in reserves during 2017/18						
Surplus or (deficit) on the provision of services	(10,350)	(11,164)	(814)	-	306	(1,120)
Other Comprehensive Income and Expenditure	(1,763)	(3,233)	(1,470)	-	(339)	(1,131)
Total Comprehensive Income and Expenditure	**(12,113)**	**(14,397)**	**(2,284)**	-	**(33)**	**(2,251)**
Adjustments between accounting basis & funding basis under regulations (note 13)	-	-	-	-	-	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(12,113)	(14,397)	(2,284)	-	(33)	(2,251)
Transfers to/from earmarked Reserves (note 25)	-	0	-	-	-	-
Increase / (Decrease) in 2017/18	(12,113)	(14,397)	(2,284)	-	(33)	(2,251)
Balance at 31 March 2018	**(565,532)**	**(567,646)**	**(2,114)**	**(2,425)**	**484**	**(172)**

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 8 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 £0.17m (£0.09m 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 2018/19 to reflect the uncertainty around interest rates and other possible fluctuations.

THE STATEMENT OF ACCOUNTS

The Statement of Accounts explains the Fire Authority's finances during the financial year 2018/19 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 2018/19 comprises:

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

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

- **The Independent Auditor's Report** – this contains the external auditor's audit opinion and audit certificate.

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

The Comprehensive Income and Expenditure Statement

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

Comprehensive Income and Expenditure	2017/18 £'000	2018/19 £'000	Change £'000
Cost of providing services	47,429	71,179	23,750
Financing and investment income and expenditure (net) including other operating income and expenditure	15,951	2,816	(13,135)
Taxation and Grant Income including Firefighter Pension top-up grant	(52,216)	(55,377)	(3,161)
Total deficit / (surplus) on the provision of services	**11,164**	**18,618**	**7,454**
Surplus on revaluation of assets	(3,044)	(6,997)	(3,953)
Actuarial losses on pension assets	6,277	19,034	12,757
Total other income and expenditure	**3,233**	**12,037**	**8,804**
Total comprehensive income and expenditure	**14,397**	**30,655**	**16,258**

The statement in respect of 2018/19 for the Authority shows that a deficit of £18.62m (2018 deficit of £11.16m) was made on the provision of the Authority's services, a £7.45m decrease (2018 £0.39m) on the previous year. The cost of providing the Authority's Services for the year was £71.18m (2018 £47.43m) which was offset by grants and taxation receipts of £55.38m (2018 £52.22m). Additional costs of £2.82m (2018 £15.95m) 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 2018/19 accounts show a deficit of £12.04m (2018 £3.23m) on other comprehensive income and expenditure which primarily reflects actuarial losses on pension funds of £19.03m

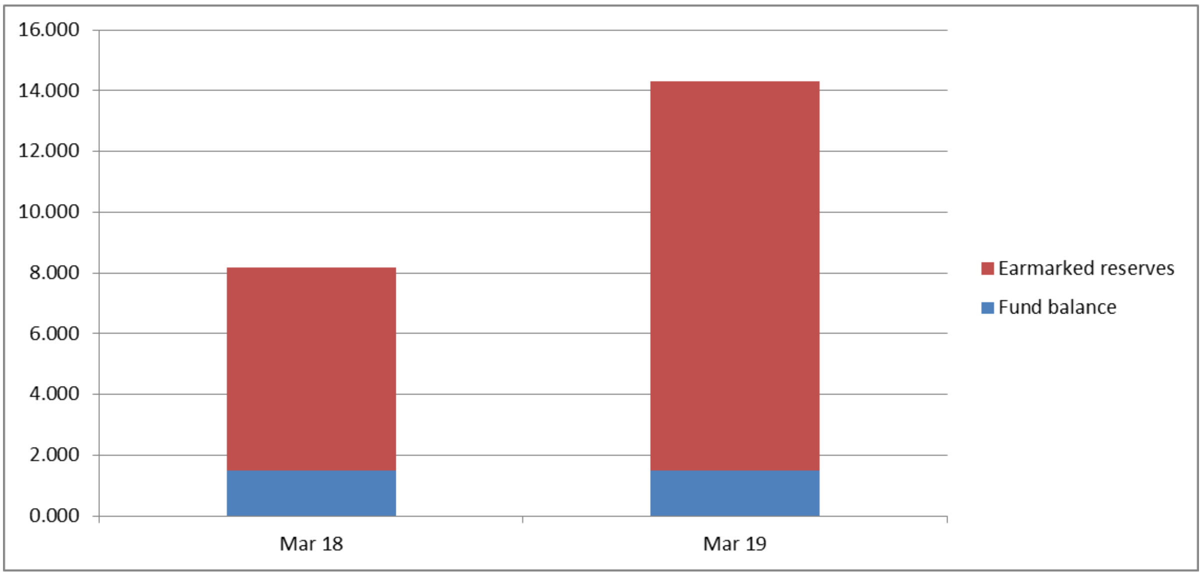
(2018 £6.28m) offset by a surplus on the revaluation of some of the Authority's assets of £7.00m (2018 £3.04m).

In total the Comprehensive Income and Expenditure Statement shows a deficit of £30.66m compared to a deficit of £14.40m in 2017/18, a reduction of £16.26m. The deficit for the year of £30.66m is contained within the Movement in Reserves Statement.

The Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 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 underspend of £0.8m (2017/18 £0.5m) against its revised budget of £42.1m (2017/18 £43.1m). The total net transfer to reserves of £6.11m (2017/18 £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 41 of the Statement of Accounts. The Total Useable Reserves shown in this statement has increased by £6.11m (2017/18 £0.68m decrease), reflecting the movement to reserves of £6.51m less the reserves utilised during the year of £0.39m.

The statement also identifies that the Authority has a general fund balance of £1.5m (2017/18 £1.5m) and earmarked reserves of £12.8m (2017/18 £6.7m) equating to total useable reserves of £14.3m (2017/18 £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 useable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet	2017/18 £'000	2018/19 £'000	Change £'000
Long-term assets	56,745	69,092	12,347
Current assets	10,388	15,531	5,143
Current liabilities	(8,227)	(6,733)	1,494
Long-term liabilities	(626,551)	(676,191)	(49,640)
Net Liabilities	**(567,645)**	**(598,301)**	**(30,656)**
Usable reserves	8,193	14,307	6,114
Unusable reserves	(575,838)	(612,608)	(36,770)
Total reserves	**(567,645)**	**(598,301)**	**(30,656)**

The Authority has long-term assets worth £69.1m (2017/18 £56.7m) primarily comprising land and buildings and vehicles.

Current assets at 31 March 2019 were £15.5m (2017/18 £10.4m) represented by short-term debtors of £8.6m (2017/18 £5.7m) and cash and cash equivalents of £6.9m (2017/18 nil). This is an increase of £5.1m over the year and is primarily due to the assets held for sale being disposed of and a cash balance of £6.9m. Current liabilities at 31 March 2019 were £6.7m (2017/18 £8.2m) comprising provisions of £1.2m (2017/18 £1.5m) and creditors of £5.5m (2017/18 £4.6m), the movement in year primarily being as a result of the reduction in overdraft and short-term borrowings.

The Balance Sheet identifies other long-term liabilities of £676.2m (2017/18 £626.6m). This primarily reflects future pension cash flows as calculated under accounting standard IAS 19. It should be noted that these have increased by £49.6m from 2017/18. Long-term borrowing has decreased by £1.4m to £7.0m.

The useable 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 useable reserve.

As at 31 March 2019 the Fire Authority had £14.3m (2017/18 £8.2m) of useable reserves, an increase of £6.1m, details of the reserves created are referred to earlier in this statement and shown in note 25 to the accounts. The deficit on unuseable reserves increased by £39.3m, 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	2017/18 £'000	2018/19 £'000	Change £'000
Net cash flows from operating activities	(5,020)	(1,683)	3,337
Investing activities	1,212	(8,952)	(10,164)
Financing activities	1,727	2,562	835
Change in cash / cash equivalents	**(2,081)**	**(8,073)**	**(5,992)**
Cash / cash equivalents beginning of the year	3,274	1,193	(2,081)
Cash / cash equivalents end of the year	1,193	(6,880)	(8,073)
Change in cash / cash equivalents	**(2,081)**	**(8,073)**	**(5,992)**

In summary the Authority received surplus cash flows from operating activities of £1.7m (2017/18 £5.0m), an increase of £3.3m on the previous year. The surplus on investing cash flows was £9.0m (2017/18 £1.2m deficit) primarily representing the capital receipt on the sale of the former HQ at Temple Back. The deficit on financing activities was £2.6m (2017/18 £1.7m) representing the repayment of the PFI contract obligation and long-term debts.

The overall increase in cash and cash equivalents was £8.1m (2017/18 £2.1m) for the year.

The Firefighters' Pension Fund Account and Net Assets Statement

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

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

Total pension expenditure for the year was £18.4m (2017/18 £15.0m); employer contributions totalled £2.8m (2017/18 £3.0m) for the year. In total Government top-up grant of £13.0m (2017/18 £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 Fire Authority has published its Service Plan 2019-22 which incorporates its Integrated Risk Management Plan (IRMP). The Service Plan reflects the changing risk profile in Avon Fire Authority's area and indicates how resources and capability will be used to mitigate foreseeable risks in our communities. The Fire Authority's Service Plan 2019-22 can be viewed at https://www.avonfire.gov.uk/documents/category/216-service-plan

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 revised approved four-year medium-term financial plan covering the period 2019 to 2023 is summarised below:

Detail Analysis	19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000
Employees	37,182	37,662	38,425	39,135
Premises	2,376	2,341	2,398	2,457
Transport	1,833	1,870	1,907	1,946
Supplies and Services	5,702	5,558	5,663	5,720
Other Costs	1,528	1,529	1,861	1,981
Unidentified Savings	0	(1,987)	(718)	91
Total Expenditure	48,621	46,973	49,536	51,330
Income	(4,900)	(2,888)	(2,700)	(2,763)
Budget before use of reserves	**43,721**	**44,085**	**46,836**	**48,567**
Reserves	(650)	(280)	(30)	(30)
Net Budget	**43,071**	**43,805**	**46,806**	**48,537**

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 2019/20 - 2022/23 Area	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Employees	(92)	0	0	0	(92)
Premises	(89)	0	0	0	(89)
Transport	0	0	0	0	0
Supplies and Services	(178)	0	0	0	(178)
Other Costs	0	0	0	0	0
Unidentified savings	0	(1,987)	(718)	91	(2,614)
Total Savings	(359)	(1,987)	(718)	91	(2,973)
Income	0	0	0	0	0
Use of Reserves	0	0	0	0	0
Total reductions	(359)	(1,987)	(718)	91	(2,973)

These forecast savings for the period 2019 - 2023 do not include any potential impact of Brexit. At the time of publication of the financial statements the UK has now left the European Union. In reviewing the MTFP the Authority has carried out an initial impact assessment, based on a no-deal scenario, in terms of how it may adversely impact future funding streams and costs. Whilst it is not possible to make forecasts with any certainty this assessment has highlighted the level of risk to the Authority's finances and provided some assurance that this risk can be mitigated in the medium-term through the use of reserve balances.

The objectives of the MTFP are:

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

Brexit

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

It is not possible to provide financial forecasts of the impact of Brexit with any certainty. A report on the likely impact of Brexit on the Authority's Medium Term Financial Plan 2019 – 2023 was presented to the Fire Authority in March 2019 and this is available at https://www.avonfire.gov.uk/documents/category/217-2019.

The focus of this initial impact assessment was to identify those finance and funding risks likely to be impacted by Brexit in the short term i.e. the next two years. It is considered that suitable mitigations are in place to manage those finance and funding risks for the next financial year 2019/20 but this will be carefully monitored.

Covid 19

The COVID-19 outbreak has been developing worldwide at different rates since it first emerged in China in December 2019 resulting in the World Health Organisation declaring a global pandemic on 11th March 2020. So far it has caused substantial volatility in financial markets and disruption in supply chains. It is possible it will also cause further disruption to normal working practices in the UK as the outbreak escalates. The Authority has established a Critical incident Management Team to oversee and plan. The business continuity plans have been reviewed, since travel and office based working have been severely curtailed. The Authority is satisfied that it has in place appropriate plans, including home working with access to secure IT equipment and platforms, so as to minimise disruption to services. It has been identified that the IT infrastructure, whilst adequate to support activities in the short term, has some long term issues that will need to be resolved, and this work is being undertaken by the Transformation and IT teams.

As a provider of frontline public services, there have been minimal operational impacts on the Authority as it to maintains the delivery of its core services. Due to the financing arrangements with the constituent Unitary Authorities, as at the date of signing, the Authority is not expecting a reduction in funding in the 2020/21 financial year. The precept and non-domestic rates will be paid by the Unitary Authorities as set out in the budget schedules. In addition Central Government funding totalling £1.16m has been allocated to the Authority to pay for additional Covid 19 related costs.

The Authority also expects a negative impact on property asset values.

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 Secondary Fires excluding vehicles where we were just off target.

We have had success this year in reducing the number of deliberate vehicle fires we attended by 18% or 75 incidents. Furthermore 43.6% of accidental dwelling fires that we attended in 2018/19 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 our target of zero fire deaths. In 2018/19 we recorded three fire fatalities (2018 five).

The table below shows the key performance indicators that are considered central to monitoring performance against strategic objectives. The table shows how we measured against target for each indicator in 2018/19 and also compares our performance against 2017/18:

	How we compare against target (2018/19)		How we compared with the previous year (2017/18)		
	Target (2018/19)	Actual (2018/19)	Actual (2017/18)	Numerical change	% change
Preventing					
Accidental dwelling fires (ADF)	475	534	531	+3	+0.6%
Deliberate primary fires (excluding vehicles)	233	227	244	-17	-7.0%
All deliberate vehicle fires	351	333	408	-75	-18.4%
Deliberate secondary fires (excluding vehicles)	1,030	1,143	1,032	+111	+10.8%
Protecting					
Percentage of ADFs where no fire and rescue service firefighting action is required.	Monitor only	43.6%	41.4%	N/A	+2.2%
Responding					
Initial call fire in Building Cat.1: First Appliance in 8 mins	85%	91%	91%	N/A	0.0%
Initial call fire in Building Cat.2: First Appliance in 10 mins	90%	96%	98%	N/A	-2.0%
Initial call fire in Building Cat.3: First Appliance in 15 mins	95%	94%	97%	N/A	-3.0%
Full resources required mobilised to fire in building	95%	100%	100%	N/A	0.0%
Initial call fire – all other: First attendance in 15 mins	95%	96%	97%	N/A	-1.0%
Life threatening non-fire emergency: First attendance in 15 mins	95%	97%	97%	N/A	0.0%
Calls for assistance answered within seven seconds	94%	94.5%	96.1%	N/A	-1.6%

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

We are pleased to report that all of our response standards have been met, ensuring a lifesaving response is in attendance within the time that we have said we will achieve. We also answered over 94.5% (2018 96.6%) of 999 calls we received within our target time of seven seconds.

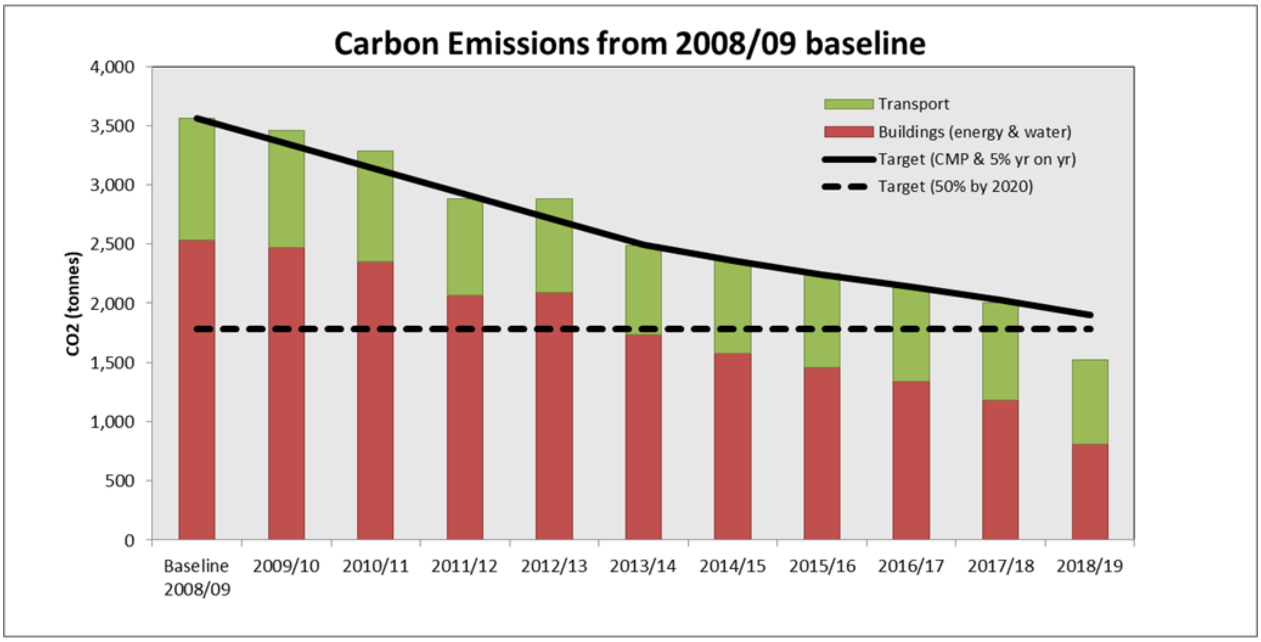
More information on organisational performance can be found on our web-site at - https://www.avonfire.gov.uk/documents/category/64-our-performance

CO_2 Emissions Report and Environmental Update 2018/19

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 2008/09, 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 2018/19, emissions have fallen by 24% when compared to the previous year, bringing us to a reduction of 57% on our 2008/09 baseline, so we have already significantly exceeded 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 and an increasing proportion of our energy supplied by renewable electricity. They are also due to changes in the carbon factors used to calculate carbon emissions as more mains grid electricity comes from renewable sources and an increasing percentage of fuel station diesel being biodiesel.

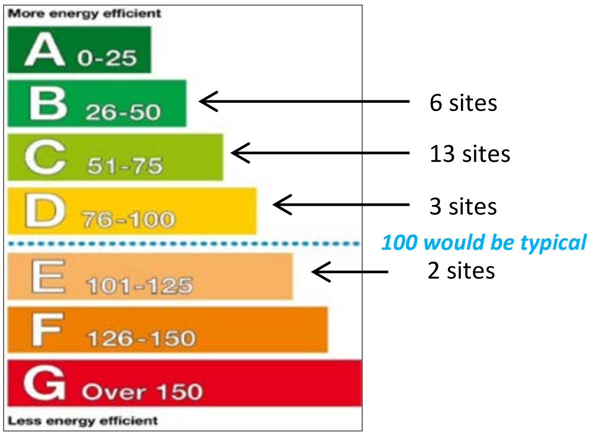
Property Emissions

Over the past year, we have achieved a considerable 13% reduction in energy consumption (kWh) compared to the previous year, largely due to the ongoing programme of lighting and heating improvements at a number of our poorly performing stations, as well as installation of new solar PV systems. Against our longer-term target, we have now reduced energy consumption by 55% from a 2011/12 baseline, already exceeding our target of a 50% reduction by 2020.

Display Energy Certificates (DECs)

It is a statutory requirement for all public sector buildings above 250m2 floor area to display an annual certificate showing the energy performance of a building based on actual consumption. DECs provide an 'A to G' rating based on a comparison with a theoretical benchmark building with a performance typical of its type, where A is the lowest CO_2 emission (best) and G is the highest (worst).

We have DECs for 24 of our buildings including 'proxy' DECs for our buildings less than 250m2, 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 (65), 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 SWCDC, 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: plant room and pipework insulation at Bath; installation of double-glazed windows throughout Thornbury station.
- Further heating system improvements were made at retained stations including: a complete new plant room, heating and hot water system at Yate; disconnection of underfloor heating at Blagdon; new pipework and radiators at Thornbury, Paulton and Clevedon.

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 2018/19 a number of technical improvements were made to optimise building efficiency and the installation of BMS at Lansdown SWCDC and in the new plant room at Yate.

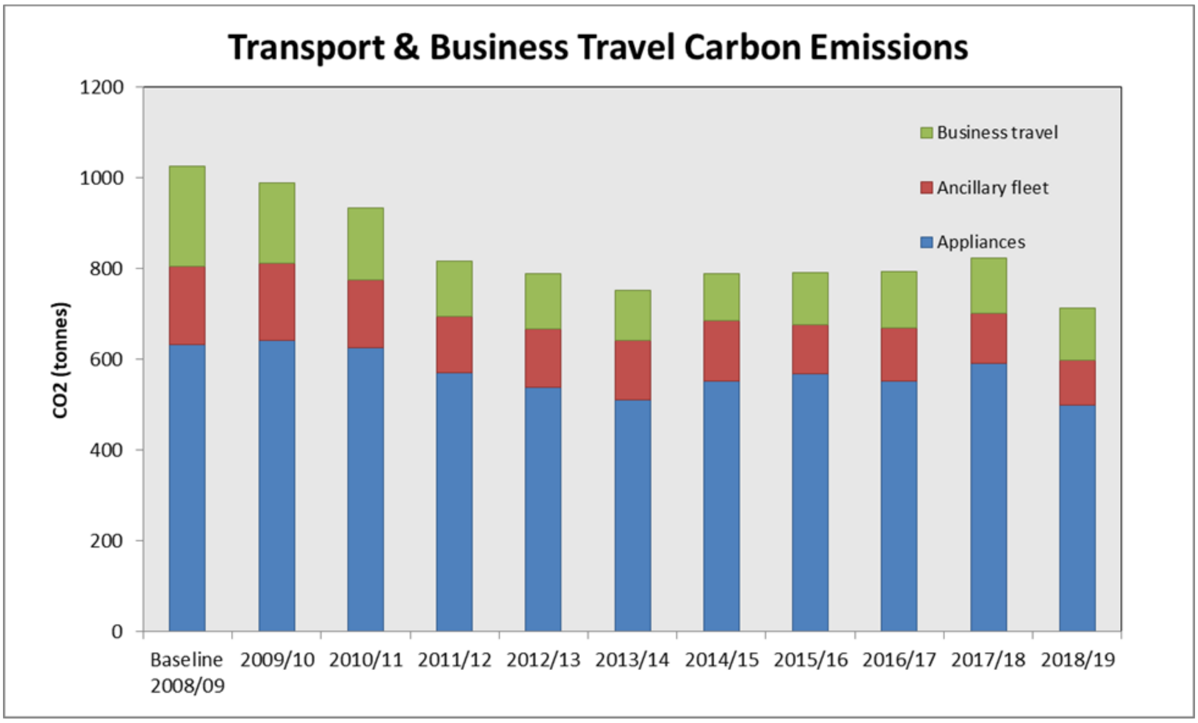
Renewable Energy

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 2018/19, we had already exceeded the 2020 target, with 47% 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 installed three further PV systems at Yate, Blagdon and Kingswood, in order to benefit from the government's Feed In Tariff subsidy scheme before it was withdrawn in April 2019.

Transport Emissions

Emissions associated with Transport have fallen by 30% compared to a 2008/09 baseline, due to a reduction in appliance fuel usage, disposal of Euro 3 vehicles and an increase of the percentage of biodiesel in the fuel station diesel mix.



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 were disposed of in 2018.
A comprehensive fleet review was undertaken in 2018 by the Energy Savings Trust in light of the proposed Clean Air Zones in Bristol and Bath. This has assessed our current compliance/non-compliance with the Clean Air Zone restrictions and has identified opportunities to reduce emissions and/or replace existing vehicles with low emission vehicles. The first two electric vans have now been procured for use by the Community Fire Safety team.

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
Two further electric car charging points have been installed at Bedminster and Nova Way, partly funded by national and regional grant schemes. This brings the number of charge-points at our sites to five. These are for use for electric fleet vehicles and by staff for charging pool cars and their own vehicles.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

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

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

to approve the statement of accounts.

The Treasurer's Responsibilities

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

In preparing this statement of accounts, the Treasurer has:

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent;

complied with the code of practice.

The Treasurer has also:

kept proper accounting records which were up to date;

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

I certify that the statement of accounts on pages 40-116 provide a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2019.

Signed

D. Neale

Danielle Neale
Treasurer of the Avon Fire Authority
28th July 2020

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2019

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 2017/2018				2018/2019		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
50,784	(3,355)	47,429	Fire fighting and rescue operations	74,662	(3,483)	71,179
50,784	**(3,355)**	**47,429**	**Cost of Services**	**74,662**	**(3,483)**	**71,179**
		(590)	Other operating income			(13,215)
		(10,343)	Firefighter Pension Top up Grant			(12,954)
		16,541	Financing and investment income and expenditure (note 29)			16,031
		(41,873)	Taxation and non-specific grant income (note 28)			(42,423)
		11,164	**Deficit on Provision of Services**			**18,618**
		(3,044)	Surplus on revaluation of non-current assets			(6,997)
		6,277	Remeasurements of the net defined benefit liability			19,034
		-	Items that may be reclassified to the (Surplus) or Deficit on the Provision on Services			-
		3,233	**Other Comprehensive Income and Expenditure**			**12,037**
		14,397	**Total Comprehensive Income and Expenditure**			**30,655**

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.

Restated	General Fund Balance £'000	Earmarked Fund Reserves £'000	Unapplied Capital Receipts Reserve £'000	**Total Usable reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 1 April 2017	**1,500**	**7,373**	**-**	**8,873**	**(562,121)**	**(553,248)**
Movement in reserves during 2017/18						
Deficit on the provision of services	(11,164)	-	-	(11,164)	-	(11,164)
Other Comprehensive Income and Expenditure	-	-	-	-	(3,233)	(3,233)
Total Comprehensive Income and Expenditure	**(11,164)**	**-**	**-**	**(11,164)**	**(3,233)**	**(14,397)**
Adjustments between accounting basis & funding basis under regulations (note 13)	10,484	-	-	10,484	(10,484)	
Net decrease before Transfers to Earmarked Reserves	**(680)**	**-**	**-**	**(680)**	**(13,717)**	**(14,397)**
Transfers to/from earmarked Reserves (note 25)	680	(680)	-	-	-	-
Decrease in 2017/18	**-**	**(680)**	**-**	**(680)**	**(13,717)**	**(14,397)**
Balance at 31 March 2018 carried forward	**1,500**	**6,693**	**-**	**8,193**	**(575,838)**	**(567,645)**
Movement in reserves during 2018/19						
Deficit on the provision of services	(18,618)	-	-	(18,618)	-	(18,618)
Other Comprehensive Expenditure	-	-	-	-	(12,037)	(12,037)
Total Comprehensive Income and Expenditure	**(18,618)**	**-**	**-**	**(18,618)**	**(12,037)**	**(30,655)**
Adjustments between accounting basis & funding basis under regulations (note 13)	24,732	-	-	24,732	(24,732)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**6,114**	**-**	**-**	**6,114**	**(36,769)**	**(30,655)**
Transfers to/from earmarked Reserves (note 25)	(6,114)	425	5,689	-	-	-
Increase/(Decrease) in 2018/19	**-**	**425**	**5,689**	**6,114**	**(36,769)**	**(30,655)**
Balance at 31 March 2019 carried forward	**1,500**	**7,118**	**5,689**	**14,307**	**(612,608)**	**(598,301)**

Balance Sheet as at 31 March 2019

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

Restated 31-Mar-17 £'000	Restated 31-Mar-18 £'000		Notes	31-Mar-19 £'000
54,697	56,611	Property, Plant & Equipment	14	61,009
156	134	Intangible assets	14	83
	-	Long-term Debtor - Deferred Capital Receipt	18	8,000
54,853	**56,745**	**Long-term Assets**		**69,092**
4,806	4,664	Assets Held for Sale	14	-
8,854	5,724	Short-term Debtors	18	8,651
-	-	Cash and Cash Equivalents	19	6,880
13,660	**10,388**	**Current Assets**		**15,531**
(3,274)	(1,193)	Cash and Cash Equivalents	19	-
(796)	(954)	Short-term Borrowing	22	-
(1,065)	(1,453)	Short-term Provisions	23	(1,189)
(5,114)	(4,627)	Short-term Creditors	20	(5,544)
(10,249)	**(8,227)**	**Current Liabilities**		**(6,733)**
(10,162)	(8,428)	Long-term borrowing	21	(7,000)
		Other Long-term Liabilities		
(598,162)	(615,115)	Net Pensions Liability	27	(666,378)
(590)	(590)	Long-term Provisions	24	(590)
(2,598)	(2,418)	Deferred Liability	8	(2,223)
(611,512)	**(626,551)**	**Long-term Liabilities**		**(676,191)**
(553,248)	**(567,645)**	**Net Liabilities**		**(598,301)**
8,873	8,193	Usable Reserves	25	14,307
(562,121)	(575,838)	Unusable Reserves	26	(612,608)
(553,248)	**(567,645)**	**Total Reserves**		**(598,301)**

Signed

Donald Davies

Donald Davies
Chair of the Avon Fire Authority
28th July 2020

D. Neale

Danielle Neale
Treasurer of the Avon Fire Authority
28th July 2020

Cash Flow Statement

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

Restated 2017/2018 £'000		2018/2019 £'000
11,164	Net deficit/(surplus) on the provision of services	18,618
(16,938)	Adjustments to net deficit/(surplus) on the provision of services for non-cash movements (note 30)	(38,211)
754	Adjustments for items included in the net deficit/(surplus) on the provision of services that are investing and financing activities (note 30)	17,910
(5,020)	Net cash flows from Operating Activities (note 30)	(1,683)
1,212	Investing Activities (note 31)	(8,952)
1,727	Financing Activities (note 32)	2,562
(2,081)	Net increase or decrease in cash and cash equivalents	(8,073)
3,274	Cash and cash equivalents at the beginning of the reporting period	1,193
1,193	**Cash and cash equivalents at the end of the reporting period (note 19) overdraft (in-hand)**	**(6,880)**

Notes to the Core Financial Statements

1. **Statement of Accounting Policies**

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19 supported by International Financial Reporting Standards (IFRS).

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

ii Accruals of Income and Expenditure

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

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

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

iii Cash and Cash Equivalents and Bank Overdrafts

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

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

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

iv Exceptional Items

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

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

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

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

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

vi Charges to Revenue for Non-Current Assets

Services and support services are charged with the following amounts to record the cost of holding fixed assets during the year:

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

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

vii Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

The Firefighters Pension Schemes

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

The Local Government Pension Scheme

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

- The liabilities of the Avon Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of projected earnings for current employees.

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

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

Discretionary Benefits

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

Long-term Disability Benefit

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

viii Events After the Balance Sheet Date

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

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

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

ix Financial Instruments and Fair Value Measurement

The accounting policy for financial instruments has been amended in 2018/19 as a result of the adoption by the Code of IFRS 9. However, as the Authority does not have complex borrowing or lending arrangements, the accounting treatment of financial instruments has not changed. The Authority's financial assets and financial liabilities are classified as held at amortised cost.

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Fair value measurement

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

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

Financial instruments as set out in note 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 on a straight line basses over its useful life of 5 years to the Fire fighting and rescue operations service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

<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.

<u>Measurement</u>

Assets are initially measured at cost, comprising:

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

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

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

<u>Valuation</u>

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. The depreciated replacement cost assumes that the asset would be replaced with a modern equivalent, not a building of identical design, with the same service potential as the existing asset.

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

Depreciation is not charged in the year of acquisition.

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

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

Disposals

When an asset is disposed of, or decommissioned, the carrying amount of the asset in the

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

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

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

<u>Assets Held for Sale</u>

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

xiii Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – recognised as non-current assets on the Balance Sheet.

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

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

xiv Provisions, Contingent Liabilities and Contingent Assets

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.

xv Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xvi VAT

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

xvii Council Tax and Non-Domestic Rates

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

2.

a. Critical Judgements in Applying Accounting Policies

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

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

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

The items in the Authority's Balance Sheet at 31 March 2019 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 27.

- 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.

- Land and Building assets are subject to external valuations every 5 years. These valuations are physically completed for an element of the asset stock and then applied across the full asset stock. Although these valuations are completed by industry experts they are estimates and due to the high value of such assets there is a risk of error as the estimates could result in significant differences. No assumption has been made in relation to the potential impact of Brexit on property valuations as at this stage it is not possible to make forecasts with any certainty.

c. Accounting Standards issued but not yet adopted

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

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

For this disclosure the standards introduced by the 2018/19 Code only include a number of minor amendments to the following International Financial Reporting Standards and are currently not applicable to the Authority.

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2020.

IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be classified as investment property.

IFRIC 22 Foreign Currency Transactions and Advanced Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods.

IFRIC 23 Uncertainty Over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty.

IFRS 9 Financial Instruments: prepayment features with negative compensation amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.

3. Prior Period Adjustments

The Fire Authority has identified the following errors that impact on the cost of services for the financial year ended 31 March 2018 and Balance sheet as at that date:

1. Pension – Due to an error in information previously provided to the Actuary an adjustment was required and made to the opening balance in the 2014/15 accounts to ensure the correct opening balance was used. The Actuary was notified of the error and this was corrected within their 2015/16 report. The manual adjustment made in 2014/15 for £2,425k should have then been reversed out in 2015/16 but this was overlooked in error resulting in the liability being understated by this amount in all subsequent years.

2. Asset Management System errors.
   Following a comprehensive review of the Fire Authority's asset management system a number of errors were identified as follows:

i. Initial configuration error: - During 2009/10 the Fire Authority purchased a new asset management system in order to account for the use of its Property, Plant and Equipment (PPE) in accordance with proper accounting practices. Prior to the introduction of the new system the Fire Authority operated a spreadsheet system to account for its PPE. When the data from the spreadsheet system was set up in the new system the consultant set up the existing memorandum impairment reserve of £20.6m as at 31 March 2009 incorrectly. As a result reversals of prior year impairments have not been accounted for correctly since 2009/10.

ii. During an upgrade of the system in 2014 an options box within the system configuration was not selected resulting in the system not applying the appropriate accounting treatment. This error has had no impact on 2017/18 figures but has had an impact on historic prior years.

iii. Other identified errors, the impact of these errors have been grouped together in the following tables as Other System Adjustments:

- Enhancements to assets not properly recorded in the historic cost book.
- Part disposal of an asset not recorded resulting in the asset values being overstated.
- Incorrect depreciation being calculated on a small number of assets.
- The valuation report provided by the external valuers for December 2016 omitted some costs applicable to one of the components included within the overall value of the Fire Authority's premises. The impact of this omission was that the Fire Authority's premises were undervalued in 2016/17. The December 2017 valuation report included all relevant costs and this had the effect of overstating the upwards revaluation.

The Asset Management system has been reviewed by the software provider and thoroughly tested. It has also been subject to independent testing by the Fire Authority's external and internal auditors and the Fire Authority is reasonably assured that it is now correct. In line with the auditors recommendations improved procedures have been implemented to ensure that the system is updated correctly and that outputs are reviewed and checked in future.

The following tables show the impact on the prime statements from the draft position reported as at 31 May 2019 for the financial year ended 31 March 2018.

Effect on line items in the Comprehensive Income and Expenditure Statement 2017/18

	Originally Stated Net Expenditure	Restated Net Expenditure	Total Amount of Restatement	Impairment Reserve Treatment	Other System Amendments
	2017/2018				
	£'000	£'000	£'000	£'000	£'000
Fire fighting and rescue operations	46,615	47,429	814	(306)	1,120
Cost of Service	**46,615**	**47,429**	**814**	**(306)**	**1,120**
(Surplus) or Deficit on Provision of Services	**10,350**	**11,164**	**814**	**(306)**	**1,120**
(Surplus) or Deficit on revaluation of non-current assets	(4,514)	(3,044)	1,470	339	1,131
Other Comprehensive Income and Expenditure	**1,763**	**3,233**	**1,470**	**339**	**1,131**
Total Comprehensive Income and Expenditure	**12,113**	**14,397**	**2,284**	**33**	**2,251**

Effect on line items in the Balance Sheet 31 March 2018

	As Orignally Stated 31/03/2018	As Restated 31/03/2018	Total Amount of Restatement	Pension – Reversal of adjustment	Impairment Reserve Treatment	Other System Amendments
	2017/2018					
	£'000	£'000	£'000	£'000	£'000	£'000
Property, Plant & Equipment	56,299	56,611	312	-	-	312
Long Term Assets	**56,433**	**56,745**	**312**	**-**	**-**	**312**
Net Pensions Liability	(612,690)	(615,115)	(2,425)	(2,425)	-	-
Long Term Liabilities	**(624,126)**	**(626,551)**	(2,425)	**(2,425)**	**-**	**-**
Net Assets	**(565,532)**	**(567,645)**	**(2,113)**	**(2,425)**	**-**	**312**
Unusable Reserves	(573,725)	(575,838)	(2,113)	2,425	(484)	172
Total Reserves	**(565,532)**	**(567,645)**	**(2,113)**	**2,425**	**(484)**	**172**

Effect on line items in the Movement in Reserves Statement 2017/18

	Originally Stated Total Authority Reserves £'000	Restated Total Authority Reserves £'000	Total Amount of Restatement £'000	Pension – Reversal of adjustment £'000	Impairment Reserve Treatment £'000	Other System Amendments £'000
	2017/2018					
Balance at 31 March 2017	**(553,419)**	**(553,249)**	**170**	**(2,425)**	**517**	**2,079**
Movement in reserves during 2017/18						
Surplus or (deficit) on the provision of services	(10,350)	(11,164)	(814)	-	306	(1,120)
Other Comprehensive Income and Expenditure	(1,763)	(3,233)	(1,470)	-	(339)	(1,131)
Total Comprehensive Income and Expenditure	**(12,113)**	**(14,397)**	**(2,284)**	**-**	**(33)**	**(2,251)**
Adjustments between accounting basis & funding basis under regulations (note 13)	-	-	-	-	-	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(12,113)**	**(14,397)**	**(2,284)**	**-**	**(33)**	**(2,251)**
Transfers to/from earmarked Reserves (note 25)	-	-	-	-	-	-
Increase / (Decrease) in 2017/18	**(12,113)**	**(14,397)**	**(2,284)**	**-**	**(33)**	**(2,251)**
Balance at 31 March 2018	**(565,532)**	**(567,646)**	**(2,114)**	**(2,425)**	**484**	**(172)**

Effect on line items in the Cash Flow Statement 2017/2018

	As Orignally Stated 31/03/2018	As Restated 31/03/2018	Total Amount of Restatement	Impairment Reserve Treatment	Other System Amendments
	2017/2018				
Net deficit/(surplus) on the provision of services	10,350	11,164	814	(306)	1,120
Adjustments to net deficit/(surplus) on the provision of services for non-cash movements (note 30)	(16,124)	(16,938)	(814)	306	(1,120)

The following table show the impact on the Balance Sheet from the audited and published 2017/2018 accounts for the financial year ended 31 March 2017. This third Balance Sheet has been added since the draft position reported as at 31 May 2019.

Effect on line items in the Balance Sheet 31 March 2017

	2016/2017					
	As Orignally Stated 31/03/2017	As Restated 31/03/2017	Total Amount of Restatement	Pension – Reversal of adjustment	Impairment Reserve Treatment	Other System Amendments
	£'000	£'000	£'000	£'000	£'000	£'000
Property, Plant & Equipment	52,101	54,697	2,596	-	33	2,563
Long Term Assets	**52,257**	**54,853**	**2,596**	**-**	**33**	**2,563**
Net Pensions Liability	(595,737)	(598,162)	(2,425)	(2,425)	-	-
Long Term Liabilities	**(609,088)**	**(611,512)**	(2,424)	**(2,425)**	**-**	**-**
Net Assets	**(553,419)**	**(553,248)**	**171**	**(2,425)**	**33**	**2,563**
Unusable Reserves	(562,292)	(562,121)	171	(2,425)	33	2,563
Total Reserves	**(553,419)**	**(553,248)**	**171**	**(2,425)**	**33**	**2,563**

4. 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.

2018/19	Net Expenditure Chargeable to the General Fund £'000	Adjustment between Funding and Accounting Basis (Note 5) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Fire fighting and rescue operations	41,630	29,549	71,179
Net Cost of Service	**41,630**	**29,549**	**71,179**
Other Income	(47,744)	(4,817)	(52,561)
Surplus on Provision of Services	**(6,114)**	**24,732**	**18,618**
Opening Usable Reserves Balance	8,193		
Plus surplus on Usable Reserves Balance in year	6,114		
Closing Usable Reserve Balance at 31 March	14,307		

Restated 2017/18	Net Expenditure Chargeable to the General Fund £'000	Adjustment between Funding and Accounting Basis (Note 5) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Fire fighting and rescue operations	42,338	5,091	47,429
Net Cost of Service	**42,338**	**5,091**	**47,429**
Other Income and Expenditure	(41,658)	5,393	(36,265)
Deficit on Provision of Services	**680**	**10,484**	**11,164**
Opening Usable Reserves Balance	8,873		
Plus surplus on Usable Reserves Balance in year	(680)		
Closing Usable Reserve Balance at 31 March	8,193		

5. Note to the Expenditure and Funding Analysis

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

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

Restated 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	(655)	5,805	(59)	5,091
Net Cost of Service	**(655)**	**5,805**	**(59)**	**5,091**
Other Income and Expenditure	222	4,871	300	5,393
(Surplus) or Deficit on Provision of Services	**(433)**	**10,676**	**241**	**10,484**

- Adjustments for capital purposes

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

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

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

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

- Net change for the pensions' adjustments

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

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

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

- Other Differences

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

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

6. 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 2017/18 £'000		2018/19 £'000
	Expenditure	
37,520	Employee benefits expenses	36,822
9,645	Other Service expenses	8,976
3,096	Depreciation, amortisation and impairment	3,576
(590)	Profit on disposal of non-current assets	(13,215)
16,555	Interest payments	16,263
538	Pension past service costs	25,288
66,764		77,710
	Income	
(430)	Fees & charges and other service income	(458)
(29,415)	Income from Council Tax & Business Rates	(30,868)
(25,725)	Grants and contributions	(27,534)
(30)	Interest and investment income	(232)
(55,600)		(59,092)
11,164	**Deficit/(surplus) on the provision of services**	18,618

7. 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.

2017/2018 £'000		2018/2019 £'000
31	Fees payable with regard to external audit services carried out by the appointed auditor	24

8. Un-discharged obligations – Private Finance Initiative (PFI) scheme (Joint Training Centre)

As set out in the Accounting policies, under a joint PFI venture, the Authority now receives a significant element of its fire training from Babcock Fire Training (Avonmouth) Limited, a company contracted to provide the training until 31 March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates (DBFO) under the PFI contract.

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

2017/2018 £'000		Service Charge £'000	Interest £'000	Repayment of Liability £'000	Total 2018/2019 £'000
1,421	Total contract payments	887	412	179	1,478
	Outstanding undischarged contract obligations:				
1,478	Within 1 year	909	411	195	1,515
6,210	Between 2 and 5 years	3,866	1,589	911	6,366
8,728	Between 6 and 9 years	4,263	1,484	1,311	7,058

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

The fund is forecasted to be in deficit at the end of the contract; however this deficit has decreased as at 31 March 2019 from the deficit that was calculated at 31 March 2018. 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.

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 2018	4,988
Accumulated Depreciation and Impairment	(2,815)
Net Book Value of Asset at 31 March 2018	2,173
<u>Movement in 2018/19</u>	
Lifecycle Replacement Costs	-
Revaluation	535
Depreciation	(271)
Net Book Value of Asset at 31 March 2019	2,437

Summary totals for the corresponding liability are as follows:

	Property Plant & Equipment £'000
PFI Lease Liability outstanding at 31 March 2018	2,596
PFI Lease Liability repaid in 2018/19	(179)
PFI Lease Liability outstanding at 31 March 2019	2,417
PFI Lease Liability - Current	194
PFI Lease Liability - Deferred	2,223

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.

9. Members' Allowances

In accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended) the total sums paid by Avon Fire Authority to members/co-optees under the Avon Fire Authority Members' Allowances Scheme for 2018/19 are set out on the following page. The summary of allowances, which have been paid under this scheme are as follows:

2017/2018 £'000		2018/2019 £'000
56	Allowances	56
56	**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:

2017/2018 £	Recipient	Basic Allowance £	Special Responsibility Allowance £	Travel & Subsistence Expenses £	2018/2019 £
4,405	Councillor P Abraham	281	-	-	281
371	Councillor J Ashe	1,512	-	-	1,512
1,497	Councillor A Barber	163	-	-	163
1,687	Councillor C Barrett	159	-	131	290
1,112	Councillor N Barrett	-	-	-	-
1,482	Councillor T Butters	1,512		460	1,972
284	Councillor J Clark	-	-	-	-
1,553	Councillor K Cranney	-	-	-	-
1,229	Councillor C Davies	1,512		51	1,563
9,016	Councillor D Davies	1,512	9,266	882	11,660
2,500	Councillor A Davis	1,512	2,319		3,831
2,872	Councillor M Drew	-	-	-	-
1,482	Councillor K Dudd	281	-	-	281
-	Councillor R Eddy	1,235	-	78	1,313
1,482	Councillor R Garner	1,512	-	59	1,571
-	Councillor P Goggin	1,189	545	-	1,734
2,688	Councillor A Hale	1,512	2,066	293	3,871
3,507	Councillor C Jackson	1,512	2,066	-	3,578
1,482	Councillor H Jama	281	-	-	281
-	Councillor C Johnson	1,235	-	-	1,235
1,733	Councillor C Lake	1,512	1,033	-	2,545
2,385	Councillor B Massey	319	218	25	562
459	Councillor M Morris	1,512	-	152	1,664
1,482	Councillor C Phipps	1,512	-	-	1,512
1,482	Councillor S Pomfret	1,512	-	-	1,512
1,482	Councillor I Scott	1,512	-	-	1,512
1,259	Councillor A Shah	281	-	148	429
1,668	Councillor M Shelford	1,512	-	763	2,275
247	Councillor C Stevens	-	-	-	-
247	Councillor M Threlfall	-	-	-	-
-	Councillor M Tyrrell	558	-	-	558
1,482	Councillor M Williams	1,512	-	-	1,512
1,988	Councillor N Wilton	1,512	-	332	1,844
1,482	Councillor C Windows	1,512	2,586	25	4,123
-	Mrs S Burrell	125	-	21	146
127	Mr M Rose	240	-	-	240
56,172	**Total**	**32,051**	**20,099**	**3,420**	**55,570**

10. 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 11) are not included in this table:

2017/2018 No. of Employees	Remuneration Band	2018/2019 No. of Employees
11	£50,000 - £54,999	13
11	£55,000 - £59,999	9
9	£60,000 - £64,999	11
2	£65,000 - £69,999	4
4	£70,000 - £74,999	2
-	£75,000 - £79,999	4

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

2017/2018			2018/2019			
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
2	21	£0 - £20,000	1	-	1	5
1	25	£20,001 - £30,000	-	-	-	-
1	100	£90,001 - £100,000	-	-	-	-
4	146	Total	1	-	1	5

11. Senior Officer Remuneration

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

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

Post Holder		Salary Incl. Fees & Allowances £	Benefits in Kind £	Pension Contributions £	Note	Total Remuneration Including Pension Contributions £
Interim Chief Fire Officer & Chief Executive - M Crennell	**2018/19**	**144,064**	**15,132**	**33,625**		**192,821**
	2017/18	94,810	18,875	24,177	(1)	137,862
Chief Fire Officer & Chief Executive - K Pearson	**2018/19**	**-**	**-**	**-**		**-**
	2017/18	92,891	2,918	12,401	(2)	108,210
Deputy Chief Officer & Deputy Chief Executive - L Houghton	**2018/19**	**118,603**	**5,737**	**16,960**		**141,300**
	2017/18	116,439	4,779	16,682		137,900
Assistant Chief Fire Officer - Director of Operational Response, previously Director of Operational Response & Technical Services	**2018/19**	**111,921**	**2,738**	**16,005**		**130,664**
	2017/18	109,997	595	15,730		126,322
Assistant Chief Fire Officer - Director of Services Delivery Support, previously Director of Risk Reduction and Learning & Development	**2018/19**	**111,921**	**1,709**	**24,287**		**137,917**
	2017/18	109,997	3,676	23,869		137,542
Director of Corporate Services	**2018/19**	**84,783**	**7,305**	**11,732**	(4)	**103,820**
	2017/18	25,850	3,211	3,809	(3)	32,870
Interim Treasurer	**2018/19**	**15,841**	**-**	**-**	(5)	**15,841**
	2017/18	-	-	-		-
Interim Treasurer and Finance Manager	**2018/19**	**81,876**	**6,228**	**12,036**		**100,140**
	2017/18	80,434	5,352	11,422		97,208
Legal Advisor, Clerk & Monitoring Officer	**2018/19**	**96,999**	**-**	**14,259**		**111,258**
	2017/18	95,333	-	13,537		108,870
Total 2018/19		**766,008**	**38,849**	**128,904**		**933,761**
Total 2017/18		725,751	39,406	121,627		886,784

(1) Interim appointment commenced 9/8/17
(2) Post holder left 4/11/17
(3) Interim appointment commenced 01/12/17
(4) Interim appointment ended 18/02/19
(5) Interim appointment commenced 24/11/18

12. **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 2018/2019 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 – (£14,580k).

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

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

- Other local authorities:

  - Bristol City Council as a billing Authority responsible for collecting council tax & business rates on behalf of the Fire Authority for its area (£10,965k). Also is a provider of financial services to the Fire Authority £222k. The loan with Bristol City Council has been fully repaid in 2018/19 so the current balance is now zero however the final cost of servicing this debt was £2,420k.
    Payment for financial services of £222k was outstanding as at 31 March 2019.

  - Bath & North East Somerset Council as a billing Authority responsible for collecting council tax & business rates on behalf of the Fire Authority for its area - (£5,224k) 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 £19,723k.

  - North Somerset Council (£6,144k) and South Gloucestershire Council (£8,143k) as billing authorities responsible for collecting council tax and business rates 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 £5,733k.
    Income due in respect of February and March 2019 VAT returns of (£297k) is outstanding as at 31 March 2019.

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

  - Police and Crime Commissioner for Avon and Somerset own the premises of the Authorities headquarters and the cost of the service charge is £197k. The agreement started on 19th June 2017 so the costs for 2017/18 was £103k.

13. 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 2017/18 Fund balance £'000	Restated 2017/18 Movement in Unusable Reserves £'000		2018/19 Fund balance £'000	2018/19 Movement in Unusable Reserves £'000
		Adjustments primarily involving the Capital Adjustment Account		
		Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
3,039	(3,039)	Charges for depreciation, impairment & revaluation of non-current assets	3,517	(3,517)
-	-	Capital Grants and contributions applied	-	-
57	(57)	Amortisation of intangible assets	59	(59)
(590)	590	Profit/(Loss) on sale of non-current assets	(5,215)	5,215
-	-	Adjustments involving the Capital Receipts Reserve	5,689	(5,689)
		Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement		
(1,213)	1,213	Capital expenditure charged against Fund balance	(593)	593
(438)	438	Statutory Provision for the Repayment of Debt - MRP	(375)	375
(151)	151	Statutory Repayment of Debt - PFI	(179)	179
(1,137)	1,137	Voluntary Provision above MRP	(2,007)	2,007
		Adjustments primarily involving the Deffered Capital Receipts Reserve		
-	-	Profit/(Loss) on sale of non-current assets	(8,000)	8,000
		Adjustments primarily involving the Pensions Reserve		
16,158	(16,158)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 26)	37,293	(37,293)
(5,482)	5,482	Employer's pension contributions and direct payments	(5,064)	5,064
		Adjustments primarily involving the Collection Fund Adjustment Account		
300	(300)	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	(391)	391
		Adjustments primarily involving the Accumulated Absences Account		
(59)	59	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	(2)	2
10,484	**(10,484)**	**Total Adjustments**	**24,732**	**(24,732)**

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

Property, Plant and Equipment

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

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

Restated 2017/18	Land & Buildings £'000	PFI £'000	Vehicles & Equipment £'000	Total £'000
Cost or Valuation				
1 April 2017	39,810	4,738	26,030	**70,578**
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	333	235	-	**568**
Revaluation increases / (decreases) to (surplus) / deficit on the provision of Services	1,918	-	-	**1,918**
31 March 2018	**42,316**	**4,988**	**26,307**	**73,611**
Depreciation and impairments				
1 April 2017	(301)	(2,599)	(12,981)	**(15,881)**
Charge for year	(1,250)	(216)	(2,237)	**(3,703)**
Disposals	-	-	1,362	**1,362**
Transfer to Assets Held for Sale	-	-	-	**-**
Revaluation written out to (surplus) / deficit on the provision of Services	1,222		-	**1,222**
31 March 2018	**(329)**	**(2,815)**	**(13,856)**	**(17,000)**
Net book value of assets at 31 March 2017	**39,509**	**2,139**	**13,049**	**54,697**
Net book value of assets at 31 March 2018	**41,987**	**2,173**	**12,451**	**56,611**

Intangible Non-Current Assets

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

2017/18 £'000	Intangible Assets (Purchased software licences)	2018/19 £'000
	Original Cost	
883	1 April 2018 (2017)	918
35	Additions	8
-	Disposals	-
918	31 March 2019 (2018)	**926**
	Amortisation and impairments	
(727)	1 April 2018 (2017)	**(784)**
(57)	Charge for year	(59)
-	Disposals	-
(784)	31 March 2019 (2018)	**(843)**
156	**Net book value of assets at 31 March 2018 (2017)**	**134**
134	**Net book value of assets at 31 March 2019 (2018)**	**83**

Assets Held for Sale

2017/18 £'000	Assets Held for Sale	2018/19 £'000
4,806	**Balance at start of year**	4,664
8	Additions in year	-
-	Revaluation	-
-	Assets newly classified as held for sale:	-
4,814		**4,664**
(150)	Assets sold	(4,664)
4,664	**Balance at end of year**	**-**

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

Capital expenditure and sources of finance were as follows:

2017/18 £'000		2018/19 £'000
278	Land and buildings	515
1,417	Vehicles	306
52	Ops equipment	41
184	IT Hardware	88
35	Software	8
1,966		**958**
-	Grant	-
754	Capital Receipts	365
1,212	Revenue Contributions	593
-	Prudential Borrowing	-
1,966		**958**

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.

2017/18 £'000		2018/19 £'000
23,499	Opening Capital Financing Requirement	21,772
	Capital Investment	
1,966	Property, Plant and Equipment	958
	Sources of finance	
(754)	Capital Receipts	(4,221)
-	Government grants and other contributions	-
(2,939)	Revenue Provision	(3,155)
21,772	Closing Capital Financing Requirement	**15,354**
	Explanation of movements in year	
(300)	Decrease in underlying need to borrow (supported by Government financial assistance)	(202)
(1,426)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(6,216)
(1,726)	Decrease in Capital Financing Requirement	**(6,418)**

16. Capital Financing - Minimum Revenue Provision

The Authority is required by regulations, issued under the provisions of the Prudential Code, to make "prudent provision" for the redemption of debt. Whilst the term "prudent provision" is not defined in the regulations separate guidance has been issued on the interpretation of this term and the Authority has a legal obligation to comply with this.

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

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

During 2018/19 the Authority made additional Voluntary Revenue Provision (VRP) over and above MRP in relation to the repayment of a loan with Bristol City Council.

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

Restated 2017/18 £'000		2018/19 £'000
	Opening Capital Financing Requirement as at 1 April:	
59,659	Fixed Assets	61,409
(9,949)	Revaluation Reserve	(12,554)
(26,211)	Capital Adjustments Account	(27,083)
23,499	Capital Financing Requirement	**21,772**
(165)	Adjustment Factor A	(165)
23,334	Adjusted Capital Financing Requirement	**21,607**
589	MRP	555
1,137	VRP	2,007
1,726		2,562

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 revalued more regularly if a five-yearly valuation would be insufficient to reflect material changes in value. Where there has been no material change the Authority has chosen to carry out the valuation of its properties on a five-year rolling basis. Land and Buildings were revalued by external valuers, Cushman & Wakefield, as at 31 December 2018.

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

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

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

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

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

18. Debtors

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

31/03/2018 £'000		31/03/2019 £'000
146	Trade Debtor	116
438	VAT - Non trade	294
492	Collection Fund - Non Trade	2,549
886	Pension top up grant - Non trade	3,804
1,222	Pension payment in advance - Non trade	-
2,540	Other - Non trade	1,888
5,724		8,651

We also have a long-term debtor in relation to a deferred capital receipt as per the table below.

31/03/2018 £'000		31/03/2019 £'000
-	Deferred Capital Receipts	8,000
-		8,000

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:

31/03/2018 £'000		31/03/2019 £'000
(1,193)	Bank Current Accounts (overdraft) in-hand	6,880
(1,193)		6,880

20. Creditors

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

31/03/2018 £'000		31/03/2019 £'000
(1,600)	Trade Creditors	(1,447)
(597)	PAYE - Non-trade	(612)
(505)	Grants received in advance - Non-trade	(457)
(1,925)	Other - Non-trade	(3,028)
(4,627)		(5,544)

21. Analysis of Borrowing

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

31/03/2018 £'000		31/03/2019 £'000
916	Between 1 and 2 years	-
512	Between 2 and 5 years	-
-	Between 5 and 10 years	-
7,000	Over 10 years	7,000
8,428	Total long-term borrowing at year-end	7,000

As at 31 March 2019 (2018) the Authority had deferred borrowing of £5,935k (£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 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Financial Liabilities at amortised cost	(10,847)	(9,223)	(3,328)	(2,927)
Total borrowings	**(10,847)**	**(9,223)**	**(3,328)**	**(2,927)**
Financial Assets at amortised cost	-	8,000	3,292	13,507
Total debtors	**-**	**8,000**	**3,292**	**13,507**

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 2018 £'000	31 March 2019 £'000
Financial Liabilities at amortised cost as above	**(3,328)**	**(2,927)**
Statutory debt in relation to HMRC	(597)	(612)
Receipts in advance	(505)	(457)
Short-term liabilities in relation to PFI	(179)	(195)
Receipts in advance and overpayments in relation to Council Tax .	(716)	(1,257)
Short-term Borrowing	954	-
Fire Fighter pension scheme - Ill health	(256)	(96)
Short-term Creditors per note 20	**(4,627)**	**(5,544)**

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:

2018/2019	Financial Liabilities measured at amortised costs £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expense			
- Loan	258	-	258
- PFI	450	-	450
Interest payable and similar charges	**708**	**-**	**708**
Interest income	-	(225)	(225)
Interest and Investment Income	**-**	**(225)**	**(225)**
Net (gain)/loss for the year	**708**	**(225)**	**483**

Fair Values

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

- For loans, the new maturity rates from the Public Works Loan Board (PWLB) as available at 31 March have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities

	31 March 2018		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	**Carrying Amount £'000**	**Fair Value £'000**
Loan Debt				
Local Authority	(2,383)	(3,834)	-	-
Public Works Loan Board	(7,000)	(9,259)	(7,000)	(9,858)
Deferred Liability - PFI	(2,418)	(2,418)	(2,223)	(2,223)
Total debt	**(11,801)**	**(15,511)**	**(9,223)**	**(12,081)**
Trade and other creditors	(3,328)	(3,328)	(2,927)	(2,927)
Total Financial Liabilities	**(15,129)**	**(18,839)**	**(12,150)**	**(15,008)**

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 2018 £'000	31 March 2019 £'000
Carrying amount total debt per below	**(9,383)**	**(7,000)**
Short-term Borrowing	(955)	-
Long-term Borrowing per note 20	(8,428)	(7,000)
Total Borrowing	**(9,383)**	**(7,000)**

	Current	
	31 March 2018 £'000	31 March 2019 £'000
Trade and other Creditors per above	**(3,328)**	**(2,927)**
Statutory debt in relation to HMRC	(597)	(612)
Receipts in advance	(505)	(457)
Short-term liabilities in relation to leases inc PFI	(179)	(195)
Receipts in advance and overpayments in relation to Council Tax	(716)	(1,257)
Short term Borrowing	954	-
Fire Fighter pension scheme - Ill health	(256)	(96)
Short-term Creditors per note 20	**(4,627)**	**(5,544)**

Financial assets held at amortised cost

	31 March 2018		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial assets held at amortised cost				
Bank and cash	(1,193)	(1,193)	6,880	6,880
Total debt / (credit)	**(1,193)**	**(1,193)**	**6,880**	**6,880**
Trade and other debtors	4,484	4,484	6,626	6,626
Total Loans and Receivables	**3,291**	**3,291**	**13,506**	**13,506**

Financial assets held at fair value

	31 March 2018		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial assets held at fair value				
Deffered Capital Receipts			8,000	8,000
Total Loans and Receivables	**-**	**-**	**8,000**	**8,000**

Reconciliation note

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

	Current	
	31 March 2018 £'000	31 March 2019 £'000
Trade and other Debtors per above	**4,484**	**6,626**
Short-term Debtors in Council Tax	1,418	2,342
Provision for bad debt	(616)	(611)
Short-term Debtors in VAT	438	294
Short-term Debtors per note 18	**5,724**	**8,651**

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 rate movements.

Overall Procedures for Managing Risk

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

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

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

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

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

Credit risk

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

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

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

	Amount at 31 March 2019 £'000	Historical experience of default	Adjustments for market conditions at 31 March 2019	Estimated maximum exposure to default £'000	Estimated maximum exposure to default as reported 31 March 2018 £'000
Other counterparties - Local Authorities	2,354	0.0%	0.0%	-	-
Other counterparties - NHS	-	0.0%	0.0%	-	-
Other counterparties - Central Government	4,098	0.0%	0.0%	-	-
Trade and other debtors	467	0.2%	0.8%	4	4
	6,919			**4**	**4**

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of it's counterparties in relation to deposits.

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

Liquidity risk

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

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

Refinancing and Maturity Risk

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

The maturity analysis of financial liabilities is as follows:

2018/2019	£'000
Less than one year	(3,130)
Between 1 and 2 years	(206)
Between 2 and 5 years	(1,116)
More than 5 years	(7,698)
	(12,150)

The maturity analysis of financial assets is as follows:

2018/2019	£'000
Less than one year	13,506
Between 1 and 2 years	-
Between 2 and 5 years	8,000
More than 5 years	-
	21,506

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 £5,935k which is being funded by utilising balances to offset borrowing in the short term in accordance with the Authority's approved Treasury Management Strategy.

A differential increase in interest rates between long-term and short-term rates would lead to an interest rate exposure for the Authority. This risk can be mitigated against increased counterparty risks associated with lending surplus balances as part of the treasury management function. The effect of a 1% change (rise or fall) in rates on interest rate risk relating to deferred borrowing of £5,935k would be £59k.

The Authority's medium-term financial plan has made no provision for borrowing in 2019/2020.

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

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

2018/2019	£'000
Increase in interest receivable on variable rate investments	74
Impact on Surplus or Deficit on the Provision of Services	**74**

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

2018/2019	£'000
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(1,618)

Effects of a 1% fall in rates:

As interest rates are low due to the current financial climate a 1% fall in rates is not possible as the average rate for 2018/19 was only 0.50%. The maximum impact could only be the interest received in the year of £225k.

2018/2019	£'000
Increase in interest receivable on variable rate investments	(225)
Impact on Surplus or Deficit on the Provision of Services	**(225)**

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

2018/2019	£'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)	2,023

The methodology and assumptions are based on a 1% movement in rates as this is a simple visual comparator. Obviously rates could change by different amounts and so the impact would be proportionate.
These assumptions are using the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

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

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

23. **Short-term Provisions**

	Balance at 1 April 2017 £'000	Additional Provisions Made in 2017/18 £'000	Amounts Utilised in 2017/18 £'000	Balance at 31 March 2018 £'000	Additional Provisions Made in 2018/19 £'000	Amounts Utilised in 2018/19 £'000	Balance at 31 March 2019 £'000
Fire Hydrants	65	-	-	65	-	-	65
Finance systems	38	-	(38)	-	-	-	-
HQ Relocation Expenses	330	-	(144)	186	-	-	186
NDR Appeals	492	586	(492)	586	662	(586)	662
Independant Inspection Reserve	140	-	(140)	-	-		-
Uniformed Staff Pay Award	-	191	-	191	-	(191)	-
Major repairs	-	425	-	425	-	(149)	276
	1,065	1,202	(814)	1,453	662	(926)	1,189

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

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

- Finance Systems
  This provision was 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. The timing is dependent on the Valuation Office hearing and passing judgement on these appeals.

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

- Uniformed Staff Pay Award
  This provision was utilised in 2018/19

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

24. Long-term Provisions

	Balance at 1 April 2017	Additional Provisions Made in 2017/18	Amounts Utilised in 2017/18	Balance at 31 March 2018	Additional Provisions Made in 2018/19	Amounts Utilised in 2018/19	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PFI	590	-	-	590	-	-	590
	590	-	-	590	-	-	590

Private Finance Initiative

Further to notes 1 and 8 and the volatility of the rates affecting the equalisation fund over the past few years, it is felt prudent to keep the provision for training centre contributions at existing levels.
This exact value required will not be known until the end of the PFI scheme in 2028 and won't fully be forecastable until 2026/27.

25. **Usable Reserve**

	Balance at 1 April 2017 £'000	Transfers in 2017/18 £'000	Transfers out 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers in 2018/19 £'000	Transfers out 2018/19 £'000	Balance at 31 March 2019 £'000
Fund Balance	1,500	-	-	1,500	-	-	1,500
	1,500	**-**	**-**	**1,500**	**-**	**-**	**1,500**
Invest to Save Reserve	2,186	314	(1,500)	1,000			1,000
	2,186	**314**	**(1,500)**	**1,000**	**-**	**-**	**1,000**
Pension & Budget Pressures Reserves Incl.							
PPE / ICP Replacement	125	-	(100)	25	115	-	140
Control Resilience Reserve	400	-	(72)	328	-	(32)	296
Premises \ H&S Critical Works Reserve	100	100	-	200	-	-	200
Pension Reserve	320	-	-	320	100	-	420
Legal Fees Reserve	100	-	-	100	-	-	100
Community Safety Reserve	49	34	(49)	34	-	(34)	-
Marketing Reserve	28	-	-	28	-	-	28
Auxiliary Reserve	125	-	(50)	75	25	-	100
Breathing Apparatus Reserve	50	-	(50)	-	-	-	-
Training Reserve	90	-	(90)	-	-	-	-
Capital Financing Reserve	628	-	(20)	608	-	(21)	587
Operational Fitness Reserve	70	35	(35)	70	-	(35)	35
Document Management and Retention System Reserve	60	-	-	60	-	-	60
ESMCP Reserve	236	226	-	462	-	(177)	285
HQ Relocation Reserve	914		(914)	-	-	-	-
Procurement Reserves	40	-	-	40	-	-	40
Equality & Inclusivity Reserve	50	35	(11)	74	-	-	74
Improvement Programme Reserve	-	1,500	-	1,500	-	(20)	1,480
Airbus SC Response software Reserve	-	6	-	6	-	-	6
Strategic Development software Reserve	-	10	-	10	-	-	10
Transformation Reserve	-	-	-	-	457	-	457
Furniture Reserve	-	-	-	-	20	-	20
Swift Water Rescue Equipment Reserve	-	-	-	-	100	-	100
	3,385	**1,946**	**(1,391)**	**3,940**	**817**	**(319)**	**4,438**
Hydrants Reserve	100	-	-	100	-	-	100
Medical Intervention Reserve	40	-	-	40	-	-	40
PFI Equalisation Fund	1,662	-	(49)	1,613	-	(73)	1,540
Unapplied Capital Receipts Reserve	-	-	-	-	5,689	-	5,689
Total Usable Reserves	**8,873**	**2,260**	**(2,940)**	**8,193**	**6,506**	**(392)**	**14,307**

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

a. Invest to Save Reserve

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

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. An additional amount of £115k has been transferred to this reserve to meet the expected costs of new uniforms. This will be utilised over the next two 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 three years. £72k was used in 2017/18 and a further £32k was used in 2018/19, with the reserve expected to be fully utilised within the next four years.

d. Premises / H&S Critical Works Reserve

This reserve has been created to finance any urgent works identified by the Authority as a priority in relation to Health and Safety, including works to remove asbestos. 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. An additional amount of £100k was transferred to this reserve during 2018/19 to meet expected costs. This reserve will be utilised as required.

f. Legal Fees Reserve

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

g. Community Safety Reserve

This reserve was fully utilised in 2018/19.

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 2019/20.

i. Auxiliary Reserve

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

j. Breathing Apparatus Reserve

The balance on this reserve was transferred to the Invest to Save reserve in 2017/18 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. Capital Financing Reserve

This reserve was created to support funding of the future Capital Programme including the reinvesting for the future programme and any variations in expenditure. £21k has been utilised during 2018/19. The reserve will be used as and when required.

m. 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 two year project. An additional £35k has been utilised in 2018/19, and the balance will be utilised in 2019/20.

n. Document Management and Retention System Reserve

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

o. ESMCP Reserve

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

p. HQ Relocation Reserve

This reserve was fully utilised in 2017/18.

q. Procurement Reserve

This reserve was created to review the procurement function to align to the NFCC category model and strength skill sets. This will be utilised in 2019/20.

r. Equality & Inclusivity Reserve

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

s. Improvement Programme Reserve

This reserve was set up in 2017/18 to fund the additional costs associated with the Best Value Improvement Programme agreed at the Fire Authority in October 2017. £20k has been utilised during 2018/19. The balance is anticipated to be utilised in the next two years.

t. Airbus SC Response Software Reserve

This reserve has been created to fund the purchase of a mobile data terminal software update to units on appliances. This will be utilised in 2019/20.

u. Strategic Development Software Reserve

This reserve will fund the purchase and implementation of strategic development software. This will be utilised in 2019/20.

v. Transformation Reserve

This reserve has been created to undertake digitalisation and corporate level projects of the Authority.

Digitalisation includes the introduction of Office 365, incident resource management and business process re-engineering.

Corporate level projects include collaboration, cultural reviews and Firewatch enhancement.

This will be utilised over the next three years

w. Furniture Reserve

This reserve has been created to fund additional furniture requirements over the next year, and will be utilised in 2019/20.

x. Swift Water Rescue Equipment Reserve

This reserve has been set up for health and safety reasons, for additional training and equipment. It will be utilised over the next two years.

y. Hydrants Reserve

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.

z. Medical Intervention Reserve

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

aa. PFI Equalisation Fund

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

bb. Unapplied Capital Receipts Reserve

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

26. Unusable Reserves

Restated Balance at 31 March 2017 £'000	Restated Balance at 31 March 2018 £'000		Balance at 31 March 2019 £'000
9,949	12,555	**Revaluation Reserve**	19,060
26,212	27,083	**Capital Adjustment Account**	26,678
(598,162)	(615,115)	**Pensions Reserve**	(666,378)
271	(29)	**Collection Fund Adjustment**	362
(391)	(332)	**Accumulated Absences Account**	(330)
-	-	**Deferred Capital Receipt Reserve**	8,000
(562,121)	**(575,838)**	**Total Unusable Reserves**	**(612,608)**

Revaluation Reserve

Restated 2016/2017 £'000	Restated 2017/2018 £'000		2018/2019 £'000
9,598	**9,949**	**Balance at 1 April**	**12,555**
963	3,045	Adjustment to revaluation of assets	6,997
10,561	**12,994**	**Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**19,552**
(612)	(439)	Difference between fair value depreciation and historic cost depreciation	(492)
9,949	**12,555**	**Balance at 31 March**	**19,060**

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

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

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

Capital Adjustment Account

Restated 2016/2017 £'000	Restated 2017/2018 £'000		2018/2019 £'000
27,193	**26,212**	**Balance at 1 April**	**27,083**
		Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,722)	(3,039)	Depreciation and impairment of non-current assets	(3,518)
(58)	(58)	Amortisation of intangible assets	(59)
(1,284)	(164)	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	(4,695)
22,129	**22,951**		**18,811**
612	439	Adjusting amounts written out of the Revaluation Reserve	492
22,741	**23,390**	Net written out amount of the cost of non-current assets consumed in the year	**19,303**
		Capital Financing applied in the year	
520	754	Capital Grants and Capital Receipts credited to the Comprehensive Income and Expenditure Statement	4,221
636	589	Minimum revenue provision for capital financing	555
901	1,137	Voluntary revenue provision for capital financing	2,007
1,414	1,213	Capital expenditure charged in-year to the fund balance	592
26,212	**27,083**	**Balance at 31 March**	**26,678**

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

Restated 2016/2017 £'000	Restated 2017/2018 £'000		2018/2019 £'000
(490,784)	**(598,162)**	**Balance at 1 April**	**(615,115)**
(98,188)	(6,277)	Remeasurements of pensions assets and liabilities	(19,034)
(14,430)	(16,158)	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	(37,293)
5,240	5,482	Employer's pensions contributions and direct payments to pensioners payable in the year	5,064
(598,162)	**(615,115)**	**Balance at 31 March**	**(666,378)**

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

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

Collection Fund Adjustment Account

2017/2018 £'000		2018/2019 £'000
271	**Balance at 1 April 2018**	**(29)**
(9)	Bath and North East Somerset	75
(355)	Bristol City Council	296
(84)	North Somerset	(3)
148	South Gloucestershire	23
(29)	**Balance at 31 March 2019**	**362**

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

Accumulated Absences Account

2017/2018 £'000		2018/2019 £'000
(391)	**Balance at 1 April**	**(332)**
391	Settlement or cancellation of accrual made at the end of the preceding year	332
(332)	Amount accrued at the end of the current year	(330)
59	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	2
(332)	**Balance at 31 March**	**(330)**

Deferred Capital Receipt Reserve

31/03/2018 £'000		31/03/2019 £'000
-	Deferred Capital Receipts	8,000
-		8,000

27. Retirement Benefits

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two pension schemes:

- <u>Local Government Pension Scheme</u>

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

- <u>Firefighters’ scheme</u>

Regular Firefighters employed before 6 April 2006 were eligible to join the Firefighters’ Pension Scheme but this scheme closed to new entrants from April 2006. The Employer contribution rate for this scheme was 21.7%. Employee contributions vary according to salary, as shown in the table under Note 2 to the Firefighters’ Pension Fund Account on page 119.

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 119.

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

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

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

Transactions Relating to Retirement Benefits

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

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

	Local Government Pension Scheme		Firefighters' Scheme	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Comprehensive Income and Expenditure Statement				
Costs of Services:				
Current Service Cost	1,601	1,491	8,610	7,890
Past service Costs / Curtailments	108	458	430	24,830
Firefighters' Pension Top-up Grant	-	-	(10,343)	(12,954)
Financing and Investment Income and Expenditure:				
Net Interest expense	439	435	15,290	15,120
Administration expenses	23	23	-	-
Total Post-employment Benefits charged to the Surplus or Deficit on Provision of Services	2,171	2,407	13,987	34,886
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined benefit liability comprising:				
Return on Plan Assets (excluding the amount included in the Net Interest expense)	181	(823)	-	-
Actuarial gains and losses arising on changes in experience assumptions	-	-	6,310	(60)
Actuarial gains and losses arising on changes in demographic assumptions	-	-	(15,040)	-
Actuarial gains and losses arising on changes in financial assumptions	(2,174)	2,977	17,000	16,940
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	178	4,561	22,257	51,766
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the code	(2,171)	(2,407)	(13,987)	(34,886)
Actual amount charged against the Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme	1,111	1,068	2,891	2,656
Retirement Benefits payable to pensioners			1,480	1,340

The cumulative amount of remeasurements recognised in the Comprehensive Income and Expenditure Statement to 31 March 2019 is (£201,816k).

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

Restated	Funded liabilities Local Government 2017/2018 £'000	Funded liabilities Local Government 2018/2019 £'000	Unfunded liabilities Firefighters' Scheme 2017/2018 £'000	Unfunded liabilities Firefighters' Scheme 2018/2019 £'000
Liabilities at beginning of year - Restated	(47,887)	(48,526)	(579,994)	(597,880)
Current Service Cost	(1,601)	(1,491)	(8,610)	(7,890)
Past Service Cost / Curtailments	(108)	(458)	(430)	(24,830)
Transfers In	(725)	-	(824)	-
Transfers Out	6	-	-	-
Interest Cost	(1,195)	(1,264)	(15,290)	(15,120)
Contributions by scheme participants	(310)	(307)	(2,270)	(2,180)
Remeasurements gains and (losses):				
Actuarial gains / (losses) from changes in demographic assumptions	-	-	15,040	-
Actuarial gains / (losses) from changes in financial assumptions	2,174	(2,977)	(17,000)	(16,940)
Actuarial gains / (losses) from experience	-	-	(6,310)	60
Benefits Paid	1,120	182	17,808	19,130
Liabilities at end of year	(48,526)	(54,841)	(597,880)	(645,650)

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

Reconciliation of fair value of the scheme assets:

	Funded Assets Local Government 2017/2018 £'000	Funded Assets Local Government 2018/2019 £'000	Unfunded Assets Firefighters' Scheme 2017/2018 £'000	Unfunded Assets Firefighters' Scheme 2018/2019 £'000
Assets at beginning of year	29,719	31,291	-	-
Interest Income	756	829	-	-
Return on Plan Assets, excluding the amount included in the net interest expense	(181)	823	-	-
Firefighters' Pension Top-up Grant			10,343	10,451
Transfers In	725	-	824	-
Transfers Out	(6)	-	-	-
Administration expenses	(23)	(23)	-	-
Employer contributions	1,111	1,068	4,371	3,996
Contributions by scheme participants	310	307	2,270	2,180
Benefits paid	(1,120)	(182)	(17,808)	(16,627)
Refund of Contributions	-	-	-	-
Assets at end of year	31,291	34,113	-	-

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

The actual return on scheme assets in the year was £1,651k (2017/18: £576k).

Scheme History

	2014/15 Restated £'000s	2015/16 £'000s	2016/17 Restated £'000s	2017/18 Restated £'000s	2018/19 £'000s
Present value of liabilities					
Local Government Scheme	(39,073)	(38,441)	(47,887)	(48,526)	(54,841)
Firefighters' Scheme	(547,209)	(476,186)	(579,994)	(597,880)	(645,650)
	(586,282)	(514,627)	(627,881)	(646,406)	(700,491)
Fair value of assets in the Local Government Scheme	26,380	26,268	29,719	31,291	34,113
Surplus/(deficit) in the					
Local Government Scheme	(12,693)	(12,173)	(18,168)	(17,235)	(20,728)
Firefighters' Scheme	(547,209)	(476,186)	(579,994)	(597,880)	(645,650)
Total	(559,902)	(488,359)	(598,162)	(615,115)	(666,378)

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £666m (£615m) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £666m (£615m).

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

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

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

- The total contribution expected to be made by the Authority in the year to 31 March 2020 for the Local Government Pension Scheme is £1,108k.

- The total contribution expected to be made by the Authority in the year to 31 March 2020 for the Firefighters' pension scheme is £5,203k (1992 scheme: £641k; 2006 scheme: £40k; 2015 scheme: £4,522k).

Basis for Estimating Assets and Liabilities

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

The main assumptions used by the actuary have been:

	Local Government		Fire Fighters' Scheme	
	2017/2018	2018/2019	2017/2018	2018/2019
Mortality assumptions:				
Longevity at 65 for current				
Men	23.6	23.7	21.9	22.0
Women	26.1	26.2	21.9	22.0
Longevity at 65 for future				
Men	26.2	26.3	23.9	23.9
Women	28.8	29.0	23.9	23.9
Rate of inflation CPI	2.1%	2.2%	2.3%	2.4%
Rate of increase in salaries	3.6%	3.7%	4.3%	4.4%
Rate of increase in pensions	2.2%	2.3%	2.3%	2.4%
Rate of discounting scheme	2.6%	2.4%	2.6%	2.5%

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 2018 %	31 March 2019 %
Equities	UK quoted	14.2	7.5
	Global quoted	26.7	28.3
	North America - non-quoted	0.0	0.0
	Japan	0.0	0.0
	Europe ex UK	0.0	0.0
	Pacific Rim ex Japan	0.0	0.0
	Emerging markets	0.0	4.6
Bonds	UK Government indexed	10.8	12.1
	Sterling Corporate Bonds	12.2	11.7
Property	UK Property Funds	4.3	5.1
	Overseas Property Funds	4.6	4.6
Alternatives	Hedge funds	4.6	4.9
	Diversified Growth Funds	13.2	12.5
	Infrastructure	5.8	7.0
Cash	Cash accounts	3.6	1.7
		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	2014/15 %	2015/16 %	2016/17 %	2017/18 %	2018/19 %
Experience gains and (losses) on assets	12.0%	(1.1)%	15.5%	1.8%	4.8%
Experience gains and (losses) on liabilities	0.0%	0.0%	0.0%	0.0%	0.0%

Firefighters' Scheme	2014/15 %	2015/16 %	2016/17 %	2017/18 %	2018/19 %
Experience gains and (losses) on liabilities	2.1%	5.9%	0.4%	(1.1)%	0.0%

Sensitivity Analysis Firefighters' Scheme

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

Sensitivity Analysis Firefighters' Pension Scheme 1992 Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	+1/2% a year	(9.0)%	-49.0
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%	41.0
Life Expectancy: each pensioner subject to longevity of an individual one further year younger than assumed		2.5%	14.0

The weighted average duration of the defined benefit obligation is around 20 years.

Note: Employer Contributions of £931,310 were received during 2018/19.

Note: Current Service Cost (inclusive of member contributions) for 2019/20 is 83.9% of Pensionable Pay.

Sensitivity Analysis Firefighters' 2006 scheme Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	+1/2% a year	(17.0)%	-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	8.5%	2.0
Life Expectancy: each pensioner subject to longevity of an individual one further year younger than assumed		2.5%	0.0

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

Note: Employer Contributions of £74,570 were received during 2018/19.

Note: Current Service Cost (inclusive of member contributions) for 2019/20 is 52.8% of Pensionable Pay.

Sensitivity Analysis Firefighters' 2015 scheme Change in assumption *		%	£ Million
Rate of discounting scheme liabilities	+1/2% a year	(16.5)%	-4.0
Rate of increase in salaries	+1/2 % a year	7.5%	2.0
Rate of increase in pensions / deferred revaluation	+1/2 % a year	9.5%	2.0
Life Expectancy: each pensioner subject to longevity of an individual one further year younger than assumed		2.5%	1.0

The weighted average duration of the defined benefit obligation is around 37 years.

Note: Employer Contributions of £1,649,720 were received during 2018/19.

Note: Current Service Cost (inclusive of member contributions) for 2019/20 is 60.4% of Pensionable Pay.

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

Sensitivity Analysis Local Government Pension Scheme

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

Sensitivity Analysis Local Government Pension scheme		Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
Disclosure item		+0.1% pa discount rate	+0.1% pa inflation	+0.1% pa pay growth	1 year increase in life expectancy
	£'000s	£'000s	£'000s	£'000s	£'000s
Liabilities	54,841	53,811	55,891	55,039	55,875
Assets	(34,113)	(34,113)	(34,113)	(34,113)	(34,113)
Deficit / (Surplus)	20,728	19,698	21,778	20,926	21,762
Projected Service Cost for next year	1,720	1,674	1,769	1,720	1,753
Projected Net Interest Cost for next year	484	479	510	489	509

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

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

28. Analysis of Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.
Under IFRS 15 we have assessed for contracts and no further disclosure is required:

2017/2018 £'000		2018/2019 £'000
	Credited to Taxation and Non-specific Grant	
-	General Capital Grant	-
-	Total Capital Grant	-
24,808	Precepts	25,916
12,458	General Government Grants	11,555
4,607	Non-domestic Rates Distribution	4,952
41,873	**Total**	**42,423**
	Credited to Services	
1,046	New Dimension / USAR	877
430	Fire Link	444
895	PFI grant	895
984	Other income	1,267
3,355	**Total**	**3,483**

None of the grants received by the Authority in 2017/18 or 2018/19 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 2018/19:

2017/2018 £'000		2018/2019 £'000
	Interest Payable and Similar Charges	
407	Loans	258
435	PFI	450
842		708
15,729	Net Interest on the net defined benefit liability	15,555
(22)	Interest Receivable and Similar Income	(225)
(8)	Other Investment Income	(7)
16,541	Total	**16,031**

30. Cash Flow Statement – Operating Activities

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

Restated 2017/2018 £'000		2018/2019 £'000
(3,703)	Depreciation	(3,498)
663	Impairment	(20)
(57)	Amortisation	(59)
91	Increase/(decrease) in Creditors	(901)
(3,129)	(Increase)/decrease in Debtors	2,927
(10,676)	Movements in Pension Liability	(32,229)
37	Contributions to/(from) Provisions	264
(164)	Carrying amount of non-current assets held for sale, sold or derecognised	(4,695)
(16,938)		(38,211)
754	Proceeds from Sale of non-current assets	9,910
-	Deferred Capital Receipts	8,000
754		17,910

Cash Flow Statement – Operating Activities (Interest)

The cash flows for operating activities include the following items:

2017/2018 £'000		2018/2019 £'000
(14)	Interest received	(216)
650	Interest paid	489

31. Cash Flow Statement – Investing Activities

2017/2018 £'000		2018/2019 £'000
1,966	Purchase of property, plant and equipment	958
(754)	Proceeds from Sale of non-current assets	(9,910)
1,212	Net cash flows from investing activities	(8,952)

32. Cash Flow Statement – Financing Activities

2017/2018 £'000		2018/2019 £'000
1,576	Repayments of long-term borrowing	2,383
151	Cash payments for the reduction of a PFI liability	179
1,727	Net cash flows from investing activities	2,562

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 Statement of Accounts was authorised for issue by the Treasurer on 31 May 2019. Events taking place after this date are not reflected in the financial statements or Notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and Notes have been adjusted in all material respects to reflect the impact of this information.

McCloud

- In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to "McCloud"), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination.
-

The Government lost its right to appeal on 15 July 2019. This has led to remedial action in the form of increases in benefits for some members.

The Actuaries were instructed to re calculate the pension scheme liabilities.

Firefighters pension scheme-
GAD have advised that the compensation payable to employees who were transferred to the reformed 2015 scheme is expected to lead to an increase in pension scheme liabilities of £24,830k

LGPS Scheme-
MERCER have advised that the compensation payable to employees is expected to lead to an increase in pension scheme liabilities of £822k

The accounts and notes have been adjustments for the above.

COVID-19

The COVID-19 outbreak has been developing worldwide at different rates since it first emerged in China in December 2019 resulting in the World Health Organisation declaring a global pandemic on 11th March 2020. So far it has caused substantial volatility in financial markets and disruption in supply chains. It is possible it will also cause further disruption to normal working practices in the UK as the outbreak escalates. The Authority has established a Critical incident Management Team to oversee and plan. The business continuity plans have been reviewed, since travel and office based working have been severely curtailed. The Authority is satisfied that it has in place appropriate plans, including home working with access to secure IT equipment and platforms, so as to minimise disruption to services. It has been identified that the IT infrastructure, whilst adequate to support activities in the short term, has some long term issues that will need to be resolved, and this work is being undertaken by the Transformation and IT teams.

As a provider of frontline public services, there have been minimal operational impacts on the Authority as it to maintains the delivery of its core services. Due to the financing arrangements with the constituent Unitary Authorities, as at the date of signing, the Authority is not expecting a reduction in funding in the 2020/21 financial year. The precept and non-domestic rates will be paid by the Unitary Authorities as set out in the budget schedules. In addition Central Government funding totalling £1.16m has been allocated to the Authority to pay for additional Covid 19 related costs.

The Authority also expects a negative impact on property asset values.

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:

2017/2018 £’000		2018/2019 £’000	2018/2019 £’000
	Contributions receivable:		
	Fire Authority		
(2,952)	- contributions in relation to pensionable pay	(2,829)	
(322)	- early retirements	(264)	
(2,343)	Firefighters' contributions	(2,347)	
(5,617)	**Total**		**(5,440)**
(824)	**Transfers in from other authorities**		**-**
	Benefits payable:		
13,187	Pensions	13,925	
1,699	Commutations and lump-sum retirement benefits	4,429	
160	Other	66	
15,046			**18,420**
	Payments to and on account of leavers:		
-	Transfers out to other authorities		**-**
8,605	**Deficit for the year before top-up grant receivable from central government**		**12,980**
(8,605)	Top-up grant payable by the Government		(12,980)
-			**-**

There were no individual transfers in 2018/19. The transfer in 2017/18 was in relation to a member of staff transferring their pension from the LGPS scheme to the Firefighters scheme following a change of role.

There were no transfers out in either year.

Net assets statement

The assets and liabilities of the pensions account as at 31 March 2019 are as follows:

31/03/2018 £'000		31/03/2019 £'000
	Current assets	
139	Payment in Advance	0
886	Top-up grant receivable from the Government	3,805
1,025		**3,805**
	Current liabilities	
(1,025)	Cash and Bank	(3,240)
-	Creditor	(565)
(1,025)		**(3,805)**
-	**Net assets**	**-**

Notes to the Firefighters' Pension Fund Account

1. Operation of the Fund

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

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

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

2. Contributions

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

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

	2018/ 2019								
Salary range from	£0	£15,610	£21,853	£31,219	£41,625	£52,031	£62,437	£104,061	£124,872
Salary range up to	£15,609	£21,852	£31,218	£41,624	£52,030	£62,436	£104,060	£124,872	-
Firefighters' pension scheme:									
1992 Scheme									
Employer	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%
Employee	11.0%	12.2%	14.2%	14.7%	15.2%	15.5%	16.0%	16.5%	17.0%
Total	32.7%	33.9%	35.9%	36.4%	36.9%	37.2%	37.7%	38.2%	38.7%
2006 Scheme									
Employer	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%
Employee	8.5%	9.4%	10.4%	10.9%	11.2%	11.3%	11.7%	12.1%	12.5%
Total	20.4%	21.3%	22.3%	22.8%	23.1%	23.2%	23.6%	24.0%	24.4%
Retained Firefighters' Modified Scheme									
Employer	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%
Employee	11.0%	12.2%	14.2%	14.7%	15.2%	15.5%	16.0%	16.5%	17.0%
Total	32.7%	33.9%	35.9%	36.4%	36.9%	37.2%	37.7%	38.2%	38.7%
2015 Scheme									
Employer	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%
Employee	11.0%	11.0%	11.0%	12.9%	12.9%	13.5%	13.5%	13.5%	14.5%
Total	25.3%	25.3%	25.3%	27.2%	27.2%	27.8%	27.8%	27.8%	28.8%

	2017/ 2018								
Salary range from	£0	£15,610	£21,853	£31,219	£41,625	£52,031	£62,437	£104,061	£124,872
Salary range up to	£15,609	£21,852	£31,218	£41,624	£52,030	£62,436	£104,060	£124,872	-
Firefighters' pension scheme:									
1992 Scheme									
Employer	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%

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 44 – 56. 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 AND RESCUE AUTHORITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Movement in Reserves Statement;
- the Cash Flow Statement;
- the related notes 1 to 34;
- the Statement of significant Accounting Policies and
- the Firefighters' Pension Fund Account on pages 117 -120.

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 2018/19.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information
The Treasurer is responsible for the other information. The other information comprises the information included in the statement of accounts 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 we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Treasurer's responsibilities
As explained more fully in the Treasurer's responsibilities statement, the Treasurer is responsible for: the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

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

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

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Basis for Adverse Conclusion

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."

The Authority developed an action plan in response to that report with 62 actions of which 19 were not complete at 31 March 2019. Other actions which were complete at 31 March 2019 were completed during the year indicating arrangements were not in place throughout the year.

This issue is evidence of weaknesses in proper arrangements for acting in the public interest, through demonstrating and applying the principles and values of sound governance.

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) 2018/19 Inspection Report rated the Authority as inadequate in respect of how well the Fire and Rescue Service looks after its people, and stated the following:

"The service is inadequate in the way it looks after its people. It does not do enough to:

- promote the right values and culture; and
- ensure fairness and promote diversity.

It also needs to improve the way it manages performance and develops leaders"

These issues are evidence of weaknesses in proper arrangements to plan, organize and develop the workforce effectively to deliver strategic priorities.

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Avon Fire and Rescue Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Avon Fire and Rescue Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

CERTIFICATE OF COMPLETION OF THE AUDIT

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

USE OF OUR REPORT

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

I C Howse.

Ian Howse (Appointed auditor)
For and on behalf of Deloitte LLP
Cardiff, UK
28th July 2020

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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